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ECONOMIC DEVELOPMENTS

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ADELA

ADELA announced that it plans to increase its authorized capital from \$60 million to \$100 million. It also announced that seven projects totaling \$5 million had been approved in Mexico, Nicaragua, Peru, Trinidad, Tobago and Venezuela. Basically, the policy of ADELA is to take minority participations in promising ventures in Latin America and to provide pre-investment studies and financing.

ADELA has also authorized an equity investment to a maximum of \$100,000 and a loan up to \$400,000 in LEASIBRAS, a new Brazilian company which will undertake the leasing of various industrial assets. LEASIBRAS is the second leasing company to be promoted by ADELA under the latter's Latin American leasing program.

AGRICULTURE

It is expected that a land resources survey being conducted in Nassau will permit efficient long-range planning of land use and prevent wasting of the island's best land. Under the project, proposed a few years ago by the British Minister of Overseas Development, soil types, vegetation, water availability, climate and other factors will be studied on an island-to-island basis.

The Government of Israel has signed an agreement with the OAS to expand rural development activities in Latin America. The agreement calls for Israelite groups to develop projects to foster the development of rural communities in Latin America, with a view to curtailing the exodus of unskilled farmers towards urban communities. The projects include the establishment of experimental farms, communal centers and cooperatives where farmers will receive instruction on modern agricultural methods. The Government of Israel has already appropriated \$250,000 for rural development projects with OAS, and the Inter-American Bank has earmarked an additional \$500,000.

The Dominican Republic has recently been confronted with the threat of an economic crisis because of the difficulties involved in saving the extraordinarily successful coffee crop. It is estimated that the current harvest could bring approximately \$30 million in foreign exchange, an \$8 million increase over last year's figures. However, the poor condition of feeder roads and the shortage of pickers will substantially reduce the crop. The government has appealed to all sectors for 100,000 men to serve as pickers.

The Department of Agriculture of the United States has issued a food for peace purchase authorization for more than \$12 million of wheat to Brazil. The authorization provides for the purchase of about 200,000 metric tons of hard red winter wheat.

Under an agreement concluded between Brazil and Canada, Brazil will buy one million tons of wheat from the Canadian Wheat Board for shipment over a 3-year period which started in June 1970.

Mexico's "green revolution" has enabled the five-acre mini-farmer to triple corn yields with only slightly higher costs. The *puebla* plan has been under constant study by agricultural experts from Latin America and other areas of the world where farming comprises 40% of the rural population.

Venezuela and Trinidad have signed an Agricultural Technical Co-operation Program.

Jamaica, the IDB's newest member, will receive its first loan from the Inter-American Bank. The loan amounts to the equivalent of \$6.2 million and will finance the first stage of a national farm improvement program which will benefit approximately 3,600 existing farms and create 320 new ones. Proceeds of the loan will be used by the Jamaican Ministry of Rural Land Development to expand the activities of the Self-Supporting Farmers Development Program which will provide potentially viable farms of between 5 and 100 acres with adequate supervised development-type credits which will eventually take them from Jamaica's farm subsidy and welfare programs into self-supporting units. The farmers will receive technical assistance, marketing, research and extension services through programs principally administered by the thirteen regional Land Authorities of the Ministry of Rural Land Development.

Twenty-four members of the Peace Corps are scheduled to go to Nicaragua in February, 1971 to assist small farmers in organizing rural cooperatives. This activity is a part of an agricultural extension and rural credit program of the National Bank of Nicaragua.

ARBITRATION

The American Arbitration Association and the U.S. Council of the International Chamber of Commerce have announced an agreement for handling international commercial disputes. The agreement calls for the AAA to handle the United States arbitrations where the arbitration clause is that of the ICC, the AAA or a joint ICC-AAA clause. There is a strong possibility that in the future the Inter-American Commercial Arbitration Commission (IACAC) might also work with the ICC in Latin America to find a solution to commercial disputes between European and Latin American enterprises.

CHEMICALS AND PLASTICS

ARGENTINA

BASF Argentina S.A. is ready to start production in a \$10 million industrial complex in Arroyo Seco. Initial output will include plastic dispersions, polystyrol foams and chemicals for the textile, leather and paper industries and colorants.

