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Economic Developments

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Argentina and Paraguay have established a joint commission for economic cooperation and coordination. The two governments have also ratified the convention on Investments and Establishment of Industries subscribed in June 1967.

Peru and Ecuador have agreed to permit the interchange of goods and transit of persons between their respective border regions.

Ecuador has ratified the Technical Cooperation Treaty which it subscribed with Chile in February 1969.

A U.S. Department of Commerce study on marketing possibilities in the Caribbean will be used by the government of the Commonwealth of Puerto Rico as the basis for a program to increase the island's trade with the Caribbean nations. A commission is to be appointed by the Governor to coordinate the program.

Peru has signed a credit agreement with Czechoslovakia in the amount of $6 million. This is the first credit agreement between Peru and an Eastern European country.

Uruguay, through legislative action, approved agreements reached with the Soviet Union in February 1969. Under the agreements, the U.S.S.R. grants Uruguay a credit of $20 million for the purchase of Russian machinery and equipment; in turn, the U.S.S.R. agrees to purchase basic Uruguayan products.

Canada, through its Export Insurance Credit Corporation (ECIC) and the Inter-American Development Bank, has made $2.4 million available to the Companhia Vale do Rio Doce of Brazil for the acquisition of Canadian iron mining equipment.

LAND TRANSPORTATION

The concept of a Pan American Highway traces its origin to the Pan American Railway project of 1890, but it was not until 1930 that work began in earnest on the highway that would join the Americas.
When completed, the highway will link the road systems of the United States, Canada and Alaska to a Latin American network commencing at Mexico's northern boundary and continuing through Central America, the west coast of South America and across the Andes to Argentina.

United States firms are now paving the last two dirt sections in the Central American sector, i.e., a forty mile stretch through the El Tapon canyon in Costa Rica and a 200 mile segment south of San Jose to the Panamanian border. Another obstacle to be overcome before a motor trip from Alaska to the southern terminal in Argentina becomes a reality is the swampy 450 mile Darien Gap between Panama and Colombia. The expenditures to date in Central America have been heavy. The United States has expended nearly 170 million dollars and the Central American countries another 100 million dollars on 2550 kilometers for an approximate cost of $106,000 per kilometer.

The Central American sector should be completed by 1971 and the Darien gap closed within the next ten years. With these objectives achieved, the highway will be completed and a new era in land transportation will have commenced in the Western Hemisphere.

Mexico has tripled her highway network in the last 18 years. In 1930 there were 620 miles of paved roads in the nation. Today, there are 24,000 miles of paved roads and 15,000 miles of unpaved roads. The highway system includes more than 600 miles of divided superhighways, most of which connect Mexico City with nearby cities.

Mexico City has inaugurated its subway system. Designed by French engineers and partly financed by French banks, the $200 million system will provide badly needed rapid transportation in the Mexican capital. Only a segment of the total system is in operation (Chapultepec Park to the International Airport), but two other lines are expected to be completed by 1970. The system represents an engineering achievement of note in view of Mexico City's soggy sub-soil which seemed to rule out any type of underground transportation. One unexpected side effect of the project has been the discovery of a large number of Aztec artifacts and buried ruins; the discoveries added to Mexico's archaeological history but at times interfered with the progress of the project.

The construction of a monorail system to be financed by Mexican and U. S. investors between the border cities of El Paso and Ciudad Juarez is under active consideration; and, in Tokyo a Japanese firm is negotiating to export a monorail to Brazil for use in Rio's International Exposition in 1972. Estimated cost of this monorail is 22 million dollars.
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MARITIME TRANSPORTATION

The merchant marines of Latin America had a total of 674 units at the end of 1968. Brazil led the countries in number of vessels (216) and in tons deadweight (1.2 million); its rate of replacement was 72.2 percent. Venezuela with a replacement rate of 52.9 percent is obviously on the move and worthy of note is its participation in Operation Trident with Colombia and Ecuador to develop extensive cargo traffic between Europe and Latin America. Impressive is also Peru's replacement rate of 60.3 percent even though the number of units and TDW is relatively small (28 and 286,891 respectively). The replacement figures for the above three countries are in sharp contrast with that of Argentina whose rate of replacement was only 4.9 percent.

The Technical Commission of the II Pan American Congress of Naval Engineering and Maritime Transportation which met in Rio in June proposed that the world's merchant marines operate under the flag of the United Nations. The Commission was of the opinion that the action proposed would put an end to the growth of companies specifically created to operate under flags of convenience.

Maritime freight rates in the Western Hemisphere have been the object of a study by CEPAL. One of the conclusions reached was that the majority of rates are fixed outside the region, that is, that the control of rates does not lie within Latin American countries whose economies are affected by such rates.

