Economic Developments

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AGRICULTURE AND LIVESTOCK

A broad agricultural reform program known as the Comprehensive Agricultural Development Program has been established in four regions of Venezuela. The cost of the program, expected to be $181,340,000 and partly financed by a $75 million loan of the Inter-American Development Bank, will be used for farming improvements, agricultural research and extension services, roads, grain storage facilities, irrigation, farm credits, training and technical assistance. The program is expected to raise the standard of living and the agricultural production of some 63,000 low income families.

At a meeting of the International Coffee Council held in London in August 1971, the member nations of the International Coffee Agreement agreed to establish the world quota of coffee exports for next year at 47 million bags, the lowest since the agreement was signed in 1962. The new agreement authorizes supplementary quotas each time prices rise beyond the maximum set price. On the other hand, coffee will be taken off the market if the price falls below the minimum. The agreement established a fluctuation between 42¢ and 44¢ per pound for Brazilian coffee. This will reduce the competitive margin of the African Robusta coffee—traditionally the lowest priced—to $3.50 per pound. African wishes were for a margin of 4¢ and 5¢ per pound. The price fluctuation of the Colombian coffee—traditionally the most expensive—will be between 46¢ to 50¢ per pound, while the Central American coffee will be between 44¢ and 48¢ per pound. The United States and other consumer nations advocated a quota of 47.5 million bags instead of the approved quota proposed jointly by Great Britain, Holland, Portugal and Mexico.

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ECONOMIC DEVELOPMENTS

A wheat agreement was signed at the VIII Conference of the Special Brazil/Argentina Coordination Commission (CEBAC) held in Buenos Aires during the month of September 1971. The highlights of that agreement follow:

1. The Brazilian government will purchase and the Argentinian government will sell each year during the life of the agreement—1972 to 1974—such quantities of wheat as are compatible with those specified in the 1968 agreement.

2. The annual volume corresponding to both countries will be determined during the second half of the month of November and the countries will have until February 15 of each year to agree on the desired quantities.

3. The total wheat volume will be delivered in monthly parcels in accordance with quarterly contracts.

The Inter-American Development Bank announced on October 7, 1971, the approval of two loans for the total amount of $1.8 million to the Republic of Haiti, to help finance a stock raising agricultural and industrial credit program. The IADB also authorized a non-reimbursable technical assistance sum of $240,000 for the strengthening and improvement of the administrative and operating structure of the organization handling the program.

ANDEAN PACT

The nations which constitute the Andean Pact—Chile, Perú, Bolivia, Ecuador and Colombia—welcomed Japan to a joint commission to be created for the promotion of Japanese technological cooperation and capital investment in Latin America. According to the terms of the agreement Japan will offer financial and technological aid to companies organized by the Andean Group. In turn, the governments of the five South American countries will grant tax privileges to the Japanese financial corporations which invest in their local industries.

The Government of Venezuela announced early in December 1971, its decision to negotiate for entry into the subregional Andean Pact. A Government spokesman stated that the decision could be construed as Venezuela's definite commitment to become a part of the Andean Pact.
CHEMICALS AND PLASTICS

ARGENTINA

Argentine chemical producers are troubled by growing government involvement in the nation's planned petrochemical buildup. Latest move: the government has set up a new state company, Petroquimica Bahia Blanca, to take over construction of a $100-200 million ethylene-based complex proposed three and a half years ago by Dow Chemical.

The Board of Commanders-in-Chief of the Armed Forces of Argentina has approved the creation of the Bahia Blanca Petrochemical Company, to be established in that city. Under the terms of the project, the plant will produce between 120 and 200 tons of ethylene and between 12 and 20 tons of propylene annually.

BRAZIL

Development of a big chemical industry has been given a high priority by the Brazilian government. Government and business leaders are laying the groundwork for a petrochemical industry that will be tops in Latin America.

In the past five years Brazil has approved $935 million worth of new chemical projects—more than half of it in 1969 and 1970. In 1971, a similar investment level (about $250 million) is expected.

The market potential, robust economy and stable conditions have drawn a blue-ribbon list of chemical investors to Brazil. Among them: Du Pont, Union Carbide, Dow Chemical, Phillips Petroleum, Atlantic Richfield, Hooker, Koppers, Hoechst, Solvay and Mitsui.

