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REPORT OF THE ECONOMIC AND SOCIAL COUNCIL

Permanent sovereignty over natural resources

Report of the Secretary-General**

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** Supplement to the report of the Secretary-General issued under the symbols E/5425 and Corr.1 and E/5425/Add.1.

I. INTRODUCTION

1. The report of the Secretary-General on permanent sovereignty over natural resources (E/5425 and Corr.1 and E/5425/Add.1) was prepared during the autumn of 1973. The report of the Secretary-General on the same subject, entitled "Summary of views expressed by Governments at the twenty-eighth session and the sixth special session of the General Assembly" (E/5549), was prepared in the spring of 1974. Both of these reports have been considered by the appropriate bodies of the United Nations.

2. The present supplementary report is in response to General Assembly resolution 3171 (XXVIII) of 17 December 1973, in which the Assembly requested the Secretary-General to prepare a supplement to his report on permanent sovereignty over natural resources (E/5425 and Corr.1 and E/5425/Add.1) in the light of the discussions at the fifty-sixth session of the Council and of any other relevant developments, and to submit that supplementary report to the General Assembly at its twenty-ninth session. In preparing this supplementary report, the Secretary-General has also taken into account decision 33 (LVII) of 1 August 1974 of the Economic and Social Council at its fifty-seventh session to reaffirm the continuing importance of the question and to retain the item on the agenda and programme of work of the Council and of the Committee on Natural Resources for consideration, as appropriate. The present supplementary report thus highlights some major recent developments and constitutes a part in a series of continuous studies on the subject.

II. RECENT DEVELOPMENTS WITHIN THE UNITED NATIONS SYSTEM

3. Among the relevant recent developments within the United Nations system on the question of permanent sovereignty over natural resources is the preparation of a Charter of Economic Rights and Duties of States under the auspices of the United Nations Conference on Trade and Development. ^{1/} Although a number of unresolved issues remained after the conclusion of the fourth session of the Working Group on the Charter of Economic Rights and Duties of States at Mexico City on 29 June 1974, including those concerning permanent sovereignty over natural resources, attempts at resolution of these issues at the fourteenth session of the Trade and Development Board could result in further elucidation of the principle of permanent sovereignty.

4. Another relevant development concerns the resources of the sea, which are under consideration by the Third United Nations Conference on the Law of the Sea. The issues under discussion include not only resources beyond the limits of national jurisdiction and an appropriate international régime to deal with such resources, but also the nature and extent of national jurisdiction in such areas as the territorial sea, the contiguous zone, the continental shelf or the exclusive economic zone beyond the territorial sea with respect to different kinds of natural

^{1/} See Proceedings of the United Nations Conference on Trade and Development, Third Session, vol. I, Report and Annexes (United Nations publication, Sales No.: E.73.II.D.4), paras. 209-215.

resources. 2/ The conclusions of the Third United Nations Conference on the Law of the Sea, therefore should be of great importance and add another dimension to the consideration of the issue of permanent sovereignty.

5. A further relevant development is the completion of the report of the Group of Eminent Persons to Study the Impact of Multinational Corporations on Development and on International Relations as well as the comments of the Secretary-General on the report. 3/ Many recommendations of the Group are relevant to the exercise of permanent sovereignty over natural resources since such an exercise frequently involves these corporations.

6. Some of the major recommendations of the Group have already been endorsed by the Economic and Social Council at its fifty-seventh session, notably the establishment of appropriate permanent machinery to assist the Council in dealing with the issue of transnational corporations, the establishment of an information and research centre on these corporations and the promotion of a programme of technical co-operation aimed at strengthening the capacity of host countries, in particular of developing countries, in their dealings with these corporations. Further consideration of the Group's recommendations and possible arrangements will be made by a special intersessional committee of the Council which will report to the Council at its resumed fifty-seventh session (see Economic and Social Council resolution 1908 (LVII) of 2 August 1974).

2/ See memorandum by the Secretary-General entitled "Organization of the second session of the Conference and allocation of items" (A/CONF.62/BUR/1).

3/ The Impact of Multinational Corporations on Development and on International Relations (United Nations publication, Sales No.: E.74.II.A.5).

III. RECENT DEVELOPMENTS RELEVANT TO THE EXERCISE OF PERMANENT SOVEREIGNTY

7. The most conspicuous recent development in the exercise of permanent sovereignty over natural resources is the dramatic change in the ownership and control of these resources in a number of countries. These changes have, moreover, been facilitated or reinforced by co-operative arrangements, especially among developing producing and exporting countries.

A. Recent developments in petroleum-exporting countries

8. The successes of the petroleum-exporting countries have been spectacular. Table 1 below summarizes the change in ownership and control patterns in the Organization of Petroleum Exporting Countries (OPEC) from 1970 to mid-1974. In less than half a decade, the traditional phenomenon of foreign majority-owned or controlled petroleum facilities has become the exception rather than the rule in the OPEC countries.

9. The breakthrough with respect to the participation issue occurred in 1972. In an agreement on 5 October 1972 in New York with five oil-producing countries (Abu Dhabi (United Arab Emirates), Iraq, Kuwait, Qatar and Saudi Arabia) the major international oil companies consented to yield, effective 1 January 1973, 25 per cent control of their concessions to the producing countries; that percentage was to rise by stages to a 51 per cent controlling interest in 1983, and would remain at that level until the expiration of the concession agreements (which range from 1993 in Saudi Arabia to 2014 and 2018 in Abu Dhabi). The producing countries agreed to pay somewhat more than the book value of above-ground assets according to an accounting formula known as "updated book value", but obtained the recognition that unproduced oil reserves were national assets not subject to compensation.

10. In an OPEC meeting later in the same year, it became apparent, however, that it was difficult to set uniform standards for all member countries. A few countries, such as Iraq, has already nationalized certain oil facilities, ^{4/} while others had negotiated higher shares of participation. Algeria held 51 per cent, and Nigeria, which already had 30 and 35 per cent of some oil companies, had adopted a four-year plan which called for 51 to 55 per cent equity in all "strategic industries". ^{5/} In a subsequent meeting of OPEC at Riad, on

^{4/} The Iraq Petroleum Company was nationalized on 1 June 1972. Its two subsidiaries, the Basrah and Mosul Petroleum Companies, which produced about 40 per cent of Iraq's oil output, were not so affected.

^{5/} At the end of 1971, Nigeria established the Nigerian National Oil Corporation, which had a 51 per cent participation option in a number of oil companies in the event of a commercial oil discovery.

Table 1. Changes in ownership patterns in the petroleum industry
in OPEC countries, since 1970

Country	Changes
Algeria	100 per cent nationally-owned Société nationale des transports des hydrocarbures (Sonatrach) was established prior to 1970. Algeria took a 51 per cent share in all French petroleum companies in 1971
Iraq	100 per cent nationally-owned Iraq National Oil Company was established prior to 1970. Iraq nationalized the Iraq Petroleum Company in 1972
Kuwait	Kuwait took a 60 per cent participation in the Kuwait Oil Company in 1974
Libyan Arab Republic	The Libyan Arab Republic took a majority participation in all major foreign oil-producing facilities in 1973
Nigeria	Nigeria acquired 55 per cent participation in all foreign oil-producing affiliates in 1974
Qatar	Qatar obtained 60 per cent participation in Western oil companies in 1974
Saudi Arabia	Saudi Arabia obtained 60 per cent participation in the Arabian American Oil Company (ARAMCO) in 1974
United Arab Emirates	Abu Dhabi obtained 60 per cent participation in the Abu Dhabi Petroleum Company in 1974
Venezuela	Legislation has been published in 1974 with the aim of nationalizing the petroleum industry

Source: Centre for Development Planning, Projections and Policies,
Department of Economic and Social Affairs, United Nations Secretariat.

26 and 27 October 1972, the Libyan Arab Republic announced that it would not accept the draft agreement negotiated in New York and demanded a 50 per cent participation immediately; it also asked that the acquisition of the 50 per cent participation be calculated on the basis of "net book value" and not on "updated book value". The Libyan Arab Republic further indicated that it had to have the option, but not the obligation, to sell back its 50 per cent of crude oil to the companies for marketing at a price half way between tax-paid cost and posted price. 6/ The request by the Libyan Arab Republic for 50 per cent participation was, however, rejected by Nelson Bunker Hunt, an independent American oil company, and on 1 September 1973, the Government of the Libyan Arab Republic nationalized 51 per cent of all the major oil companies and set up a commission to determine the amount of compensation due.

11. Early in that year, on 22 January 1973, the Government of Kuwait signed with the Kuwait Oil Company (KOC) an agreement under which it acquired 25 per cent participation rights in the operation of the company; the participation rights were to rise to 51 per cent of equity by 1982. The reluctance of the Kuwait National Assembly to ratify the agreement prompted the Government to seek renegotiation. KOC was owned equally by British Petroleum and Gulf, and accounted for 92 per cent of Kuwait's annual crude oil production. On 29 January 1974, the Government of Kuwait signed a revised agreement with British Petroleum and Gulf on taking a 60 per cent share in KOC; the take-over was ratified, retroactive to 1 January 1974, by Kuwait's National Assembly in May 1974.