PORTS AND HARBORS

Venezuela has announced an extensive $20 million plan to develop Margarita Island (approximately fifteen miles off the mainland) as a free port. Projected is an airport, an industrial park, warehouse facilities, tourist accommodations plus a sea port able to handle ships up to 40,000 tons to be constructed over a period of sixteen months. Interested firms should write to the Ministerio de Obras Publicas, Centro Simon Bolivar, Caracas.

The port of Rosario in Argentina is due for extensive improvements to be completed by 1972. Additional piers, modernization of present structures and improved warehousing facilities are included in the plans.

A bridge to span the Uruguay river in the vicinity of Fray Bentos, Uruguay and Puerto Unzue, Argentina will be constructed within the next three years. Preliminary feasibility studies have been completed and engineering firms selected to carry out the project which will cost ap-
proximately $12 million. The bridge project resulted from studies carried out by a joint Argentine-Uruguay technical commission on bridges created nearly ten years ago.

GAS AND OIL

The state petroleum company of Argentina (YPFA) revealed on August 6 a comprehensive five-year plan for development and expansion. The program envisions that Argentina will be self-sufficient in oil production by 1971. On August 7 the Argentine Ministry of Economics and Labor established, under Decree 4271, a regime for the promotion and expansion of Argentina's petro-chemical industry.

A loan of about $20 million from the Inter-American Development Bank will be used to build a natural gas pipe line from fields in the Province of Neuquen to the city of Bahia Blanca where the pipe line will connect with the trunk system supplying Buenos Aires and other major cities.

In Bolivia the new government of General Alfredo Ovando Candia announced on September 28 some modifications to the 1966 labor union law and the petroleum code under which the U. S. owned Bolivian Gulf Oil Co. has operated. Gulf Oil has invested about $140 million in Bolivian oil production since 1957.

Bolivian Gulf Oil has agreed to provide the country, for domestic use, up to 20 million cubic feet of free natural gas per day at the wellhead for ten years.

The government of Uruguay has rejected the bids of Zapata International Corporation and Oceanic Exploration and Development Corporation to prospect and develop Uruguay's off-shore oil deposits. The bids by the U. S. firms were in response to a tender made by the Uruguayan Government last December. In September a new tender will be issued for exploration only. A separate call for extraction work will be made upon completion of successful exploration.

On July 15 the Venezuelan government submitted to the State Department its official position on the restrictions to petroleum imports in the United States. The question of the oil import system is currently under review by a Cabinet Committee headed by the U. S. Secretary of Labor.

Venezuela's Minister of Mines and Hydrocarbons outlined a timetable which projects the completion of seven petro-chemical plants by 1973. Luam-Projecti, a subsidiary of Evi, the Italian state oil company,
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announced August 28 that it will construct a $7 million plant for the Venezuelan Petro-Chemical Institute.

The Minister has also indicated that the areas of the Gulf of Venezuela and the Orinoco River Delta will be opened for service contract negotiations shortly after termination of the negotiations involving five blocks in South Lake, Maracaibo.

The Texaco-Gulf consortium operating in Ecuador has agreed to a revision of its concession contracts with the Government. Under the agreement, royalties will be increased from 6 to 11.5 per cent and the consortium will construct $35 million worth of roads and an airport in the exploration area.

Shell has announced plans to invest an additional $26 million in Brazil’s petrochemical industry.

MONEY AND BANKING

Approximately eighty businessmen in the Mexican-American business district of Los Angeles have agreed to accept Mexican pesos as a medium of exchange for the purchase of goods. The program designed to attract Mexican tourists who have not had an opportunity to exchange pesos for dollars is centered in Olivera Street which is probably the only commercial area in the United States where purchases can be made in foreign money.

A Central American “traveler’s check” may soon make its appearance in the area for the purpose of facilitating all commercial transactions in the Isthmus.

Peru invited its creditors to meet in Lima in September for discussions relative to refinancing of its external debts. Major creditors are the United States ($200 million), Germany ($157 million), Italy ($87 million) and France ($52 million). During a visit to Paris in July, Peru’s Minister of Economy and Finance stated that Peru will seek a moratorium of ten years to settle debts now due on or before 1974.

Argentina will place external bonds amounting to 50 million dollars through a consortium composed of Continental Illinois Trust of Chicago, First National City Bank and Morgan Guaranty Trust of New York, among other financial institutions. The proceeds are destined for Argentina’s National Investment Fund.

The Bank of Tokyo will supply eight million dollars for Latin Ameri-
can development through a bond issue announced by BID. BID will pay
7.25 percent on the bonds acquired by the Bank of Tokyo.

