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ECONOMIC DEVELOPMENTS

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AGRICULTURE AND LIVESTOCK

Japan is to finance the construction of bulk handling facilities in southern Brazilian ports. By 1974, Brazil will be in position to export approximately 4,000,000 tons of millet and soya a year.

It has been reported that Brazil is launching a concerted drive to become the world's largest meat exporter by the mid-1980's. Western Europe presently buys 70% of Brazil's total meat exports, but new openings are being investigated in the U.S.A., Japan and Latin America. A Japanese mission recently visited Brazil to study the prospects of increased meat exports to Japan.

The Banco do Brazil has made available financing of 60,000,000 *cruzeiros* to 20 sugar mills in Brazil for the purchase of fertilizers for the 1972-73 crop and other expenditures.

Perhaps the most prolonged rainfall and serious flooding of this century persisted in Colombia during most of 1971, giving rise to crop damage and a dramatic fall in coffee prices. However, inflation controls imposed by the government and a combination of other factors such as firmer coffee prices and a steady increase in minor exports have given rise to a more encouraging mood in Colombia and optimistic economic predictions for the years 1972 and 1973.

Also in Colombia, the Minister of Finance has forecast that Colombia will be unable to meet its export quota of sugar to the world market this year. Colombia's quota for the U.S. market has been increased to 75,000 tons which, added to its world market quota of 164,000 tons, brings the total to 239,000 tons. Although Colombian sugar production is officially estimated at 750,000 tons this year, 30% up on the 1971 figure, the gross

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of domestic consumption would leave an exportable surplus of only 215,000 tons. For agriculture as a whole, the Colombian Ministry of Agriculture has estimated that agricultural production in that country will rise this year by 14% over 1971.

The Executive Director of the *Consejo Estatal del Azúcar* (CEA) of the Dominican Republic has predicted that the present sugar crop will be the best in the history of the Republic. The CEA is expected to produce 755,000 tons this season. It is hoped to raise total production to 1.5 million tons by 1974/75.

The Mexican sugar industry is aiming at increasing its capacity 50% to an annual production of 3.7 million metric tons. A national sugar commission has been established to assist the National Sugar Development Bank in creating a master plan for the industry. The expansion is valued at about \$304 million, lasting through 1976.

The government of Mexico is also reported to be backing plans to build a mill to produce newsprint from bagasse (sugar cane fiber). Mexico currently imports some \$8 million of newsprint a year.

The Agency for International Development has announced an authorization of \$4 million for an agricultural modernization loan to El Salvador. The loan will be administered by the Center for Agricultural Technology (CENTA), a recently established agency of the Ministry of Agriculture responsible for coordinating agricultural research, education and extension services. The loan will provide funds for construction of research and educational facilities at CENTA headquarters in San Andrés and in 25 regional and zonal offices, and for laboratory and field equipment, vehicles, and training of CENTA personnel. Plans call for training more than 150 officials in degree and short-term specialized courses during the next five years.

The International Bank for Reconstruction and Development (IBRD) has made available \$6.7 million to initiate a farming project in the upper Turi Zone of Maranhao, in northeastern Brazil. The project, scheduled to be completed between 1973 and 1978, will benefit some 5,200 families who will raise beef cattle and grow rice and subsistence crops in 98-acre tracts.

Colombia's *Proyecto de Desarrollo Atlántico* received a \$5 million loan from IBRD to assist in the financing of drainage, roads, and other investments for the development of some 42,000 acres for dry farming. The land will be divided into parcels of at least 20 acres of land and will

be distributed to approximately 1800 small farmers. Proceeds of the loan are to be invested in five main and several other lateral and collateral drains, 48 miles of roads, five storage depots, purchase, preparation and distribution of land, purchase of equipment, long-term credits to dairy farmers, and training of Colombian Agrarian Reform Institute staff personnel.

ANDEAN PACT

The Andean Group has begun searching for a legal formula which will permit the creation of an independent jurisdictional organ to consider eventual controversies among its five member nations. The principal officials of the group have been consulting with distinguished jurists in Europe and Latin America in an attempt to obtain suggestions on this subject. Prior to the end of the year, these officials, who make up the group's technical board, are to submit their recommendations to the governments of Bolivia, Colombia, Chile, Ecuador and Peru.

