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# ECONOMIC AND SOCIAL DEVELOPMENT IN CHILE AND THE ALLIANCE FOR PROGRESS



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## THE LAND, THE PEOPLE, THE ECONOMY

Chile, in the words of one of its writers, has a "crazy geography".

Its people, another says, are a new race — "Neo-Latin".

Its economy, according to a third, is "difficult".

Most important, it is a functioning constitutional democracy with a traditionally stable, civilian, elected, government. It is a unitary republic with a centralized government structure and separation of executive, legislative, and judicial powers.

All bear on Chile's development.

The nation extends for 2,650 miles along the west coast of South America, but at no point is wider than 250 miles; Chile is bounded by the high Andes on the east, and the Pacific Ocean on the west. In area — 286,396 square miles — Chile is slightly larger than Texas.

It has arid deserts in the north; a rich central agricultural area (where 85 percent of the people live) which receives little rain for some months of the year, but sufficient in other months; and soggy southern forests and island wildernesses stretching south to Cape Horn.

Its European contact began with the Spanish conquistador, Diego de Almagro, in 1535. It was proclaimed an independent republic in 1818, after an eight-year war against Spain led by General Bernardo O'Higgins and other patriots.

Its people — estimated at some 8.6 millions in 1966 — are 97 per cent "Chilean", that is, natives of Chile, but born of racial stocks which are 25 per

Chilean campesinos (farmers) gather in front of their home.



cent pure Spanish, 66 per cent mixed racial heritage but with European pre-dominance, 5 per cent Indian, and less than 4 per cent other nationalities. The population is physically homogenous, and is increasing at the rate of 2.5 per cent a year. Seventy percent live in urban areas, and 30 per cent on the farm. One out of every four Chileans lives in greater Santiago, the capital.

About a third of the work force — which in total is some 2.6 millions — is engaged in farming, forestry and fishing; another 22 per cent in services; over 18 per cent in manufacturing; some 10 per cent in commerce; and 1.6 per cent in mining. The literacy rate is above 80 per cent under a liberally-defined standard of literacy. Primary education is compulsory, although not always observed, and rural Chileans, on the average, have only 3.5 years of schooling. Both it, and secondary education, in recent years, have tended to lag behind modern developments in curricula, teaching methods, and instructional materials. Higher education is good, elite-oriented, and spreading, and roughly 2 per cent of Chileans have attended universities. Social mobility, however, tends to be limited, and there is a sharp class distinction between the one of every five Chileans who is professional or white collar, and the four who are obreros or campesinos.

### **Copper Is The Motor**

The main "motor" of the economy, over the past 50 years, has been the copper industry, which replaced the nitrate industry boom and bust before World War I. Copper production, largely for export in a refined or semi-processed state, in 1965 was around 600,000 tons a year. Some 80 per cent of this has come from subsidiaries of two U. S. companies (Anaconda and Kennecott) and 20 per cent from medium and small producers, largely Chilean. The copper production and ownership picture is now (1966) in a process of change, and the Chilean Government is to have a majority (51 per cent) interest in the El Teniente mine (formerly the Braden Copper Co., a Kennecott affiliate), and minority (25 per cent) interest in some operations of Anaconda and the Cerro Corporation. The U.S. investment in copper is around \$ 750 millions, or roughly four-fifths of total U.S. investment in Chile, with utilities accounting for another \$ 125 millions. Copper exports have provided roughly two-thirds of the foreign exchange earnings of the nation, and a substantial portion of internal tax receipts.

Other extractive industries include nitrate, with recent production at a level of around one million tons, worth \$ 30 millions; iron ore, both for internal consumption and export, with production approaching some 12 millions tons, worth \$ 80 millions, annually; petroleum, principally from Magallanes province, which provides from one-half to two-thirds of Chile's needs; coal, inadequate to national needs and with declining production, which is now roughly 1.7 million tons annually; lead; zinc; sulphates; gold; silver; manganese; iodine; and other minerals.

In sum, copper mining and other extractive industries — although their percentage contribution to the gross national product fell slightly in recent years — still constitute the principal source for the foreign-exchange earnings of Chile. Alone, they represent approximately 80 per cent of total exports. This heavy and narrow dependency on copper and a few other minerals causes perturbations in the overall economy, particularly in times of severe price fluctuations.

"El Teniente" one of Chile's major copper mines.

### **Industry Moves Slowly**

The industrial picture is considerably less sharply defined.

Although Chile long has had interest in industrialization, the bulk of its private investment—beginning in the great depression era—was centered on import substitution or consumers' goods industries. After initial successes, this sector, in the late 1950's and early 1960's, became relatively stagnant. Although the total labor force increased by 237,000 from 1952 to 1960, industrial employment showed little change. In part, this probably reflects growing over-valuation of the exchange rate as well as other policies. Domestic prices of commodities, however, were high, since industry was heavily dependent upon protective devices to hold down competition. Accordingly, production was not aimed at the lower income market through cost reduction.

Beginning in 1939, with the creation of the National Development Corporation (Corporación de Fomento de la Producción—CORFO), the state itself moved to help establish heavy industry, improve electric power, and other infra-structural facilities. With help from the Export-Import Bank of Washington, the Huachipato plant of the Pacific Steel Company was built—and later turned over from government control to private hands. Electric power production—using the wealth of hydroelectric possibilities in Chile—expanded rapidly. This basic work, beginning in the early 1950's, gave rise to a new dynamic group of industries, producing durable consumer goods. The narrowness of the national market, however, recently appears to have limited the possibilities for further immediate expansion in this area.

A third group of industries, an intermediate group, has been chiefly responsible for industrial export earnings in recent years. This group includes processed steel, paper, chemical products and fishmeal. But the total value of its exports

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together account for only perhaps 10 per cent of all foreign-exchange earnings, although tending to rise as new facilities are brought into production. By 1966, probably reflecting improved policies, there has been considerable improvement in industrial exports. An increase of 81 per cent is expected for 1966 over 1965.

Stock exchanges are located both in Santiago and in Valparaíso, and stocks of some 350 companies are listed. Market activity, however, has tended to be restrained, and new offerings have been made on one to three year terms without down payment. There are two mutual funds operating, Crecinco, a Chilean affiliate of International Basic Economy Corp., and Fondo de Capitales Reunidos, formed by four Chilean brokerage firms.

A characteristic of Chilean industry is that relatively few workers are organized in unions, although Chile's labor code permits them to form individual plant unions. Federations of unions are prohibited, although many de facto federations exist. Workers who are not covered by union contracts (reached though collective bargaining, with the right to strike after legal means of conciliation and settlement are exhausted) have been covered by wage legislation in recent years, although the Government does not intend to propose legislation for the private sector for the 1967 wage readjustment. These wages, in turn, are tied to the cost-of-living index. Wages generally are relatively low, and productivity as between individual plants, and even industries, can vary sharply.

Again, in sum, although the value of industrial production over the past several decades has passed that of agriculture, the total picture is still spotty, and Chile's industrial development is essentially still for the future, to take advantage both of Chile's national market and, hopefully, of an integrated Latin American market.

New blast furnance at Huachipato plant of Pacific Steel Company.



## **Agriculture Lags**

Agriculture —due largely to the lack of appropriate political support and to policies aimed at holding down prices— has not grown sufficiently over recent decades. Agricultural production, despite the fact that Chile is estimated to have 25 per cent more arable land per capita than the United States, has failed to keep pace with population growth. Due both to increasing activity in industry and services, and low agricultural growth, agriculture's contribution to the GNP has declined from 17.9 per cent in 1940 to less than 10 per cent in 1965. Chile has passed from being a net exporter of foodstuffs, as it was in the 1930's and early 1940's, to a net and substantial importer.

In recent years, Chile has bought abroad as much as \$ 150 millions in foodstuffs —with estimates that perhaps \$ 100 millions of this could have been produced domestically. Its major agricultural imports have included wheat, meat, edible oil, sugar, dairy products and rice —all produced in Chile— and cotton and tobacco. Its agricultural exports consist chiefly of wine, beans, onions, garlic and fruits. Chile's potential for temperate-zone fruit exports would seem to be great, given that Chile could tap off-season markets for fresh fruit in the northern hemisphere. But together, such exports now provide less than 10 per cent of foreign exchange earnings.

The weakness of the agricultural sector has been much debated in Chile. The reasons given have been various, and include: a government regulated price structure distorted by inadequate incentives; the lack of imported and domestic inputs; difficulties in improving farming techniques; lack of research on higher yielding plants and animal types; an inadequate extension service; chaotic marketing procedures; and the land tenure system itself (in Chile farms of 500 or more hectares constitute 51 per cent of the arable land, and farms varying from 100 to 500 hectares make up 20 per cent). But whatever the reasons, the consensus has grown that an agricultural breakthrough must accompany and support industrial expansion, since the lack of agricultural production and earnings is a major inhibiting factor to industrial growth.

