PANAMA AND THE ICA INVESTMENT GUARANTY PROGRAM
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I. THE ICA INVESTMENT GUARANTY PROGRAM

In 1948, the United States Government instituted the Investment Guaranty Program under the International Cooperation Administration (ICA) to encourage those private American investments abroad which might help accomplish any of the purposes of the Mutual Security legislation, particularly promotion of economic growth in the countries in the free world. Thus, this legislation would cover most projects which expand trade, further economic development, increase production, raise standards of living and improve technical efficiency.

A. RISKS COVERED BY GUARANTIES

The risks covered by the guaranty program are three in nature:

1. Inability to convert foreign currency receipts into dollars;
2. Loss through expropriation or confiscation;
3. Loss from damage to physical assets caused by war.

ICA has been authorized by Congress to issue guaranties totalling about $500,000,000. Up to the present, guaranties amounting
to about $200,000,000 have been issued. Of this amount about
$138,000,000 represents convertibility guaranties and the balance
expropriation guaranties. Applications are pending for an additional
$1,000,000,000 of guaranties. (See Exhibits I, II, III, and III a.)

B. AGREEMENT BETWEEN THE UNITED STATES
AND THE AFFECTED COUNTRY NECESSARY

Before any guaranty can be given, there must be in effect an
agreement between the United States Government and the country where
the proposed investment is to take place.

The agreement comes into effect through an exchange of letters
between the United States and the country concerned, signed by the
authorized representatives of each country. The letters detail the scope
of the agreement, including such matters as:

1. Provision for consultation respecting projects;
2. The agreement of the United States Government not
to issue any guaranties for projects not approved
by the country concerned; and
3. The transfer of assets in the country concerned to
United States Government ownership where payments
have been made under guaranties. (See Exhibits IV,
V, and VI for examples of such agreements.)

At the present time, 37 countries have signed agreements with
the United States including Costa Rica, Honduras and Guatemala. All
the 37 agreements cover convertibility, 33 agreements cover expropriation, and 7 cover war risk. (See Exhibit VII.)

The war risk feature was only added to the law in 1956 so that the 7 agreements reflect only a short period of experience.

Negotiations with other countries to sign agreements are currently under way.

C. INVESTMENTS ELIGIBLE FOR GUARANTY

In order for specific projects to be granted guaranties by the ICA, the following conditions must be met:

1. The country where the proposed investment is to be made must have entered into an agreement with the United States Government;

2. The investors must be United States citizens or United States corporations;

3. The ICA must be notified by the country concerned of its approval of the project;

4. The project must qualify as essentially new investment whether completely new investment or new additions to existing investment; and

5. The proposed project must be approved by the ICA as eligible for investment guaranties.*

* In accordance with the regulations, the prospective United States investor may secure from the ICA a waiver letter before the country in which he is (continued on the following page)
There is no fixed form which an investment must take to be eligible for coverage. Some of the forms of investment for which guaranties may be issued are the following:

Equity investment, loans for three years or more, or royalty agreements - which may take the form of cash payments, supply of materials and equipment, the use of patents, processes or techniques, and the rendering of service.

At the present time there is no restriction as to the size of investments which may be guarantied. In the past, guaranty contracts have been written covering amounts as low as $10,000 and as high as $15,000,000.

D. FORM AND COST OF THE GUARANTY

Guaranties are issued in the form of a contract between the investor and the Export-Import Bank of Washington. Guaranty contracts may be written for a maximum term of twenty years from the date of issuance. In the event the United States Government is called upon to

* (continued)
contemplating an investment has signed an agreement with the United States and before the guaranty is issued. The purpose of this waiver letter is essentially to permit the United States investor to make firm commitments on his contemplated investment without prejudice to the future issuance of a guaranty by the ICA. Such waiver letters may be issued months and even years before the actual guaranty is issued. (Waiver letters and pending applications are treated as confidential by the ICA.)
pay claims under a guaranty it will acquire the currency or claims on which the payment is based. Present ICA authority to issue new guaranty contracts extends to June 30, 1967.

The investors must pay an annual premium for the protection given by the guaranty contract. The rates, as currently set, are one-half per cent of the face amount of the contract for each type of risk so that to be covered for all three risks would ordinarily entail a premium of one and one-half per cent per annum. *

II. THE DESIRABILITY OF PANAMA ENTERING INTO A GUARANTY AGREEMENT WITH THE UNITED STATES

It is significant that 37 countries have already entered into guaranty agreements with the United States and that others are engaged in negotiations with the United States for this purpose. The countries having agreements with the United States Government range from such highly industrialized countries as Great Britain, France, and West Germany to such relatively undeveloped countries as Thailand and Afghanistan.

* If the convertibility guaranty is based on a fixed face amount, the interest rate is ordinarily one-half per cent. However, if it is based on a cumulative annual schedule, the interest rate is one per cent of the annual payment plus one-fourth per cent of the difference between the cumulative total and the annual payment.
The conclusion of such an agreement with the United States encourages the flow of United States capital to a foreign country and thus makes a major contribution to its economic development. Increasingly, American investors are aware of and are applying for the benefits of these guaranties. The advisability of entering into an agreement with the United States Government is highlighted by the fact that as of July 1958, the amount of United States investment seeking guaranties is over $1,000,000,000 compared with only $300,000,000 available to the ICA to make further guaranties.

In Central America, three countries have concluded such agreements with the United States, viz., Costa Rica, Honduras and Guatemala. El Salvador, Nicaragua and Panama have been discussing the problem with the United States Government but thus far no agreements have been concluded. Five of the six Central American countries have signed treaties for the establishment of the Central American Customs Union and the sixth, Panama, has indicated its desire to join the Union.

Of the three Central American countries that have concluded agreements, only Guatemala has thus far benefited from the issuance of investment guaranties. Applications are pending, however, for investments in Costa Rica and Honduras as well as for Guatemala.
In the case of Guatemala, convertibility guaranties have been issued to the amount of $247,000 as of March 31, 1958, and expropriation guaranties to the amount of $572,000. These guaranties cover two logging investments and one timber investment. In addition, applications are pending for $4,200,000 of guarantied investment in Guatemala, half for convertibility, half for expropriation.

For investment in Costa Rica, applications are pending for $7,500,000 of convertibility guaranties, about the same amount in expropriation guaranties, and a small amount of $675 for a war risk guaranty. For investment in Honduras, there are pending applications for $150,000 for convertibility and the same amount for expropriation.

It is clear that substantial amounts of investment are seeking entrance into Central America under the umbrella of the United States guaranty program. The guaranty programs are undoubtedly acting as a stimulus to United States foreign investment.

Countries which have not yet entered into agreements with the United States are losing the benefits which currently accrue to the countries which have such agreements. Since American investors are more willing to invest under the protection of the guaranty of the United States than they would be otherwise, such countries are depriving themselves unnecessarily of additional investment.
It must be emphasized that the world we live in is subject to all kinds of political and economic uncertainties and crises which make United States capital hesitant to invest abroad. In the case of Latin America, the hostile incidents that Vice President Nixon experienced on his tour there have heightened the fears of United States investors as to the safety of any investments in Latin America. To overcome these fears which can impede investment, even in countries with stable economies and currencies, the United States Government set up its Investment Guaranty Program. It is significant, for example, that West Germany which has one of the strongest currencies in the world has signed an agreement covering convertibility as well as expropriation. As of June 30, 1958, over $10,000,000 of such convertibility guaranties for investments in Germany have been issued, insuring such large United States corporations as Johns-Manville, Olin Mathieson Chemical Corp., Firestone Tire and Rubber Co., etc. These companies recognize their obligation to protect their shareholders by securing insurance guaranties for their foreign investments in West Germany. Without such guaranties, the flow of private United States investment would be far less than it actually is.

Foreign investment under the Investment Guaranty Program can be undertaken on a long-range basis with consequently much greater benefit to the country concerned.
Most important of all, the potential investor wants the same kind of reassurance in one country that is available in neighboring countries. Even though there may be little or no risk on these points in the country in question, it becomes a matter of offering terms as favorable as those offered elsewhere.

Panama has a vital stake in securing an adequate flow of United States capital. She is interested in securing large investments not only in petroleum refining but in other industries, and in continuing the progress of manufacturing and other investment in her fast-growing Colon Free Zone. The present increase in world tension and the consequent inevitable fear which it generates in United States investors can be overcome by the availability of the kind of insurance which the United States Investment Guaranty Program provides.
Investment Guaranty Handbook

... U. S. Government Guaranties Available for New American Investments Abroad
Under The Investment Guaranty Program

INTERNATIONAL COOPERATION ADMINISTRATION
Washington 25, D. C.

M. O. 1942.1
INVESTMENT GUARANTY HANDBOOK

United States Government guaranties are available for new investments in friendly foreign countries covering the following risks:

1. Inconvertibility of foreign currency receipts into dollars;
2. Loss through expropriation or confiscation;
3. Loss from damage to physical assets caused by war.

The policies and procedures being followed under this program are set forth herein. However, changes may be necessitated from time to time because of varying conditions without specific notification to recipients of this publication.

International Cooperation Administration
Washington 25, D. C.
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FOREWORD

The purpose of this handbook is to explain the Investment Guaranty Program and to serve as a guide to American businessmen who may be making new investments abroad and who may wish to seek U. S. Government guaranties against the risk of inconvertibility of currencies, or of losses due to expropriation and war damage.

The program is administered by the International Cooperation Administration and is designed to encourage private U. S. investment in friendly foreign countries.

It provides protection against the three most common risks which might be described as the principal “political risks” which have prevented or discouraged American investments in the past. If relieved of these risks which are insurmountable to private investors, the guaranty plan can be a powerful instrumentality to American private enterprise in increasing the production of wealth, expanding employment, raising standards of living, and encouraging the extraction of strategic materials in areas where private capital might not otherwise penetrate, and generally assist in economic development abroad.

The chapters which follow set forth the coverage available, the conditions under which U. S. Government guaranties can be obtained, and suggestions on how to apply for guaranties. It is hoped that this handbook will reach all American concerns having an interest in foreign operations, whether it be licensing or the actual establishment of foreign subsidiaries in order that the benefits of these guaranties may be as widely known as possible to the business community.

Walter Schaefer
Assistant to the Director for Finance
Investment Guaranties in Brief

If you are planning to:

   Establish a foreign subsidiary, branch, or affiliate;
   License a foreign company to use your patents or processes; or
   Increase your investment in an existing foreign venture—
You may be able to obtain U.S. Government guaranties for your new investment against:

   Currency inconvertibility;
   Expropriation or confiscation;
   Loss by reason of war.

The cost is generally $\frac{1}{2}$ of 1% per year of the guaranty coverage for each type of guaranty, and is available for periods up to 20 years.

