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ECONOMIC DEVELOPMENTS

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AGRICULTURE AND LIVESTOCK

The Latin America Agrobusiness Development Corporation (LAAD), created to develop privately-owned agri-industrial enterprises with ownership eventually to be concentrated in the hands of local investors, has been granted a \$6 million loan by the Agency for International Development to develop enterprises which offer the potential for increasing non-traditional exports from Central America. A total investment of approximately \$40 million is anticipated over the next few years, with the sale of shares by LAAD enterprises expected to help develop local capital markets. The loan, which carries a 3% interest rate, is to be re-paid in twenty years with a 5-year grace period during which no repayment of principal will be made. Under the terms of the loan agreement, LAAD will provide extensive technical assistance to the projects it finances, and specific procedures for transferring its investments to local investors are included therein. Development banks in the various countries will be asked to match their funds with those made available under the loan in order to increase the long-term financing offered to new and expanding enterprises. LAAD's activities will be directed by twelve U. S. corporations with broad experience in agrobusiness activities ranging from growing to marketing. Those participating are: ADELA (Latin American Investment Association); Bank of America; Borden Company; Cargill Incorporated; Caterpillar Tractor Company; CPC International Incorporated; Deere & Company; Dow Chemical Company; Gerber Products Co., Monsanto Company; Ralston-Purina; and Standard Fruit & Steamship Co.

As part of a new agricultural diversification project, the Guyana Government is planning to establish an agricultural development bank during the course of the current year.

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The World Bank is still interested in backing cooperatives as a means for carrying out development projects. The bank continues to look for ideas and resources to attack the problems of the lack of well-organized and well-managed systems which are capable of channeling funds and other inputs to small producers.

DEVELOPMENT AND INVESTMENT

At a Western Hemisphere Insurance Conference held in Asunción, Paraguay, in which 20 countries of the Western Hemisphere were represented by 550 delegates and observers, Paraguay presented a motion to the effect that insurance companies operating in the region invest part of their reserves in Inter-American Development Bank (IDB) bonds and securities. With the money thus raised a "Hemisphere Insurance" fund would be established which would be administered by IDB to foster economic development in Latin America. The motion calls for IDB to guarantee the investments "at a rate of interest at least equal to that in effect in the country of origin or a return in accordance with the quality of the loan granted by IDB," and legal recognition of the eligibility of such investments for the technical reserves of insureds.

A Soviet economic mission which arrived in Santiago, Chile, in January, 1972 had as its purpose the development of an aid program for Chile's precarious economy. First on the agenda of the mission, which is composed of experts in foreign trade, mining, agriculture, industry, construction and finance, is a \$50 million loan in hard currency to finance imports from Western countries. In addition, the mission will study specific projects for a \$50 million credit for industry and construction and \$40 million for technical assistance, which was previously consented to by the Soviet Union. The USSR, which is increasing its foreign aid to Latin American countries, has some projects already under way. Among these are a deep-pen fishing program and a prefabricated housing plan producing cement units. The Soviet Union has also contracted to build a lubricating oil plant and is studying the construction of a fishing port between Valparaiso and Concepcion.

In January of this year, a contract was entered into between the OAS and the Andean Development Corporation. The purpose of the contract is to finance a study for the creation of an Andean Fund, which is to be the financial basis for subregional integration. The purpose of the formation of this fund is to facilitate the process of nationalizing certain investments in the area and to provide sufficient resources to match the foreign investments which should be generated when the multiple in-

dustrial development projects of the Andean Pact countries are put into effect.

The packaging exhibition in the U. S. Trade Center in Mexico City held from February 14 to February 18, 1972 produced \$756,706.00 in immediate sales by the 37 exhibiting firms, of whom 19 were new to the Mexican market. The exhibitors also expect \$3,230,000 of follow-up sales leads initiated at their booths. The U. S. Trade Center in Mexico City, which is designed to promote the accelerating industrial development in Mexico City by providing its business leaders with an extensive show case of American equipment and expertise, is the ninth of its kind overseas but the first in the Americas. Others are located in Paris, London, Sydney, Milan, Frankfurt, Stockholm, Tokyo, and Bangkok. Most of the 2,300 Packaging Exhibition trade visitors were from the Mexico City area but the registration list included businessmen from each of the Central American nations.