A threat affecting all sectors of the Chilean economy, too, has been a persistent (80 years long) and at times uncontrolled inflation. The causes are debated, but may reflect large expansion of bank credit due, in large part, to inflationary financing of chronic budget deficits, and to unexpected declines in copper prices and earnings. The exchange rate has dropped from around 30 pesos to the dollar, in the early 1950's, to the equivalent of nearly 5,000 to the dollar by late 1966. Since 1955, stabilization has been a major issue with successive Chilean governments, with varying moves proposed, and with indifferent success over any sustained period.

The assessments of the causes of inflation and the "remedies" themselves inevitably have become major topics of discussion among the differing elements in Chile's multi-party political system.

## **A Multi-party Political System**

Chile has five major political parties contending for power. Almost all of them have experienced a continual process of evolution, and the interplay among them is extremely complex. Until the March, 1965 congressional elections, no single party had been able to achieve a majority within one of the legislative chambers during recent decades. This meant that the chief executive, in order to fulfill his programs, had to compromise with parties other than his own, bringing their leaders into his cabinet, or trading votes in the



Chileans vote in free elections.

Congress. The March 1965 elections gave the Christian Democrats a majority in the Chamber of Deputies and one-third of the Senate seats.

The major parties, in a rough order ranging from right to left are:

**Partido Nacional**, formed in 1966 through a merger of the Conservative and Liberal Parties, the traditional rightist parties, with some other groups of the right.

**Partido Radical**, a center-left lay party, formed in 1861, which was the major party for about forty years until 1953, and is now under the leadership of its left-wing.

**Partido Demócrata-Cristiano**, a center-left party, whose origins go back to 1935, and which is now the governing party of President Eduardo Frei.

**Partido Comunista de Chile**, one of the oldest and strongest communist parties in Latin America, and now allied with the Socialists in the Popular Action Front (FRAP).

**Partido Socialista**, which came into existence in 1933 to organize the non-communist left, and is now a militantly extreme-left Marxist party.

The Congress is composed of a Senate of 45 members, and a Chamber of Deputies of 147 members, chosen by direct popular vote, the former for eight years and the latter for four. A system of proportional representation is used in the elections and candidates do not have to be residents of the area from which they wish to be elected. The Congress has both independent powers,

which it can exercise at will, including supervision of administrative agencies, and concurrent powers, which it exercises with the Presidente.

The President, through the ministers, can introduce legislation, and set priorities for its consideration. He also implements legislation by issuing "regulations". Only he can introduce legislation to amend the budget, and issue "decree laws" in areas outside the legislative competence of the Congress. Further, he can receive direct grants of authority from the Congress, including police and censorship powers. He is elected for six years.

All judges, in the judicial system, are appointed by the President, but nevertheless have a long tradition of independence. The Supreme Court has 13 members, and can say that a law may not be applied in a specific case because enforcement would be unconstitutional, but it cannot invalidate the law itself. Some quasi-judicial functions are performed by the Controller General, a post much more important in Chile than in the United States. There are two judicial levels below the Supreme Court.

It can be said, generally, that power is concentrated in the central government. Chile has 25 provinces, which are governed by Intendente, appointed by the President, and usually of the same party as the President. Below the Intendentes are the Gobernadores, also appointed by the President, and who are responsible for the principal sub-divisions (departments) of each province. Below the gobernadores are the subdelegados, appointed by the gobernador. The local unit of government is the commune, and each commune or group of communes (if the units are small) is managed by a Municipality (Municipalidad), presided over by a mayor (alcalde). Aldermen (regidores) for the Municipalities are elected directly for four year terms.

While the various divisions do have some power to raise taxes, one estimate is that of all taxes collected in Chile, only six per cent are collected by political divisions below the central government. Instead, the provinces, departments and municipalities tend to rely on grants or allocations made in Santiago.

## **U.S. Assistance To Chile**

United States assistance to Chile dates from 1943, when the two governments signed a technical assistance agreement creating the DCIOS (Departamento Cooperativo Interamericano de Obras de Salubridad). This operated for eight years, improving public health training, and sponsoring 72 separate projects, including sewerage and water-supply systems, hospitals and clinics.

In 1951, the first formal U.S. assistance mission was established, and began with a cooperative agricultural program. Other programs, in industry, labor, housing, public administration, education, transportation and geology, all followed. An important part of this technical assistance —Point Four— program was the "Plan Chillán", begun in 1953, to improve agricultural development and rural living in the three Central Valley provinces of Maule, Ñuble and Concepción. Individual projects included assistance in soil conservation, contour plowing, irrigation systems, reforestation, drainage and forage seed multiplication, as well as housing, road building and rural industry.

The first Public Law 480 sales agreement, providing for the purchase by Chile of surplus U.S. foodstuffs, was signed in 1955, and was supplemented with grants of other foodstuffs for distribution through U.S. voluntary agencies

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and their Chilean counterparts. The food supplies helped cushion the effects of Chile's own declining per capita production, and also generated local currency for use in public sector investments. Capital loans, in dollars, for individual projects also were extended through the Export-Import Bank, and the U.S. Treasury provided "stand-by" credits for financial stabilization.

### **The 1960 Earthquakes**

A major turning point in U.S. assistance came in 1960, when one of the greatest earthquakes of modern history hit a wide area near Concepción, and was followed by others, farther south, as well as by a tidal wave which devastated communities along 500 miles of Chile's southern coast. These disasters left more than 1,000 persons dead, and 3,000 missing or presumed dead.

At the first word of the disaster, the United States mounted a mammoth emergency relief operation, utilizing an "air-bridge" of military cargo planes. President Dwight D. Eisenhower announced first a donation of \$ 20 millions for Chilean reconstruction, and followed this with an offer of a \$ 100 millions reconstruction and rehabilitation loan. The working out of the details of this latter —both in Chile and in the United States— took until 1961.

*Widespread destruction was caused in Chile's earthquake of 1960.*





Better seeds — for higher yields — can help Chilean agriculture.

### **The Alliance For Progress**

In the meantime, John F. Kennedy had succeeded to the U.S. presidency, and in a White House speech on March 13, 1961, called for an "Alliance for Progress" among the Western Hemisphere nations. The Charter of Punta del Este, giving formal expression to this call for a great effort for Latin American development, was signed on August 17, 1961. Chile was one of the 20 signatories.

As such, it pledged itself to carry forward objectives which included:

- achieving a substantial and sustained growth of per capita income.
- making the benefits of economic progress available to all citizens.
- achieving diversification of national economic structures.
- accelerating industrialization.
- raising the level of agricultural productivity.
- encouraging programs of comprehensive agrarian reform.
- eliminating adult illiteracy and making primary schools available for all.
- increasing life expectancy through greater public health facilities.
- speeding construction of low cost homes.
- maintaining stable price levels.
- strengthening agreements on economic integration.
- developing cooperative programs designed to prevent the harmful effects of excessive fluctuations in foreign exchange earnings.

In most of these fields, Chile already was at work, and U.S. assistance, both under the earthquake credits, and in the expanded aid program which followed under the Alliance, backed and strengthened those efforts.

### **Chile's Goals and Performance Under the Alliance**

Even before the onset of the Alliance, there was recognition in Chile that a key factor for the central aim of achieving accelerated economic and social growth was that of financial stabilization—ending the long continuing inflationary spiral. If this could be done, the relatively high rate of per capita income in Chile, when combined with increases in productivity and foreign investment, could serve to facilitate the national savings which must come for self-sustaining progress.

President Jorge Alessandri, who had come to power in 1958 on an independent ticket, and with promises of reform and stabilization, had inaugurated a program of austerity, holding back on imports and government expenditures, as steps to halt the inflation. But results were not altogether as anticipated.

As a further move, in 1961, he initiated a national development plan, which would establish the basis for further economic and social reform. But the implementation of the plan proved difficult, and the rise in the cost of living, which had been held to 9.7 per cent in 1961, jumped to 27.7 in 1962; 45.4 in 1963; and 38.4 per cent in 1964, on a year-end to year-end basis. These increases came despite a \$ 40 millions credit from the International Monetary Fund, and a \$ 55 millions loan from the United States. At the same time, disbursements of the earthquake credits and grants from the United States continued, going largely into public works such as roads, schools, housing and hospitals.

### **Goal: Rapid Growth with Democracy**

The Frei government, whose experts had been studying the problem of growth even before it took office in 1964, came into power with pledges to show marked progress. Its key goal is achieving rapid economic growth, coupled with social equity, and bringing the fruits of an expanding economy to the poorer social groups as well as to the wealthier.

Specifically, the new administration proposed to hold the increase in the cost of living to 25 per cent in 1965, 15 per cent in 1966, and 10 per cent or less in the following years, as a stabilization move necessary to encourage savings and development. It also indicated that it would take steps to reduce government deficits; curb inflationary borrowing from the Central Bank; refinance short-term external debt, so as to lighten the balance-of-payments debt service over the near future. At the same time, under the slogan "Revolution in Liberty", it promised substantial social improvements—in land tenure, education, housing and health—all in line with the Charter of Punta del Este.

