BRAZIL (Continued from page 371)
counts in the lending bank. Another MNC affiliate got lower cost six-month financing by agreeing not to draw down the loan for two months.

A less popular means of financing, but still used by firms that traditionally have wide cash-flow fluctuations, is an overdraft account. At present, this costs around 102–104% p.a. One firm relying heavily on such financing reports that it regularly draws down its accounts completely about 10 days out of every month and resorts to overdrafting. About 20% of its working capital is secured in this manner.

New Incentive Regs in Chile

Companies left with investment plans up in the air when Chile canceled the special incentives for locating in its outermost regions will find welcome news in recently issued transition regulations. The new package is aimed primarily at firms awaiting approval for applications submitted before the tax breaks were dismantled.

According to the timetable provided in Decree-Law 3490, some firms may still obtain the 15% investment subsidy (*BL* '78, p. 408). To be eligible, companies would have had to file applications prior to September 30. Actual construction of the planned facility should have begun no later than October 31, 1980 and should be completed by December 31, 1981. Authorities expect these measures will essentially aid projects in the Punta Arenas and the Tarapaca areas.

The second part of the package makes provisions for firms that have already forged ahead with capital goods purchases, banking on the fiscal sweeteners. Companies will be granted the 15% government allowance if invoices were submitted to the pertinent treasury officials before October 1. In the case of machinery or equipment imports, qualifying firms should have secured the necessary import registration before the same October 1 deadline. Products must be brought in before May 31, 1981.

Companies that get in under the wire now, as well as those that obtained the incentives of Decree-Law 889 earlier, will be affected by a new provision in the transition regulations. All goods brought into preferential development zones under the incentive scheme may not be transferred elsewhere for a 10-year period beginning with the payment of the incentive.

CACM is Pursuing A Variety of Projects To Offset Oil Imports

The Central American countries have well-advanced plans in the energy field that primarily include developing hydroelectric and geothermal sources as well as promoting oil exploration. With the exception of Guatemala, which is more than halfway to petroleum self-sufficiency (see *BL* '79 p. 286 and *BL* '80 p. 377 for a rundown of its energy programs), the Central American Common Market (CACM) members are coping with both steep oil bills and high costs of developing alternative energy. A major impetus for their drive to diversify resources could come from the recent Mexican-Venezuelan oil deal, which provides CACM countries with inexpensive credits for energy projects (*BL* '80 p. 262).

On a country-by-country basis, Costa Rica, with the costliest fuel bill in the area and serious balance-of-payments problems, is pushing ahead with various energy plans to lessen dependence on foreign oil. Last year, Costa Rica imported approximately 20,000 bpd of crude and refined products, at a cost of $200 million. About 60% of the country's total energy consumption is petroleum-based; the government is anxious to promote usage of other types of energy, especially hydroelectricity, and is also turning its eye toward oil exploration.

BL's Energy Series

This article concludes *BL*'s series analyzing the energy outlook of Latin American countries. Previous analyses appeared in *BL* '80 pp. 57, 95, 109, 117, 143, 145, 188, 210, 218, 221, 242, 250, 275, 283, 319, 335 and 353.

The country is embarking on an oil program in its southern Talamanca region with technical and financial aid from Mexico's oil company, Pemex. Funds provided under the Mexican-Venezuelan oil deal—with terms of 20 years at a scant 2% p.a. interest rate—are being allocated for exploration. Venezuela may also later join the search for petroleum. Meanwhile, Costa Rica has begun receiving 7,500 bpd of crude petroleum from Mexico under the special oil facility. (Nicaragua is the only other CACM country that has so far signed up for oil under the Mexican-Venezuelan deal, but the rest are expected to follow suit shortly.) Venezuela will start shipping to Costa Rica an equal amount this coming January, guaranteeing the nation a steady supply of crude. Formerly, it bought much of its petroleum from the spot market, which made its fuel among the region's most expensive.

Meanwhile, plans are moving ahead for converting a significant share of the nation's oil consumption to hydroelectric energy usage. Currently, 33% of total energy is hydroelectric, and generating capacity is about 357,000 kwh. The government's goal is to increase output to 580,000 kwh by 1982. Several facilities that will help the country meet those targets are in the making. The most comprehensive are the Arenal Basin projects. The Arenal

plant, just finished, generates 157 Mw of electricity. A somewhat larger dam in the basin, fueling the Corobici plant, is expected to be on stream next year. This $150 million facility will generate 174 Mw.

