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INTER-AMERICAN LEGAL DEVELOPMENTS

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NOTE: All legislative and regulatory enactments in this report pertain to 1977 unless otherwise indicated.

ARGENTINA

The sale of certain companies which had been taken over by the Government was authorized by law 21.606.

A new legal regime for industrial promotion to foster the industrial capacity of the country, was established by Law 21.608, repealing Law 20.560. The regulations to the basic law were subsequently promulgated under Decree 2541.

The minimum wages set forth in collective bargaining agreements under Decree 703 were increased 16 percent by Decree 2002.

Resolution 354 (Mining) excluded additional mining areas from the mining reserves established by Laws 19.059 and 19.384 (1971).

Law 21.599 annulled the merger of the Argentine Industrial Union and the General Confederation of Industries; concurrently, the General Economic Confederation (CGE) was dissolved.

Law 21.610 modified Law 346 with respect to citizenship by naturalization.

Resolution 580 (Economy) provided certain benefits for local companies participating in international bidding. It further fixed procedures to receive benefits under Law 20.852.

The Technology Transfer Law was promulgated under Law 21.617.

Disposición S/N published in the Official Bulletin of August 2, 1977 promulgated norms for the legalization, fiscalization and intervention of stock companies, civil companies, foundations, cooperatives, mutual companies and other types of business associations.

The Government Mint was established as a State entity to take over the functions of coining money and related matters now exercised by an office in the Ministry of the Treasury (Law 21.622). Subsequently, Decree 2475 regulated the basic legislation.

*The assistance of Dr. L. Marin and R. W. Brown, Esq. is gratefully acknowledged.

The Organic Law of the Tax Court was published under Law 21.626.

Law 21.628 raised a number of appellate *salas* to the status of national federal appellate chambers with situs in Buenos Aires.

Law 21.629 abrogated Law 20.758 and promulgated a new organic charter for the National Development Bank.

A National Administrative Reform System was created by Law 21.630 for the use of the Executive to establish an efficient and dynamic public administration.

Article 225 of the Penal Code was amended. The modification calls for heavy sanctions for attacks military and police installations, and their personnel (Law 21.634).

The capital of the National Development Bank was increased by twenty billion pesos by Law 21.637.

Resolution S/N of the Military Junta, dated September 1, 1977, created a Commission to advise the President with reference to persons under arrest by the Executive. On the same date an *Acta Institucional* restored the constitutional option to leave the country, but granted the President the right to deny exercise of the option to those who could threaten the peace and security of the nation if permitted to leave the national territory. The *Acta* was later regulated by Law 21.650.

Decree 3011 regulated Law 21.541, the Human Organs Transplant Law.

Law 21.671 prohibited the planting and harvesting of certain drug-producing plants; it also prohibited the importation, exportation and commercialization of a number of other drugs, including marijuana.

Law 21.673 established the National Fisheries Institute for Research and Development.

The National Reinsurance Institute was converted into a State entity by Law 21.678.

A National Patrimonial Responsibility Commission was created by Decree 3245 to implement Law 21.670. The latter deprived persons designated by the Military Junta of the right to administer and dispose of their assets until they had proven such assets had been legitimately acquired.

Decree 3183 approved the nation's Nuclear Objectives and Policies and declared these to be in the public interest. The National Atomic Energy Commission was charged with the implementation of the subject decree.

Resolution 1150 (Economy) established the norms to become effective in 1978 relative to importations.

Internationally the following are noted: Law 21.614 approving the exchange of scientific and technical information with the Soviet Union; Law 21.631 approving a financial agreement with Romania; Law 21.632 promulgating a convention with Poland concerning Polish equipment to be used in Argentina; Law 21.648 approving an amendment to the Charter of the IMF; Law 21.676 promulgating the convention for the preservation of Antarctic Seals (London, 1972); Law 21.682 promulgating an economic cooperation agreement with Ecuador; Decree 3371 approved a contract between YPF (Argentina) and the *Administración Nacional de Combustibles y Portland* (Uruguay); and Law 21.685 approving amendments to the International Wheat Agreement. Additionally, Argentina ratified the International Telecommunications Convention; signed the agreement establishing the International Fund for Agricultural Development; and deposited its accession to the International Convention for the Prevention of Collisions at Sea.

The Beagle affair (9 Law.Am. 355,558, (1977) has developed into a serious controversy between Argentina and Chile. Following the arbitral decision on May 2, 1977, Argentina complained of a series of violations, by Chile, of territory claimed by Argentina to be under its sovereignty in the South Atlantic. In an effort to reach an understanding, the two nations began conversations; initially at the level of the Foreign Ministers, and subsequently at the Presidential level, but the talks were unsuccessful. On January 25 the Argentine Government officially rejected the arbitral decision on the grounds that it contained irremediable legal, geographical and historical errors. The next day, Chile rejected Argentina's position. Upon being officially notified of the above events, a spokesman for the British Foreign Office stated that it will be up to the arbitral tribunal to contact Argentina and Chile to determine how both countries wish to proceed on the matter. On a previous occasion, Chile stated that the ultimate arbiter should be the International Court of Justice.

The dispute with Great Britain concerning the Falkland (Malvinas) Islands also remains without solution. Negotiations again took place between the two countries in December 1978, but the only agreement reached was to establish working groups to analyze in detail the items under discussion. A new round of talks is planned for the second quarter of 1978.

BOLIVIA

Decree Law (DL) 14549 established a National Fund for Mining Exploration as an autonomous governmental entity in the Ministry of Mining and Metallurgy. The purposes of the Fund are to promote mining explora-

tion, finance explorations by specialized governmental entities, grant credits, evaluate exploration projects, and select foreign consultants, among others.

A National System of Information was created by DL 14633 to serve as a vehicle to promulgate governmental decisions, and to establish policies and priorities in public information matters. In carrying out the above, fundamental changes were made in the structure of the Secretariat of Information of the Presidency.

A Decree dated October 7, 1977 established a Board of Directors for Public Enterprises to improve the operations of decentralized and mixed enterprises. The new legislation calls for new fiscalization measures by the Government to insure that the plans of individual enterprises fit within the overall development plans of the country. The decree also charges the Board with the elaboration, for the consideration of the Government, of a projected Public and Mixed Companies Law.

Supreme Decree (DS) 14490 excluded Chile from some of the import exemptions accruing to that country under the Cartagena Agreement. The decree does not affect the benefits available to Chile through membership in LAFTA (Latin American Free Trade Association).

Foreign banks (commercial and investment) are restricted by DS 14678. In essence, the above institutions must now provide lines of credit to the Government for economic development programs; the lines of credit vary for newly established and existing banks. The Central Bank will establish adequate controls to insure compliance.

A series of Supreme Decrees incorporated into the national legislation three decisions of the Cartagena Commission. These were: DS 14733, incorporating Decision 56 on Transportation by Roads; DS 14784, adopting Decision 113 on Social Security; and DS 14785, incorporating Decision 116 on Labor Migration.

DL 14791 approved the new Organic Law of the Central Bank, and DS 14797 sets forth the procedures, until a new banking law becomes effective, for the organization and establishment of financial institutions.

A new Regime of Fiscal Incentives for Non-Traditional Exports was sanctioned by DL 14803.

DS 14814 charges the Ministry of Industry, Commerce and Tourism with the formulation of policies concerning the national automotive industry, as well as the implementation of the pertinent agreements resulting from economic integration programs.

In November 1977, the President announced that the Government had advanced the date for constitutionalization because this was an opportune

moment for the people to decide their own future. The program, subsequently promulgated by decree, calls for elections for President, Vice President and for representatives to a Constitutional Assembly on July 9, 1978. The activities of the Assembly will last 120 days, and the investiture of the President and Vice President is scheduled for August 6, 1978. On the same day the Constitutional Assembly may assume legislative functions, subject to the provisions of the new Constitution. On the day the subject decree was promulgated, President Banzer announced that he would not be a candidate for the presidency.

Internationally, the following are noted: Bolivia ratified the Geneva Convention for the Ameliorization of the Condition of the Wounded and Sick in Armed Forces in the Field and at Sea, and a convention relative to the treatment of prisoners of war and protection of civilian persons in time of war; agreed with the United States on a plan that will permit the exchange of nationals in the jails of the other country (cf. Mexico); signed an agreement with Argentina and Peru for the tourist development of the Andean region; signed a series of agreements with Brazil for the exchange of Brazilian natural gas for Bolivian iron and fertilizers; and ratified a protocol to the UPO Convention (1964).

