Economic Developments

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AGRICULTURE AND LIVESTOCK

The Government of Brazil is considering ways of stabilizing domestic meat prices, including the imposition of an export tax and, perhaps, reductions in export quotas.

Brazilian exports to China and Taiwan have begun from the western Amazon region and are expected to reach 200,000 tons from Amazonia by the end of next year. Investors will be encouraged to set up meat packing plants in the region.

The International Coffee Organization (ICO) has provided Brazil with $3.5 million and Colombia with $6.77 million as diversification loans to cover studies of perishable farm products, credits to farmers willing to replace coffee with other crops, sugar cane cultivation, marketing studies, and grain handling installations at selected ports. ICO diversifications loans are extended to coffee-growing areas for the purpose of exploring the possibility of changing to other and more profitable crops.

Colombia has established a governmental agency, INCORA, to carry out its land reform program. During its first decade, INCORA has devoted its efforts toward: (1) solution of the problem of proliferation of small sub-marginal farms in the highlands areas; (2) supplying more credit and financial and technical assistance to the small farmers; (3) colonization in publicly owned wilderness lands; (4) development of irrigation works; and stimulation of producer cooperatives and joint ownership of communal type farming operations.

Some 37.2 million pesos is to be spent on the first phase of an agricultural development program in the Dominican Republic. One-third of the cost will be borne by beneficiaries and two-thirds by an Inter-American Development Bank loan.
The Government of Honduras is to spend $13.3 million on agricultural expansion and modernization, particularly cattle raising. Of this sum, $9.2 million will be provided by the Inter-American Development Bank.

Arid and desert lands may become productive lands if an asphalt-laying technique developed by Japan’s scientists proves applicable to the poor soil of some developing countries. The Desert Development Association of Tokyo has built a machine that lays asphalt deep below the surface and allows effective use of irrigation while protecting the crops against the saline content of the desert.

A program is in motion to increase Mexico’s cattle production by 20% to 30 million head by 1976.

The Inter-American Development Bank (IDB) recently granted Mexico a loan of nearly $23 million to improve irrigation technology and practices through the Land Improvement Plan (PLAMEPA). PLAMEPA is a pioneer program in the world, designed to increase water and soil productivity.

The Government of Mexico is to concentrate cereal production this year on maize, beans, wheat, rice, sorghum and a few other seed crops in an effort to make Mexico self-supporting in these basic food staples by early 1974. To the same end, exports of these crops will be restricted until domestic demand is satisfied.

Because of “low returns,” the United States food processing firm of H. J. Heinz is to withdraw from Mexico. This has led to Mexican accusations that the firm is reacting against the Government’s proposals to control foreign investment, that it bought its way into Mexico at a “ridiculously low price” nine years ago, and that it has neglected the land on which it grows its crops.

The Peruvian Government is using a Dutch credit of $13 million to build a pilot plant for experimenting with the processing of anchoveta—presently caught only to be turned into fish meal—in a form suitable for human consumption. It is hoped that the tinned anchoveta might compete on world markets with the sardine.

At the beginning of March the United Nations reported that no objections had been received to the proposal to implement the International Cocoa Agreement despite the fractional deficiency in the number of signatory importing countries. The Agreement will come into being.
definitively or provisionally on 30 April or within the following two months, if by that date, signatories accounting for the requisite proportion of cocoa imports and exports have either ratified, accepted or approved it, or notified their intention to apply it provisionally. Signers of the International Cocoa Agreement in the Western Hemisphere include Brazil, Canada, Chile, Colombia, Cuba, Ecuador, Guatemala, Honduras, Jamaica, Trinidad and Tobago and Venezuela.

CHEMICALS AND PLASTICS

ANDEAN GROUP

The Commission of the Cartagena Agreement has begun talks on the possibility of integrating petrochemical development in the five Andean Group countries. The Junta (the supranational board of the Andean Group Commission) has proposed an investment in chemical plants of $500 million giving a production value of $340 million a year by 1980.

ARGENTINA

_Petroquímica Bahía Blanca_ (PBB) has contracted for the engineering and technology for its new 200,000 metric tons per year ethylene and 20,000 metric tons per year ethylene and 20,000 metric tons per year propylene complex due on stream by 1977. PBB is 51% owned by the Argentine government.