The Consultative Group for Peru met under the chairmanship of the World Bank in Paris on February 24 and 25 for the first time since 1966, to assist in coordination of development financial assistance to Peru. Representatives of Belgium, Canada, Finland, France, Germany, Italy, Japan, the Netherlands, Spain, the United Kingdom, the International Monetary Fund (IMF), the Inter-American Development Bank (IDB), the Inter-American Committee for the Alliance for Progress, the United Nations Development Program (UNDP), and the International Coffee Organization attended. The United States, Switzerland and the Organization for Economic Cooperation and Development (OECD) were represented by observers. The Group agreed that Peru's economic achievements have been impressive, in particular its success in economic and financial stabilization, resumption of economic growth in the past two years, basic structural reforms in the economy, and increased attention to needs of marginal groups of the population. It noted that the public investment program for 1972-74 would call for external project commitments of about \$780 million and expressed the view that project assistance of this order of magnitude was needed.

Peru and France have reached accord on a \$60 million French aid program during the next three years. The agreement came at the end of two days of bilateral talks between representatives of the two governments. The communiqué stated that the \$60 million would consist of private credits, guaranteed by the French government, and of public funds.

Brazil's foreign assistance program took another positive step on April 4 with the signing of agreements under which Brazil will extend develop-

ment assistance to Bolivia. Specifically, Brazil agreed to help out with road construction and facilitate acquisition of road building equipment, to extend repayment of a Bolivian railroad construction debt, to purchase Bolivian crude oil and to contribute \$1 million to a regional development plan. Brazil's agreements with Bolivia are part of an overall aid plan under which Brazil has undertaken to provide financial and technical aid to Latin America. Other countries which have associated with Brazil are Uruguay, Paraguay and Guyana.

Delegates from 22 Latin American countries met in Bogota in April at the XIII Conference of the Economic Coordinating Commission for Latin America (CECLA) and approved a document outlining positions for the Third U.N. Conference on Trade and Development (UNCTAD) scheduled to open in Santiago, Chile later in the month. The Third Conference will deal with major problems affecting the underdeveloped nations and the results thereof will be reported in full in the next issue of the *Lawyer*.

EXPORTS - IMPORTS

A substantial increase has been noted in the number of loans made by the Export-Import Bank of the United States (Eximbank) in the past several months to businesses in Latin America, both directly and through its Cooperative Financing Facility. The details of a number of these loans are reported under this subsection, while others are reported under subsections dealing with the subject matter of a particular loan transaction.

Brazil

The Eximbank recently agreed to help finance the sales of various printing presses, machines and collators to borrowers in Brazil. Total sales amounted to some \$3.8 million, with part of the printing equipment used to increase the production capacity of a continuous business form printing plant and part to assist in the complete renovation of a printing plant for one of Brazil's leading newspapers. Eximbank loans amounted to some \$1,775,000.

To help finance a \$14.2 million sale of U. S. equipment for the construction of a caustic soda-chlorine plant in Brazil, Eximbank has authorized a direct loan of \$6,390,000 to finance 45% of the U. S. costs, and a financial guarantee of loans from other lenders totaling \$6,390,000 to finance another 45%. The \$70 million facility will be built at Marceio in northeast Brazil. The project is expected to replace imports of caustic soda at an annual savings of \$15 million to Brazil.

The Bank has authorized financial assistance to support \$16.6 million in sales of U. S. goods and services in two transactions in favor of Banco Real de Investimento, S. A. (BRI). The first authorization to BRI of \$5 million under the Eximbank Cooperative Financing Facility will finance 45% of the cost of purchases from the U. S. The second authorization of \$5 million is a Relending Facility loan to finance 90% of the cost of U.S. goods and services. The general product categories eligible for financing under this Relending Facility are various types of electrical machinery, mechanical handling equipment, textile machinery, machine tools, and crushing machinery.