The existing status of the Chilean economy, however, implied that such a program would require considerable short and medium-range foreign assistance.

The United States, sensitive to Chile's democratic tradition, and to the efforts which already had been made, as well as the program which newly was promised, undertook to provide major assistance in support of Chile's own self-help efforts. Other developed nations also viewed Chile's program with considerable sympathy, and promised appropriate support.

## Program Loans

The chief, but not sole, element of U.S. assistance in the past several years has been the program loan, a technique utilized in three countries (Brazil, Colombia and Chile) in Latin America. The program loan — and Chile received \$ 80 millions in each of the fiscal years 1965 and 1966 and a total of \$ 240 millions since 1962 — essentially serves a dual purpose. The dollar credits are utilized to purchase essential imports, such as capital goods and raw materials, from the United States. This contributes to balance of payments equilibrium and lessens inflationary pressures, while at the same time contributing to the maintenance and expansion of productive enterprises.

Then, the local currencies, generated by the sale of the dollars through the Central Bank, also can be applied, through the national budget, in economically productive and socially significant projects such as agriculture, schools and housing, as well as in meeting the domestic costs of infrastructure projects such as roads, irrigation works and electric power stations. Every province in Chile has benefited, in some way, from the application of the program loans.

The program loan, accordingly, provided a technique by which the United States could support, with some flexibility and multiple effect, Chile's development efforts. More important, by this technique the United States was able

Plaques indicating U.S.—Chilean cooperation under the Alliance for Progress identify new construction in Chile.





Chile's exports of fish and fishmeal have increased sharply.

to support important policy and institutional changes which were difficult to implement without substantial resource availability during the transition period.

In view of high copper prices, and in the interest of being more self-reliant, Chile announced at the end of December, 1966, that it was foregoing program lending in 1967.

With program support, Chile in 1965 showed many manifestations of growth. The increase in the cost of living was held to 25.9 per cent (above 1964), and the gross national product (GNP) — the measure of total production of goods and services — grew by an estimated 5.8 per cent to a total of over E° 20 billions. This compared with an increase of about 1.5 per cent in 1963 and 4 per cent in 1964. Per capita GNP, allowing for the population increase, grew in 1964 by about 3 per cent, exceeding the 2.5 per cent minimum established in the Charter of Punta del Este.

Other signs of strength in the economy included: a 5 per cent rise, or perhaps more, depending on how the calculation is made, in industrial production; an increase in exports, from \$ 590 millions in 1964 to \$ 679 millions in 1965, with \$ 909 millions estimated by the Government of Chile for 1966; a slower rise in imports, from \$ 623 millions in 1964 to a forecast of \$ 738.1 millions for 1966; a strengthening in Central Bank reserves; and a rise in gross savings, from 10.8 per cent of GNP in 1963 to 12.2 per cent in 1965.

Through November 1966, the rise in the cost of living had reached 19 per cent, above the goal, but still less than for the same period in 1965. But despite this, GNP in 1966 should again grow by more than 5 per cent, and per capita GNP by more than 2.5 per cent. According to the Sociedad de Fomento Fabril

— the Chilean equivalent of the U.S. National Association of Manufacturers — industrial production for the first five months of 1966 was 9.4 per cent above the corresponding period of 1965. Investments by the public sector also showed gains, and a balance of payments surplus again was expected.

### **Tax Revenues Rise Sharply**

A major factor in the increase in public investment, aside from the generally improving level of business and heavy copper income, was a sharp rise in tax collections. In 1962, the government began a nationwide program of upgrading real property assessments. Urban properties had assessments raised by over 300 per cent and rural properties, by over 200 per cent, with the first tax bills on these new assessments presented in 1965. In addition, a tax on presumed income from wealth went into effect in 1965, and added some E° 100 millions to tax revenues. There was greater efficiency in tax collections, through reforms introduced with the help of a U.S. Internal Revenue Tax team, operating under the Alliance for Progress. Tax evaders were sent to jail, and returns were placed under increasingly close scrutiny. All told, tax revenues in 1965 increased over 1964 by almost 25 per cent in real terms. The trend was for comparable increases in 1966.

The figures for 1965 show that 31 per cent of Chile's government revenues came from direct taxes; 43 per cent from indirect taxes; about 15 per cent from copper taxes; 9 per cent from customs; and 4 per cent from non-tax income. This direct tax proportion is substantial for a developing country. An AID tax-policy team from Harvard University is working with the Ministry of Finance on future tax policy. Additionally, an AID team is assisting customs officials on improving enforcement and simplifying customs procedures.

New Rapel hydroelectric plant will provide power for Central Valley.



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Chile's farm lands can be rich, but much work is still by hand.

### **Production Goals**

For increasing industrial and agricultural production, two key moves were outlined by the Frei administration.

One was the "Chileanization" of the copper industry — the association of the state with the copper companies for the purpose of expanding production and increasing exports — and the other was a land reform program, which would aim at settling scores of thousands of new farmers on land of their own by 1970, plus providing both new and older farmers with expanded technical assistance and credit.

### **Goal: Chileanization of Copper**

President Frei, in December 1964, announced that he had come to an agreement with the copper companies on the "Chileanization" plan. This involved the purchase of 51 per cent of the shares of the Braden company (a Kennecott subsidiary); 25 per cent of the shares of the Andina Corporation (a Cerro subsidiary); and 25 per cent of Exótica (an Anaconda subsidiary). Over a six-year period, the State would invest \$ 128,500,000 in expanding production, and the companies, some \$ 292 millions. The aim would be to increase production of the big mines by 340,000 tons a year, and, with some increases from the medium and small size mines, roughly doubling 1964 production to about 1.2 million tons by the early 1970's, and increasing exchange earnings by \$ 400 millions yearly. Additionally, refining capacity would be roughly tripled. Iron ore exports are to be increase by some \$ 22 millions yearly.

After prolonged debate in the Chilean Congress, the legislation authorizing the President to enter into the formal agreements with the major companies was approved with substantial modifications in early 1966. The agreements are expected to be in operation by the end of 1966.

### **Goal: Agricultural Reform**

A cornerstone of the Frei government's agricultural policy is the agrarian reform legislation introduced in the Congress on November 22, 1965. The proposal, which was expected to be approved by early 1967, would make agricultural land in Chile, particularly inefficiently worked or abandoned land, subject to expropriation and redistribution by the government to tenants, sharecroppers, and others now working the land. In addition, the present system of water rights would be substantially revised.

As presented, the bill provides for a basic limitation under which property over 80 basic irrigated hectares in size and worked with average efficiency may be expropriated. Smaller plots that have been abandoned or are very poorly worked may also be expropriated. On the other hand, property up to 320 basic irrigated hectares in size may be exempted from expropriation if very efficiently exploited. The "basic irrigated hectare" is a standard measure roughly equivalent to good irrigated land in the Central Valley. The bill provides a table of equivalent land values for the various parts of the country. In exceedingly rich areas, the basic hectare is equal to one-half a hectare of land, whereas, in the far north or the south, a basic hectare could equal 100 hectares or more.

The decisions on expropriation are to be made by the National Agrarian Council on the recommendation of the Agrarian Reform Corporation (CORA). Compensation can be made in cash and in bonds, with the proportions varying according to the efficiency with which expropriated property was exploited. Payments could be completely in cash, or only one per cent in cash, and the rest in bonds, with general terms of 25 years. A maximum of 80 per cent of the value of the bonds are to be adjustable according to the wholesale price index. Priority in distributing land is to be given to farmers living on the land.

The legislation also contemplates a transition period between expropriation, and actually delivery of the land to the farmers. During this transition period, of perhaps two years, the land would be operated by the farmers as a cooperative, in which they would be assisted by CORA experts, and receive both agricultural and management guidance.

A companion measure to the reform bill is a constitutional amendment which provides the legal basis for the act. Until both are finally formally approved, CORA will continue to operate under a law of November 15, 1962. Over the past two years, under this law, CORA has expropriated 583,632 hectares, and has settled a population of around 4,243 families. From January, 1965 through August, 1966, it also has organized 69 "asentamientos" (the cooperative farms), with a total area of 395,472 hectares, and with a total population of about 3,226 families. The record is substantially above that of any similar previous period in Chile's history. CORA's 1966 goal was 58,000 settlers by 1970.

The government also is seeking to provide technical assistance and credit to an estimated 200,000 small farmers who will not be resettled on expropriated lands. Its vehicle for this is the Instituto de Desarrollo Agropecuario (INDAP), which in late 1966 received an \$ 11 millions loan from the Inter-



American Development Bank. INDAP now is working with an estimated 1,200 small farmer and cooperative groups. Other state entities, such as the Banco del Estado, the National Sugar Beet Industry (IANSA), and the National Oil-seeds Purchasing Agency (COMARSA), provide credit and some technical assistance to specific groups.