The United States Government makes these guaranties available to help you make new investments in friendly foreign countries. Thirty-four countries are now participating and others are expected to join.

Investments may be:

   Cash
   Equipment or materials
   Patents, processes and techniques;

and may be in the form of equities, loans or licensing agreements.

To be eligible for guaranties, the investment must be:

   By United States citizens, or
   By United States companies, majority owned by U.S. citizens—
   For a minimum generally of 3 years if a loan or 5 years if an equity investment or a licensing arrangement, and
   For promotion of trade or economic development.

The following pages describe this protection, how to file an application (see page 26) and the other procedures to follow. If any part of this handbook is not clear and you wish further details, kindly address your inquiry to:

   Investment Guaranties Staff
   International Cooperation Administration
   Washington 25, D. C.
CHAPTER I

Scope of the Guaranty Program

1. Nature of the Program

Congress has authorized the investment guaranty program to encourage additional private American investment abroad which might help accomplish any of the purposes of the Mutual Security legislation.

The risks which may be covered by guaranties are:

a. Inability to convert foreign currency receipts into dollars.

b. Loss through expropriation or confiscation.

c. Loss from damage to physical assets caused by war.

In later chapters of this handbook you will find more detailed explanations of the coverage offered.

The Government does not offer guaranties against failure to make a profit, general devaluation of a foreign currency, inability or failure of a borrower to repay due to a decline in his assets, or against other normal business risks that attend any investment. But it does, subject to the conditions stated below, offer a practical means of insuring against three of the chief dangers listed above which have troubled prospective American investors abroad in the past.

The role of the United States Government in the guaranty program is to encourage desirable investment in those countries in which the program is applicable and then to act solely as a guarantor. No obligations are placed on the investor other than those necessary to the administration of the guaranties. There is no interference in the operation of the business of the investor or in the business of the recipient of the investment. However, the United States Government will, in accordance with good business practice, upon paying a claim to the guarantied investor, acquire the currency or claims on which the payment is based. All the agreements between the United States Government and the investor are set forth in a contract. Each contract is negotiated in the light of the special circumstances of the investment concerned and this contract governs the relationship between the investor and the United States Government.
Since the purpose of the program is to encourage additional American investment which might help attain the goals of the Mutual Security legislation, these guaranties are not available for existing investment or to investment which has been irrevocably committed before an application for insurance has been filed. However, it is available to new additions to existing investment. In short, it is the investment which must be new—not the enterprise in which the investment is made.

Investments may be made in the form of equity, loan, licensing agreement, or other methods typical of foreign investment practice. Any combination of the above is also permissible. Investment contributions may be made in cash, machinery, equipment, or in other forms.

At the present time there is no restriction as to size of investments which may be guarantied. In the past, guaranty contracts have been written covering amounts as low as $10,000 and as high as $15,000,000.

Investors must pay an annual premium for the protection given by the guaranty contract. Rates are the same for all countries included in the program. Specific rates for each type of guaranty are shown in Chapters IV, V and VI.

ICA has been authorized by Congress to issue guaranties slightly in excess of $500,000,000. Up to Dec. 31, 1957, guaranties amounting to $187,496,484 had been issued, and $151,915,577 of this total was still outstanding. Applications pending totaled $631,573,000.

Guaranties are issued in the form of a contract between the investor and Export-Import Bank of Washington. While ICA administers the investment guaranty program and develops the guaranty contract, Export-Import Bank of Washington acts as agent for the Director of ICA in the final execution of the guaranty contract and in its subsequent administration. The contract provides that payments due thereunder to investors shall be made by the Bank from funds specified in Section 413(b)(4)(F) of the Mutual Security Act (See Appendix “B”). This provision places the program on a “fractional reserve” basis, which follows customary insurance practice.

2. Guarantied Investments Must Further the Mutual Security Program

To be eligible for a guaranty, an investment must be approved by ICA as furthering the purposes of the Mutual Security legislation. The purposes of the Mutual Security legislation are very broad and would
include most projects which promote trade, provide economic development, increase production, raise standards of living, improve technical efficiency and other similar purposes.

3. Geographic Scope

Guaranties are now available in thirty-seven countries and a great number of the overseas dependencies of countries participating in the program.

4. Foreign Government Agreements

Before guaranties can be issued for investments in a particular country, an agreement between the United States and the foreign government is signed to institute the guaranty program. Primarily this agreement provides the understandings between the two governments as to the status of local currency and other claims which may be acquired by the United States when contracts of guaranty are invoked. The purpose of this agreement is to provide in advance orderly procedures for the handling of such currencies and claims.

Negotiations with countries not now in the guaranty program are continuously going on. It is anticipated that additional countries will enter the program in the future. Discussions are also being held with those countries which have so far only agreed to one or two of the coverages described above. Some of these countries may later agree to authorize additional coverage.

A list of the foreign countries and the overseas dependencies included in the program, as well as the types of coverage obtainable, is available for distribution. Requests for the list and inquiries concerning the status of specific countries or dependencies may be addressed to the Investment Guaranties Staff. Announcements of the entrance of new countries into the program or the availability of additional coverage in a country are given to the press and receive wide circulation.

Except in the case of war risk guaranties, the agreement with the foreign government does not provide for special treatment of guarantied investments. Guaranties, however, provide the investor with the United States Government's assurance that he will be protected up to the amount specified in the guaranty from loss by expropriation, from inconvertibility, or from loss by reason of war.

The agreement with the foreign government establishing the war risk part of the guaranty program provides that investors holding
guaranty contracts will be accorded treatment by the foreign government no less favorable than that accorded nationals of the country involved or nationals of third countries in regard to indemnification or other payments for losses by reason of war.

5. Foreign Government Approval for Each Project

It is required that each project be specifically approved by the foreign government for inclusion under the agreement referred to above before a guaranty contract can be issued. This approval is in addition to the normal approvals an investor must ordinarily obtain before entering a business venture in a foreign country.

6. Transfer of Investor’s Rights to the United States Government

Under existing legislation, when payment is made to an investor pursuant to a claim under the guaranty contract, any currency, credits, assets or investment on account of which the payment is made becomes the property of the United States Government which shall be subrogated to any right, title, claim or cause of action existing in connection therewith.

7. Examples of Investments Previously Guarantied:

Food Products .... General Mills .............. Pakistan
Plastics ............ Dow Chemical Int’l Ltd. .... Japan
Synthetic Textiles . Von Kohorn Int’l Co. ........ China (Formosa)
Tapioca Rice ....... Harry F. R. Dolan .......... Thailand
Pharmaceuticals ... Olin Mathieson Chem. Corp. . Turkey
Dairy Products .... Kraft Foods Co. ............ United Kingdom
Trucks ............. Ford Motor Co. ............. Germany
Food Processing ... General Foods Co. .......... Peru
Oil Exploration .... Edwin W. Pauley .......... Jordan
Welding Equipment The Lincoln Electric Co. .... France
Tires & Tubes ....... The B. F. Goodrich Co. .... Philippines
Catalysts ............ Universal Oil Products Corp.. United Kingdom
Tools ............... Greenfield Tap & Die Corp. . Netherlands
Pharmaceuticals ... American Home Products Co.. Italy
Carbon Black ....... Godfred L. Cabot, Inc. .... France
CHAPTER II

Eligible Investments

1. Who Is Eligible

In order to be eligible for guaranty the investment must be made by a citizen of the United States or a corporation, partnership, or other association created under the laws of the United States or of any state or territory, and substantially beneficially owned by citizens of the United States. Ordinarily, a company organized under United States law will be considered an eligible investor if more than one-half of the total value of all classes of its stock is owned by United States citizens. However, in determining the predominant ownership of an organization heavily indebted to a foreign creditor or creditors, the debt may be treated as equity in determining the eligibility of the investor.

A corporation, partnership or other association created under the laws of a foreign country is not eligible to obtain a guaranty even though the beneficial ownership of such foreign organization may be predominantly United States.

2. The Investment Must Be New

The purpose of the guaranty program is to encourage and facilitate new American private investment abroad which will further the purposes of the Mutual Security legislation. The new investment may be to establish a totally new enterprise in the foreign country, or to expand, modernize or develop an existing one. Although existing American investments may also support the purpose of the Mutual Security legislation, such investments cannot be considered for guaranty, as explained in Chapter I Section 1.

3. Type of Investment

There is no fixed form which an investment must take to be eligible for coverage. Some of the forms of investment for which guaranties may be issued are the following:

Equity: The investment may take the form of ownership in entirety or in part, of a foreign business organization, or the ownership may be direct, as in the case of a foreign branch of a
United States enterprise. Although a presently existing investment of a United States investor is not eligible for guaranty, a new American investment, which consists of the purchase by the investor of a foreign owner's interest in an existing foreign concern and involves additional investment contributions by the United States investor of either tangible assets or of patents, processes, and techniques for purposes of expanding, modernizing or developing the foreign concern, may be eligible. The investor will be expected to show clearly that the additional investment will make a real and substantial contribution to the expansion, modernization or development of the foreign enterprise.

**Loans:** The investment may be in the form of a loan, expressed in dollars or the currency of the foreign borrower, and secured or unsecured, provided that the term is no less than three years. In the case of serial loans, the average maturity for the entire loan must not be less than three years.

**Royalty Agreements:** The investment may take the form of a licensing arrangement which provides for the use of patents, processes and techniques in exchange for royalty payments. The investment may also take the form of an arrangement for the leasing of equipment.

Ordinarily, an equity investment or an agreement calling for payments of royalty or rent will not be considered eligible for guaranty unless it appears that the investment is intended to have a life of at least five years.

4. **Investment Contributions**

Whether in the form of equity, loan, or royalty or leasing agreement, the investment contribution may be any of the following:

**Cash:** If cash is to be invested, it must be dollars or credits in dollars, or foreign currency (i) purchased with dollars for the purpose of the investment, or (ii) otherwise acquired or owned by the investor, and freely transferable into dollars.

**Materials or Equipment:** Materials or equipment must be of dollar value.

**Patents, Processes or Techniques:** Congress has made these intangible assets eligible for guaranty because of the desirability of
encouraging the spread of advanced technological methods. However, the licensing of trade names, trademarks and good will, often closely associated with the licensing of patents, processes and techniques, is not eligible for guaranty. It should also be understood that, to be eligible for guaranty, the patents, processes and techniques included in the investment should represent predominantly a body of information and experience already in existence.

**Services:** Contributions of engineering and management services will usually be considered investment only when performed for the purpose of transmitting other eligible investment, such as processes and techniques, and provided, of course, that the services are not to be currently and separately paid for. The cost of engineering surveys in advance of construction and before the commitment for the investment is made can be included as a part of the total investment if essential to the project for which the guaranty is sought and if such costs have been incurred for the express purpose of making construction of the project possible.