The European Economic Community is to send a team of community experts to Lima to assist the members of the Andean Group in planning industrial development and furthering economic integration. The Community is particularly interested in the Andean Group as it represents the world's most advanced economic cooperation unit outside the Common Market itself. Unlike the Common Market, the Andean Group already has a common policy with regard to foreign investment and this is likely to be discussed by the Commission experts in Lima.

The Andean Group countries may import goods valued at an estimated \$3.4 billion in 1972, up 9.8% over 1971 levels. It is expected that U.S. sales will continue to increase in all member countries except Chile, where a decline is continuing. The Chilean government is reported to be diversifying its sources of imports, with imports from the Latin American nations, Australia and New Zealand on the increase, particularly in food and agricultural products. Eastern European countries are also entering this market to an increasing degree.

CHEMICALS AND PLASTICS

ARGENTINA

Petroquímica Bahía Blanca, a government company is asking for bids for construction of the big petrochemical plant at Bahía Blanca. The key

unit of the complex will be an ethane cracker to produce ethylene and propylene. The initial investment is estimated at \$44 million.

An Argentine consortium has tendered for the formation of a company to produce approximately 20,000-30,000 tons of polypropylene, using raw materials to be supplied by the state petrochemical refinery at Luján de Cuio.

BRAZIL

Brazil is pushing petrochemical buildup on two fronts. According to latest estimates for 1972, the underdeveloped northeastern state of Bahia will get \$140 million in new investments, while the south-central state of São Paulo's growth is maintained by a \$60 million influx of new capital.

Petroquisa and two other Brazilian companies will cooperate with two Italian companies—Snam Progetti and Moratti—in the construction of a \$100 million petrochemical plant at Esterio, in Rio Grande do Sul state.

Shell Chemical plans a joint venture with Brazilian companies to build a \$50 million polypropylene plant. Shell would have a 25% interest while Brazilian groups would hold the remainder.

A Brazilian company, *Safron-Tejín-Industria Brasileira de Fibras*, has built a plant on the Aratu (BAHIA) industrial estate to produce 5,500 tons of polyester a year. In addition, a local company, *Cloroquisa*, is to install at an estimated cost of \$10 million a plant at Guaíba (Rio Grande do Sul) to produce daily 100 tons of caustic soda and chlorine.

ECUADOR

The Andean Group has recommended installation in Ecuador of petrochemical plants for the production of ethylene and propylene. The majority of the products would be exported within the Andean Group area and the remainder consumed in Ecuador. By 1980 the value of production would be \$45 million.

PERU

Induperu (state-owned) will call for bids later this year for the construction of seven petrochemical plants, which will cost a total of more than \$68 million. The plants will form the basis of a new petrochemical

complex at the La Pampilla refinery near Lima. The plants will be on stream by 1976 and are part of a crash program of accelerated chemical production for both export and domestic markets.

PUERTO RICO

DuPont has exercised its option to purchase a site near Manatí, Puerto Rico, for a proposed dye making complex. Plans are for construction of a plant employing 350 people, which could be in operation by late 1974. Approximately 200 dyes and related compounds would be manufactured in the complex.

VENEZUELA

Venezuela plans to invest about \$1.25 billion in the expansion of its petrochemical industry by 1979, according to the Instituto Venezolano de Petroquímica (IVP). IVP's plans call for the expenditure of \$800 million by 1975.

Venezuela's consumption of plastic raw materials is expected to grow at a rate of 20% per year at least through 1975, according to the Venezuelan Association of Plastics Industries (AVIPLA). AVIPLA, whose membership includes 195 of Venezuela's 222 plastics-industry firms, attributes the strong growth to the government's new protectionist economic policy. Stiff tariff barriers have been raised against imported manufactured products. United States resin producers will benefit most from Venezuela's growing needs for raw materials. They now supply 45% of the resins, and have a supply-line advantage over competing producers in Canada, Europe and Asia.

