wake of harsh criticism of the Bolivian coup by the Andean presidents and recent statements by Garcia Meza that show a growing rejection of Ancom in both political and economic spheres. He contends that Bolivia has not benefited from its participation in Ancom and says that his country has been duped out of originally exclusive allocations granted under Ancom sectorial agreements.

The dispute bears close watching by firms operating in Bolivia, as well as those involved in Ancom-related programs. The deepening rift has already caused the pact members to fall behind in meeting their deadline to establish a common outer tariff (*BL* '80 p. 123), a prerequisite to the renegotiations within the Latin American Integration Association. Should Bolivia actually break its Ancom ties, regional schemes would have to be overhauled.

It is hard to see how Bolivian officials would expect to attract a surge of investment interest with the modifications they are proposing—and harder still if the liberalization leads to a withdrawal from Ancom. Even with the backing of the regional market, only $682 million in new local and foreign investments were approved (and not necessarily implemented) over the past nine years. Bolivia's small market and inadequate physical and financial infrastructure hardly constitute an attractive investment site. The recurring waves of political violence are also clearly a major drawback.

The dim outlook on the investment front adds to the bleak economic picture. Earlier this month, Bolivian officials successfully negotiated a brief moratorium on principal and interest of $172 million owed to 10 private US banks. This short respite, however, must give way to renegotiations that will likely be tied to painful commitments to impose economic austerity measures at home. Continuing cooperation with the IMF, which signed an $84 million standby agreement with Garcia Meza's predecessor, also hinges on this approach. Aside from the IMF and some IDB and World Bank commitments made prior to the coup, however, there appears to be little hope of tapping traditional foreign capital sources. Restitution of US aid is dependent on the resumption of democratic elections. New loans from major international development banks influenced by the US may prove difficult to obtain.

Costa Rican IMF Deal Sparks Opposition Furor Over Economic Policies

Costa Rica's negotiations with the IMF are threatening to fall into the vicious cycle of political squabbling/program restructuring that has wreaked havoc with the business climates in other countries under IMF stabilization programs. The government's current dealings with the Fund for a new balance-of-payments loan have triggered vehement criticism from the opposition party, the private sector and labor. The economy is suffering, while the IMF agreement remains unsigned. Foreign exchange reserves reached an all-time low last month, and the government has already been forced to tighten exchange controls. Costa Rica's situation is far from desperate, but the warning signals of trouble should not be dismissed lightly.

The new IMF loan now under discussion is triple what Costa Rica obtained from the Fund in March (*BL* '80 p. 118), amounting to over $300 million to be disbursed over a three-year period starting in 1981. Reflecting the Fund's newly emerging flexibility, conditions attached to this second credit reportedly do not involve a devaluation. Basically, the program now in place would continue, calling for drastic reductions of government budget deficits, limiting foreign borrowing to under $300 million and reducing domestic credit to both the private and public sectors. The terms do not seem unduly harsh, and some type of austerity measures would probably be necessary anyway if the government is to put its economic house in order.

However, the need to call on the IMF comes at a time of growing dissatisfaction with President Rodrigo Carazo, and the opportunity to gain political mileage—with the IMF as the convenient villain in the picture—is proving irresistible to the opposition. Carazo's still influential predecessor, Daniel Oduber, has vehemently attacked the president for causing the country's economic woes and especially for handing over its "economic sovereignty" to the IMF. Even stronger criticism comes from the National Liberation Party (NLP), Costa Rica's largest opposition group. Luis Monge, the NLP's leader and current favorite to win the 1982 presidential elections, has complained bitterly that neither he nor anyone in his party have been privy to the current negotiations. The group objects strenuously to any IMF program that would extend beyond the term of the current administration—despite the fact that the NLP would certainly have the option to ratify any IMF program in place should it win the 1982 elections.

Against this troubled background, it will be difficult for Carazo to muscle through the measures needed to keep the IMF program going, once he manages to get it off the ground. And if the NLP gains office in 1982, a sharp change in policy—and a consequent lapse of the stabilization program—is a possibility. The party's secretary-general has already made it clear that the NLP opposes current economic policies, claiming that they have created uncertainty rather than any improvement.

In the meantime, Costa Rica is able to draw only limited amounts of its Fund credit. A total of $125 million in new foreign loans recently contracted with several European and Japanese banks may ease the foreign exchange pinch a bit, but the Central Bank is clearly under pressure.