5. Duration of Guaranty Contracts and the Guaranty Program

Guaranty contracts may be written for a maximum term of twenty years from the date of issuance.

Present ICA authority to issue new guaranty contracts extends to June 30, 1967.
CHAPTER III

How To Proceed

1. Application

When a prospective investor’s plans have been sufficiently developed to make it possible for him to do so, and before he has made the investment or committed himself to make it, he may file an application for an investment guaranty. Such an application need not be complete and final in every detail but should contain the essential facts about the proposed project and investment. All applications should be in quadruplicate.

Complete information concerning the filing of an application and an outline of the type of information desired is contained in Appendix "A" of this handbook. Information contained in an application will be held in confidence at all times. However, it is the policy of ICA, whenever a guaranty contract is issued, to release a public announcement describing in general terms the project in which the investment is being made as well as the nature and amount of the guaranty contract. Such releases are issued after consultation with the investor.

Prospective investors frequently have found it useful to discuss their investment plans with the Investment Guaranties Staff with the view of obtaining advice and information on various questions concerning the program and the preparation of applications. If a visit to the office of the Investment Guaranties Staff is planned, it is suggested that an appointment be arranged in advance.

2. Obtaining Foreign Government Approval

Before any investment guaranty contract is issued, ICA requires the investor to secure approval from the foreign government for the inclusion of his project under the investment guaranty agreement between the foreign government and the United States. This is done to assure that the project is within the scope of the intergovernmental agreement and to protect the interests of the United States, should a claim arise.

Investors will find that there is little uniformity in requirements made by different foreign countries for approval of foreign investments. In some countries, investments must be approved and be the subject of
special orders, in others, it is only necessary to meet general requirements as laid down in the laws concerning foreign investment. Some countries issue special approvals on remittance of earnings or repatriation of capital and other countries handle this by general rules.

In all countries it is desirable for the investor to study carefully the pertinent laws and regulations. Applicants for investment guaranties will find that processing of their applications can be expedited if copies of all approvals received from foreign governments are forwarded to the Investment Guaranties Staff for inclusion in the applicant’s file.

In the case of convertibility guaranty contracts it will be necessary for the investor to show that he has approval from the foreign government for the remittance of earnings and/or the repatriation of capital. In some cases this will be received through special approvals from the foreign government and in some cases through the applicant’s qualifying for this approval under general regulations. It is necessary to know what arrangements have been made because the extent of protection afforded by the guaranty contract is dependent upon the means of transfer available to the investor at the time the contract is issued.

Investors will frequently find that approval of the investment, approval for remittance of earnings or capital, and approval for inclusion of the project under the guaranty program agreement are handled by different agencies of the foreign government. The ICA mission or the American Embassy, located in the capital of the country concerned, is in a position to direct investors to the proper foreign government officials and to furnish other appropriate assistance. The Investment Guaranties Staff in Washington will furnish applicants with the latest information available on procedure, agencies and individuals responsible for handling approval by the foreign government.

It must be emphasized that it is the responsibility of the investor to present to the foreign government the plan and details of the investment, to fulfill the foreign government’s requirements regarding the investment, and to request the foreign government’s written expression to the ICA mission or American Embassy of the approval of the project for investment guaranty purposes.

No formal order of procedure has been established for obtaining the government approvals required. However, investors will ordinarily find it desirable to first establish, or obtain, their rights to remit dividends and repatriate capital before seeking the approval of the foreign govern-
ment for the inclusion of their project under the investment guaranty agreement. In those cases where it is likely that the required approvals will be readily obtained, the Investment Guaranties Staff will be glad to discuss contract provisions and other matters with the investor while the approvals are being obtained.

3. Information Concerning Foreign Countries

Prospective investors will frequently wish to visit or send a representative to the foreign country to obtain the necessary information. Travel, however, is not necessary in every case. Much background information can be obtained through diplomatic and consular offices of foreign governments located in various cities in the United States.

The United States Department of Commerce, Washington 25, D. C., has available a great number of general and specialized publications on various countries. These are available at reasonable prices to prospective investors and may be obtained by writing the Department of Commerce.

For those interested in getting in touch with foreign manufacturers who wish to obtain patent licenses or who desire foreign investment in their present or new businesses, the Office of Small Business, International Cooperation Administration, Washington 25, D. C., through its “Contact Clearing House Service” offers assistance in locating foreign concerns who are similarly interested.

4. Proceeding with Investment Before Its Guaranty

The purpose of the investment guaranty program is to stimulate new private investment from the United States which will contribute to the objectives of the Mutual Security program. The making of an investment or the making of a firm commitment to make an investment, prior to filing an application and obtaining the assurance against prejudice described in paragraph 5 below, are grounds on which an application may be denied.

5. Obtaining Assurance Against Prejudice

There may be circumstances that make it desirable for an investor to make the investment, or to enter into a firm commitment to make the investment, before an investment guaranty contract is issued. For these or other reasons, an investor may request that ICA issue him an assurance against prejudice on his application. (See Appendix “A” for application instructions.)
Such an assurance, sometimes called a “waiver letter”, provides that the investor may proceed with his investment plans or enter into contracts without prejudicing his application for a guaranty. This assurance will be in the form of a letter from ICA and will specify the period for which it will be effective. If necessary and desirable ICA may extend the effective period of the assurance, although an extension may not be given where it appears to ICA that the investor’s plans are not progressing or that an active interest does not exist in obtaining a guaranty.

Before such an assurance will be given to the investor by ICA, the application will be examined to see that the proposed investment satisfies the eligibility requirements set up by the legislation and ICA.

This assurance, of course, does not commit ICA to issue a guaranty contract, nor indicate that the foreign government will approve the project, nor assure the investor that further information about the proposed investment may not make it ineligible for guaranty.

6. Processing the Application—Preparation of Contracts

Because investment proposals vary widely in nature and because the application may not provide sufficiently detailed information, the Investment Guaranties Staff will often find it necessary to require additional information from the investor so that all of the terms of the proposal may be understood. The promptness with which an application can be processed to completion by ICA may depend largely upon the promptness with which the investor completes his application and foreign government approval is obtained.

When the investor has obtained approval from the foreign government for inclusion of his project under the investment guaranty program, and when the terms of the proposal are clearly understood by ICA, a draft of a guaranty contract will be sent to the applicant for his approval. The contract is between the investor and Export-Import Bank and governs the relationship between the two. Each contract is drafted to meet the particular circumstances of the investment and the needs of the investor. It must be noted, however, that most of the provisions of the contract are standard and easily understood. After agreement is reached with the investor on the terms of the contract, the proposed contract and the application are submitted to the Director of ICA for final approval. If approved, the guaranty contract is then executed on behalf of the United States Government by Export-Import Bank of Washington as agent for the Director of ICA.
CHAPTER IV

Convertibility Guaranties

1. Nature of Protection

An ICA convertibility guaranty contract provides protection against the risk of inability to convert investment receipts into dollars from the currency of the country in which the investment is made. Both transfers of earnings and repatriation of capital are protected.

The convertibility guaranty contract in essence insures that a means, available at the time the contract is issued, for converting foreign currency investment receipts into dollars will continue for the life of the contract. Thus the ICA will not guaranty convertibility in the face of exchange regulations and practices under which it would be clear at the time a contract was issued that conversion could be effected only through the guaranty.

2. Convertibility Guaranties and Foreign Exchange Rates

A convertibility guaranty is, basically, a guaranty against blockage of transfer into dollars of foreign currency receipts from an investment. It assures that the investor can transfer receipts from his investment into dollars at approximately the rate at which exchange transactions are being generally effected at the time of the transfer.

The ICA, in making payment under convertibility guaranty contracts, makes use of a basic reference rate for the foreign currency. The reference rate is usually the exchange rate for the foreign currency proclaimed by or certified to the United States Treasury Department for use daily for assessing and collecting United States custom duties on imports from the foreign country in which the investment project is located.

If, when the guaranty contract is made, transfers of local currency receipts from an investment can be made at approximately the reference rate, the investor is assured that he can transfer his receipts under the contract at 95% of the reference rate prevailing at the time he desires to make the transfer, if then he cannot otherwise convert them for a dollar yield equivalent to 95%. (The 5% is to allow for minor fluctuations and such ordinary expenses as transfer commissions, mail
or cable transfer charges, transaction stamp taxes, etc., usually borne by foreign investors transferring local currency into dollars.) This means that if, at a later date, exchange controls are put into effect or the exchange rate system is changed with the result that the investor cannot convert receipts from his investment into dollars, or can do so only at discount of more than 5% from the reference rate then current, he may invoke the guaranty. Hence, if a foreign government, during the life of the guaranty contract, blocks transfers by exchange controls directly applied to the conversion into dollars of local currency investment receipts, or, by the initiation or change of exchange practices, effectively blocks the transfer of investment receipts except at a rate of exchange which would yield less than 95% of the dollars which would be obtained by the reference rate, the investor is protected against loss from this blocking or rate differential.

In some countries multiple exchange rate systems exist under which, by law, decree, regulation, administrative determination or other control, the government establishes and maintains separate rates of exchange for, say, the importation of commodities from the United States and the transfer of investment receipts. In these countries where fixed multiple rates already exist when the guaranty is issued, the ICA convertibility guaranty protects the investor against a deterioration in the relationship of the reference rate to the exchange rate for transferring local currency receipts from investment into dollars between the time he makes the guaranty contract and the time he withdraws his receipts. For this purpose a ratio is established. This ratio is obtained by dividing (1) the exchange rate available at the time the guaranty contract is made for transferring local currency receipts from investments into dollars by (2) the reference rate described above.  

3. Collecting Under the Guaranty Contract

If a situation arises under which the investor is entitled to collect under his guaranty contract, the investor may make application to the Export-Import Bank of Washington, D. C. Because the guaranty

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1 In some foreign countries a multiple exchange rate system exists by virtue of the fact that transfers of local currency receipts from investment and other comparable exchange transactions are made through a free market, where the rate of exchange is determined by supply and demand and fluctuates in response to those factors, while the rate for the importation of commodities is established and controlled by the foreign government. Because of the fluctuations in the free market rate, no fixed relationship exists between that rate and the import rate. In those cases the reference rate will be negotiated by the investors and ICA.
is intended to protect against substantive transfer difficulties rather than minor fluctuations (or other temporary situations), the Export-Import Bank will usually require that the adverse situation shall have prevailed for 30 consecutive days before making payment. The 30-day rule applies except when unusual exchange conditions exist at the time the contract was issued.

After the Bank determines whether and to what extent the investor is entitled to collect under his contract, the investor is paid in dollars at a rate determined under the terms of his contract, as of the date of his application for conversion.

