

6-1-1971

## Economic Developments

B. A. Landy

Follow this and additional works at: <http://repository.law.miami.edu/umialr>

---

### Recommended Citation

B. A. Landy, *Economic Developments*, 3 U. Miami Inter-Am. L. Rev. 348 (1971)

Available at: <http://repository.law.miami.edu/umialr/vol3/iss2/10>

This Report is brought to you for free and open access by Institutional Repository. It has been accepted for inclusion in University of Miami Inter-American Law Review by an authorized administrator of Institutional Repository. For more information, please contact [library@law.miami.edu](mailto:library@law.miami.edu).

## ECONOMIC DEVELOPMENTS

B. A. LANDY  
*Attorney at Law*  
*Miami, Florida*

### ADELA

Since its establishment in 1964, the Atlantic Community Development Group for Latin America (ADELA) has approved loans totalling \$95 million to 109 private enterprises in twenty Latin American countries, and through its activities of promotion and investment, has participated in direct financial outlays of more than \$1.6 billion to Latin American firms.

From an initial group of 56 stockholders and paid-up and authorized capitals of \$16 million and \$40 million respectively, ADELA now has 241 shareholders and its paid-up and authorized capitals amount to \$51 million and \$100 million, respectively. ADELA considers that one of its major goals—to improve the over-all climate for private business in Latin America—is being fulfilled not only by ADELA's involvement in equity financing, lending and underwriting, but also by the management consulting operations and investment development services provided by its subsidiary, ADELATEC. The latter furnishes technical and advisory counsel to ten promotion companies in which ADELA is a partner; four of these firms are active in tourist promotion, four are concerned with promoting investment in agribusiness, and two are engaged in programs designed to increase investment in underdeveloped regions or provinces of the countries in which they operate.

ADELA's latest venture is in human resource development. Taylor-ADELA, S. A. (TASA) has opened an office in Mexico City to screen and place executives in Latin American companies. The new organization plans to expand into related fields such as sales force training, executive counselling, programmed instruction and other areas of human resource development. TASA has also established a branch office in San Francisco.

### AGRICULTURE

Under a \$2.8 million Canadian dollar loan approved by the Inter-American Bank to help finance a wide variety of studies for development

projects in the Guayas river basin of Ecuador, feasibility studies will be carried out for an irrigation and farm development project (Babahoyo) on a 24,700 acre area, approximately 40 miles north of Guayaquil, and for a multi-purpose project (DAULE-PERIPA) on such fields as flood control, irrigation and electric power. This project will benefit approximately 494,000 acres of lowlands along the Daule, Macul, Vinces and Babahoyo rivers. The loan was extended to the *Comisión de Estudios para el Desarrollo de la Cuenca del Río Guayas* (CEDEGE), an independent agency established in 1965 for the development of the basin and the adjacent Santa Elena peninsula.

Japanese experts have recently completed a feasibility study undertaken at the request of Trinidad and Tobago, on the development of the Nariva Swamp for agricultural purposes. It has been suggested that 11,000 acres be reclaimed as a pilot project over a 10-year period.

A \$3.7 million, 16-year, 7.25 per cent loan to the Jamaican Development Bank has been granted by the International Bank for Reconstruction and Development (IBRD), to expand commercial production of citrus fruits, coconuts, dairy products and beef in the island. The resources will cover costs of land preparation, planting materials, equipment and machinery, buildings, water supply, fertilizers, fencing and livestock, and the introduction of dwarf coconut trees to replace the local coconut trees decimated by the yellowing disease.

The Inter-American Development Bank has announced two loans totaling \$17.5 million to help finance the first stage of Mexico's Central Water Plan designed to bring water to approximately 69,000 acres of land and to develop agriculture in the State of Hidalgo. An ancillary project, sponsored by the U. N. Development Programme, to promote the regional development of the Lerma zone, is being carried out by the United Nations.

The discovery of underground water supplies has opened the possibility of spreading irrigation to approximately 135,000 acres of land in Northwestern Argentina, specifically in San Juan and Mendoza Provinces. The discovery resulted from a survey carried out by the United Nations in which Argentina met one half of the cost estimated at \$1.8 million. Increased agricultural output is expected to result in an area where an estimated \$100 million in investments have already been committed.

Peruvian sources indicate that representatives of Energoprojekt, a Belgrade, Yugoslavia, firm are making feasibility studies of the Chira-Piura irrigation project in Northern Peru. The project calls for a dam on the

Chiura River and a 33 mile canal across two valleys. Estimated time of completion is 15 years at a cost of \$63 million.

The United Nations Development Program (UNDP) has approved, among others, two programs concerning agrarian reform. One is to Honduras to assist the Agrarian Reform Training and Development Program; the other to Peru to assist the National Center for Training Research for Agrarian Reform.