The issue of Bolivia's outlet to the Pacific Ocean remains unresolved and little progress was noted during the last half of 1977. In September, the Presidents of Bolivia, Chile and Peru, in Washington for the signing ceremony of the Panama Canal Treaty, met and issued a declaration in which they agreed to work toward a solution of the problem. In Bolivia, a commission was appointed to make an overall evaluation of the situation and President Banzer announced that the decision to accept or reject the territorial exchange proposed by Chile will not be made by his Government, but by a future Congress to be elected by popular mandate. Chile seems to be firm in its position that the grant of a corridor to the Pacific will be conditioned upon the grant of Bolivian territory to Chile as the *quid pro quo*. Peru's proposal for the creation of a territorial zone under tri-partite sovereignty is still apparently on the negotiating table. Meanwhile, Argentina has made offers to improve access to the existing Bolivian Free Zone in the Argentine port of Rosario on the Atlantic, and Brazil has also entered the picture by an apparent willingness to grant Bolivia access to the Atlantic via the Amazon.

BRAZIL

Decree Law (DL) 1.559 established depreciation percentages applicable to goods cleared with the exemption provided by items IV and V of Art. 15 of DL 37 (1966). This exemption refers to imports made by diplomatic missions, consular departments and representatives of permanent international

and regional organizations (of which Brazil is a member), and by their members and employees.

By means of Portaria No. 327/77 the Minister of Finance approved the Internal Regulations of the Securities Commission, an entity subordinate to the Ministry of Finance. The Securities Commission was created to "provide for the expansion and regular operation of the stock market, protect the investor against irregular security issues and against illegal acts performed by the officers and controlling shareholders of openly held companies, or portfolio administrators." The Securities Commission will have its own legal identity and assets, with head offices in Rio de Janeiro and jurisdiction over the entire country. The Central Bank issued Resolution No. 439/77 to include the Securities Commission among the entities forming the Banking and Capital Market Consulting Commissions.

The Minister of Industry and Commerce issued Circular Letter No. 1/77 to approve the regulations for the commercial registration of minutes of general shareholders' meetings according to the requirements of the new Corporation Law.

DL 1,562 increased the limits of foreign credit which may receive the guarantee of the National Treasury.

DL 1,565 exempted Petrobras from the obligatory examination of imported goods to determine whether there are similar local goods, in the case of foreign acquisition of equipment and materials for the production of crude oil and natural gas in Campos on the continental platform off Rio de Janeiro. Petrobrás has also been exempted from the requirement of obtaining an import license from CACEX prior to the shipment of the goods abroad. These special conditions apply to goods shipped from abroad prior to July 31, 1979.

The National Secretariat of Sanitary Control of the Ministry of Health issued Portaria No. 22/77 to list the raw materials which may be imported for industrial and commercial purposes without the prior authorization of the National Division of Sanitary Control of Drugs, Medicine, Pharmaceutical Inputs, Die Products and Similar Products.

Law 6.439 established the National System of Social Assistance and Welfare under the direction, coordination and control of the Ministry of Social Assistance and Welfare. The purpose of the system is to implement the functions mentioned in the law: (a) concession and maintenance of benefits and the rendering of services; (b) financing of activities and programs; and (c) administrative, financial and property management. The President also signed Decree 80.303 to give to the Minister of Social Assistance and Welfare authority to implement the National System.

Communiqué No. 607/77 has been issued by CACEX to create the Program of Corporate Coordination to Support Exports (PROCEX) aimed at encouraging the coordination of efforts and the organization of exports of national products.

The Minister of Finance issued Portaria No. 427/77 to approve the Internal Regulations of the Commission of Planning and Coordination to Combat Smuggling (COPLANC). COPLANC is directly subordinate to the Minister of Finance and its purpose is to undertake the overall planning and coordination of efforts to prevent smuggling.

The Central Bank adopted Resolution No. 443/77 revoking Resolution 354/75 which established compulsory deposits for imports. The new Resolution sets out the cases in which imports can be exempted from this requirement.

Law 6,447 renewed the validity of identity cards "Modelo 19" until 1 October 1978. Thereafter such documents must be returned to the Federal Police Department.

The Director General of the Office of Federal Properties prohibited (in Service Order No. 3/77) the gratuitous occupation of Federal Lands except in the cases provided for by law. Registration as a licensee shall always (except in the case of perpetual leases) be of a temporary nature and shall not give the licensee any rights over the property or compensation for improvements. Occupation shall continue only so long as it shall be in the public interest and shall be terminable on 90 days notice.

By DL 1.575 the Minister of Finance was authorized to reduce the rates of IPI on cargo containers and on domestically manufactured equipment used to move them, such as cranes, stacking machinery, tractor-units, etc., which comply with official standards. The reduction can be to zero.

Law 6,453 established civil liability for nuclear damage, and criminal liability for nuclear activities.

DL 1,580 modified item XIV of Article 4 of Law 4,595/64 by increasing to 40 percent the compulsory withholding to be made on deposits of commercial banks.

The State Secretary for Finance signed Resolution 214/77 concerning the Register of Taxpayers for the State of Rio de Janeiro (CADERJ) and establishing the procedures to be adopted by corporations, individual firms and private individuals to register as state taxpayers.

DL 1,578 deals with the export tax. The fact generating the tax on exports of national or nationalized products to other countries is the exit of such products from the Brazilian territory. The generating fact is deemed to

have occurred at the time of issuance of the export license or equivalent document.

Decree 80.266 provides that Brazil's nuclear mineral reserve will be composed of all the deposits now known and measured in the areas of Pocos de Caldas, Figueira and Amarinopolis and of 80 percent of the nuclear mineral extracted from any new deposits that may be found in the country.

Pursuant to Law 6.496, written and verbal agreements for the performance of jobs or any professional service of engineering, architecture and agronomy are subject to Registration of Technical Liability. The registration shall define which technicians are legally liable for the engineering, architecture or agronomy undertaking, and shall be obtained by the professional or by the company from the Regional Council of Engineering, Architecture and Agronomy (CREA).

With the issuance of Law No. 6.505, only companies registered with the Brazilian Tourism Company (EMBRATUR) may exploit tourism services in Brazil. For the purpose of the law, tourism services are deemed to be services subject to special conditions established by the government and rendered by: (a) Hotels, inns, lodgings, hostelries, motels and other tourist accommodations; (b) tourist restaurants; (c) tourist camping sites; (d) tourist transport companies; (e) companies that render services to tourists and travellers, or to other tourism organizations; and (f) other entities engaged in activities regularly acknowledged to be of touristic interest by the Government.

Law 6.514 amended Chapter V of Title II of the Consolidated Labor Laws approved by Decree Law 5.452/43. According to the amendment, establishments may not begin operating before their facilities have been inspected by the regional authority. The establishments and certain work sites shall be obliged to have an Internal Accident Prevention Commission (CIPA).

Law 6.515 regulated Constitutional Amendment No. 9 of June 28, 1977 and introduced divorce in Brazil. The law has 54 articles and four chapters. The first chapter deals with the dissolution of the marital society, the second with divorce, the third with the divorce procedure and the fourth with temporary and final provisions. According to the new law, marital societies terminate (a) upon the death of one of the spouses; (b) upon the nullity or annulment of the marriage; (c) upon judicial separation; and (d) upon divorce.

DL 1.598 adapted corporate income tax legislation to the new Corporation Law.

Decree 81.107 provided that for the purposes of Article 10 of Decree 76.389/75 and of Articles 1 and 2 of Decree Law 1.413/75 on control of pollution of the environment as a result of industrial activities, the following

companies shall be deemed to be of relevant interest for development and national security: (a) Companies in which all or part of the capital is owned by the Union or by an entity of Indirect Administration; (b) federal public service concessionaires; (c) companies engaged in the armament industry, in oil refining, in the chemical and petrochemical industry, in the cellulose industry, in the heavy mechanics industry, in the non-ferrous metals industry, in the fertilizer industry and in the agricultural industry.

A bill (No. 3.786) concerning the remittance of payments for the exploitation and use of patents and trademarks has been presented to the Congress.

In the international area the following are noted: Signature of a Friendship and Cooperation Pact with Venezuela, and approval of the Amazon Pact, already approved by Peru, Guyana and Ecuador. Additionally, Brazil signed the Agreement Establishing the International Fund for Agricultural Development. A Nuclear Cooperation treaty with France is also being considered.