12. Following Kuwait's lead, Qatar renegotiated a participation agreement with its Western oil companies and increased the Government's stake in the companies' operations from 25 to 60 per cent, also back-dated to 1 January 1974. In March 1974, Abu Dhabi was offered a 60 per cent holding in the oil-producing concessions of the big oil companies operating in the country. One month later, the Libyan Arab Republic signed a participation agreement with EXXON and Mobil Oil under which the Libyan Arab Republic acquired 51 per cent of the companies' local crude petroleum assets. By signing the agreement, EXXON and Mobil Oil thus signified their acceptance of the measures announced by the Government of the Libyan Arab Republic with regard to foreign companies on 1 September 1973. The companies which did not accept those measures were subsequently nationalized. In the meantime, the Government of Nigeria had started negotiations with the major oil companies in the country with a view to the State-owned National Oil Corporation taking up a majority share in their operations. In May 1974, the Government of Nigeria announced that an agreement in principle had been achieved, through which it acquired 55 per cent participation in existing company concessions. In Venezuela a bill was passed by the House of Deputies calling for nationalization of Venezuela's petroleum industry. In May 1974, the Government appointed a

6/ On 30 September 1972, the Italian oil company, Agenzia Generale Italiana Petrolio (AGIP), accepted a request by the Libyan Arab Republic for 50-50 participation and agreed to the principle of the halfway buy-back price, but was granted the updated book value. Under the New York agreement, the buy-back price was to be just over quarter-way between tax-paid cost and posted price.

commission to study plans to accelerate the take-over of the oil industry; the take-over was originally scheduled for 1983, but it is now expected within a year. In Saudi Arabia, an interim agreement was reached with the Arabian American Oil Company, in June 1974, whereby the Government would acquire 60 per cent ownership of the company's concessions and assets. Negotiations on a final settlement (to be made retroactive to January 1974), including the amount of compensation to be paid, were in process during the summer of 1974.

13. When all these arrangements have been completed, the major oil-producing countries will have acquired majority or complete control or ownership of virtually all their petroleum resources.

14. Concomitant with the gains in control or ownership of petroleum resources by the exporting countries have been significant increases in the share of benefits accruing to the same countries. The postal prices of "bench-mark" oil rose in rapid succession from \$1.80 per barrel at the beginning of 1971 to \$11.65 per barrel as from 1 January 1974. 7/ OPEC oil revenues are expected to rise from about \$24,000 million in 1973 to about \$100,000 million in 1975. Revenues derived from participation in the operating companies are estimated to have risen from about 10 cents per barrel early in 1973 to about 70 cents in the last quarter of the year. 8/ These developments have inevitably important implications for the economic future of the producing countries as well as for the rest of the world.

B. Recent developments in bauxite-producing countries

15. The agreement by the major bauxite-exporting countries, in a conference at Conakry, Guinea, from 5 to 8 March 1974, to establish the International Bauxite Association 9/ can at least be partially attributed to the demonstration effect of OPEC. The idea of an international bauxite association is, of course, not new. It was already suggested in the context of the negotiations between Guyana and Alcan Aluminium Limited (Alcan) regarding the nationalization of the latter's assets in Guyana. These negotiations, which began at the end of 1970, led to the nationalization of the Demarara Bauxite Company (Demba), the subsidiary of

7/ "World economic survey, 1973: part two. Current economic developments" (E/5521 and Add.1-3), pp. 1-19 (to be issued as a United Nations publication).

8/ Ibid., pp. 1-45.

9/ The Conakry conference was attended by representatives of Australia, Guinea, Guyana, Jamaica, Sierra Leone, Surinam and Yugoslavia, who also became the founding members of the Association. Algeria, Ghana, Mali and the United Republic of Cameroon sent observers. The Dominican Republic announced at the beginning of August 1974 that it would seek membership in the Association. The articles of the agreement are contained in "Final act of the international conference of bauxite-producing countries" Conakry, March 1974 (mimeographed).

Alcan in Guyana, in July 1971. Despite the highly integrated nature of the industry, the new State-owned Guyanese bauxite enterprise, the Guyana Bauxite Company (Guybau), was able to overcome various difficulties 10/ of the immediate post-nationalization period. In Jamaica, which is the second largest bauxite exporter (after Australia) and supplies over half of the bauxite imports of the United States, the newly elected Government, in October 1973, informed the bauxite and alumina enterprises operating in the country 11/ that it intended to open negotiations on a number of items vital to it. On 15 March 1974, the Prime Minister of Jamaica met with the chief executives of the companies in question to explain the thinking underlying the Government's proposal and "the Government's desire to work out a new structure of partnership with the companies that would be viable for at least one generation". 12/ Formal negotiations between Jamaica and the companies began on 18 March 1974 and continued until 14 May 1974.

16. The Government of Jamaica put five basic proposals before the companies: 13/

(a) The formula for revenue should be linked, not as has customarily been the case, to the price of the raw material, but to the price of the finished product (aluminium);

(b) Means should be found to increase the contributions made by Jamaica's bauxite and alumina exports to its balance of payments;

(c) All lands currently owned by the companies should revert to the Government so that the control of surface rights would return into Jamaican hands;

(d) The Government should re-acquire control of the bauxite ore;

(e) National participation in the ownership of the bauxite and alumina operations in Jamaica should be negotiated.

10/ The Chairman of Guybau listed eight major problems faced by the enterprise in shifting to an independent bauxite/alumina operation: staffing and organization; production; maintenance of equipment; maintaining stock levels; finance; personnel administration and industrial relations; marketing; and shipping. Some of these problems were solved by contracting United States-based marketing and purchasing agencies; the agreements with both agencies also provided for training of personnel in the marketing and purchasing areas (Guybau, Annual Report, 1972).

11/ These companies are the following: Alcan Aluminium Limited (Alcan); Aluminum Company of America (Alcoa); Kaiser Aluminum and Chemical Corporation; Revere Copper and Brass Company; Reynolds Metals Company, and Alumina Partners (a consortium of Kaiser, Reynolds and Anaconda).

12/ Statement by the Prime Minister before the Parliament of Jamaica on current bauxite negotiations, 15 May 1974.

13/ Idem.

/...

17. The negotiations, held from 18 March to 14 May 1974, focused on the first of these proposals. Since no satisfactory agreement had been reached, the Parliament of Jamaica, on 15 May 1974, enacted a bill, retroactive to 1 January 1974, containing the formula for royalty and production levies originally suggested by the Government. The formula for new production levies on bauxite mined for export and for local processing into alumina is a percentage based on the price of aluminium ingot as determined by the weighted average of certified realized prices as published in the 10-K annual reports filed by the Aluminum Company of America (Alcoa), the Kaiser Aluminum and Chemical Corporation (Kaiser) and the Reynolds Metals Company (Reynolds) in accordance with the Securities and Exchange Act of the United States, in which companies must make a full disclosure of all relevant financial information concerning their operations. 14/ The value of the levy per ton of bauxite is scheduled to rise from 7.5 per cent of the realized price on shipments of primary aluminium in the last three months of the fiscal year 1973/74 and the fiscal year 1974/75 to 8.0 per cent in 1975/76 and 8.5 per cent in 1976/77. If price controls were reimposed in the United States, the price of aluminium ingot would be determined by an average of prices in the free markets of major industrial countries in Europe and Japan. In addition, the royalty payable on both bauxite exported and processed will be calculated at a flat rate of \$J 0.50 per ton. In order to secure some stability in Government revenues, minimum levels of production are to be established for each company.

18. Although the international aluminium companies have accepted the need for redefining relationships with the Government of Jamaica and providing substantially higher revenues from bauxite for the Government, they have considered the increase in the total payments, from about \$25 million a year under the previous régime to at least \$160 million in the current year, as excessive. 15/

19. Three of the companies involved - Alcoa, Kaiser and Reynolds - claimed that the unilateral measures introduced by the Government of Jamaica were at variance with the terms of the respective contracts and have requested arbitration of their dispute with the Government of Jamaica by the International Center for Settlement of Investment Disputes in accordance with article 36, paragraph (3), of the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States. 16/ After the Center had registered the arbitration requests, Jamaica notified the Center that any of its investment disputes directly related to natural resources should not be subject to the jurisdiction of the Center.

14/ The Government's decision to link the formula for new production levies to the price of aluminium ingot is based on the view that primary aluminium is the most reliable item for that purpose, because it is the stage at which the largest free market for any bauxite products exists, even though this free market is small in relation to total production. There is virtually no free market for bauxite.

15/ See "Background statement on Jamaican Government revenue proposals" presented by North American aluminium producers with operations in Jamaica, 16 May 1974.

16/ United Nations, Treaty Series, vol. 575, No. I:8359, p. 159.

20. Although the Jamaican initiative is largely national in scope, new solidarity of the bauxite-exporting countries is essential for its long-term success. Already, there are some indications that the Jamaican model is being emulated. In July 1974, the Government of Guyana demanded the acceptance of the novel formula of linking revenue to the price of finished goods in its negotiations with Reynolds. ^{17/} Similarly, the Dominican Republic - which also had initiated, in April 1974, negotiations with Alcoa, the aluminium company exploiting its bauxite reserves - demanded "just compensation similar to that currently being paid in Jamaica ...". ^{18/} In an effort to strengthen the long-term bargaining position, the Caribbean bauxite-producing countries have also initiated co-operation in establishing smelting facilities in their territories. The Prime Ministers of Guyana, Jamaica and Trinidad and Tobago agreed, in June 1974, to construct two aluminium smelters. The first smelter, with a capacity of 200,000 tons of aluminium, is to be built (beginning in 1976) at Point Lisas in southern Trinidad. The second smelter, with the same capacity, is to be built, beginning in 1978, in Guyana.

21. Further developments in this area are likely to involve the next phase of negotiations between the Government of Jamaica and the international aluminium companies on land ownership and equity participation.