DEVELOPMENT AND INVESTMENT

The Agency for International Development has announced that it has authorized an Alliance for Progress loan of \$37.8 million to Colombia to help that country cope with problems caused by rapid growth of its cities. The new loan will help alleviate urban problems and will generate employment in the construction fields and other industries.

The government of Nicaragua has created a special development fund to promote development in agriculture, livestock, fishing, industry and agro-industry. The fund will complement the financing made available by

private and public financial institutions by means of loans and discounts. Other financial resources will be obtained from foreign and domestic loans and from the placement of bonds in foreign and domestic markets, all of which will be guaranteed by the government of Nicaragua.

The Executive Board of the Inter-American Development Bank in Washington has decided that the least developed countries in the region—Haiti, Ecuador, Bolivia and Paraguay—should receive loans at low interest rates and with longer repayment periods than do other recipient countries. It was also decided that Venezuela should have a permanent seat on the Executive Board.

Argentine representatives to an Inter-American symposium on foreign investment held in Buenos Aires under the auspices of the *Consejo Interamericano de Comercio y Producción* (CICYP) proposed the formation of an international working party to draft regulations for the payment of compensation for expropriated foreign firms, based on a procedure of expert independent valuation of expropriated properties.

It has been announced that the final debt renegotiation meeting between Chile and a group of twelve creditor countries known as the "Paris Club" has had a successful outcome. The Chilean officials confirmed their intentions to recognize and pay all foreign debts and also accepted the principle of payment for just compensation for all nationalization in accordance with Chilean and international law. In exchange, representatives of the creditor countries agreed that, in view of Chile's balance of payments situation, they would recommend to their governments the refinancing of 70% of the interest and amortization due between November 19, 1971, and December 19, 1972. Service payments due during this period will be rescheduled over a six-year period following two years of grace. Furthermore, the creditors declared their willingness to meet again at the end of 1972 to discuss the possible renegotiation of service payments due in 1973. The memorandum of understanding worked out at the meeting must be submitted to the participating governments for ratification.

The government of Mexico has set up a National Fund for Industrial Promotion in order to stimulate regional development. The fund will channel resources into small and medium-sized companies in accordance with the information provided through pre-investment studies. The initial capital of the Fund is \$4 million.

EXPORTS — IMPORTS

Eximbank's support of overseas sales of U.S. goods and services jumped 35.6%, to a total of \$9.3 billion, in fiscal year 1972 ending June 30. This was more than triple the \$2.9 billion figure of fiscal 1969.

The United States Commerce Department's American Republics Division has forecast that U.S. exports to Latin America, which in the first four months of 1972 were up by 5% over the same period of 1971, should experience an accelerating rhythm of expansion during the balance of 1972. Favorable markets in Mexico, Brazil and Venezuela, which together account for over half of total U.S. exports to Latin America, have contributed to most of the 5% growth in U.S. exports. U.S. exports to Mexico were up 9% over the same period in 1971, reflecting a resumption of expansionary policies in that country which stimulated the economy and engendered an increased demand for imports. Brazil's economy is expected to post a 10% growth rate for the fifth consecutive year, with large investments in steel, petroleum refining, electric power capacity, chemical industries and highway expansion assuring continuing high activity. In Venezuela, U.S. exports were up 13% over the same period in 1971 with a high level of economic activity and an ample supply of exchange reserves providing a favorable outlook for U.S. products. Development in the petroleum sector, a renegotiation of the bilateral trade agreement with the United States, and possible entry of Venezuela into the Andean Group for Regional Integration could affect the level and pattern of trade.

The Mexican government is continuing its goal of export expansion. In addition to sending trade missions to several countries, efforts are being made to expand trade with Europe and Japan, other Latin American countries, and even with the Communist block. On the other hand, Mexico is tightening its import controls and restricting imports traditionally originating in the U.S. as new domestic production is granted protection.

The special commission named by the Venezuelan government is proceeding apace in its tasks of overhauling that country's tariffs system. It is expected that the resulting legislation will figure heavily in the shaping of Venezuela's future trade patterns.

