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ECONOMIC DEVELOPMENTS

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COMMUNICATIONS

The International Satellite Communications Systems (INTELSAT), of which the U. S. Government is the chief proponent, has demonstrated that the ever growing international communications industry can be as profitable as any natural resource. And, for this reason, among others, various Latin American governments now want to nationalize the industry. Before satellite stations were established, governments received only a small portion of the price of a cable or a call with the majority of the charges going to private firms. Now, Latin American governments realize that they can receive potentially large profits if they build and maintain their own satellite stations. Studies have shown that the cost of a satellite station (a fair estimate is 4-7 million dollars) can be amortized over a three year period from the revenues earned by the station.

Private firms affected are naturally unhappy about the new trend, and have tried various schemes to avoid a total governmental take-over of international communications. The private sector has been particularly active in Brazil and Argentina where the threats seem to be more acute. In Chile, a *modus vivendi* seems to have been worked out with the granting of a five year phase out period to the private interests involved.

In Colombia, the contract to build the country's first permanent satellite communications earth station was recently signed by representatives of the Government and officials of ITT Space Communications, Inc. The Colombian station will be located at Choconta and will cost about \$4.3 million. In Central America, Guatemala has adhered to the International Satellite Communications Consortium (INTELSAT).

Hopes remain high in Central America that a telecommunications network to join all the Central American countries and Mexico will be in operation within the next two years. The network is designed for six terminal stations and thirty relay stations which will be located on the highest points of the countries involved; 960 channels will be available. The network will also permit television transmissions from Mexico, and in conjunction with a satellite, similar programs from the United States.

TRANSPORTATION

The President of the Inter-American Development Bank (IDB) has commented on the poor posture of transportation in Latin America. At a meeting of Port Authorities in Curacao he remarked that Latin America occupies fifteen percent of the earth's surface and holds seven percent of the world's population, yet its railway services amount to 1%, its merchant marines to 2%, its roads to 3% and its motorized vehicles to 5% of their counter-parts in the world.

Colombia has elaborated an exhaustive plan of all its means of transportation with the objective of formulating a coordinated and systematic policy on the subject. Technicians from the Universities of Harvard and Washington collaborated with personnel from the University of the Andes in drawing up the plan.

LAND TRANSPORTATION

Brasilia, Brazil's capital city, has officially become linked by regular scheduled passenger train service to Rio, Sao Paulo and Belo Horizonte, the country's three major cities. Although the space age capital is more than seven years old, only airlines and bus systems maintained regular scheduled passenger service before the inauguration of the train service.

Officials of the Carlos Antonio Lopez Railway in Paraguay have stated that they will shortly seek financing for the modernization of their rolling stock, at a cost of about \$7.5 million. Proceeds from a proportion of the import surcharges allocated to public works, at present used for road construction, would contribute towards financing this project; the remainder would be financed by international credit institutions.

The International Bank for Reconstruction and Development (IDRB) has granted Chile a credit of \$11.6 million for roads preservation.

A route to close the Darien Gap in the Pan American Highway has been decided upon. Closing the gap will permit motorists to drive from Fairbanks, Alaska to the southernmost tip of South America. The link-up will be across the Atrato Swamp and River in northern Colombia and was the unanimous choice of the Pan American Highway Congress which met in Lima in February 1969. Construction, however, depends on financing by member states of the OAS.

In Brazil, the Federal Highway Director has called for extensive highway construction to advance continental economic, social and political integration. The Director advocated immediate construction of roads to link with the projected Bolivian highway that will join Argentina, Bolivia,

Colombia, Ecuador, Paraguay, Peru and Uruguay. The cost of the Bolivian highway is estimated at \$500 million and it will run from the basin of the Orinoco to the River Plate.