CANADA

Among others, the following acts and amending acts have received assent: Aeronautics and National Transportation Act, Land Survey Act, Bretton Woods Agreement Act, Insurance Companies Act, Human Rights Act, Currency and Exchange Act, Employment and Immigration Reorganization Act, Fisheries and Criminal Code Act, Immigration Act, and Metric Conversion Act. The following, among others, were proclaimed: Indian Oil and Gas Act, Diplomatic and Consular Privileges and Immunities Act, Export Development Act, Old Age Security Act, and the Indian Act. Additionally a number of acts implemented double taxation conventions with Morocco, Pakistan, Singapore, Philippines, the Dominican Republic and Switzerland.

Manitoba

The Marital Property Act and the Marital Property Amendment Act received assent. The following amending acts were proclaimed: Expropriation Act, Land Acquisition Act, Marriage Act, Securities Act, Social Allowances Act, Special Employment Program Act, Human Rights Act, Insurance Act, and Jury Act.

New Brunswick

The following amending acts received assent: Community Planning Act, Corporation Securities Registration Act, Fisheries Development Act, Habeas Corpus Act, and Metric Conversion Act. Amendments to the following were proclaimed: Parole Act, Compensation of Victims of Crime Act, Expropriation Act, Flood and Storm Damages Act, and Mining Income Tax Act.

Nova Scotia

Assent was given to amendments to the following acts: Cooperative Associations Act, Fisheries Act and Freedom of Information Act; the following were proclaimed: Corporations Tax Act, Crop Insurance Act, Human Rights Act, Judicature Act, Juries Act, and Presumption of Death Act.

Prince Edward Island

The Condominium Act received assent, and the Archives Act, the Summary Proceedings Act and the Business Practices Acts were proclaimed. Additionally, amendments to the following were also proclaimed: Environmental Protection Act, Law Society and Legal Profession Act, and Fish and Game Protection Act.

Saskatchewan

The following were proclaimed: The Boiler and Pressure Vessel Act, Consumer Products Warranties Act, Engineering Profession Act, Gift Tax Repeal Act, Succession Duty Repeal Act, and Mining Development Act. Amendments to the following acts were also proclaimed: Condominium Property Act, Cooperative Guarantee Act, Industry and Commerce Development Act, Mineral Taxation Act, Ombudsman Act, Telecommunications Act and Trade Union Act. Additionally, the following received assent: Business Corporations Act, Consumer Products Warranties Act, and Labour Standards Act.

CARIBBEAN

A proposal to revise the Tourism Incentive Law (No. 153, 1971) is under study in the *Dominican Republic*, as well as new draft legislation concerning foreign investment. The proposed law, the first of its kind in the Dominican Republic, excludes foreigners from participating in a number of sectors, e.g., sugar production and communications. Other provisions impinge on remittance rights, registration of investments, types of shares permitted and reinvestment of profits, among others. *Jamaica* ratified the agreement establishing the International Fund for Agricultural Development, and in mid-1977 launched a constitutional reform program which will last approximately 30 months. *Barbados* agreed with the United States to extend for one year the accord relating to a U.S. naval installation on the island. *Cuba* ratified the International Telecommunications Convention; commenced negotiations with the United States regarding jurisdictional limits of waters adjacent to both countries; concluded an agreement with the United States on fisheries; and instituted a number of incentives to attract foreign investment, particularly in the tourism and mining areas. Also, as further evidence of its policy to normalize relations with Cuba, the United

States authorized foreign firms, owned or controlled by United States citizens, to supply oil and provisions to Cuban ships and fuel to Cuban aircraft. *Bahamas*, acceded to a protocol amending the Single Convention on Narcotic Drugs and accepted amendments to the International Convention on Oil Pollution Damage.

CENTRAL AMERICA AND PANAMA

El Salvador

Legislative Decree 319 amended Art. 19 of the Commercial Code to permit regulation of cooperative societies by the norms regulating the type of business association such cooperative societies adopt upon first being established.

Executive Decree 4 modified a number of articles in the Regulation to the Law Establishing the Salvadorean Institute of Agrarian Transformation (ISTA). The modifications refer mainly to the functions of ISTA.

Legislative Decree 359 authorized the establishment of a trust fund of \$20 million under the National Public Employee's Pension Institute for the grant of personal loans to members of the Institute.

Executive Decree 20 established the National Population Commission to carry out a number of national objectives with regard to the population of the country. Among them are: The classification of the population to take advantage of human resources; distribution of the people to promote development of underdeveloped areas; improvement in the status of women; and increase in employment opportunities.

An agreement with Yugoslavia on commercial and economic cooperation was ratified by the Executive.

Guatemala

A Governmental Accord of July 22 modified the Income Tax Law.

Accord 132 of the Ministry of Economy designated certain areas for petroleum exploration and exploitation.

Legislative Decree 54 promulgated a law concerning the role of the notary in voluntary acts of private parties.

A Presidential Accord dated July 4 ratified a technical cooperation agreement on agricultural matters with China, and in September a technical cooperation agreement was signed with Spain.

The issue between Guatemala and The United Kingdom regarding Belize remains in a state of ferment. Guatemala continues to reject the support for Belize voiced by a number of Latin American countries and con-

demns the interference of third countries in the Belize question, a bilateral issue between Guatemala and the United Kingdom. Regretfully an intensive new round of negotiations in late 1977 failed to solve the dispute which allegedly could be terminated if Guatemala received a substantial portion of Belize's territory. This solution is unacceptable to Belize and the United Kingdom has made it clear that no final agreements will be made which are not approved by the people of Belize. The dispute heated up in November 1977 when the U.N. General Assembly approved a resolution favoring "self determination, independence and territorial integrity for Belize." Guatemala's reaction was swift and strong, and reaffirmed its position that the issue is one between Guatemala and the United Kingdom with representation from the people of Belize.

Honduras

A new Electoral Law, contemplating return to constitutional government in 1979, became effective at the beginning of 1978. The new law recognizes that sovereignty resides in the people, and that the democratic process is based on an effective electoral system. The legislation also recognizes the role of political parties, but prohibits association "contrary to the democratic spirit of the Honduran people;" it further prohibits associations connected with foreign political and economic institutions. Additionally, political parties are not permitted to receive anonymous donations, nor contributions from the State.

A technical aid agreement was signed with Japan under which the latter will provide \$1.5 million to assist in mining exploration.

The differences between Honduras and El Salvador which resulted in the severance of diplomatic relations in 1969 appear to be close to resolution. On November 22, 1977 the Foreign Ministers of both countries exchanged instruments of ratification at the OAS agreeing to mediate a number of matters arising from the 1969 controversy. Subsequently, a Peruvian jurist and former President of Peru and the International Court of Justice, Luis Bustamante y Rivero, was chosen by lot as mediator from four candidates proposed for the post. In January 1978, preliminary contacts were made in Lima with the mediator by representatives from Honduras and El Salvador, and April 3, 1978 was set as the date to begin formal negotiations. Among the subjects on the agenda: Free Transit, Peace and Treaties, Diplomatic and Consular Relations, Border Questions, Central American Common Market (CARICOM), Claims, and Human and Family Rights.

Nicaragua

Decree 616 promulgated the Special Law of Institutions for International Operations. The new law set forth the rules for the operation of those banks, investment companies, *financieras*, trust companies and other

entities exclusively authorized to carry out financial transactions with persons or entities not residing in Nicaragua. The business associations listed above are referred to as "Institutions" for the purposes of the law. The Institutions may only operate through branches or subsidiaries which are designated as "Operating Units". Operating licenses will be issued by the Ministry of Economy after a technical evaluation of the application by the Central Bank of Nicaragua; a special fee will be charged for this service.

Operating Units will be authorized only if the parent company has a minimum capital of one thousand million (U.S. dollars) or its equivalent in currency easily and freely converted in international transactions. Branches must have a minimum capital of ten million dollars, and the subsidiaries a minimum capital of twenty million dollars.

Operating Units are required to maintain a legal representative with permanent residence in Nicaragua. Contracts executed by the operating units will be governed by the law agreed upon by the parties, and in the absence of such agreement by the norms of private international law. Financial transactions must be in foreign exchange and handled through banks located outside the country. There will be no restrictions, or payment of exchange commissions, or stamp taxes on the Unit's foreign currency operations.

Operating Units and their clients not residents of Nicaragua are exempt from income taxes and personal taxes already in effect, or to be effective in the future, with respect to the assets and profits relating to the transactions of the Units. These tax exemptions will be granted for a minimum period of twenty years.

The application for the operation of an Institution for International Operations presented to the Ministry of Economy must contain: (a) The official name and residence of the parent company; (b) the full name, residence, occupations and nationalities of the directors and principal officers; (c) a certified copy of Charter of the parent company, as well as a certified copy of its legal authorization to operate or open branches and subsidiaries abroad; (d) a financial statement duly certified; (e) a list of the operations that it will undertake; and (f) the amount of the capital investment. Art. 24 contains the reasons for which the operating license may be revoked.

