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Economic Developments

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ECONOMIC DEVELOPMENTS

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ADELA

ADELA, an investment entity specializing in financing private investments in Latin America, has received a \$5 million line of credit from the Export Import Bank of the United States. This is the first credit under a new non-U.S. Bank Joint Financing Program announced by the Eximbank in March. ADELA will use the funds to make subloans to private borrowers and public entities to finance purchases of U. S. capital equipment. Items used in agricultural, fishing, forestry, food processing and manufacturing enterprises, and related services are of primary consideration. ADELA maintains offices in 11 Latin American countries, Switzerland, and the United States.

ADELA has also received a \$10 million loan from the International Finance Corporation of the World Bank Group. The loan is to be used for expansion of ADELA's investment in private enterprises in Latin America. The loan is IFC's first commitment to a private development company operating on a regional scale.

ADELA has established a subsidiary, ADELA Trade Development Company, S.A., to promote export trade in Latin-America. The new company, incorporated in Panama, will aim to export non-traditional manufactured and semi-manufactured products. It will also offer a broad range of services, including Sales or Commission Agency work, foreign marketing consultancy and licensing.

AGRICULTURE

Colombia has received a \$15 million loan from AID to support existing programs of rural credit, research and agrarian reform designed to increase production and encourage a more equitable distribution of income.

The Inter-American Development Bank has approved a \$75 million loan to Venezuela to help finance a broad program of integrated agricultural development. Investments under the program will be channeled into

on-farm improvements, agricultural research and extension services, irrigation, roads, grain storage facilities, farm credit, and technical assistance.

The Bolivian Federation of Savings and Loan cooperatives has decided to expand its system of directed agricultural production credit. Under the system, fifteen cooperatives in the Altiplano, Valle and Oriente have been chosen to manage directed credit. Some are institutions with a certain experience in the field, while others have been established recently in zones of peasant concentration, to function as "poles of development". It is expected that credit operations will begin in January, 1971, with the possible assistance of international specialists from the U. S. Credit Union National Association.

Diversification efforts in the agricultural sector of Guatemala are encouraging. New exportable agricultural products, such as flowers, sesame seed, bananas, and spices earned Q20,000,000 in foreign exchange for Guatemala during 1969. Unfortunately, these favorable developments have been overshadowed by a bad cotton crop. It is rumored that most of the farmers in Guatemala did not recoup their production costs.

The economic situation of Guatemala continues to be favorably influenced by the high price of coffee. The prices increased from \$35.36 in July, 1969 to \$51.50 in February, 1970. The local coffee experts are of the opinion that the high price will hold for at least three more years.

Nicaragua's cotton farmers are reducing their planted acreage by about 20% for the 1970-1971 crop. This is the response of the local growers to the lower price of cotton in the world market, the increasing costs of machinery and replacement parts, and tighter credit conditions.

CECLA

CECLA (Comisión Especial Coordinadora de América) met in Buenos Aires in July, 1970 to seek closer cooperation between Europe and Latin America. CECLA's long range objectives include, among others, the creation of more favorable conditions for European-Latin American trade, obtaining resources from the European Community, strengthening the scientific infrastructure and improving the technological exchange between the two regions.

A Declaration of Buenos Aires was approved at the meeting. Its objective is to bring to the attention of the European Community the major points which the Latin American nations desire to discuss with European nations. In general, these are:

COMMERCE: Improvement in the conditions relating to the access and marketing of raw materials and manufactured products from Latin America; the effect of Common Market agricultural policies in Latin America; the transportation and price levels of Latin American products sold to the European Community.

FINANCIAL: Terms for financing Latin American development; availability and assignment of financial resources to Latin America; the special posture of Latin America in the development process; the Inter-American Development Bank and similar institutions.

SCIENTIFIC AND TECHNOLOGICAL: Latin America's technological infra-structure; feasibility studies.

Concurrently, CECLA brought to the attention of the EEC the following suggestions in the belief that this initiative could result in immediate action on the part of the EEC: Establish a general system of preferences for Latin America's semi-manufactured and completely manufactured products; amplify the commercial offers made by the European Community to the OCDE and UNCTAD; give special consideration to regional and sub-regional agreements; extend the operations of the European Bank of Investment to Latin America, directly through the Inter-American Development Bank, or other regional or sub-regional organizations; establish adequate conditions of access to European capital; grant technical assistance in those fields in which Europe is most capable; support in UNCTAD the recommendations of the Maritime Transport Commission; recognize the right of Latin America to have increased participation in the transportation of its products; and support the decisions of UNCTAD concerning raw materials.

CHEMICALS AND PLASTICS

ANDEAN GROUP

September 1, 1970, is the new target set by the Andean Group for its first annual 20% tariff reduction of negotiated petrochemical products.