BRAZIL

Three Japanese firms have teamed with two Brazilian concerns to form Ciquine Petroquimica in Salvador. Mitsubishi Chemical Industries will supply technology, Mitsubishi Heavy Industries will build the plant, and Nissho-Iwai will handle world-wide exports. The \$25 million plant will initially produce 20,000 tons per year of 2-ethylhexanol and 38,000 tons per year of n-butanol. The Brazilian partners, state-owned Petrobras Quimica and privately owned Companhia de Industrias Quimicas do Nordeste, will supply propylene and oxo-gas raw materials. Completion target date is late 1971.

VENEZUELA

The Venezuelan Petrochemical Institute (IVP) is seeking external credits of \$225 million for the construction of the long-delayed El Tablazo petrochemical complex in the state of Zulia.

CENTRAL AMERICA

A Mexican government company has agreed to buy Esso Chemical's fertilizer operations in Central America. *Guanos y Fertilizantes* will pay

more than \$5 million for Esso's 96.8% interest in Fertica, which has plants in Costa Rica and El Salvador. Their combined capacity is more than 800 tons per day of fertilizer and ammonium nitrate. For Guanos, the acquisition represents another move into the Central American Common Market. The company is already building a \$2.5 million fertilizer plant in Guatemala in partnership with the Guatemalan government.

EXPORTS-IMPORTS

The U. S. Government has offered, subject to Congressional approval, to increase its imports from Latin America by more than \$350 million annually in agricultural and fisheries products and raw materials. This would represent nearly 8% of current Latin American exports to the United States, which totaled \$4.2 billion in 1969.

The U. S. Department of Commerce has announced three new Joint Export Association market development projects. The JEA program provides Government financial support to groups of U.S. companies seeking to develop new overseas markets. Under these contracts, the Government will eventually reimburse \$482,875 of the projected \$1,002,000 cost of market development activities. Contracts were issued to Amer-Asia Consultants, Inc., Washington, D.C., for a Commerce share of 50% of \$400,000; General Telephone and Electronics International, New York, 50% of \$400,000 and Tennant Development Corporation, New York, 38% of \$202,000.

Regulations that permit greater procurement outside the United States ("untying") under Agency for International Development loans are now being published by that Agency. Pending agreement among major industrialized donor countries on complete "untying", President Nixon announced his decision to permit foreign aid procurement immediately in most lower-income countries. The President's decision frees AID development assistance loan dollars for purchases of commodities and services in virtually all lower-income countries as well as in the United States.

A \$30 million Alliance for Progress loan has been made to the Central American Bank for Economic Integration (CABEI) by the U.S. Agency for International Development for private projects to develop exports and tourism in Central America. The loan agreement calls for CABEI to make sub-loans directly to new or previously selected projects related to export diversification (\$25 million), and tourism development (\$5 million) in Guatemala, Costa Rica, Nicaragua, El Salvador and Honduras, the members of the Central American Common Market. Interest will be at the rate of 2% during a ten-year grace period and 3% thereafter.

Completion of The World Trade Center, a six-building complex with twin 110-story towers, constructed by the Port of New York Authority, is scheduled for 1973, although its first tenants are scheduled to move in by the end of December 1970. Already private businesses and government agencies from 49 nations are among the future tenants, which will include foreign commercial attachés, national government trade centers, foreign government purchasing missions, customhouse brokers, trade associations, exporters, importers, freight forwarders, international banks, steamship lines, as well as the U. S. Bureau of Customs and the Port of New York Authority administrative offices. One of the most important elements of the Trade Center, a World Trade Information Center, will be a clearing house for international trade information. A World Trade Institute, which will also be part of the project, will serve as an instrument for world trade education, research and promotion.

Mexico City will host the first U.S. Trade Center in Latin America. The Center is scheduled to open in 1971 and will support the export expansion programs of both the U.S. and Mexico. The Mexico City Center will differ from the other eight Centers of the Commerce Department worldwide chain, in that it will support the host country's trade expansion objectives by concentrating on sophisticated U.S. equipment. In the first exhibitions, the Trade Center will feature: packaging machinery, quality control instrumentation, hotel modernization and catering equipment, and specialized machine tools.

The Government of Mexico has discontinued the requirement that the Vendor's Declaration, executed by U.S. shippers, be presented in order to clear goods through customs.

Panama's importation quota system, enacted as an incentive to the development of local industrial activities, will be replaced shortly by higher importation tariff controls.

