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Economic Developments

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ECONOMIC DEVELOPMENTS

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AGRICULTURE AND LIVESTOCK

Mexico has obtained a \$75 million loan from the World Bank for farm development. The Mexican Director of Guaranteed Funds for Livestock and Agriculture said that the loan will promote the farm sector and strengthen the economy of Mexico, since that sector produces 95% of the internal consumption and close to 60% of the export products.

The Inter-American Development Bank announced the grant of a loan to Mexico for the equivalent of \$32 million in order to help raise the agricultural production of the country. The resources of the loan will supply credit for some 47,000 small rural property owners, including tenant farmers and other low income farmers throughout the country. The loan was granted to the *Nacional Financiera, S.A.*, and its resources will be used to benefit the farmers through the *Fondo Especial de Financiamiento Agropecuario* (FEFA), created in 1965 under the trusteeship administration of the *Banco de Mexico, S.A.*

The Inter-American Development Bank has offered the Government of the Dominican Republic the sum of \$120 million for implementing the first National Agriculture and Cattle Raising Development Plan. The plan is to be carried out during a five-year period beginning in January 1972 at an estimated cost of more than \$160 million.

The Agency for International Development announced on July 15, authorization of a \$10 million loan to help finance the improvement of rural roads in Jamaica. This loan, together with a \$7 million Jamaican contribution, will serve to establish a Rural Road Improvement fund administered by the Government of Jamaica. The monies will finance the reconstruction and improvement of tertiary roads and trails linking small

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and medium size farms to agricultural marketing and processing centers. The \$10 million contribution from the U.S. is destined to rehabilitate — raise from sub-standard to all-weather standard — approximately 325 miles of rural feeder roads serving 40 primary agricultural regions. The reconstruction work, including feasibility studies is expected to take three years. The loan is to be repaid in 30 years including a five-year grace period during which repayment of principal is waived. The interest is 2% a year during the grace period and 3% thereafter.

According to a report of the U.S. Agriculture's Economics Research Service, the Caribbean region has become a major and expanding market for U.S. products and the trend will continue specially for agricultural products. The report covers the Caribbean region (including Puerto Rico and the U.S. Virgin Islands), Bermuda, the Bahamas, the Guianas and British Honduras. Although agriculture continues to dominate the economics of most of the Caribbean area, the study stated that in recent years "governments within the Caribbean area have placed great emphasis upon economic diversification, stressing the development of light manufacturing, mining and tourism."

An agricultural and industrial development fund was recently established in Honduras to stimulate diversification and increase production in agriculture and industry. The fund will be financed by annual contributions by the government of not less than 2% of budgeted revenues.

A \$10 million loan from the International Development Association will enable Ecuador to enter the second phase of its cattle production program. Part of the funds will be used for technical and administrative training programs.

CHEMICAL AND PLASTICS

ARGENTINA

Petroquimica Mosconi has awarded a contract to Hydrocarbons Research to build a \$40 million aromatics project on a site 30 miles south of Buenos Aires.

Dow Chemical has delayed work on its proposed \$120 million petrochemical plant in Bahia Blanca to complete restructuring of its financing to give Argentine interests majority ownership. Earlier plans had called for Dow to hold the majority interest in the plant. Dow said the plant would definitely be built, but the company will hold only a minority equity position in the complex.

BRAZIL

A joint venture has been entered into between Quimig, a Brazilian firm, and Kloeckner Humboldt, a West German group. The petrochemical project is to be carried out in Minas Gerais. The plant, which will require an investment of \$75 million, is scheduled to begin operations in 1974. Two-thirds of the capital will be contributed by Kloeckner Humboldt. The city of Uberaba is to be the location for the plant which is expected to produce 500 tons of ammonia a day.

Construction of a plant to manufacture petrochemical derivatives will start soon at Camacari, Bahia State. It will be owned by a new company, Ciquine Compania Petroquimica, with Brazilian interests investing 70% of the Capital required. Mitsubishi Chemical Industries will invest 15%, Mitsubishi Heavy Industries 11.25%, and Nissho-Iwai 3.75%.

Solvay, through its subsidiary, Industrias Químicas Alcor, plans to invest \$60 million in Brazil this year, to build two new petrochemical plants, bringing its total number of plants to seven.

Chemische Werke Huels and Farbenfabriken Bayer of West Germany will enter into a joint venture with Uniao de Industrias Petroquimicas (Unipar) for the manufacture of PVC in Brazil. The plant is expected to make the country self-sufficient and to eventually lead to export capability.

DuPont is expected to take a 45% interest in Salgema Industrias Quimicas, which will build a \$64 million chlor-alkali complex at Maceio. The other partners are the Luz group with 45% and the National Economic Development Bank with 10%.

Oxiteno Industria e Comercio, a newly formed company, will build a \$24 million ethylene oxide and derivative plant at the petrochemical complex near Sao Paulo by 1973.

CHILE

The government of Chile wants 51% of PETRODOW, a \$30 million petrochemical complex in Concepción, now owned 70% by Dow, and 30% by the state-owned Petroquimica Chilena. Dow is mainly interested in retrieving its \$10 million equity investment.

MEXICO

The *Sociedad Union Carbide Mexicana* will invest \$20 million in the construction of a hydrofluoric acid plant in Apodaca near Monterey. The U.S. Union Carbide group that owns 60% of the capital of Carbide Mexicana stated that the new plant will have an annual production capacity of 35,000 tons. The Apodaca plant will be completed about the middle of 1973 and its production will be destined for exportation. Hydrofluoric acid is principally used in the manufacture of refrigeration products.

VENEZUELA

Dart Industries will form Estireno Del Zulia jointly with Instituto Venezolano de la Petroquímica (IVP) and a private investment group to manufacture and market polystyrene in Venezuela. Dart will invest \$500,000, equal to 25% of the new company. The Venezuelan groups will be responsible for building and operating the polystyrene plant and marketing the plastic raw materials. Venezuela consumed 17 million lbs. of polystyrene in 1970.