The cut had been scheduled to take effect December 31, 1969. Despite the delay, the group plans a second cut December 31, 1970. The dates were made at the third regular meeting of the Andean Group Petrochemi-

cal Agreement Administrative Council in Concepción, Chile, by representatives from Bolivia, Chile, Colombia, Ecuador and Peru.

The council "assigned" isobutanol to Chile for inclusion in the list of items to be produced to supply the entire group. Assigned products enjoy reduced tariffs within the group, with protective duties against non-Andean imports.

ARGENTINA

Petroquímica General Mosconi SA will be set up as a joint venture of Dirección General de Fabricaciones Militares and Yacimientos Petrolíferos Fiscales to produce aromatics.

Hydrocarbons Research Inc. of the U.S., through Cia. de Hidrocarburos, will invest 28 million new pesos in a plant for production of ethane, propane, butane and ethylene to be built at San Jerónimo Sur.

BRAZIL

Asahi Chemical Industry Co. and Marubeni-lida Co. of Japan will join with Matarazzo Co., a Brazilian conglomerate, to manufacture acrylic fiber. A joint firm will be capitalized at \$2 million with Matarazzo holding 50% of the stock, while Asahi and Marubeni-lida will hold 10%. Production will start in '72 at a rate of 10 tons/day. The plant will use Asahi's manufacturing know-how and production facilities.

Produtos Petroquímicos Nacionais (Propenasa), owned 80% by Dow and 20% by Brazil's Pirâmides (a urethane-foam producer), has received government approval to build a 30,000-metric-tons per year propylene oxide and polypropylene glycol complex on the island of Santo Amaro, near Santos. Polyglycol capacity will be 14,000 metric tons per year. Completion target for the first units: early '72. Dow has also acquired Bakol (São Paulo), Brazil's biggest polystyrene producer, which is expected to provide the base for a strong position in Brazil's styrene market. The company may build styrene facilities in Santo Amaro, where it is also constructing a bulk terminal.

Paskin SA Industrias Petroquímicas has under construction a petrochemical complex in the state of Bahia. The complex is being built in two stages. The first stage will cost \$8.9 million. Completion: 12/70. The second stage will be completed by 12/72 and will cost \$13 million.

Prosint (Productos Sinteticos SA) will begin operation in June of a 90 ton/day, 35 million *cruzeiro* methanol plant.

Poliolefinas Industria e Comercio has been granted priority for a Treasury guarantee for the \$15 million financing for a new low density polyethylene plant.

Ultrafertil SA Industrie Comercio de Fertilizantes, owned 60% by Phillips Petroleum, 30% by the Ultra Group of Brazil and 10% by the International Finance Corp., has started operations at a fertilizer complex near Santos.

Union Carbide Do Brasil SA dedicated a \$65 million expansion of the chemicals and plastics complex at Cubatao. The expanded facility will have an initial capacity of about 500 million pounds of chemicals and plastics including polyethylene, vinyl chloride monomer, benzene, ethylene and acetylene. The facilities will be readily expandable as Brazil's needs for petrochemicals increase.

COLOMBIA

Enka de Colombia, a fiber producing subsidiary of AKZO, has begun a 70% expansion of its facilities. The company will begin production of texturized yarns through an affiliated company which has been established under the name Texturizadora Colombiana SA at Bogota.

Colombiana de Soda, Termotecnica de Colombia and ICA de Mexico will cooperate in construction of a plant for production of 500 tons/day of sodium carbonate and 80 tons/day of caustic soda at Mamonal.

ECUADOR

Fertisa will build a 35,000 ton/yr ammonium sulfate fertilizer plant due on stream at Guayaquil by August '70.

MEXICO

Fertilizantes Fosfatados Mexicanos, formed to export phosphate fertilizers, reports a net loss of \$417,122 on sales of \$3.6 million in calendar '69, its first full year of operation. FFM's plant at Veracruz which went on stream in '69 will be operating at about 50% capacity this year.

Admex, Mexican-owned affiliate of Ashland Oil & Refining, is operating a \$2.4 million, 5,000 ton/yr phthalic anhydride plant at Lerma. The plant was designed so that capacity can be doubled in the future.

Quimicas Unidas, a Mexican associate of Bayer of Germany, will have a 49% stake in an 8,000 ton/yr sodium bichromate plant. The plant, at Tampico, will cost 35 million pesos.

Petroleos Mexicanos, Mexican state-owned oil agency with exclusive right to produce basic petrochemicals in Mexico, has started discussions with private interests on the possibility of establishing multinational, regional petrochemical plants in Argentina and Brazil.

R&G Sloane Mfg. Co., a subsidiary of Susquehanna Corp., is joining with Asbestos de Mexico SA to manufacture and market plastic fittings at Nogales, Sonora, for residential, industrial and agricultural applications.