Following a substantial foreign exchange outflow in 1971, the Peruvian government is attempting to hold imports to a 10% growth line. In addition, it has raised duties on luxury and non-essential consumer goods and added to the list of prohibited imports.

Salvadorian trade with the Central American Common Market was good in 1971, considering the fact that El Salvador and Honduras have not as yet settled their differences. El Salvador has advanced speedily in its export transactions with Guatemala and Costa Rica. However, in spite of this favorable trade position—\$80.6 million in exports and \$62.6 million in imports—the government of El Salvador and private enterprise in that country are becoming convinced that an orderly economic development depends in great part on its external trade, outside of the CACM area.

The Brazilian government has been offering companies a lengthy list of incentives to develop special export programs with the approval of the Ministry of Finance. Companies which qualify will be eligible not only for the existing incentives granted all export firms but also for exemption from duties and the industrial product tax on new or used imported machinery and equipment up to one-third of the f.o.b. value of manufactured goods exported by the firm during that year. Firms that export manufactured goods under this new decree-law are also permitted to amortize start-up costs over ten years.

To assist a \$3.33 million sale of U.S.-made power equipment to the Capivara Plant in Brazil, the Eximbank has made a loan of \$1.5 million to *Centrais Elétricas de São Paulo*, in addition to a financial guaranty for an equal sum. Capivara is part of a comprehensive \$147 million program *Centrais Elétricas* is undertaking to expand its generating capacity.

The Brazilian Finance Ministry is studying projects which have been submitted by several companies for the installation of three industrial warehouses in Guanabara to be used in the importation of semi-finished products, which will be processed and re-exported in the form of manufactured products.

The five-year agreement providing for the export of 75 million to 92 million yards annually of Brazilian textiles to the U.S.A. until September 30, 1975, has been extended for a two-year period.

Argentina and Uruguay have signed an agreement whereby Argentina is to grant import duty concessions for one year on 26 Uruguayan products, including butter, cheeses, cigars, cigarettes, marble and other building stones. These exports to Argentina are valued at about \$5 million a year.

It has been announced that the Banco Central of the Dominican Republic will no longer make exchange available for the import of various luxury items, including motor vehicles. These items must be paid for in the future from privately-owned exchange resources.

JOINT ENTERPRISE

The U.S. Bank Note Corporation has announced its association with Brazilian capital in the formation of *Industrias Gráficas U.S. Bank Note Do Brasil*, with an initial capital of \$2 million. The new firm will specialize in the production of high quality paper for shares, bonds, notes, stamps and checks. The U.S. company will be the main shareholder in the group, which also includes *Lume S.A.*, *CIA. Financeira Do Brasil*, and *Cheques De Luxo, Ltda.*

LAND TRANSPORTATION

Modernization and double tracking of the railroad from Salina Cruz to Coatzacoalcas will make it possible to travel from the Atlantic to the Pacific in only four hours. When the project is completed the modernization of the ports at both ends of the line and the installation of container moving equipment will also be accomplished.

Also in Mexico, the World Bank has agreed to make a loan of \$75 million to the National Railway Company of Mexico to finance a project of modernizing equipment and operations. The total cost of the project is estimated at some \$203 million. The loan is for a period of 25 years with an annual interest rate of 7¼%.

Construction on the Trans-Amazon Highway has been progressing rapidly since the road building program began in September, 1970. Buses now ply the 150 miles between Estreito and Maraba, the first section of the new road that has been opened. East of Estreito, the highway is open for 870 miles from Recife to Balsas. Six hundred fourteen of the 752 miles between Estreito and Itaituba have been completed.

The state government of São Paulo, Brazil, has announced a program involving investments of about 15.5 million *cruzeiros* in 1972 to build roads and bridges in the coastal plains and the Rubiera valley. In addition, the National Economic Development Bank of Brazil (BNDE) has granted a loan of 85 million *cruzeiros* to the *Rede Ferroviaria* to help finance the purchase of 846 railroad cars, at a total of 106.5 million *cruzeiros*, to be supplied by four Brazilian concerns.