C. Recent developments in other mineral-producing countries

22. In addition to petroleum and bauxite, co-operation among the major copper-exporting countries - namely Chile, Peru, Zaire and Zambia - is taking place in the organization of the Intergovernmental Council of Copper-exporting Countries (CIPEC), founded in 1967. The individual member countries had been very successful in establishing control over their natural resources. Until the mid-1960s, all of their copper-production facilities had been wholly-owned subsidiaries of international copper companies. Zaire was the first of the four countries to nationalize, in 1966-1967, the copper facilities located in its territory and owned by Union Minière du Haute Katanga. ^{19/}

23. Zambia moved in the same direction when it requested, in 1969, participation in the two major foreign copper companies operating in the country. A settlement

^{17/} The Government also expects to gain majority participation in Reynolds' facility in Guyana by the end of 1974.

^{18/} Statement of the Dominican Republic Bauxite Commission, 8 July 1974. The Dominican Republic is also seeking alumina production in the country. Negotiations with Alcoa broke down on 8 July 1974, whereupon the next day a bill was introduced and unanimously adopted in the Dominican Lower House which redefined the revenue-reference-price according to the Jamaican model. Surinam, reportedly, has scheduled negotiations with Alcoa (the main international aluminium company operating on its territory), to begin in August 1974.

^{19/} A compensation agreement was reached with the company in 1969.

was reached in which the Government received - against compensation - 51 per cent participation; the previous owners, however, continued to effectively participate in the new enterprises through sales and management contracts. When these arrangements appeared to have vested effective control of the enterprises in the minority shareholders, especially because of their veto power regarding major management decisions, the Government of Zambia, on 31 May 1973, announced further reforms designed to achieve greater involvement in the management of the mining industry through, *inter alia*, the abolition of special privileges previously enjoyed by the companies and the establishment of a government-owned copper-marketing company. A substantial part of the subsequent negotiations with the companies regarding the implementation of this programme was successfully concluded early in 1974. The Government of Zambia is continuing the further "Zambianization" of the copper industry, especially as regards the employment of nationals.

24. In Chile, the Government obtained, beginning in 1967, majority control in the major (United States-based) copper mines located in its territory, a process completed in 1971 when the Government nationalized all large-scale copper-mining companies. Although the new Government reversed some of the previous policies concerning certain sectors, it did not denationalize the copper mines, but, rather, paid compensation in those cases where this had not already been done.

25. Finally, when Peru nationalized, after fruitless negotiations, the assets of one of its major (United States-based) copper companies on 1 January 1974, 20/ all major copper-exporting countries had established national control over their natural resources.

26. Less successful, however, were several attempts of CIPEC to control fluctuations of copper-market prices. The member countries could not agree on the establishment and financing of a buffer-stock. In the wake of the success of OPEC, the meeting of the CIPEC members at Lusaka, Zambia, in June 1974, was awaited with some expectations. At the end of the meeting, however, no announcement regarding a floor price was made, although the final communiqué stated that the member countries had decided to completely co-ordinate the policy to be followed in the world copper market. In addition, CIPEC decided, in principle, to admit other copper-producing nations either as full or associated members.

27. A significant development in connexion with the Lusaka meeting is the possibility of co-operation among producers' associations. Such co-operation may become very important and necessary since a number of minerals - particularly aluminium, copper and stainless steel - are substitutes for each other. In this situation, parallel strategies between producers' associations may be essential to forestall consumer defection into substitutes. Apparently, the countries in question are well aware of these possibilities: present at the CIPEC meeting at

20/ The United States company, Cerro Corporation, was compensated as part of a lump-sum settlement negotiated between the Governments of Peru and the United States of America in February 1974.

Lusaka were delegations of members of the Organizations of Petroleum Exporting Countries, 21/ the International Bauxite Association and an informal grouping of iron-ore producers. Furthermore, the announcement issued at the end of the meeting stated that it had been decided that there should be increased and improved co-ordination with other international producers' associations.

28. It is noteworthy that most of the recent co-operative efforts in the minerals involve producers rather than producers and consumers as in the case of various international tin agreements and other post-war international commodity agreements. At the same time, the interests of the consumers, especially those of the developing countries, must be taken into account, as is explicitly stated by the International Bauxite Association.

29. Although previous efforts of major mercury producers to form an OPEC-like organization have met with repeated failure, the major producers decided, on 17 May 1974, to group themselves in a formal producers' association; at the same time they raised the price of mercury by more than 25 per cent. Leaders in the effort to control mercury prices are Italy and Spain (which have been attempting co-operation in production and price decisions since before the Second World War), Algeria, Mexico, Turkey and Yugoslavia. They are also members of the new producers' association, controlling a total of 83 per cent of market economy mercury production. Canada sent an observer to the May 1974 meeting. China and the Union of Soviet Socialist Republics have been invited to join, but so far have refrained from doing so.

D. Other relevant developments

30. Concern about sovereignty over natural resources is not limited to developing countries. Recent legislation in such countries as Australia and Canada indicates a similar desire to re-examine the existing pattern of exploitation of natural resources and the relationship with foreign companies. In Australia, the House of Representatives and the Senate, in the first joint session in the nation's history, passed, at the beginning of August 1974, the Petroleum and Minerals Authority Act, 1973. 22/ In the debates leading to the adoption of this Act, the Australian Minister for Minerals and Energy described the function of this Authority as to explore and to develop Australian petroleum and mineral resources and to assist in implementing the Government's policies of promoting Australian ownership and control of its natural resources and resource industries. 23/ In

21/ The significance of the participation of OPEC is not so much from the point of view of substitution but, rather, that it might indicate the possibility that OPEC, or some of its individual members, may actively and financially support producers' associations composed mainly of developing countries.

22/ The Act is, however, being challenged in the courts of several Australian States.

23/ Australian Minister for Minerals and Energy, 7 August 1974, Australian Parliament, Joint House debate.

addition, Australia's Parliament considered, in August 1974, a new bill aimed at strengthening the powers of the Australian Industry Development Corporation with respect to foreign take-over of domestic enterprises, and the Government has proposed the establishment of a national investment fund associated with the Corporation.

31. The purpose of the Canada Development Corporation is similar to the Australian counterpart. That Corporation made a substantial investment in 1973 to gain a controlling interest in the United States-based company, Texas Gulf, which has considerable investments in natural resources in Canada. Canada also enacted a law on foreign direct investment, regulating, in particular, take-overs and established machinery for review and screening of foreign investment. 24/

32. Even in an industrial country such as the United Kingdom of Great Britain and Northern Ireland, where natural resources development is less important, new measures have been adopted with respect to certain key resources. Thus a White Paper presented to the United Kingdom Parliament on 11 July 1974 by the Secretary of State for Energy, concerning the exploitation of oil and gas resources in the North Sea and Celtic Sea mostly by foreign enterprises, outlines measures designed "to secure a fairer share of profits for the nation and to maximize the gain to the balance of payments ... /and/ to assert greater public control ... to safeguard the national interest in an important resource which belongs to the nation". 25/ To achieve these objectives, the White Paper suggests that the Government of the United Kingdom should take the following action:

(a) Impose an additional tax on the enterprises' profits from the exploitation of the continental shelf;

(b) Leave, in all future licences, an option for the Government to take over a majority participation in all fields discovered under those licences;

(c) Aspire majority State participation in the existing licences for commercial fields since it "provides the best means for the nation to share fully in the benefits of North Sea oil ..."; under this system, the Government would contribute its share of the costs, including past costs;

(d) Establish a British National Oil Corporation through which the Government would exercise its participation rights;

(e) Submit physical production and pipelines to Government control.

24/ See Canada Gazette, Part II, 108 (27 March 1974).

25/ British Information Services, "United Kingdom off-shore oil and gas policy. Text of the White Paper presented to Parliament on 11 July 1974 by the Secretary of State for Energy", Press Release No. 16, 11 July 1974, New York, p. 2.

33. The above approach is remarkably similar to that pioneered by the major developing oil-producing countries. Indeed, the White Paper states explicitly that "the oil companies are fully aware that the present system could not continue". 26/

34. Despite the emerging trends that the foregoing and often spectacular cases appear to suggest, there is no universal trend towards a closed-door policy or antipathy towards all foreign enterprises in developing a nation's natural resources. In the centrally planned economies, such as the USSR, arrangements with Western enterprises for joint exploitation of raw materials or their derivatives, including the supply of technical know-how, the training of personnel, and finance, have multiplied in recent years. Many of these arrangements, as shown in table 2 below, involve the joint exploitation of such natural resources as copper, iron ore, timber, petroleum, coal and natural gas deposits.

35. While these projects involve a special kind of contractual relationship (non-equity joint ventures and export of products for repayment of credit), several Eastern European countries have passed legislation which allows joint ventures based on equity participation, though mostly limited to minority interest and the manufacturing sector. 27/ These developments suggest that appropriate

26/ Ibid., p. 7.

27/ In Yugoslavia, foreign minority participation was permitted as early as 1967; the relevant legislation was later amended to allow majority participation in exceptional cases. By the beginning of 1974, 95 joint venture agreements had been concluded between Yugoslavia and foreign firms; the total amount involved amounted to \$857 million, of which \$150 million represented investment by foreign enterprises.

Among the Eastern European countries, Romania passed joint venture legislation in 1971 and clarified the legal and financial position of mixed enterprises in an executive order, Decree No. 424, in the following year. Although only a few ventures have so far been set up under the new law, potential investors are being assisted to identify projects. In Hungary, a legal basis for foreign capital participation was provided by decrees in 1970 and 1972. In Poland, regulations are being considered to allow foreign equity participation on the basis of Polish majority control, with provisions for shared management responsibilities and repatriation of earnings.

For a description of industrial co-operation agreements (including that in extractive industries), between centrally planned economies and developing countries, see Implementation of the International Development Strategy. Papers for the First Over-all Review and Appraisal of Progress during the Second United Nations Development Decade, Volume II (United Nations publication, Sales No.: E.73.II.A.3), page 132. These projects include ferrous ores and oil. More recently, a USSR-Guinea bauxite project is reported to be almost completed. Some of the joint ventures are wholly owned by companies of centrally planned economies. See also United Nations Conference on Trade and Development, "Major issues in transfer of technology to developing countries. A case study of Hungary" (TD/B/AC.11/18), 15 May 1974.