A new Caribbean Regional Development Bank should begin opera-
tions in December 1969. The bank, proposed two years ago by the United
Nations Program for Development, will have an initial capitalization of
$50 million and its funds will be used for long-term, low-interest loans to
finance social and economic development projects. Member govern-
ments in the Caribbean will be Antigua, Bahama Islands, Barbados, British
Honduras, Dominica, Grenada, Guyana, Jamaica, Anguilla-Nevis-Saint
Cristopher, Santa Lucia, Saint Vincent and Trinidad-Tobago, plus Great
Britain and Canada. The bank will function along the lines of interna-
tional financial development institutions such as the Inter-American Devel-
opment Bank.

SECURITIES EXCHANGES

Two stock exchanges, the first in Ecuador, have been established in
Quito and Guayaquil. Firms desiring to be listed in the exchanges must
first be cleared by the Superintendencia for corporations, an entity cre-
ated by Ecuador's new business associations law. The authorized capital
of the Quito exchange is 2.5 million sucres of which 1.5 million has al-
ready been subscribed by the public; the remainder is held by the
government's Development Bank.

The establishment of a stock exchange in Asuncion is under active
consideration in Paraguay.

The Rio stock market has been experiencing unusual upward activity
in recent months. At times, daily trading has exceeded 4.4 million shares
and stocks have made an average increase of 178 percent since the start
of the year. The favorable trend, according to informed sources, stems
from the Government's recent moves to loosen credit restrictions.

EXPORTS

Argentina has joined Mexico and Brazil in establishing governmental
guarantees for so called political risks to which exporters may be exposed.
Guarantees against inconvertibility, wars and insurrections, and failure to
pay by the importers are now available as a result of a contract signed
between the Government and a private insurance company which will
administer the program.

Commercial shipments to Canada valued at less than $100 may now
be billed to the Canadian importer on the exporter's regular invoice in
lieu of the Canadian M-A or N-A invoice. Previously this amount was set at $50. This revision will make it easier to ship samples, spare parts and low-value orders to Canada, particularly in view of the fact that the requirement of a Shipper's Export Declaration is also waived for shipments valued under $100.

The Export-Import Bank has announced the establishment of a new export finance facility. The entity will be known as Private Export Finance Corporation (PEFCO) and will be a joint effort of the Eximbank and approximately fifty commercial banks. PEFCO will be initially directed toward the facilitation of large unit value capital goods exports and will achieve this objective by discounting the later maturities of export paper covered by guarantees issued by Eximbank. Exports financed by this method will probably total many billions of dollars annually. The formulation and creation of PEFCO is credited to the Bankers Association for Foreign Trade.

The Foreign Agricultural Service of the U. S. Department of Agriculture has published a brochure outlining the credit assistance programs available to individual U. S. cotton exporters and their overseas customers. The programs include the Export Credit Sales facility operated by the Commodity Credit Corporation (CCC), Eximbank's direct loan program and its commercial bank loan guarantees, and the export credit insurance available through FCIA. Copies of the booklet, Export Credit for Cotton, are available free from the Cotton Division, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D. C. 20250.

METALS

Alcoa plans to build a $200 million smelter complex in Puerto Rico. Aluminum sales are expected to reach $152 million yearly when production reaches a high-point of 300,000 tons of ingot aluminum, the bulk of which will be absorbed by mainland ALCOA plants. The smelters should be operational between May 1972 and March 1973.

The copper deposit discovered in Panama in 1968 through a United Nations survey is now believed to be extensive. Another survey is scheduled for late 1969 and is expected to take two years.

Agreement has been reached between the Government of the Dominican Republic and Falconbridge Nickel Mines, Ltd. of Toronto, Canada, for a ferronickel mining and processing development. The project, with a total cost of $193 million, is the largest single foreign investment project
initiated in the Republic. The facilities are expected to begin production of ferronickel in late 1971 at an annual rate of more than 60 million pounds and the entire output is to be exported. The complex is to be operated by Falconbridge Dominicana, a Dominican company in which Falconbridge of Canada has an interest of 66 per cent and the Dominican Government-owned CORDE, 11 per cent; another major shareholder with 16 per cent is Armco Corporation of Middletown, Ohio.

The Corporacion Minera de Bolivia (COMIBOL) plans to build a central treatment plant for reprocessing low grade tin concentrates. COMIBOL's decision is based on the results of mineral processing testwork performed at Bolivia's Mining and Metallurgical Research Institute which was established with United Nations assistance to increase recovery in the ore dressing operations of Bolivian mines.

The University of Chile will soon complete the installation of an electronic super-microscope for the chemical analysis of mineral bearing rocks.