A number of promising avenues for further diversification of exports are being developed by the Colombian government. Recently, a contract was signed with the Peruvian government for the export of 7,000 head of cattle for the coming year. Exports of books and magazines are expected to increase from \$845,000 in 1969 to \$2 million in 1970. It is hoped that after 1970 the production of textbooks for export in various foreign languages will increase. The government is also hopeful of achieving substantially larger exports of lumber as a result of the recent granting of exploitation permits to local and foreign firms for 1.1 million hectares in the Atrato basin area.

The *Instituto Colombiano de Comercio Exterior* has recently published

a new resolution which has eliminated the necessity of prior government approval for approximately 100 different imports. Among the major items mentioned were films, seeds, pasteboard, paraffin waxes, books and pamphlets, various types of machines and motors, and spare parts for automobile engines.

In Circular 138, the Central Bank of Brazil has established the standards which will regulate the credits which the EXIMBANK will grant to national investment banks for financing the importation of U.S. products, through the transfer of foreign resources to smaller Brazilian importers.

Former Mexican Finance Minister Antonio Ortiz Mena has been elected the new president of the Inter-American Development Bank.

GAS AND OIL

At the beginning of September, 1970 an agreement was entered into between the Government of Bolivia and Bolivian Gulf Oil Company, whose Bolivian properties were nationalized in October 1969. The Government agreed to pay indemnization adhering, more or less, to the evaluation which was made by the experts of the French firm Geopetrole. Payments will be made with oil from the ex-fields of Gulf. It has been reported that the amount of the indemnization is \$78.5 million.

The Bolivian regime is anticipating that the Spanish government will ratify a recent agreement to buy 25,000 barrels of Bolivian oil daily through CAMBA, a Spanish government backed company. CAMBA will furnish technical assistance to Bolivia's state oil agency for three years and sell the Bolivian oil for five years at a compensation of \$400,000 per year.

On September 26, 1970 Bolivia resumed exporting oil through the port of Arica. The shipment, marketed through CAMBA, was the country's first since the government nationalized the Gulf Oil Company on October 17, 1969.

The Argentine Government is planning an aggressive oil exploration program during the next three years to offset a reserve crisis which may develop by 1975. The Government is also considering modifying its three year old hydrocarbon law by allowing greater participation of private companies in exploration. Under the present regime companies cannot work in more than five permit areas at once, and since the Government aims to increase the number of companies working in Argentina, it is proposed that the hydrocarbon law be modified to open more areas per

company. It is also likely that YPF may subcontract work to private firms.

The equivalent of a \$15 million loan from the Inter-American Bank will be used by Argentina to help expand the gas supply system in rural and urban areas of the country. The projects under the Bank loan will be carried out in the 1970-1972 period at an estimated total cost of \$85 million. The four projects to be undertaken include: expansion of the main gas pipeline; renovation and extension of natural gas distribution networks; new facilities for the handling and storage of liquefied gas and automation of the Garayalde compressor plant.

A \$34,400 United National Development Program (UNDP) contract awarded recently to the Canadian firm of J. C. Sproule and Associates calls for the investigation of the economic feasibility of developing offshore petroleum resources in the Straits of Magellan. Since 18 gas and oil fields of exploitable size have been located on both shores of the Straits by Chile's *Empresa Nacional de Petróleo*, the purpose of the study is to ascertain whether gas and oil fields with similar characteristics exist beneath the bed of the Straits, and, if so, the approximate cost of bringing them into production. UNDP is financing \$189,400 and the Chilean government the equivalent of \$857,500 for the preliminary operations.

President Medici has approved the Brazilian National Petroleum decision to allow state-owned Petrobras to look for oil in foreign countries. That decision might well lead to Brazilian association with private and state-owned companies in South America and some Middle East countries.

The first new oil exploration agreements since 1958 were recently awarded by the state-owned Venezuelan Petroleum Corporation (CVP) under the new "service contract" formula. Occidental Petroleum, Compañía Shell de Venezuela and Mobil Oil received the awards which call for exploration in five 50,000-hectare blocks in South Lake Maracaibo. If oil is found in commercial quantities within three years, the companies will be permitted to develop the deposits. An estimated \$31 million will be invested in exploration in the new area.

The Creole Oil Company will invest Bs400 million in the state of Zulia, Venezuela, hoping to drill 350 new oil wells in private concessions located in areas already tested and which offer good prospects of large-scale production. Creole will also invest \$35 million in a research program on gas and water injection plants.