## CHEMICALS AND PLASTICS

The Latin American petrochemical industry could be built up, similar to the way the Puerto Rican industry was developed, if the governments would offer tax incentives and the U. S. would offer tariff preferences to American chemical companies investing in the area. According to C. R. Schaller, Vice President of Corco Petrochemicals, a division of Commonwealth Oil Refining, Latin America has a key advantage that Puerto Rico does not have substantial raw materials, especially oil. However, it lacks Puerto Rico's automatic access to the U. S. market and it has never offered tax incentives on a comparable scale. Meanwhile, until more favorable investment trade conditions develop, the U.S. chemical industry will at least enjoy the opportunity to develop larger export markets in South America.

## ANDEAN GROUP

Latin America's Andean Group — Bolivia, Chile, Colombia, Ecuador and Peru — has agreed on a common investment policy still to be ratified. Foreign ownership of local companies and repatriation of profits will be severely restricted. The petrochemical industry will be integrated and nationalized between the five countries by product development plans.

## ARGENTINA

Argentine chemical exports increased from \$26.4 million in 1968 to \$45 million in 1969 and \$60 million in 1970. According to the *Cámara de la Industria Química*, chemical exports are expected to increase at 15% a year. Most of the exports go to members of the Latin American Free Trade Association.

*Petroquímica General Mosconi*, a 100% State-owned corporation, laid the foundation stone for a \$31 million petrochemical complex at Ensenada. Start up is planned for December, 1973.

## BRAZIL

*Fertilizantes do Sul* will build a fertilizer plant at Rio Grande do Sul by 1972.

A majority holding in *Companhia Brasileira de Sinteticos* (CBS) has been acquired by Farbwerke Hoechst. CBS was formerly wholly owned by a Brazilian group. CBS will erect a polyester filament plant with Hoechst technology by 1972.

Du Pont is expected to sign an agreement this month for a 45% interest in *Salgema Industrias Quimicas*, a projected \$64 million chlor-alkali complex in northeast Brazil. Du Pont's partners are a private Brazilian group (45%) and the National Economic Development Bank (10%).

The Agency for International Development has announced that after five years of planning and construction, the largest privately-owned chemical fertilizer plant in Latin America has now begun production in Brazil. AID provided a \$14.8 million development loan for the plant, valued at \$70 million and \$21.5 million were pledged by a group of private U. S. insurance companies. The AID announcement said that the new industrial complex includes a network of 14 company-owned distribution centers in south and south central Brazil.

Belgium's Solvay will spend \$60 million on Brazilian expansions, boosting its low-density polyethylene capacity at São Paulo from 10,000 tons/year to 27,500 by the end of this year and to 45,000 by 1975, and building a 100,000 tons/year vinyl chloride monomer unit at Cubatao.

## COLOMBIA

According to the Colombian Information Service, the Colombian chemical industry is now growing at 7% a year, with the demand for plastics up 450% since 1960.

*Celanese Colombiana* will more than double polyester capacity at Cali to 6,000 metric tons/yr by December, 1971.

## COSTA RICA

BF Goodrich Chemical has started a plant for the production of vinyl compounds at San Jose. The plant will use indigenous raw materials where possible and will sell to the Central American Common Market.

## MEXICO

Beecham Pharmaceuticals, a division of Beecham (UK), and *Laboratorios Sanfer*, Mexico, will form a joint venture, Orsabe. Orsabe will produce the Beecham line of antibiotics at a new \$1 million plant to be built at the *Ciudad Industrial* in Guernavaca, Mexico.

## PUERTO RICO

The petrochemical industry alone will have invested \$1.5 billion in Puerto Rico by 1975, up from \$96 million in 1960 and \$726 million in 1969.

## VENEZUELA

*Hilados Flexilon*, Venezuela, will build 2 polymer plants at Maracay with start-up by the end of 1972. The products will be consumed in spinning plants already working.

The *Instituto Venezolano Petroquímico* (IVP) has signed a technical agreement with *Empresa Nacional Destileno del Zulia* and the U. S. firm Pennsylvania, for the construction of a polyethylene plant at El Tablazo Complex, at a cost of 14 million *bolivares*. Construction expenses will be shared as follows: Empresa Nacional—37%; Pennsylvania—25%; IVP—37%. It is expected that work will start during the first quarter of 1972 and that the plant will be completed some time during that year.