Instituto Venezolano de Petroquímica, the state petrochemical agency, has received a \$70 million loan for its petrochemical complex at El Tablazo from a syndicate of 30 banks and financial institutions on three continents. Manufacturers Hanover will manage the credit, which is guaranteed by the Republic of Venezuela.

DEVELOPMENT AND INVESTMENT

The agreement by which foreign investments will be placed under tight controls has been implemented by the five Andean Pact nations. The "common plan for treatment of foreign capital", approved December 30, 1970 by the Cartagena Agreement Commission, became effective July 1, 1971 in Bolivia, Colombia, Ecuador, Chile, and Peru. According to the terms of the Pact any foreign company established in any one of the countries must make enough of its shares available to local investors so as to insure that the company will become a mixed enterprise. The time limit in Colombia, Chile, and Peru is 15 years. Companies already established in the area must also sell within 15 years the number of shares necessary to make them mixed enterprises. Some members of the legal profession are arguing in Colombia that the Supreme Court should decide whether the agreement requires the approval of Congress before it can be implemented in that country.

At the closing session of the meeting of the economic section of the Latin American Parliamentary Commission in San José, Costa Rica, a draft law regulating foreign investments in Latin America as a whole was approved. The project submitted by the Venezuela delegation contains a number of conditions and restrictions on investments from the U.S., Europe and Asia. The purpose is to establish a single criterion on foreign investments for all Latin American countries. It will be submitted at the forthcoming meeting of the Latin American Parliamentary Commission and if approved and ratified by all countries, will become law in the continent. Each country will appoint a committee to approve foreign investments and projects, which will comply with the requirements of the law. Article 40 concerns already existing companies and rules that they must agree to gradual transformation of their companies into joint capital entities.

W. R. Grace and Co. (Casa Grace) has lost two sugar plantations in Peru due to the Peruvian agrarian reform program. Since Peru also has a revolutionary industrial reform program, Casa Grace might foreseeably lose its chemical and paper industries also. To insure reimbursement to the company and stockholders for the property being expropriated in Peru, the company recently had a representative before a congressional committee testifying in favor of continuing Peru's sugar quota in the U. S. market. The Grace plan supports the Peruvian sugar quota and favors a proposal that part of the money paid for sugar imported into the U.S. be held back in reserve to be used against payment due for expropriations by countries "whose expropriation methods have been challenged."

The VII Latin American Congress of Industrialists closed in Caracas with the approval of the "Declaration of Caracas" based on a proposal from Mexico. The document was then to be submitted to ALALC for consideration. The President of the Congress stated that "the declaration differs from the Andean statute in that it safeguards the interests of our countries without discouraging investors. The recommendations are flexible and allow each country to determine the areas reserved for national capital and to orient foreign investors toward the export sector."

The United Nations Development Organization (UNIDO), an autonomous organization within the U.N. established in 1967 by the General Assembly to promote and accelerate the industrialization of the developing countries, has recently appointed a group of experts in Sao Paulo to assist local industries with their foreign trade problems, export market expansion studies, sales techniques and other matters related to this sector.

Part of UNIDO's mandate is to serve as coordinator for all the activities of the U.N. system in the field of industrial development.

The Act of Asunción, a document signed at the close of the Conference of Foreign Ministers of the five countries which share the River Plate, Basin — Argentina, Brazil, Uruguay, Paraguay, and Bolivia — aims at regional cooperation for the exploitation of the 1.5 million square miles which comprise the River Plate Basin. The area has unexploited riches and the world's largest reserves of manganese and iron. There are about 9,000 miles of navigable rivers, including the Paraná, the Paraguay and the Uruguay. The entire area of Paraguay lies within the basin, 80% of Uruguay, 37% of Argentina, 19% of Bolivia and 17% of Brazil. The latter country, with the smallest portion falling within the basin area, has done the most to take advantage of the potential there, particularly with respect to water power. Brazil now has 17 hydroelectric installations in the basin; Argentina has none.

Fourteen Latin American countries are now engaged in active National Development Foundation (NDF) programs. Low income groups in Latin America are being helped through the Pan American Development Foundation (PADF) a private non-profit organization, by publicizing local credit sources, supplying second-hand machinery to vocational schools and encouraging self-help projects.

In the annual meeting of the board of trustees of PADF, the Chairman reported that:

1. Nine National Development Foundations currently lending or guaranteeing bank credit have made over \$3 million in loans.
2. The Small Loan Guaranty Program of the Overseas Private Investment Corporation in Guatemala and Honduras is currently being administered by the Foundation.
3. The Material Resources Program reached a cumulative value of \$7.5 million during 1970. The Program includes contributions of health services and vocational training equipment.

Paraguay's 1971-75 Development Plan published in November 1970 stresses the expansion of the productive good sector. This represents a gradual change from investment in basic infrastructure. The first stage of the plan combines all the existing infrastructure projects such as road building, international bridges, and the expansion of communications networks. Also planned, are structural changes in the present tax system. The plan's second stage calls for the expansion of present industries and agricultural and forestry activities, the improvement of marketing systems,

and the setting up of new industries. It is hoped that these measures will improve the country's export potential or diminish the propensity to import. This would also increase the country's ability to absorb future foreign loans while creating new sources of employment that would increase local purchasing power.

The International Finance Corporation (IFC) has joined Brazilian and Norwegian interests to set up a novel enterprise that will develop Brazil's potential extensive forest resources and advance its prospects for becoming an important exporter of wood products. IFC is making a loan of \$4.9 million to *Industria de Celulose Borregaard, S.A.*, for the operation of a \$76.1 million pulp mill with supporting wood plantations and harbor facilities of Gauiba, Rio Grande do Sul, in Southern Brazil. The mill will have a rated capacity of 189,000 metric tons a year, consisting of 119,000 tons of paper grade pulp and 70,000 tons of dissolving pulp. The project is sponsored by Borregaard S.A., the largest industrial company in Norway, and one of the leading pulp and paper manufacturers in Europe. The Norwegian company which has contracted to buy, or to sell on behalf of the Brazilian company, the mill's entire output for 15 years, will screen and bleach the pulp in Norway. Initially, the project will use wood from existing forests. However, the company's plantation program includes the purchase of approximately 74,000 acres of land within a short distance from the pulp mill which, when developed into eucalyptus forests, will supply about 80% of the company's pulpwood needs. At full production the mill is expected to have net foreign exchange earnings in the neighborhood of \$20 million a year. Construction on the project began in 1969 and production is scheduled to start in mid-1972.