As part of its overall policy for increasing production of basic foods, and stimulating the export of commodities in which Chile has a natural advantage, the government seeks to develop price relationships which create incentives to produce. Accordingly, in 1965 prices paid to farmers rose by 19 per cent, in real terms, and a further 6 per cent rise was anticipated in 1966. Further, marked price increases have been permitted for such key commodities as meat and milk. Pay increases for farm workers, proportionately, have been above those of industrial workers, and a law encouraging farm worker organization into unions has been sent to the Congress.

In this general field of agricultural development, AID has joined with Chile, the Inter-American Bank, and private U.S. foundations, as well as the Food and Agriculture Organization (FAO) of the United Nations, in providing technical assistance and credits. Under the Chile-California program, financed entirely by AID, experts are advising the Chilean Government on marketing services. AID credits have gone toward the creation of two major experimental stations, at which Rockefeller Foundation experts are working. A \$ 3.3 millions AID loan was made for the establishment of rural electric cooperatives; another, for \$ 3.6 millions, for fertilizer imports; and still another, for \$ 3.7 millions, for a cooperative bank (IFICOOP).

As far as PL 480 commodities are concerned, the United States has entered into six separate agreements with Chile, the first coming in 1955, and the last in 1965. The total value of the agreements has been \$ 131,650,000, and

A trade union group holds a meeting on union matters



wheat, vegetable oils, and cotton have been the three major components. Under donation programs, involving U.S. voluntary agencies, approximately one of every four Chileans is receiving some form of U.S. food.

Increasingly, the food stocks are being used by voluntary agencies in support of self-help work projects. In a child and maternal care program, the National Health Service provides roughly two-thirds of the milk, and the United States one-third. The Chilean contributions to the school lunch program have risen consistently.

### **Goal: Industrial Growth:**

In the industrial field, the Chilean private sector has been the chief beneficiary of the program loans. A total of \$ 226.5 millions of program loans, plus a separate private sector loan of \$ 10 millions, has been utilized to finance imports of U.S. goods and services for the private sector. The amount of capital goods and spare parts brought into the country through the program loans cannot be stated exactly as to specific categories, but without doubt was a major factor in the relative vigor of the industrial sector. Official statistics show that industrial production, overall, grew by 4.8 percent in 1964; 4.8 per cent in 1965; and 7.2 per cent during the first nine months of 1966, as compared with the similar period in 1965.

The government, which in the past has provided roughly 75 per cent of all investment funds, is anxious to speed up the industrialization process. It has announced programs or approved specific plans for some 35 major projects, in such important areas as copper mining, iron and steel, wood pulp, petrochemicals, building materials, plastics, sugar beets, iron ore, coal, oil pipes, automobiles, tires, fertilizers, sulphuric acid, livestock feed, hotels and copper fabrication. These projects, mostly to be completed within the next five years, call for investments exceeding \$ 1.7 billions. Numerous smaller investments in new plants or expansion of existing installations may involve outlays of another \$ 1 billion or more. These are substantial figures for an economy of Chile's size. The GNP is now equivalent to over \$ 6 billions a year, and is projected to grow to about \$ 8 billions by 1970.

U.S. assistance in industry, also, has come through the Export-Import Bank of Washington for specific projects. Ex-Im has advanced total credits of \$ 482 millions to Chile since 1939. An important part of this was for the construction of the Huachipato plant of the Pacific Steel Company, involving more than \$ 100 millions.

AID itself has advanced \$ 3 millions and the Inter-American Development Bank another \$ 3 millions for feasibility studies for a wide range of small industries — reflected in the proposed investment lists; AID has approved over \$ 200 millions in investment guaranties for the U.S. firms wishing to secure their investments in Chile. A major item, in the last, was to the International Telephone and Telegraph Co. Despite the guaranties, the rate of new private U.S. investment has remained low, possibly pending the application of the copper agreements.

AID also has made five Cooley loans, using local currency proceeds from PL 480 agricultural surplus agreements, to Chilean subsidiaries of U.S. firms, and has a number of other applications pending.

Besides the United States, other foreign nations have shown a substantial interest in Chilean industrial development, and substantial credits for the purchase of industrial equipment, on medium-term loans, have come from France,



Workmen weld the steel structure for terminal at Pudahuel Airport.

West Germany, and Italy. The Atlantic Community Development Corp. (ADELA) also has become interested in a number of projects in Chile, most specifically a proposed new \$ 50 millions cellulose plant at Constitución.

In sum, Chile's future goal is for an expansion of 10 to 12 per cent a year in industry, which would be far and above the rates achieved in the latter parts of the 1950's and early 1960's. For this, still greater participation by the private sector will be necessary, as well as an expansion of markets, both domestically and through the Latin American Free Trade Association.

### **Economic Infrastructure**

So rapid a growth of industry, also, may depend upon a matching or even anticipatory growth of the economic infrastructure — the roads, ports, airports, and electric power, as well as the skilled manpower with which to operate.

As has been indicated, Chile already has been active in this general area, and could enter a new industrial phase relatively well prepared. Already, almost 95 per cent of the labor force in metropolitan Santiago is now employed.

Electric power production, per capita, is exceeded only by Venezuela in all of Latin America, and has grown by a third in five years, with only a small proportion of total hydroelectric resources tapped. Cement productive capacity is high, up 43 per cent since 1960, and steel production, with the addition of the second blast furnace at Huachipato, is capable of a quick doubling.

From 1962 through 1965, Chile also is estimated to have built or improved about 8,000 kilometers of roads, with heavy reliance on AID funds.

Truck traffic has risen notably. Chile also has a number of new airports either completed or under construction, including the AID-financed new jet-age airport at Pudahuel near Santiago, and Carriel Sur field near Concepción.

It has undertaken the modernization of its railway system, and electrification of the north-south railway from Santiago to Chillán is hoped to be completed by the end of 1966. Further major investments may await the completion of a master transportation plan, being prepared by a team of experts under the Chile-California program, financed by AID.

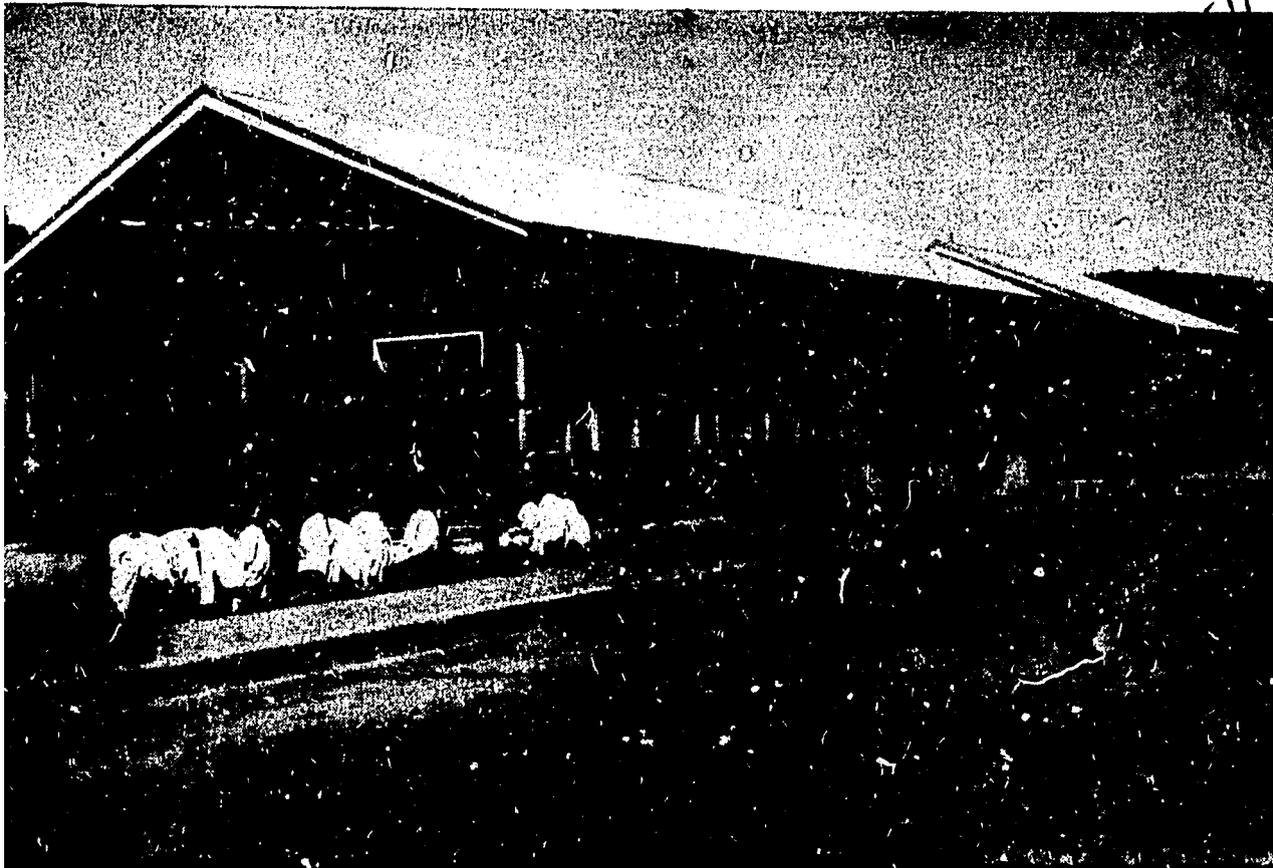
In the field of ports, the detailed plans for a new port at San Vicente, to serve the industrial complex around Concepción, have been completed and AID financing of \$ 7 millions has been authorized. New port works at Arica, also financed by AID, are virtually complete ahead of schedule; and West Germany has assisted in port improvements at Valparaíso.