## DEVELOPMENT AND INVESTMENT

The Guatemalan Government has approved a National Development Plan 1971-1975, prepared by the National Council of Economic Planning. The Plan calls for a series of institutional reforms to be introduced, among which is a complete reorganization of the Ministries of Economy, Agriculture, and Finance and Public Credit. It also calls for the creation of a new Development Bank. The plan has six basic objectives: (1) an increase in public and private investment; (2) creation of a basic institutional framework that will encourage diversification as the basis of economic development and an increase in agricultural production; (3) reduction of the vulnerability of the external sector; (4) improvement of the organization and administration of the public sector; (5) region-

alization of public investment, and (6) an improvement in income distribution.

The Andean Development Corporation (CAF) has announced plans to invest \$485 million in the creation of multinational enterprises and industries which will effectively contribute to regional integration. At a Corporation's meeting in Caracas, delegates from Peru, Ecuador, Bolivia and Venezuela discussed the possibility of giving priority to the execution of 11 projects in which all six countries would actively participate. The 11 projects that will be started this year are the following:

- Enlargement of the Colombian-Venezuelan Petrochemical Industry Monomeros.
- Extension of telephone system in the area.
- Commercialization of consumer products.
- Fishing industry in Colombia, Chile, Ecuador and Peru.
- Coal industry in Colombia.
- Diesel Motor project for Colombia, Chile and Peru.
- Multinational air cargo enterprise.
- Development of synthetic colors in all countries.
- Pharmaceutical industry throughout area.
- Metallurgical projects in Bolivia.
- Commercialization of wholesale products.

Colombia and the Inter-American Development Bank have signed a \$6 million loan which will help to continue and expand a pre-investment study program in Colombia.

The Economic Information and Documentation Center of the Chamber of Commerce of Bogota, Colombia, recently brought together the representatives of government, private enterprises, colleges, banks and technical associations, to initiate conversations on the role of the Center as a clearing house for economic data. Among some of its services, the Center is also offering free of charge, a directory of 276 Colombia economic agencies, under the title "*Guía de Organismos Económicos Colombianos y sus Siglas*". The directorate may be obtained from the Center at *Apartado Aéreo 29284, Bogotá, D. E. Colombia*.

Colombia and Venezuela have initiated a joint study aimed at the development of the border area. The objective of the study will be the joint execution of specific plans for the development of hydraulic resources, lands, forests, fisheries and the fauna.

It has been reported that Brazil is trying to encourage multinational companies to set up corporate headquarters for their South American activities in Rio and São Paulo through a proposed law granting a broad range of tax and other concessions to firms willing to transfer regional corporate headquarters to Brazil (the measure will not benefit operating subsidiaries of the multinational companies.) Under the plan, multinational companies will be exempt from the requirement that two-thirds of their employees be Brazilian; open visas will be granted to multinational executives to avoid the red-tape which presently surrounds entry and exit visas; foreign specialists on short-term assignments will be exempt from local taxes, and the unrestricted flow of international currencies and capital in and out of the country will be allowed.

It has been reported that MITSUI intends to invest another \$75 million in Brazil besides its Cr\$150 million already invested. Investment will be made in the following sectors; Textiles, \$10 million, in the building of a Polyester plant in Juiz de Flora; Petrochemicals, in an industry to be established in the *Centro Industrial de Aratu* in Bahia, with an investment of \$3 million.

The Canadian and Guyanese governments have undertaken a joint plan for the New Amsterdam Technical Institute with Canada providing the services of an adviser and Guyana counterpart professional staff, auxiliary staff, equipment, material and supplies and all other miscellaneous services as required. The estimated cost of the project is G\$3.8 million of which G\$1.8 million will be supplied by Canada.

The U. S. Small Loan Guarantee Program was initiated in a recent ceremony authorizing the Pan American Development Foundation to supervise the pilot project in Guatemala and Honduras. The loan program was approved by the U. S. Congress in October 1969 as an amendment to the Foreign Assistance Act. The Program is designed to stimulate small loans from private banks to *campesinos* and artisans who are otherwise unable to qualify for bank credit for lack of guarantees. The Program will begin in five Latin American countries with a \$15 million guarantee authority which can generate up to \$60 million in small loans. The guarantees would be limited to 25% of the aggregate value of loans made by a single bank but can be as much as 75% of individual loans within the banks portfolio.

The Overseas Private Investment Corporation (OPIC), a quasi-public enterprise that has taken over the investment incentive programs of the AID Office of Private Resources, was inaugurated in January

1971. According to its mandate, under the Foreign Assistance Act of 1969, the new organization will reorganize its predecessor's efforts to stimulate the presence of U.S. private enterprise in development projects overseas, giving special emphasis to the profit motive in investment, restructuring its operations along business lines, and observing what is known as a "risk management" policy. OPIC's legislative charter calls for continuation of insurance against the specific political risks of war, expropriation, and currency convertibility; more flexible pre-investment and project development assistance, and investment financing on a self-sustaining basis. New developments include relaxation of U. S. procurement requirements, liberalized eligibility for loan guarantees, clarified guarantee authority, and a new source of dollar-loan financing.