Decree 622 amended the basic law and provided that certain articles of the Commercial Code were not applicable to the subsidiaries. (a) Paragraph 5 of Art. 124 of the Commercial Code (CC) as reformed by the Law of July 31, 1941; (b) Art. 246 of the CC reformed by the same law inasmuch as the supervision of the subsidiaries will be entrusted exclusively to its own auditors; and (c) Art. 249, 260 and 270 of the Commercial Code. The amendment also states that the following articles of the Commercial Code

will not be applicable to the subsidiaries: (a) Art. 222 requiring that the society must be integrated by two or more persons; (b) Art. 203 requiring that the Charter has to specify the functions of the Supervisory Board; (c) Art. 213 since the new law requires the approval of the Ministry of Economy for amendments to the Charter; (d) Art. 224 which requires that the Directors must be stockholders of the society; (3) Art. 253 relating to the requirement to publish the notice of the meetings of the Board of the Directors in the "*Gaceta*", as long as other effective means of communications are used to call the meeting; (f) Art. 258, reformed by the Law of July 21, 1941, requiring the report of the Supervisor, if this official does not exist in the administrative structure of the subsidiary.

In an advertisement in a major United States financial newspaper, the Government of Nicaragua made the following statement regarding the above legislation: "The Government of Nicaragua has enacted a special law of institutions for international operations which has for its principal purpose the establishment of a completely non-regulated banking system, free from red tape, taxes and official interference. Under the law a selected group of international banks can establish themselves in Nicaragua to conduct business with non-Nicaraguan residents in complete freedom of action and without being subject to the laws that regulate the domestic bank system. There will be no interference from the Nicaraguan authorities. The law aims to provide for new and well-known financial institutions a place where they can engage in any kind of financial banking and exchange operations, free from government regulations and taxation. The Nicaraguan authorities are well aware of the fact that the international banking community, in particular those banks with total assets of \$1 billion or more with a well-established reputation, have no need of government intervention to carry on their business in a sound and safe manner. The new Nicaraguan law, although inspired by operations in other banking centers, is essentially different in spirit because it permits the entry of selected banks under a minimum of requirements and with total freedom of action. An essential feature of the Nicaraguan system is the absolute secrecy which protects banking as prescribed by the law. Except where normal business practice permits, or acting under special permission, no one can provide information about the bank or its customers to anyone, including the government, under penalty of prison sentence. In an especially unusual clause, the law also permits the banks and their customers to freely choose the legal system of any country they desire to regulate their relations. Another important feature of the law is the complete exemption from taxes enjoyed by the banks and their customers. The new Nicaraguan bank law actually creates what might be called a "Financial Free Zone," a nonregulated banking system parallel to the industrial free zone operated by the Banco Central in an effort to obtain for Nicaragua the benefits derived from this type of development."

Panama

A Panamanian proposal launched two years ago to establish a bank to finance Latin American exports is close to crystallization. Presidents of Central or State banks from nineteen countries, including Argentina, Brazil, Chile, Colombia, Mexico and all of the other larger Latin American nations, signed an agreement to set up the new bank at a conference in Cartagena, Colombia in September, 1977. These banks committed \$8 million of an initial target of \$20 million in paid-in capital with which the new institution will start operations. Two other types of stockholders in the bank will be private Latin American banks and major international banking organizations. The new institution, to be called the Latin American Export Bank, will be located in Panama City and is expected to be opened for business by May 1978.

An agreement defining surface and subsurface maritime boundaries was signed with Colombia. Additionally, Panama ratified the agreement establishing the International Fund for Agricultural Development.

Panama, by a substantial vote in a special referendum, approved the "Canal Treaties" with the United States (see Oceans Report, this issue). In essence, Panama has completed its treaty ratification process and now awaits the action of the United States on the subject. (Note — United States activities are covered in the United States section of this Report.)

CHILE

Decree Law (DL) 1820 amended DL 1089 (1975) affecting thereby, mainly in the tax area, petroleum operating contracts.

DL 1845 modified DS 341 relating to Free Zones. Among the modifications: (1) Exclusion of mining and fishing companies from the benefits of the Free Zones; (2) establishment of the Punta Arenas Free Zone Extension; and (3) taxation of sales in Free Zones within the First Region.

The Banking Law was amended, *inter alia*, relative to bank reserves and mortgage obligations (DL 1847).

Supreme Decree (DS) 132 of the Ministry of Transportation designated the same Ministry to implement Decision 56 of the Cartagena Agreements on road transportation.

A new Consular Regulation was promulgated by DS 172 of the Ministry of Foreign Relations.

DL 1939 established norms for the acquisition, administration and disposition of public assets.

The Securities Markets may not fix brokers' commissions under DL 1874.

DL 1953 abrogated DL 1687 concerning provisional administrators. The latter, if presently designated, will remain in office. Further, they may be extended for an additional 180 days from the effective date of the decree, October 15, 1977.

DS 300 of the Ministry of the Treasury regulated DL 1328(1976) which established the operating regime for companies administering mutual funds.

DS 774 of the Ministry of the Treasury amended the Customs Schedule through a series of downward revisions.

Labor Ruling No. 205 established that employers' unions could be formed by natural or juridical persons.

DS 902 of the Ministry of the Treasury authorized the Development and Production Corporation (CORFO) to establish an international banking and financial institution under the name of Arab-Latin American Bank, S.A. The new entity will be based in Lima and will be organized under the laws of Peru. (Note — Further coverage appears in the Miscellaneous part in this report)

The following actions by the Central Bank on the dates indicated are noted: (1) Establishment of the "*mercado bancario*" as the only exchange market (6/17); (2) establishment of new reserves for the financial system (6/20); amendment of certain norms relating to foreign remittances and external credit (7/5); establishment of norms for banks issuing letters of credit to finance housing (7/20 and 7/22); amendments of certain norms in the exportation and importation guidelines (7/27 and 9/21 respectively); and implementation of the Latin American Banking Acceptances System (9/15).

In the area of jurisprudence the following are noted: (1) The notification (*notificación*) by publication provided in Art. 54 of the Civil Procedure Code is only valid within the national territory. Accordingly, a person residing abroad may not be served by publication (Ct. of Appeals, Santiago, 5/23); (2) labor laws are public norms tending to maintain social peace . . . and may not be nullified by private agreements (Supreme Court, 3/31); (3) engaging in work for a competitor justifies dismissal of the worker, even though such action is only prohibited by the company's internal regulations (Supreme court, 3/31); (4) the exception in Art. 3 of Law 16. 455 not to extend the benefits of *inamovilidad* to employees in confidential positions must be applied restrictively and . . . is not applicable to those who have reached such positions through dedication, effort and ability (Supreme Court, 7/20).

A "calendar" for the progressive return to civilian control of the Government was announced during 1977 by the President. The calendar was divided into three phrases:

Recovery — Beginning with the overthrow of the Allende Government on 11 September 1973. This initial stage is to continue until end-1980 at the latest, with political power wholly in the hand of the Armed Forces, though “with civilian collaboration.” Constitutional norms are to be drawn up in this period to replace the Constitution of 1925 “which in substance has ceased to exist though in certain minor aspects it continues legally valid;” a Legislative Chamber is to be appointed in 1980. This Chamber is to be made up as follows: one third by members through automatic right or appointment by the President of the Republic, and the remaining two thirds by representatives drawn from all parts of the country and designated by the Government Junta.

Transition — This stage is to cover the period 1981 to 1984/1985, during which the Chamber will commence to take legislative action, the President of the Republic having the right to intervene through the exercise of initiative or veto under a system similar to that in existence prior to 1973, though with some modifications. The members of the Government Junta will, in any case, retain the right of “absolute veto” in matters of national security. Constitutional power is to be held by the Junta.

Consolidation — This final period, due to begin in 1985 or 1986, will witness the election of the “regional” members to the Legislative Chamber by popular vote “in accordance with measures aimed at selecting those most capable,” and at the same time limiting the influence of political parties. In this period a new President of the Republic is to be elected by the Legislative Chamber for a six-year term of office and the country’s new Constitution will be promulgated.

In early January, 1978 the Government tested the citizenry on its concept of Chilean sovereignty over internal affairs, and on its opinion on United Nation resolutions condemning human rights violations in the country. The result of the referendum, in which voting was not mandatory, was heavily in favor (75 percent) of the Government’s position.