PERU

Government control of basic chemicals, petrochemicals, minerals and refining are called for by the Ministry of Industry & Commerce to expand the economy.

One proposal calls for an increase in capacity of W. R. Grace's chlorine/caustic plant at Paramonga from 20,000 tons/yr to 80,000 tons. Grace says Peru uses only 35,000 tons/yr.

PUERTO RICO

Union Carbide will bring its \$40 million graphite electrode plant, now under construction, on stream ahead of schedule to meet steadily increasing demands. Production has started and it is expected that the plant will be operating at full initial rated capacity by '71.

Merck & Co. plans to spend \$25.7 million on a chemical processing plant to manufacture bulk chemicals and intermediates for its foreign subsidiaries. The plant, now under construction, is on a 112-acre site near Barceloneta. Three bulk chemicals will be produced—the active ingredient of a mental health drug, an appetite stimulant and an intermediate compound of an antihypertensive drug. The buildings and basic plant facilities will be completed in mid '70, with manufacturing operations scheduled to start in mid '72.

PPG Industries will expand sales in the Caribbean area through a new marketing group. PPG Industries (Caribe) will distribute chlorine in 1 ton tanks and will sell mercury cell caustic soda, muriatic acid and sodium hypochlorite. PPG is building facilities at Guayanilla to produce chlorine, caustic soda, vinyl chloride monomer and ethylene glycol. Most chlorine will be used locally, while caustic soda will be shipped to Mainland markets and vinyl chloride and ethylene glycol sold to Mainland and export customers. PPG's total investment in chemical facilities in Puerto Rico is approaching \$150 million.

Abbott Laboratories plans to invest \$5 million in expanded facilities at its complex near Barceloneta. The new plant will bring Abbott's investment at the site to nearly \$21 million. About 90% of the output will be shipped to the U.S. and 10% will be exported elsewhere.

VENEZUELA

Venezuela is still looking for foreign partners and lenders to furnish \$137 million to help finance the ambitious El Tablazo petrochemical project being built by Instituto Venezolano de Petroquímica (IVP), a state-owned company. Venezuela's Finance Minister told the Chamber of Deputies that the government plans to put up \$45 million of the \$182 million needed to complete the project in western Venezuela. Off-site facilities and an olefins core unit are in the design engineering stage.

The Minister also told the Venezuelan legislators that more than \$30 million will be allocated to Cia. Venezolano de Petroleos (CVP) to build a gas pipeline from the center of Lake Maracaibo to the El Tablazo project. Another government project, at Morón, will get a \$20 million allocation for expansion of fertilizer capacity.

CREDIT UNIONS

El Salvador's Federation of Credit Unions has received a \$2 million loan from AID. The total amount will be lent to individual credit unions which are expected to devote 50% to agriculture, 15% for management programs, and the remainder to the general needs of the unions. This particular loan is considered unique in that it is the first loan for credit union development not guaranteed by a government.

EXPORTS-IMPORTS

The Eximbank has extended its payment guarantees for U. S. equipment leased outside the United States to cover 100% of the value of such

new equipment, and 85% of the value of used equipment. The previous limits were 85% for new equipment, and 70% for used items. The new limits apply to both political and comprehensive risks.

Relending credits to foreign financial institutions by the Eximbank of the United States adds a new and interesting dimension to export financing. This program features extension of direct credits to foreign financial institutions on a selective basis for relending to small and medium-size private foreign enterprises. Foreign financial institutions eligible for participation in the relending program include foreign branches of U. S. commercial banks; offices overseas of U. S. trading companies and other U. S. financial institutions. The relending credit program is intended to supplement rather than replace export financing otherwise available. This program will increase U. S. exports by making available export financing to the smaller foreign buyers who, due to inexperience or lack of financial strength, are generally unable to deal directly with Eximbank.

The Foreign Assistance Act of 1969 created the Overseas Private Investment Corporation (OPIC) as a federal agency under the guidance and policy of the Secretary of State. Though expected to start operation July 1, it is still without management pending President Nixon's appointment of its Board of Directors and chief executives. OPIC's main function will be to insure investments in underdeveloped countries against political risks (e.g. loss due to inconvertibility or return on investment, expropriation, confiscation, war, revolution, etc). It will also participate in financing eligible projects and will offer services such as investment information and counseling. In short, OPIC will supplant selectively and on a business basis the investment guarantee program formerly administered by AID.

Reflecting its improved balance of payment situation and a rapidly growing import capacity, Colombia has placed an additional 51 tariff items on the free list (those items for which import license applications will automatically be approved). Items on the new list include some mineral and chemical compounds, steel plate and nickel and unworked articles, steam turbines and motor vehicle engine parts, accounting and sewing machines, transistors and photo cells, helicopters and all parts for aircraft, and a number of orthopedic aids and precision instruments.