4. Maximum Dollar Amount of Protection in a Convertibility Guaranty Contract

Convertibility guaranty contracts are written to provide a specified total dollar amount of protection, and, within broad limits, the investor can choose the amount of protection he wants to buy. These limits vary with the amount and form of the investment—equity, loan or royalty agreement—as follows:

*Equity Investment:* Ordinarily, the maximum protection for an equity investment is an amount equal to 200% of the dollar amount (or dollar value) of the investment. If there are special circumstances which indicate a need for greater protection they will be given consideration.

*Loan Investment:* The maximum that can be guarantied is the amount (stated in dollars) of the principal, plus the total interest, at a rate considered reasonable in the light of prevailing rates for comparable loans in the foreign country.

*Royalty Agreements:* The maximum that can be protected is the sum (stated in dollars) of the royalty payments which can reasonably be expected over the life of the insurance contract. The investor must furnish the ICA a copy of his licensing agreement as a part of his guaranty application (see appendix "A") and he must establish and substantiate (1) the reasonableness of the rate of royalty and (2) the reasonableness of his estimate of royalty payments.

5. Face Amounts of the Guaranty Contract

Whatever the form of the investment—equity, loan or royalty agreement—the guaranty contract will be issued in a specified dollar amount
known as the “face amount”, (which will be within the maximum stated in the preceding section).

During the first three years of its term, the face amount of a contract covering an equity investment will be an amount set by the investor at the time the contract is executed, but not exceeding the amount of the investment. For the fourth year of the contract and each year thereafter, the face amount will be an amount set by the investor at the time the contract is executed but not exceeding the maximum stated in section 4 above.

The face amounts, thus established, remain fixed unless:

a. The investor exercises his option to reduce the amount of protection.

b. The amount of investment outstanding is reduced by withdrawals of the original guarantied capital.

c. The guaranty is invoked (to convert receipts, whether capital or earnings).

On any anniversary date of his guaranty contract, the investor may reduce the face amount. When the face amount has been reduced, the amount of protection surrendered cannot be reinstated.

When a part of a guarantied equity investment is withdrawn, whether by invocation of the contract or through normal exchange channels, the face amount of the contract will be reduced proportionately. For example: Assume an equity investment of $100,000 which is protected by a convertibility guaranty contract with a face amount of $200,000. Later, $25,000 (25%) of the original capital is repatriated. The face amount of the convertibility contract would then be reduced by $50,000 (25%). The investment is thus reduced to $75,000 and the face amount of the contract to $150,000.

When the guaranty contract is invoked, the face amount will be reduced. If the amount transferred represents earnings, the face amount will be reduced by the amount transferred. To the extent that a transfer under a contract represents withdrawal of capital, the face amount will be reduced as described in the preceding paragraph.

In the example above it should be emphasized that the face amount of a contract is not reduced by transfers of earnings through normal exchange channels.

The amount of convertibility protection remains intact until it has been reduced in one of the ways suggested above.
6. Termination

The guaranty is terminable as of the next anniversary date of the contract, at the option of the investor.

7. Cost of Convertibility Guaranty

The fee for a convertibility guaranty is one-half of one per cent (½ of 1%) per year of the face amount of the contract; it is payable annually in advance.

8. Alternative Form of Convertibility Guaranty Contract

In order to accommodate those investors, probably creditors or licensors, who have little or no expectation of receipts from their investments during a substantial part of the life of the contract, an alternative form of convertibility guaranty contract is available. The purpose in offering the alternative is to avoid making guaranty protection far more costly to these types of investors than to others. It will be noted that the essential features of this alternative are those of the convertibility guaranties previously available.

a. The investor will establish a cumulative annual schedule of the face amount of the insurance corresponding to his expected receipts, rather than selecting a constant figure as described in section 5 above.

b. All transfers of receipts from the investment, whether made through normal financial channels or under the guaranty contract, and whether in the nature of earnings or capital withdrawals will reduce the face of the contract; this is in contrast to permitting earnings to be withdrawn without reduction of the face amount as described in section 5 above.

c. The annual fee will be one per cent (1%) of the face amount scheduled for a particular year plus a standby charge of one-fourth of one per cent (¼ of 1%) of the difference between such scheduled amount and the maximum face amount which will accumulate under the schedule by the last year of the contract.
CHAPTER V

Expropriation Guaranty

1. Nature of Protection in an Expropriation Guaranty Contract

Governments expropriating property of foreign investors may offer compensation in some form and amount. This compensation may, however, be unsatisfactory to the investor and may involve long negotiation and litigation. It is frequently in the form of securities or foreign currencies which cannot freely be converted into dollars. By means of an ICA expropriation guaranty contract, American investors may assure themselves that they will be compensated by the United States Government, in the event of expropriation, in dollars, in accordance with a formula for determining loss which is fixed in the contract.

A guaranty against loss by reason of expropriation is also protection against confiscation (a taking without compensation), such as may occur if an unfriendly government succeeds to power in a country where a guarantied investment has been made. In this handbook, "expropriation" also includes "confiscation."

The nature of the protection offered varies with the form of the investment. In equity investments, expropriation will be deemed to have occurred if, for a period of one year, the foreign government prevents the exercise of substantial control over the investment property. Taxation or regulation by the foreign government will not be considered expropriatory unless it can be shown that the government's primary object is to divest the owners of their investments. Guaranty contracts for equity investment will usually be written to treat as a total loss expropriation either of all the assets of a foreign enterprise or of a portion sufficient to destroy its value as a going concern. If a prospective investor believes that special circumstances create an unusual risk of loss by expropriation of a part of the investment sufficient to destroy the value of the foreign enterprise as a going concern, the Investment Guaranties Staff will be ready to discuss the particular situation with the investor with a view to working out a mutually acceptable contract.

In loan investments, expropriation will be deemed to have occurred if, for a period of one year, the foreign government prevents any repayment of principal or, for a period of three years, prevents any pay-
ments of interest. The prevention of payment can occur either by direct intervention in the payments (other than through exchange controls of a kind which can be covered by a convertibility guaranty) or as a direct consequence of expropriation of the rights of the investor or the property of the foreign enterprise.

An investment made in the form of a royalty agreement will ordinarily not be eligible for a guaranty against loss by reasons of expropriation or war. ICA will be prepared to discuss with an investor any unique arrangements which the investor believes should be the subject of an expropriation guaranty.

2. Dollar Amount of Protection in an Expropriation Guaranty Contract

Whatever the form of the investment, the guaranty contract will be issued in a specified dollar amount known as the "face amount." The maximum face amount of protection is stated in the contract and cannot later be increased except through an amendment covering additional new investment, which must qualify and be approved in the same manner as the original guarantied investment.

For equity investments, the investor may purchase protection for the amount originally invested plus future earnings which the investor expects will be retained in the foreign enterprise, up to an amount (1) which the investor can establish as a reasonable expectation and (2) for the protection of which the investor is willing to pay an annual premium beginning with the effective date of the guaranty contract.

For loan investments, the maximum face amount of the contract will be the total dollar principal amount or dollar value of the principal amount plus the dollar amount or dollar value of all interest payments called for by the loan instrument.

As in a convertibility guaranty, the rate of interest on the loan must be established by the investor as reasonable, primary consideration being given to the prevailing rate in the foreign country for similar loans.

3. Computation of the Amount of Loss

In the event of expropriation, loss will be determined on a basis set forth in the contract, and paid to the investor in dollars. The amount determined will be within the maximum established in the contract.

Equity Investments: The loss will be the amount of dollars (or dollar value of other assets) originally invested, adjusted to reflect sub-
sequent operations by adding the investor’s proportionate share of undistributed earnings and realized capital gains and subtracting the investor’s proportionate share of any capital distributions, operating losses, or realized capital losses. Net increases or decreases in the value of the investment will be translated into dollars at a rate of exchange which shall be the average of the applicable rates of exchange on the last day of each month from the date of investment to the date of expropriation.

The date for computation of loss resulting from expropriation will be obtained from audited statements filed by the investor with, and acceptable to, the Export-Import Bank. These statements must be prepared in accordance with (or adjusted to reflect) standard accounting practices in the United States, including rates of depreciation not less than those set forth in the present Bulletin F of the Director of Internal Revenue.

LOAN INVESTMENTS: The loss will be the principal and interest amounts due the investor as a result of the investment and outstanding on the date of expropriation.

4. Expropriation Guaranty for Patents, Processes and Techniques

Investments of patents, processes and techniques can be the subject of expropriation guaranty in certain circumstances.

In some cases, such intangibles are contributed to a foreign enterprise in return for capital representing an undivided equity interest in all of the assets of that enterprise. In other cases, those intangibles may be sold outright to the foreign enterprise for a fixed dollar or a foreign currency amount payable over a number of years, or an agreement to pay minimum royalties. In these circumstances, if the value placed on the contribution by the investor and the foreign recipient can be clearly determined and its reasonableness substantiated the amount of protection and the amount of loss will be determined as in the case of an equity or loan investment accomplished by a contribution of cash or other tangible assets.

5. Cost of an Expropriation Guaranty

The fee for an expropriation guaranty is usually one-half of one percent (½ of 1%) per year of the total dollar amount of protection.

Fees are payable in advance and will be due on each anniversary date of the guaranty contract. For any contract year, the investor has

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the option to terminate the contract or reduce the amount of protection by written notice prior to the anniversary date, thereby reducing the fee payable.

6. War and Revolution

Guaranty against loss of investment property resulting from direct damage to or destruction of physical plant, equipment and facilities caused by war or enemy attack is available through a war risk guaranty, the nature and scope of which are described in some detail in Chapter VI of the handbook. However, since the expropriation may be the act of a hostile government which has come to power by military conquest or revolution, risks incidental to war and revolution, such as confiscation, which may occur if an unfriendly government succeeds to power, are covered in part by an expropriation guaranty.

7. Compensation for Loss

Prior to the payment of compensation under an expropriation guaranty contract the United States acquires by transfer by the investor all of his rights, title and interest in the guarantied investment.

During the period from the initiation of an expropriatory action to the transfer of claims to the United States, which will take place after the period of expropriation mentioned in section 1 of this chapter, the investor must take all reasonable measures available to pursue and preserve his claims against the expropriating government. Upon the assumption of his claims by the United States, the investor then has the obligation to cooperate with the United States Government in prosecuting those claims (for example, by producing witnesses and documents and otherwise assisting in the development of evidence).
CHAPTER VI

War Risk Guaranties

1. Extension of Investment Guaranties to Protect Against War Risks

In some areas of the world American companies may be deterred in making an investment because of the fear of war and damage to their physical property. In recognition of this obstacle to investment, the Congress has amended Section 413(b) (4) (B) (ii) of the Mutual Security Act of 1954 to include "the compensation in United States dollars for loss of all or any part of the investment ... by reason of war. (See Appendix "B" for text.) This amendment now permits the offering of considerably broader protection to the investor under the investment guaranty program.