The V Inter-American Conference of the Partners of the Americas met in San José, Costa Rica, January 24-28, 1971. The Partners believe that substantial involvement of the private citizen is essential to the development process.

The U. N. Development Programme voted in January to try to improve its help to developing countries by decentralizing responsibility among four regional bureaus. These bureaus will coordinate programs in Africa, Asia and the Far East, Latin America and Europe, the Mediterranean and the Middle East.

Canada is preparing a program of technical assistance for Central and South America that will double its present annual allocation of funds for the economic development of the region. Under the direction of the Canadian Agency for International Development, the program will concentrate on agriculture, forestry, fishing, education and community development.

The Cayman Islands has prepared a five-year development plan at a cost of over \$5.5 million. Over half of this amount will be spent on airport expansion and the improvement of harbor facilities.

## EXPORT-IMPORTS

According to *Ecotass*, the Soviet economic weekly, the Soviet agency Machinoexport is negotiating the sale of 150 pneumatic punchers in Argentina, while Stankoimport is trying to sell Brazil machine-tools and equipment for machine tractor rear axles. *Ecotass* reports further that Litsenzingtorg has sold a U. S. firm licenses covering a new method for obtaining aluminium-silicon alloys directly from ore.

The *Banco Nacional de Desenvolvimento Econômico* of Brazil signed foreign credit agreements for the importation of heavy machinery for local industries. Regarding the agreement signed with Muench Meyer Export GMBH, the Bank has announced that financing will be exclusively for importing capital goods and services, or for local expenses related to the project, these local expenses not to exceed 20% of the supply contract. Annual interest rate is 11%, plus guaranty expenses. The difference in the foreign exchange will be added to the above since payment in foreign currency will be made according to the rate of exchange on the date payment is due.

The Bureau of International Commerce (BIC) of the U. S. Department of Commerce, announced a series of revisions in U. S. export control regulations, designed to liberalize export procedures. Included in Current Export Bulletin No. 31, the revisions provide that:

1. Applications for validated export licenses need not be accompanied by a statement from the foreign importer about the end use of the commodities for most shipments valued at less than \$1,000. The previous limit on value shipments under regulation was \$500.
2. Outstanding Project and Distribution Licenses may now be extended for two years, instead of one as previously allowed. In addition, new Projects and Distribution Licenses will be valid until June 30 of the second year after they are issued.
3. Validated licenses for exports of technical data will be good for 24 months instead of the previous 12.
4. Exports permitted under a validated export license may clear any port provided the shipper's export declaration describes such a license on file at another customs office and certifies that the unshipped balance on that license is sufficient to cover the shipment.
5. Exporters no longer are required to file Distribution License Consignee Statements for shipments to foreign government agencies under the distribution license procedure.

Business graduate students at 21 American universities will participate in a program to increase U. S. exports by researching export opportunities for small American companies. The plan aims at expanding U. S. exports to \$50 billion a year by 1973 from the estimated 1970 level of \$42.9 billion. Under the program, manufacturers will benefit from the assistance

of more than 200 graduate students working toward masters' degrees in business administration and specializing in international business. The students will be paid \$50 to cover research expenses for each assignment and will receive academic credit for the project. The students will research world trade leads for U. S. exporters interested in new foreign markets and for business firms seeking their first overseas exports. The program is a joint venture of the U. S. Department of Commerce and certain U. S. business firms.

The Export-Import Bank of the United States and the Private Export Funding Corporation (PEFCO) have signed a guarantee and credit agreement. Under the agreement, Eximbank will guarantee the principal and interest on debt obligations issued by foreign purchasers of U. S. products and services and purchased by PEFCO. PEFCO was organized at the initiative of the Banker's Association for Foreign Trade for mobilizing additional sources of private capital to assist in financing exports of U. S. goods and services.

## GAS & OIL

The issuance of a permit for the construction of the 4-foot diameter, 800-mile long trans-Alaska pipeline from the edge of the Arctic Ocean to Valdez, a port on the south coast, is being watched closely by U. S., British, Alaskan, Canadian, Costa Rican and Nicaraguan interests who are said to be interested in laying cross-country pipelines for transshipment of oil from the Pacific to the Atlantic.