Still very much up in the air is the most ambitious project of all—the approximately $500 million Boruca power station, to generate 760 Mw of electricity. This venture would be built in association with an aluminum processing plant, boosting the estimated price tag of the integrated facility to about $1.7 billion. Its completion is targeted for the mid-1980's. However, given the country's current economic woes, which have prompted belt-tightening measures (*BL* '80 p. 323), and the lack of any financing commitments, it is doubtful that the venture will get off the ground on schedule, if at all.

A much more modest plan is for the construction of a gasohol facility that will be partially financed from credits obtained from the oil deal. The government is now promoting sugarcane planting and has targeted 1981 for start-up of the project. Earlier this year, plans for a gasohol plant were scratched because of high costs, but with the Mexican-Venezuelan funds, the country believes it can absorb the expense.

Honduras, consuming the least petroleum in the region, is still anxious to lessen its oil import bill. The country spent $80 million in 1979 for 11,000 bpd of crude and refined products, bought primarily from Venezuela. In the coming year, the government hopes to revive oil exploration and is in the process of revising its 1962 petroleum code. Offshore areas will reportedly be opened up for exploration by international companies.

However, as are most other countries in the region, Honduras is counting on hydroelectric energy to alleviate future energy crunches. The country's most ambitious venture is the $600 million 292 Mw El Cajon hydroelectric dam. Financing for the vast undertaking is now nearly complete with the latest loan secured from the World Bank. All told, the agency has provided Honduras with $105 million for the project. Other funding has primarily come from the Venezuelan Investment Fund and commercial banks. The plant, being constructed on the Humuya River near Hondura's second largest city, San Pedro Sula, is slated for completion in 1986 and should supply Honduras with surplus energy to export.

The nation is also taking advantage of its geothermal capacity with the newly finished 30 Mw plant at Puerto Cortes. The French-built facility costs approximately $18 million and has four generators producing 7.5 Mw each. A transmission line capable of carrying 69,000 kwh interconnects with the national transmission system.

Discussions for building a new oil refinery are under way, prompted by troubles at the only existing facility (resulting in temporary shortages of diesel and kerosene fuel). Reportedly, three major oil companies have been approached, but no definite plans have been worked out.

El Salvador's and **Nicaragua's** energy development plans are virtually on hold for the time being because of political and economic troubles. Nonetheless, El Salvador is forging ahead with the San Lorenzo hydroelectric dam, scheduled to be completed in 1982 at a cost of over $200 million. The project will include construction of an $18 million interconnected transmission line of 230 kw.

Currently, about 60% of El Salvador's energy comes from geothermal and hydroelectric resources. Once the political situation calms down and credit sources rebound, more attention will doubtlessly be placed on energy devel-

40-Hour Week Begins in Ecuador

Although Ecuadoran companies had more than a year to prepare for the workweek's shortening from 44 to 40 hours, the measure, which took effect October 1, appears to be having a disruptive impact on the economy. Small producers especially have responded with production cutbacks. These, coupled with the large wage hikes enacted earlier this year (*BL* '79 p. 331), are pushing up inflation, now running at 15%. Companies exporting to neighboring countries voice concern that this combination of factors will erode competitiveness with other Ancom members.

Ecuador's Chambers of Industry, Commerce, Agriculture and Small Industries all lobbied intensely against the measure before it was enacted, and the last group has stated flatly that it will not accept the new law. Since October, there have been layoffs and widespread weekend closures in small industries and the labor-intensive service sector. The employers' groups have challenged the law as unconstitutional in a petition before the Supreme Court but stand little chance of a repeal.

The legislation was initiated and passed by Congress last year, but implementation was postponed by President Jaime Roldos to give employers time to adjust to the wage hikes decreed at the same time. Roldos and other top government officials made no secret of their concern about the measure's impact on productivity but bowed to intense labor union pressure for the shorter week—despite opponents' claims that the government's new congressional majority allowed it to overturn the decree. Ecuador's small, but increasingly assertive, union movement threatened a general strike if the measure were not put into effect.

The government has responded to small business's outcry with an effort to ameliorate the terms of the new law through supplemental legislation. Additional credit has been promised to small industry and agriculture, and the overtime wage rate—legally double the hourly wage—could be reduced for some labor-intensive enterprises. Service-sector enterprises will be allowed to spread working hours over a six day period to prevent weekend closures.

opment. Last year, El Salvador imported 14,000 bpd of crude and refined products.