Colombia has initiated the exportation of diesel motors manufactured in Colombia to Mexico. The 7.5 horsepower motors containing 65% Colombian parts are produced by Lister-Blackstone de Colombia. Future exports of these motors are slated for Chile and Ecuador.

The meat packing industry of Uruguay has released figures showing that the export tonnages for January and February, 1970 were well ahead of the exports for the same period in 1969, despite the fact that England, traditionally Uruguay's largest customer, has not removed the ban on local beef. The local industry has now begun to speculate that 1970 may be one of the country's best years in terms of meat exports. Several plants that supply the local market, as well as the export market, have hinted that they may sharply reduce the slaughter for local consumption to keep up with the demand abroad. To date, the principal buying countries have been Czechoslovakia, West Germany and Holland. Spain is still considered the single most important customer.

Unofficial figures indicate Argentina's 1969 exports increased 12.2% or \$168 million from the previous year thereby setting a new record. Argentina's agricultural sector was responsible for most of the country's exports, contributing 80% of the overall total.

Argentina's Anti-Dumping Law, promulgated in 1963, has been invoked for the first time in actions against imports from Italy and the U.K. A total of three violations were found and a fine of approximately \$32,000 was collected by the Argentine government. In each instance chemical products were involved.

A Mexican Credit Insurance Company has been established in Mexico to assist exporters in their overseas exporting operations. Patterned after credit insurance entities abroad, the Mexican organization is expected to give Mexican exporters the advantages enjoyed by many of their counterparts throughout the world.

FREE TRADE ZONES

The establishment of assembly plants in Panama's Colon Free Zone by Italian, French, German and British firms is a distinct possibility. Officials from the United Kingdom and Italy have held discussions with the General Manager of the Free Zone, and German and French firms have expressed an interest in such an operation.

GAS AND OIL

The battle over the fate of oil import quotas in the United States continues without definitive resolution. The Deputy Administrator of the Oil Import Administration proposed an amendment terminating the finished product quotas based on importing history in all districts. However, the House Ways and Means Committee has tentatively decided to

freeze the oil import quota system into the foreign trade bill. The Committee placed the word "quota" in the Trade Expansion Act of 1962 rather than the word "actions" as the President deems appropriate. The effect of the language is to foreclose the presidential option to use discretionary power to adopt alternate forms of import control such as a tariff — as proposed by the majority report of the Cabinet Task Force on Oil Import Controls (See: *Lawyer*, October, 1970 p. 270). Should this action be approved by Congress, it would take another legislative act to alter the present mandatory oil import quota system.

On June 17, President Nixon issued a proclamation amending the program for petroleum imports. His action increases the over-all oil import quota to allow more imports of crude oil and more imports of No. 2 fuel oil to New England and the East Coast of the United States. The quota for crude oil was raised by 100,000 barrels a day from March 1; this was the date that formal controls on Canadian oil were initiated, and the new quota provides for the increase of oil from Canada from that date (63,000 barrels a day). The proclamation also provides for an increase of 40,000 barrels a day in imports of No. 2 fuel oil from the Western Hemisphere into District One of the United States. It is estimated that imports of crude oil from Venezuela will increase by some 15,000 barrels a day and imports of No. 2 fuel oil by nearly 40,000 barrels daily.

Gradual progress is evident in finding a satisfactory solution to the oil crisis in Bolivia. The Spanish government has officially constituted CAMBA, S.A. as the organization through which the Spanish state industrial agency INI will manage, develop and render technical aid to the Bolivian state oil company YPFB as set forth in the Spanish-Bolivian oil agreement (See: *Lawyer*, October, 1970 p. 269). CAMBA's president will soon lead a delegation to La Paz, Bolivia for talks on the prospective participation of the company in the development of the Bolivian oil and gas industry. CAMBA will be under the supervision of Spain's Minister of Industry.

Talks between the Bolivian government, YPFB, CAMBA and Gulf Oil are expected to get under way in late August. The Spanish-Bolivian oil pact provides for the resumption of production, virtually stagnant since the expropriation of the properties of Bolivian Gulf, and for the payment of loans and indemnification from oil and gas revenues by CAMBA.

In a related development, CSPA, a subsidiary of Southeast Asia and Gas Company, Mexico, signed an agreement with YPFB to increase domestic production to 100,000 barrels per day by 1973.

CSPA will exploit the properties of YPFB including Gulf properties not included in the Spanish-Bolivian agreement under service contracts. The contracts provide for forty per cent split to CSPA until its investment is recovered, after which YPFB would retain seventy per cent of the revenue. CSPA plans to form a consortium of European, North American, and Canadian companies to carry out its part of the contract. A portion of the profits from the operation will be returned to Gulf.

Argentina has made a commitment to back \$22.3 million of the World Bank loan to Bolivia which will be used in construction of a natural gas pipeline from the Bolivian gas fields to the Argentine border.