MARITIME TRANSPORTATION

The Latin American Shipowners Association (ALAMAR) presented its year end report (1968) and noted substantial increases in the tonnage of Peru, Brazil and Mexico. Other noteworthy achievements noted were the establishment of the Bolivian Transmaritime Company, and the improvement in the port of Montevideo with attendant lowering of the cost of handling cargo and reduction in the length of stays.

The Superintendent of Brazil's Merchant Marine has proposed the creation of a maritime organization similar to the International Air Transport Association (IATA) or the International Civil Air Organization (ICAO) to deal with matters relating to international maritime transportation. The idea has found support within the Brazilian Government and an international conference on the subject has been suggested for August or September 1969.

The *ponte-aereo* between Sao Paulo and Rio is well known to air travelers in Brazil. Now, a maritime company has proposed the establishment of a *ponte-maritima* between Santos and Recife utilizing small, but fast vessels capable of competing with existing means of land transportation.

A U.N. Technical Commission is scheduled to visit Argentina to conduct studies for the building of a deep-water port in the Bay of Samborombon (Buenos Aires).

GAS AND OIL

The controversy between Peru and International Petroleum continues, but the Peruvian military government has granted the Texas Company a fifty year oil exploitation concession in Peru's northeast jungle area. The area consists of over 73,000 acres along the Ucyali River in the Department of Loreto. Texaco has already conducted explorations in the area and, in accordance with Peruvian law, surrendered another 73,000 acres of its original lease which now becomes part of the government reserve. In its agreement, Texaco agrees to forego diplomatic reclamations and to maintain a guaranty deposit with the Peruvian government throughout the life of the concession.

The state petroleum company of Mexico (PEMEX) and its counter-

part in Peru (EPF) are seeking means to cooperate and to exchange technical assistance. Technicians from PEMEX have visited Peru in the recent past.

Uruguay extended the deadline for bids to explore and exploit offshore oil deposits, but to no avail as no new bids were submitted. The Government is studying the bids of Oceanic Exploration and Development Corp. and of Zapata International.

Brazilian Government officials have stated that the recent discovery of rich oil deposits in the country's continental shelf should make Brazil self sustaining, insofar as oil is concerned, within a period of four years.

Argentina has designated two more zones for intensive oil exploration. These are the zones of Bermejo and Ramblones in the provinces of Cordoba and Mendoza respectively. Argentina also seeks to be self-sustaining and it is hoped that this can be achieved within a period of two years.

In Ecuador, the Texaco-Gulf consortium continues to move with great caution in its negotiations with the Ecuadorian government. At issue is ownership of the pipeline between the site of the concession granted the oil companies and the Pacific Coast. The Government's position is that all oil pipelines are the property of the State; the companies hold that the pipeline should be part of their production and marketing facilities.

Possibilities of an extensive natural gas deposit exist off the Southeast coasts of Port of Spain. A subsidiary of Standard Oil (Ind.) has made the discovery, the first in the area.

Bolivia's first petrochemical complex will be built by C. I. Girdler International of the U. S. and by Industrial Consultants of Mexico. The plant, to be built in the vicinity of Santa Cruz, will cost about \$11 million and is to be operated by the state oil company (YPFB). Target date for commencement of operations is October 1970.

The International Finance Corporation (IFC), an affiliate of the World Bank which invests in private industry in developing member countries, has announced its support of a major addition to Brazil's petrochemical industry. IFC will help to finance the \$61.5 million project Petroquimica Uniao at Capuava, Sao Paulo. The naptha refining project will act as a catalyst for Brazil's already expanding industries utilizing Petroquimica's products. Expansion in plastics and synthetic textiles, solvents, pesticides and detergents are also future possibilities.

MONEY AND BANKING

Barbados formally became the twenty-second member of the Inter-American Development Bank on March 19, 1969. Membership was formalized when Barbados signed the Agreement Establishing the Bank for Barbados in a ceremony at the Pan American Union.

