

In Response to Paraguay's Outcry Over Itaipu Brazil Offers US\$ 1 Bi Loan

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Brazil is planning to offer a financing package worth one billion US dollars for industrial projects in Paraguay, Brazilian financial newspaper Valor Econômico reported. According to the newspaper, which cited unnamed sources, the financing will be offered through Brazil's National Development Bank, or BNDES.

Details of the operation will be unveiled on April 29 during a meeting between Brazilian President Luiz Inácio Lula da Silva and his Paraguayan counterpart, Fernando Lugo.

The financing is a response by the Brazilian government to pressure from Paraguay on the price that Brazil pays for electric power from the bi-national Itaipu hydroelectric facility.

Currently, Brazil's pays US\$ 45 per megawatt. Paraguayan officials have demanded changes in the existing contracts that would allow for a considerable hike in line with international prices.

The 14,000-megawatt Itaipu dam was built as a Brazilian-Paraguayan joint venture and began operating in the 1980s. The dam is located at the border of the two countries on the Paraná River and is one of the largest dams in the world. It provides almost all of the energy consumed in Paraguay and 20% of Brazil's entire demand.

Since taking office last year President Lugo has been calling for energy "fairer prices" and a renegotiation of the whole Itaipu operation, since all surplus electricity can only be sold to energy starved Brazil.

The issue has been increasingly controversial, and Paraguay has admitted it's a long term negotiation emulating the situation with that of Panama and the United States over the Panama Canal, a long term negotiation process."

Paraguay so far has rejected several Brazilian financial alternative options plus several infrastructure projects. President Lugo needs windfall earnings to honor much of his electoral campaign promises to invest in social, health and education affairs.

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