Industrial sources announced in March that oil explorations will start soon in more than 7.5 million acres which cover three departments in Colombia. Contracts have been signed by the Government with five foreign firms for exploration activities covering more than 2½ million acres in the country's eastern plains, with an initial investment of \$57 million. ECOPE-TROL, the Colombian state-owned oil enterprise, has stated that if oil is found investment will be increased to approximately \$400 million. Negotiations are also under way with foreign firms to explore a 4-million acre section in the North, along the frontier with Ecuador, covering 1.25 million acres.

It has been announced that by the end of 1971 the Trans-Andean oil pipeline extending from Orito to Tumaco, Colombia is expected to be in operation at a 100,000 barrel per day capacity. The completion of several feeder pipelines in the Putumayo region now allows the bringing in of oil from new wells, thus increasing the flow through the big pipe. Four 3,600 horsepower pumping stations, located on the eastern slope of the Andes,

are used to force the crude oil as it descends to the Tumaco terminal. All power equipment at these stations operate with crude oil as fuel, in order to eliminate the need of supplying refined products to remote locations. The practice of the Colombian government is to return 60% of the oil revenues to the local government where the oil is produced. Royalties received in 1970 from Texas and Gulf were expected to exceed \$7 million. As a result of this policy, the Putamayo region is beginning to expand its highway system and start on other needed public works.

Colombia and Venezuela are still engaged in negotiations over territorial rights in the Gulf of Venezuela, a large basin that serves as the gateway to oil-rich Lake Maracaibo. Both countries have expressed their desire to arrive at a satisfactory solution but so far no definite agreement has been reached.

It has been officially announced that Venezuela will "nationalize" its liquefied natural gas export industry, although the government will continue "to respect the existing legal rights of the concession holders." It has been indicated that the state-owned Venezuelan Petroleum Corporation (CVP) will own two natural gas liquefaction plants — one in Zulia and another in Anzoátegui — which are expected to be built by 1974 at a cost of Bs2,000,000,000. At present, Venezuela does not export any natural gas. It is planned that the liquefied natural gas produced in the Venezuelan plants will be shipped in special vessels to U.S. east coast utilities companies.

Under a \$34,000 contract recently awarded by the United Nations, the Canadian firm of J. D. Sproule and Associates is studying the economic feasibility of developing off-shore petroleum resources in the Straits of Magellan, Chile. Under the terms of the contract, the study will deal with the following subjects: the different technical methods which might be employed for off-shore development in view of the severe weather conditions which prevail in the Straits; the estimated quantity of the petroleum reserves in the form of crude oil, natural gas liquids and natural gas which may exist beneath the bed; the bed; the cost of off-shore drilling, and the probable rates of return on the investment necessary for the exploitation of the petroleum. The United Nations Development Programme is providing an initial \$189,400 and the government the equivalent of \$857,500 for the preliminary operations. The results, if satisfactory, will form the basis for a full-scale UNDP-assisted project.

The Ministry of Mines and Energy of Brazil has announced the discovery of the biggest offshore oil well in Brazil, off the coast of Sergipe

state. It is estimated that production, supervised by Petrobras, the Brazilian government petroleum corporation, will be about 35,000 barrels a day.

The Bolivian Ministry of Mines and Petroleum has announced that under the terms of its first bilateral agreement for the sale of petroleum, Bolivia will furnish Peru 270,000 barrels of oil at \$2.715 per barrel. Once deliveries are completed, a two-year contract for the sale of 6,000 barrels daily to Peru, will go into effect.

New discoveries of gas and oil off the east coast of Trinidad were announced in November 1970 by the Amoco Trinidad Oil Company. Of the 22 wells drilled so far, eight drillings have discovered important oil and gas reserves in three separate areas.

On October 15, 1970 the Minister of Mines and Petroleum of Trinidad and Tobago granted an Exploration and Production License to a consortium of three oil companies—Oceanic Exploration and Development Corporation, Santa Fe International Corporation, and Terra Trinidad and Tobago Ltd., Inc.—to carry on exploration and production operations in the submarine area off the north coast of Trinidad.

The Government of Guyana has granted oil concessions to the firm 'Comodoro' on the continental shelf of the territory Guyana Esequiba, claimed by Venezuela. Consequently, the Venezuelan Congress has been requested to repudiate the so-called Protocol of Port-of-Spain, which holds in abeyance for a period of twelve years, the Venezuelan claim on the disputed territory. The Protocol of Port-of-Spain signed by the Ministers of Guyana and Venezuela, although ratified by the Guyanese Parliament, has not been ratified by the Venezuelan Congress.