A new measure, which has angered the private sector and is causing problems for companies selling to Costa Rica, limits to $5,000 the amount of foreign exchange available without authorization. The government is proving reluctant to give the necessary approval, leaving importers in a serious bind. Officials seem optimistic that the squeeze is merely temporary. They are encouraging companies to purchase exchange on the free market to alleviate demands on the Central Bank and promise that the government will eventually reimburse purchasers for the difference between the official rate of C8.57:$1 and the free-market rate, which is averaging C9.5:$1. However, that pledge remains to be tested and could prove difficult to keep if the foreign exchange squeeze puts heavy downward pressure on the free-market colon.

Simmering Labor Unrest Poses New Threat To Jamaican Business

The red flag is up for a surge of labor militancy to follow the Jamaican national elections, no matter who wins the critical contest. A workforce long chafing under government wage guidelines can be expected to channel its discontent into more actions at the work place once the overwhelming preoccupation with the political situation subsides. Moreover, both incumbent Prime Minister Michael Manley and opposition leader Edward Seaga are beholden to powerful trade unions, which can be expected to step up their demands after the election.

While the political violence now wracking Jamaica has caused serious security problems for companies operating in certain areas of Kingston, it has not found a response at the work place except for isolated acts of sabotage and an erosion of discipline at some plants, as managers, fearing reprisals, show reluctance to enforce work rules. The executive director of the Jamaica Employers Federation theorizes that workers confronted with the many plant shutdowns due to the desperate economic crisis have developed an attitude of protectionism. They are leery of pressing excessive demands and understandably reluctant to stage prolonged strikes that might jeopardize jobs. An estimated 30–35% of Jamaican manufacturers have closed because of the unavailability of foreign exchange for imported inputs, and unemployment is running over 30%.

The uneasy calm cannot be expected to last, however. There is no reason to suppose that labor unions are willing or able to prevent a drive to recover living standards once the political waters are settled. The rank and file of Jamaican labor—some 60% of which is unionized—is showing increasing impatience with the Manley administration's wage guidelines, imposed in 1978 as part of the IMF-mandated recovery program and left in place after the break with the Fund last April. Although neither the Bustamante Industrial Trade Union (BITU), the country's largest and most powerful union, nor the National Workers Union, affiliated with Manley's own Peoples National Party (PNP), have ever accepted the regulations, wage increases over the past year have in fact been relatively moderate at 15–20%. The average is well above the mandated 10% but still below the 25% inflation rate. Labor's traditional militance has not disappeared, however, as initial demands show little restraint, forcing contract negotiations in many cases into arbitration through the Industrial Disputes Tribunal.

A change to a Seaga government, though perhaps better news for business, could trigger more serious labor troubles by unrealistically raising expectations, if the Jamaica Labor Party (JLP) candidate promises more than the economy can deliver (*BL* '80 p. 263). Hugh Shearer, the charismatic president of the JLP-affiliated BITU and former JLP prime minister in the 1960s, has shown little regard for the country's high inflation rate and shrinking investment in pushing for improved labor benefits. Shearer would be a powerful figure in a Seaga administration, and there is much speculation in business circles whether Seaga—who is skirting labor issues—can control him and how. Under Shearer's influence, labor relations could prove a serious obstacle to Seaga's plans to stimulate low-wage, labor-intensive industry on the island as part of his economic recovery program.

Whichever candidate wins the election, government labor policies will continue to be dominated by the Industrial Disputes Tribunal unless a thorough overhaul of the powerful body can be achieved. The tribunal has amounted to a self-defeating mechanism for Manley's wage control program, since it is not required to keep its awards within the guidelines and almost invariably exceeds them. Created in 1975, it is made up of a half-dozen divisions corresponding to the major industrial sectors, each consisting of a government chairman, an employer's delegate and a labor representative. The head of the Employers Federation feels that most of the tribunal's awards are fairly balanced between both sides, but other employers claim a prolabor bias.

The settlement early this year in the case of the Seprod Group vs the BITU tends to bear out the latter view. Seprod is a Jamaican-owned corporation that manufactures soap, margarine, detergents, cornmeal and animal feed. The union made 27 claims, and only six were denied; the awards included a 75% increase in salaries over two years, a mandatory annual bonus of not less than two weeks' pay, meal allowances for workers on overtime, vacation leave of three to six weeks per year depending on seniority, a weekly laundry allowance, study leave with full pay and company transportation for late-night shifts. The firm made six claims, such as allowing a fourth shift, standardizing hours in the work week and punching in and out; all were denied. Seprod is appealing the decision to the Supreme Court, but after a week-long strike in July, the company has granted the tribunal's awards on an interim basis.