It has been reported that a Japanese group represented by Marubeni Argentina has contracted for the electrification and modernization of certain portions of the Argentine rail system. The Japanese interests are providing financing of \$177 million, of which \$115 million will be used

to finance the purchase of rolling stock and the remainder will be used to support the Argentine railway vehicle industry.

Backed by United States financial and technical support, Panama and Colombia have begun construction of the \$150 million, 266-mile Darien Road which will complete the last section of the 16,533-mile Pan-American Highway. Once the Darien Gap section is completed in 1977, travelers will be able to drive from Alaska to Tierra del Fuego without interruption. United States, Colombian, Panamanian or mixed companies will be eligible for participation in the bidding for construction work. The most difficult construction job will be a \$13 million, 1.1-mile bridge spanning the Atrato River.

The Colombian public works minister has stated that the Darien Strip will be paved two years after completion of the dirt road. While the Darien is being built, the government will pave that portion of the Pan-American Highway between Durbo, where the Darien will connect with the city, and the industrial city of Medellin, 238 miles to the south.

It has been reported that the Fiat automobile company is to build a plant in Colonia, Uruguay, to produce car bodies for export and for the internal market, and to assemble complete cars for sale in Uruguay. Engines will be imported from Argentina.

MARITIME AFFAIRS

The fishery development project in the Caribbean sponsored by the United Nations Development program and the Food and Agriculture Organization has now ended. The project's headquarters has announced that all objectives have been completed and the participating governments have received reports of the results. The project was involved in training, exploratory fishing and marketing, all of which were primarily aimed at developing fisheries potential in the Caribbean and improving the procedures for the care, handling and marketing of fish.

Soviet engineers are designing a fish processing complex to be built at Paíta, in northern Peru. It will be comprised of a fishing port and several factories to process 180,000 tons of edible fish a year. Besides engineering services, the Russians are expected to supply equipment for the port infrastructure, filleting, freezing and storage warehouses.

The Bank of Brazil has contracted under the name of SUNAMAN, Superintendency of Merchant Marine, a loan with the European money

market in the amount of \$174,300,000. The funds will be used for the construction of new cargo ships totalling 1.6 million tons for Brazil's Merchant Marine fleet. The loan will be repaid in seven years and will bear interest at 1.5% plus the amount of the bank charges in London.

An agreement has been signed between the United States and Brazil authorizing 325 United States vessels to fish for shrimp in specific areas of Brazilian territorial waters between March 1 and November 30 of each year, subject to an annual payment of \$200,000. The agreement also establishes that a fine of \$100 a day will be levied on United States vessels caught fishing without authority in Brazilian waters.

The Brazilian shipyards of *Companhia Costeira* will be transformed into a center of ship repairs to meet the needs of Brazil's expanding Merchant Marine. Brazilian marine transportation experts recently reported on European ship repair facilities which are being examined by the authorities with a view toward establishment of a major repair center.

A drydock big enough to accommodate 120 thousand-ton supertankers has been officially opened on the island of Curaçao, the world's seventh largest port. The Governor of the Netherlands Antilles recently held a computerized drydock opening in a ceremony attended by ship owners from all over the world. One man operating radio and push button equipment to control winches, hawsers and tugs will be able to guide the ships into the drydock when fully operable.

The World Bank granted Mexico a \$20 million loan through *Nacional Financiera* to finance the improvement of five Mexican ports as part of an overall plan to stimulate Mexico's foreign trade. This loan represents the first credit line allocated to Mexico for this purpose by the World Bank. A number of mechanisms were set up to implement the program, among them being the General Office for Port Operations, attached to the Ministry of the Navy, and a Trust Fund in *Nacional Financiera* to channel resources into the program with different objectives.

Also from Mexico, it has been learned that the government has approved a project for the construction of a deep sea port at an estimated cost of 300,000,000 pesos, to serve the Sicartsa Steel Plant. The port is to extend over an area of 4,800 hectares and will be capable of berthing ships of up to 50,000 dead weight tons; the first stage will be completed by 1973, when facilities will be needed to handle the machinery and equipment to be installed at the Sicartsa Steel Plant.