Preliminary talks on possible World Bank financing for the 5 year Railroad Investment Plan prepared by the Sao Paulo government have been made in Washington by Brazil's Finance Secretary.

Brazil and Canada have discussed the implementation of the Brazil-Canada Technical Assistance Agreement which increases Canadian participation in Brazilian government development projects. A Canadian economic financial delegation has made preliminary contacts covering an investment insurance agreement between Brazil and Canada.

The Government of Peru has announced the establishment of a new development finance corporation (COFIDE) to help provide public and private industries with long-term and short-term financing.

The Government of Argentina has entered into an agreement with the Inter-American Development Bank to provide special funds in Argentine currency to help finance development projects in Bolivia, Paraguay and

Uruguay. The action represents a new contribution on the part of Argentina to its comparatively less developed neighbors by providing on a regional basis the local counterpart funds required in the execution of various projects. Under the agreement, in addition to the contributions which it makes to the bank as a member, Argentina will make financing available in its own currency to help provide the local contribution for specific projects which the bank may finance in the three countries aforementioned. The agreement entered into between the bank and Argentina is the first agreement of its kind that the bank has made with a member country in Latin America.

The Inter-American Development Bank has announced a \$169,000 technical assistance grant to finance development studies for the five-nation Andean group. The grant was extended to the Board of the Agreement of Cartagena, established in 1969 to promote the development and economic integration of its member countries—Bolivia, Chile, Colombia, Ecuador and Peru. The grant will enable the Board to carry out studies on seed oil production, industry and transportation during 1971.

Barbados has formed the Barbados National Development Cooperative Society Limited (BANDCOS) which aims to create a consumer cooperative. It has a registered capital of \$500,000.

The Latin American countries reached unanimous agreement on a draft project concerning their strategy for development in the next ten-year period at the assembly of CEPAL held in May, 1971. Certain points of controversy during the deliberations were eliminated due to the softening of the Cuban and Chilean positions but there was disagreement over the attempted creation of a committee to evaluate the implementation of the strategy.

EXPORTS — IMPORTS

The Foreign Credit Insurance Association (FCIA) is cooperating with Eximbank on a new program to stimulate an increase in American exports. The program's objective is to be attained by the elimination of credit risks, especially for smaller and inexperienced companies. The association is promoting new and low-cost blanket insurance policies covering both the political and commercial risks in selling abroad on credit, as prime incentives to increase exportation. The new blanket policies have as a basic feature a comprehensive and flexible coverage of up to five years, according to the exporter's experience. Also included is a basic feature specially designed for smaller companies new to the exporting business. Under a "master" deductible policy which reduces

costs while still covering above-normal commercial losses the exporter absorbs part of his loss. Under the terms of the agreement, the partners will share in the risks, premiums, expenses and profits, thus ensuring for the first time, an enduring partnership, at least during the next five years. FCIA aims at a 15% to 20% coverage of American exports by credit insurance, which is above the 11% average for export credit programs of other countries.

The results of a survey made by the Foreign Office on the benefits to Brazil from the decision by the European Common Market to establish preferential tariffs for underdeveloped countries has been made available to industry, commerce and agriculture federations and secretariats.

Governmental Resolution No. 68 consolidates and expands the system for financing export of Brazilian manufactured products by increasing financing in foreign currency and granting importers direct financing of 80% to 85% of the invoice value for sight payment in Brazil. Other benefits include financial backing for production operations, programs of studies and market research and merchandising, and the sale of technical economic projects and engineering services for enterprises abroad.

One of the fastest growing programs of the U. S. Export-Import Bank is a new method of getting foreign banks to seek out and help finance customers for U.S. exports. Overseas branches, subsidiaries and correspondents of U.S. banks are eligible to participate. The program, known as the Cooperative Financing Facility (CFF) was inaugurated in June, 1970. By May, 1971, 43 CFF arrangements had been concluded with 37 non-U.S. banks. It is intended that the cooperating bank make funds available to small and medium-sized firms unable to obtain more conventional financing, thus enlarging the market for U.S. exports. The Cooperating Institution (CI) obtains Eximbank approval from Eximbank usually within 24 hours for small transactions and within a few days for larger deals. CI makes the decision as to the credit reliability of the purchaser and the fee is $\frac{1}{2}$ of 1% on the balance of each approved transaction beginning 30 days after final Eximbank approval. The CI may charge the purchaser $8\frac{1}{2}$ percent interest on the money furnished by the Eximbank, to cover handling and risk and to allow for a profit. CI negotiates the rate of interest on its own money with the purchaser.

The U.S. Senate has approved the Export-Import Bill, S. 581, which would substantially increase Eximbank's capacity to provide financial assistance to U.S. exporters. The bill also extends the existence of the bank to 1976 and allows it to finance trade with Eastern Europe.

FREE ZONES

The documents setting forth the regulations for a free zone at the port of Rosario, Santa Fé, Argentina, permitting free access to Bolivia, were signed in Buenos Aires early in May. The regulations will be sent to the respective governments for consideration and ratification.

GAS AND OIL

As a means of enforcing laws against ocean spills, scientists have made efforts to develop a reliable method of fingerprinting oil types. If and when the fingerprinting method of identification is perfected, the scientists suggest that an international agency be formed to supply samples of every oil shipment and maintain oil fingerprinting data. This could make legal prosecution possible by determining the source of ocean pollution through the matching of the fingerprints in a spill with those on file. The scientists at a national meeting of the American Chemical Society held in Los Angeles, California, determined that petroleum from different areas of the world had detectably different chemical compositions because of having been formed in different geological environments. Therefore, it is possible to distinguish oil from different areas of the world and even from within a specific region. The minute chemical differences in the oil persist even though it has been exposed to water, weathering and other forms of degradation for several months. The four methods of identifying oil fingerprints are mass spectrometry, infra-red spectroscopy, gas chromatography and neutron activation analysis. An increase is expected in the 5 to 10 million tons of oil spilled in the oceans each year due to the expanded exploration of the oil resources of the Continental Shelf and increased oil shipments. The oil spills usually come from leaking ships and offshore oil wells, collisions and groundings, and the intentional flushing of oily bilges and tanks.