In September, 1970, a 230 kilometer gas pipeline linking the gas

field of Anaco with Puerto Ordaz was inaugurated in Venezuela. The pipeline, which will carry about 150 million cubic feet of natural gas daily, was built by the State petroleum enterprise (CVP) at a total cost of approximately \$13 million. A large portion of the gas carried by this pipeline will be used in the iron ore reduction process in a plant now being built by the Orinoco Mining Company, a subsidiary of United States Steel. It is expected that this new supply of gas at low prices will give added impetus to the industrial development already springing up in the Guayana region.

Along with other sweeping legislative reforms, Peru has, for the last several months, been preparing a new hydrocarbon law. Preliminary drafts of the law indicate that the direct concession system may be replaced by a system of service contracts, as is now the case in Venezuela and Colombia.

Petroperu, the state-owned oil company in Peru, has begun a \$36-million three-year exploration program. Main areas of interest are the eastern jungles near Ecuador's border, Urubamba and Tambo rivers region, as well as offshore, on the north coast.

A special Government Commission is drafting a new hydrocarbon law for Ecuador. It is not clear whether the existing rights of present concession holders will be recognized or whether these concession holders will have to submit to the regime of the new hydrocarbon law when it is approved.

Legal experts in Ecuador have completed the legal structure of the *Empresa Petrolera Estatal* (EPE) which will be subordinated to the Ministry of Industries and Commerce. The new entity will prospect and drill for oil; produce, refine and process crude oils; transport, market, import and export hydrocarbon products. EPE will operate both on its own and in joint ventures with domestic and foreign companies. It may also resort to service contracts.

It is estimated that petroleum production will get under way in Ecuador's Amazon region by August, 1972. Recent reports state that 225,000 barrels of oil will be exported daily.

A.D.A. Oil Company is planning to invest a total of 240 million sucres in offshore oil exploration along the coast of Guayaquil.

The Chilean Government has confirmed that it will nationalize all companies involved in refining and marketing of "fuels". Informed sources report that the Minister of Mines has stated that all nationalizations will

be "legal" and with compensation. The State's *Empresa Nacional del Petróleo* (ENAP) has a monopoly on production in Chile, but some foreign and Chilean companies share in the marketing of fuels and lubricants.

Government owned *Empresa Colombiana de Petróleos* (ECOPETROL) signed its first seven service contracts on 2.5 million acres of the central high plains to foreign exploration under the terms of a 1969 oil law that put an end to the Colombian concession system and established the service contract as the new standard. The new service contracts provide that:

- 1) All exploration costs are to be assumed by the contractor. The exploration period is for six years. During the initial three years the company must invest at least \$2 million. Minimum investment for the second three year period will be \$3 million.
- 2) If commercial production is established, Ecopetrol automatically becomes a 50% partner. It then assumes up to half of development costs, receives half of the hydrocarbon yield, and is entitled to co-manage the production operations. Duration of the exploitation period will be 25 years.
- 3) Royalties will be 16% a year on total production of 50,000 b/d or less, and higher if production passes the 50,000 b/d mark.

The Trans-Indian Oil pipe line extending from Orito to Tumaco in Colombia is expected to be operating at 100,000 barrel per day capacity early in 1971. The completion of several feeder pipelines in the Putumayo region now allows the bringing in of oil from new wells, which in turn has increased the flow of the Trans-Indian Oil pipeline.

Petróleos Mexicanos (PEMEX) has completed and put into service its 80 million peso underwater pipeline project linking the Ciudad Madero Refinery complex with the port of Tampico. The twelve-inch pipeline has a capacity to handle 35,000 barrels of crude oil daily.

Pemex has discovered important oil deposits in the Gulf of Mexico, some 22 miles off Tampico, in an area estimated to measure 1,200 square miles.

Mobil Exploration Panama Inc., and affiliate of Mobil Oil Corporation, has been granted oil exploration rights covering 1.25 million acres in the Gulf of Panama. If a planned extensive survey warrants it, drilling is to commence within three years from the date of signing the contract. The contract provides for turn over of the survey data to the Panamanian government, supplying oil to Panama on a priority basis, and a substantial share of the profits realized from oil production, among other provisions.

It has been reported that the Bahamas Gulf Oil Company together with the Bahamas California Oil Company, will soon start drilling for oil off Clarence Town, Long Island, Bahamas.

HOUSING

The Commonwealth Development Corporation has announced that it will make available to Barbados EC\$4 million for mortgage lending. These funds are to be channeled through a subsidiary construction company at the Rock Dundo housing estate and are destined to finance low-cost houses constructed in accordance with the needs of middle income families.