COLOMBIA

Empresa Colombiana de Petróleos has begun operation of an aromatic processing unit which will make benzene, toluene, xylenes, xylene isomers and cyclohexane at Barrancabermeja.

MEXICO

B. F. Goodrich is selling 20% of its ownership in Geon de Mexico to Mexican interests. This will leave the U.S. company with a 40% share of the synthetic rubber maker.
ECONOMIC DEVELOPMENTS

PUERTO RICO

Upjohn will build a major new pharmaceutical plant near Arecibo, Puerto Rico. The plant will include a large fermentation unit to produce antibiotics, facilities to convert bulk chemicals into finished products and a facility to prepare and package finished goods. The $30 million complex will have an initial capacity to produce over $40 million in annual sales. Upjohn expects to begin construction by spring of 1972 and will bring it on stream in 1974.

VENEZUELA

B. F. Goodrich Chemical, Instituto Venezolano de Petroquímica (state owned) and private investors will build a $25 million polyvinyl chloride plant at El Tablazo, Venezuela, which is expected to be in operation by late 1973. Goodrich will hold 25% of a new company which will be formed to carry out the venture.

DEVELOPMENT AND INVESTMENT

The Partners of the Americas, an organization that sponsors mutual self-help projects between Latin America and the United States, has organized an inter-American Board of Directors to establish closer communications between the various Partners Boards. The newly organized Board, which consists of seven U.S. citizens and seven Latin American citizens, is the first attempt by an inter-American organization to use a Board of Directors that is representative of the private citizens of the various countries. The Partners of the Americas is involved in several areas, such as emergency relief, education, tourism, cultural exchange, medicine and public health, trade promotion, environmental improvement, joint business investment, agriculture and rural development.

It was announced in Buenos Aires in November, 1971 that the Executive Power ordered the creation of an Inter-Ministerial Commission for Foreign Trade, as well as a Domestic Coordination Commission for Foreign Trade. The Inter-Ministerial Commission will assist the Minister of Commerce in taking the necessary steps towards coordinating all phases of foreign trade which may affect the negotiation of international agreements or conventions and the meetings of mixed committees and regional or multilateral organizations of an international nature. In turn, the Domestic Coordination Commission will cooperate with the Minister of Commerce in coordinating those projects which implement, modify and apply systems which have direct or indirect bearing on foreign trade.
A preferential trade agreement between Argentina and the European Common Market will become effective in 1972. This covers all aspects of commercial relations with emphasis on meat exports. A 30% increase in sales is anticipated due to broadening of terms of classification and lowering of duties on these classifications.

The second annual conference of the Canadian Association for Latin America (CALA) will deal with Development in Latin America and the Role of Private Enterprise. Canada is presently working for full membership in the Inter-American Development Bank and for a seat as Permanent Observer in the OAS. CALA aims to increase Canadian involvement in all areas of Latin American development.

The Council of the Chilean Development Corporation (CORFO), a government agency, has decreed the nationalization of four business enterprises—the Melon Cement Factory, the South American Steamship Co., the Industrial Company and the Paper and Cardboard Manufacturing Co., the largest in the country. The latter furnishes the necessary newsprint to almost all newspapers in the country.

Early in December 1971, the Government of Chile announced the purchase of four British-founded trading companies—Duncan Fox, Williamson Balfour and Co., Gibbs and Co., and Gibbs Williamson. Purchase price was not announced. Management of the four firms would be under the State Commercial and Distribution Enterprise (DINAC). The Chilean Minister of Economy, who made the announcement, stated that the companies’ 1,100 employees would be retained with full seniority.

The Chilean Government seized the Chilean Telephone Company alleging that it will thus protect operations while nationalization talks with the International Telephone & Telegraph Company—owner of over 70% of the stock—are under way. At the time the Minister of the Interior made the announcement he stated that “this seizure does not mean that the company will change hands, or that there will be a break in the talks with ITT towards final nationalization of the company.” ITT, in turn, calls the seizure decree an “act of virtual expropriation which takes away from ITT active control of the company.” Consequently, it has lodged a complaint with the Chilean Ministries of Economy and Interior. ITT had previously announced that its investment in the Chilean company amounted to $153 million, $100 million of which were backed by U.S. government insurance covering companies which invest in foreign countries. ITT has declared its willingness to continue the talks, “notwithstanding the abnormal circumstances which prevail,” in order to give the Chilean Government the opportunity of paying the just and legal compensation stipulated in the 50-year con-
cession agreement entered into with the Chilean government, and as required by international law in such cases.

