Costa Rican Officials Take New Measures To Rebalance Economy

Costa Rica's government has initiated several steps in an attempt to alleviate the current economic crisis. The most important decision is to officially float the colon. Other measures include a hike in the prices of fuel and many foodstuffs (except milk, rice, beans, corn, wheat and cooking oil), the suspension of most government projects planned for 1981 and a freeze on public-sector hiring.

The floating of the colon means that the dual exchange rate in effect since September (*BL* '80 p. 323) has been eliminated, and most transactions will be covered at the free-market rate, presently ranging between C13.75–14.50:$1. According to its circulars, the Central Bank will still honor US dollar requests made prior to Dec. 26, 1980 (when the currency was floated) at the former official rate of C8.60:$1. Also, all foreign exchange requests for farm equipment made before Jan. 20, 1981 will be granted at that rate. In addition, the Bank says it will try to uphold all government obligations incurred prior to December 26 at the C8.60 rate.

The Central Bank clearly intends to step in should the rate fluctuate wildly. To enable it to better monitor movements, the bank has reserved its legal right to administer foreign bank loans as well as revenues from coffee and banana exports. It will also continue to handle directly all payments for oil imports and loans to state agencies.

The move to float the colon has been lauded by much of the private sector and by foreign banking institutions, but the price increases, particularly on fuel, have caused vehement protests, some bordering on violence. Truckers, bus owners, farmers and the many businessmen affected by the fuel price rises have all vented their displeasure. The hikes are stiff. Diesel fuel, formerly C8.25 per gallon, is

Mexico Raises and Rejiggers Minimum Wages

Mexico's minimum wage hikes for 1981 show that the government continues trying to walk the fine line between keeping labor peace and holding down inflationary pressures. The average increase is 32%, a tad better than the official 29.8% CPI rise in 1980, but still not likely to win points with labor leaders. Discontent is particularly likely in leading industrial cities where raises were less than the national average. Nevertheless, the new minimums are a fair indicator of the wage floor for union bargaining this year—unless inflation gets out of hand. In that case, both the guidelines and labor peace would swiftly become past history.

The wage hikes do have some socially positive aspects, however. For the first time, the National Minimum Wage Commission established uniform base salaries for city and rural workers. In the past, urban workers were granted a higher wage to compensate for the higher cost of city living, but this practice has been discontinued in an effort to discourage migration to Mexico's overcrowded cities. The commission also sharply narrowed the gap between minimum wages paid in impoverished southern Mexico and the more prosperous northern border region. Last year, the northern minimum wage was twice the base salary in the south. This year, it is only 55% higher. Some observers believe that it may be eliminated in 1982 with the entire country operating under a single minimum wage.

For 1981, the northern border zone continues to have the highest daily base salary though it got the lowest raise. Workers in northern Baja California and Ciudad Juarez received a 16.7% increase, from P180 a day to P210 (P23.2:$1). In northern Tamaulipas, including the border city of Matamoros, the raise was 25%, from P160 to P200.

Larger increases were granted outside the border region. The minimum wage in the northern Gulf port area of Tampico was boosted 22.6%, from P155 to P190. The rate in Tuxpan-Poza Rica, also along the Gulf coast, was upped 26%, from P150 to P190. On the southern Gulf coast, the Minatitlan-Coatzacoalcos area received a 27.3% hike, from P165 to P210. On the west coast, Acapulco's rate was raised 29%, from P155 to P200.

Guadalajara, Mexico's second largest city, got a 31% increase, from P145 to P190, while Mexico City's minimum wage was raised 28.8%, from P163 to P210. The base rate in Monterrey, the country's third largest city, went up 26.7%, from P150 to P190, but the rest of the state of Nuevo Leon was hiked 45.4%, from P110 to P160.

In Central Mexico, the Huastecas region of San Luis Potosi minimums went up 30.8%, from P130 to P170. Tlaxcala, one of the poorest states in the country, received a 39.1% raise, from P115 to P160. Rates in the industrial city of Puebla are up 21.4%, from P140 to P170. Northern Queretaro, traditionally having among the lowest minimum rates in the country, had wages increased 50%, from P90 to P135. Identical 50% hikes were granted in the southern regions of Chiapas Palenque, Central Chiapas and Oaxaca-Guerrero Mixteca, which now have a minimum wage of P135.

now C18.73, and the price of gasoline has been escalated from C24.80 to C28.38. A ban on gasoline sales in the evenings is now in effect in order to conserve energy. Recope, the national oil refinery (which has been having supply problems that have further aggravated the tensions over price increases), anticipates further rises in diesel prices if the colon does not stabilize at around C12.50:$1.