Eximbank has also authorized financial assistance under its Relending Facility of \$2 million to Banco Safra de Investimentos, S.A., to finance 90% of the cost of U. S. goods and services for use in Brazil by small and medium-size private enterprises. Banco Safra will relend the proceeds of Eximbank's loan after the purchaser has made a cash payment of at least 10% and will negotiate these transactions on a case-by-case basis, with final approval by Eximbank required on each transaction. The general product categories eligible for financing under the Relending Facility are similar to those under the transaction with BRI.

A similar authorization has been made to BNG-Banco de Investimento, S. A. of Belo Horizonte, Brazil, to finance 90% of the cost of U. S. goods and services for use in Brazil by small and medium-size private enterprises.

Colombia

Eximbank has made \$800,000 available under its Cooperative Financing Facility to Banco Nacional of Bogota, Colombia. Proceeds of this co-operative credit line will finance 45% of the cost of purchases from the U. S. by small and medium-size buyers through institutions located in Colombia.

Mexico

A direct loan has been authorized by Eximbank of \$2,260,000 to finance 45% of the U. S. cost and a financial guarantee of loans totaling an equal amount (from sources not yet designated) to finance another 45%, to help finance a \$5 million sale of U. S. equipment for paper plants in Mexico. The borrower, *Compañía de las Fábricas de Papel de San Rafael y Anexas, S. A.* of Mexico, will make a cash payment of 10% of the U. S. cost. The project is for installation of a special paper machine and a printing machine and related equipment at San Rafael's plant in Mexico.

The equipment is to be supplied by The Beloit Corporation and Black Clawson Company.

In January the first shipment of a 26,000 bale purchase of Mexican cotton left the Port of Manzanillo for China. This transaction was arranged by private entrepreneurs and Algodonera Comercial Mexicana, and was based on the International Cotton Quotation to be paid in pounds sterling.

Peru

The Peruvian government has decreed that the State will exclusively import and market basic raw materials and industrial products. A recent decree created the National Enterprise of Industrial Marketing, which will market essential consumer goods and industrial materials as such are determined by the government. Another decree reserved to the State the importation of items classified by law as produced by "basic" industries; that is, those industries designated as such in the General Industries Law and reserved for either full state ownership, mixed ownership with state control, or, in exceptional cases, for private contract with the state.

Venezuela

To support a \$2,060,000 sale of a turbo generating unit and related equipment to *Compañía Anónima de Administración y Fomento Eléctrica of Venezuela* (CADAFE) the Eximbank will loan directly \$927,000 and issue a financial guarantee of an equal amount from sources not yet designated. CADAFE is owned by the Venezuelan government and provides power to a large portion of the country either directly or by sale of power to municipal systems. The generator, to be purchased from the General Electric Company, will enable CADAFE to supply power to several companies in Venezuela.

Jamaica

The Eximbank will make a direct loan of \$11,835,000 to finance 45% of the U. S. costs of goods and services required for the expansion of the facilities of Jamaica Public Service Company Ltd. (JPSC) of Kingston, Jamaica. JPSC, which is the sole public supplier of electricity on the island of Jamaica, is engaged in a continuing construction program estimated to cost some \$123 million over a 6-year period.

GAS AND OIL

The announcement that the State Petroleum Institute of Peru (Petroperu) struck oil on its second well raised the possibility that a pipeline

would be built to carry the oil from the Amazon jungle to the coast. The well is located at Capirona, on the Corrientes River, in the heart of the Amazon. Petroperu officials have placed reserves in the area at approximately 200 million barrels, and have stated that oil from the first two wells is about half of the one hundred thousand daily barrels necessary for the building of the pipeline.

Two major U. S. oil companies have agreed to work with Petroperu. Atlantic Richfield has announced that its Peruvian subsidiary, Arco Peru Corp., will explore a 2.5 million acre area on the Ucayali River, the object being to drill for exploratory wells. Arco Peru Corp. will be entitled to 48% of the crude during 35 years if oil is struck. Getty Oil Company will work on an area covering 3,860 square miles.