The government of Chile has received 9 bids from seven countries for the construction of two shipyards. One will be at Talcahuano (Con-

cepción), with an annual capacity of approximately 40,000 dead weight tons; and the other at Valdivia, with an annual capacity of 2,000 dead weight tons, to construct dredges, ferries and barges. Feasibility studies on these projects have been received from British firms under the U.K. Technical Assistance Program.

The Great Lakes Dredge and Dock Company has formed a consortium which has obtained a \$60 million contract to dredge a 31-mile channel in the Parana de Las Palmas River in Argentina.

The Export-Import Bank has authorized a loan of \$645,750 to finance 45% of the United States cost of ten United States commercial shrimp fishing trawlers. The borrower, National Fisheries Co. Ltd. of Port-of-Spain, Trinidad, is a newly created Trinidadian corporation which is 51% owned by the governments of Trinidad and Tobago. The new shrimp trawler base will be located near the shrimp processing plant at Sea Lots and will provide port services to the fleet.

METALS AND MINERALS

The government of the Dominican Republic has authorized two United States mining companies to dig an open pit gold and silver mine. The two United States partners are investing \$2.5 million in the venture, with an additional \$10.5 million coming from the Eximbank of the United States and commercial banks. It is expected that the projects will employ about 200 workers for 20 years.

It is projected that the Lázaro Cárdenas-Las Truchas steel mill in Ciudad Lázaro-Cárdenas, Mexico, will be in operation within four years. To date, the government has paid 1.6 million dollars to local farmers to expropriate all land in the area, and dredges are changing the course of the Balsas River to create a 33-foot deep channel for navigation. The project, which will require a \$500 million investment, has been financed on a long term basis at between 6 and 7%. The new steel mill, which is located 600 miles southwest of Mexico City, is expected to make Mexico practically self-sufficient in steel.

Also in Mexico, it is reported that *Compañía Minera de Santa Rosalía* has signed with *Corporación Minera* of Peru a contract to refine 300,000 tons of Peruvian copper ore in the next five years at its smelter and converters in the Lower California peninsula.

The Brazilian nuclear energy commission has announced the discovery of a uranium oxide deposit in the Pocos de Caldas region of Minas Gerais.

Aluminio Extrusão (ASA) of Brazil is planning to install, at an estimated cost of \$45 million, a reduction plant in the northeast region to produce 40,000 tons of aluminum ingots a year from its own bauxite deposits.

The National Economic Development Bank of Brazil (BNDE), has granted financing and guaranteed a loan to the *Companhia Siderurgica da Guanabara* (Cosigua) of Brazil, to help finance the installation of a steel mill on the Santa Cruz (Guanabara) Industrial estate.

Graphite deposits found recently near Rio de Janeiro, Brazil, are reported to be among the purest in the world. With a carbon content of 98%, only those of Ceylon are comparable to them.

The Aguilar Mining Company has reported the discovery of large copper deposits estimated at 140 million tons in the Pachon area of Argentina, near the Chilean frontier. The copper content averages between 0.65 and 1.00%, and the deposits are thought to be among the five largest in the world.

The Peruvian government recently authorized the state mining agency, *Mineroperu*, to issue a call for tenders for the construction of a copper refinery at Ilo. The Japanese government has already offered to provide financing for the project.

It has been announced in Venezuela that large mineral deposits have been discovered between Amazonas and Bolivar, near the Brazilian border. The minerals include iron, manganese, thorium, niobium, and other rare radioactive minerals.

MONEY AND BANKING

The Central American Common Market and the Bank of Mexico have signed a stabilization agreement by which the Bank of Mexico will grant a \$10 million credit to the CACM. This credit will be issued to correct any temporary disequilibrium in the balance of payments of the Central American countries. The agreement increases the resources of the Central American stabilization fund to \$62 million.

The Government of Panama has changed the par value of the *balboa* in accordance with the Articles of Agreement of the International Monetary Fund. The present change is being made under the provisions of the Article of Agreement of the Fund which entitle a member country after consultation with the Fund to make a change in the initial par value not exceeding 10%.