The Bolivian Embassy in Moscow has announced that the governments of Bolivia and the USSR have signed a pact whereby the latter will help the former explore for oil and gas on the high, undeveloped Andean plateau in the western part of the country.

Bolivia has received two loans totalling \$42,500,000 for the construction of a gas pipeline to Argentina. The loans were granted by the World Bank and the Inter-American Development Bank in the amounts of \$23,500,000 and \$19,000,000 respectively. The project comprises the installation of a main high pressure line covering the 530 kms. between Santa Cruz and Yacuiba, a lateral line 20 kms. long up to Naranjillos,

installations for river crossing, surveying equipment, control stations and complementary installations.

The shipment of pipes to Bolivia for the construction of a gas pipeline between Bolivia and Argentina has been resumed after an interruption of nineteen months. The pipe material was detained in the ports of Buenos Aires, Rosario and Santa Fé, Argentina right after the conflict which arose when the Bolivian government expropriated the properties of the Gulf Oil Company. The material deposited at the port of Buenos Aires will be shipped first. Bolivia may be receiving shipments of similar parts directly from Federal Germany in the future.

The Governments of Chile and the USSR have signed an agreement for the construction, in Chile, of a basic lubricants plant which will function as an annex of the Concon oil refinery of the *Empresa Nacional de Petróleo*.

The Chilean Government has entered into an agreement with *Yacimientos Petrolíferos Bolivianos* for the acquisition of 600,000 barrels of crude oil per month. The first agreement will last three months and delivery will be made through the Chilean seaport of Arica where Bolivia maintains a pipeline for the exportation of its oil. The crude oil will be refined at the *Empresa Nacional de Petróleos* plants in Concepción and Concon, Chile. This is the first time that Chile has imported crude oil from Bolivia; Chile has traditionally obtained her supply from Venezuela, Colombia and the Middle East.

The Government of Peru has signed an agreement with Occidental Petroleum Corporation of Los Angeles for the exploration and exploitation of nearly four million acres in Peru's northeast jungle. According to the terms of the agreement, which runs for a total of 35 years and calls for an initial four-year exploration period, Occidental will initially invest \$50 million.

As a result of the negotiations initiated in December, 1970 between Petrobrás of Brazil and the Iraq National Oil Company for the exploitation of a petroleum field in Iraq, a group of Petrobrás technicians have been sent to Iraq to continue to negotiate the pertinent contract. According to Petrobrás, the areas offered by the Iraq National Oil Company are considered positive.

It has been unofficially reported in the Argentinian press that a large natural gas and oil deposit has been located in the basin north of the Falkland Islands and east of the Santa Cruz Province, on the Argentinian seabed. It has also been announced that the alleged deposit will

yield close to 200 million cubic meters of oil and more than 700 million cubic meters of gas during the next decade.

A most significant development in the oil industry took place in Venezuela in late Summer, 1971. The Oil Reversion Law became effective then, thus extending the government's control over oil operations and placing additional burdens on foreign oil companies. [*Editor's Note: This subject is covered fully in Inter-American Legal Developments.*]

The U.S. Export-Import Bank has authorized a credit of \$5,467,500 to the *Corporación Venezolana del Petróleo*, an agency of the Venezuelan government engaged in the exploration, exploitation and marketing of the country's petroleum resources. The credit is to be used to help finance a \$12,150,000 sale of U.S. equipment and services required in the construction of the Central Gas Pipeline of Lake Maracaibo in Venezuela.

Shell, Mobile and Occidental, in addition to other foreign firms, have been awarded the long awaited oil service contracts by the Venezuelan Government. The contracts of the above three firms cover five 123,500-acre blocks in South Lake Maracaibo.

The oil exploration contract of Colombian Petroleum Company (Colpet), a U.S.-owned company which covered a wide area of North Santander Province, has been cancelled by the Colombian government because the company allegedly failed to meet the terms of the contract and violated the Colombian labor laws. Colpet's only recourse is to appeal to the Supreme Court or to the Council of State.

LAND TRANSPORTATION

The U.S., Panama and Colombia took a decisive step toward the completion of the 14,000 mile Pan American highway through the closing of the Darién gap between Panama and Colombia. The U.S. will pay 2/3 of the \$150 million cost with Panama and Colombia providing the remaining \$50 million.

The Inter-American Development Bank granted a \$6,300,000 credit to Honduras in order to enlarge its highway system and \$20,000,000 to the Central American Bank of Economic Integration to finance the first stage of a road program. The credit granted to Honduras will be used for the construction or improvement of 113 kilometers of subsidiary roads, the preparation of feasibility studies for another 420 kilometers of highways, the strengthening of the national system of route maintenance, and technical assistance for the Minister of Communications. The loan to the Central American Bank will be used to carry out a program aimed

at improving the connecting highway between Nicaragua, Honduras, Guatemala and El Salvador, and to connect production centers with consumer markets.

A highway running more than 400 miles through grassland and jungle from Guyana to the Brazilian border will be open to traffic by 1975, more than 100 years after the project was first conceived. This first overland link between Guyana's heavily populated coastal plain and the sparsely settled interior is expected to open for development vast areas of land rich in timber and mineral resources.

Brazilian sources announced that a presidential decree has authorized a special Cr\$270 million allocation to be used by the Ministry of Transportation in the construction of the Transamazon Highway. The decree also approved an additional Cr\$50 million during the first quarter of 1972. Funds will be made available from the National Integration Program.