The Argentine YPF Caimancito oil and gas field, although not as rich as originally expected, will be one of the country's largest with an estimated minimum output of 5,000 cubic meters of crude per day by 1972.

Two wells in the new field in Jujuy province, 800 miles north of Buenos Aires, are producing at a combined rate of 800 to 900 cubic meters per day of crude oil and 10,000 cubic meters per day of natural gas. Production has been limited by the lack of adequate transmission facilities. By 1972 a 5,000 cubic meter per day pipeline South to Tucuman will be in operation. Capacity can eventually be increased to 20,000 cubic meters per day.

Officials of YPF Argentina have announced that the increase in domestic production (9.7%) this year should eliminate the need to import crude for the remainder of 1970. The only imports expected for the last half of 1970 will be in "special crudes" from private refineries.

The Argentine Government announced the approval of a foreign capital investment by Hydro-carbon Research, Inc., of the United States with *Cia. de Hidrocarburos S. A.* in a plant for the extraction of ethane, propane butane and production of ethylene. The plant will be located at San Jeronimo Sur, Sante Fe Province; the proposed total investment will amount to \$27.4 million.

The first offshore oil discovery in Argentina has been made by a group composed of Phillips Petroleum, Tenneco, and Italy's state-controlled AGIP. The find was made about 43.5 miles off the coast near Comodoro Rivadavia, 750 miles south of the capital. AGIP had previously drilled about 1,200 onshore oil wells in the Comodoro Rivadavia fields for the Argentine state-owned YPF. Offshore concessions totalling 2.4 million acres have been awarded in the area.

Ecuador has awarded rights to Amoco covering 1,500 square miles in the Pastorce Basin next to a similar tract acquired by Amoco in December 1969.

Reading and Bates Offshore Drilling Company will acquire—subject to government approval—a $\frac{1}{3}$ interest from Shennandoah Oil Corporation in a 980,000 acre concession area near Quito, Ecuador.

Brazil's crude petroleum production in 1969 reached 10.2 million cubic meters, an increase over the previous year of 9.5%. It is interesting to note that 17% of total production came from the new fields of Sergipe and Alagoas.

A U. S. company, specialized in geophysical exploration from the air, has contracted with the U.N. Development Program to search for off-shore oil in Chile's continental shelf. The work will begin near Valparaiso. Once preliminary operations identify the most promising areas, a full UNDP-assisted exploration program will be initiated.

The Colombian state oil company ECOPETROL has signed an agreement with Webb Resources Inc., Herrera International de Colombia Ltd., and Alpine Andean Oil Corp. for joint exploration and development of 550,000 acres in the De Mares and Aledance regions. The contract provides for a maximum term of thirty-one years including a six year exploration period. Drilling is already underway.

In August 1970, the Venezuelan Congress approved legislation permitting the Corporación Venezolana de Petroleo (CVP) to grant service contracts for oil explorations in Lake Maracaibo. The way is now clear for oil companies which have made proposals for service contracts to negotiate with CVP the terms of the agreements. It is expected that the new contracts will contain production-sharing clauses through which the government's share will again be increased.

Trinidad and Tobago has awarded two oil exploration and production licenses covering 330,000 acres to Occidental Petroleum to drill off its northern coast. A group consisting of Apco Corp., Phillips Petroleum, and Cleary Petroleum has also obtained offshore licenses to 415,000 acres in the northern coastal area. These licenses have an initial term of six years and are renewable for an additional twenty-five years.

AGIP of Italy and Dominex of West Germany have also received permission from the government of Trinidad and Tobago to explore for oil off the north coast of Tobago. The concession covers 1,600 square miles and provides for a 25% share to the government upon the discovery of oil in commercial quantities.

The Chevron-Nicaragua Petroleum Company announced that drilling has started on a well 30 miles off the coast of Nicaragua. The location is about 50 miles from the well abandoned in 1969 by the Company. Standard Oil of California, the parent company of Chevron-Nicaragua, has exploration and drilling rights totalling 1,727,000 *hectares* in the coastal areas and offshore of Nicaragua.

LAND TRANSPORTATION

The Brazilian government has announced projects totaling \$660,000, which will include the construction of roads connecting Brazil with Peru and Guyana. The work will be carried out by the Brazilian army in the Amazon valley. The road to Peru will be the Pipuna-Peru border stretch. Another road will connect Boa Vista and Roraima to Guyana. A third project calls for settlement of the Amazon valley border area.

A \$225 million highway project which provides for the construction, improvement, and detailed engineering feasibility studies of 5,117 miles of high priority roads in Brazil is receiving assistance from the World Bank in the form of a \$100 million loan. About half the roads to be constructed are in the north-east and will facilitate the integration of one of Brazil's most populated and poorest regions with the highly developed areas to the south.