Chase Manhattan and certain banks in Latin America have instituted a new \$25 million Latin American export financing program with the purpose of bolstering the exchange of capital goods among the Latin American countries. Financing can cover up to 70% of the invoice value of the goods and may be obtained for 180 days up to five years.

Another source of medium and long-term loan funds recently became available in Guatemala with the establishment of FINANCIERA INDUSTRIAL Y AGROPECUARIA, S.A. (FIASA). This is the first private "financiera" established in Guatemala. Its resources include \$1 million of paid-in capital; a \$5 million, 20-year loan from the U. S. Agency for International Development; access to a \$25 million line of credit established by the Bank of Guatemala for industrial development; and, credits of \$2 million made available by commercial banks in the United States and Germany.

The Chilean Central Bank has lowered the mandatory waiting period for the remittance abroad of exchange in payment of import transactions from sixty to thirty days after the date of the bill of lading. The Bank has also reduced the waiting period for the delivery of future exchange from eighty two to seventy eight days. The requirement, however, that most imports be paid in local currency not later than sixty days after presentment of the bill of lading remained unchanged. The Central Bank has also limited the waiting period to a period of one year for remittances of foreign exchange brought into Chile as a capital entry under the terms of Article 14 of Decree 1272 of November 11, 1961. Article 14 permits individuals and firms to bring into Chile foreign exchange for sale to the Central Bank.

A call for the creation of a "Latino-dollar market" to provide Latin America with a new international monetary market was recently proposed in Panama. Patterned after the successful European dollar market, which employs the pool of United States dollars in Europe to help finance the Continent's banking and trade needs, the Latino dollar would also help stem the outflow of dollars from Panama. At present, the social and economic development of the Hemisphere is handicapped by a dollar shortage in most republics even though Latin Americans are known to hold huge sums of dollars in Europe and the United States. It was sub-

mitted that Panama, because of its traditional trade and currency laws, could easily become a market place for floating bond issues and otherwise raising funds for private industry. Panama has the two basic ingredients for the creation of a Latin version of the European dollar market, i.e. an ample supply of dollars and extensive international banking facilities.

FOREIGN TRADE

Foreign trade between Moscow and several Latin American countries is increasing. The increase is due mainly to Moscow's softening of its previous hard-line which called for barter-type commercial agreements with other countries. The Russians are now offering more attractive foreign trade terms payable in dollars or other hard currencies. Along with the new terms, they have also been providing substantial credits to Latin American countries to enable them to purchase Russian-made goods. Peru and Ecuador are the latest countries to join the growing list of nations with whom Russia maintains diplomatic and commercial relations. The Soviets, by dealing directly with Latin American countries, have, in most instances, eliminated the so-called European intermediary. At present, there appears to be no real threat to suppliers of consumer goods in Latin America, and it is expected that there will be little competition given by Russian goods to Japanese, United States, and European name brands. However, the Russians can compete effectively in large-scale projects calling for heavy machinery and equipment.

Two South African concerns, General Mining and Finance Corporation Ltd. and Roberts Construction, will build and finance an irrigation project in Peru at a cost of approximately \$85 million. This is a first for Peru.

Brazil and West Germany have signed a protocol of financial cooperation. The agreement contemplates credit in the amount of \$14 million which will be employed to finance small and medium private enterprises and to expand a governmental iron mining concern in Mina Gerais.

Spain is making available a credit of approximately \$40 million to Bolivia for the establishment of a zinc foundry.

DRUGS

The Colombian Government has elaborated a plan under which drugs will be produced at reduced cost for the general public. An initial outlay of 50 million pesos has been designated for the construction of

laboratories throughout the country with the objective of lowering the cost of medical services. It is estimated that the program will be implemented by the end of 1969.

The Pan American Health Organization has submitted a report in which it urges the creation of a Regional Drug Institute to control the quality of drugs in Latin America and to train government officials in analysis and testing of pharmaceuticals.