Table 2. Selected industrial co-operation arrangements in natural resources between the Union of Soviet Socialist Republics and foreign enterprises, 1974

Home country of foreign enterprise	Natural resource	Remarks
Austria	Natural gas ^{a/}	Equipment for oil and gas pipelines in exchange for natural gas deliveries from USSR over a period of 23 years. Concluded 1968
	Natural gas ^{a/}	Equipment for oil and gas pipelines in exchange for natural gas deliveries from USSR over a period of 20 years. Concluded 1971
Finland	Timber	The Finnish partner supplies know-how, machinery and equipment, and labour for the construction of the Pyaozero Timber Procurement Establishment in Karelia. Payments are in timber
	Iron	Negotiations are in progress regarding the construction of an ore-dressing complex near the iron-ore deposits at Kostemusksh. It will extract 24 million tons of ore per year to produce 8.3 million tons of iron-ore pellets. Payments will also come from the output of that complex
France	Timber	Expansion and reconstruction of the Svetogorsk pulp and paper mill in the Leningrad region
	Natural gas ^{a/}	Equipment for oil and gas pipelines in exchange for natural gas deliveries from USSR over a period of 20 years. Concluded 1971
	Timber	Planned major pulp and paper mill at Ust Ilim. The mill is part of a larger project in which the Council for Mutual Economic Assistance participates
Germany, Federal Republic of	Copper	Offer to jointly develop copper deposits east of Lake Baikal
	Natural gas ^{a/}	Equipment for oil and gas pipelines in exchange for natural gas deliveries over a period of 20 years. Under the original agreement, concluded in 1970, Mannesmann delivered wide-diameter pipes in exchange for gas to the Ruhrgas Company; deliveries began at the end of 1973. The deal was doubled in volume in 1972
Italy	Iron and steel	A consortium consisting of three enterprises based in the Federal Republic of Germany (Salzgitter, Korf Stahl and Krupp) concluded, in March 1974, a \$1 thousand million agreement to help build a metallurgical complex in the area of Kursk, on the site of huge iron-ore deposits. The three enterprises will receive part of the output. The complex is part of a larger project in which also the Council for Mutual Economic Assistance participates
	Natural gas ^{a/}	Equipment for oil and gas pipeline in exchange for natural gas deliveries from USSR over a period of 20 years. Concluded 1969

Table 2 (continued)

Home country of foreign enterprise	Natural resource	Remarks
Japan ^{b/}	Coal	Development of coal in the south Yakutia basin of eastern Siberia. Japan delivers machinery and equipment needed to help exploit the coal resources and to build a railway line; goods and services valued at \$450 million. USSR will repay by coal deliveries over 20 years
	Timber, wood chips	Agreement reached in 1968 regarding the delivery of timber-production equipment, valued at \$133 million, to be paid by timber and wood chips by USSR
	Timber, wood chips	Agreement reached in 1971 regarding the delivery of timber-production equipment, valued at \$50 million, to be paid by timber and wood chips by USSR
	Timber, wood chips	Under the agreement reached in 1974 and valued at \$500 million, the project initiated in 1968 would be expanded: harvesting of timber, repayment in kind by USSR
	Petroleum	Proposed project regarding Japanese participation in the prospecting and development of oil and gas deposits on the Sakhalin shelf
	Petroleum	A proposed project in which Japan would receive petroleum from the Tyumen fields in western Siberia in exchange for equipment for prospecting and the development of the oil fields, for overland transportation to the Pacific coast and tanker-loading installations
	Copper	Offer to jointly develop copper deposits east of Lake Baikal
	Timber	Possibilities are explored for the construction in eastern Siberia of a cellulose mill, in exchange for part of the output
	Ammonia (derived from natural gas)	Occidental Petroleum Corporation and Chemico (a division of the Aerojet-General Corporation) signed, in June 1974, several contracts involving the construction of special port facilities at Odessa (Black Sea) and Ventspils (Baltic Sea), valued at \$100 million, to handle the storage and trans-shipment of ammonia to be produced at Togliatti, in four plants (valued at \$200 million), to be built by 1978. Repayment by USSR beginning in 1978 through annual shipments of 1.5 million tons of ammonia
	Natural gas	Texas Eastern Transmission Corporation and other Texas concerns envisage the development of a western Siberia gas field at Tyumen; liquefied gas would be shipped to the United States
United States of America	Natural gas derivatives	PPG Industries is negotiating to build a large complex for the production of natural gas derivatives (plastic resins, chloralkalies, ethylene glycol, vinyl chloride). Repayment in kind by USSR

Table 2 (continued)

Home country of foreign enterprise	Natural resource	Remarks
United States of America (continued)	Various	USSR suggested, in October 1973, an extensive programme of establishing power-consuming production facilities which would also involve the development of natural resources and their subsequent upgrading. Possible products: petrochemicals, methanol, ethylene, copper, aluminium, ferro manganese, ferro chromium. United States enterprises would supply equipment and technology; repayment would be from the goods produced
United States of America and Japan	Natural gas	Negotiations have been concluded on a Yakut project, valued at \$450 million, envisaging co-operation in prospecting and developing natural gas deposits. Japanese enterprises supply equipment, notably for prospecting and the construction of a gas pipeline, repayable in deliveries of natural gas over a period of 20 years. The date for the beginning of the Soviet deliveries will be agreed upon after no less than 1 million cubic metres of transportable gas have been prospected. Japan has agreed to finance the exploration phase, provided United States enterprises (Occidental Oil, El Paso Natural Gas) participate. A request for \$49 million concerning this project is pending before the United States Export-Import Bank

Source: Centre for Development Planning, Projections and Policies, Department of Economic and Social Affairs,
United Nations Secretariat.

a/ This agreement is part of a larger set of bilateral deals involving Austria, Finland, France, Germany (Federal Republic of) and Italy and valued, in 1970, at a minimum of \$1,200 million.

b/ Most of these projects were concluded or discussed within the framework of the Soviet-Japanese intergovernmental protocol signed in April 1974 aimed at developing natural resources in Siberia and valued at \$1,050 million.

safeguards are possible, or considered adequate, against any infringements on permanent sovereignty and that multinational corporations are adaptable to various circumstances and conditions.

36. The investment of funds from the petroleum-producing countries in other developing countries, apart from donations, would likewise enhance interest on the part of the former concerning treatment of investment by the latter.

37. The attitude towards foreign exploitation of natural resources thus depends not only on the desire, or lack of desire, to make use of foreign enterprises for the purposes of development but also on the perception of the nation on its ability to maintain permanent sovereignty over natural resources.

38. In a number of countries, such as Burma and Egypt, where the role of private foreign investors has been eclipsed or not been important, a re-examination appears to be in process. In December 1973, the Government of Burma announced that compensation would be paid to Burmese-owned and foreign-owned concerns nationalized since 1963. In May 1974, the Government announced that it was to award service contracts to three foreign groups for off-shore oil exploration. In Egypt, the new stance towards foreign private investment was signalled by a new investment law in 1974. In June 1974, Egypt signed a bilateral investment-guaranty agreement with the United States and a joint Egypt-United States commission was set up to deal with outstanding claims resulting from previous nationalizations.

39. These recent developments do not, of course, indicate that there is a new trend towards laissez-faire regarding foreign exploitation of natural resources. Virtually all Governments are concerned about the contribution to national development and possible problems of the activities of foreign enterprises. These developments do indicate, however, that as nations gain in self-confidence in the management of their own affairs and in their capacity to deal with foreign enterprises, the various options and alternatives are seriously examined and re-examined to suit the particular development objectives and conditions at hand.

ANNEX

A profile of recent cases of nationalization or take-over of
foreign enterprises

1. Despite the growing importance of the exercise of permanent sovereignty over natural resources in recent years, a/ there exists no systematic documentation of nationalization or take-over of foreign enterprises on a world-wide basis. Yet, such an event is almost always sufficiently noteworthy to be recorded in official or unofficial reports of one sort or another. While the amount of detail contained in the various sources is extremely uneven, some of the main characteristics can be revealed by a careful survey and analysis of the existing record.
2. A compilation of occurrences of nationalization or take-over of foreign enterprises from numerous published and unpublished materials (see table 1 below for a list of major sources) yields an inventory of 875 cases in 62 countries between 1960 and mid-1974. b/ While this enumeration is by no means complete because not all possible sources have been exhausted and a number of minor occurrences have probably eluded public recording, the coverage is sufficiently comprehensive to indicate significant patterns and trends. Although a comparable study for years prior to 1960 has not been made, nationalization or take-over cases other than those in the centrally planned economies have been relatively few. c/
3. Table 1 below shows clearly that among the 62 countries where there has been at least one case of nationalization or take-over of foreign enterprises, the majority had only a few cases, while a small number of countries had a large number of cases during the period under consideration. As a result, 60 per cent of the countries (with 5 or less cases each) accounted for only one tenth of the cases, while 16 per cent of the countries (with 31 or more cases each) accounted for over two thirds of all cases. The above reflects the fact that relatively few countries carried out comprehensive programmes of nationalization or take-over of foreign

a/ See "Nationalization or take-over of foreign enterprises: a selected bibliography" (ST/LIB/35).

b/ Figures for the value of investment affected are generally not available. For the cases involving United States investors, which accounted for one fourth of all the cases, it is estimated that the book value amounted to \$3.5-\$4.5 thousand million for the period 1960 to end-1973. For about 10 per cent of the cases, primarily involving Chile and Indonesia, the assets were later reverted to the foreign enterprises.

c/ The main cases included Mexico prior to the Second World War; Iran, 1950 to 1952; India, 1956; and Egypt, beginning in the same year.