BRAZIL

Brazil's government-owned Petroquisa is planning several joint ventures with private firms to spur development of the country's petrochemical industry. For example, Shell, Petroquisa, Refinería União and Coimbra Bueno will build a 50,000 metric tons per year polypropylene plant at Capuava (near São Paulo) with start-up set for 1975. Each company will contribute $12.5 million to the project, or 25% of the total investment.

CHILE

The Chilean government is moving to legalize its October, 1972 takeover of Petrodow, Dow Chemical's 70%-owned petrochemical complex at Concepción. Seizure of the unit, owned 30% by the Chilean government, was ruled illegal in January by the Controller of the Chilean government.
A bill has been introduced in Chile's Congress seeking to bring Petrodow into the government fold as a state-owned company or as a "mixed" company with a state majority. Dow reportedly would prefer not to hold a minority position. Its equity stake of $10 million is almost entirely covered by U.S. government insurance by Overseas Private Investment Corporation.

PUERTO RICO

Union Carbide's $300 million venture in Ponce, Puerto Rico, is now fully operational. More than 3 billion lbs. of petro-chemicals are expected to flow through the complex's pipelines.

VENEZUELA

Venezuela's $1.2 billion El Tablazo petrochemical complex is finally showing some signs of progress. Its first joint venture, Venezolana de Nitrogénio (Nitroven) has signed a three-year sales agreement with the China National Chemical Import and Export Corporation, whereby Venezuela will sell about $23 million in urea beginning late this year.

The Comisión del Acuerdo Subregional Andino has approved a plan to build a petrochemical complex on the border between Peru and Bolivia. The Bolivian government has stated that almost $200 million will eventually be invested in the component plants. Meanwhile, the Corporación Andina de Fomento is meeting in Caracas to consider ways of expediting the subscription of the $75 million required to complete the corporation's authorized capital.

Argentina and Bolivia will launch a joint venture for the construction of a $10 million pesticides factory in Bolivia. Argentina's good offices will be used to obtain 70% of the financing from international sources, while the rest will be found in the two countries.

DEVELOPMENT AND INVESTMENT

Nacional Financiera, Mexico's national development agency, has loaned the equivalent of $1 million to the Andean Development Corporation (CAF) for a pre-investment fund in which both Mexico and the members of the Cartagena Agreement group are interested.

Nacional Financiera has been designated as the coordinator of a feasibility study on the large-scale marketing of capital goods in the
member countries of the Latin American Free Trade Association and the setting up of a Latin American multi-national corporation for the purpose. The project is assisted by the Inter-American Development Bank (IDB).

A new incentive program designed to provide U.S. small business with a practical means for analyzing and funding new investments in less developed countries has been launched by OPIC. Under the plan, OPIC will advance reconnaissance and feasibility survey funds to qualified companies for the financing of investment and market development studies. A portion of the repayment of these funds can be applied to the cost of insuring or financing the investment once the decision to go ahead has been made.

A claim involving a timber mill in the Dominican Republic was settled in favor of OPIC when a special commission of the American Arbitration Association issued an opinion denying a $318,000 expropriation claim filed by the International Bank of Washington. This marked only the second time that OPIC has gone to arbitration, and in both cases the AAA has ruled in the corporation’s favor.

OPIC is taking the initiative to bring about the creation of an international investment reinsurance association, to reduce the risks of confiscation and political confrontation in foreign private investment in the developing countries.

A draft plan has been presented by OPIC to its counterpart national insurance agencies in Canada, France, Germany, Israel, Japan, the Netherlands and Switzerland. The scheme is scheduled for further discussion at the Berne (European Payments) Union in January.

Spain estimates that the gross flow of her financing to Latin America will reach and possibly exceed $3 billion in the seventies. This represents triple the amount provided in the sixties, which was slightly more than $1 billion.

A team from the People’s Republic of China is at present carrying out studies for the siting and erection of a proposed textile mill in Guyana. This special study will also cover the availability of raw materials and construction of the factory.