Industria e Comercio de Mineros, S. A. will build a manganese pellet plant at Santana, Amapa, Brazil. The Export-Import Bank has authorized a $5.5 million credit; the total estimated cost of the project is $15 million.

COMMUNICATIONS

The telecommunications network linking all of Latin America is becoming a reality. On July 28, 1969 the Inter-American Development Bank, the United Nations Development Program (UNDP) and a group of Latin American countries signed an agreement laying the groundwork for its construction. The participating countries are Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, Haiti, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela. The systems of these countries will also be linked to those of Mexico and Central America, currently under construction. The network, which will provide Latin America with an integrated communications system and vastly improve its communications with the rest of the world, will interconnect the various national segments through a combination of microwave stations, submarine cables and satellites. The new system will provide telephone, telex and telegraph services, as well as television and radio broadcasting channels. It is estimated that an operational inter-American network could be achieved by 1973 at a cost of $300 million, some $50 million of which would be devoted to construction of ground stations for satellite communications. Latin America is scheduled to have a total of eight such stations. Five of these — in Argentina, Mexico, Panama, Brazil
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and Chile — are already in operation; three more — in Venezuela, Colombia and Peru — are under construction or near the construction stage.

The communications network that will link Central America, Mexico and U. S. via a unified dial-telephone and telex (tele-printer) system is also forging ahead. A Regional Telecommunications Technical Commission of Central America (COMTELCA) has been created to monitor the project which is scheduled for completion in early 1971. The project is in two stages. First, the microwave stations will be installed and repeaters will be located on the highest peaks of Central America. Thirty-three of these are scheduled, strung out over an 800-mile route between Guatemala and Costa Rica and carrying 960 channels for radiotelephone, telex and television. The second phase will embrace the construction of automatic dial-telephone networks in those countries that are still using the manual system. Six international electronics firms are competing for the contract to build this ambitious project whose cost is estimated at $14.5 million.

A banking consortium composed of the Royal Bank of Canada, the First National Bank of Chicago, the Security Pacific National Bank and the Philadelphia National Bank, among others, has made a loan of $4 million to TELEPAR, a Brazilian governmental entity, for the modernization of telephone equipment in the State of Parana.

The World Bank has approved a loan for $6.5 million for the improvement of Costa Rica’s telecommunication facilities. The loan will be used to expand the present system and will provide 26,500 additional telephones, 300 long-distance circuits and a modern telex system with 500 lines.

POWER DEVELOPMENT

Colombia and Venezuela have agreed to joint use of electric power plants in their respective border regions and have created a commission to plan the integration of the above power systems.

Argentina and West Germany will cooperate in a major hydroelectric project whose ultimate benefits will flow to Uruguay and Paraguay, as well as Argentina. The project aims to transform the Ibera swamps in Corrientes Province into an artificial lake and also contemplates the construction of dams capable of controlling floods and producing about 10 million kilowatts of power.

Argentina and Paraguay are also cooperating on the APIPE project on the Parana river. Financed by both countries, the project will produce three million kilowatts of power.
Brazil has contracted to purchase six nuclear reactors from Farey Engineering, Ltd. of Stockport, Chesire, England. The reactors will be used in training and basic research, and will be installed principally in Brazilian universities. Farey also supplied one nuclear reactor to Chile early in 1969.

The World Bank approved a loan of $12.5 million to Costa Rica for electric power development. Facilities at the Rio Macho and Cachi plants are being expanded with the proceeds of the loan.

NATURAL RESOURCES

A ten year investment program costing $79 million to develop forestry and mixed farming in northeastern Nicaragua has been recommended by a survey team directed by the United Nations Development Program. The survey lasted five years and covered some 7,000 square miles of territory near the Atlantic coastline between Puerto Cabezas and Rio Coco. The bulk of the investment would go to establish a pulp mill to utilize local resources of pine, potentially one of the most lucrative sources of coniferous wood in Latin America.

CANADIAN EXECUTIVE SERVICE OVERSEAS (CESO)

CESO, a non-profit organization, was founded in 1968 and offers governments and private industry the services of experienced businessmen in 170 different specialties. The organization, originally oriented towards Asia and Africa, is now expanding into Latin America. CESO volunteers work without salary, but the Canadian government provides transportation for CESO personnel and their wives, while the recipient country or company supplies the local costs. CESO is the Canadian counterpart of the U.S. Executive Corps which has been providing similar assistance on a world wide basis since the early 1960's.

TOURISM LOAN

The Inter-American Development Bank has approved a $4 million loan to Paraguay for the development of tourism. The loan, the first made by IDB in the field of tourism, was granted within the framework of the Alliance for Progress.