LAND TRANSPORTATION

When considering financial and technical assistance for road projects, AID will make an in-depth study of the probable social and ecological effects of such projects. In this connection, it was pointed out that "it is now the policy of AID not only to focus more carefully on such environmental considerations but to attempt to identify more fully the effects of technological changes on the environment and their immediate and longer range costs."

An agreement has been signed between Uruguay and Argentina for the construction of the International Bridge over the Uruguay river, between the cities of Paysandú on the Uruguayan side and Colón on Argentinian territory. In accordance with the terms of the agreement, the bridge must be completed within 24 months after the signature of the document.

The Government of Peru cancelled a contract signed with Root Overseas, Inc., a U.S. company, for the construction of a road across the jungle. The Legal Department of the Ministry of Transport will be authorized to start legal proceedings against the consulting firm for "acts and omissions committed against the State." Work on the project was started under a \$43.4 million AID loan and operations came to a halt almost immediately after the present government came into power in 1968. The Army will continue the work, using the heavy equipment belonging to the U.S. firm.

The Inter-American Bank has approved a loan equivalent to \$530,000 for the completion of a feasibility study and the preparation of design plans for the reconstruction of a key highway in central Bolivia. The highway is 124 miles long and lies between Oruro and Quillacollo on the

main route which connects La Paz and Santa Cruz, the principal points of development in the country.

The Colombian Government and the Bank of London and South America have concluded a credit agreement under which the Ministry of Public Works of Colombia will be able, within a period of six months, to place orders for road construction and maintenance equipment in the United Kingdom up to a total of four million pounds or \$9.6 million. The Bank of London and South America will provide the financing for the equipment at repayment terms of up to nine years from the date the loan is signed. Repayment to the British suppliers will be guaranteed by the Export Credits Guarantee Department of the United Kingdom.

MARITIME AFFAIRS

It has been announced that Colombia's *Gran Colombiana* merchant fleet plans shortly to acquire ten new units to expand its services to five continents. The new ships, to be purchased over the next two years, will be acquired on a barter basis. The first step in the expansion program will be to extend services to the Mediterranean.

It has been reported that construction of the port facilities at Esmeraldas, Ecuador — a project estimated to cost approximately \$14 million — has begun in the district of Las Palmas, a seaside resort.

With the assistance of the United Nations, the IBRD and the Argentine Government, Paraguay's National Administration of Navigation and Ports is carrying out two projects aimed at improved navigation: (1) expansion of port facilities at Asunción, and (2) a feasibility study of improved navigation in the Paraguay River, financed by Paraguay and Argentina with \$600,000 each, and the U.N., which contributed \$525,000.

The first unit of a small fleet of fishing research boats for Nicaragua is being built in Mexican shipyards. The 36-foot long boat has been specially designed to operate in Lake Nicaragua but may be later taken to the Atlantic or the Pacific Oceans. Simultaneously, the Nicaraguan Development Institute (INFONAC) announced that the output of its first fish-dehydrating plant will soon reach the market, thus replacing part of the imports of Norwegian and Canadian dry fish, which average 44,000 pounds per year.

Work has commenced on a project which will eventually alter the entire frontal appearance of Kingstown, St. Vincent. Eighteen acres of land from the shore and along the bay front to North River Road are

to be reclaimed with a build-up of 2,000 feet of rock-filled seawall. The deep water harbor will also be extended towards the northwest part of the town. Special accommodation is to be provided for cruise ship passengers.

The Government of the Dominican Republic is considering the creation of a small inter-coastal fleet for the transportation of fruit products between the ports of the Dominican Republic, as well as ports in the Dominican Republic and nearby islands. The proposed fleet would not only reduce present maritime rates, but could also serve as the beginnings of a national merchant marine.

METALS AND MINERALS

With a view to promoting the mining production of Argentina, the government has at present several projects under consideration. Among the measures being studied are the following: restitution of the 6% refund on export of zinc, lead, beryllium and wolfram; elimination of the export taxes established by decree 192 on minerals; tariff provisions for the protection of the mining production; establishment of a mining equipment system which will insure the domestic production of such equipment; support of a mining promotion law; introduction of amendments to the Mining Code in order to up-date its provisions; and, compliance with the social laws in the fields of mining exploitation, particularly as regards housing, education and health.