Several Soviet state agencies engaged in selling different lines of products abroad announce that their efforts have paid off in several countries of the Western Hemisphere. According to Ecotass, a Soviet trade weekly published in Switzerland, recent developments include sales of
carpets to the United States, 4,500-ton floating docks to Cuba, automated equipment to manufacture steel milling balls to Brazil, a Yak airliner to Canada, and cranes, tractors, roadbuilding machinery and other goods to Chile.

Litton Industries, Inc. of California reports that it has completed an aerial survey of 4.25 million square kilometers of the Amazon jungle area as yet unmapped. On announcing the conclusion of the project, the company said the contract with the Brazilian government was the largest and most complete map-making project ever carried out in the world. The survey is part of the government's program to develop and colonize the Amazon territory.

At the close of a meeting held in Quito, Ecuador during the month of April, 1973, the Ministers of Petroleum and Mines of twenty Latin American governments issued what will be known as the Declaration of Quito, calling for the establishment of a Latin American Energy Organization to study, among other things, programs for the investigation of energy resources and the preparation of multinational projects. Also approved at the meeting was the Venezuelan suggestion that a financing office be created to cooperate in the development of energy resources throughout the area and to facilitate trade between oil producing countries and consumers. The structure of the new organization will be defined at another gathering of the group planned in six months. In the meantime, the governments of the twenty representatives who attended the Quito meeting, will be asked to ratify the decision.

EXPORT-IMPORTS

Future exports of Brazilian manufactured goods will receive the same treatment as coffee and qualify for automatic discounting to the banking system under a system set up by the Central Bank.

The Finance Minister of Brazil has suffered a substantial reverse in his attempts to provide for foreign capital to finance the establishment of bonded warehouses overseas for capital Brazilian exports. The decree-law published in December, 1972, insures full control by Brazilian capital.

The Government of Colombia has state-owned concerns that henceforth all their foreign purchases will have to be made through the National Planning Department. That Department will only authorize imports of goods not made in Colombia.
The U. S. Department of Agriculture has updated its list of countries allowed to export fresh, chilled or frozen meat to the United States, and included the following countries and territories of the Western Hemisphere: Bahamas, Bermuda, Belize, Canada, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua and Panama.

GAS AND OIL

Petrobrás of Brazil is negotiating with C. Itoh and Hissho Iwai of Japan, towards joining with the Japanese in buying Middle East oil. Marubeni and Mitsui are also interested in such negotiations.

Petrobrás, which made a profit of $1.8 million in 1972, is to step up prospecting in Acre on the Peruvian border this year, increase the range and volume of lubricants with a view to replacing all imports, and bring into production offshore wells off Sergipe in the northeast.

It has been announced that feasibility studies for the construction of a trans-Andean pipeline are almost complete. The pipeline will carry oil from the Amazon region to the Pacific, if enough oil is found there. The production of at least 70,000 barrels a day is needed to justify the pipeline, and wells with a potential of 23,000 have already been sunk. The latest strike in the Trompeteros district was a well yielding over 7,000 bd, and the government is confident of reaching the 70,000 bd target. Peru currently imports 35,000 bd and hopes to become an exporter.

The Inter-American Development Bank is to provide a $10 million loan to Uruguay toward the government's controversial $16.4 million scheme to build an optional oil terminal near Punta José Ignacio. The terminal had been opposed by nationalists in the Navy and others who wanted the money spent on building up the country's Merchant Marine.

Bolivia has made its first oil contract with a North American company, more than three years after suspending such foreign investments. The contract gives Union Oil Co. of California the right to organize a Bolivian affiliate to explore nearly one million acres of the Amazon region near the Bolivian-Peruvian border. The agreement is for four years of exploration and can be extended another three years. Oil rights are given for thirty years, after which the oil properties and physical plants will be taken over by a Bolivian government oil company. The contract grants Bolivia the right to buy nearly 51% of all gas petroleum products extracted by the American firm.
ECONOMIC DEVELOPMENTS

Venezuela has proposed a government-to-government agreement with the United States for the development of the Orinoco heavy oil deposits, the reserves of which are estimated at 700,000 million barrels. Such an agreement, the President stated, must provide for a guaranteed market in exchange for a guaranteed source of supply.