To offset the inflationary impact of the devaluation and price hikes, the government will allow workers' salaries to be adjusted to reflect cost-of-living increases. It has also promised to ease up slightly on import tariffs, if the trade deficit narrows substantially, as a means to rein in inflation.

Other components of the anti-inflation package that are already in place include elimination of consumer loans for such luxury items as automobiles. The administration will also curb spending plans for 1981 and hold down the public payroll by putting a freeze on hiring. In the long run, these measures will probably be effective to reduce inflation, but in the meantime, a COL bulge can be expected. They also worsen President Rodrigo Carazo's already low standing in Costa Rican popularity polls.

Brazilian Critics Censure the Role Of MNCs in Economy

Sharp public criticism of international companies is now an accepted feature of the Brazilian operating climate, but a recent attack on MNC activities by a group of prominent Brazilians merits more than passing notice. A year-end "manifesto," whose signatories include a cabinet member from a previous military administration, a couple of nonactive generals and the head of the country's biggest industrial complex, calls for action "in defense of the threatened nation." It blasts the government's "excessive tolerance" toward international firms, and it warns against giving the International Monetary Fund (IMF) a role in the economy.

To be sure, such charges are nothing new, and a majority of the signatures are those of left-wing intellectuals with long-standing opposition to foreign investment. But there is also significant representation from the right. Couched in harsh language and coming at a time when jockeying is already under way for positions in next year's gubernatorial and congressional races, the incident and its aftermath—the two-day house arrest of the generals for making unauthorized political statements—serve to remind international companies of two things. Anti-foreign capital sentiment is enjoying a comeback that will not easily be turned back, and the financial hardship MNCs may be suffering along with Brazil in general is no deflector of criticism. In addition, the manifesto's reference to a "process of capitulation" to IMF doctrines is a foretaste of the charges likely to be hurled if the government is forced to go to the Fund for help in balancing international payments, an action it is trying its utmost to avoid.

The military figures signing the manifesto are Gens. Antonio Carlos de Andrade Serpa and Euler Bentes Monteiro. The former was removed from his post as army personnel director when he made similar statements earlier this year. Bentes was the candidate of the old Movimento Democratico Brasileiro opposition party in the indirect elections for President in 1978 against the winner and present incumbent Joao Baptista Figueiredo.

The industrialist is Antonio Ermirio de Moraes, head of the Votorantim group of cement and mining companies, and a partner in Amazonian alumina-aluminum undertakings. Although unconfirmed, the statement's denunciation of foreign investor proposals "harmful to the Brazilian economy" is believed to refer to the proposed sale of bauxite deposits controlled by billionaire Daniel Ludwig to Alcoa, which has a billion-dollar plan to build an aluminum smelter on Brazil's northeast coast. Ludwig has massive investments in pulp and other projects in the Amazon region and has recently been seeking government support in the form of taking over responsibility for maintaining public infrastructure services. Ermirio de Moraes reportedly opposes the transfer of those ore properties to another foreign company.

The former cabinet member is Severo Fagundes Gomes, Minister of Industry and Commerce in the administration of Figueiredo's predecessor until he was ousted for making political statements. Another prominent signer is Sinval Guazelli, former governor of the state of Rio Grande do Sul.

The manifesto begins by citing Brazil's rise to the world's eighth-largest economy based on an economic model established in 1956. The document implicitly acknowledges that foreign investment played a decisive role in this process but charges that the persistence of the model "unchanged" has led to "serious political and social distortions" in the nation's development. Some of the unfavorable results it lists are the "division of the country's industrial establishment among the leading multinational companies;" deterioration of the educational system; increasing foreign indebtedness; and the "progressive occupation by foreign companies of considerable portions of national territory."

The document pulls no punches in describing the authors' view of what is happening in Brazil. "We are being subjected to a plurality of economic and social actions put forth by interests of the moment, generated abroad and without any commitments to national welfare. These actions are being carried out in . . . flagrant disregard of public opinion. . . . Foreign interests consider themselves free to elaborate proposals and projects offensive to national dignity, because they have become accustomed to the excessive tolerance that has characterized Brazilian