Description of what a war risk guaranty covers, what is excluded, claim procedure, cost of the guaranty and other information for the guidance of the potential investor are summarized in the sections which follow. If the investor is desirous of purchasing the protection against war risk, he should examine a specimen contract which presents in more detail and in specific language the rights of the investor. The final contract will exclusively govern the relationship between the investor and the United States Government.

2. Scope of War Risk Guaranty

This guaranty will protect against loss resulting from direct damage to or destruction of physical plant, equipment and facilities covered by the guaranty contract and caused by war, whether or not under formal declaration, or enemy attack, including action taken by government authority in hindering, combatting, or defending against an actual, pending or expected enemy attack. This does not include consequential damage whether caused by a peril guarantied against or otherwise, or damage caused by civil war, revolution, rebellion, insurrection, or civil strife arising therefrom or action taken by governmental authority in hindering, combatting or defending against such occurrences, or as a consequence of such occurrences.
3. Limitation on the Amount of Guaranty

Only the investor's ownership in the physical property of the foreign enterprise may be covered by this guaranty. The maximum amount of guaranty obtainable may not exceed 90% of the value of the investor's ownership in the physical property and therefore the investor is thus a co-guarantor to the extent of 10%. However, the investor may co-insure for a larger percentage of the investment, if he desires, thereby reducing the government portion.

The dollar equivalent of the Government's portion of the risk will be stated in the contract. Once chosen it may not be increased except through amendment to the contract based upon added investment in the foreign enterprise. It may be decreased by appropriate notice prior to the payment of the annual fee for the guaranty.

4. Claims Under the Guaranty

Only claims which exceed either $10,000 or one per cent of the face amount of the guaranty will be eligible. This is to discourage the filing of minor claims. However, when a claim exceeds these limits, the entire claim is eligible.

In the event the investor suffers a loss under this guaranty, he shall promptly notify the Export-Import Bank by mail or telegram giving such details as are available to him on the nature and extent of loss. The Export-Import Bank will then notify him of the procedures to be followed for the proper submission of a claim.

5. Computation of the Amount of Loss

As soon after the filing of a claim as conditions permit, authorized agents of the Export-Import Bank will inspect the physical property to determine the damage. Loss will then be computed in accordance with the formula set forth in the contract. The formula will take into account the amount of the damage, the book value of the physical property (original cost adjusted to reflect depreciated value of the plant, and additions, if any) and the relative portion of the risk borne by the investor and the United States Government in accordance with the co-guaranty principle set forth above.

To illustrate, fifty per cent damage to property with current book value of $100,000 and insured up to 90% would result in payment to the investor of $45,000. The same property insured up to 40%
would result in payment of $20,000 to the investor. It should be understood that undervaluation of the guarantiable interest, or additions thereto not covered by the guaranty will automatically result in the assumption of a greater share of the risk by the investor.

6. Cost of War Risk Guaranty

The fee for a war risk guaranty is one-half of one per cent (½ of 1%) per year of the dollar amount of protection during the first ten contract years. The fee is subject to adjustment in light of experience during the remaining contract years but may not exceed 4% per annum.

Fees are payable in advance, and will be due yearly on the anniversary date of the guaranty contract. The investor has the option to terminate the contract or reduce the amount of protection by written notice prior to the anniversary date, thereby reducing the fee payable.

7. Availability of War Risk Guaranties

War risk guaranties will only be available in those countries which have, by exchange of notes with the United States, indicated their approval of the war risk guaranties program for new American investment within their territory. From time to time a list of countries in the war risk program, as well as convertibility and expropriation programs, will be issued, and will be available on request.

8. Obtaining Foreign Government Approval

Approval of each project to be guarantied shall be initiated by the investor with the host government following the same general procedure as set forth in Chapter III, or, in accordance with instructions issued on the receipt of the application.
APPENDIX A

Application Instructions

The application form (Investment Guaranty Application, Form ICA-20-2/4-57 should be submitted by the applicant in QUADRUPLE IN in accordance with the instructions given below, addressed to:

Investment Guaranties Staff
International Cooperation Administration
Washington 25, D.C.

For guidance, a sample completed application form is contained as a part of this appendix.

If time is of the essence and the applicant does not have sufficient information to complete an application form, or, if the applicant feels the information can be covered more completely otherwise, a letter of application for coverage (IN QUADRUPLE), giving as much information described below as possible, may be addressed to ICA. All applications and/or letters of application for coverage will receive acknowledgment and consideration. If the information is insufficient for further processing, the applicant will be notified as to additional information required.

In order to insure earliest possible consideration for guaranty coverage by the U. S. Government of the proposed investment, the investor should give the following information to the extent available and should note any information not readily available to be submitted later.

1. Name and address of applicant. This should be the official name of the company, corporation, or individual, whichever is the case, making application for guaranties, and the official business address.

2. Citizenship. Indicate citizenship, or if applicant is a corporation, the name of the State where incorporated and the year of incorporation.

3. Stock ownership of applicant. State the percentage of each class of applicant’s stock known or believed to be beneficially owned by United States citizens. If the investor has substantial foreign creditors, the nature and amount of the obligations should be stated as an attachment to the application form.
4. Authorized representatives of applicant for purposes of this application. Give the name, title, address and telephone number of each person authorized to represent the applicant for the purposes of application.

5. Description of applicant's business. This should be a brief statement of the type and extent of the applicant's business.

6. Name and address of foreign concern or branch receiving investment (if now known). Give the name and address of the foreign concern in which the investment is to be made if it is known at the time of filing the application.

7. Brief description of foreign concern's business. Describe the kind of business and nationality of the foreign concern's business.

8. Approximate date when enterprise was or will be formed. Give the date of forming of new enterprise, or an estimated date if the date is not known as a certainty.

9. Legal form of organization. State what legal form the enterprise will take, whether a corporation, partnership or other.

10. Approximate date investment will be made. If an approximate date, month or year is known, it should be indicated in this space.

11. Describe in general terms nature and purpose of proposed project (the investment) and indicate probable benefits of the project to the economy of the foreign country. This should be a statement of the proposed investment project, what it proposes to accomplish and what it proposes to contribute to the economy of the foreign country.

12. Proposed investment. Indicate the estimated dollar amount and the type whether (a) cash, (b) machinery, equipment, materials, (c) patents, processes and techniques, or (d) services.

13. Indicate basis for determining value, for instance, by appraisal, etc. State what criteria was used in determining the value of Item 12 above. If the investment is cash involving funds other than United States funds, a complete statement of their source should be attached to the application.

14. State what applicant will receive for investment—stock, notes, royalty agreement or other instrument as compensation or evidence of ownership. In case the project is a branch, indicate. Describe the investment plan. This should be a description of the investment plan and what contractual documents or investment evidences are in-
volved, and should include as an attachment a copy of the appropriate instruments(s), depending on which of the following types of investment is involved:

a. *Equity*. Identify type of securities or other evidence of ownership to be received and state proportion of ownership in the foreign enterprise. If stock is to be received in exchange for the licensing of patents, processes and techniques, submit a copy of the proposed licensing agreement as soon as available.

b. *Loan*. Describe evidence of indebtedness to be obtained (e.g. promissory note, bond, etc.). Specify the interest rate and maturity dates (including acceleration provisions). As soon as available, a copy of the loan instrument should be submitted.

c. *Royalty Contract*. Specify the proposed royalty rate and the period of time covered and submit a copy of the proposed royalty contract when available.

15. *Guaranties requested*. The dollar coverage desired (or “face amount of the contract” as discussed in the various chapters of the handbook) should be stated. In the case of *convertibility* guaranties, the applicant may request up to 200% of the dollar amount or dollar value of the investment and for *war risk* the applicant may request up to 90% of the dollar value of the physical property to be guarantied. If *war risk* coverage is requested, a description of the physical property will be required if available. For *expropriation* guaranties, the applicant may request the dollar amount or dollar value of the investment plus the dollar value of retained earnings. Also state the number of years guaranties will be required (this may be up to 20 years). Note that for war risk coverage the fee is subject to adjustment after the first 10 years.

16. *If financial source for investment is other than treasury funds or usual banking arrangements by the investor with American institutions, describe fully*. This refers to any financial arrangements which the applicant intends to make outside of his own resources. A full statement of all sources and countries involved should be included.

17. *Indicate any contractual agreements with the foreign concern not governed by the investment instrument*. If there are any contractual agreements involved which are not affected by the controlling
investment instrument (loan, royalty or licensing agreement), give a
description of their provisions.

18. **State the arrangements under which you will be able to remit income and to repatriate investment.** State any special conditions imposed on the applicant by the foreign country for the remittance of income and repatriation of the investment and for the conduct of the business in which the investment is to be made. Describe foreign exchange and investment controls, export requirements, location of plants, or other conditions made by the foreign government stipulated in the foreign government’s approval of the investment.

19. **Signature.** The person (or authorized official of the concern) making the application should sign and his appropriate title should be stated.
**SAMPLE COMPLETED APPLICATION FORM**

**INVESTMENT GUARANTY APPLICATION**

1. **NAME AND ADDRESS OF APPLICANT**
   - John Doe Rubber Company
   - 100 Main Avenue
   - Chicago, Illinois

2. **CITIZENSHIP**
   - b. Corporation name and state where incorporated: Delaware, Year incorporated: 1927

3. **STOCK OWNERSHIP OF APPLICANT**
   - % Common stock known or believed to be owned by U.S. citizens: 95%
   - % Preferred stock known or believed to be owned by U.S. citizens: 98%

4. **AUTHORIZED REPRESENTATIVES OF APPLICANT FOR PURPOSES OF THIS APPLICATION**
   - **NAME** | **ADDRESS** | **TELEPHONE NUMBER**
   - Richard H. Roe | Same as Applicant | Central 4-1000
   - John M. Jones | Same as Applicant | Central 4-1000
   - Charles L. Smith | 1700 K Street, N.W. | Lincoln 7-3964
   - Counsel

5. **DESCRIPTION OF APPLICANT'S BUSINESS**
   - Applicant imports crude rubber and manufactures and sells tires, tubes and other rubber products for industrial and household uses in the United States and foreign countries.

6. **NAME AND ADDRESS OF FOREIGN CONCERN OR BRANCH RECEIVING INVESTMENT (IF NOT KNOWN)**
   - Insular Rubber Company
   - 306 Luzon Avenue
   - Manila, P.I.