Colombia and Venezuela have been admitted to the membership of the Caribbean Development Bank (CARIBANK). Each will have 600 shares of the institution and will be entitled to have a director in Caribank's Board of Directors.

The Government of Uruguay has purchased from the International Monetary Fund the equivalent of 17.25 million SDR's in order to alleviate the country's balance of payments problems resulting from a temporary short-fall in export earnings during the 12-month period ended February 29, 1972. The decrease in Uruguay's exports to a level 13% below the earlier average resulted mainly from lower production in the livestock sector and the related secondary industries. Exports of beef, hides, and other by-products were affected by the relatively small numbers of cattle delivered for slaughter as breeders withheld stock in order to rebuild the level of their herds. About 80% of Uruguay exports are derived from the livestock sector.

The Inter-American Development Bank (IDB) recently placed a two-year bond issue of \$32.45 million with the financial authorities of 12 member countries and Israel. The issue will mature in April 1974, and the interest rate is $4\frac{3}{8}\%$. These bonds bring the IDB's funded debt up to \$1,019 million in long-term borrowings from the developed countries of the Northern hemisphere and short-term bonds.

In Uruguay, a series of actions has been taken in recent months to reverse unfavorable economic trends and restore confidence in the economy. The commercial *peso* was devalued and a plan was announced to make future adjustments at frequent, irregular intervals. For financial transactions, a separate exchange market was created with a fluctuating rate. Charges for petroleum products, electricity, and telephone service were raised to strengthen the finances of the public sector, and a program was developed for the remainder of 1972 providing for more moderate wage adjustments and a reduction in the rate of increase of bank credits.

Colombian authorities have established a new Savings and Housing Board to act with the existing Monetary Board in the supervision and regulation of a new system of savings and loans designed to promote construction and urban renewal. It is intended that all loans and deposits under this system will be adjusted automatically and periodically for changes in the official cost of living index. The Board will receive its resources from bond issues, credit by the Bank of the Republic based on domestic or external resources, earnings from its own operations, and allocations from a national budget.

The International Monetary Fund (IMF) has approved a standby arrangement for the government of Honduras authorizing purchases of foreign exchange up to the equivalent of 15 million SDR's in support of a stabilization program which was initiated last year.

Following the opening of a branch in Paris, the Bank of Brazil has now opened one in Lisbon and is considering the possibility of opening one in Madrid. No foreign bank has received authorization to open a branch in Spain for the last 20 years.

An overall plan for a monetary system reform that would promote economic and social development in Latin America and other developing regions and support full employment policies and other goals in the developed countries is presented in a report of a seminar held by the Inter-American Committee on the Alliance for Progress (CIAP). The 137-page document, titled "Latin America and Reform on the International Monetary System," was drafted at a meeting convoked and presided over by CIAP chairman Carlos Sanz de Santamaría.

OIL AND GAS

Following the recent oil discovery in the Amazon Basin, several international companies are vying for contracts with *Petroperu*, the Peruvian state oil corporation. The three wells, brought in by Parker Drilling Co. of Tulsa, Oklahoma, under contract with *Petroperu*, are situated on the Amazon River in northeastern Peru. The discoveries were a result of six months of exploratory drilling.

The president of *Petroperu* has predicted that the agency will be producing 200,000 barrels of oil a day by 1976 and 500,000 barrels a day by 1980. At present, Peru produces approximately 65,000 barrels a day and imports 35,000 a day.

The National Petroleum Commission of Uruguay has called on ANCAP, a state concern, to seek international bids for offshore oil drilling. Exploration by French experts has shown that Uruguay could become self-sufficient in oil from offshore wells, according to the Commission.

Petrobras, the Brazilian Petroleum authority, has decided to construct a new oil refinery with a capacity of 126,000 barrels a day in Araucaria, Parana. A pipeline will be built to bring crude oil from the City of San Francisco in the State of Santa Catarina.

A new oil refinery at Paulinia, São Paulo, has been opened. It has an initial daily processing capacity of 126,000 barrels, to be doubled by 1975.

The 529-kilometer Colpa-Yacuiba gas pipeline in Bolivia, built at a cost of \$60 million has been opened. It will carry 4.25 million cubic meters of gas a day into Argentina.