### **Goal: Social Betterment Education**

A major social goal of the Frei administration has been educational reform, both as a basic element for accelerating economic development and as a major vehicle for social mobility. It had been aware of the stagnation at primary and secondary levels and the fact that educational opportunities were lacking for lower income groups.

The reforms aims include a quantitative expansion of educational opportunities; a structural change in the primary, secondary and vocational system; and qualitative improvements in teacher training and curricula.

Over 1,200 new schools — such as these — have been built in recent years.





U.S. donated mobile medical units take doctors to fringe areas.

In 1965, the emphasis was on an expansion of educational opportunities, with the result that 6,038 classrooms were constructed and school enrollments increased by 174,178 students, as compared to an average of 40,000 increase yearly in the five years previous. Secondary school enrollments were reported to be up 30 per cent and evening and night school enrollments by 38 per cent. Some 4,375 public and 2,153 private primary schools and 180 public and 408 private secondary schools enrolled a total of 1,927,928 students. The eight Chilean universities — two public, six private — enrolled another 37,000 students. Central government operating expenditures for education rose by 17 per cent, in constant terms, between 1964 and 1965, with a further rise expected in 1966.

The structural change, already under way, involves the creation of eight years of basic education, as compared to the former six years; a four year, two-track middle-level education in cycle with a college preparatory track leading to higher education, and a vocational education track that provides its graduates with middle-level technical skills for immediate employment. There is to be lateral mobility between the two tracks. This compares with the previous secondary cycle of six years.

AID provided extensive technical assistance in higher education between 1956 and 1962, but now has only one contract with the University of Pittsburgh for technical assistance to Federico Santa María Technical University. It also has sponsored a relatively large participant training program, under which qualified individuals are sent to the United States, many for graduate training. One initiative under a grant was for the construction of six pilot rural schools, the Plan Nuble, and preparation of curricula suited to farm children. But in recent years, the bulk of AID's assistance has largely been in the form of funds for the construction of schools, generally at the primary and secondary level. It is estimated that over 400 schools have been built with AID funds alone through the earthquake grant and loan, one special loan, and through the program loans. From the U.S.-supplied Social Progress

Trust Fund, too, the Inter-American Development Bank has made a number of credits, notably for six regional colleges of the University of Chile. Extensive technical assistance also is being provided by the Ford Foundation and UNESCO, and Peace Corps volunteers are teaching in a number of the universities.

### Health

A further major effort, both under President Alessandri and President Frei, has been in improving health facilities, from hospitals to first aid centers. A Chilean government estimate is that since the beginning of the Alliance to the end of 1966, some 58 hospitals with 5,589 beds will either have been completed or begun. AID funds have gone toward the construction of 21 hospitals with 2,642 beds.

Besides the hospitals, nearly 100 first aid posts in isolated areas have been placed in operation by the national police force, the Carabineros. AID grants provided training and ambulances for these posts. Additionally, mobile medical units were sent into operation in and around Santiago, Valparaíso, and Concepcion, and two air ambulances were donated to the Carabineros for emergency cases. For this, as well as for administrative purposes, the Carabineros can utilize a telecommunications network, being set up under an AID grant,

Better and more housing also is a Chilean development goal.



Of critical importance in the development process, too, was the decision of the National Health Service to provide birth control information and assistance to those persons desiring it. This program, which got under way in 1966, will operate in part through the Service's centers for maternal and child care. The work of these maternal and child care centers in 1965 in part resulted in a drop in infant mortality from 105.5 per 1,000 births to 99.5. The maternal death rate also fell by 1.2 per cent.

Intensive efforts are going into improving municipal water supplies and the Ministry of Public Works has developed a plan for providing water systems for all major and middle-sized urban areas in the Central valley. Credits from the Inter-American Development Bank, both from the Social Progress Trust Fund and the Fund for Special Operations, are assisting in this work. From the beginning of the Alliance through 1965, some 41 water systems plus eight sewerage systems, serving 1,500,000 persons, had been built. Additionally, 21 fluoridation plants covering 2,708,000 persons had been placed in operation.

## **Housing**

The housing deficit in Chile is estimated in tens of thousands of units and has grown despite various government initiatives in the field. An early move to help resolve it under the Alliance for Progress was the establishment of a savings and loan system backed by a Central Savings and Loan Bank, the Caja Central.

All told, since 1960 the United States, both through AID and through the Inter-American Development Bank, has supported the Caja with over \$ 30 million in funds. The result has been the establishment of 24 separate savings and loan institutions, with substantial Chilean participation and growing membership. These institutions now are generating the funds for private sector — as opposed to public sector — home construction. President Frei has indicated that the private sector should build two-thirds of all homes in the future and the public sector only one-third. This would constitute a sharp turn-around from previous practices.

In 1965 and 1966 a government estimate is that 87,000 new homes were built, not counting 48,253 temporary dwellings which were erected for victims of the 1965 earthquakes and floods. In order to keep up the impetus, it has created a new Ministry of Housing and Urban Development, which will seek to facilitate low cost homes and improve urban planning.

In the home building process, the United States has been particularly helpful. Since the beginning of the Alliance, one estimate is that U.S. funds have been involved in the construction of 60,355 housing units, some in rural areas and others in urban or peripheral areas. Thirty-five villages, ranging from 40 to 200 homes, have been built under the earthquake credits, or the program loan funds, and bear the names of U.S. states.

## The Road Ahead

The Chilean Government and people are making a major self-help effort to develop, and the United States and other developed nations and credit institutions, have manifested their willingness to assist in this process. Nevertheless, the development of Chile remains a gigantic task.

It is the thesis of the present Chilean administration that poverty and underdevelopment can be defeated without curtailing freedom — as the Chileans put it, development without walls (i.e. firing squads). This will demand a radical transformation in Chile's social and economic structures.

The positive factors — the hope that, despite the obstacles, Chile can "take off" to self sustaining economic growth — include its acute sense of national identity; its stable and democratic political system; an administrative system which, while short of adequately trained personnel in key areas, nevertheless is highly professional; and a national consensus, both among the more and the less privileged, that greater efforts must be made for growth.

In the immediate future, these efforts probably will be directed toward:

1. A renewed determination to break inflation through hold-the-line attitudes on wage and price increases, maintenance of restrictions on credit, and curbs on government spending which is not supported by increased revenue.
2. A rapid improvement in agriculture, involving not only a revision of the land tenure system, but greater incentives through prices, marketing, domestic and foreign inputs, research, and even taxes. The farm will be made a more attractive place to live, and facilities, particularly for education, which now exist chiefly in the urban areas, increasingly will spread to the farm. As farm production hopefully rises, pressure on foreign exchange should ease, freeing more funds for investment in other productive enterprises.
3. Maximizing the returns from new investments in copper, under the Chileanization program, and diversifying exports through various incentives, including a realistic exchange rate.
4. Greater advances within the Latin American Free Trade Association so that Chile's efforts to expand domestic markets through a more equitable distribution of national income, will be matched by an increasing expansion of its international market, as well as making its domestic industry competitive with outside production.
5. A massive upgrading of its work force, through new programs for agricultural, industrial and commercial training, and aimed at providing the skilled technicians who are required in a rapidly modernizing society.
6. Hopefully, a greater emphasis on the role of the private sector in the process of economic development, through incentives and facilities for investment, and removal of barriers to internal expansion and to exports.



Progress is changing the face of Chile.

In view of Chile's progress to date, and taking into account the good copper prices prevailing, President Frei, in a December 21, 1966 radio and television speech to the nation, announced that in 1967 Chile would not seek general budget support from AID or the International Monetary Fund. But Chile still will welcome credits for specific projects, he said. The distinction is between credits which go into the general investment budget, and which will be foregone, and to separate credits which will add to Chile's own investment program, and which will still be welcome.

The President also noted that if the price of copper should fall, Chile might again seek external backing for its development program through the general budget. He said he was certain of such support, in view of the assistance which already has been forthcoming within the spirit of the Alliance for Progress.