News reports from Port-au-Spain indicate that an extensive natural gas reserve off the eastern coast of Trinidad is being considered for intensive exploitation. The gas would be liquefied by Amoco Trinidad Oil Co. and shipped to the Gulf coast of the United States to be fed into pipelines for national distribution by the American Natural Gas Co. A \$200 million liquefying plant in Trinidad and a \$165 million tanker fleet would be the key factors in the undertaking.

LAND TRANSPORTATION

The Colombian Ministry of Mines and Petroleum will intensify its efforts to stimulate the exploration and exploitation of oil in the western plains region of Colombia. Three new contracts which are the first of 39 contracts which will eventually be signed with foreign oil companies have been signed with Colombian Cities Service and International Petroleum Ltd.

The Ministry of Public Works of Mexico — which is in the process of carrying out a \$47.8 million project to expand the country's highway maintenance services — has been awarded a \$25 million loan by the Inter-American Development Bank through the *Nacional Financiera S.A.*, the Mexican agency responsible for securing external credits. Approximately 60% of the loan will fund replacement of obsolete maintenance equipment and vehicles, 10% to acquire laboratory, photo-interpretation and radio-communication equipment and machine tools. The balance will finance construction, administrative supervision and other costs of new regional maintenance units.

Eximbank will finance 90% of the total U. S. costs of a \$70 million loan for locomotives, spare parts and tools and related services required

for standardization and improvement of Argentina's railway system. The loan will be made to *Ferrocarriles Argentinos* which has entered into a contract with General Motors Interamerica Corporation whereby General Motors will manufacture 80 of the locomotives in the U. S. while the remaining 170 locomotives will be manufactured in Argentina with a portion of the components coming from the U. S. General Motors Corporation will be responsible for performance, quality, workmanship and satisfactory completion of the 250 locomotives. The procurement will enable *Ferrocarriles Argentinos* to standardize its locomotive power, which now consists of several different makes, and will assist in dieselization for increased efficiency and reduced costs.

The winning bid to apply automatic train control in the communications equipment to the São Paulo, Brazil, Rapid Transit System was made by Westinghouse Electric Corporation. Equipment to be supplied under the \$23 million contract will allow São Paulo trains to reach speeds of 65 miles per hour at intervals of 90 seconds. The first 14 mile line of the metro, which will soon be completed, is the forerunner of a 125-mile network serving Brazil's most populous city. It has been reported that the automatic controls are patterned after the San Francisco Bay Area Rapid Transit Train Equipment.

Also in Brazil, the President of the Real Metro Company has suggested that in order to provide financing for the building of the Real subway, a self-financing loan by which the State would create an additional tax on land could be converted into shares of a government company in which the contributors would themselves participate.

The International Bank for Reconstruction and Development (IBRD) has authorized a loan of \$89 million to assist in financing a Brazilian highway project totaling about \$221 million. It entails the construction and paving of 1,150 miles of highways and detailed engineering or feasibility studies of an additional 2,600 miles of high-speed roads.

MARITIME AFFAIRS

The ocean-going U. S. merchant fleet had 566 vessels of 1,000 gross tons or more on November 1, 1971. Total number of vessels in the privately-owned fleet is 725, while the total U. S. flag merchant fleet was 1,407 on that date.

Mexico has given top priority to the building of its own merchant marine as part of a campaign to increase income from foreign trade. In the past year Mexico paid more than \$240 million to foreign-flag ships to carry its ocean shipments. Since the Mexico-Maritime Company was

organized in 1955, however, the firm has grown steadily and now handles about 20% of exports. Total displacement tonnage of the Mexican merchant marine is now in excess of one million tons. In addition, Mexico's Ministry of Industry and Commerce will soon launch a National Fisheries Program in conjunction with the state-affiliated *Astilleros Unidos del Pacifico*. Some \$64 million will be invested in the initial phase to replace units and enlarge the country's fishing fleet. It was recently reported that private and state-owned shipyards of Mexico are to build 500 boats for fishing shrimp, tuna and other species, with the total cost of the project estimated at \$120 million.