Two loans equivalent to \$47 million were approved by the Inter-American Development Bank to help build and/or improve nearly 400 miles of roads linking Brazil and Uruguay. The two loans were extended to the *Departamento Nacional de Estradas de Rodagem*, Brazil's national highway agency, and will be used to build or improve four major land routes in Brazil's Rio Grande do Sul State. The total cost of the improvement program is estimated at \$83,450,000. The bank loans will cover 56.3% of the aforementioned figure; the remainder of the funds is being provided by Brazil's national highway agency.

A contract for the construction of a new highway between Siquirres and Puerto Limón in Costa Rica has been signed by the government. A Venezuelan construction firm, Saopin, will be primarily responsible for the construction.

Mexican official sources have announced that Mexico will add more than 50% of its highway network during the next five years. Plans envisage the construction of 31,000 kilometers during the remaining five years of the present administration. The program calls for an investment of \$2.5 billion.

MARITIME AFFAIRS

The Government of Panamá has requested that a nine-man team from the consulting engineering firm of Livesey, Henderson and Partners of London be sent to Panama to study port development. The purpose of the survey is to assist in the development of existing port services in the

Republic, to formulate a port development program and to carry out feasibility studies of selected port projects.

Offers from three local companies were considered in the first half of May for the construction of a seaport at Punta Villarino near San Antonio Oeste in Argentina.

The Industrial Marine Service of Peru is building two \$8 million, 25,400 ton ships for the transport of fish meal and oil to the exterior. They will be in service by June and December of 1973. Peru will save \$4.5 million now paid annually for the shipping of these products.

Ishikawajima do Brasil Estaleiros plans to expand its facilities with a view to building vessels of up to 300,000 dwt. The project calls for the construction of a new dock to be completed by December, 1972.

A maritime terminal built at Guaruja near Santos by Dow Chemical Company was opened on May 27, 1971.

On May 1, 1971 Brazil revised its quotas on coffee and cocoa cargo moving to the United States. Effective on that date, Sunamam, the Brazilian counterpart of the U.S. Maritime Commission, allocated Brazilian flag carriers 50% of the coffee and cocoa shipped to the United States, American-flag carriers 40%, and third-flag carriers 10%, as compared with 40% to the first two, and 20% to the third-flag carriers previously allocated. Reports indicate that Sunamam hopes third-flag carriers will remain in the trade and promises to restore to them the 20% share of the trade once the shipping lines reach a pooling agreement among themselves.

It has been announced that a Brazilian delegation to London has negotiated foreign credits close to \$40 million for Brazil's Shipbuilding Program to run from 1971 to 1975. Credits were to be opened by England, Germany, West Europe & Denmark.

The Director of the Department of Ports and Riverways of Brazil has announced that the World Bank has granted a \$45 million loan for the first stage of the expansion of the port of Santos. The contract covers a total cost of \$100 million.

Venezuela has announced the construction of 250 fishing vessels at a cost of Bs\$80 million, during the 1971-1974 period. The Fishing Ports Program calls for the establishment of several essential ports in different parts of the country equipped with all the necessary facilities.

Informed Mexican maritime sources have announced that a project — studied by a United Nations technical assistance commission and found to be feasible and of great economic importance to Mexico — for the

construction of the first link of a 600-mile canal for large traffic between Bronxville, Texas, and Coatzacoalcos in Southeastern Mexico, may be considered by Mexico's present administration. The canal would connect with the Gulf and East Coast Intracoastal Canal in the United States. It has been estimated that the first link of the waterway extending from Matamoros, opposite to Brownsville, some 270 miles to Tampico, Mexico's major oil port would cost some \$40 million. Future extensions of the canal would reach Tuxpan, 80 miles further to the south, Veracruz, an additional 150, and Coatzacoalcos, 110 more miles. Also under consideration for future study is a shorter canal on Mexico's Pacific coast, a region where there are fewer natural harbors.

An official of the Jamaica Industrial Development Corporation has announced that Jamaica will be the headquarters of the recently created Caribbean Shipping Association. The Association is designed to facilitate the exchange of know-how, advice and information among all parties actively interested in the shipping industry of the Caribbean.

The National Maritime Research Center, the first research center in the United States devoted specifically to the improvement of commercial shipping operations and avoiding collisions and other accidents at sea, has been established at Kings Point, New York. The Center has three main functions: 1. Carry out research programs for the Maritime Administration, concentrating on problems dealing with the operations of machines by human hands and on human engineering; 2. serve as a field test in evaluation where proposed improvements developed by the Maritime Administration, the shipping industry, or academic institutions can be fully tested under simulated conditions before being recommended for installation in ships of the American Merchant Marine; 3. assist in the promulgation of technical information among the different sectors of the shipping industry by sponsoring conferences and seminars. Some of the research work to be undertaken by the Center will cover: oceanographic studies, investigating ways to get more service from a ship, testing corrosion-resistant marine paints and coatings, and administering the "ships of opportunity" program under which merchant ships at sea are enlisted to test equipment.

Bethlehem Steel Corporation's Shipyard at Sparrows Point, Maryland, is the site of a new shipbuilding basin where supertankers and other vessels up to 300,000 deadweight tons will be constructed. The basin, largest in the Western Hemisphere, is located on the Patapsco River outside Baltimore, and is part of a 172-acre shipyard complex.

METALS & MINERALS

The Chilean Congress has unanimously ratified nationalization of the copper industry. Nationalization affects Kennecott, Anaconda and Cerro which, according to the U.S. Department of Commerce, have an investment of \$500 to \$600 million in the Chilean copper mines. Indemnity shall be determined by the General Comptroller of the Republic, on the basis of the value appearing in the books on December 31, 1970, less taxes, fines and depreciation of machinery. [*Editor's Note: This subject is covered more fully in Inter-American Legal Developments.*]

Argentina is attempting to get more local participation in its first aluminum smelter, which is South America's largest. This is delaying the awarding of contracts for the 165,000-tons-per-year Puerto Madryn plant.