The proud decision reflects Chile's determination for greater self-reliance in the task of developing its economy.



Chile's children are its major resource for the future.

## PRINCIPAL DIVISIONS OF AID

**Office of the Director**, includes the AID Mission Director and Deputy Director, who also serves as Economic Counselor of the Embassy, and staff.

**Office of Development Planning**, includes experts in planning and programming, and is involved in the analysis and reporting of economic and social trends, on which AID assistance is based. It also includes the Loan Officers, who prepare loan agreements, and the Food for Peace Officer.

**Office of the Controller**, includes experts on accounting, audits; internal budgeting, and financial analysis; monitors and reports on the fiscal operations of the AID program in Chile.

**Executive Office**, manages local personnel, Mission records and communications, and is responsible for Mission procurement and property.

**Project Operations Division**, monitors on-going AID projects, not usually involving construction, and is responsible for reports on their progress and problems, as well as other reporting.

**Engineering Services Division**, includes engineers who check to see that agreed-upon standards are complied within AID-financed construction.

## AID CONTRACTORS

**American Institute of Free Labor Development (AIFLD)**, which organizes short seminars and study courses for actual or potential trade union leaders, instructing them in responsible leadership, collective bargaining, and union management.

**American International Association for Economic and Social Development**, which has assisted in preparing the workshops and curricula for the six "Plan Nuble" schools. These pilot schools seek to establish a direct relationship between teaching in the school and the daily life of their rural students.

**Cooperative League U.S.A.**, provides an advisor on cooperatives, who works with the Chilean Institute of Cooperative Education, and also provides advices to other Chilean entities and the AID Mission in this field.

**Harvard University**, has provided a team of three experts in tax policy to work with and advise the Ministry of Finance.

**McCreary-Koretsky Engineers**, which provides technical assistance in the planning of the new port at San Vicente.

**Rader and Associates**, which provides two engineers who advise on construction and installations at Pudahuel and Carriel Sur airports.

**State of California**, under an agreement originally worked out between President John F. Kennedy and Governor Edmund Brown, the State of California provides experts to assist Chile in such fields as transportation, agricultural marketing and extension, human resources development, and water resource development. The costs of the technical assistance are borne by AID, with the Government of Chile also providing resources.

**United States Customs Service**, under a Participating Agency Service Agreement (PASA), provides experts who advise Chile's customs service on customs administration, modernization and enforcement.

**United States Internal Revenue Service**, under a Participating Agency Service Agreement (PASA), provides experts in tax collection and tax administration, working with Chile's tax service, Impuestos Internos.

**University of Pittsburgh**, under a contract scheduled to expire shortly, has sent faculty members to Federico Santa María Technical University in Valparaíso, to assist in improving undergraduate studies in engineering. The contract has also financed the graduate studies of Santa María faculty members in the United States.

**University of Wisconsin**, under a regional contract (through AID/Washington), has maintained a resident team in Chile for regional studies relating to land tenure.

## SUMMARY OF ECONOMIC INDICATORS

### 1. Gross National Product (GNP)

Although final estimates are not available, it appears likely that GNP rose 5.8 per cent in 1965. This is well over the approximately 3.5 per cent average increase over the previous fifteen years. With population growth estimated at around 2.5 per cent, real growth appears to have reached, and probably surpassed, the target set in the Charter of Punta del Este.

	1964	1965	1966
<b>GNP</b> (in millions of 1965 escudos) . . . . . E <sup>a</sup>	<b>19,318</b>	<b>20,435</b>	<b>21,559 (est)</b>
(per cent increase over prior year) ..	<b>4.0</b>	<b>5.8</b>	<b>5.5 (est)</b>
<b>Per Capita GNP</b>			
(in thousands of 1965 escudos) . . . .	<b>2,275</b>	<b>2,371</b>	<b>2,413 (est)</b>
(per cent increase over prior year) ..	<b>1.6</b>	<b>5.8</b>	<b>3.0 (est)</b>

(The dollar equivalents of the foregoing GNP (and per capita GNP) figures depend on the conversions used and it is far from clear what this conversion should be. In rough terms, and subject to wide errors, the 1966 GNP of Chile is about \$ 6.5 billions, and on a per capita basis, perhaps \$ 600 to \$ 700 a year).

### 2. Industrial Production

The official index of industrial (manufacturing) production for the first three-quarters of 1966 showed a 7.2 per cent increase over the first nine months of 1965. The index of the Sociedad de Fomento Fabril (National Manufacturer's Association) showed an even greater increase.

Production Indices (1960 = 100)	1964	1965	1966
Industrial Production . . . . .	<b>137.3</b>	<b>150.2</b>	<b>162.3 a</b>
Industrial Sales . . . . .	<b>149.3</b>	<b>158.0</b>	<b>170.4 a</b>

a. Jan - Sept 1966 only.

### 3. Employment

The percentage of the labor force, in the metropolitan area of Santiago (estimated at 883,100 persons), which was gainfully employed at September, 1966, was 94.7 per cent. This high rate of employment occurred although the labor force grew rapidly over recent years.

Greater Santiago Labor Force	1964	1965	1966
Labor Force .....	799,600	852,600	883,100 a
Employed .....	761,100	812,100	836,700 a
Unemployed and Seeking			
Employment for First Time .....	38,500	40,500	46,400 a

a. Sept., 1965

#### 4. Prices (Average year-end to year-end percentage increase).

	1964	1965	1966
Consumer Prices .....	38.4	25.9	19.0 c
Wholesale Prices			
Domestic .....	44.0	32.7	24.4 b
Imported .....	43.1	7.8	8.6 b

b. Percentage increase through September 1966.  
c. Percentage increase through November 1966.

#### 5. Monetary Data (End of period-millions of dollars or escudos).

Exchange Reserves (excluding gold) ..	\$ 46.0	\$ 94.0	83.4 a
Monetary Supply b .....	E <sup>n</sup> 1,129.0	1,864.0	2,300
Loans .....	E <sup>n</sup> 1,247.0	1,739.0	2,014

a. August, 1966.  
b. Coin and banknotes outside banks plus private deposits.

#### 6. Foreign Exchange Rates (Escudos to the dollar)

	Dec. 1964	Dec. 1965	Dec. 10, 1966
Bankers spot rate ....	2.64	3.46	4.36
Bankers futures rate ..	3.10	3.55	4.37
Brokers rate .....	3.23	4.21	4.99

#### 7. Foreign Trade (millions of dollars)

Exports	1964	1965	1966 (Est)
Copper .....	393.2	481.8	678.0
Other Minerals .....	123.5	128.8	134.8
Agricultural Products ..	29.6	26.9	26.9
Manufactures .....	44.1	42.1	69.6
Total goods	590.4	679.6	909.3
Services .....	94.8	100.0	108.4

<b>Imports</b>			
Capital Goods .....	259.9	237.3	295.0
Fuel .....	25.8	27.3	33.5
Raw Materials .....	152.0	172.0	187.9
Consumer Goods			
Foodstuffs .....	118.6	112.5	125.1
Other .....	50.7	54.4	59.9
Copper Expansion .....	—	—	6.7
Other .....	16.5	20.0	30.0
	<hr/>	<hr/>	<hr/>
<b>TOTAL</b>	<b>623.5</b>	<b>623.5</b>	<b>738.1</b>
Services .....	100.6	108.4	115.9

### 8. School Enrollments

	<u>1964</u>	<u>1965</u>	<u>1966 (Est)</u>
Elementary .....	1,354,542	1,560,315	1,608,978
Middle Level .....	290,635	318,315	323,515
	<hr/>	<hr/>	<hr/>
<b>Totals</b>	<b>1,645,177</b>	<b>1,878,620</b>	<b>1,932,493</b>
Universities .....	34,654	41,153	n.a.