A five-year agreement between the Organization of Petroleum Exporting Countries (OPEP) and the major international oil companies was signed at Teheran on February 14, 1971. The agreement represents a substantial increase in the profits of the producing countries of the Persian Gulf, during the said five-year period. There will be an immediate increase of 35 cents per barrel in the price of oil, and that price will in turn be increased annually five cents per barrel. Oil companies unanimously accepted the terms of the agreement. According to the terms of the agreement the tax on oil companies' gains will be uniformly increased to 55% in all Persian Gulf countries. "Mediterranean" oil—Saudi Arabia and Irak—which reaches the Mediterranean through pipelines, is not included in the agreement. Venezuela is a member of OPEP.

## HOUSING

The Agency for International Development has guaranteed up to \$20 million to private U. S. businessmen in the National Savings and Loan Bank of Venezuela for construction of about 2,800 housing units which will range in price from \$8,000 to \$9,500. The mortgage financing will provide up to 90% of the selling price of the homes, on repayment terms of up to 25 years. The housing units will be built in the Venezuelan cities of Maracay, Valencia, Maracaibo, Guanare, Trujillo, San Felipe, Barcelona, Puerto La Cruz, Maturín, Carúpano and Cumaná, and it is said that an estimated 17,000 persons are expected to benefit from these new housing projects.

## LAND TRANSPORTATION

A Committee established by the Inter-American Development Bank to evaluate the feasibility of a tunnel under the Andes, on the IDB-financed Mendoza to Valparaíso highway, is carrying out the necessary studies at the request of the Department of Public Works and Transportation of Argentina and the Ministry of Public Works and Transportation of Chile.

Brazil and the Export-Import Bank have signed a contract involving over \$25.5 million for the construction of Brazil's first subway in the city of São Paulo. The loan, for \$11,883,000 will help support approximately \$24 million of purchases from the United States; it also included two financial guarantees for a total of \$13,659,000 to come from sources outside the United States. The project calls for 41 subway miles and the first phase will cover about 13 miles for the north-south route from Santana to Jabaquara. The Eximbank has indicated that the project is expected to go into partial operation late in 1973.

A consortium of Japanese companies—Kawasaki, Toshiba and Nissho-Iwai—has sold 56 trains to the national railways of Chile. The \$16 million transaction is being financed by Japan's Export-Import Bank.

The Congress of the United States has authorized a grant of \$100 million to the Governments of Colombia and Panama in fiscal 1971 for the construction of a 400 kilometer road to fill the last gap, the Darien Gap, in the Pan American Highway. The highway would run from Alaska to Chile and Argentina. Construction of the Darien Gap highway has been estimated at \$150 million. The Colombian 8-kilometer section is projected to cost about \$60 million, of which \$40 million would be covered by the U. S. government grant. The cost of the 320 kilometer

section in Panama, which will open up the Darien region, so far largely unexploited, has been estimated at approximately \$90 million of which the U. S. grant would cover about \$60 million.

On January 26, 1971 the President of Brazil signed a decree expropriating the consortium of Brazilian construction concerns that had been building the main part of the Rio to Niteroi Bridge, and eight-mile bridge over the Rio de Janeiro harbor. The Brazilian government moved to take over part of the construction in order to safeguard the government's reputation for economic accomplishment. The bridge, linking the two cities on either side of Guanabara Bay, had become a symbol of the military government's effort to build an economic base quickly, efficiently and without corruption.

With the aid of five loans from the Inter-American Development Bank totalling \$38.3 million a three-mile bridge will be built between Puerto Unzué, Argentina and Fray Bentos, in Uruguay. The funds will also be used to build a five-mile road to the bridge on the Uruguayan side, and to improve the highway network of northern Argentina. Uruguay was granted two of the loans amounting to \$4.8 million, including one for \$1.2 million in Argentine pesos to help supply the counterpart funds necessary for Bank-financed projects in Bolivia, Paraguay and Uruguay. The other three loans, in the amount of \$33.5 million were extended to Argentina and apart from the bridge costs, they will contribute to the construction of 133 miles of trunk highway, 379 miles of secondary roads and bridges across two main rivers in the Argentine provinces of Corrientes, Entre Ríos and Misiones. The International Bridge, an Argentine-Uruguayan venture, is designed for two-lane traffic and will consist basically of one main span over the navigable channel of the Uruguay River, two smaller spans, 24 secondary spans and two transition spans, one on each side.

The Venezuelan government has approved credits for \$25 million for the building of the first 7 miles of the Caracas subway, together with 8 stations. Construction is scheduled to start in July 1971, with a termination date in 1974.

## MARITIME AFFAIRS

Plans are under way for linking Peru and Bolivia across Lake Titicaca, by a new Canadian-built railcar ferryboat designed to carry mineral concentrates and general merchandise at high altitudes.

Proposals for a new harbor have been announced in the Cayman Islands. The comparative advantages of a government scheme and a plan presented by private enterprise are being weighed.