Table 1. Nationalization or take-over of foreign enterprises,
by country, 1960 to mid-1974
(Number and percentage)

Item	Total	Number of cases						
		1-5	6-10	11-15	16-20	21-25	26-30	31 or more
<u>Countries</u>								
Number	62	37	5	5	3	1	1	10
Percentage . .	100	60	8	8	5	2	2	16
<u>Cases</u>								
Number	875	85	33	62	54	23	27	591
Percentage . .	100	10	4	7	6	3	3	68
		Abu Dhabi (United Arab Emirates)	Malawi	Congo	Argentina	Burma	Libyan Arab Republic	Algeria
		Bangladesh	Malaysia	Ghana	Nigeria			Chile
		Bolivia	Mexico	Iraq	Peru			Egypt
		Brazil	Morocco	Somalia				India
		Central African Republic	Sierra Leone	Zaire				Indonesia
		Chad						Sri Lanka
		Colombia						Sudan
		Costa Rica						Uganda
		Dahomey						United Republic of Tanzania
		Democratic Yemen						Zambia
		Ecuador						
		El Salvador						
		Gabon						
		Gambia						
		Guatemala						
		Guinea						
		Guyana						
		Haiti						
		Iran						
		Kenya						
		Khmer Republic						
		Kuwait						
		Lebanon						
		Liberia						
		Madagascar						
		Nepal						
		Pakistan						
		Panama						
		Philippines						
		Qatar						
		Saudi Arabia						
		Senegal						
		Swaziland						
		Syrian Arab Republic						
		Togo						
		Trinidad and Tobago						
		Venezuela						

Source: Centre for Development Planning, Projections and Policies, Department of Economic and Social Affairs, United Nations Secretariat, based on the following sources: systematically examined were the Africa Research Bulletin (Exeter, United Kingdom, 1964-1974), the Asia Research Bulletin (Singapore, 1970-1974) and the Arab Report and Record (London, 1966-1974). The African Diary (New Delhi), the African Recorder (New Delhi), the Asian Recorder (New Delhi), Facts on File (New York), and Keesing's Contemporary Archives (London), various issues, were used as supplementary sources.

Other general sources consulted were studies by the Organisation for Economic Co-operation and Development; Grant L. Reuber with H. Crookell, M. Emerson and G. Gallais-Hamono, Private Foreign Investment in Development (Oxford, Clarendon Press, 1973); Business International Inc., Investing, Licensing and Trading Conditions Abroad (New York); George M. Ingram, Expropriation of U.S. Property in South America: Nationalization of Oil and Copper

(Source continued on following page)

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Source to table 1 (continued)

Companies in Peru, Bolivia and Chile (New York, Praeger, 1974); Amir Rafat, "Expropriation of the private property of aliens in recent international law: Iran, Egypt, Indonesia and Cuba" (unpublished Ph.D. dissertation, University of Minnesota, 1964); Mira Wilkins, The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1974 (Cambridge, Mass., Harvard University Press, 1974); Ralph B. Lake and David R. Reitsema, "The Iraqi nationalization of the Iraq Petroleum Company: implications for the international law of expropriation", The Denver Journal of International Law and Policy, vol. 2 (autumn, 1972), pp. 217-230; Henry Landau, "Economic and political nationalism and private foreign investments", The Denver Journal of International Law and Policy, vol. 2 (autumn, 1972), pp. 169-178; Dolph Warren Zink, The Political Risks for Multinational Enterprise in Developing Countries, With a Case Study of Peru (New York, Praeger, 1973); United Nations, "Permanent sovereignty over natural resources: report of the Secretary-General", 1972 and 1973 (E/5170 and E/5425 and Corr.1 and E/5425/Add.1); J. Frederick Truitt, Expropriation of Private Foreign Investment, International Business Research Series No. 3 (Bloomington, Indiana University, 1974) and a summary article by the same author entitled "Expropriation of foreign investment: summary of the post-World War II experience of American and British investors in the less developed countries", Journal of International Business Studies, vol. 1 (autumn, 1970), pp. 21-34. The latter source contained information on 54 cases of nationalization, 40 of them involving interests of the United Kingdom.

Information involving changes of ownership of United States commercial interests abroad were primarily obtained from Frederick G. Dutton, Assistant Secretary of State, "Letter to Senator J. W. Fulbright, with attachment. Major instances of expropriation of property belonging to U.S. nationals since World War II", appendix No. 8, in United States Congress, Senate, The Foreign Assistance Act of 1962, Senate report to accompany S.2996, 87th Congress, 2nd session, 1962; United States Congress, House, Committee on Foreign Affairs, Expropriation of American-owned Property by Foreign Governments in the Twentieth Century (Washington, D.C., U.S. Government Printing Office, 1963); Rieck B. Hannifin, "Expropriation by Peru of the International Petroleum Company: a background study of the legal issues, political considerations, and possible consequences of the controversy", Washington, D.C., Library of Congress, Legislative Reference Service, 26 March 1969 (mimeographed); United States Department of State, Bureau of Intelligence and Research, "Nationalization, expropriation, and other takings of United States and certain foreign property since 1960" (RECS - 14), 30 November 1971 (mimeographed); United States Department of State, Bureau of Intelligence and Research, "Disputes involving United States foreign direct investment: July 1, 1971, through July 31, 1973" (RECS - 6), 28 February 1974 (mimeographed); the latter two studies claim to be virtually complete with respect to projects in which United States enterprises held a majority interest. Useful data are also contained in Overseas Private Investment Corporation, "Insurance claims' experience to date: OPIC and its predecessor agency", OPIC Press Release, TS/291 (Washington, D.C., U.S. Government Printing Office, 1973); United States Congress,

Source to table 1 (continued)

House, Committee on Foreign Affairs, The Overseas Private Investment Corporation: A Critical Analysis (Washington, D.C., U.S. Government Printing Office, 1973); United States Congress, House, Committee on Foreign Affairs, Subcommittee on Foreign Economic Policy, Overseas Private Investment Corporation: Hearings (Washington, D.C., U.S. Government Printing Office, 1973); United States Congress, Senate, Committee on Foreign Relations, Subcommittee on Multinational Corporations, Multinational Corporations and United States Foreign Policy: Hearings (Washington, D.C., U.S. Government Printing Office, 1973), part 3.

Unpublished material was made available from a study of The Wharton School, University of Pennsylvania, Franklin R. Root, Director, on significant nationalizations of United States-owned foreign direct investments between the First World War and the end of 1965. The data are reported in J. Sarnowski, "A listing of the significant expropriations of American-owned foreign investments since World War I" (unpublished M.B.A. thesis, University of Pennsylvania, The Wharton School, February 1966); a write-up on the basis of this material is in Franklin R. Root, "The expropriation experience of American companies", Business Horizons, April 1968. Material was also available from a recent study on nationalizations between the end of the Second World War and August 1971: "The effects of expropriations on the terms of trade of initiating countries: research on instances of expropriations", data collected in 1971 by Norman Mintz within the framework of a project entitled "The multinational firm in the United States and world economies", Robert G. Hawkins, Director, Graduate School of Business Administration, New York University, New York. This study also made a limited effort to bring up to date the data through 1972 to 1973. A preliminary analysis of the results has been undertaken by Michael J. Provissiero, "Project analysis: study of nationalizations and other takings of U.S. properties overseas", New York University, Finance Department, 26 June 1974 (mimeographed).

In many cases, the original sources did not report the name of the parent enterprise and consequently that of the home country of the foreign affiliates involved in changes in ownership. In these instances, the following publications were consulted: J. L. Angel (comp.), Directory of American Firms Operating in Foreign Countries, 7th ed. (New York, World Trade Academy Press, 1969); W. O. Roskill and Co. (comp.), Who Owns Whom, A Directory of Parent, Associate and Subsidiary Companies, North America edition, 1973; United Kingdom edition, 1973; Continental edition, 1973; Australia and Far East edition, 1973 (London, Roskill and Co., 1973); and Banker Research Unit, Who Owns Whom in World Banking, 1973-4 (London, Financial Times, 1973).

enterprises. Typically, only a few specific enterprises were affected, although some of them might have been extremely important in the economy as in the case of petroleum companies in a number of producing countries. Table 2 below shows that a high proportion of the cases occurred in Africa south of the Sahara. This reflects large-scale programmes of nationalization and indigenization in such countries as Nigeria, Uganda, the United Republic of Tanzania and Zambia. This regional concentration was more evident in the period 1970 to mid-1974 when Africa south of the Sahara accounted for 49 per cent of the cases as contrasted with 30 per cent in the period 1960 to 1969.

4. The increase in the total number of cases between the two periods from about 45 to 93 per year reflects partly the trend in Africa south of the Sahara. It also reflects an even faster rate of increase in the number of cases for the western hemisphere, although the share of this region in the total number of cases remained relatively low. The same trend is evident from the figure below, in which the cases are shown for each year since 1960.

5. The distribution by sector is shown in table 3 below. The natural resources sectors accounted for over a third of the total. These sectors together with banking and insurance accounted for the bulk of all the cases. The predominance of the natural resources sectors was even more striking for countries with relatively few cases, as shown in table 4 below. In contrast, a high incidence was observable in banking and insurance in countries with numerous cases, as shown in table 5 below.