After three years of negotiations, a contract was signed in Bogota by representatives of the Chevron Petroleum Company, the Hanna Mining Company and the Colombian Government, for the exploitation of the Cerro Matoso Ferronickel deposit in northern Colombia. The following are some of the contract provisions which Colombian official sources regard as precedents in the extraction of the mineral wealth not only of Latin American republics, but of developing nations throughout the world:

- Fifty per cent voting power for the Institute of Industrial Development, a Colombian Government agency, on the board of management of the Cerro Matoso joint venture, although I.F.I., Chevron and Hanna are each contributing one third of the \$100 million investment.
- Reversion of the entire Cerro Matoso operation to the Colombian Government after 25 years.
- Agreement that the refinery to be built by the joint venture at Cerro Matoso will also refine the production from the Colombian Government's wholly owned ferronickel deposits.

Brazil's first uranium mine, Morro do Agostinho, located near Pocos de Caldas, will yield about one thousand tons of uranium oxide, the source of fissionable uranium-235.

Investments of CR\$5-billion in industry and mining, under Brazil's Four-Year Development Plan, are expected to raise steel production by 48% to 7.7 million tons in 1973.

On October 1970, the Peruvian Government announced the cancellation of the concession on the copper deposits held by the American Smelting and Refining Company (ASARCO) in the northern part of the country, because of Asarco's inability to meet a previously agreed schedule for putting the mine at Michiquillay, in the State of Cajamarca, into production. Consequently, the concessions reverted to the Peruvian Government. So far, it is not clear whether the Government plans to reimburse ASARCO for its investment.

The Peruvian Minister of Mines announced that the State will invest a total of \$400 million in the Michiquillay project. Out of this amount, costs for the construction of a smelter will be defrayed and the interest on the borrowed capital will be paid.

The Southern Peru Copper Corporation is trying to piece together a widespread international consortium of mining finance houses located in Japan, England, Germany and Belgium to finance the \$400 million Cuajone copper mine.

Asarco Industrial S.A. has stated that it will invest 3.75 billion pesos in a copper mining and manufacturing complex at Nacozari, Sonora, described as the largest investment in Mexico mining history. Company spokesmen have stated that the complex will refine copper and produce wire and other products. Estimated production from the mine is 60,000 tons daily. The plant and other installations represent a 750 million peso investment.

MONEY AND BANKING

According to the Brazilian press, a version of Eurodollar is beginning to appear in Latin America and has already been given the name of "Lamedollar" (Latin American Dollar) in financial circles. The basic lines for the system were laid by the Latin American Central banks at a meeting in Mexico, and it is reported plans are being prepared for effective implementation through agreements between the Central Banks of Mexico, Brazil and Peru. It is expected that the system will give new strength to the relations between commercial banks in Latin American

countries and facilitate commercial interchange. In support of the "Lame-dollar", a system of acceptance of exchange bills in foreign currency by local banks, for goods shipped to other ALALC countries, would be introduced.

At a meeting of the Central American Monetary Council held in Managua last August, the Council approved and submitted for final enactment to the Monetary Boards of the Central Banks of member countries, a revision of the agreement that established the Central American Clearing House (CACH). The proposals ensued from the recommendations made by representatives of the Ministries of Economy of the Central American member countries at a meeting called to consider the restructuring of the "modus operandi" of the Central American Common Market (CACM). At the meeting, it was requested that the Central American Monetary Council formulate special arrangements for the financing of trade deficits occurring between member countries of the CACM whenever these deficits tended to be persistent in nature.

AID has authorized an Alliance for Progress loan in the amount of \$10 million to the Central American Monetary Stabilization Fund for the purpose of bolstering a Central American stabilization effort that could eventually lead to a monetary union.

The Inter-American Development Bank (IDB) has announced that the Government of the Netherlands has agreed to make available another f.\$18 million (US\$5 million) to finance development projects in Latin America, in cooperation with the IDB. This contribution brings the total appropriation of the Government of the Netherlands for Latin American development in consultation with the IDB, to f.\$126 million since 1965. The interest rate of these loans is currently 6.5%

AID has announced that the U.S. is making available a \$10 million loan to the Caribbean Development Bank. Although not a member of the Bank, the U.S. cooperates with the regional bank through development loans. The proposed loan would be repaid over a period of 40 years at a 3% interest rate and carries an initial 10-year period of grace during which the interest rate would be 2%.

Mexico's *Banco de Comercio S.A.* opened its first London office to promote more trade with Europe. The branch was established with a view to deal in the Eurodollar and Eurobond markets.