A deep water port study has been presented to the Government of British Honduras involving a \$12 million expenditure for the construction of a pier in Belize City and Commerce Bight in the Stann Creek District. Copies of the study were submitted to the Canadian International Development Agency and to the World Bank in Washington.

The United Nations Development Programme (UNDP) has approved, among others, the following projects: \$1.18 million to Brazil to establish a center for training personnel for the Merchant Marine (Brazil will contribute \$1.94 million); \$905,000 to Cuba to assist in the training of fishermen in modern fishing techniques and to develop the country's fishing resources (Cuba will contribute \$1.08 million).

#### METALS AND MINERALS

With a view to attracting foreign participation in its mining industry, Argentina is rewriting its present mining code. Further, local mining companies are being helped through: the reestablishment of a 6% refund on exports of metallic minerals abolished early in 1970; the 10% duty now levied on such shipments will be cancelled; import duties on new mining equipment, which now run to about 80%, are to be cut to about 20%.

According to the terms of a contract signed by the Peruvian government and the U. S. Marcona Mining Company, the latter will invest \$22.3 million in its iron deposits in the Department of Ica, south of Lima. The investment will serve to increase the annual production of that iron deposit from 8,775,000 to 10,500,000 tons. The company has also agreed to enlarge its housing, hospital and educational centers as well as its community services to take care of its personnel.

In what will be the largest private industrial venture ever undertaken in Mexico, a feasibility study of the La Caridad copper ore deposits in northern Mexico is expected to confirm in detail the need for construction work costing between \$250 and \$300 million. A contract for the study has been awarded to the Parsons-Jurden Corporation of the United States. The La Caridad deposit also contains, besides copper, valuable amounts of molybdenum.

Explorations have identified a new mineral belt in the Panamanian Cordillera along the San Blas coast adjacent to the Colombian border. The belt contains copper with indications of molybdenum, zinc and gold associated with granodioritic intrusive and andesitic volcanic rocks, according to field reports from the U. N. Development Program-aided survey. The new mineral belt covers portions of Darien and San Blas provinces. The three-year survey is costing \$1.1 million, of which the Panamanian government is paying \$496,000 and the UNDP about \$633,500.

The Government of Guyana began negotiations December 7, 1970, to acquire majority interest in the Demera Bauxite Company (DEMBA), a subsidiary of the Aluminium Company of Canada. Guyana is expected shortly to begin negotiations with Reynolds Metals, toward the acquisition of majority interest in that firm also. The Guyanese Government has voiced its intention of eventually having no less than 50% interest in all exploitation of national resources, especially minerals and forestry.

## MONEY AND BANKING

The International Financial Corporation (IFC) has established a capital markets department. The task of the new department is to promote the growth of capital markets in the developing countries members of the World Bank.

Barbados joined the IMF in December 1970. Barbados quota in the Fund is \$13 million.

Silver coins of one thousand pesos (\$4) are now circulating in Uruguay under a coinage plan sponsored by the U.N. and FAO.

A high government official in Mexico has proposed that the principal silver producing nations join an effort to regulate the international price of silver. Addressing himself to Peru and Mexico, the official urged joint action in order to maintain a stable price for silver in the international market.

The International Monetary Fund has agreed to send an expert to British Honduras to assist in the Government's efforts to replace the existing currency board arrangements with a more effective central monetary institution and to develop a modest money market.

It is rumored that Paraguay is studying the feasibility of setting up a system of numbered accounts in private banks.

The *Banco de Guayaquil* has been recapitalized and has reopened after being closed for five months. Under the reorganization plan some of the creditors—including some U.S. banks—agreed to convert part of their credits into shares of the reorganized bank.

The *Banco Español de Chile* and the *Banco Osorno y la Unión* are now under the control of the State in Chile. The number of commercial banks now under State control total eight. This latest development is part of Chile's plan to restructure the banking system by nationalizing private commercial banks.

In December 1970 foreign banking in Venezuela was seriously affected by substantial modifications to the banking law. A review of the changes is covered in depth in the report on Inter-American Legal Developments and Dr. A. Morles' article in this issue.

The American Bankers Association (ABA) recently announced establishment of a 12-member International Banking Committee to help its 18,000 members deal with their increasing worldwide banking activities. One of the Committee's chief functions will be to educate member banks, particularly small and medium-sized institutions, concerning various aspects of international banking and foreign financial transactions.