6. The sectoral distribution had been fairly stable between the two periods, except for a sharp increase in the share of the petroleum sector and a corresponding decrease in the agricultural sector. There are important differences in trends in sectoral distribution among regions. The most striking ones were sharp increases in the share of natural resources sectors in west Asia and Africa south of the Sahara, reflecting entirely the trends in petroleum. A significant decrease in the share in south and south-east Asia was accompanied by a rise in the share of banking and insurance; and a similar experience in the western hemisphere was accompanied by a dramatic increase in the share of manufacturing which accounted for half of all the cases in 1970 to mid-1974.

7. The regional distribution of cases by sector is shown in table 6. The predominance of Africa south of the Sahara is evident in virtually all sectors except petroleum. This is especially clear for countries with relatively few cases.

8. With respect to the investor countries affected, the pattern of distribution of cases of nationalization or take-over corresponds roughly with that of the value of the stock of foreign investment, as shown in table 7 below. Thus the three major investor countries - the United States of America, the United Kingdom of Great Britain and Northern Ireland and France - accounted for 78 per cent of both the stock of foreign investment and the total number of cases under consideration. At the same time, while the United States ranked first in terms of foreign investment, the United Kingdom topped the list in terms of the number of cases.

Table 2. Nationalization or take-over of foreign enterprises, by region, 1960 to mid-1974
(Number and percentage)

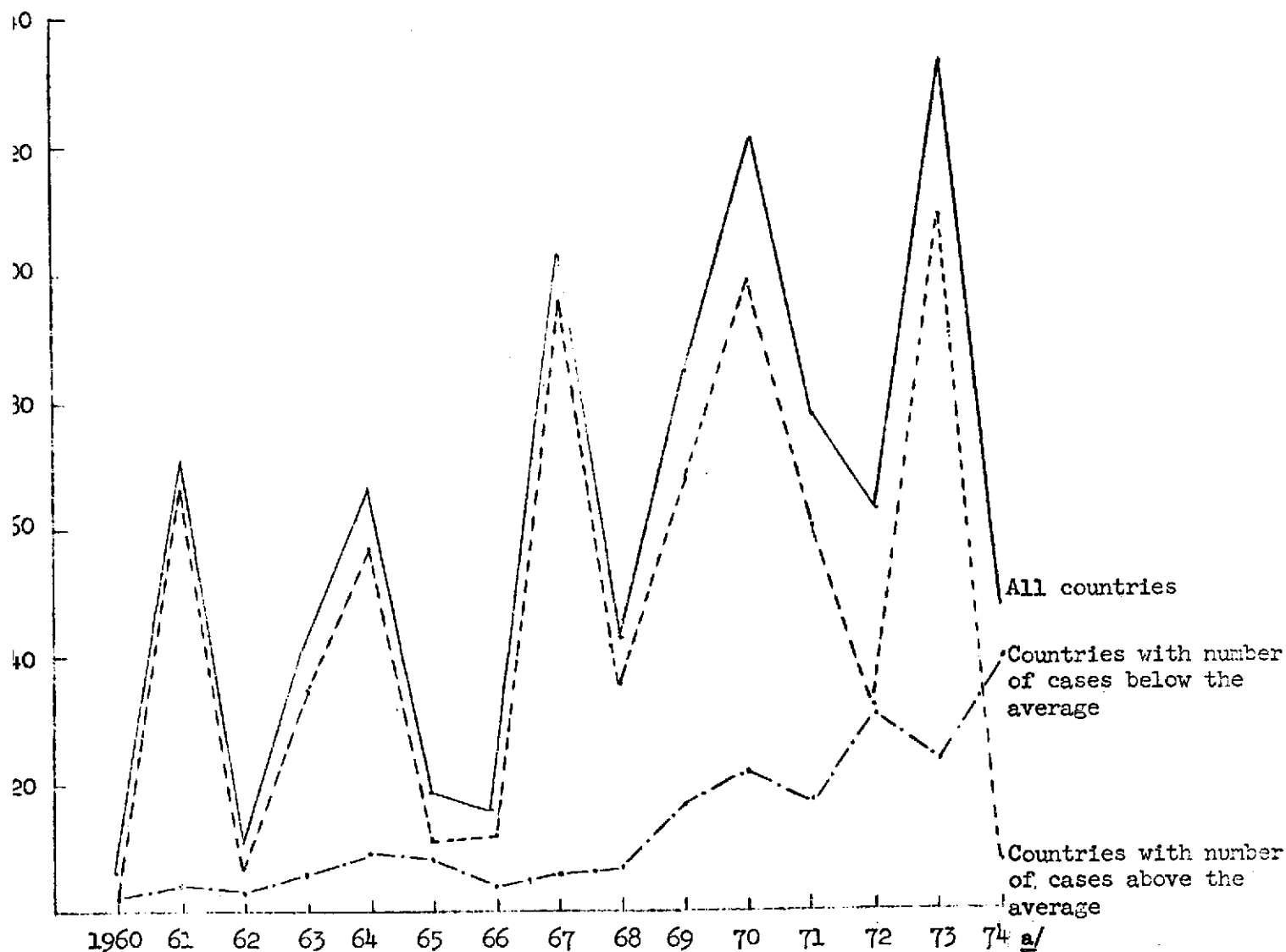
Region	1960-1969	1970-1974	1960-1974
<u>Africa south of the Sahara</u>			
Average number per year	13.8	45.6	23.7
(Percentage of all regions)	(30)	(49)	(39)
<u>West Asia and Africa north of the Sahara</u>			
Average number per year	15.2	16.7	15.7
(Percentage of all regions)	(33)	(18)	(26)
<u>South and south-east Asia</u>			
Average number per year	13.0	12.9	13.0
(Percentage of all regions)	(29)	(14)	(22)
<u>Western hemisphere</u>			
Average number per year	3.5	18.2	8.0
(Percentage of all regions)	(8)	(20)	(13)
<u>All regions</u>			
Average number per year	45.5	93.3	60.3
(Percentage of all regions)	(100)	(100)	(100)

Source: See annex table 1 above.

Note: Same number of cases as in annex table 1 above.

Nationalization or take-over of foreign enterprises, 1960 to mid-1974
(Number)

Number of cases



Source: See annex table 1 above.

a/ The total for 1974 has been extrapolated.

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Table 3. Nationalization or take-over of foreign enterprises, by sector, 1960 to mid-1974
(Percentage)

Region and period	Sector									
	All sectors	Mining	Petroleum ^{a/}	Agri-culture	Manufac-turing	Trade	Public utilities	Banking and insurance	Others ^{b/}	Mining, petroleum and agriculture
<u>Africa south of the Sahara</u>										
1960-1969	100	12	1	31	25	10	8	13	-	44
1970-1974	100	6	17	11	8	3	6	30	19	34
1960-1974	100	9	10	19	15	6	7	23	11	38
<u>West Asia and Africa north of the Sahara</u>										
1960-1969	100	1	13	-	23	3	2	48	10	14
1970-1974	100	-	67	-	8	3	-	20	3	67
1960-1974	100	1	31	-	18	3	1	39	8	32
<u>South and south-east Asia</u>										
1960-1969	100	2	6	45	3	6	2	35	-	53
1970-1974	100	-	21	-	5	-	-	74	-	21
1960-1974	100	2	11	31	4	4	2	47	-	44
<u>Western hemisphere</u>										
1960-1969	100	20	31	3	3	-	37	3	3	54
1970-1974	100	21	2	1	50	1	11	9	5	24
1960-1974	100	21	11	2	36	1	19	7	4	34
<u>All regions</u>										
1960-1969	100	6	9	23	16	6	7	30	4	38
1970-1974	100	7	23	6	16	2	5	30	11	36
1960-1974	100	7	16	15	16	4	6	30	7	37

Source: See annex, table 1 above.

Note: Same number of cases as in annex, table 1 above.

a/ Including refining and distribution.

b/ Including cases for which a sector could not be determined.

Table 4. Nationalization or take-over of foreign enterprises, countries with number of cases below the average, by sector, 1960 to mid-1974
(Percentage)

Region and period	Sector									
	All sectors	Mining	Petroleum ^{a/}	Agri-culture	Manufac-turing	Trade	Public utilities	Banking and insurance	Others ^{b/}	Mining, petroleum and agriculture
<u>Africa south of the Sahara</u>										
1960-1969	100	44	4	4	8	-	40	-	-	52
1970-1974	100	16	33	11	7	3	10	20	-	60
1960-1974	100	24	24	9	7	2	19	14	-	57
<u>West Asia and Africa north of the Sahara</u>										
1960-1969	100	6	33	-	28	-	17	11	6	39
1970-1974	100	-	73	-	9	9	-	5	5	73
1960-1974	100	2	55	-	18	5	8	8	5	57
<u>South and south-east Asia</u>										
1960-1969	100	-	100	-	-	-	-	-	-	100
1970-1974	100	-	79	-	14	-	-	7	-	79
1960-1974	100	-	81	-	13	-	-	6	-	81
<u>Western hemisphere</u>										
1960-1969	100	25	10	-	5	-	55	-	5	35
1970-1974	100	28	6	6	22	-	28	-	11	40
1960-1974	100	26	8	3	13	-	42	-	8	37
<u>All regions</u>										
1960-1969	100	26	17	2	12	-	37	3	3	45
1970-1974	100	13	42	7	10	3	10	12	3	62
1960-1974	100	18	33	5	11	2	19	9	3	56

Source: See annex, table 1 above.

Note: Same number of cases as in annex, table 1 above.

a/ Including refining and distribution.

b/ Including cases for which a sector could not be determined.