The National Secretary of Mining of Argentina and the Bariloche Foundation entered into an agreement which establishes for the first time a national filing system for the registration of information on mineral deposits. The object of the agreement is to create a system of accumulated data on Argentinian mineral deposits.

Minerações Brasileiras Reunidas (MRB) is investing approximately \$200 million exploring the iron deposits at Aguas Claras in the state of Minas Gerais and in the construction of a terminal in Sepetiba. MBR expects to ship approximately 88 million tons of iron ore over a 15 year period, mainly to the Japanese market.

The United States granted Colombia a loan for \$1.7 million from the Alliance for Progress to research Colombia's mineral resources. The loan, financed with funds from AID, will be invested in a research program centered on the products that Colombia presently imports, such as iron, copper, aluminum, zinc, and inorganic chemical fertilizers, including phosphates. This is the second loan by AID to Colombia for mineral research. The first loan for \$2 million was in 1963 and resulted in the discovery and analysis of appreciable deposits of phosphates. Through the present loan, AID will make available funds for training, equipment and materials to facilitate the efforts of the Colombia Ministry of Mines and Oil.

Bolivia, the world's second largest antimony producer, and Ikodos, a Czech firm, have signed a contract for the installation of an antimony foundry.

The *Mina Matilde*, a U.S. mining complex in Bolivia, was nationalized in April 1971, by presidential decree. The *Matilde* mine was devoted to the exploitation of great deposits of cadmium and zinc in a concession

north of La Paz near the Peruvian border. The nationalized company belonged to an integrated U.S. complex of Chemical Corporation and United Steel. With the nationalization of this mining company, practically all of the natural resources of Bolivia are in the hands of the government except for South American Placer which exploits Bolivia's gold deposits.

The government of Guatemala has approved an agreement with *Exploraciones y Explotaciones Mineras Izabel, S.A.* (Eximbal), a subsidiary of International Nickel Company, to develop the Guatemalan nickel deposits. Even though under the Guatemalan industrial incentive laws the new industry is exempt from income tax for the first 5 years of operation, Eximbal has agreed to waive 50% of its exemption. Under the agreement, the proceeds of the 50% waiver will be used by the government to purchase 30% of Eximbal's capital stock. The capital stock of the company amounts to \$50 million. The agreement provides that Eximbal will accept all laws governing mining in Guatemala, and, further, assume the obligation of taking precautions to avoid pollution of the environment. The company must also rehabilitate areas it has abandoned. In addition, Eximbal must use the services of Guatemalan transport companies in the transportation of nickel and on a broader scale it must purchase at least half of its requirements of fuels, services, lubricants and raw materials in the area of Central America. The Guatemalan Minister of Economy will direct the placement of all residue from the nickel ore extraction given to it by Eximbal and the Guatemalan Minister will also be consulted by the company in establishing the f.o.b. export price of nickel.

Field explorations conducted by the Panamanian government and the United Nations Development Program have identified a new mineral belt in the mountain range along the San Blas coast adjacent to the Colombian border. The belt contains copper with indications of molybdenum, zinc and gold.

An ore-briquette plant with a one million ton capacity is being built in Caracas, by the Orinoco Mining, a subsidiary of U. S. Steel and the largest iron ore company in Venezuela. The plant is to convert local ore averaging 58% iron into briquettes averaging 86%.

As a result of a series of studies carried out in cooperation with the United Nations Development Programme covering approximately 44,000 square miles in 9 different sections of Mexico, a total of \$488 million will be invested in the exploitation of mining deposits. The studies allegedly located reserves in excess of 1,000 million tons of copper along with the discovery of iron and other metals.

MONEY AND BANKING

Latin America, more so than any other region in the world, has resorted to "paper gold" in an effort to solve its economic and social development problems. The I.M.F. established paper gold in 1969 and placed it into effect in 1970 to improve international liquidity, and to keep currencies convertible among the member countries of the Fund.

The Central American central banks have increased their subscriptions to the Central American Monetary Stabilization Fund making a total participation of \$1.5 million for each member bank. The increase will allow the Stabilization Fund to use funds previously negotiated with the U.S. Agency for International Development (AID) for an equal amount. During 1970 a loan of \$10 million was negotiated with AID, to be made available on the basis of a matching participation by the Central American countries. At its inception the Stabilization Fund had received paid-in contributions totaling only \$5 million. With the new increase in resources the effective holding of the Stabilization Fund currently totals \$20 million, with an additional \$15 million pledged — \$12.5 million by the participants and \$2.5 million still to be made available by AID as member banks increase their contributions. Available resources are made up of \$7.5 million contributed by member banks, an equal amount from the AID loan, and \$5 million available through a swap agreement with the Central Bank of Venezuela.

Mexican industrialists proposed at the VII Latin American Industrialists Congress held in Caracas, Venezuela in April 1971, the creation of a Latin American Monetary Fund upon completion of a study to be made by the Latin American Free Trade Association on the subject of regional monetary integration.

A newly designed five-peso bill, has been placed in circulation by the Banco de Mexico, S.A. From 1925 until December, 1969, all of Mexico's paper currency was printed by the American Bank Note Co. in the United States. In the latter year, Mexico began producing its own bank notes with the issuance of a new ten-peso bill. The new five-peso bill is the second bank note produced by Mexico.

Industria Nacional de Clavos y Alambres de Púa (INCA) of Nicaragua, largest Central American manufacturer of nails and barbed wire, is making its first attempt to raise public capital for its operations. It is offering throughout the region 100-cordoba (approximately \$14.20) eight-year bonds with a guaranteed minimum annual yield of 12 per cent. On December 31, 1970, INCA's assets stood at approximately \$6.6 million.

According to the President of the Brazilian Association of Directors of Credit Investment and Financing Entities, U.S. investment banks are interested in floating shares of Brazilian companies abroad in the form of American Deposit Receipts (ADR).

By sending Congress a bill instituting the Rio dollar, or Latin American dollar, a group of financing firms in Rio have taken an important step involving banks, stock exchanges, companies, exporters and the government itself. According to well informed sources, the creation of the Rio dollar will be beneficial for Brazil both economically and politically. Amongst the economic benefits, it would provide easier access to foreign credit; help to reduce interest rate due to greater flexibility of operations; create a more favorable climate for implanting multinational companies in Brazil, and possibly make Brazil more influential in some continental areas.