Several of the nation's largest banks have received approval from the Federal Reserve to open international banking subsidiaries in Miami under provisions of the Edge Act to conduct offshore business for their customers in the Caribbean, Central and South America. Among them, the Bank of America, the world's largest with deposits of \$23.3 billion; First National Bank of New York, second biggest in the country with deposits of \$19.6 billion, and Irving Trust Co., a \$5 billion New York bank. Reportedly contemplating a similar step are Chase Manhattan, the Mellon Bank of Pittsburgh, and the First National Bank of Chicago. Still others reporting to be studying the possibilities of an Edge Act bank in Miami are Wells Fargo Bank and Crocker-Citizens, both of California. Citizens & Southern International Bank, a subsidiary of the C & S in Atlanta, inaugurated the trend by establishing an Edge Act corporation in Miami nearly two years ago.

In January, 1971, the U. S. Government announced the extension for another year, with minor modifications, of its program of controls over bank lending and business investment abroad. The announcement was made jointly by the Treasury, the Federal Reserve Board and the Commerce Department.

The Prime Minister and Minister of Finance of Barbados announced in November 1970 that legislation would be introduced early in 1971 to provide for the establishment of a Central Bank in Barbados. It will probably require at least a year to complete arrangements for the withdrawal of Barbados from the East Caribbean Currency Authority.

The Caribbean Development Bank has made its first loan. Specifically \$750,000 have been allocated to construct a resort hotel in St. Lucia. Under the provisions of its charter the Bank is limiting all soft money loans to the Associated States, British Honduras, British Virgin Islands, Caicos, Cayman Islands, Montserrat and the Turks.

A National Workers Bank is scheduled to open in Trinidad and Tobago on June 1, 1971. The new bank which is to be financed, owned and operated by its shareholders will open subscriptions to trade unions, government entities, cooperatives and individual workers. The OAS has been instrumental in planning the bank.

The Inter-American Development Bank has entered into an agreement with American University of Washington, D.C. to help finance a post-graduate program on "Development Banking" which will be offered to 30 Latin American economists and staff members of development institutions. The program will mark the first time the Bank participates with a university in the United States in academic training for Latin Americans. The program of courses will be offered twice on campus during the 1971-1972 academic year.

The Inter-American Development Bank has announced the official adoption of resolutions by the Bank's 24 member countries to increase its resources by a total of \$3.5 billion.

A bond issue equivalent to \$27.3 million was offered for sale in West Germany by the Inter-American Development Bank. The 100 million Deutsche mark issue, bearing 8.5% interest and with 15 years' maturity, is the sixth the IDB has placed in Germany.

A suggestion to incorporate Europe, Japan and Canada as associate members of IDB has been made by the Financial Manager of the Bank. Citing the need of outside help to support infrastructure projects, he said that contributions from non-hemispheric countries could be added to funds already administered by the Bank or go directly to the IDB member countries.

The Pan American Development Foundation has signed an agreement with AID's Office of Private Investment to facilitate small loans to

"the little man" in Guatemala and Honduras. The program is concerned primarily with rural development. It will guarantee loans from private banks to farmers who lack traditional collateral to buy new equipment and improve their farms.

### TELECOMMUNICATIONS

It is expected that the United Nations Development Programme will help finance a feasibility study of a regional system which will make use of a satellite or a series of satellites and television for the general development of Latin America.

The Export-Import Bank has granted a \$623,920 loan to Mexico for the purchase of equipment for a microwave system. The equipment is destined for a land station which will function with the Intelsat IV satellite, expected to begin functioning early this year. The Ministry of Communications operates a national system of telecommunications which includes microwaves and a land station for international communications.

Jamaica recently announced the acquisition of 51% of the external communications system of Cable & Wireless, the British-owned external communications system operating in that country. The Trade and Industries Minister of Jamaica stated last summer that Jamaicans now own 17.7% of the country's industry outright.

### MISCELLANEOUS

It was officially announced in Canada in January 1971 that the Canadian and Cuban governments would begin negotiations to agree on a lump-sum payment of claims of Canadian citizens for property rights and interests nationalized or taken over by the Cuban government. Claimants were asked to submit details of their claims to the department before June 15, 1971. The Canadian Government will consider only claims in respect of property that belonged to persons who were Canadian citizens at the time the property was nationalized or taken over.

As a result of routine price checks and an investigation by the Agency for International Development, a U. S. Federal grand jury has indicted officials of an Iowa manufacturing firm for overcharging AID and providing kickbacks in a foreign aid transaction. The indictment charges that company officials in 1968 and 1969 conspired with an importer in the Dominican Republic to overcharge AID by a total of \$23,182, which was used to make side payments or kickbacks to the importer. The case came to light as a result of routine checking of invoices by the Financial

Review Division of AID's Office of the Controller. It was observed that the invoice prices of the machinery in the export transaction were higher than list prices quoted. An investigation by AID resulted in the grand jury case. All suppliers of AID-financed procurement must certify that they have neither given nor received kickbacks and that their prices comply with AID regulations.