Mexico's principal banks and *financieras* registered an overall growth of 26.8% in the twelve months ending July 31, 1970 as compared with an increase of 21.1% of total resources in the preceding twelve-month

period. The private development banks enjoyed most of the overall growth for the past year.

The Export-Import Bank has authorized a \$500,000 relending credit to Bank of America, S.A. (BASA) of San José. The credit will be used to finance 90% of the cost of selected items of U.S. machinery, equipment and services. BASA, organized in 1968 in the form of a corporation under the laws of the Republic of Costa Rica, operates as a private bank and does not accept deposits but extends credit to customers for transactions related to domestic or foreign trade and commerce. BASA will relend the proceeds of the loan to small and medium-sized Costa Rican private industry to help finance purchases of selected items of industrial and agricultural equipment.

The Bank of America has been authorized to establish its second U.S. international banking subsidiary. The affiliate, to be known as Bank of America International of Chicago, will have an initial capital of \$2 million. The same bank has also established a new unit known as International Business Development-California Market in San Francisco.

The Bahamas Monetary Authority has announced that a contract to mint its 1970-dated coins — 1-cent, 5-cent, 10-cent, 15-cent, 25-cent, 50-cent, \$1, \$2 and \$5, the latter four made of silver — has been awarded to the Franklin Mint of Philadelphia.

Barclays Bank announced the transfer, during the first quarter of 1971, of its bank business in Jamaica to a local company. The local company will then issue 25% of its ordinary voting shares for subscription by Jamaicans. This transaction would be followed by a gradual increase in local participation over a five-year period at the end of which the Bank has agreed to 51% Jamaican ownership of the ordinary stock. Barclays announced that Barclays Finance Corporation of Jamaica would continue to operate in the country.

On June 10, 1970, the Government of Jamaica, the Jamaica Development Bank and the Inter-American Development Bank signed an aide-memoire establishing the terms and conditions of a possible loan of J\$5,161,500 by the ADB to the JDB. Proceeds of the loan will be utilized for various projects, and individual borrowers under the program would be allowed repayment periods of up to 12 years. A special feature of the loan program would be the provision of special funds for paying consulting firms to assist the JDB in selecting projects which could be financed under the program.

The Legislative Assembly of the Cayman Islands accepted the recommendation of the Currency Committee for the issue of a Cayman Islands

currency tied to sterling with a par value of 8s 4d to the dollar. It is expected that the new currency will be issued in approximately two years' time.

The Banco do Brasil, S.A., a corporation in which the Brazilian government is the principal stockholder, is opening another branch of its foreign operations department in London. The new agency will add one more link to the chain of branches the *Banco do Brasil* has maintained through the years in New York City, Buenos Aires, Paris, Hamburg, Asunción, Santiago and other major cities.

According to reports from London, the Bank of London and South America and the Bank for Foreign Trade for the Soviet Union, are leading a syndicate of western banks—Banque Européenne de Tokyo, S.A., Chartered Bank, Midland and International Banks Ltd., Royal Bank of Canada, Scandinavian Bank and the Standard Bank—in providing a medium-term loan of \$19.5 million to *Centrais Elétricas de São Paulo, S.A.* (CESP) of Brazil. The loan agreement was signed in Moscow on October 1, 1970. The loan, guaranteed by the Brazilian Treasury, is to be used to finance civil works connected with CESP's 652,000 KW Capivara hydro-electric project. The USSR is providing the heavy engineering equipment for the project and the turbines and generators will be built in Leningrad.

A school for commercial bank officers patterned after the School of Banking of the South has been created in Central America by Louisiana State University. The first session of the school was held in San Pedro Sula, Honduras. Aims of the course are, contribution to the training of middle-level bank officers, with lectures on monetary economics, credit analysis, agricultural economics and credit, international trade and finance, and consideration of practical problems of bank credit and operations. All classes are conducted in Spanish by U.S. and Latin American university professors, bank officers and staff personnel of various international agencies. To complete the school, a student must attend three sessions of two-weeks' duration and submit ten home study problems on the subjects taught.

MUTUAL FUNDS

A draft decree on the control and sales ban of foreign mutual funds through intermediaries established in Venezuela was prepared by the *Superintendencia de Bancos* of Venezuela and sent to the Ministry of Finance where it is being studied by experts of that department. The decree aims to protect Venezuelan investors from financial incompetence

and insolvency regarding foreign mutual funds, especially those operating outside of U.S. territory.