The Government of Mexico announced on August 27 the nationalization of the copper industry, with the "Mexicanization" of the Compañía Minera de Cananea, the leading copper company in the country. Henceforth, the Federal Government will have 50.98% of the company's capital; 25.52% will be offered to small investors "under the strict supervision of the State;" 9.80% to Cobre de México, a company in which the State is co-partner; 9.81% to the Banco Nacional de México, and the other 5.88% to the workers and employees of the Cananea Company.

Since the United States is the principal trading partner of Mexico and Canada, and outside of Japan, Canada is the United States' largest single trading partner, thus the common interest of both Mexico and Canada in opposing the August 1971 economic measures taken by the United States. In effect, both countries have strongly opposed these measures and have sought exemption to the 10% import surcharge, by agreeing to present a common front to the action taken by the United States, particularly to the 10% surcharge on imports.

The First National Conference on Foreign Trade Productivity was held simultaneously in four cities in Mexico under the sponsorship of the Ministry of Industry and Commerce, the Foreign Trade Institute, and the National Council for Science and Technology. The object was to raise the level of Mexican export oriented productivity.

Early in 1972, the U.S. Department of Commerce will open its first Latin American trade center in Mexico with the exhibition of advanced American packaging machinery and equipment. The Department has eight other such trade centers located around the world and will open a tenth in Buenos Aires in May.

On September 5, 1971 the Soviet Union reserved a $50 million credit destined to the Corporación Andina de Fomento (ACAF) to be made available at the end of the year upon receipt of specific and definite projects. This first credit will be reimbursable in 10 years and will carry an annual rate of interest of 3% to 5%. Among the 32 development projects already presented to be carried out among the six Andean countries, the Soviet Union is particularly interested in petrochemical and electrification projects. Some previous projects which had been temporarily shelved by the USSR, among them cooperation with Bolivia and the Soviet-Italian project for the irrigation of 100,000 hectares of barren land in the Olmos region, north of Lima, Perú, were again discussed.
The chairman of the Uruguayan delegation made a motion that the Community create a single Latin American nation which would represent a federation of free states headed by a government empowered to direct international policy, defense, and the currency. A Venezuelan representative proposed that measures be taken to obtain the immediate withdrawal of American military missions from Latin America.

At the regular meeting of the Latin American Parliament held in Caracas, Venezuela, in August 1971, that body approved the basic items of a draft treaty which institutes the Hemispheric Economic Community. According to Article X, the aim of the "social and economic policy" of the Community will be to eliminate the structural and institutional obstacles which retard the development of the Latin American nations. The new Latin American Economic Community will have as its final goal "the raising of the available social product." It also recognizes the importance of science and technology as a basis for social and economic development.

**EXPORTS — IMPORTS**

The U.S. Department of Commerce has recently instituted a distribution license procedure in order to expedite the shipment of goods and to cut down documentation requirements. By means of the license in question, the exporter no longer need file an application and wait for the necessary export license for each export order. Also, under its trade leads program, the Department has created a direct mailing service in an effort to expedite contact between U.S. firms and buyers abroad looking for specific American products. The Department of Commerce trade opportunities are made available to foreign buyers through the U.S. Foreign Service. The foreign sales leads will be mailed directly to the export department of the American companies. The direct mail program will apply only to trade opportunities from private firms in foreign countries. The program will concentrate on trade opportunities and on the U.S. firms interested in taking advantage of export leads in those areas. The product categories will cover: valves, compressors, pumps, agricultural machinery and equipment, electronic data processing equipment, air conditioning and refrigeration equipment, and food packaging and processing equipment.

The Foreign Credit Insurance Association (FCIA) and the Export-Import Bank announced the signing of a new agency and re-insurance agreement which will lead to improvement of export coverage programs available to U.S. manufacturers and suppliers through the FCIA. The agreement, which provides FCIA with broadened authority to commit insurance as an agent of the Eximbank is expected to expedite the issuance of credit insurance policies needed by exporters.
ECONOMIC DEVELOPMENTS

Mexico has expanded on its system of fiscal export incentives. The original plan was based on the “Triple Subsidy” base. The new measures provide for the refunding of indirect taxes and general import duties to exporters of national products. This new program has been created to attract larger investments in this field with the consequent establishment of new employment programs as well as the broadening of the market.

