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Current Support Brief

CZECHOSLOVAKIA TO AID DEVELOPMENT  
OF NONFERROUS INDUSTRIES  
IN UNDERDEVELOPED COUNTRIES



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CZECHOSLOVAKIA TO AID DEVELOPMENT  
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As part of a generally developing pattern of Soviet Bloc relationships with underdeveloped non-Bloc countries, Czechoslovakia during 1961-62 agreed to aid in the development of nonferrous industries in Morocco and Indonesia and has proposed a similar arrangement with Bolivia. These agreements, in general, are in line with an earlier series of arrangements between Czechoslovakia and other Bloc countries, concluded in the period from 1957 through 1961, that provided for the export of Czechoslovak capital and technical guidance in return for a portion of the output from the new facilities.

1. Agreements with Morocco

In May 1961 and April 1962 the governments of Czechoslovakia and Morocco signed agreements for the joint development and exploitation of copper deposits at Talaat Nouamane, 110 kilometers southeast of Agadir, in Morocco. 1/ The total cost of the project is unknown, but it will include a plant for the beneficiation of copper ore valued at US \$400,000 (all dollar references are to current US dollars). 2/ The agreements specify that payment is to be in the form of copper concentrates at a fixed price of \$728 per metric ton and is to be completed within 5 years after the beginning of production, which is scheduled to start in 1963. After the completion of payment, Czechoslovakia is to have the right to continue to purchase the Moroccan output of copper at the world market price. 3/

In contrast to previous agreements with Bloc countries (the USSR, Poland, and Bulgaria) on copper, the Moroccan agreements appear to be questionable from the point of view of cost. Moroccan copper reserves heretofore have evoked no interest by foreign investors, and production is negligible at present. According to Kadiri, Director General of the Moroccan Bureau of Mining Research and Development,

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the deposits are not sufficiently rich to permit exploitation "along usual capitalistic lines with a normal return on investment." 4/ Although the ores are not of high quality, the principal cost factors relate to the small size of the deposits and the relatively high cost of energy. 5/ The agreements appear to be advantageous to Morocco, however, because they provide for a low rate of interest on the loan (set at 3 percent) 6/ and a guaranteed market with a fixed premium price for 5 years of \$728 per metric ton of copper contained in concentrates. 7/ The present price for refined copper is \$683.44 per metric ton f. o. b. New York, 8/ and the price of copper in the form of concentrates is considerably lower.

2. Agreement with Indonesia

In February 1962, Czechoslovakia signed an agreement with Indonesia providing for Czechoslovak assistance in geological prospecting of copper, lead, zinc, and gold deposits on Java, Sumatra, Timor, and Sulawesi. The agreement also provides for aid in the development of any mining enterprises that may be established as a result of the prospecting. Again, payment is to be in ores and concentrates. 9/ At present, Indonesia does not produce copper, lead, zinc, or gold in significant quantities, although small quantities of these ores have been mined by primitive methods in the past. 10/

3. Proposed Agreement with Bolivia

Throughout 1962, negotiations for an agreement providing for the construction of an antimony smelter in Bolivia by Czechoslovakia have been underway. A draft agreement actually was signed on 22 June 1962 between the Czechoslovak firm Technoexport and the Banco Minero of Bolivia. 11/ To date, however, this agreement has not been ratified by the government of Bolivia. 12/

The draft agreement of 22 June 1962 provided that Czechoslovakia would make capital available on credit valued at about \$1.9 million, of which \$1.2 million would consist of capital goods and technical aid for direct use in the construction of the smelter and \$700,000 of miscellaneous goods to be sold in Bolivia. The proceeds of these goods would be used to defray local construction expenses. Payment at 5-percent

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interest would be completed within 8 years after the beginning of production. 13/ Although some repayment would be made in antimony, the bulk of the repayment would be in hard currency, a condition that reduces the agreement essentially to an outright sale of the smelter. Inasmuch as the price charged for the smelter and the rate of interest were relatively high, the government of Bolivia was unwilling to complete the transaction. 14/ The latest information is that negotiations are continuing with ever more favorable terms being offered by Czechoslovakia. On 27 January 1963, for example, an offer was made to extend the period for repayment to 20 years and to eliminate the hard currency payment clause. 15/

For Bolivia the acquisition of an antimony smelter would be the fulfillment of a long-held wish. Always highly sensitive to being an underdeveloped country and the supplier of raw materials to more advanced countries, Bolivians tend to see this plant as a step away from their "semicolonial" status. For many years, Bolivia has attempted to interest foreign capital in such a venture and as recently as mid-1962 was negotiating with the St. Joseph Lead Company to build the plant. All such negotiations with Western firms, however, have failed, apparently because the foreign companies believed that the prospects for obtaining an adequate return on their investment were not good. The principal problem is relatively high costs of production resulting from the lack of adequate domestic sources of fuel. Late in February 1963, a group of engineers of the US Department of Interior began a thorough examination of the antimony deposits of Bolivia. Should the results of this examination prove to be favorable to exploitation, several US firms are believed to be willing to invest in mining and concentrating facilities, although no interest is apparent regarding the construction of a smelter. 16/

#### 4. Significance of Agreements to Czechoslovakia

With the exception of antimony, all the products involved in these agreements are in short supply in Czechoslovakia. In 1960, for example, about 80 percent of the copper consumed, 65 percent of the lead, and nearly all of the zinc were obtained through imports. Nevertheless, the

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conditions of these particular contracts, which involve premium prices in Morocco, a high degree of risk in Indonesia, and the acquisition of a product already in surplus supply from Bolivia, suggest that economic considerations were not the principal motives underlying the agreements.

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