Internationally, Chile took the following actions, among others: Approved international conventions to prevent contamination of the high seas by hydrocarbon substances and to assume civil responsibility for damage caused by such substances; ratified an international convention on telecommunications; and approved SELA’s (Latin American Economic System) Charter.

COLOMBIA

Decree 212 established a requirement on the part of importers to pay their foreign obligations within terms set by the Monetary Board. Subsequently, Decree 1424 set forth the procedure to be followed by the Superin-

tendency of Exchange Control before a fine could be imposed on importers who fail to remit the value of their imports in a timely manner.

In accordance with Decree 963 (1977) new regulations were issued requiring all commercial and industrial establishments to secure a police permit prior to conducting business in the District of Bogota. Neither the rendering of professional services nor handcraft activities are included in the permit requirements; also excluded are educational institutions. In order to revoke the permit a written resolution issued by the Sectional Mayor is required. The permit may be revoked upon a showing that the establishment threatened the public morals, peace, security or health.

Decree 1141 authorized a biennial International Agricultural and Cattle Fair to promote exchanges with other countries in the above fields.

Pursuant to Decree 1278, a special reserve zone in the Department of Cauca was established for deposits of copper, molybdenum and other metallic ores. The special reserve is subject to prior legal ownership of the subsoil and any current licenses, permits or concessions. Any application for the exploration or exploitation of minerals located within the zone filed before the effective date of the decree shall continue to be recognized, while those filed after its effective date shall be rejected.

Telex services to and from Colombia were regulated by Decree 1342.

Decree 1449 imposed certain obligations on land owners to meet the requirements of Law 135 (1961) and Decree Law 2811 (1974) relating to the conservation of renewable natural resources.

Decree 1512 regulates the operation of the free zone of Santa Maria.

Decree-Laws 1650, 1651, 1652, 1653, 1698 and 1700 restructured the obligatory social service system of the country.

Under the authority of Resolution 43, credit institutions located in Colombia may grant importers a maximum loan period of up to five months for financing the importation of products and raw materials.

Decree 1718 imposes on owners of farmlands the obligation to contribute to the education of the children of the farm workers. The obligation attaches with respect to children between six and fourteen years of age for a period of ten months yearly. It may be discharged through the payment of 15 percent of the worker's salary for the first child and 5 percent for each additional child to a maximum of 30 percent. It may also be met through the establishment of elementary schools, or by defraying the cost of education immediately beyond the elementary grades.

The Governing Council of Foreign Trade, by authority of Decree 1752 (1977), shall determine whether Andean Group and LAFTA country im-

ports should be granted the same treatment given to Colombia exports by the respective countries. Decree 1820 amends Decree 2248 (1972) concerning the treatment to be given to goods from foreign countries available for official purchases in Colombia. In essence, foreign goods originating in Andean Pact and LAFTA countries will receive national treatment on the basis of reciprocity. INCOMEX Resolution 1570 sets forth certain requirements to be met by nationals in order to be entitled to preferences vis a vis foreigners with respect to sales to public entities.

The structure and functions of the Administrative Department of Civil Aeronautics were outlined in Decree 1815 and 2332.

In accordance with Decree 1976 foreign investment will be permitted in businesses that exclusively engage in the transportation of extra-heavy loads. An extra-heavy load is defined for purposes of the decree as one which is indivisible and weighs or exceeds the weight of 35 tons.

Resolution 001 established detailed regulations on the procedures for obtaining approval of transfer of technology or patent and trademark contracts.

Pursuant to Decree 1908 customs duties were reduced on glass fibers, oxime preparations and certain other acids. A one percent duty was established on spray units for insecticides and fungicides.

The Ministry of Mines issued new requirements which applicants must fulfill to be able to secure more than five exploration licenses. Resolution 2393 requires that an applicant must prove he has the economic and technical capacity to explore more than five zones. For purposes of the resolution economic capacity means available capital to carry out the exploration within the established time period. Technical capacity is defined as having the knowledge, equipment and machinery commonly used in Colombia for the study of minerals.

The sale outside of Colombia of industrial, literary, artistic and scientific property or of technical know-how does not constitute local source income for the vendor and thus is not subject to local taxation (Circular 009).

Pursuant to a decision of the Administrative Tribunal of Cundinamarca (May 7, 1977) technical assistance services are not considered intangibles and therefore are deductible for tax purposes without having to receive prior approval of the National Tax Administration Office.

The Administrative Security Department issued a Communiqué (July 29, 1977) listing the requirements all persons must satisfy in order to leave the country:

(a) *National Adult Requirements* — valid passport, exit card, visa of country where adult will be travelling, payment of airport tax, payment of

travel tax, ASD Foreign Division stamp and presentation of citizenship card at the airport ASD office.

(b) *Foreign Resident Adult Requirements* — Permission from emigration authorities (prerequisite of which is the satisfaction of all tax obligations), submission of foreigner's card to ASD Foreign Division and exit permit.

Instructions to implement compliance with the Compensation and Reciprocal Credits Convention entered into with the five Central American countries were promulgated in Circular 51 of the Exchange Office.

The Sectorial Program of the Automotive Industry (Decision 120 of the Andean Commission) was approved by Colombia.

Law 25 regulated the powers of the Congress relating to *empresas útiles y benéficas*. The latter are defined as non-profit private or public associations consonant with existing sectorial plans and programs.

A Financial Forestry Fund was created by Law 26 to promote the planting, exploitation and industrialization of the national forests.

Decree 2004 established sanctions for workers who organize, direct, promote, or encourage work stoppages while a state of *sitio* exists in the country.

Resolution 1387 of the Superintendency of Industry and Commerce designated the registration procedures and the books required of Chambers of Commerce.

The National Labor Council, established by Decree 2210 (1968), was ordered to convene not later than September 1, 1977, to carry out the functions with which it was charged under its constitutive decree.

In accordance with Decree 2371 new minimum wage increases were promulgated effective on November 1, 1977. Another wage increase will be implemented on May 1, 1978.

Postal Circular S 175 forbids the importation of automobiles with more than six cylinders. An exception is provided for cars for ambassadors and heads of diplomatic missions accredited to Colombia.

Decree 2637 regulated a number of provisions in Decree 1650 (1977) relating to the make up of the National Council of Social Insurances.

The age of majority was lowered to 18 years by Law 27 which set forth in detail the consequences attendant thereto.

The structure, organization and functions of the Superintendency of Notaries and Registries were set forth in Decree 2695.

Colombia adhered to the Andean Reserve Fund (Bolivia, Colombia, Ecuador, Peru and Venezuela) through Law 29. The Fund is designed to assist member countries in balance of payment difficulties.

Decree 4248 established new rules on the control of air pollution including dust emissions in cement factories. Resolution 4247 created additional rules on emissions from sulfuric acid plants.

The Congress approved in December 1977 a project for a Constitutional Assembly. The same project included a separation of legislative and presidential elections; the former to be held in February 1978, and the latter in June of the same year.

Colombia has entered into bilateral agreements with Chile on the subjects of air transport, commerce, tourism and scientific, technical and social cooperation. Further, it signed a protocol with the United States prolonging the agreement for the application of safeguards by the International Atomic Energy Agency.

ECUADOR

Supreme Decree (DS) 1611 amended the general Banking Law by giving the Banking Superintendent special powers in cases of bank liquidations.

Proposals to contract with the State must be accompanied by new guarantees per DS 1633 which amends DS 679 (1976).

DS 1665 modified the organic Law of the National Development Bank. The bank, in order to keep abreast of national and international developments, was given additional powers to promote the national economy and development.

The Company Law (DS 1395-A, 1972) was codified on July 28, 1977. The new law consists of eighteen sections relating, among others, to the operations, transfers, interventions, and dissolution of all types of business associations, including foreign companies. The law also covers the functions of the Superintendency of Companies.

The Income Tax Law was amended by DS 1676. The amendment affects the taxes on royalties received by Ecuadorian authors.

The Law of the National Company for Basic Products (DS 1683) provides for the regulation of the market in local basic products in order to protect the low income classes. A subsequent decree (No. 1848-D) amended DS 1683 by increasing the amount of capital required to organize a business association.

DS 1683-A promulgated the Law of the *Empresa Nacional de Almacenamiento y Comercialización de Productos Agropecuarios y Agroindustriales*. The objective of the new legislation is to promote production in the above two products and to regulate their commercialization. The law complements Law 1683 immediately above.

DS 1774 established price and quality controls on thirty three products designated as *productos de primera necesidad*.

The Foreign Relations Advisory Junta was given new membership under DS 1794.