The Eximbank has granted a \$1.1 million loan to *Petróleos Mexicanos* (PEMEX) towards the financing of United States equipment and services valued at \$2.5 million to expand the catalytic cracking plant at Ciudad Madero. The loan bears 6% annual interest and is repayable over four years, beginning in December 1973.

The President of Ecuador recently inaugurated the 513-mile trans-Ecuadorian pipeline extending from Lake Agrio to the Pacific petroleum port of Balao. The pipeline, built by the United States Texas-Gulf consortium to carry oil from its Esmeraldas Province concession, is expected to make Ecuador the second Latin American petroleum exporter after Venezuela.

To help finance a \$2.65 million sale of a tender-platform drilling rig from the United States to Dolphin International, S.A., of Panama, the Export-Import Bank of the United States has authorized a direct loan of \$1,192,500 and a financial guarantee of a loan of an equal amount to be extended by Capital National Bank of Houston, Texas. The balance required to cover United States costs of \$265,000 will be a cash payment by the borrower.

The government of Argentina will shortly call for bids to build an ethylene plant in the Bahía Blanca Petrochemical complex. There are also reports of plans afoot to build a sodium carbonate plant in the same complex.

TELECOMMUNICATIONS

The Brazilian government has announced that a French corporation, Thomson CSF, will construct an ultramodern radar system between Rio de Janeiro, São Paulo and Brasília which will control all civil and military aircraft in the triangle between those three cities. The new radar system is expected to cost approximately \$59 million in equipment and technical assistance.

It has also been learned that the Brazilian government will guarantee foreign investments in Brazil in the area of telecommunications through letters of intent signed by the Ministry of Communications guaranteeing that all equipment produced by their factories in Brazil will be absorbed.

Paraguay and Brazil have signed an Intercommunications Convention which unites the telephone systems of the two countries. The connection will be made on the border of the towns of Ponta Pora (Brazil) and Pedro Juan Caballero (Paraguay). Although a single street separates these two communities, the respective inhabitants have not previously been able to communicate by telephone.

TOURISM

The organization of American States has decided to establish in Mexico an Inter-American Center for tourism. This move was made at the last meeting of the OAS.

MISCELLANEOUS

Exports from the Latin American area in 1971 increased by 1.2% while imports rose by 6.7%. Of the net capital inflow of \$4.6 billion in 1971, Brazil, Mexico and Venezuela absorbed 80%.

The Overseas Private Investment Corporation has introduced a new insurance policy for United States construction industry overseas that protects contractors against up to 90% for out-of-pocket net losses resulting from political risks. The new policy specifically covers expropriation of assets, physical damage to property resulting from war or revolution, non-payment of sums declared due, and refusal to pursue the contract settlement of dispute procedures.

It was recently reported that Cuba's fishing industry is growing faster than perhaps that of any other country. The 1971 fishing industry figures placed Cuba's present position at fourth or fifth among Latin American nations.

Brazil's ambitious homestead program, which ultimately is expected to resettle over half a million people, is presently being undertaken by the government on the country's last frontier, the Amazon Basin. Some 10,000 settlers have already been relocated along the exits of the 3,500-mile Trans-Amazon Highway now under construction. Each homestead plot measures 247 acres with 540 yards of main road frontage and depth of 1.2 miles.

The Eximbank of the United States has authorized a direct loan of \$424,020, and a financial guarantee of a loan of \$523,689, from Chase

Manhattan Bank of New York, to support the sale of a Gates Lear jet aircraft to be purchased by *Banco Real, S.A.*, of Brazil. *Banco Real, S.A.*, is the fourth largest private commercial bank in Brazil. The Public Works Ministry of Honduras is also reportedly contracting for design of a new jet airport for Tegucigalpa.

It has been reported that the National Water Authority of Honduras will contract for a technical study of a \$15 million dam to supply electricity to Tegucigalpa. The same Authority reportedly reached agreement with Nicaragua for the \$92 million El Cajón Hydroelectric project that would initially provide 250 M. W. of electric power to the two countries.