To increase exports by providing credit insurance facilities, the Jamaican Export Credit Insurance Corporation has been established with a capital of J$250,000.

GAS AND OIL

The Prime Minister of Barbados recently inaugurated the Liquefied Petroleum Gas/Air Mix Plant belonging to the Natural Gas Corporation at Spring Garden, St. Michael. The plant has a capacity of 75,000 standard cubic feet per hour of natural gas energy at 1,000 BTU/CF injected into the natural gas system.

Soviet studies have confirmed the presence of oil in the Bolivian altiplano, running from the Peruvian border almost to the Argentinian border and taking up one fourth of the Bolivian terrain. YPFB, Bolivia’s state-owned oil company, has stated that an exploratory well would cost $45 million.

Colombia has signed contracts with the Texas Petroleum Company to explore oil concessions in the states of Guajira, Tolima, and Arauca and also in the eastern plains area.

Peru has signed a contract with Occidental Petroleum allowing that company to start oil drilling operations in the country. Occidental’s contract states that the company will furnish all the necessary capital in exchange for half of the oil found. The Government will keep the other half and will in turn pay all taxes and royalties.

LAND TRANSPORTATION

$160 million has been appropriated for the completion of Mexico’s Pacific-Gulf railroad, linking Mazatlan on the west coast with Durango on the east and also for the construction of a major port at Matamoros. When finished the railroad will be the “industrial axis for Mexican exportation.”

The Export Import Bank has authorized a $7.5 million loan to Panama for the acquisition of equipment and services from the United States for the construction of the last gap of the Pan American Highway in Panama. The
Bank will also back an additional $7.5 million loan given to Panama by a private credit institution. The 320 km. unfinished gap of the highway starts at Tocumen, south of Panama City, will cross Santa Fé and Yaviza and will end at Palo de las Letras on the Colombian border. The total cost of the project is estimated at $104 million.

It has been announced that Argentina and the Inter-American Development Bank (IADB) have signed a contract under the terms of which the latter will cooperate in the financing of the international bridge to be constructed over the Uruguay river, between Puerto Unzué and Entre Ríos in Argentina, and Fray Bentos and Río Negro in Uruguay. The loan, which amounts to $8 million will be administered by the Joint Technical Commission of the Argentina-Uruguay Bridge (COMPAU) which will also be in charge of carrying out the project. Uruguay, in turn, has arranged a $4.8 million loan with IADB. The project calls for a 600 km. highway between Buenos Aires and Montevideo, 300 km. of which will be on Argentinian soil and 300 km. on Uruguayan territory. It is estimated that the total cost of the project will be $13.5 million of which approximately $10 million will be defrayed by Argentina. The project calls for completion within a 30-month period.

It has been announced that the subway line connecting Pinheiros to the Via Anchieta in São Paulo, Brazil, is under construction. The line will be partly overland, elevated and through tunnels.

The United States, through the U.S. Agency for International Development, has agreed to grant Jamaica a $10 million loan for a rural road program calling for a J$14.16 million investment. The program will employ 5,000 people and will cover 330 miles of rural roads.

**MARITIME AFFAIRS**

To increase and promote more cargo for U.S. flag merchant ships, an organization called the National Maritime Commission has been created, consisting of representatives of shipping lines and shipyards, seagoing and shoreline maritime labor and the Maritime Administration. In addition to encouraging shippers to increase their use of U.S. ships, the National Maritime Council will attempt to draw more public attention to the American Merchant Marine.

The Guatemalan government has announced plans to build a new port on the Pacific near the existing port of San José. The plans include an improved entrance channel, a breakwater, warehouses and storage facilities.
ECONOMIC DEVELOPMENTS

A feasibility study of port operations in Barbados which will consider, among other things, the future use of the Careenage is to be carried out shortly by a team of Canadian consultants. The study will seek to institute a program of immediate improvements as well as making recommendations for the future development of the Deep Water Harbor, looking as far ahead as 1995.

METALS AND MINERALS

The current tin position, as reviewed by the International Tin Council in London, in October 1971, shows that in general commodity markets have been adversely affected by the present instability of the currency and international trade.