### U.S. ASSISTANCE TO CHILE BY AREA OF ACTIVITY

1939 — 1966

Agriculture and Natural Resources .....	\$ 190,200,000
Industry and Mining .....	323,969,000
Transportation .....	258,181,000
Labor .....	2,669,000
Health and Sanitation .....	26,194,000
Education .....	58,792,000
Public Safety & Public Administration .....	7,130,000
Community Development, Social Welfare & Housing	170,164,000
General & Miscellaneous .....	230,631,000
	<hr/>
<b>Total .....</b>	<b>1,268,532,000</b>

**U.S. ASSISTANCE TO CHILE**

SUMMARY

As of June 30, 1966

(In thousands of dollars)

	Committed	Unexpended Balance	Expended
<b>AID AND PREDECESSOR AGENCIES</b>			
<b>GRANT ASSISTANCE</b>			
Development grant projects .....	38,049	3,255	34,794
Earthquake R & R grant .....	20,000	—	20,000
Emergency Relief .....	4,296	84	4,212
	<hr/>	<hr/>	<hr/>
Total Grant Assistance .....	62,345	3,339	59,006
<b>DOLLAR LOANS</b>			
Program Loans .....	260,000	85,176	174,824
Capital Loans .....	88,991	33,930	55,061
Earthquake R & R .....	100,000	—	100,000
Other Loans .....	10,835	10,000	835
	<hr/>	<hr/>	<hr/>
Total Dollar Loans .....	459,826	129,106	330,720
	<hr/>	<hr/>	<hr/>
TOTAL AID AND PREDECESSOR AGENCIES	522,171	132,445	389,726
<b>FOOD FOR PEACE (PL 480)</b>			
Title I .....	87,015	3,238	83,777
Title II .....	4,276	—	4,276
Title III .....	87,535	—	87,535
Title IV .....	33,889	—	33,889
	<hr/>	<hr/>	<hr/>
Total Food for Peace .....	212,715	3,238	209,477
EXPORT-IMPORT BANK LOANS .....	482,606	55,801	426,805
SOCIAL PROGRESS TRUST FUND (THRU IDB)	38,938	15,976	22,962
INSTITUTE OF INTERAMERICAN AFFAIRS	5,100	—	5,100
PEACE CORPS .....	7,000	900	6,100
	<hr/>	<hr/>	<hr/>
GRAND TOTAL .....	1,268,530	208,360	1,060,170

INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF APPROVED LOANS — June 30, 1966

Obligor (Guarantor)	Purpose (Estimated cost)	Dates: Approved (signed)	Amount Approved \$ U.S.	Interest %
<b>I. ORDINARY CAPITAL</b>				
Corporación de Fomento de la Producción Public entity	Industrial, mining & fishery development (\$ 76,000,000)	4/9/61 (4/19/61)	6,000,000	5.75
Government of the Republic of Chile Public entity	Water supply (\$ 1,806,000)	11/22/61 ( 5/16/62)	1,050,000	5.75
Corporación de Fomento de la Producción Public entity	Fishery project (\$ 9,500,000)	12/7/61 ( 3/29/62)	5,000,000	5.75
Government of the Republic of Chile Public entity	Irrigation of area between Claro & Maule Rivers, Talca Prov.	2/8/62 ( 5/16/62)	2,211,460	5.75
Compañía Manufacturera de Papeles y Cartones, S. A. Private entity	Expansion of Pulp Plant (\$ 32,004,000)	11/8/62 (11/23/62)	15,936,000	5.75
Maderas Aglomeradas Pini-hue, S. A. (Corporación de Fomento de la Producción) Private entity	Chipboard plant at Chiguayante (\$ 3,067,000)	7/7/63 ( 2/8/63)	1,232,320	5.75
Empresa de Agua Potable (Republic of Chile) Public entity	To Improve Santiago's Municipal Water Supply System (\$ 10,695,000)	4/4/63 ( 5/24/63)	5,125,000	5.75
Empresa Nacional del Petróleo (ENAP) (Corporación de Fomento de la Producción) Public entity	To Build New Oil Refinery near Concepción (\$ 34,000,000)	10/24/63 (112/5/63)	11,000,000	5.75
Corporación de Fomento de la Producción Public entity	Industrial mining & fishery development Supplements 1961 Loan (\$ 59,700,000)	3/12/64 ( 3/17/64)	6,000,000	5.75
Banco Central de Chile Public entity	Refinancing Capital Goods Exports	4/8/64 ( 4/15/64)	2,000,000	6.00

Obligor (Guarantor)	Purpose (Estimated cost)	Approved (signed) Dates:	Approved \$ U.S. Amount	Interest %
Republic of Chile Public entity	Irrigation of 81,000 Acres in Linares Prov. Digua Dam (\$ 14,050,000)	8/6/64 ( 8/12/64)	3,500,000	6.00
Compañía Manufacturera de Papeles y Cartones, S. A. Private entity	Pulp mill Supplement to 1962 Loan (\$ 6,300,000)	10/8/64 ( 19/9/64)	1,400,000	6.00
Corporación de Fomento de la Producción Public entity	Industrial development to develop Small and Medium Private Industry (\$ 26,666,000)	9/23/65 ( 12/3/65 )	8,000,000	6.00
	Sub-Total		68,454,780	

## II. FUND FOR SPECIAL OPERATIONS

Corporación de Fomento de la Producción Public entity	Farm settlement (\$ 13,860,000)	12/21/61 ( 5/2/62 )	5,657,000	4.00
Corporación de Fomento de la Producción Corporación de la Reforma Agraria Public entities	Technical Assistance in Agrarian Reform (\$ 265,000)	12/21/61 ( 5/2/62 )	265,000	4.00
Corporación de Fomento de la Producción Public entity	Aerial photogrametric survey (\$ 5,380,000)	10/18/62 ( 12/20/62)	2,100,000	4.00
Corporación de Fomento de la Producción Public entity	Preinvestment studies for National & Regional Development Projects (\$ 4,500,000)	8/12/65 ( 11/26/65)	3,000,000	4.00
Universidad de Concepción (Corporación de Fomento de la Producción) Private entity	Advanced education-To raise academic standards of schools of education & social sciences (\$ 2,920,000)	11/4/65 ( 1/20/66)	1,200,000	2.25
Republic of Chile Public entity	Improvement & Installa- tion of Water Supply Systems in 39 cities. (\$ 26,006,000)	12/14/65 ( 3/25/66)	15,500,000	2.25
Universidad Técnica Federico Santa María (Corporación de Fomento de la Producción) Private entity	Advanced education - Improve Vocational Education (\$ 4,100,000)	1/6/66 ( 6/20/66)	2,500,000	2.25

Obligador (Guarantor)	Purpose (Estimated cost)	Approved (signed) Dates:	Approved \$ U.S. Amount	Interest %
Corporación de Servicios Habitaciones (Republic of Chile) Public entity	Low-cost Housing (\$ 24,000,000)	4/24/66	12,050,000	2.25
Universidad de Chile (Corporación de Fomento de la Producción) Public entity	Advanced education - Expansion of faculty of Agronomy & Veterinary Medicine (\$ 6,400,000)	5/12/66	5,000,000	2.25
Republic of Chile Public entity	To complete Chilean section of Trans-Andean Highway (\$ 27,000,000)	6/16/66	15,000,000	3.25
	Sub-Total		62,880,503	

### III. SOCIAL PROGRESS TRUST FUND

Republic of Chile Public entity	Potable Water Supply Systems in Concepción and Talcahuano (\$ 4,248,000)	11/22/61 ( 5/16/62)	2,470,000	2.75
Corporación de Fomento de la Producción Corporación de la Reforma Agraria Public entities	Low-cost Rural Housing (\$ 2,490,000)	12/21/61 ( 5/ 2/62)	1,268,000	1.25
Corporación de Fomento de la Producción Public entity	Supervised Agricultural Credit to Cooperatives & Small Farmers. INDAP (\$ 21,770,000)	12/21/61 ( 5/16/62)	6,500,000	1.25
Caja Central de Ahorros y Préstamos (Republic of Chile) Public entity	Housing-to finance 65% of cost of 2,300 homes (\$ 7,697,000)	5/17/62 ( 6/13/62)	5,000,000	1.25
Promotora de Viviendas Económicas Limitada y Compañía, C.P.A. (Corporación de la Vivienda) Private entity	Housing-to help finance 1,900 housing units at Viña del Mar (\$ 7,643,000)	7/23/62 ( 1/22/63)	2,000,000	1.25
Universidad de Chile (Corporación de Fomento de la Producción) Public entity	Advanced education - to establish 5 regional colleges (\$ 6,847,000)	11/15/62 (12/19/62)	2,300,000	1.25

Obligador (Guarantor)	Purpose (Estimated cost)	Dates: Approved (signed)	Amount Approved \$ U.S.	Interest %
Cooperativa de Consumidores Unidos "UNICOOP"-Santiago Ltda. (Corporación de Fomento de la Producción) Public entity	Food marketing - to finance 51% of cost of 4 Supermarkets and a Central Warehouse (\$ 1,175,000)	1/31/63 ( 4/26/63)	600,000	1.25
Corporación de la Vivienda Public entity	Housing-to help finance 2,400 low-cost homes near Valparaíso (\$ 5,500,000)	10/24/63 (11/ 5/63)	2,000,000	1.25
Republic of Chile Public entity	Water supply systems in 300 rural communities (\$ 5,000,000)	3/12/64 ( 3/17/64)	2,500,000	2.75
Caja Central de Ahorros y Préstamos (Republic of Chile) Public entity	Housing-Construction of 2,500 low-cost homes (\$ 7,700,000)	7/30/64 ( 8/12/64)	5,000,000	1.25
Universidad de Chile (Corporación de Fomento de la Producción) Public entity	Advanced education to expand School of Public Health (\$ 2,300,000)	10/ 1/64 (10/31/64)	1,250,000	1.25
Universidad Católica de Chile (Corporación de Fomento de la Producción) Private entity	Advanced education-expansion of School of Physical Sciences and Mathematics (\$ 3,800,000)	10/22/64 (11/ 2/64)	1,050,000	1.25
Instituto de Viviendas Populares Caritas (INVICA) (Corporación de la Vivienda) Private entity	Housing-construction of 840 units near Santiago (\$ 2,500,000)	3/11/65	2,000,000	1.25
Instituto de Promoción Agraria de Chile (Republic of Chile) Private entity	Agrarian Reform-Land subdivisión plan for 600 families (\$ 3,700,000)	11/ 4/65 ( 3/ 7/66)	1,500,000	1.25
Sub-Total			35,438,000	
Total IADB Loans to Chile			\$ 166,773,283	