The Securities Commission-Financial Corporation (CV-CFN) was designated an autonomous administrative entity subject only to the control of the Superintendency of Banks by DS 1848-B.

The Electrification Law was amended (DS 1885) to permit the Government to guarantee external loans made by electric companies in which the Government has at least 50 percent ownership.

In the International area the following are noted: Ratification of (1) a labor convention regarding professional training and development of human resources (Geneva 1975); (2) a labor convention regarding rural workers (Geneva 1975); (3) an agreement with Spain regarding atomic energy; and (4) a protocol to the Universal Postal Union. Additionally, Ecuador signed the following agreements: (1) With Spain on economic cooperation and atomic energy for peaceful purposes; (2) with France on agricultural matters; (3) with Switzerland on training of agricultural mechanics, heavy road equipment, and agricultural mechanization; (4) with Guatemala on the cancellation of visas; (5) with Uruguay on scientific cooperation; (6) with Belgium on the development of the mining sector; and (7) with Bolivia on cultural cooperation.

Early in January 1978, Ecuador held a constitutional referendum in which voters were given two choices — a reformed version of the 1945 Constitution that would, among other things, *prohibit* voting by the country's 1.5 million illiterates, or a "new" Constitution that would *enfranchise* the illiterates. Ecuadoreans voted for the latter, 43 percent to 33 percent, with the remainder casting blank ballots. The Government has scheduled elections for a civilian President on July 26; he will govern under the new Constitution.

MEXICO

The following governmental entities promulgated new internal regulations: Ministries of Communications and Transport, Agricultural and Hydraulic Resources, Public Works, Agrarian Reform, Foreign Affairs, and the National Institute for the Development of Rural Communities and Popular Housing.

The public entities listed below were established by decree on the date immediately following their names: National Producer for Radio and Television (July 4) and the Department for Military Industry under the Ministry of Defense (September 15).

Regulations on Import and Export Permits for Restricted Goods were published in *Diario Oficial* (DO) of September 14. The main thrust of the regulations is to expedite the procedures for obtaining import and export licenses.

DO of September 15 contained an *Acuerdo* lifting the prohibition against fishing for high seas shrimp in the coastal waters of the Pacific Ocean and the Gulf of California.

DO of October 4 carries the regulation for the Income Tax Law.

The rules for the application of the decree relating to the Promotion of the Automotive Industry are found in DO of October 19.

A General Coordinating Body for the National Evaluation System to advise the President was established by *Acuerdo* in DO of October 21. The same DO carried a decree which established a National Commission on Prices whose main role is to propose to the Ministry of Commerce maximum prices for goods consumed in general usage.

Two *Acuerdos* in DO of October 31 dissolved existing trusts for the Development of Water Flora and Fauna, and for the Prevention and Control of Waters.

Two related *Acuerdos* in DO of October 31 (1) prohibited the use of national museums and archaeological zones for private use, and (2) established an Interdepartmental Commission to coordinate the activities of governmental entities relating to the protection and conservation of the nation's archaeological, historical and artistic patrimonies.

A decree in DO of November 25 extended to June 20, 1978 the Government's deadline for decision on applications for exploitation of national mining reserves, provided the applications had been filed prior to December 30, 1976.

The Federal Executive was authorized to issue Treasury Certificates by a decree in DO of November 28. The same decree modifies the Organic Law of the Bank of Mexico, as well as the Securities Markets Law.

A decree in DO of November 30 established the National Resources Council for the Protection of the Youth.

The Organic Law of the Attorney General for the Federal District was promulgated in DO of December 15.

Two decrees in DO of December 29 amended the schedules for the General Import Tax and General Export Tax respectively.

The Organic Law of the Judiciary was amended by decree in DO of December 30, 1977. The same DO (1) promulgated: (a) The Federal Political Organizations and Electoral Process Law, and (b) the Mining Tax and Development Law; (2) contained a decree which amended the Social Security Law for State Workers; (3) promulgated two resolutions dealing with the minimum wage; (4) promulgated two decrees amending: (a) the Rural Credit Law, and (b) the Federal Labor Law; (5) contained two additional decrees: (a) which set forth the characteristics of the new 10 peso and 25 cent coins, and (b) authorized a new Savings Bond issue.

Internationally, Mexico promulgated (1) the Convention on the International Fund for Agricultural Development; (2) the Exchange of Prisoners Treaty with the United States; and (3) signed a commercial agreement with the United States. Further, it approved the Convention on International Regulations for Preventing Collisions at Sea, and acceded to a Protocol to the Convention on Narcotic Drugs.

PARAGUAY

The Paraguay — Brazil Mixed Commission on Border Limits approved the grant of 29 islands to Paraguay and 28 islands to Brazil in the northern part of the Paraguay River. The Commission is functioning under a Friendship and Cooperation Treaty signed in 1976 between the two nations.

The Convention on International Trade in Endangered Species of Wild Fauna and Flora was ratified.

The controversy over the ITAIPU Project remains unresolved, i.e., whether Paraguay will adopt Brazil's 60 cycle current or retain its own 50 cycle system (9 *Law. Am.* 568, 1977).

PERU

Supreme Decrees (DS) 002 and 005-77 IT/DS regulated Decree Law 21789 of February 1, 1977 (the Industrial Community Law).

DS 0088-77-EF promulgated the norms relative to the Latin American Bank Acceptances which received legal sanction in Peru through Decree Law (DL) 21820.

Small Businesses in the Private Sector operating within the Hydrocarbons Subsector were regulated by DS 020 of the Ministry of Energy and Mines.

The General Industrial Law (DS 001-71-IC/DS) was amended by the following Supreme Decrees; DS 007 limiting new activities in product and

service categories enumerated in the decree, e.g., those relating to foreign investment, those assigned to other Andean countries, etc.; DS 008 affecting imports; DS 009 permitting business associations to proceed with major changes in their industrial activities with a minimum of delay; DS 011 expediting mergers, but with a limitation when foreign capital is involved; and DS 013 setting forth various uses for reinvestments.

The Organic Law of the Ministry of Integration, established by DL 21459 (1976), was promulgated in DL 21834.

DL 21849 permits foreign firms to reach agreement with the National Commission for Investments and Technology (CONITE) to abrogate agreements to transform into mixed or national companies, if such agreements were based on legislation no longer in effect.

The persons designated to constitute the Peruvian National Group in the Permanent Court of Arbitration of the International Court of Justice were named in Supreme Resolution (RS) 382 of the Ministry of Foreign Relations.

Resolution 243 of the Directorate of Travel and Tourism established new bonding requirements to be met by travel and tourism agencies.

The minimum wages throughout the country were readjusted by RS 41 of the Ministry of Labor.

CONITE, through Resolution 504, extended to foreign investors the right to remit dividends and royalties resulting from contracts with the Office of Industrial Property and the Office of Property and Industrial Registry.

DL 21907 charged the National Supervisory Commission of Business Associations and Securities with the supervision of *Empresas Administradoras de Fondos Colectivos*.

A tax amnesty was declared (DL 21911) in favor of all taxpayers who regularized their returns by June 20, 1977. The above DL was subsequently regulated by DS 0105-77-EF. The amnesty period was later extended to December 22, 1977 by DS 0150-77-EF.

DL 21915 authorized participation of foreign investments in the establishment of multinational banks. Multinational banks were authorized by DL 18900.

New financial record keeping norms for juridical persons were established by DS 0100-77-EF.

In an effort to stimulate exports, DS 018-77 CO/CE provisionally authorized the importation of raw materials and components used in the manufacture of products destined for exports.

DS 031-77-VC regulated DL 21825 affecting the activities of foreign construction firms.

ITINTEC Resolution 169 established eight groups of foreign patents for the purpose of fixing the fees of experts called upon to render opinions under the Industrial Property Fee Schedule.

Tax and fiscal incentives, plus the establishment of a Tourism Promotion Fund to encourage tourism, were the main features of Decree 21948.

An election for representatives to a Constitutional Assembly was convoked by DL 21949 following the reestablishment of constitutional guarantees and the lifting of the state of emergency. The sole purpose of the Assembly is to elaborate a new Constitution which will contain, among others, provisions to institutionalize the changes brought about by the Revolutionary Government of the Armed Forces. The election will be held on June 4, 1978; the Assembly will meet on July 28 and will complete its work within the first fifteen days of July, 1979. The transfer of power from the military to the civilians is scheduled for 1980. DS 020-77-PM approved the Government's TUPAC AMARU Plan which replaced Plan INCA.

A multi-sectorial commission was established by RM 0226-77-PM/ONAJ to promote non-traditional exports.