The World Bank announced a \$21.8 million loan to help finance the construction and improvement of about 650 miles of road in Mexico. The loan, to be guaranteed by the government, will be made to Nacional Financiera, S. A.

A new five mile segment has been added to Mexico's subway system which at present has a twelve mile segment in operation. The entire system—twenty-four miles—is expected to be operational in November, 1970.

In early February, 1970 the El Prado road tunnel was completed at a total cost of \$22 million. The road is 2.7 kilometers in length and will shorten the journey between Santiago and Valparaiso by about 60 kilometers.

A 300 kilometer highway linking Paraguari with Encarnacion, the second largest city in Paraguay has been opened. The total cost of this five year project was \$12 million financed partially by the World Bank.

Ecuador is to expend \$26 million, two-thirds of it financed by an IADB loan, on building and improving 320 kilometers of roads, partially

along the Pacific Coast, but mainly to speed up the development of territory east of the Andes.

Honduras, Nicaragua and the Central American Bank for Integration have entered into a contract to build a 400 foot bridge over the Guasaule River, part of the border between the two Central American republics.

MARITIME AFFAIRS

The IADB has granted the Governments of the five Central American Republics a \$100,000 technical assistance grant to finance studies on the possibilities of integrated development in the river basin areas of the Gulf of Fonseca, Gulf of Honduras and the San Juan River.

A total of fifty-eight ships are presently being built in Spanish shipyards for Latin America. Argentina, Colombia, Chile, El Salvador, Honduras, Mexico, Uruguay, Panama and Venezuela are the countries responsible for the orders.

Montego Freeport, a shipping, manufacturing, commercial and residential site is being developed on Jamaica's north coast. The deep water port is designed primarily for roll-on/roll-off cargo operations, but will have facilities for conventional cargo handling.

The Port Authority of Guayaquil, Ecuador has agreed to lend the Government the amount of 70,000,000 *suces* which will enable the Government to partially fulfill its promise to assist the Guayaquil Province with sorely needed development projects.

The State owned Peruvian Steamship Line has signed a pool agreement with the U. S. Gulf and South America Steamship Company covering the transportation of freight between Gulf ports and Peru. A short term prior agreement between the above two entities also included the Prudential Grace Line of the United States.

The Departamento Nacional de Portos e Vias Navegaveis has announced that a total of 270,000,000 new *cruzeiros* is to be invested in 1970 in port improvements throughout the country compared with 223,000,000 new *cruzeiros* in 1969. 157,000,000 new *cruzeiros* are to be allocated to projects located in the ports of Rio de Janeiro, Santos and Paranagua.

METALS AND MINERALS

A Brazilian subsidiary of Bethlehem Steel Corporation, Minerias Brasileiras Reunidas, has proposed an investment of \$170 million to

build its own ore terminal in Sepetiva Bay capable of exporting 10,000 tons of iron ore a year. This would raise Brazilian iron ore exports by 50% and earn the country an estimated \$1 billion in foreign exchange during the proposed 15 year concession. The company said it had reached agreement with Japanese importers to supply 100 million tons of ore a year, but the proposal depended on the construction of a modern port capable of handling giant ore carriers up to 300,000 tons.

Bolivia and the Soviet Union have signed an \$8 million tin contract. The agreement calls for the sale of 800 tons of tin metal and another 2,400 tons of tin concentrate during 1971.

The Banco Minero of Peru has announced that it has obtained the equivalent of 2,310 *soles* from the State and international sources to extend its credit facilities to small and medium sized mines.

The Chilean Government has announced the formulation of a National Plan for Mining Development in order to foster production and exports by the small-sized and medium-sized mines. The cost of the program is expected to amount to \$85 million, over the years 1970-73. Financing for the program will be mainly from internal sources although the possibility of external aid is not discounted.

The Government of Chile is to implement a project to work a low grade deposit containing about 290 m. tons of iron ore at Cerro Negro, near Caldera in Northern Chile. The project is to be undertaken by the Cia. Minera Santa Barbra and the Cia. Minera Santa Fe with participation by Corfo.

The Government of Ecuador has granted a concession to Internacional del Pacifico to prospect for and develop deposits of gold and other minerals in an area of 155,000 *hectares* in the Province of Esmeraldas, mainly near the rivers Cayapas, Agua Sucia, Lorenzon, Medio, Rincon and Zapallito.

Japan's Overseas Mineral Development Co. has signed a contract with the government of Ecuador for the exploration and exploitation of the Chaucha copper deposits on the western side of the Southern Andes. The Japanese concern is to invest approximately \$5 million under the rights granted in the four year contract.

The silver output in Mexico in 1969 rose by 14.5% to 47.5 m. troy ounces, which placed Mexico once again in the position of the world's leading producer. This total, 19.4 m. ounces was added to the silver holdings of the Banco de Mexico.