Brazil's National Monetary Council is reportedly studying a plan from the Central Bank, which would alter the ratio between ordinary and preferred shares in the opening of a company's capital to the public. The basic plan would be to permit companies to launch up to 29% in preferred or ordinary shares, of the 49% which they are required to place on the market, entitling them to be qualified as "open" companies. The project is aimed at protecting national companies, but at the same time, does not obstruct the entry of multi-national organizations into stock market operations.

The President of the Federal Savings Bank of Brazil has made public the regulations governing the new Social Integration Plan instituted by the Brazilian Government. The Plan is a savings fund composed of contributions from private firms and participated in by all private employees, whether in industry, agriculture, or commerce. The Government estimates that in the first year of the Plan's operations deposits should total the equivalent of \$150 million, reaching a cumulative total in 1974 of approximately the equivalent of \$1 billion, at the current exchange rate. Workers participate proportionately in the Plan: each has a deposit book and can withdraw the interest accumulated during the year, but can only use the capital for expenditures connected with marriage, disability, the purchase of a house, or retirement. The companies, in turn, can borrow from the fund for working capital. The fund is viewed as an important element in the nation's growing stock market, as well as a way of channeling new savings into the economic development of the country. It is also hoped that the workers, by having this kind of account

and by participating indirectly in the capital market, will develop a propensity to save.

The Inter-American Bank has announced a technical assistance operation to help finance a post-graduate program on development banking to be undertaken by the University of São Paulo, Brazil, in cooperation with the Bank. The program, designed to improve the efficiency of Latin American professionals in the field of developing banking, will be carried out by the University's Institute for Economic Research during the second semester of 1971 and throughout 1972. Professionals from development banks and other credit institutions in Brazil and other member nations of the Bank will participate in the program. The course consists of two intensive 12-week sessions to be offered for 50 professionals from Brazil's development banks in fields directly related to their work and a nine-month post-graduate course in development banking designed to provide professionals of development institutions with the opportunity to continue their higher education in a program leading to a master's degree in economics, specializing in development banking.

To encourage the development of export and import-substituting industries, the Development Corporation of Paraguay, S.A. (COMDESA), a private development bank, has been established. COMDESA loans will be primarily medium-term and long-term, with interest rates up to 10% annually for U.S. dollar loans and 12% for loans on national currency. The new banks' authorized capital of \$1 million consists of \$250,000 subscribed by the international investment company, ADELA, \$250,000 subscribed by a group of ten domestic and foreign banks and the remaining \$500,000 is made up by domestic companies and individuals. COMDESA also has two long-term loans, one of \$0.4 million from the Finance Ministry of Paraguay and the other \$2.6 million from the U. S. Agency for International Development.

Chile's Central Bank Circular No. 1506 requires local employers to seek prior authorization for purchases of exchange to make payments abroad for professional or technical services. This ruling also applies to exchange required to pay for artistic, sporting or similar events.

The Chilean Government continues to nationalize the banking industry in the country. After taking control of ten local banks through the purchase of shares, the Government directed its attention to foreign banks. In early June it announced that an agreement had been reached to nationalize the local branch of the Bank of London and South America; negotiations with the other foreign banks are already in progress.

Jamaica has established its first Unit Trust, the Jamaica Investment Fund, operated under the Jamaica Development Bank. This is a new financial institute which pools savings for the purpose of investment. The Fund itself is tax exempt and it gives unit holders income-tax-free earning up to \$250 per year.

The Agency for International Development has authorized a \$10 million loan to Jamaica for the development of the Jamaica Mortgage Bank, a newly created institution. The U.S. loan, which supplements a \$5 million equity contribution by the Government of Jamaica, will serve as initial capital for the central mortgage banking institution that will channel more Jamaican and external resources into housing to keep meeting the ever-growing demand for lower middle income housing on the island.

The Guatemalan Congress has approved the formation of a new official bank, the *Banco del Ejército*, of which at least 51% of the shares will be held by the *Instituto de Previsión Militar*. The bank will specialize in granting financial and technical aid to small firms whether producing for the internal market or for export.

The Minister of Finance and Treasury of Panama announced on April 27th that an agreement had been reached with a group of foreign commercial banks for a loan of \$27 million to the Panamanian government. The major participants are the First National City Bank of New York, the First National City Bank of Chicago, the Chase Manhattan Bank and the Bank of America. All foreign commercial banks with branches in Panama have contributed. The loan will allow Panama to accelerate important public works programs and to maintain a high growth rate in the year ahead. The funds will finance agricultural and health programs, agrarian reform and other priority projects in which the Panamanian government is engaged. In agrarian reform, the organization of agricultural settlements will be accelerated, an aspect of the government's policy that is considered basic to its efforts to achieve a more just system of land tenure.

TELECOMMUNICATIONS

According to a report published by the United Nations Association of the United States, satellite facilities could give the United Nations Development Programme the greatly improved communications that are essential for its reorganization and expansion. The 17-member panel responsible for the report recommended that the U.S. take the leadership

in insuring that the UN gains cost-free access to INTELSTAT facilities for its major peace-keeping disaster warning and relief activities. In the development field, the Panel recommends: 1. that the UN and its specialized agencies determine how their expanding development activities can best be facilitated by satellite use; 2. that the U.S. Government and relevant host countries offer the UN counterpart funds to cover ground transmission charges in developing countries; 3. that member states accord the UN special rates for leased commercial ground facilities.

It has been announced that the World Bank has granted a \$35 million loan to Venezuela for expansion and improvement of its telecommunications system.

The newly created company Jamaica International Telecommunications Limited (Jamintel), established to take over the islands external communications from Cable and Wireless (West Indies), commenced operations on April 1, 1971. The Government owns 51% of the \$15 million share capital and has an option to increase its holding to 60% after 10 years and to 100% after 15 years. The Company is undertaking a heavy investment program, including a satellite earth station now under construction, a new telephone cable to Cayman Islands and a new head office complex in Kingston.