The Government of Venezuela has called for an urgent meeting of the Organization of Petroleum Exporting Countries (OPEC) to consider the world energy crisis, following recent shortages in the United States. The government has come in for strong domestic criticism for its pricing policy and has been looking for a way to make a price increase; an OPEC meeting would provide a good opportunity for doing so. Production during the first two weeks of January was nearly 5% down from the same period last year.

During a visit to Ecuador in February, 1973, the President of Venezuela issued a joint declaration with the President of Ecuador relative to the establishment of a petroleum technical corporation program. The declaration contemplates a closer link in the future between the two countries on matters relating to hydrocarbons.

The British firm of Tricentral has been granted offshore oil exploration rights over a 1,660 square mile area in Guyana. Three other companies, West German, American and Guyanese have also been granted offshore prospecting rights.

LAND TRANSPORTATION

The Bolivian Government is seeking a $5 million credit from Japan with which to purchase equipment needed for building a road from the northern part of the department of La Paz into the presently inaccessible departments of Beni and Pardo. The Government plans to finish the road before the end of 1976.

Venezuelan sources have reiterated support for the idea of a 5,900-mile inland waterway. The area to be benefited is one and a half times as big as the continental United States and rich in minerals, forestry resources, hydroelectric power and soils suitable for all kinds of crops. It also contains 30% of all the fresh water in the world. If construction is undertaken, at an estimated cost of $1 billion, ships could cross the South American heartland from the Caribbean to the South Atlantic and vice versa, navigating the Orinoco, Casiquiare, Negro, Amazon, Madeira, Meta, Alegre, Aguapei, Paraguay, Paraná and Plate rivers.
The Argentinian Government is providing $619,000 to cover the cost of studies and the feasibility of expanding the rail network in eastern Bolivia.

Brazil has received an additional $40 million from the World Bank for constructing 257 kilometers of the Rio-Santos Highway. The loan will finance that part between Santa Cruz and Ubatuba at an estimated cost of $135.1 million.

The Peruvian National Railways Company has bought all Peruvian assets of the Peruvian Corporation for 874 million soles. As expected, ENAFER was the only bidder at the Lima auction. It is to spend 1,500 million soles on modernizing the purchased rail network.

MARITIME AFFAIRS

Local Brazilian shipyards are participating in a tender to build refrigerated ships—at a cost of $20 million—for the Uruguayan government.

The Federal Government of Brazil has created a work group to study the installation in Brazil of a naval repair center and has recommended that this shipyard be located in Rio de Janeiro on Viana Island. The Government will enter into this venture with interested foreign and local groups.

The Brazilian Government has extended permission for foreign ships to operate on coastwise shipping, carrying bulk cargo or staple foods, for one more year.

The modernization of the ports of Tumaco, Buenaventura, Cartagena, Barranquilla and Santa Marta in Colombia begun in 1963, has passed the half-way stage with $50 million of the $90 million budget already spent.

The "Japan Line" of Tokyo has purchased 40% of the shares of the Colombian International Shipping Co., according to a report from Barranquilla. The association between Japanese and Colombian interests follows recommendations on foreign investments made by the Andean Pact nations.

Cuba has bought 110 fishing vessels from Peru at an approximate total cost of $30 million. Delivery will be over a period of two years beginning in June, 1973.
ECONOMIC DEVELOPMENTS

The Government of Jamaica has announced that a fishing complex is to be established at Zero Wharf in Newport West. Some years ago a United Nations Development Project carried out a survey of the industry in which it was decided that if the industry was properly developed it could bring earnings to the country of some J$9 million a year at that time. At present it is estimated that the industry is earning some J$6 million and with the completion of the complex it is now estimated that the industry will be worth some J$13.5 million.

An $11 million loan for the expansion and modernization of the Nicaraguan port of Corinto on the Pacific Ocean has been announced by the International Bank for Reconstruction and Development. The operation had been under consideration before the earthquake December, 1972, and is not directly linked to construction efforts.