Japan's Mitsui, West Germany's Metallurgische, and U.S.' Duval have been awarded the concession to develop Panama's Petaguillo copper deposits.

Law No. 4562 (1970) approved the contract executed on November 19, 1968 between the Ministry of Industry and Commerce of Costa Rica and ALCOA DE COSTA RICA, S.A. domiciled in Wilmington. The contract granted ALCOA the exclusive rights to exploit one hundred twenty million metric tons of dry bauxite and also the right to construct, operate and own an aluminum refining plant. This plant should have a minimum operating capacity of 400,000 metric tons of aluminum per year. The contract is for twenty five years with a possibility of extension for fifteen years, if at the termination of the twenty five year period ALCOA has invested in Costa Rica a minimum of \$150 million. A special tax situation has been granted to ALCOA by the law.

The First Regional Mining Congress was scheduled to meet in Sao Paulo August 31-September 5, 1970. Representatives from Argentina, Brazil, Bolivia, Colombia, Chile, Ecuador, Mexico, Peru, Paraguay and Venezuela were expected to attend.

MONEY AND BANKING

The Guyana National Cooperative Bank has received substantial deposits since it was established in February, 1970. The Bank is the first locally owned bank in Guyana and was established primarily to serve the interests of cooperatives in the country. It has announced a correspondent relationship with the Bankers Trust Company of New York, which will act as its agent in the United States and in London.

The Trinidad and Tobago government has eased the credit restriction imposed on foreigners and foreign controlled companies last February 28 which called for a total halt on borrowing by non-residents above the amounts then outstanding. The new regulations now permit limited borrowing by non-residents.

It has been reported that the Bank of Costa Rica has been named correspondent of the Central Bank of the Soviet Union. The coffee sale contracted recently between Costa Rica and the Soviet Union will be handled directly by the Costa Rican bank. Previously, the Chase Bank in New York had been the correspondent in trades with the Soviet Union. According to official reports the Soviet Union is to pay cash in United States dollars for the coffee, with the Costa Rican bank guaranteeing the payment to the exporters.

Panama has raised the minimum capital requirement for banks operating in Panama from \$250,000 to \$1 million.

The Secretary of the Treasury of the United States, at the April, 1970 meeting of the Governors of the Bank at Punta del Este, proposed that membership in the Bank be opened to other regional and non-regional developed nations; he specifically mentioned Canada. The Secretary's proposal raised misgivings among some of the Latin American nations which saw in the U. S. initiative a move to do away with the Latin American nature of the institution.

The creation of a common Latin American currency was proposed at the First Andean Convention of Chambers of Commerce held in Lima in May, 1970. The proposal was made by the Chilean delegation as a means of facilitating trade and the economic integration of Latin America. It was submitted that the project could be initiated by the Andean Group and later extended to other Latin American countries.

The Tenth Meeting of the Governors and Presidents of the Central Banks of Latin America held in Viña del Mar, Chile, in April, 1970, agreed to create a Latin American travellers check. The agreement which will now be evaluated by the Central Banks will also be subject to close legal scrutiny before the new medium of exchange becomes a reality.

The Central American Monetary Stabilization Fund, created to provide financial assistance to member states for balance of payments purposes, recently received a loan of \$5 million from the Central Bank of Venezuela. The Stabilization Fund, which is managed by the Central American Monetary Council, began operations on January 2, 1970, with all five Central American countries as members. Before the receipt of the present loan, the Stabilization Fund could only count on the financial contributions of its member states. It is now negotiating for additional loans from other Latin American central banks and from other sources.

Colombia will become the first Latin-American country to join the new Caribbean Development Bank in a move to expand her trade and help the islands of the West Indies. Colombia will subscribe \$10 million to the \$50 million already raised by British, Canadian and island governments when the Development Bank was formed last February. The terms of Colombia's membership will have to be approved by the Colombian Congress.

The Eximbank has authorized a \$1 million relending credit in favor of Banco Brasileiro de Desenvolvimento, S. A. (FINASA), of Brazil, an investment bank owned by 22 Brazilian banks and a number of foreign

financial institutions. Morgan Guaranty International Finance Corp. of New York, which has a branch in Brazil, has the largest foreign ownership participation. Proceeds of the credit will be relent to small and medium-sized Brazilian private enterprises to finance 90% of the cost of selected items of machinery, equipment and services from the United States.

Brazilian financial authorities are concluding their studies for placing Brazilian bonds and debentures on the North American capital market. Initially the bonds will be placed through a group composed of Dillon Reed, Lazard Frères and Kuhn Loeb.

Brazil's Central Bank Circular No. 140, provides that starting October, 1970 commercial banks may no longer permit withdrawal of deposits by check, before clearance. The step was taken to avoid fraudulent operations.