MINERALS

The Aluminum Company of America (Alcoa) has signed a contract with the Government of Costa Rica whereby it will invest about \$150 million over a period of 25 years in developing bauxite deposits at San Isidro de El General. The deposits are estimated to contain 150 million tons of ore. Under the terms of the contract, which is subject to the approval of the Legislative Assembly, Alcoa is to build an alumina plant with an annual production capacity of 400,000 tons. The possibility of establishing a caustic soda plant is also being studied.

The State Copper Corporation (CODELCO) of Chile will acquire a 25% participation in SAGASCA, a new mining company that will develop copper deposits in the province of Tarapaca. The remaining 75% of the company's capital will be subscribed by Continental Copper and Steel Industries, Inc. The SAGASCA mine contains a minimum of sixteen million metric tons of ore, and there is good reason to believe that other large deposits will be found. Operations are scheduled to begin in 1970, and initial production is expected to reach 26,000 metric tons of copper per annum. The project also includes the development of a community providing housing, medical care, and schools for employees.

The United Nations Development Program will carry out mineral studies in Honduras as part of a two-year project designed to help the establishment of a Department of Mineral Resources to undertake mineral surveys and other applied geological research. The total cost of the project will be \$933,900, of which the Honduran Government will contribute \$371,000. The Honduran project also includes a photogeological survey, a regional geochemical drainage survey, and detailed geological, geochemical, and geophysical investigations of promising zones in an area of 4,000 square miles in the northwestern part of the country.

A joint United Nations-Guatemala mining project has been completed and made available to the Government for evaluation. The object of the study was to determine the mining potential in areas of Huehuetenango and Chiquimula reportedly rich in copper, lead and other minerals.

The potential of Argentina's uranium resources has attracted considerable foreign interest; specifically West Germany, France, England and the Netherlands have expressed interest. Argentina started developing its uranium deposits in 1958 when it placed the first nuclear reactor in Latin America in operation.

Copper may become a source of controversy between Chile and United States business concerns in view of President Frei's recent statement calling for an adjustment in the participation of the State in Chileanized mines. Contracts negotiated in 1967 may be in jeopardy, particularly in view of the impending presidential campaign and the events in Peru which resulted in the expropriation of the properties of International Petroleum.

WATER SUPPLY

The World Bank has granted a loan of \$5 million to Jamaica to expand the water supply system in Kingston.

Contracts to build two Caribbean area desalting plants with a total production of approximately 3.7 million gallons of fresh water per day, and costing over \$3.5 million, have been awarded to Aqua-Chem, Inc., of Milwaukee. The new plants will be built at Penuelas, Puerto Rico, for the Commonwealth Oil Refining Company (Corco), and at Freeport, Grand Bahamas, for the Bahamas Oil Refining Company. The Commonwealth Refining Company Plant, scheduled for completion in 1970, is the first major desalinization installation in Puerto Rico and will have a 2.5 million-gallon-per-day output. The Freeport installation, the largest of its kind in the Bahamas, will be of a similar design, but will have a 1,267,200 gallon-per-day capacity. It should be operational late in 1969.

AUTOMOTIVE INDUSTRY

Colombia and Chile have signed an agreement looking to the integration of the automotive industry of the two countries. Under the agreement Colombia will build an assembly plant as well as a motors plant for automobiles and will export these to Chile and other countries. Chile, in turn, will export other automotive parts to Colombia.

PEGASSO of Spain is negotiating in Colombia for the manufacture of PEGASSO trucks in Colombia. If successful, approximately 2500 trucks could be manufactured annually in Colombia according to an official of the Spanish concern. Interested parties in Colombia have also met with Mexican and French parties on the matter of assembling and manufacturing trucks and motor cars respectively from these countries

in Colombia. The Mexican entity is Diesel Nacional de Mexico (DINA); Renault is the French concern.

Peugeot and Renault may make a substantial investment in Chile for the manufacture of gearboxes and other vehicle components.