The members of the Association of West India Trans-Atlantic Steamship Lines trading between Europe, Latin-America and the Caribbean announced that an increase in rates of freight (both westbound and eastbound) will come into effect on 1 May 1973. It is expected that the increase will range between an average of $2.65 and $7.50 per freight ton westbound. Eastbound freight rates will be subject to selective increases on a commodity basis.

Japan and Andean Group countries are to examine the possibility of creating a multi-national cargo fleet for transporting grain. Japan has expressed willingness to supply the financing and the ships.

METALS AND MINERALS

Cuba is to sell nickel to Mexico—the first such sale by the Communist state to a Latin American country since the United States declared a trade embargo in October, 1960. Cuba, one of the world's main producers of nickel with a yearly output estimated at 35,000 tons, sells most of it to the Eastern European bloc and a few Western European countries. Mexico, which buys most of its nickel from the United States, is to take an initial 50 tons from Cuba, worth about $120,000. Negotiations are also under way for the sale of Cuban chrome to Mexico.

The Government of Bolivia has set up a new public company, Empresa Siderúrgica Boliviana S.A. (SIDERSA), to operate the Mutún iron ore deposits instead of COMIBOL, the state mining concern, which will henceforth be confined to non-ferrous minerals. Dispatch of ore to the Argentine steel concern SOMISA was suspended during the takeover.
However, Government officials stated that the interruption was of temporary nature only. SIDERSA will be authorized to set up joint ventures to exploit Mutún, and negotiations to this end, initiated by COMIBOL have been cancelled. This has given rise to speculation that Brazilian capital was to be attracted. SIDERSA’s capital will initially be owned as follows: 30% by COMIBOL, 20% by YTFB, 20% by the Armed Forces’ Corporation, and 10% each by the Corporación Boliviana de Fomento, by the Empresa Nacional Nacron de Fundiciones, and by ENDE.

Bolivia has broken ground on a $5 million plant to process antimony at Vinto, some 150 miles south of La Paz. Funds for the new plant, which is in the Oruro mining region, came from Czechoslovakia.

COMIBOL, the Bolivian state mining concern, will make two pesos’ profit per dollar’s worth of production as a result of the October peso devaluation, instead of losing 1.50 pesos as previously. Mining cooperatives, however, have complained that restrictive measures which accompany the devaluation will force them into bankruptcy.

One of the largest copper deposits in Brazil estimated at 60 million tons, has been discovered in the state of Bahia.

Siderúrgia del Orinoco (SIDOR) has sold 3,500 tons of steel to the Soviet Union — perhaps the first commercial transaction of any importance between Venezuela and a communist country.

Alleging heavy indebtedness on the part of the Pignatari group to the Banco Nacional de Desenvolvimento Econômico, to the Instituto Nacional de Providência Social, and to the Programa de Integração Social, the government of Brazil has announced the takeover of the whole group, for which it is to pay almost $300 million. The government alleged that the disorganization of the group’s finances was clear evidence of its inability to handle the $250 million Caraiba copper mining project. In addition to the Caraiba project, the state is acquiring control of a wide range of metallurgical and mining enterprises previously controlled by Pignatari. Government officials have indicated that the state does not propose to manage the various companies once the affairs of the group have been set in order, and a buyer from the private sector is found. This has given rise to press speculation that foreign companies will participate in the deal.

Chile and the other three members of the Council of Copper exporting countries (CIPEC) Peru, Zarie and Zambia, have agreed not to move into markets where Chilean copper has been hit by Kennecott’s
embargoing tactics. At a meeting in Santiago, CIPEC also agreed to suspend dealings with Kennecott "while it persists in acts of aggression against Chile".

Latin American governmental reaction to President Nixon's proposal of April, 1973, to dispose of certain strategic materials was — as expected — sharp and prompt. Strong protests were made at appropriate U.S. governmental levels to point out the potential injury to many of the Latin American nations, and to urge, at least, gradual disposal over a number of years to soften the impact on individual economies. In some quarters the charge of economic aggression was leveled once again against the U.S.