Nicaragua's need for foreign exchange is spurring energy conservation. Recently, the government opted to boost fuel prices in an effort to discourage consumption. In 1979, imports totaled 12,000 bpd of crude and refined products, costing $75 million. The country has arranged with Mexico to receive 7,000 bpd and has also obtained Pemex's promise to provide technical assistance in the search for alternative energy sources. Mexico will explore for oil offshore. Moreover, Venezuela has pledged technical aid as well as the provision of crude.

However, apart from conservation efforts, the government appears to have no firm plans to develop Nicaragua's hydroelectric and geothermal potential, as do the other CACM members. No hydroelectric projects are in its five-year development plan, for example, nor are funds being committed to energy projects begun under the previous regime, such as the 350 Mw Copalar hydroelectric dam or the 220 Mw Brito facility.

Guyana's Elections Draw Fire From Opposition

Guyana's President Forbes Burnham has announced that national elections—about two years overdue—will be held December 15. Opposition political parties have been quick to condemn the move as another step toward one-man rule, after Burnham's recent revisions of the country's constitution and his adamant refusal to consider electoral reforms. While the elections could dangerously polarize politics in Guyana, a renewed tenure for Burnham probably poses less of a threat to business interests in the country than a government headed by any of the other contenders for power.

Guyana's new "socialist constitution," under which the voting will take place, grants broad powers over Parliament and the judiciary to the newly created office of executive president, assumed last month by Burnham, whose previous title was prime minister. The document was passed by Burnham's Peoples National Congress (PNC) parliamentary majority last February and formally promulgated October 6, replacing the 1966 independence constitution. The new one allows the executive president to dissolve Parliament at will, subject to ratification by a national referendum. The president—defined as chief executive, head of state and commander-in-chief of the armed forces—also has the power to appoint and dismiss the prime minister, vice-president, ministers of state, parliamentary minority leader and attorney general and is given a role in the appointment of judicial figures.

The country's three main opposition parties have broken ranks on the issue of participating in the election. Cheddi Jagan's Peoples Progressive Party (PPP) will run candidates in the hope of retaining its voice in the National Congress. However, the Marxist Working Peoples Alliance (WPA) and the Vanguard for Liberation and Democracy (VLD) are calling for a boycott, as they feel the election will only serve to ratify expanded powers for the head of state.

In short, it appears certain that Burnham will retain his 14-year stewardship of Guyana, and it is not unlikely that the upcoming elections will be the last to be formally contested under his regime. The country's economy seems to be on the road to recovery with a major public-sector infrastructure program being funded partly by the World Bank and a recently signed three-year $100 million extended facility with the International Monetary Fund (IMF). However, a long road of austerity still lies ahead, and political disgruntlement, already dangerously high, will remain a potentially explosive problem.

Argentina Ups Export Rebates

Argentine producers may find the international marketplace a little more receptive to their goods as a result of the government's decision to raise export rebates temporarily to 10% on about 300 items. The change, affecting mainly processed and fresh food products, will have a less dramatic impact than the peso devaluation sought by the export sector. The higher rebates, however, will counteract some of the ill effects of the overvalued peso and, in some cases, may tip the scales in favor of Argentine sellers.

Products whose export rebate has been raised to 10% of the export's value, from the former 5%, include powdered milk, butter, seasonings, crackers and extracts. Payment is made through rebate certificates issued by commercial banks, which act as intermediaries. The certificates can be used for payment of taxes or endorsed over to third parties. Products formerly ineligible for rebates that now carry the 10% rate include honey, fresh grapes, wheat flour, cotton fiber, tea, yerba mate and barley malt.

The bonus to exporters is temporary, as the government plans to eventually phase out the rebate program. Currently, rebates range between 10% and 25%. The initial cuts will pertain only to the 25% maximum and will begin in January 1981. At the time, the rebate will be reduced to 24%. By January 1982, if will fall to 23% and to 20% as of January 1983. Rates will then decline by 1.5 percentage points every quarter beginning in April 1983, when the maximum rate will stand at 18.5%. This schedule will also apply in 1984, and by January 1985 the maximum rebate will be 8%. Finally, in 1985 the reductions will be accelerated until all rebates are eliminated by Jan. 1, 1986.