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**  
**STATEMENT OF LOANS — JUNE 30, 1966**

Guarantor	Purpose	Date of Loan Agreement	Original Principal Amount	Interest %
<b>I. WORLD BANK.</b>				
Ministry of Public Works	Road Construction	6/28/61	6,000,000	5 3/4
Empresa Nac. de Electricidad & CORFO	Electric Power Construction	3/25/48	13,500,000	4 1/2
ENDESA & CORFO	Electric Power Construction	11/ 1/56	15,000,000	5
ENDESA & CORFO	Electric Power Construction	12/30/57	32,500,000	6
ENDESA & CORFO	Electric Power Construction	2/12/65	4,400,000	5 1/2
CORFO	Agricultural Development	10/10/51	1,300,000	4 3/8
CORFO	Agricultural Development	3/25/48	2,500,000	5 1/2
CORFO	Agricultural Development	12/18/63	19,000,000	5 1/2
CORFO	Agricultural Development	12/18/63	5,000,000	5 1/2
CORFO	Educational Development	10/ 6/65	2,750,000	5 1/2
Cía. Manufacturera de Papeles y Cartones, S. A.	Paper Machinery Purchase	9/10/53	20,000,000	5
Cía. Carbonífera Lota-Schwager, S. A. & CORFO	Coal Machinery Purchase	7/24/57	12,200,000	5 3/4
Cía. Carbonífera Lota-Schwager, S. A. & CORFO	Coal Machinery Purchase	7/24/57	9,600,000	5 3/4
	TOTAL		143,750,000	
<b>II. INTERNATIONAL FINANCE CORPORATION.</b>				
Empresa Minera de Mantos Blancos S. A.	Mining Development	8/57	4,337,500	
Fideos y Alimentos Carozzi, S. A.	Food Machinery	6/59	1,653,846	
Cementos Bío-Bío S. A.	Construction Development	7/59	1,300,000	
Cía Manufacturera de Papeles y Cartones S. A.	Paper Machinery Purchase	11/63	3,000,000	
	TOTAL		10,291,346	
<b>III. INTERNATIONAL DEVELOPMENT ASSOCIATION.</b>				
Ministry of Public Works	Road Construction	6/28/61	129,000,000	3/4
	TOTAL		19,000,000	

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**U. S. LOANS TO CHILE WITHIN THE ALLIANCE FOR PROGRESS**

**I. Through the Agency for International Development. (AID)**

<b>Loan</b>	<b>Date of the Agreement</b>	<b>Amount US\$</b>	<b>Borrower</b>	<b>Interest %</b>	<b>Term of the Loan</b>
1. Southern Reconstruction	8/ 3/61	100,000,000	GOC	3/4	40 yrs. and payment starting after 10 yrs.
2. Industrial Development	8/15/62	40,000,000	CORFO	3/4	40 years
3. Pudahuel Airport	7/19/60	10,500,000	GOC	3 1/2	20 years
4. Concepción Airport	6/21/61	3,200,000	GOC	3 1/2	20 years
5. Savings and Loan Association	6/14/61	5,000,000	GOC	4	20 years
6. Program Loan	1/31/63	35,000,000	Caja Central	3/4	40 years
7. Feasibility Etudies for specific projects both in the public and private sectors	3/ 6/64	3,000,000	GOC	3/4	40 years
8. San Vicente Port	5/11/64	7,000,000	Empresa Portuaria de Chile (EMPOCH) GOC	3 1/2	20 years
9. Construction of 23 public schools	6/22/64	2,100,000	GOC	3/4 first 10 years. 2 remaining years	40 years
10. Savings and Loan Association	3/218/64	8,700,000	Caja Central GOC	4	20 years
11. Program Loan	4/ 3/64	55,000,000	GOC	3/4 first 10 yrs. 2 remaining yrs.	40 years
12. Program Loan	1/15/65	80,000,000	GOC	1 first 10 yrs. 2 1/2 30 remaining years	40 years

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Loan	Date of the Agreement	Amount US\$	Borrower	Interest	Term of the Loan
13. Rural Electrification	3 5/65	3,300.000	CORFO	3/4 first 10 years 2% remaining yrs.	40 years
14. Cooperative Development Bank	8/22/65	3,600.000	Cooperative Financing Institute (IFICOOP)	1% first 10 years 2 1/2 remaining yrs.	15 years & payment starting after 10 years
15. Importation of Fertilizers	1/11/66	3,650.000	Empresa Comercio Agricola	1% first 10 yrs. 2 1/2 remaining years.	40 years
16. Program Loan	2/14/66	80,000.000	GOC	1% first 10 yrs. 2 1/2 remaining yrs.	40 years

III. Through the Export-Bank (EXIMBANK) of Washington

Loan	Date of the Agreement	Amount US\$	Purpose of Loan	Cancellation Date
1. Soprole & Afia Soc. Ltda.	3/24/61	38,500	Milk trucks & ind. machinery	12/25/66
2. Firemen Corps.	4/ 4/61	19,200	Fire equipment	5/11/64
3. Banco Español	4/11/61	44,500	Bank accounting machines	4/16/66
4. Agencias Generales S. A.	4/26/61	20,500	Purchase of Equipment	9/15/64
5. Soprole & Afia Soc. Ltda.	6/16/61	28,500	Evaporating Milk Machines	4/15/67
6. Soprole & Afia Soc. Ltda.	6/16/61	10,500	Purchase of Ind. Machinery	9/19/66
7. Soprole & Afia Soc. Ltda.	6/16/61	48,000	Refrigeration Equipment	11/16/66
8. General Machinery Co. Ltd.	6/20/61	29,000	X-Ray Equipment	5/26/63

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Loan	Date of the Agreement	Amount US\$	Borrower	Interest %	Term of Loan
9. Sociedad Nacional de Paños	9/ 7/61	61,200	Purchase of Equipment	6	3/ 7/67
10. Banco Nacional del Trabajo	9/25/61	40,800	Purchase of Accounting Machines	7	2/ 1/66
11. Banco de Osorno y La Union	12/20/61	13,000	Purchase of Acc. Machines	7	2/14/66
12. Cía. Sud. de Fosfatos	2/14/62	95,100	Plants Sulphuric Acid	6	8/ 1/67
13. Manufacturera de Metales	3/22/62	820,000	Expansion of Installations	5 3/4	7/31/70
14. Cía. Minera Andina	6/ 7/62	45,625,000	Dev. of Copper Mine	5 3/4	9/ 1/77
15. Municipality of Concepción	10/24/62	9,690	Purchase vehicles	8 1/2	1/15/67
16. Pacific Steel Co. (CAP)	11/29/62	8,300,000	Expansion of installations	5 3/4	6/30/66
17. Government of Chile	1/10/63	15,000,000	Refinancing of Import.	5 3/4	1/15/70
18. Government of Chile	1/31/63	698,695	Const. of a freight dike	6	6/30/70
19. Manufactureras de Cobre S. A.	6/13/63	500,000	Aluminum Factory	5 3/4	7/ 1/70
20. Corporación de Fomento de la Prod.	12/31/63	1,500,000	Purchase Airport Equipment	5 3/4	9/ 1/77
21. Central Bank of Chile	3/ 5/64	15,000,000	Purchase of equip.	5 1/2	1/15/72
22. Pacific Steel Co. (CAP)	4/23/64	11,300,000	Expansion of installations	5 1/2	6/30/67
23. Chemical Industries Rayon Said	7/ 9/64	905,000	Spinning Plant	5 1/2	11/15/71
24. Forests & Wood Ind. S. A. (BIMA)	7/30/64	2,740,137	Purchase machinery	5 1/2	3/ 1/68
25. Commandari S. A.	8/24/64	1,275,000	Purchase machinery	5 1/2	12/15/73
26. Soc. Inmobiliaria La República	12/21/64	50,000	Purchase equipment	5 1/2	4/ 1/75
27. Laja-Crown S. A. (LACROSA)	2/ 4/65	3,600,000	Purchase equipment for	5 1/2	4/ 1/75
28. Government of Chile	4/ 8/65	18,414,036	Exchange Emergencies	5 1/2	4/10/74