DS 021-77-PM established norms for the elaboration of National Long Range, Intermediate Range and Short Range Development Plants.

DL 21953 restructured the foreign exchange regime and gave the Central Reserve Bank broad powers on the subject. The new law abrogated a series of decree laws (DL 17710 (partially), 18275, 18277, 18284, 18305, 18332, 18737, 18891 (partially), 21496, and related regulations). A related law (DL 21954) provided that residents holding foreign exchange abroad could return same to Peru without specifying its origin, free of tax, and of the criminal responsibilities outlined in Art. 18 and 19 of DL 18275. DL 21953 mentioned above also led to the promulgation of DS 026 of the Ministry of Commerce amending DL 21390 relating to import licenses.

The regulations to the Fisheries Law were modified by DS 36 of the Ministry of Fisheries.

Internationally, bilateral agreements were approved with: (1) Bolivia dealing with the archaeological patrimony and technical cooperation, and (2) with Argentina to increase technological and commercial exchange, particularly in the automotive and petrochemical industry. An additional agreement was signed with Argentina under which Peru will receive a 10 megawatt nuclear reactor and the required technology to establish a nuclear complex scheduled to begin operations in 1981.

UNITED STATES

The following new laws have been enacted: PL 95-63 reducing the membership of the Natural Advisory Committee on Oceans and Atmosphere; PL 95-73 approving the U.S.-Canadian Reciprocal Fisheries Agreement and waiving various provisions of the Fishery Conservation and Management Act of 1976; PL 95-75 authorizing the President to issue a proclamation relating to the Convention on the International Regulations for Preventing Collisions at Sea (1972); PL 95-88 (International Development and Food Assistance Act) authorizing assistance to less developed countries and requiring the AID Administrator to consider U.S. human rights policies before determining if a country is entitled to aid; PL 95-92 appropriating funds for international security assistance programs; PL 95-118 setting forth the sense of the Congress to the effect that financing of international financial institutions should be shared with other developed countries. The law also provides for increased United States contributions to a number of financial institutions, United States promotion of light capital technologies, and reiterates the U.S. policy on human rights; PL 95-143 amending the Export-Import Bank Act (1945) to encourage international agreements to reduced government subsidized export financing; PL 95-194 amending the Fisherman's Protective Act (1967) to extend to October 1, 1978 the insurance program which reimburses U.S. ships for costs resulting from seizure by foreign countries; and PL 95-144 supplementing the U.S. Code to implement the treaties with Mexico and Canada relating to exchange of prisoners. New legislation also included a law designed to prevent the bribing of foreign officials by U.S. business concerns and individuals.

On the subject of pending legislation the following are noted: the House Rules Committee postponed, until the Second Session, consideration of a rule for H.R. 1614, the Outer Continental Shelf Lands Act Amendments (1977), the companion bill, S 59, has passed the Senate; the House began considering H.R. 8200, the revision to the Bankruptcy Act; the Senate Judiciary Committee reported out S 1437, the Criminal Code Reform Act (1977), introducing substantial changes to the Federal Criminal Code. Also reported out by the same Committee was S 1315 the Bilingual, Hearing and Speech Impaired Court Interpreter Act improving access to federal courts for non-English speaking and physically impaired persons; the House Committee on Merchant Marine and Fisheries reported out HR 1037 (Energy Transportation Security Act, 1977) requiring that at least 9.5 percent of oil imports be transported in U.S. ships by 1982; the House Subcommittee on Immigration, Citizenship and International Law (Judiciary) held hearings on H.R. 94 (Grand Jury Reform Act, 1977); and the Senate Committee on Commerce, Science and Transportation held extensive hearings on the deregulation of the air transport industry and subsequently reported out legislation on the subject.

A Presidential message on Undocumented Aliens was submitted to the Congress in August, 1977 setting forth a program to reduce the flow of such aliens into the United States. The message also suggested means to regulate the presence of undocumented aliens already in this country, and further proposed bilateral cooperative efforts to help the countries concerned develop strong economies.

Internationally, the United States concluded the following bilateral arrangements: Terminated a mutual Military Assistance Agreement with Brazil; entered into an agreement with Colombia on safeguards for civil uses of atomic energy; terminated a Convention for the Conservation of Shrimp, as well as an agreement on the hijacking of aircraft and vessels and other offenses with Cuba entered into an agreement with that country concerning fisheries off the coasts of the United States, and lastly, a modus vivendi concerning maritime boundaries was made effective in April, 1977; concluded an agreement relating to a co-operative program for the prevention of foot and mouth disease and other diseases with Guatemala; executed an agreement for sales of agricultural commodities with Haiti; entered into an agreement re the air transport agreement of August 15, 1960 with Mexico; agreed with Cuba that the Convention for Prevention of Smuggling Intoxicating Liquors into the United States had lapsed; signed a memorandum of understanding relating to cooperative efforts for the protection of crops with Honduras; entered into an agreement on excess property transfer with Guatemala; signed an act with Mexico concerning the relocation of the channel of the Rio Grande; concluded an agreement with Cuba relating to the establishment of Interests Sections of both countries in their respective capitals concluded negotiations with Panama in August, 1977 resulting in a treaty and a protocol on the subject of the Panama Canal and the Canal Zone. (Hearings were completed in January, 1978, and a Senate vote is expected in March or April); concluded a treaty with Mexico for the exchange of nationals of each country serving prison sentences in the other country; entered into an agreement with Canada for the construction of a pipeline to transport natural gas from Alaska to the United States via Canada; signed the American Human Rights Convention (San Jose, 1969), the International Covenant on Economic, Social and Cultural Rights (1967) and the International Covenant on Civil and Political Rights (1967).

Multilaterally, the United States signed protocols prolonging agreements with Colombia and Israel for application of safeguards by the International Atomic Energy Agency; extended to Puerto Rico, Guam, the Canal Zone, the Virgin Islands and other territories under the jurisdiction of the United States the International Convention for Preventing Collisions at Sea; signed an additional protocol to the treaty of February 14, 1967, for the prohibition of nuclear weapons in Latin America; notified of a denunciation of the Customs Convention Regarding ECS Carnets for Commercial Sam-

ples; and signed an agreement concerning the international classification of goods and services for the purpose of the registration of trade marks.

URUGUAY

Law 14650, *inter alia*, states that the development of the merchant marine is in the national interest, establishes cargo allocations to be carried by Uruguayan ships, and regulates the Merchant Marine Development Fund. Foreign ships, subject to approval by the Ministry of Defense, may be used in lieu of Uruguayan vessels when the latter are not available.

The Air Code was amended by Law 14653. The amendments deal mainly with the registration of aircraft.

Decree 373 postponed the effective date of the *Impuesto Aduanero Unico* (9 Law. Am. 572, 1977) until the pertinent Customs regulations were readied. A related decree (No. 416) extended the effective life of those import duties due to lapse when the *Impuesto Unico* become effective. Law 14684 made the *Impuesto Aduanero Unico* effective January 1, 1978.

Decree 521 granted tax exemptions to those companies declared to be in the national interest in accordance with the provisions of the Industrial Promotion Law (No. 14178, 1974).

In an effort to reorganize the administration, a law was promulgated on October 5 under which the Government can order the transfer of public employees to those agencies where their services are deemed more effective. The law affects some 150,000 public employees who could be transferred and eventually dismissed if, according to governmental authorities, their holding office would constitute a threat to national security. Should these employees not be reassigned during a six months to one year-period they would be automatically dismissed.

Uruguay is now offering a new monetary instrument — the Urudollar — as an investment vehicle. Like the Eurodollar, the Uruguayan offering is also a U.S. dollar, but held in Uruguayan banks. An interest rate of 12 percent has been reported.

Early in December, 1977 the Government announced plans to institutionalize the country; in essence, elections in 1981 in which a new constitution will be submitted to the people, and full democracy starting in 1986.

On December 29 the Government approved a general amnesty for those convicted or serving time for common crimes. Excluded from the amnesty were those covered by a series of crimes, among them: crimes against the public administration, crimes related to drugs, and crimes connected with seditious acts.

Uruguay and Colombia signed an agreement whereby both countries may issue reciprocal licenses to radio amateurs permitting them to operate within both countries. Additionally, Uruguay signed the agreement establishing the International Fund for Agricultural Development, and deposited accessions to the Convention on Offenses Committed on Board Aircraft and the International Convention on Load Lines. It also entered into an agreement with Brazil to establish a Fisheries Commission to study cooperative measures in the fisheries sector.

VENEZUELA

Gaceta Oficial (GO) 2.073 contains a law approving the second amendment to the Constitutive Agreement of the International Monetary Fund.