The Peruvian Government has allegedly offered to donate ships to promote the fishing industry in the Dominican Republic. It is reported that the proposal was made to the Dominican Institute of Development and Cooperative Credit by Peruvian officials.

METALS AND MINERALS

The Peruvian Government has created an organization for the development of the iron and steel industry in Peru. The agency, which will be known as "Siderperu", will be responsible for the iron and steel production in the country and the commercialization of related products. It will also be in charge of experimentation and technological development relating to iron and steel products.

The formation of a specialized firm to promote the exports of Brazilian ore is being studied by the Ministry of Mines and Energy. The principal objective is to facilitate export procedure and to place all matters connected to the export of ores under the aegis of one single body. The consulting Council of the new body will include representatives of private exporters of ores.

MONEY AND BANKING

The Finance Ministry of Brazil has authorized the Fuji Bank of Japan to establish an investment bank in Brazil together with *Banco Suramericano*, the latter to operate through its branch, Trust Company of South America. The Fuji Bank will acquire 30% and 50% of ordinary and preferred shares, respectively, the balance to be held by the *Banco Suramericano* and other Brazilian enterprises.

Agreement was reached in London between the Brazilian Minister of Finance and representatives of three European and one U. S. bank for the establishment of the European-Brazilian Bank Ltd. This new multi-

national bank, which will be operable this year, has as its main objective the encouragement of foreign investments in Brazil. The Bank will operate with an authorized capital of 4 million pounds sterling and will have seven directors, two of whom will be Brazilian.

The Brazilian Government has created the largest private bank in Latin America by approving the merger of Banco Brasileiro de Descontos and the União de Bancos Brasileiros. The new bank, to be known as União de Bancos Bradesco, will have resources of \$1.6 billion, deposits of roughly \$800 million, will control about a quarter of Brazil's mutual funds, now totaling \$200 million, and have 853 branches.

Following its announcement late last year that it would re-negotiate its accumulated foreign debt, the government of Chile reported preliminary agreement with the United States on rescheduling an estimated \$300 million owed by the Chilean government to 44 private American banks. President Allende had announced on November 10, 1971 that if Chile had been unable to re-negotiate its foreign debts it would face difficulties in its balance of payments which would not be overcome through partial internal changes in its foreign trade and exchange policy. The president of the Central Bank followed the President's announcement by stating that debts with foreign banks, as a result of the financing or refinancing of short-term commercial transactions and charged to lines of credit, as well as other short-term bank credits, would not be included in the re-negotiation. Therefore obligations of this nature incurred by the Central Bank, Chilean commercial banks, or Chilean enterprises then valid, or new ones to be contracted, would continue to be paid when due as in the past. Moreover, Chile would also continue to meet its short-term obligations to suppliers. Chilean officials stressed that the re-negotiation agreement was not connected with Chile's dispute with the United States over the expropriation of an estimated \$700 million worth of American copper assets in July of 1971.

In 1972 Colombia will receive some \$370 million in loans from such financial organizations as the World Bank, IDB and AID, free of any use restrictions. These loans are the result of a campaign initiated by the Colombian Government to obtain credit without restriction tying clauses to specific equipment or imports.

The re-financing of \$53.5 million in debts which the Peruvian government would have had to pay during the course of the next two years — \$23.5 in 1972 and \$30 million in 1973 — has been approved by 14 New York-based banks. According to the pertinent decrees, the military gov-

ernment of Peru has agreed to pay these debts at 6-month intervals starting in January of 1973 and ending in July 1977.

The International Finance Corporation (IFC) participated recently in the underwriting of a \$2.7 million bond issue by the Venezuelan Development Corporation (Cabendes). The issue, wholly marketed in Venezuela in early December, 1971, was to be offered by *Dominguez y Compañía*, the leading tin can maker in the country. The transaction was in the form of a stand-by commitment by IFC to purchase some \$1 million worth of the bonds that Cabendes may have to purchase under its agreement with *Dominguez*. The company plans to establish a plant at *Los Teques*, located near the capital, to supply canners of various products.