7. **BRIEF DESCRIPTION OF FOREIGN CONCERN'S BUSINESS**
   - Foreign concern is expected to engage in the planting and cultivation of rubber trees, the import and export of crude rubber and the manufacture and sale of tires, tubes and other rubber products in the Philippines and abroad.

8. **APPROXIMATE DATE WHEN ENTERPRISE WAS OR WILL BE FORMED**
   - October 31, 1957

9. **LEGAL FORM OF ORGANIZATION (CORPORATION, ETC.)**
   - Philippine Corporation

10. **APPROXIMATE DATE INVESTMENT WILL BE MADE**
    - November 30, 1957

11. **DESCRIBE IN GENERAL TERMS NATURE AND PURPOSE OF PROPOSED PROJECT (THE INVESTMENT) AND INDICATE PROBABLE BENEFITS OF THE PROJECT TO THE ECONOMY OF THE FOREIGN COUNTRY**
    - The proposed investment will be made in connection with a project involving the use of private American capital and managerial skills and techniques for the cultivation of natural rubber resources in the Philippines and the manufacture of finished rubber products for domestic consumption and for export.
    - The economy of the Philippines may reasonably be expected to benefit from the better cultivation and utilization of its natural resources and from the availability from a domestic source of finished products having important uses for Philippine industry, commerce and households.

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*Send FOUR copies to Investment Guarantees Staff, International Cooperation Administration, Washington 25, D.C., in accordance with Appendix "A" of the Investment Guaranty Handbook. (Where additional information is attached refer to item number in this application.)*
New machinery and equipment, to be purchased in the United States, will be contributed at a value which will be the sum of its cost in dollars to the applicant plus the cost in dollars of packaging, crating and inland and ocean freight from point of shipment in the U.S. to the port of Manila.

12. PROPOSED INVESTMENT

<table>
<thead>
<tr>
<th>A. CASH (Amount)</th>
<th>B. MACHINERY EQUIPMENT MATERIALS (Value)</th>
<th>C. PATENTS, PROCESSES AND TECHNIQUES (Value)</th>
<th>D. SERVICES (Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500,000</td>
<td>$200,000</td>
<td></td>
<td>Royalty Payments $</td>
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</tbody>
</table>

13. INDICATE BASIS FOR DETERMINING VALUE FOR Instance BY APPRAISAL, ETC. (If cash in other than U.S. funds give details on separate sheet)

14. STATE WHAT APPLICANT WILL RECEIVE FOR INVESTMENT. STOCK NOTES, ROYALTY AGREEMENT OR OTHER INSTRUMENT AS COMPENSATION OR EVIDENCE OF OWNERSHIP. IN CASE THE PROJECT IS A BRANCH, INDICATE DESCRIBE THE INVESTMENT PLAN.

(1) 500,000 shares, evidencing ownership of 50% of the capital stock of the investor, acquired in exchange for local currency equivalent to $500,000.

(2) Foreign concern's promissory note, payable five years after date, and bearing interest at the rate of 5% per annum, payable semi-annually.

(3) Royalty payments as provided for in attached draft agreement for the licensing of applicant's patents and for furnishing technical assistance.

15. GUARANTEES REQUESTED | CONVERTIBILITY* | EXPROPRIATION | WAR RISK**
---------------------------|-----------------|---------------|--------------
Equity ........................ | $1,000,000      | $750,000      | $400,000     |
Loan ........................... | $250,000        | $250,000      | $             |
Royalty ........................ | $300,000        | $             | $             |
Other .......................... | $              | $             | $             |
No. of years .................. | 20              | 20            |              

16. IF FINANCIAL SOURCE OF INVESTMENT IS OTHER THAN TREASURY FUNDS OR USUAL BANKING ARRANGEMENTS BY THE INVESTOR WITH AMERICAN INSTITUTIONS, DESCRIBE FULLY.

17. INDICATE ANY CONTRACTUAL AGREEMENTS WITH THE FOREIGN CONCERN NOT GOVERNED BY THE INVESTMENT INSTRUMENT.

18. STATE THE ARRANGEMENTS UNDER WHICH YOU WILL BE ABLE TO REMIT INCOME AND TO REPATRIATE INVESTMENT.

Remittances of income on foreign investment in the Philippines are subject to general regulations of the Central Bank of the Philippines. A copy of the applicable regulations will be furnished the ICA as a supplement to this application.

Repatriation of invested capital is subject to specific resolution of the Central Bank. A copy of that resolution will also be furnished the ICA as a supplement to this application.

19. SIGNATURE: [Signature]  
TITe: [Title]  

*Up to 20% of investment  
**Up to 90% of value of physical property guaranteed. Attach description of physical property, if available.

ICA 20.2 (A-57) Page 2 GPO 824021

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APPENDIX B

Legislation Pertaining to the ICA Investment Guaranty Program as of July 18, 1956

Section 413(b) of the Mutual Security Act of 1954 (Public Law 665, 83rd Congress) as Amended by the Mutual Security Act of 1956 (Public Law 726, 84th Congress)

Sec. 413(b) In order to encourage and facilitate participation by private enterprise to the maximum extent practicable in achieving any of the purposes of this Act, the President— . . .

Sec. 413(b)(4) may make, through the agency primarily responsible for administering nonmilitary assistance under this Act, until June 30, 1967, under rules and regulations prescribed by him, guaranties to any person of investments in connection with projects, including expansion, modernization, or development of existing enterprises, in any nation with which the United States has agreed to institute the guaranty program:

Provided, That—

(A) such projects shall be approved by the President as furthering any of the purposes of this Act, and by the nation concerned;

(B) the guaranty to any person shall be limited to assuring any or all of the following:

(i) the transfer into United States dollars of other currencies, or credits in such currencies, received by such person as earnings or profits from the approved project, as repayment or return of the investment therein, in whole or in part, or as compensation for the sale or disposition of all or any part thereof;

(ii) the compensation in United States dollars for loss of all or any part of the investment in the approved project which shall be found by the President to have been lost to such person by reason of expropriation or confiscation by action of the government of a foreign nation or by reason of war;

(C) when any payment is made to any person pursuant to a guaranty as hereinbefore described, the currency, credits, assets, or
investment on account of which such payment is made shall become the property of the United States Government, and the United States Government shall be subrogated to any right, title, claim or cause of action existing in connection therewith;

(D) the guaranty to any person shall not exceed the amount of dollars invested in the project by such person with the approval of the President plus actual earnings or profits on said project to the extent provided by such guaranty, and shall be limited to a term not exceeding twenty years from the date of issuance;

(E) a fee shall be charged in an amount not exceeding 1 per centum per annum of the amount of each guaranty under clause (i) of subparagraph (B), and not exceeding 4 per centum per annum of the amount of each guaranty under clause (ii) of such subparagraph, and all fees collected hereunder shall be available for expenditure in discharge of liabilities under guaranties made under this section until such time as all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this section;

(F) the President is authorized to issue guaranties up to a total face value of $500,000,000 exclusive of informational media guaranties heretofore and hereafter issued pursuant to section 1011 of the Act of January 27, 1948, as amended (22 U.S.C. 1442), and section 111(b)(3) of the Economic Cooperation Act of 1948, as amended (22 U.S.C. 1509(b)(3)): Provided, That any funds allocated to a guaranty and remaining after all liability of the United States assumed in connection therewith has been released, discharged, or otherwise terminated, and funds realized after June 30, 1955, from the sale of currencies or other assets acquired pursuant to subparagraph (C), shall be available for allocation to other guaranties, and the foregoing limitation shall be increased to the extent that such funds become available. Any payments made to discharge liabilities under guaranties issued under this paragraph shall be paid out of fees collected under subparagraph (E) as long as such fees are available, and thereafter shall be paid out of funds realized from the sale of currencies or other assets acquired pursuant to subparagraph (C) and notes which have been issued under authority of paragraph 111(c)(2) of the Economic Cooperation Act of 1948, as amended, and authorized to be issued under this paragraph by the Director
of the International Cooperation Administration, when necessary to discharge liabilities under any such guaranty: Provided, That all guaranties issued after June 30, 1956, pursuant to this paragraph shall be considered for the purposes of sections 3679 (31 U.S.C. 665) and 3732 (41 U.S.C. 11) of the Revised Statutes, as amended, as obligations only to the extent of the probable ultimate net cost to the United States of such guaranties; and the President shall, in the submission to the Congress of the reports required by section 534 of this Act, include information on the operation of this paragraph: Provided further, That at all times funds shall be allocated to all outstanding guaranties issued prior to July 1, 1956, exclusive of informational media guaranties issued pursuant to section 1011 of the Act of January 27, 1948, as amended (22 U.S.C. 1442), and section 111 (b) (3) of the Economic Cooperation Act of 1948, as amended, equal to the sum of the face value of said guaranties. For the purpose of this paragraph the Director of the International Cooperation Administration is authorized to issue notes (in addition to the notes here-tofore issued pursuant to paragraph 111 (c) (2) of the Economic Cooperation Act of 1948, as amended) in an amount not to exceed $37,500,000, and on the same terms and conditions applicable to notes issued pursuant to said paragraph 111 (c) (2);

(G) the guaranty program authorized by this paragraph shall be used to the maximum practicable extent and shall be administered under broad criteria so as to facilitate and increase the participation of private enterprise in achieving any of the purposes of this Act;

(H) as used in this paragraph—

(i) the term "person" means a citizen of the United States or any corporation, partnership, or other association created under the law of the United States or of any State or Territory and substantially beneficially owned by citizens of the United States, and,

(ii) the term "investment" includes any contribution of capital goods, materials, equipment, services patents, processes, or techniques by any person in the form of (1) a loan or loans to an approved project, (2) the purchase of a share of ownership in any such project, (3) participation in royalties, earnings, or profits of any such project, and (4) the furnishing of capital goods items and related services pursuant to a contract providing for payment in whole or in part after the end of the fiscal year in which the guaranty of such investment is made.
## INVESTMENT GUARANTIES STAFF

**International Cooperation Administration**  
**Washington 25, D. C.**

**Quarterly Report**  
**of Investment Guarantees Issued Since the Inception of the Program in 1948**  
**Through June 30, 1958**