Decree 2307 established the National Security and Defense Council.

By Decree 2322 the Ministry of Energy and Mines was given the right of exploitation of the quartz mineral resources.

GO 2.076 covered a law dealing with reforms to the Organic Law of Suffrage.

The National Open University was created by Decree 2398 on an experimental basis.

GO 2.080 carried the law approving the Constitutive Agreement of the International Agricultural Development Fund.

Decree 2371 regulates the Use of Sports Weapons.

A Commission for the purpose of advising the Executive Power in the implementation, coordination, evaluation and supervision of the Sectorial Program for the Development of the Automotive Industry was established by Decree 2408. GO 31.335 set forth a resolution establishing an Advisory Commission to the Ministry of Development for the coordination, evaluation, supervision and control of the programs of incorporation of national components in the manufacture of automotive vehicles.

The Ministry of Development issued a Resolution creating an inter-ministerial commission that will be concerned with the planning, promotion, and development of the Movie Industry (GO 31.339).

The Central Bank, in Resolution 77-9-02, fixed the cash reserve to be maintained by banks and other credit institutions. In essence, the reserves will amount to 75 percent of the deposits which will be determined by the provisions of the new law and those already established by Art. 20 and 21 of the Banking Law.

The Attorney General, in two separate resolutions found in GO 2.092, created a *Sala* for constitutional and administrative matters, plus a *Sala* for

penal matters. The new *Salas*, both in the Office of the Attorney General, will concentrate on the above areas of the law whenever the State is a party.

Decree 2414 fixed the prices guaranteed coffee producers on coffee delivered in the customary purchase places in the coffee production zones. A complementary decree amplified the above through a resolution of the Ministry of Development (Ministerio de Fomento) fixing the maximum sales prices of industrialized and processed coffee mentioned in the resolution.

The Organic Regulations for the Ministry of Youth were promulgated under Decree 2430.

Rule 34 of October 26, 1977 established the regulations relating to financial guarantees issued by autonomous governmental institutes and associations.

A Central Bank resolution in GO 31.349 fixed the terms and reserves for specific operations of the commercial banks and the *sociedades financieras*.

GO 31.437 carried a resolution of the Ministry of the Treasury expanding the functions of *sociedades financieras* in the grant of mortgage credits.

The Law on Blood Transfusion and Blood Banks is found in GO 31.356.

Rule 35 of November 1, 1977 established additional sanctions to discipline public officials.

The new Foreign Investment Law was promulgated under Decree 2442, replacing Decree 63 (1974). The law, *inter alia*, deals with earnings which may be remitted or reinvested, dividend remittances and reinvestment ceilings, conversions of companies to mixed status, and use of surplus profits. Additionally, clarifications were made in the area of credit operations and tourist related investments.

Decree 2445 promulgated Partial Regulation 3 to the Organic Law for the Territorial Regulation of the Environment.

The Venezuelan Institute of Petrochemistry becomes a mercantile entity on the date of its registration in the Official Mercantile Registry according to the provisions of Decree 2454.

Authority was granted by Decree 2470 for the creation and operation of the University Institute of Sea Technology as a branch of the La Salle Foundation of Natural Sciences.

Norms relating to the activities and publicity of those aspiring to the Presidency of the Republic were promulgated by the Supreme Electoral Council in GO 31.370.

Regulations concerning the *Common Regime for the Treatment of Foreign Capital and Trade Marks, Patents, Licenses and Privileges* adopted by Decisions 24, 37, 37A, 70 and 103 of the Cartagena Agreement Commission were promulgated under Decree 2442.

Decree 2486 adopts measures to prevent, control and extinguish forest fires.

In the area of pending legislation the following are noted: A Minor's Bill which seeks to broaden the protection of minors and to improve the lot of this class of persons. The bill imposes upon the State the duty to protect the life and health of minors, and to insure their education until they have reached majority; it also provides for the establishment of a National Institute for the Protection of Minors. A second piece of social legislation is the Law for the Protection of the Aged. This bill, similar to the Minor's Bill, seeks the protection of another social class, the aged, and specifically those lacking in resources to take care of themselves. Lastly, the Congress is also considering a proposed Tax Code which will make major changes in the tax laws now in effect.

Internationally, Venezuela ratified the protocol modifying the Wheat Trade Convention; accepted the protocol on the authentic trilingual text of the Convention on International Civil Aviation; and concluded: (1) An air transport agreement with Bolivia, (2) an agreement on economic and industrial cooperation with the United Kingdom, and (3) a series of agreements with Senegal on economic, commercial, cultural, scientific and technical cooperation. Further, it exchanged diplomatic notes with Bolivia for reciprocal operations of amateur radio stations, and agreed to a technical cooperation exchange with France.

MISCELLANEOUS

Negotiations between Venezuela and the OAS resulted in a joint agreement establishing the Inter-American Institute of Capital Markets (IIMEC). The agreement, which will become effective upon the ratification by the Venezuelan Congress obliges the parties to contribute a million dollars each for the establishment of the Institute in Caracas. The principal functions of the Institute will be to provide technical assistance and training in order to assist the Latin American countries in their endeavors to develop their financing systems. A program of studies at the post-graduate level in finances and capital markets is included to train Latin Americans in the field of finance. The IIMEC will grant scholarships to the participants in the

program. The project will undertake other activities including, applied research in the financial area, the organization of technical meetings and the publication of studies. The agreement has a two-year duration and can be extended subject to the agreement of both parties. In the event an extension cannot be obtained, the parties will transfer the Institute and its profits to the Venezuelan Government.

An agreement establishing the Arab-Latin American Bank was signed in 1977 in Madrid. The new international bank is designed to increase the volume of economic cooperation between Arab and Latin American countries through the financing and promotion of foreign trade, investments and financial assistance. Initial membership in the new bank is made up of the Libyan Arab Foreign Bank, the Kuwait Foreign Trading, Contracting and Investment Company; the *Banco Arabe Español*, the *Banco Nacional de Desarrollo* of Argentina, the *Banco do Brasil*, the *Banco de Bogotá*, *Banco Cafetero*, *Banco de Colombia* and the *Corporación Financiera Colombiana* of Colombia; the *Banco de Chile*, the *Banco del Estado* and the *Corporación de Fomento de la Producción (CORFO)* of Chile; and the *Banco de la Nación* and the *Banco de Crédito* of Peru. The signatories agreed to consider an expansion of membership among other Arab and Latin American countries at a later date. The basic purpose of the new bank, which has an initial capital of \$100 million, is to mobilize capital in Arab markets for investment in Latin America. The Bank's headquarters will be located in Lima, Peru, and branch offices and affiliated agencies may be established in other countries. The bank will engage in all types of banking, including financial collaboration with governments and financial entities, public agencies and private companies throughout Latin America.

A new five year International Sugar Agreement entered into effect provisionally on January 1, 1978. The new accord, which for the first time includes the United States, is designed to stabilize the price of sugar within a range of 11 to 21 United States cents a pound. The pact establishes a system of export quotas and reserve stock arrangements and is intended to eliminate the radical fluctuations in sugar prices that have disrupted the industry for years. The agreement was worked out by the United Nations Conference on Trade and Development (UNCTAD) at meetings held in London in Spring 1977, and completed at a second round in Geneva in the Fall. It is the 10th Sugar Agreement. According to UNCTAD officials, the new 1977 Agreement introduces a number of new features. Among these, is a provision for "special stocks" of 2.5 million tons to be accumulated over 36 months during which time quotas are in effect and which are to be released in three branches when prices go above 19 cents a pound. The costs of carrying stocks are to be financed by a levy on trade. The agreement provides for the establishment of a stock-financing fund to assist exporting countries in defraying the costs of maintaining the stocks.

Although consensus appears to exist regarding the advisability of establishing a financial entity of energy development in Latin America, members of the Latin American Energy Organization (OLADE) do not appear able to come to agreement on the structure of the financial organization. Thus, the 8th meeting of OLADE Ministers concluded in September 1977 without a meeting of the minds on this important subject.

In Floating Currencies, SDRs, and Gold: Further Legal Developments, the General Counsel and Director of the Legal Department of the International Monetary Fund, discusses new legislation and new points of law raised in litigation since the publication in 1976 of his earlier paper on the same subject. The new publication brings up to date his study of the complex and continuing process of change brought about by the transition from the Bretton Woods system to the arrangements that will be governed by the second amendment of the Articles of Agreement.

This report summarizes a select number of statutory enactments and other developments. Therefore, no decision should be made without consulting the complete texts and related materials; moreover, consultation with a competent local attorney is always recommended.