Mutual funds are also being regulated in Brazil. Resolution 145 of the Central Bank promulgated in the Spring, 1970 provides that a minimum 60% of the total amount of each fund must be constituted of shares or convertible debentures, and a maximum 40% of fixed yield bonds.

TELECOMMUNICATIONS

The Bahamas Telecommunications Corporation (BATELCO), a semi-autonomous agency of the Government, has been granted a loan by the Export-Import Bank for the purpose of financing the costs of U.S. equipment and services required for its three-year expansion program. BATELCO handles all international and inter-island telephone services, a major part of local services to the Bahamas, and telephone services to the outer islands. Part of the program calls for installations in the outer islands, and includes HF, VHF and tropo-scatter radio carrier channels and associated electronic equipment.

On September 29, 1970 the Ministry of Communications of Argentina took over the services previously rendered by private enterprises. The telecommunications personnel working for private enterprises is being slowly absorbed by the Ministry of Communications with full seniority rights. Regarding international service via satellite, the Government's correspondents abroad will still be private enterprises: ITT, Western Union International and RCA in the United States, ITALCABLE in Italy, the General Post Office in Great Britain and Bundenpost in West Germany. Telecommunication services to adjacent countries is rendered by micro-waves to Uruguay, via satellite to Chile and Brazil, and by HF to Bolivia and Paraguay. Peru will also be serviced by HF. As an alternate service, an HF telecommunications service with the United States will continue, with the three firms previously mentioned providing telegraph service and ATT the telephone service. The HF system will continue to be used with Italy and West Germany.

TOURISM

AID has made a \$30 million loan to the Central American Bank for Economic Integration (CABEI) for private projects to develop tourism and exports in Central America. Under the loan agreement, five million dollars have been earmarked for tourism in each member country of the Common Market.

Mexico's Tourist Department has announced that tourism in Mexico has shown a 10% increase during the first half of this year. Approximately one million visitors entered the country, an increase of some 97,800 over the same period last year. Although numerically there was an increase of tourists visiting Mexico during last year, a drop in tourist spending was recorded.

The President of Venezuela recently signed a decree establishing a free port in Margarita Island. Tourists and visitors will thus be exempt from internal and external taxation on imported products. A study is being conducted as to the feasibility of establishing gambling casinos as a means of developing a more competitive tourist trade. Tax-free merchandise is being offered for sale at Venezuelan seaports and airport facilities which handle principally the international arrival and departure of tourists and Venezuelan citizens.

The South American Travel Organization has reported an 8.9% increase of tourists visiting Latin America this past year. Thus far, Venezuela leads South American nations in United States tourists. During the first quarter of 1970, Venezuela received over 33,000 visitors.

Holiday Inns signed a \$17 million franchise agreement with a group of Chilean companies to build 7 inns in Argentina and Chile. The group will build a \$6.5 million high rise unit in Santiago, plus inns in Viña del Mar, Concepción, Antofagasta and Arica. In Argentina the group will build inns at Bariloche and Mendoza in conjunction with Argentine investors.

MISCELLANEOUS

El Salvador will soon be able to solve its energy problems by tapping the underground volcanic geothermal "reservoirs" of Ahuachapán. It is estimated that one "reservoir" in the surveyed area is almost 8 sq. m., with a temperature of 548°F. If tapped by a network of wells, this steam "reservoir" could generate 100,000 kilowatts of electricity which is two thirds of El Salvador's present electric power. The significance of this development is obvious, since El Salvador has no petroleum, no coal and no exploitable sources of hydroelectric power. So far, the UNDP has provided over \$1.8 million for the support of this project.

A number of domestic and foreign firms have been awarded fourteen concessions to exploit the forest resources of Ecuador's Northern coastal plains. The area, located between the Esmeraldas river and the Colombian border, measures approximately 1.1 million acres and is part of a 3.3-

million acre tract surveyed by the Ecuadoran Government with the assistance of the U.N. Development Program and FAO.

A UNDP project which will provide guidelines for the comprehensive physical development of Jamaica in the next 20 years is being prepared. Completion of the plan, which began in 1968, is scheduled for 1971.

The World Peace through Law Center has established a new section on Multi-Nation Business to help accelerate private contacts and transnational contacts between individuals and corporations. Mr. Bernard G. Segal, immediate past president of the American Bar Association, has accepted to serve as chairman of the new section.