Table 5. Nationalization or take-over of foreign enterprises, sectoral distribution by country group, 1960 to mid-1974

(Percentage)

All countries		Countries with number of cases below the average		Countries with number of cases below the average	
Sector	Percentage	Sector	Percentage	Sector	Percentage
Banking and insurance	30	Petroleum a/. . . .	33	Banking and insurance	36
Manufacturing . .	16	Public utilities .	19	Manufacturing . .	18
Petroleum a/. . .	16	Mining.	18	Agriculture. . . .	17
Agriculture . . .	15	Manufacturing . .	11	Petroleum a/. . .	11
Mining	7	Banking and insurance	9	Mining	4
Public utilities .	6	Agriculture	5	Trade	4
Trade	4	Trade	2	Public utilities .	2
Others b/.	7	Others b/.	3	Others b/.	8
TOTAL	100	TOTAL	100	TOTAL	100

Source: See annex table 1 above.

Note: Same number of cases as in annex table 1 above.

a/ Including refining and distribution.

b/ Including cases for which a sector could not be determined.

Table 6. Nationalization or take-over of foreign enterprises, sectoral distribution by region and country group, 1960 to mid-1974

[illegible]

Source: See annex table 1 above.

Note: Same number of cases as in annex table 1 above.

a/ Including refining and distribution.

b/ Including cases for which a sector could not be ascertained.

Table 7. Distribution of value of stock of foreign direct investment e/ and cases of nationalization or take-over, b/ by major foreign investor country (Percentage)

Foreign investor country	Africa south of the Sahara c/					West Asia and Africa north of the Sahara d/					South and south-east Asia					Western hemisphere					All regions				
	Foreign direct investment	Cases				Foreign direct investment	Cases				Foreign direct investment	Cases				Foreign direct investment	Cases				Foreign direct investment	Cases			
		Below	the average	Above	Countries		Below	the average	Above	Countries		Below	the average	Above	Countries		Below	the average	Above	Countries		Below	the average	Above	Countries
United States	21	12	14	10	13	57	20	41	13	36	20	50	17	64	86	85	86	86	50	25	38	21			
United Kingdom	30	45	32	50	39	27	34	19	39	42	68	20	74	9	3	8	1	20	42	23	47				
France	26	5	15	1	37	5	32	17	37	7	1	5	-	3	1	-	1	8	11	12	11				
Others e/	23	38	38	36	11	14	22	11	25	15	11	25	9	24	10	8	11	22	22	27	21				
All countries	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100				

Source: See annex table 1 above, and Multinational Corporations in World Development (United Nations publication, Sales No.: E.73.II.A.11).

Note: Since nationalization or take-over in one case can affect investors in several countries, the total number of investors affected (945) is higher than the total number of cases. Cases involving several owners in one investor country have not been included in this category.

a/ End 1967.

b/ 1960 to mid-1974.

c/ Including, for the stock of foreign direct investment values, North Africa.

d/ Excluding, for the stock of foreign direct investment values, North Africa.

e/ Including cases for which an investor country could not be ascertained.

This asymmetry reflects the relatively large investment of the United Kingdom in the former colonial territories in Africa south of the Sahara as well as south and south-east Asia. In the western hemisphere, where United States investment was predominant, the same asymmetry did not apply.

9. There is a further contrast between the United States and the United Kingdom in terms of time trends. Table 8 below shows that between the period 1960 to 1969 and the period 1970 to mid-1974 the share in the total number of cases declined for the United Kingdom but increased for the United States.

10. There is also a significant difference between the United States and the United Kingdom in the sectoral distribution of nationalization or take-over cases. Table 9 below shows that United Kingdom enterprises accounted for the bulk of the cases involving agriculture, banking and insurance and, to a lesser extent, also trade. In contrast, United States enterprises headed the list for mining, petroleum, manufacturing and public utilities.

11. An analysis of the affected foreign enterprises by degree of foreign ownership before nationalization or take-over reveals that majority and wholly foreign-owned assets were the prime targets, as shown in table 10 below. Enterprises with 96 to 100 per cent foreign ownership, which might be regarded as virtually wholly foreign-owned, constituted nearly three fourths of all the cases; majority (50 to 95 per cent) foreign-owned facilities accounted for another one fifth. This reflects the fact that most foreign affiliates were wholly owned by their parent enterprises. There is, however, a clear trend towards greater involvement of majority (50 to 95 per cent) foreign-owned and even minority foreign-owned affiliates. This is particularly true for countries with a relatively large number of cases of nationalization or take-over, reflecting, to a certain extent, the frequently comprehensive character of indigenization programmes.

12. In interpreting past trends and assessing possible future trends, the situation in the base period is of great importance apart from deliberate policy measures. Evidently, if a host country has already carried out comprehensive nationalization or take-over measures, further movement in that direction is hardly called for. This also applies to particular sectors or industries. Table 11 below shows that, in the case of petroleum companies, the more important foreign enterprises in the major producing countries were already under indigenous control or ownership in 1974. Similarly, table 12 below documents the attainment of majority, or complete control of the principal copper-mining facilities in four major producing countries. Most of these have been settled, the four countries having agreed to compensation payments of about \$1.3 thousand million.

Table 8. Nationalization or take-over, distribution by major foreign investor country, 1960 to mid-1974

(Number and percentage)

Region and period	Total number of in- vestors affected ^{a/}	Investor countries (percentage)				
		All countries	United States	United Kingdom	France	Others ^{b/}
<u>Africa south of the Sahara</u>						
1960-1969	140	100	5	53	4	38
1970-1974	224	100	16	41	5	38
1960-1974	364	100	12	45	5	38
<u>West Asia and Africa north of the Sahara</u>						
1960-1969	160	100	16	46	31	6
1970-1974	105	100	26	16	33	25
1960-1974	265	100	20	34	32	14
<u>South and south-east Asia</u>						
1960-1969	134	100	18	75	-	7
1970-1974	62	100	26	55	2	18
1960-1974	196	100	20	68	1	11
<u>Western hemisphere</u>						
1960-1969	34	100	94	3	-	3
1970-1974	86	100	83	3	1	13
1960-1974	120	100	86	3	1	10
<u>All regions</u>						
1960-1969	468	100	19	53	12	16
1970-1974	477	100	31	30	10	28
1960-1974	945	100	25	42	11	22

Source: See annex table 1 above.

a/ Since nationalization or take-over in one case can affect investors in several countries, the total number of investors affected is higher than the total number of cases. Cases involving several owners in one investor country have not been included in this category.

b/ Including cases for which the investor country could not be identified, which may include some of the major investor countries, except for the United States for which information is fairly complete.

/...

Table 9. Nationalization or take-over of foreign enterprises, by major investor country and by sector, 1960 to mid-1974
(Percentage)

Investor country affected	Total foreign investors affected in all sectors	Sector								
		Mining	Petro- leum a/	Agri- culture	Manufac- turing	Trade	Public utili- ties	Banking and in- surance	Others b/	Mining, petroleum and agricul- ture
United States . . .	25	45	40	6	36	26	40	11	15	30
United Kingdom . .	42	22	17	84	16	40	26	58	60	41
France	11	6	17	2	20	14	14	4	20	10
Others c/	22	27	25	8	27	20	20	27	5	19
Total foreign investors . . .	100	100	100	100	100	100	100	100	100	100

Source: See annex table 1 above.

Note: Same number of investors affected as in annex table 7 above.

a/ Including refining and distribution.

b/ Including cases for which a sector could not be ascertained.

c/ Including cases for which an investor country could not be ascertained.

Table 10. Nationalization or take-over of foreign enterprises by degree of foreign equity holding before nationalization or take-over, 1960 to mid-1974 ^{a/}

(Percentage)

Country group and period	Equity holding			
	Total	Less than 50 per cent	50-95 per cent	96-100 per cent
<u>All countries</u>				
1960-1969	100	3	7	90
1970-1974	100	9	30	60
1960-1974	100	7	20	73
<u>Countries with number of cases below the average</u>				
1960-1969	100	2	8	90
1970-1974	100	7	14	79
1960-1974	100	5	12	83
<u>Countries with number of cases above the average</u>				
1960-1969	100	3	7	90
1970-1974	100	11	38	51
1960-1974	100	7	23	70

Source: See annex table 1 above.

^{a/} Based on 534 cases for which pertinent information was available.

Table 11. Ownership patterns in the petroleum industry in OPEC countries, 1970 and mid-1974
(Percentage)