MONEY AND BANKING

In an effort to induce investment banks to assume a greater role in underwriting corporate securities in Brazil, improve the access to domestic sources of long-term funds needed for company expansion through the issuance of shares and debentures, and encourage savers to invest in securities, the International Finance Corporation (IFC) has extended a $5 million line of credit to a syndicate of six private development banks in Brazil: Banco de Investimento do Brasil, Banco Bozano-Simonsen de Investimento, Banco Itaú de Investimento, Banco Real de Investimento, Banco de Investimento de Minas Gerais and Banco Finasa de Investimento. The proceeds will be used within the framework of revolving Capital Market Development Fund (FUMCAP), a scheme maintained by the Central Bank and presently capitalized at about $42 million. IFC's gross commitments in Brazil now total $103.2 million.

Brazil has suggested at the U.N. the setting up of a private Inter-American Reinsurance Bank which would save Latin America a substantial portion of the $60 billion a year it pays to foreign insurance companies, mostly of Western Europe.

The Chilean Central Bank signed two credit agreements with the National Bank of Hungary for a total value of $20 million for the purchase of capital goods.

After a two-day meeting at the end of January, 1973, the "Globe of Paris" announced that creditor nations have agreed with Chile to postpone until May, 1973 further negotiations on rescheduling of Chilean debt payments that fall due this year. In Santiago, this is being officially taken as a sign of confidence in Chile. Much will depend, however, on
Chile's relations with the United States, which accounts for about half of Chile's outstanding foreign debt of $4 billion, and particularly on the course of the dispute over compensation for the nationalized copper mines.

Exchange controls formerly imposed on the quetzal, the Guatemalan currency, have been recently abolished by the Government. Henceforth the quetzal — sometimes called "the hardest currency in the world" will be freely convertible, at par with the United States dollar.

The Government of Jamaica has broken the Jamaican dollar's link with sterling and pegged it to the U.S. dollar at the rate of J$1.00 to US$1.10, a devaluation of 6.5%. The move follows a sharp fall in Jamaica's foreign reserves.

The United States devaluation of the dollar, in February, resulted in various adjustments of world currencies. Within the Caribbean grouping, the Bahamas altered its par value and depreciated by 12.7% in terms of gold, a depreciation of 3.1% against the U.S. dollar. The Bahamian dollar is now at par with the U.S. dollar.

The Latin American Association of Development Finance Agencies (ALIDE) has acquired its sixty-first member, the Banco Gubernamental de Fomento of Puerto Rico. ALIDE, with headquarters in Lima, Peru, fosters cooperation among its members in nineteen countries, seeking to maintain a constant reciprocal flow of systematic data and to undertake the study of common problems, for the purpose of perfecting their individual and collective performance, and encouraging their decisive participation in the processes of Latin American economic integration.

TELECOMMUNICATIONS

A Latin American telecommunications consortium proposed by Mexico is expected to begin operations in the first quarter of this year, according to the Mexican Communications Ministry. Aimed at displacing United States telecommunications concerns in Latin America, it is to consist of state communication agencies from Brazil, Colombia, Costa Rica, Chile, Ecuador, El Salvador, Guatemala, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela.

A 1,200 pound satellite — Anik I — made possible direct telephone calls between Ottawa and points as remote as the village of Resolute, above the Arctic Circle. Anik I was put into synchronous orbit November, 1972 and is the world's first commercially operated synchronous national
communications satellite. It is the first of three Aniks ordered by Telsat Canada from Hughes Aircraft Co. of California. Hughes has stated that the company was invited by Brazilian officials to make a presentation regarding a national satellite and a system of ground stations that would be similar to the Canadian system. The project would transfer advanced technology to Brazil "under a plan by which Brazil's technical skills would be enlisted to participate directly in the manufacture of the ground portion of the proposed communications system."

RCA is to transfer a complete factory for manufacturing color television sets to Brazil taking advantage of the Government's consent to such transfers. The company is also considering moving other factories from Hong Kong to Brazil.

The Government of Paraguay has signed an agreement with Japan for a $13 million loan to be used to build a ground station for satellite communications and a microwave communications system.

Atlantic area operational representatives of Intelsat met in Lima in late January, 1973 to coordinate operational requirements of satellite communications in the area. Thirty countries in the Americas, Europe and Africa were represented at the meeting which dealt with frequency and channel assignments, mutual air, and emergency plans, among other aspects.