Intelstat-IV satellite has made possible the inauguration of a semi-automatic direct dialing system in Guanabara Palace, Brazil. The system will allow, without the intervention of a foreign operator, dialing to the following foreign countries; Argentina, Austria, Belgium, Canada, Chile, Denmark, France, Greece, Holland, Israel, Italy, Luxembourg, Monaco, Spain, Sweden, Switzerland, the United States and West Germany.

Cable and Wireless are to lay a coaxial cable between the Cayman Islands and Jamaica which is expected to be ready for service sometime in November, 1971.

TOURISM

The Director of Tourism of the Virgin Island's Department of Commerce announced a "Weather Insurance Plan" which guarantees that guests will be refunded their roomrate for days that the mean temperature falls below 70°F. or rises above 88°F. during their visit. Guest houses and hotels in the Virgin Islands will be participating in the program.

An agreement on tourism is expected between Israel and Uruguay. Israel's Minister of Tourism extended an invitation to his colleague from Uruguay to come to Israel to sign the agreement after visiting Uruguay

and other Latin American countries as part of a trip promoted by the *Confederación de Organizaciones Turísticas de América Latina* (COTAL). He stated that flights between Tel Aviv and Latin America were to be initiated by EL AL and others.

The law creating the Venezuelan Institute of Tourism states that it will have as its responsibility all matters concerning the coordination, promotion, planning and stimulus of the tourist activity in Venezuela. The Institute will have its own juridical personality, and own property distinct and independent from the national treasury. The Institute will lead to a unification and centralization of the tourism activity in Venezuela which heretofore has varied through local regions and municipalities.

Curacao's Commissioner of Tourism has praised the Venezuelan government's recent approval of a passenger-cargo ferry to operate over the 35 mile stretch of Caribbean between Curacao and Venezuela and viewed it as a strong boost for the tourist economy of both countries. The ferry, with its 300 passenger capacity, will open up a greatly expanded avenue of tourist exchange between the two nations.

Needed tourist facilities on Cancun Island off Mexico's Yucatan Peninsula will be developed with a loan from IDB equivalent to \$21.5 million. The loan is the first ever made by the bank solely for the integral development of tourist facilities in a previously uninhabited area.

Half-buried in tropical vegetation, a 17th century seaport fortress on the Caribbean coast of Panama is to be restored as a national monument and tourist attraction. Portobelo, once a "city of gold" in the New World, was practically forgotten until recently. Cut off by impassable jungles, it could be reached only by helicopter or boat. Today the government of Panama, with the cooperation of the Organization of American States is moving ahead with a project to rebuild the ancient city. When the project is completed, tourists will be able to drive to Portobelo from Panama City on the same trail used by the Spanish conquerors.

MISCELLANEOUS

At the February 8-13, 1971, meeting in Lima, Peru, of the Council of the Americas for the Inter-American Council for Education, Science and Culture (CIECC) of the Organization of American States a report was issued stating that over 40,000 Latin Americans hold senior management positions and over 100,000 are in highly specialized scientific and technological positions with U.S. companies in Latin America. U.S. business educates and trains these 140,000 Latin Americans as part of an

effort to transfer science and technology to the developing countries of Latin America.

The Chairman of the U.S. Senate Committee on Finance, has announced the appointment of a special Sub-Committee on International Trade whose functions will be exploratory, not legislative. No legislation will be referred to it, nor does the Committee on Finance expect it to recommend changes in the statutes dealing with foreign trade. However, Senators serving on the Sub-Committee will doubtless obtain information which will lead them to suggest legislative answers to problems they may uncover.

The establishment of a Committee on Environment and Development has been announced by the Agency for International Development. The functions of the Committee will be:

- a. To define the environmental control and protection policies to be followed by the Agency in its projects and programs carried out in the developing countries of the world;
- b. to develop and disseminate information on environmental issues and activities related to AID programs;
- c. to coordinate AID's activities in this field, and
- d. to represent the Agency in all environmental matters.

U.S. Department of Commerce sources have announced the appointment of an Ombudsman for Business to serve as a Special Assistant to the Secretary. The Ombudsman, who will be a senior Commerce official with extensive experience in government-business relationships, will provide the business community with a high level person to whom businessmen may take their inquiries, criticisms and suggestions, and obtain information, guidance and assistance on government matters.

Latin American nations have shown lately an inclination to accept arbitration as an acceptable instrument for settling commercial disputes. Among some of the significant signs is the reactivation of a re-organized Inter-American Arbitration Commission (IACAC), and the new interest being shown by several nations of the Hemisphere in the U.N. Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

The Economic Commission for Latin America (ECLA) has published a study on facts and figures concerning the present situation of the automotive industry in Latin American countries and prospects for its future development on a regional basis. A more comprehensive study, sponsored

by ECLA with the cooperation of the Inter-American Development Bank and the United Nations Industrial Development Organization, is in progress.

Mexican sources have announced the construction of the first Mexican nuclear plant for the production of electric power, at a cost of five thousand million *pesos* for the first stage. Mexican investors will furnish 65% of the capital.

The Government of Panama has recently awarded a Yugoslavian firm the bid for the construction of the principal stage of the Bayano hydroelectric plant, at an estimated cost of \$26 million. The entire project is to be completed within the next six years at a total cost of \$70 million. The Government is expected to finance 33% of the cost, and the remainder will be financed almost entirely by the World Bank. The Bayano plant, with a capacity of 150,000 kilowatts, will represent 60% of the total to be installed for enlarging the Panama-Colon-Canal Zone electricity network in the next seven years.

La *Delegacia Especializada de Estrangeiros* of Brazil has issued a practical handbook for Foreigners entitled *Practical Guide for Foreigners*. The publication, which seeks to protect foreigners from falling into the hands of unscrupulous brokers or unauthorized persons, contains information on how to obtain documents, exit visas, temporary and permanent residence, certificates, and so forth, as well as drafts of the petitions which may be required in Brazil.