Country and company	Share in country's crude oil production				Equity participation												National companies			
					Major international oil companies															
					Compagnie française des pétroles				Shell				Standard California					Texaco		
	1970	1972	1974	1974	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974
ALGERIA																				
Sonatrach	22.4	75.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00	100.00
Elf-Algerie	77.2	13.6	-	-	49.00	-	-	-	-	-	-	-	-	-	-	-	-	-	51.00	51.00
Geigy	0.4	0.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51.00	51.00
ECUADOR																				
Tecno/Gulf	-	96.2	-	-	-	-	50.00	50.00 ^{d/}	-	-	-	-	50.00	50.00 ^{d/}	-	-	-	-	-	-
Anglo-Ecuadorian	-	2.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OCPE	-	1.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oativro	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adobe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
INDONESIA																				
Caltex	22.8	77.0	-	-	-	-	-	-	-	-	-	-	50.00	50.00	-	-	-	-	-	-
Pertamina	11.4	16.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sumac	5.5	6.9	-	-	50.00	50.00	-	-	-	-	-	-	-	-	-	-	-	-	100.00	100.00
Pudhikap	0.1	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oelastatic	-	-	-	-	-	-	-	-	-	-	-	-	100.00	50.00	-	-	-	-	100.00	100.00
IRAN																				
Iranian Oil Participants ^{b/}	91.4	90.4	-	-	6.00	-	7.00	-	14.00	-	-	-	7.00	-	-	-	-	-	-	-
LARCO	3.7	3.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IPAC	2.4	2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IPACCO	1.3	1.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STRIP	0.8	1.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NIOC	0.3	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IRAQ																				
IPC ^{c/}	75.7	50.4	-	-	23.75	-	11.88	-	23.75	-	-	-	-	-	-	-	-	-	-	-
IPC	22.6	44.6	-	-	23.75	23.75	11.88	-	23.75	9.50	-	-	-	-	-	-	-	-	-	-
NPC	1.7	1.6	-	-	23.75	-	11.88	-	23.75	-	-	-	-	-	-	-	-	-	-	-
INOC	-	3.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
KUWAIT																				
KOC	91.5	91.3	-	-	50.00	20.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AOC	5.6	5.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amineal	2.7	2.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JYNA																				
Oasis	28.5	35.6	-	-	-	-	-	-	16.67	-	-	-	-	-	-	-	-	-	-	-
Occidental	20.0	18.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Esso Standard	17.2	11.7	-	-	-	-	100.00	49.00	-	-	-	-	-	-	-	-	-	-	-	-
Arabian Gulf	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Englo. Co.	12.5	9.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amoco	9.7	10.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mobil/Gelsenb.	7.6	7.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Esso Sirco	3.7	4.1	-	-	-	-	65.00	31.85	-	-	-	-	-	-	-	-	-	-	-	-
Agip/Sirco	0.6	0.7	-	-	50.00	24.70	-	-	-	-	-	-	50.00	50.00	-	-	-	-	-	-
Agip/Sirco et al.	0.2	0.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amoco	-	0.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AGIP	-	0.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WOC	-	0.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NIGERIA																				
Shell/SP	72.9	66.5	-	-	50.00	22.50	-	-	50.00	22.50	-	-	-	-	-	-	-	-	-	-
Gulf	21.4	17.9	-	-	-	-	100.00	45.00	-	-	-	-	-	-	-	-	-	-	-	-
Mobil	5.0	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AGIP/Phillips	0.4	2.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SAFRAP	-	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Terraco Chevron	0.1	0.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
QATAR																				
QPC	22.5	50.4	-	-	23.75	9.50	-	-	23.75	9.50	-	-	-	-	-	-	-	-	-	-
Shell	47.5	49.8	-	-	-	-	-	-	100.00	40.00	-	-	-	-	-	-	-	-	-	-
SAUDI ARABIA																				
Esso	93.4	93.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AGC	4.5	4.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Geigy	2.1	1.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 11 (continued)

Country and company	Share in country's crude oil production				Major international oil companies										Equity participation						
	British Petroleum		Compagnie française des pétroles		Socot		Gulf		Mobil		Shell		Standard California		Texaco		Other foreign companies		National companies		
	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974	
UNITED ARAB EMIRATES																					
ADPC	61.2 ^{e/}	58.4 ^{f/}	-	-	23.75	9.50	11.88	4.75	-	11.88	4.75	23.75	9.50	-	-	-	-	5.00	2.00	-	60.00
AJWA	30.8 ^{e/}	41.9 ^{f/}	66.67	14.87	-	-	-	-	-	-	-	-	-	-	-	-	-	12.00	60.00	-	60.00
ADCO	"	"	-	-	-	-	-	-	-	-	-	-	-	-	-	10.00	10.00	100.00	40.00	-	60.00
DPC	"	"	-	-	25.00	-	-	-	-	-	-	-	-	-	-	10.00	10.00	65.00	90.00	-	-
VENEZUELA ^{e/}																					
Credco	42.6	43.1	-	-	-	-	95.40	95.40	-	-	-	-	100.00	100.00	-	-	-	4.60	4.60	-	-
Shell	26.1	24.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nesag	11.5	12.2	-	-	-	-	100.00	100.00	-	-	-	-	-	-	-	-	-	100.00	100.00	-	-
Yen. Sun	6.4	3.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mobil	3.1	3.0	-	-	-	-	-	-	-	100.00	100.00	-	-	-	-	-	-	-	-	-	-
Texas	2.0	1.6	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00	100.00	-	-	-	-
Chevron	1.8	1.4	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00	100.00	-	-	-	-
CYP	1.2	1.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sinclair	1.2	1.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00	100.00
Others	3.9	3.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00	100.00	-	-

Sources: Centre for Development Planning, Projections and Policies, Department of Economic and Social Affairs, United Nations Secretariat, based on Organization of the Petroleum Exporting Countries, Annual Statistical Bulletin, 1970; 1972 and 1979; Walter R. Skinner's Oil and Gas Year Book 1972 (London 1973); Barrows, Petroleum Production/Legislation Report New York, various issues; Barrows International Petroleum Industry (New York), various issues; The Petroleum Economist, various issues; Petroleum Times, various issues; Petroleum Intelligence Weekly, various issues; and other sources.

the lowest international oil companies in selected countries with production rights in individual OPEC countries.

The following abbreviations have been used for companies:

Ecuador
CEPE
- Corporación Estatal Petrolera Ecuatoriana

Iran
LAPCO
IPAC
ITWICO
SIRIP
NIGC

Iraq
IPC
BPC
NPC
NIOC

Kuwait:
KOC - Kuwait Oil Company
AOC - Arabian Oil Company
Amindoll - American Independent Oil Company

Libya
Oasis
Amoco
NOC

- Oasis Oil Company of Libya, Inc.
- American Overseas Petroleum, Ltd.
- Amoco International Oil Company
- National Oil Company

/ Name of the company and in whose name the acquisition was made

b/ Legally, the Iranian Oil Participants have been owned by Iran since the Nationalization

c/ After nationalization the Company became the Iraq Company for Oil Operations (ICOO),

3/ the nationalization is being contested by the companies involved.

e/ For Abu Dhabi only.

r/ Legislation has been drawn up aimed at establishing government participation in the oil industry.

Table 12. Nationalization or take-over in the copper industry in CIPEC a/ countries

Country	Year	Investor country affected	Parent enterprise affected	Affiliate affected	Compensation (million dollars)	Parent equity		Government equity	
						Before nationalization	After take-over	Before nationalization	After take-over
Chile . .	1967	USA	Kennecott b/	El Teniente b/	80	100	49	-	51
	1969	USA	Anaconda	Chuquibambata)	175 c/	100	49	-	51
				El Salvador)	100	100	49	-	51
USA	1971	USA	Anaconda	Chuquibambata)	253 c/	49	-	51	100
				El Salvador)	1974 d/	49	-	51	100
				Exotica	d/	75	-	25	100
USA	1971	USA	Cerro	Rio Blanco	42 e/	70	-	30	100
USA	1971	USA	Kennecott	El Teniente	f/	49	-	51	100
France	1972	France	Le Nickel	Cia. Disputada de Los Condes g/	13 g/	86	42	-	44
Peru . .	1974	USA	Cerro	Cerro de Pasco	75-79 h/	100	-	-	100
Zaire . .	1966	Belgium	Union Minière du Haute Katanga	Société Générale des Minerais	500 i/	82	-	18	100
Zambia .	1970	USA	American Metal Climax	Roan Selection Trust j/	118	100	49	-	51
	1970	South Africa k/	Anglo-American Corporation of South Africa	Zambian Anglo-American	175	100	49	-	51

(Foot-notes on following page)

Foot-notes to table 12

Source: See annex table 1 above.

a/ Intergovernmental Council of Copper-exporting Countries.

b/ The 1967 sale of 51 per cent equity in El Teniente was negotiated on the initiative of Kennecott.

c/ The Government of Chile paid \$11-12 million towards the compensation sum agreed upon in 1969 before discontinuing payments in 1971. The settlement reached in 1974 encompassed all claims of Anaconda, that is, including the balance of the 1969 transaction. Total receipts of Anaconda from Chile therefore will total \$264-265 million.

d/ Anaconda received, in 1972, \$11.9 million insurance payments for its Exotica assets from the Overseas Private Investment Corporation (OPIC) and thereby transferred its claim to the Government of Chile to that body; no agreement was reached so far between the Government of Chile and OPIC.

e/ Cerro had insured, with OPIC, a \$14 million debt investment in Compañía Minera Andina, the company that operated the Río Blanco mine. Cerro's equity interest in the mine was not insured. After nationalization, Cerro reached agreement (early 1974) with the Government of Chile concerning compensation; OPIC guaranteed payment of a portion of the deferred payment attributable to the insured investment.

f/ Kennecott had insured, with OPIC, its debt investment of \$80 million in El Teniente, but not its 49 per cent equity interest. Upon nationalization, Kennecott received from OPIC, in 1972, a lump-sum cash payment of \$66.9 million for the outstanding \$74.9 million of the OPIC-insured loan. The company is currently negotiating with the Government of Chile about a compensation settlement.

g/ Negotiations for the sale of Disputada were initiated by the Government of Chile. Negotiations are still in progress concerning the sale of the remaining foreign share.

h/ Cerro received a cash payment of \$67 million covering partial compensation for Cerro de Pasco; an additional \$8-12 million is expected out of a lump-sum settlement of \$76 million concluded between the Governments of Peru and the United States of America and covering the compensation of various assets nationalized by Peru.

i/ The total payment of \$500 million which Union Minière will eventually receive is the largest single compensation payment ever negotiated.

j/ At the time of nationalization, approximately 80 per cent of the Roan Selection Trust (RST) in Zambia was owned by American enterprises, with American Metal Climax (AMAX) holding a plurality interest of 42.3 per cent and thus controlling and operating the facilities. After nationalization, RST International became a wholly owned subsidiary of AMAX and continued to remain, with 20.4 per cent, the principal partner of the Government of Zambia's majority-owned Roan Consolidated Mines Ltd. The Anglo-American Corporation holds another 12.25 minority in Roan Consolidated Mines Ltd.

k/ United Kingdom and other European investors hold a 40 per cent share in the company.