On June 18 Argentina devalued the *peso* by 14.2 percent. In order to mitigate the inflationary impact of the devaluation of imported goods, import duties were reduced by 15 percentage points for goods previously subject to a duty of 20 to 50 per cent, and by 30 percentage points for goods previously subject to a duty of 140 per cent.

MUTUAL FUNDS

In late May, 1970, Peruvian revenue agents made surprise raids on eight "agencies" engaged in buying and selling foreign mutual funds. Peru claims that a small number of foreigners have been selling mutual funds, operating from their homes and without any telephone or other public listing. Two of the agencies were allegedly operating in violation of the Foreign Exchange Control Law which became effective on May 15.

The United States Securities and Exchange Commission in June, 1970, issued guidelines for the offering and sale of shares in mutual funds and open-end investment companies to investors outside the United States. The S.E.C. said it considers that the federal securities laws which apply to offerings of such shares to American investors should also apply to the offering of United States securities to foreign investors. The guidelines will insure that substantially the same protection afforded to American investors will be available generally to foreign investors.

TELECOMMUNICATIONS

The Inter-American Telecommunications Commission held its fifth meeting in Bogota in July, 1970. CITEL (Comision Interamericana de

Telecomunicaciones) is a technical entity within the Organization of American States. At Bogota, the participants considered, among other matters, working papers presented by the United States (Space Communications); Ecuador, Chile, Venezuela and Brazil (Rural, Maritime, Aeronautical and Meteorological Telecommunications, respectively), and the Dominican Republic (Personnel Training).

Brazil, Mexico and Argentina have joined forces in the United Nations in an effort to find a common base under which the interests of developing countries relating to satellite communications would receive maximum protection. Concern was expressed by the three countries over the ramifications of satellite communications and related legal problems, particularly in the field of human rights.

TRADE AND INVESTMENT COMMISSION

The President's Commission on International Trade and Investment Policy of the United States met in May, 1970 and took under study, among other topics, the following:

1. The rapid shifts in international cost and price relationships; the necessity for new and improved adjustment mechanisms.
2. The substantial trade liberalization already accomplished in industrial products, and the lag in trade liberalization of agricultural products.
3. The emergence of new preferential groupings including the possible expansion of the EEC.
4. The rapid expansion of the role of the multinational firm.
5. The worldwide acceptance of the desirability of accelerating the growth of the low-income countries, and the need to adapt trade policies to help achieve it.

The Commission's report is due on or about May, 1971.

TOURISM

Representatives of 108 nations are scheduled to meet in Mexico City September 17, 1970 to strengthen the International Union of Official Tourism Organizations. The ten day conference will be held in the Foreign Relations Department of the Mexican Government.

The Brazilian Government expects to double the amount of Rio's hotel rooms within the next three years. It has also been announced that the Government expects to complete a road system along the entire Brazilian

coast, together with an international airport outside of Rio by 1973. The airport facility will be located near Galeao Airport and will handle larger aircraft and increased passenger traffic.

Already a \$45 million annual business, tourism in Uruguay is expected to expand significantly as a result of the recent \$6 million loan from the Inter-American Development Bank. Part of an overall \$10 million program to help small and medium sized industries, the new loan will provide \$1.5 million for hotel construction and improvement.

MISCELLANEOUS ITEMS

A contract between Renault of France and the Colombian Government has attracted considerable attention in international business circles. The agreement concerns the establishment of an assembly plant for Renault automobiles in Medellin, but with an unusual provision obligating Renault to buy and market Colombian exports of a value equivalent to that of the components bought from France for incorporation in the cars assembled in Medellin. Informed sources say that fifteen automobile firms from the U. S., Europe and Japan submitted bids for the contract under which the Government shares half the venture. Allegedly, the U. S. automobile firms thought little of the contract entered into by Renault, but others are touting the agreement as a future *modus operandi* in developing countries.

Early in July, 1970 a group of experts from the Joint Consultative Committee on the Ownership and Control of Industries in the Caribbean proposed a plan for national ownership and control of the crucial sectors of the region's economy, including land, bauxite, oil, banking, insurance and tourism. The plan has been submitted to the governments of the Caribbean Free Trade Area (CARIFTA) for consideration. The Committee, which was established by the Caribbean heads of government at their summit conference in Jamaica last April, significantly excluded sugar from among the "crucial sector's" listed in its report. The Committee's report brought a quick disclaimer from Jamaica's Minister of Trade and Industry who assured foreign firms that his government had no intention of large-scale nationalization. No other Caribbean government, however, had made a similar disclaimer by the end of July, 1970.

The U. S. Secretary of Commerce has established an Industrial Standards Fellowship Program for Latin America to assist the industrial program of the area through the development of improved capabilities in industrial standards techniques. Under the plan, ten qualified Latin Americans will be trained at Commerce's National Bureau of Standards in Washington, D. C.