The South American gold mining industry is presently studying the workability of a simple electronic device developed by South African Philips (Pty.) Limited. The device is designed to measure and control continuously the use of cyanide in the extraction of gold, thus avoiding serious gold losses.

MONEY AND BANKING

The Bank of Brazil has established eleven branches outside of Brazil, including new branches in Hamburg, New York, London and Tokyo. Management is also considering expanding operations to Paris, Lisbon, Milan and Rotterdam.

To publicize and encourage the need for savings and investments and to re-structure the present pattern of ownership in the economy by putting savings into motion, the Minister of Finance and Planning of Jamaica has reconstituted the National Savings Committee established in 1963. By statute, the Committee was formed to review the growth of national savings within the economy and to devise ways of increasing personal and corporate savings. The main functions of the new Committee will be to create and implement programs that will encourage and improve the community’s savings attitudes and efforts.

In August 1971, the Monetary Board of the Government of Colombia approved a resolution creating certificates of deposit of a minimum value of $3,000 pesos, freely negotiable, and having a minimum 180 day term. However, banks may, by authorization, redeem certificates of deposit 30 days after issue. If the certificates are redeemed between 30 to 90 days, the minimum annual interest to be earned is 5%; between 91 to 179 days, interest will increase to 7% and if 180 days or thereafter, the interest is 13%. Guidelines have been set up by the Monetary Board for the distribu-
tion of the resources created by the certificates. Up to 90% of the resources may be lent on durable consumer goods either to the consumer or through specialized intermediaries. Loans to the special intermediaries will be at a 20% minimum interest rate, with terms from 18 to 24 months. After 24 months and up to 30 months, the interest rate increases to 21%. From 30 to 36 months, the interest rate goes up to 22%. Direct consumer credit is charged a maximum additional 2% interest. Consumers will probably use the funds to purchase new automobiles and household goods. Previously, in order to acquire such items consumers obtained loans outside the banks at a somewhat usurious rate of interest.

The President of the Inter-American Development Bank (IADB) has endorsed the so-called "Horowitz Plan" and the bank is studying its implementation at a regional level. The Plan was proposed by David Horowitz, Governor of the Bank of Israel, and calls for money borrowed in the world capital markets at commercial rates to be loaned at concessionary rates to the developing countries. A special fund would cover the difference in interests. To avoid a dangerously heavy debt burden resulting from the net transfers of aid, Horowitz suggested an interest fund be created to make the terms of assistance to the developing countries considerably easier. Under the plan the fund would be fed by the net income of the International Bank for Reconstruction and Development (IBRD) and by budget allocations.

The Chilean Embassy in Washington announced on November 10, 1971, that negotiations between representatives of the National City Bank and officials of the Banco Central de Chile for the transfer to the latter of the U.S. bank, had been completed on that date in Santiago. It was stated that "the official transfer of the National City Bank's offices will be subscribed within the next few days" and that "the representatives of the National City Bank voiced their intent of continuing their commercial relations with the Chilean banks, and to this effect will establish a business office in Santiago."

Substantial modification in the medium-term discount loan facility for commercial banks has been made by the Eximbank. Interest rates on discount loans will no longer be subject to a 6% per year minimum. When the yield to a commercial bank on the underlying export paper is less than prime, evidence satisfactory to Eximbank shall be submitted that such action is necessary to meet foreign government supported competition. The interest rate on these loans shall be 1% less than the interest yield to the applicant bank whether or not those obligations are guaranteed or insured by Eximbank or the Foreign Credit Insurance Association (FCIA).
TELECOMMUNICATIONS

A permanent charter has been signed by 54 nations for the International Telecommunicators Satellite Organization (INTELSAT). The charter allows for the gradual release of American monopoly control of the world's satellite communications. INTELSAT presently is operating 4 satellites—two over the Atlantic Ocean, one over the Indian Ocean and one over the Pacific—all of which relay television and telephone signals to 47 ground stations in its world-wide networks. American ownership and responsibility will be reduced to a maximum of 40%.

MISCELLANEOUS

At the VII Annual Meeting of the Council of the Americas held in New York December last, David Rockefeller, Chairman of the Chase Manhattan Bank and Honorary Chairman of the Council, called for American business in Latin America to form a new alliance, "An Alliance for Development," with the government. The proposed alliance would "embrace political development, economic development and social development." The Council of the Americas represents approximately 90% of total U.S. private investment in Latin America.