Brazil's auto industry has produced its two millionth vehicle; its daily average production is 1180 units.

INSURANCE

The private insurance sector in Colombia has agreed to assume the commercial credit risks in export sales related to non-basic products. A group of private insurance companies has joined to support the government's Export Promotion Program by assuming the risk outlined above. The Fund for the Promotion of Exports will continue to assume the political risks as well as those other risks arising from measures which other governments may take for the general welfare.

POWER DEVELOPMENT

A World Bank loan of \$82 million was made to Hidronor S.A. and Hidroelectrica Norpatagonica S.A. to assist Argentina in building the largest hydroelectric project ever undertaken in that country. The project (the El Chocon-Cerros Colorados) will have an ultimate capacity of 1,650 megawatts. Specifically it will consist of a dam on the Limay River in Northern Patagonia, a powerhouse with three 200 megawatt generating units and two 700 mile transmission lines to Buenos Aires. Informed sources state that the complex will be ready for commercial operation in mid-1973. The World Bank loan will cover such items as the foreign exchange costs of civil works, consulting services, interest during construction and the costs of penstocks and gates; total cost is estimated at \$325 million.

The International Development Association (IDA) an affiliate of the World Bank, has lent Bolivia \$7.34 million for construction of a hydroelectric power plant to supply power to Cochabamba. An additional loan of \$60,000 will be utilized to hire consultants to assist the National Department of Electricity to carry out its function of regulating the power industry in Bolivia.

A major hydroelectric power project was inaugurated in Venezuela early in the year. The Guri project was completed by a consortium of Venezuelan companies in five years and resulted in increasing Venezuela's electric capacity by 30%. Venezuela has additionally announced that it

will invest \$48.5 million in the construction of a hydroelectric power plant at the confluence of the Santo Domingo and Acaray rivers in the Venezuelan Andes.

Late in 1968, Paraguay dedicated the Acaray Dam near the Iguazu falls. Power from this dam will service some of the electrical needs of Argentina, Brazil and Paraguay.

HEAVY INDUSTRY

The Inter-American Bank approved a loan equivalent to \$5.3 million to help finance technical and professional services required in the construction of a steel plant in Argentina. The borrower is Propulsora Siderurgica, S.A., a private corporation established in 1962 expressly to develop a modern integrated steel plant.

The Bank's loan, granted within the framework of the Alliance for Progress, will finance engineering and consultant services needed to build a cold rolled sheet and flat products plant at Ensenada near the industrial port of La Planta, 25 miles south of Buenos Aires. The plant, which will cost nearly \$73 million, is the first in a three-stage effort to build an integrated steel mill designed to help cover Argentina's existing shortage of cold rolled products which are currently imported from Brazil and elsewhere. The new plant is scheduled to begin operation early in 1970.

The International Finance Corporation (IFC) has committed a \$3 million stand-by loan to DALMINE SIDERCA of Argentina to increase its production and raise new working capital. Five North American and European financial entities are sharing in the IFC commitment to DALMINE SIDERCA, Argentina's largest private steel producer.

Under a new policy of investment promotion, the International Finance Corporation (IFC), announced that it is joining in arrangements to finance the initial stage of a projected pulp, paper, and lumber operation in Honduras. A new company, Compania Pino Celulosa de Centro America, S. A. (COPINA), was established at Tegucigalpa to conduct studies and negotiations, and to implement the project which has major support from the Honduran Government.

The Export Import Bank of the U. S. (EXIMBANK) has announced the following credits made under the Alliance for Progress: Argentina—\$8.3 million to Corporacion Cementera Argentina to finance the purchase of goods and services to help expand its cement plant at Yocsina. Mexico — \$3.4 million to Cementos Portland del Bajio to

finance the purchase of equipment and services needed to expand its cement production; \$1.4 million to Compañía Industrial de San Cristobal to help finance the purchase of equipment and services needed to expand the consumer paper products industry.