<table>
<thead>
<tr>
<th>INVESTOR</th>
<th>PRODUCT</th>
<th>CONVERTIBILITY</th>
<th>EXPROPRIATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AUSTRIA:</strong></td>
<td></td>
<td></td>
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<tr>
<td>Mobil Overseas Oil Co., Inc.</td>
<td>Oil Distribution</td>
<td>$1,000,000</td>
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<td>Syntex Company.</td>
<td>Vibratory Equipment</td>
<td>30,000</td>
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<tr>
<td>Total</td>
<td></td>
<td>1,030,000</td>
<td>1,000,000</td>
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<td><strong>BOLIVIA:</strong></td>
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<tr>
<td><em>South American Placers, Inc.</em></td>
<td>Gold Dredging</td>
<td>-</td>
<td>3,000,000</td>
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<tr>
<td><strong>BELGIUM:</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Smith-Corona, Inc.</td>
<td>Typewriters</td>
<td>72,000</td>
<td>60,000</td>
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<tr>
<td><strong>CHINA:</strong> (Taiwan)</td>
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<td></td>
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<tr>
<td>Von Kohorn International Corp.</td>
<td>Rayon Manufacturing</td>
<td>1,059,242</td>
<td>959,212</td>
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<tr>
<td>Westinghouse Elec. Intl. Co.</td>
<td>Electric Generating Equip</td>
<td>2,110,320</td>
<td>1,881,600</td>
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<td>2,840,812</td>
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<tr>
<td><strong>DENMARK:</strong></td>
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<td></td>
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<tr>
<td>Ray-o-Vac Intl., Inc.</td>
<td>Leak-proof Batteries</td>
<td>182,500</td>
<td>-</td>
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<td><strong>FRANCE:</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Armstrong Paint &amp; Varnish</td>
<td>Paints and Varnish</td>
<td>12,000</td>
<td>-</td>
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<td>Chicago Molded Products</td>
<td>Plastics</td>
<td>35,000</td>
<td>-</td>
</tr>
<tr>
<td>Godfrey L. Cabot, Inc.</td>
<td>Carbon Black</td>
<td>8,830,000</td>
<td>2,215,000</td>
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<tr>
<td>Godfrey L. Cabot, Inc.</td>
<td>Carbon Black</td>
<td>-</td>
<td>2,215,000</td>
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<tr>
<td>Clark Equipment Co.</td>
<td>Materials Handling Equip</td>
<td>749,250</td>
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<tr>
<td>Concrete Chemicals Co.</td>
<td>Concrete Admixes</td>
<td>90,000</td>
<td>-</td>
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<tr>
<td>Corhart Refractories Co., Inc.</td>
<td>Refractories</td>
<td>70,000</td>
<td>-</td>
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<tr>
<td>Dana Corporation</td>
<td>Automotive Parts</td>
<td>304,950</td>
<td></td>
</tr>
<tr>
<td>Dow Corning Corporation</td>
<td>Silicones</td>
<td>200,000</td>
<td></td>
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<tr>
<td>Ellicott Machine Corp.</td>
<td>Dredges</td>
<td>374,340</td>
<td>37,173</td>
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<tr>
<td>Ford Motor Co.</td>
<td>Trucks and Cars</td>
<td>920,108</td>
<td>-</td>
</tr>
<tr>
<td>Ford Motor Co.</td>
<td>Auto Products</td>
<td>713,875</td>
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<tr>
<td>Foster Wheeler Corp.</td>
<td>Trucks and Cars</td>
<td>6,987,310</td>
<td>3,493,655</td>
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<tr>
<td>Foster Wheeler Corp.</td>
<td>Construction Engineering</td>
<td>213,500</td>
<td>-</td>
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<tr>
<td>Fruehauf Truck Co.</td>
<td>Truck Trailers</td>
<td>1,400,000</td>
<td>-</td>
</tr>
<tr>
<td>Harshaw Chemical Co.</td>
<td>Ceramic Colors</td>
<td>200,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Heyden Chemical Corp.</td>
<td>Streptomyces</td>
<td>300,000</td>
<td>-</td>
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<tr>
<td>Hohensin, Walter F.</td>
<td>Polystyrene</td>
<td>56,000</td>
<td>-</td>
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<tr>
<td>Houdry Process Corp.</td>
<td>Petroleum Refining</td>
<td>202,000</td>
<td>-</td>
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<tr>
<td>International Water Corp.</td>
<td>Water Wells</td>
<td>31,000</td>
<td>-</td>
</tr>
<tr>
<td>Kepplers Company</td>
<td>Styrene Monomer</td>
<td>1,650,000</td>
<td>-</td>
</tr>
<tr>
<td>Lincoln Electric Co.</td>
<td>Welding Materials</td>
<td>1,072,636</td>
<td></td>
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<tr>
<td>Marmon-Herrington Co., Inc.</td>
<td>Transportation Vehicles</td>
<td>57,860</td>
<td>27,140</td>
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<td>Morrison-Knudsen Co., Inc.</td>
<td>Construction Engineering</td>
<td>252,000</td>
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<tr>
<td>National Fastener Corp.</td>
<td>Slide Fasteners</td>
<td>17,500</td>
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<tr>
<td><em>New Britain Machine Co.</em></td>
<td>Machine Tools</td>
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<td>1,000,000</td>
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<td>Rohm &amp; Haas Co.</td>
<td>Agricultural Fungicides</td>
<td>111,100</td>
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<td><em>Ronson Corp.</em></td>
<td>Lighters &amp; Related Products</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Singer Manufacturing Co.</td>
<td>Sewing Machines</td>
<td>717,000</td>
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<tr>
<td>Standard Oil Development Co.</td>
<td>Oil Refinery</td>
<td>550,000</td>
<td>-</td>
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<tr>
<td>Standard Oil Development Co.</td>
<td>Oil Refinery</td>
<td>501,000</td>
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<tr>
<td>Yoder Co.</td>
<td>Metal-working Machinery</td>
<td>204,500</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$25,311,050</td>
<td>$10,202,133</td>
</tr>
</tbody>
</table>

BONI. WATKINS. JASON & CO.  
Incorporated  
New York – Washington
<table>
<thead>
<tr>
<th>INVESTOR</th>
<th>PRODUCT</th>
<th>CONVERTIBILITY</th>
<th>EXPROPRIATION</th>
</tr>
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<tbody>
<tr>
<td>Godfrey L. Cabot, Inc.</td>
<td>Carbon Black</td>
<td>$ 1,000,000</td>
<td>$</td>
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<td>Clevite Corp.</td>
<td>Electronic Products.</td>
<td>312,669</td>
<td>312,668</td>
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<td>Firestone Tire &amp; Rubber Co.</td>
<td>Tires &amp; Tubes.</td>
<td>1,811,700</td>
<td>1,052,400</td>
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<td>Ford Motor Company.</td>
<td>Trucks and Automobiles.</td>
<td>8,311,863</td>
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<td>Ford Motor Company.</td>
<td>Trucks and Automobiles.</td>
<td>9,593,062</td>
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<tr>
<td>Gardner-Denver Company.</td>
<td>Mine Car Loaders.</td>
<td>140,000</td>
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<td>Harris Seybold</td>
<td>Paper Cutters.</td>
<td>355,105</td>
<td>177,552</td>
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<td>E. F. Houghton &amp; Company</td>
<td>Chemicals &amp; Lubricants.</td>
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<tr>
<td>Johns-Manville Company.</td>
<td>Asphalt Tile.</td>
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<tr>
<td>Merchant Calculators, Inc.</td>
<td>Business Machines.</td>
<td>95,120</td>
<td>95,120</td>
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<td>National Aluminate Corp.</td>
<td>Water Treating Chemicals</td>
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<td>50,000</td>
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<tr>
<td>Olin Mathieson Chemical Corp.</td>
<td>Powder Actuated Tools.</td>
<td>1,032,351</td>
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<td>Olin Mathieson Chemical Corp.</td>
<td>Powder Actuated Tools.</td>
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<td>Oppenheimer Casing Company</td>
<td>Animal Sausage Casings.</td>
<td>126,949</td>
<td>116,516</td>
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<td>Otis Elevator Company.</td>
<td>Elevators and Equipment.</td>
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<td>Perkin-Elmer Corporation.</td>
<td>High Precision Instruments</td>
<td>518,230</td>
<td>274,115</td>
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<td>Raytheon Manufacturing Co.</td>
<td>Radar &amp; Sonar Equipment.</td>
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<td>J. Sklar Manufacturing Co.</td>
<td>Optical Equipment.</td>
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<td>J. Sklar Manufacturing Co.</td>
<td>Tool Manufacturing.</td>
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<tr>
<td>The Coleman Company.</td>
<td>Space Heaters Manufacture.</td>
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<tr>
<td>Union Twist Drill Company.</td>
<td>Metal Cutting Tools.</td>
<td>2,892,204</td>
<td>2,892,204</td>
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<td>23,185,760</td>
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<td>GREECE:</td>
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<tr>
<td>Dresser Industries.</td>
<td>Barite Mining.</td>
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<td>595,000</td>
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<td>GUATEMALA:</td>
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<tr>
<td>Farmen &amp; Son Logging Co.</td>
<td>Logging Operation.</td>
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<tr>
<td>Koppers Co., Inc.</td>
<td>Timber Operation.</td>
<td>325,000</td>
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<tr>
<td>Oliver Farmen</td>
<td>Logging Operation.</td>
<td>70,000</td>
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<td><strong>Total</strong></td>
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<td>247,000</td>
<td>572,000</td>
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<td>ITALY:</td>
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<td>American Home Products Corp.</td>
<td>Pharmaceuticals.</td>
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<td>American Home Products Corp.</td>
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<td>Pharmaceuticals.</td>
<td>480,000</td>
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<td>American Home Products Corp.</td>
<td>Pharmaceuticals.</td>
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<td>576,000</td>
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<td>American Hotels of Italy.</td>
<td>Motels</td>
<td>195,000</td>
<td>172,500</td>
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<td>Associated Seed Growers, Inc.</td>
<td>Seed Cultivation.</td>
<td>87,500</td>
<td>150,000</td>
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<td>Seed Cultivation.</td>
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<td>Don Baxter</td>
<td>Intravenous Solutions.</td>
<td>29,190</td>
<td>29,190</td>
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<td>Calco Oil Products Co.</td>
<td>Oil Refinery.</td>
<td>4,630,000</td>
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<td>Chicago Molded Products.</td>
<td>Plastics</td>
<td>35,000</td>
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<tr>
<td>Houdry Process Corporation</td>
<td>Petroleum Refining.</td>
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<tr>
<td>E. H. Houghton &amp; Company</td>
<td>Chemicals &amp; Lubricants.</td>
<td>17,000</td>
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<td>Mobil Overseas Oil Co., Inc.</td>
<td>Oil Refinery.</td>
<td>5,600,000</td>
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<tr>
<td>Mobil Overseas Oil Co., Inc.</td>
<td>Crackling Unit.</td>
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<td>National Aluminate Corp.</td>
<td>Boiler Compounds.</td>
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<td>271,000</td>
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<td>National Biscuit Company</td>
<td>Biscuits &amp; Crackers.</td>
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<td>Olin Mathieson Chemical Co.</td>
<td>Industrial Chemicals.</td>
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<td>4,275,900</td>
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BONI. WATKINS. JASON & CO.
Incorporated
New York – Washington
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<th>PRODUCT</th>
<th>CONVERTIBILITY</th>
<th>EXPROPRIATION</th>
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<td><strong>Total</strong></td>
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<td><strong>Grand Total of both Convertibility and Expropriation Contracts</strong></td>
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<td><strong>$138,037,497</strong></td>
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* Issued since March 31, 1958.