The President of the Inter-American Development Bank stated recently that the Bank has been changing its policy to favor loans to less developed nations in the hemisphere. While in the past the Bank was said to have favored the more developed Latin-American nations such as Argentina, Brazil, and Colombia, a change has now been effected so that qualified nations with less economic development can more fully enjoy the Bank's funds and resources for national development projects.

The Chicago Mercantile Exchange has established the International Monetary Market — a future market in currency. Trading was expected to commence in mid-April 1972 in Canadian pounds, Deutschmarks, Swiss francs, British pounds, Japanese yen, Italian lira and Mexican pesos.

TELECOMMUNICATIONS

The World Bank has announced the grant of a \$16 million loan to Guatemala for the expansion of its telecommunications system by the installation of direct local lines and micro-wave equipment for long-distance communications. The loan was made to the *Empresa Guatemalteca de Comunicaciones* (Guatel) which is responsible for most of the public telecommunications service in Guatemala. The loan has been made for a period of 20 years, including a 5-year grace period at an annual interest rate of 7.2%. The estimated total cost of the project is \$21.2 million, of which the bank loan will cover the foreign exchange cost.

Japan and Peru have signed an agreement under which Japan will supply credit worth about \$12 million for construction of a microwave communications network in Peru.

MISCELLANEOUS

The Overseas Private Investment Corporation (OPIC) has entered into an agreement reinsuring with Lloyd's of London and certain insur-

ance companies approximately \$250 million of the U. S. government corporation's \$2.4 billion current expropriation insurance written on U. S. private investments in developing nations. The agreement, in effect, reduces OPIC's outstanding expropriation insurance liability by approximately 10% during the next year. The re-insurance coverage is effective in 73 countries and areas where OPIC has outstanding current expropriation coverage, except for Chile, and will be available in other countries where OPIC may operate in the future. The re-insurance liability is limited to 50% of the current expropriation coverage in countries with a total of less than \$14 million.

Through an agreement between Tass, the Soviet news service, and the Washington-based Porter International Company, Latin American businessmen, government officials, and the public will have first-hand news of trade opportunities in the Soviet Union. The data will be incorporated in a fortnightly bulletin, "Soviet Business and Economic Report", culled mostly from items sent by Tass from Moscow to Porter over a direct teletype circuit. The Report will also contain information on Soviet industrial, commercial and financial developments. In addition to the Report, readers will receive bulletins based on economic studies of industries such as petrochemicals, electronics and machinery.

Four leading data-processing companies of Latin America have joined two U. S. firms in a multi-national consortium under the name of *Interamericana de Computación* (Intercomp) to provide integrated management and computer services throughout the region. In addition to the more familiar management services (accounting, operations, personnel, manpower planning, capital, budgeting, inventory control, resource allocation and information systems). Intercomp will offer corporate strategy and simulation models, transportation and communications and advanced programming techniques as well as systems analysis and software development, service bureau development computer facilities, management supervision, data processing schools and services for the acquisition of hardware. Porter International functions as a clearinghouse for the mobilization of the human and technical resources of its members who serve the needs of international agencies, Latin American governments and businesses.

The University of Florida is now offering an unusual computerized information service for scholarly researchers of Latin American affairs. The service is being made available at cost to non-commercial, academic users only, through the school's Latin America Data Bank (LADB) — the principal storehouse for large-scale Latin censuses and election files in the

United States. Established only five years ago, LADB now has more than twelve million pieces of data for twelve Latin American nations accumulated on computer cards and tapes. Data ranges from population, housing, industrial, commercial and agricultural censuses to election information. Countries for which data can be furnished include Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, Guatemala, Honduras, Nicaragua, Panama and Venezuela. Officials at Florida say the cost of the service ranges from \$15 to about \$5,000, depending on the complexities involved in compiling the data.