* While this total represents all guaranties issued since the beginning of the Investment Guaranty Program in 1948, as of the current reporting date the maximum outstanding liability is $156,783,497.07.

BONI. WATKINS, JASON & CO. Incorporated
New York - Washington
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<th>Expropriation</th>
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<td>102,211,000</td>
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<td>43,233,600</td>
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Totals: $384,636,895 $219,289,500 $103,249,115 $707,175,470 $206,308,740 $188,500,000 $126,045,130 $186,632,600

Of the above pending applications for investment guarantees, $304,293,930 are located in areas which are considered to be the "less developed" areas of the world.

BOWIE WATKINS, JASON & CO. Incorporated
New York – Washington
PENDING APPLICATIONS FOR INVESTMENT GUARANTIES

Millions of Dollars

1948 49 50 51 52 53 54 55 56 57

Total
ALL OTHER AREAS
UNDERDEVELOPED AREAS

BONI. WATKINS. JASON & CO.
Incorporated
New York - Washington
INVESTMENT GUARANTY PROGRAM

Standard Draft Note Agreement

Convertible, Expropriation, and War Risk Guaranties

Text of the Exchange of Notes for the Institution of
the Investment Guaranty Program
in a Foreign Country

Excellency:

I have the honor to refer to conversations which
have recently taken place between representatives of our
two Governments, relating to guaranties authorized by
Section 413 (b) (4) of the Mutual Security Act of 1954, as
amended. I also have the honor to confirm the following
understandings reached as a result of these conversations:

1. The Governments of _______________ and the
United States of America will, upon the request of either
of them, consult respecting projects in _______________
proposed by nationals of the United States of America with
regard to which guaranties under Section 413 (b) (4) of
the Mutual Security Act of 1954, as amended, have been made
or are under consideration.

2. The Government of the United States of America
agrees that it will issue no guaranty with regard to any
project unless it is approved by the Government of ________.

3. With respect to such guaranties extending to
projects which are approved by the Government of ________
in accordance with the provisions of the aforesaid Section
413 (b) (4), the Government of _______________ agrees:

a. That if the Government of the United States
of America makes payment in United States
dollars to any person under any such guaranty,
the Government of ________ will recognize
the transfer to the United States of America
of any right, title or interest of such person
in assets, currency, credits, or other property
on account of which such payment was made and
the subrogation of the United States of America
to any claim or cause of action, or right of
such person arising in connection therewith.
b. That (local currency unit) amounts acquired by the Government of the United States of America pursuant to such guaranties shall be accorded treatment not less favorable than that accorded to private funds arising from transactions of United States nationals which are comparable to the transactions covered by such guaranties, and that such (local currency unit) amounts will be freely available to the Government of the United States of America for administrative expenditures.

c. That if the Government of the United States of America issues guaranties to cover losses by reason of war with respect to investments in ______ the Government of ______ agrees that nationals of the United States of America to whom such guaranties have been issued, will be accorded by the Government of ______ treatment no less favorable than that accorded, in like circumstances, to its nationals or nationals of third countries, with reference to any reimbursement, compensation, indemnification, or any other payment, including the distribution of reparations received from enemy countries, that the Government of ______ may make or pay for losses incurred by reason of war; if the Government of the United States of America makes payment in U. S. dollars to any national of the United States of America under a guaranty for losses by reason of war, the Government of ______ will recognize the transfer to the United States of America of any right, privilege, or interest, or any part thereof, that such nationals may be granted or become entitled to as a result of the aforementioned treatment by the Government of ______.

d. That any claim against the Government of ______ to which the Government of the United States of America may be subrogated as a result of any payment under such a guaranty, shall be the subject of direct negotiations between the two Governments. If within a reasonable period, they are unable to settle the claim by agreement, it shall be referred for final and binding determination to a sole arbitrator selected by mutual agreement. If the Governments are
unable, within a period of three months, to agree upon such selection, the arbitrator shall be one who may be designated by the President of the International Court of Justice at the request of either Government. This sub-paragraph (d) shall not be applicable to the type of guaranties provided for in sub-paragraph (c), immediately above.

Upon receipt of a note from Your Excellency indicating that the foregoing provisions are acceptable to the Government of __________, the Government of the United States of America will consider that this note and your reply thereto constitute an agreement between the two Governments on this subject, the agreement to enter into force on the date of your note in reply.

Accept, Excellency, the renewed assurances of my distinguished consideration.

/s/________________________
COPY OF EXCHANGE OF NOTES BETWEEN THE UNITED STATES AND
GUATEMALA RE FOA GUARANTIES

EMBASSY OF GUATEMALA


No. 601

Excellency:

I have the honor to acknowledge receipt of your Excellency's courteous note dated the 23d of this month, referring to recent conversations between representatives of my Government and your Government with respect to guaranties of the nature authorized by Section 413 (b)(4) of the Mutual Security Act of 1954.

I have the honor to inform Your Excellency that I have taken due note of the following understandings reached by the representatives of the two Governments as a result of these conversations:

1. The Governments of Guatemala and the United States of America will, at the request of either of them, consult respecting projects to be carried out in Guatemala proposed by citizens of the United States of America with regard to which guaranties of the nature authorized by Section 413 (b)(4) of the Mutual Security Act of 1954 have been given or are under consideration.

2. The Government of the United States agrees that it will furnish no guaranty with regard to any project not approved by the Government of Guatemala.

3. With respect to such guaranties extending to projects which are approved by the Government of Guatemala in accordance with the provisions of the aforesaid Section 413 (b)(4), the Government of Guatemala agrees:

   a. That if the Government of the United States of America makes payments in dollars to any person under any such guaranty, the Government of Guatemala will recognize the transfer to the United States of America of any right, title or interest of such person in assets, currency, credits, or other property on account of which such payment was made and the subrogation to

His Excellency
John Foster Dulles,
Secretary of State,
Department of State,
Washington, D. C.

BONI. WATKINS, JASON & CO.
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New York – Washington
the United States of America of any claim or legal action, or 
right of such person arising in connection therewith;

B. That quetzal amounts acquired by the Government of the United 
States of America pursuant to such guaranties shall be accorded 
treatment no less favorable than private funds deriving from 
transactions of United States citizens which are comparable to 
the transactions covered by such guaranties, and that such 
quetzal amounts will be freely available to the Government of 
the United States of America for administrative expenditures;

c. That any claim against the Government of Guatemala which has 
been subrogated to the Government of the United States of 
America as a result of any payment covered by such a guaranty, 
shall be subject to direct negotiations between the two Govern-
ments. If, within a reasonable period, they are unable to reach 
an agreement, the claim shall be referred for final and binding 
determination to a sole arbitrator selected by mutual agreement. 
If the Governments are unable, within a period of three months, 
to agree upon such selection, the arbitrator shall be the one 
who may be designated by the President of the International 
Court of Justice at the request of either Government.

I have the honor to inform Your Excellency that the foregoing 
provisions are acceptable to my Government, and therefore request you 
to be good enough to consider that this exchange of notes constitutes 
an agreement between our two Governments on this subject, which will 
enter into force on the date of the exchange of notes.

I avail myself of the opportunity to renew to Your Excellency 
the assurances of my most distinguished consideration.

(Signed) Luis Cruz S.

FA/mgp
COPIE OF EXCHANGE NOTE BETWEEN THE UNITED STATES AND HONDURAS
RE FOA GUARANTIES

DEPARTMENT OF FOREIGN AFFAIRS
of the
REPUBLIC OF HONDURAS

Tegucigalpa, D.C.,
June 10, 1955

Diplomatic Section
No. 65h, A.L.

Sir:

I have the honor to refer to your esteemed note No. 130 of April 22
of this year, in which you were good enough to refer to the conversations
held between representatives of our two Governments relating to guaranties
authorized under Section 413 (b) (4) of the Mutual Security Act of 1954.
In the said note the arrangements reached as a result of those conversa-
tions were confirmed as follows:

a. That if the Government of the United States of America makes any
payment in United States dollars to any person by virtue of any
of the said guaranties, the Government of Honduras will recognize
the transfer to the Government of the United States of America of
any right, title, or interest of such person in assets, currency,
credits, and other property in virtue of which the payment was
made and the subrogation of the Government of the United States of
America to any claim or cause of action of such person arising in
connection therewith. The Government of Honduras will also recog-
nize any transfer to the Government of the United States of America,
pursuant to the said guaranties, of any compensation for losses
covered by those guaranties received from any source other than
the Government of the United States of America.

b. That the amounts in lempiras acquired by the Government of the
United States pursuant to the said guaranties shall be accorded
treatment not less favorable than that accorded, at the time of
such acquisition, to private funds resulting from transactions
of United States nationals which are similar to the transactions

The Honorable Wymberley de R. Coerr,
Chargé d'Affaires ad interim,
of the United States of America,
City.

BONI. WATKINS, JASON & CO.
Incorporated
New York — Washington
covered by the said guaranties, and that such amounts in lempiras will be freely available to the Government of the United States of America for administrative expenditures;

c. That any claim against the Government of Honduras to which the Government of the United States of America may be subrogated as the result of any payment under such guaranty will be the subject of direct negotiations between the two Governments. If, within a reasonable period, the two Governments are unable to settle the claim by agreement, it shall be submitted for final and binding determination to a sole arbitrator selected by mutual agreement. If the Governments are unable, within a period of three months, to reach an agreement with respect to the selection of the arbitrator, the latter shall be the person who may be designated by the President of the International Court of Justice at the request of either Government.

In reply, and on specific instructions from the Chief of State, I have the honor to communicate to you that the Government of Honduras accepts the text of the foregoing agreement in all its parts and consequently the agreement is concluded with this note in reply.

I avail myself of this occasion to renew to you the assurances of my highest consideration.

/s/ Esteban Mendoza

Esteban Mendoza
Countries in which Investment Guaranties are Available

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<tr>
<th>Convertibility</th>
<th>Expropriation</th>
<th>War Risk</th>
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Since further agreements are in continual negotiation, if an investment is contemplated in an area not listed it may be advisable to check with the Investment Guaranties Staff to ascertain if an agreement is about to be consummated. In some cases the dependencies or overseas territories of the United Kingdom, France, Netherlands, etc., are desirous of encouraging American investment and the guaranties may be used. Again, a specific inquiry should be made to this Staff to determine the availability of guaranties in such dependent areas.

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New York - Washington

April 1, 1958