

ECLA

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# Economic Bulletin for Latin America

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UNITED NATIONS

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In 1962 two bilingual Statistical Supplements were published separately, each with the corresponding table of contents.

#### EXPLANATION OF SYMBOLS

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amount is nil or negligible.

A minus sign (—300) indicates a deficit or a decrease.

A space is used to separate thousands and millions (3 123 425).

A stroke (/) indicates a crop year or a fiscal year, e.g., 1954/55.

An asterisk (\*) is used to indicate partially or totally estimated figures.

"Tons" and "dollars" are metric tons and United States dollars, respectively, unless otherwise stated.

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ECONOMIC COMMISSION FOR LATIN AMERICA

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## ECONOMIC BULLETIN FOR LATIN AMERICA

Vol. VIII, No. 2, October 1963

UNITED NATIONS, New York, 1964



### THE NEW EXECUTIVE SECRETARY OF ECLA

*At a private ceremony, attended by members of the staff of those United Nations agencies which have offices in Santiago, Chile, the position of Under-Secretary of the United Nations in charge of the secretariat of the Economic Commission for Latin America was assumed on 13 August by Mr. José Antonio Mayobre, who until a short time before had fulfilled the functions of United Nations Commissioner for Industrial Development. As Executive Secretary, Mr. Mayobre succeeds Mr. Raúl Prebisch, who was in charge of ECLA from 1950 onwards, and who now holds the offices of Secretary-General of the United Nations Conference on Trade and Development, and Director-General of the Latin American Institute for Economic and Social Planning.*

*During his thirteen years at the head of the ECLA secretariat, Mr. Prebisch gave unceasing proof of his inexhaustible capacity for hard work and his exemplary integrity of mind. Thanks to these qualities, to his admirable gift of leadership and to the drive which he imparted to all the secretariat's activities, his term of office constitutes a fruitful period in the history of ECLA.*

*At the ceremony in question, Mr. Prebisch reviewed his professional activities in the service first of his country and later of the United Nations. He praised the personal and intellectual qualities of the ECLA staff and the sense of vocation with which they had discharged their functions. He also made appreciative reference to the favourable conditions afforded by Chile to the secretariat; ECLA had been able to forge ahead with its work, thanks to this country's deep-rooted democratic principles, its respect for freedom of thought and its tolerance of all opinions—basic prerequisites for analysis and research.*

*Mr. Prebisch concluded by speaking in the highest terms of the intellectual qualities of his successor, as well as of the diplomacy, breadth of outlook and dynamic energy which characterize the new Executive Secretary, and which augur every success for Mr. Mayobre in the discharge of the office conferred upon him.*

*The prolonged ovation which followed the conclusion of this address testified to the affection and admiration of all those who had had the opportunity of watching at first hand Mr. Prebisch's creative achievements at the head of the ECLA secretariat.*

*After thanking Mr. Prebisch on his own behalf and associating himself with the tributes paid to the staff of the secretariat, Mr. José Antonio Mayobre declared his intention of maintaining the independence of judgement by which ECLA's action had always been distinguished, and thanks to which the Commission had been able to give honest and sincere expression, unmarred by ideological prejudice, to its views on the economic problems of Latin America.*

*He went on to speak of the critical period through which the countries of the region are now passing with respect to their economic and social development. The ideas worked out and for many years propagated by ECLA point to the need for pursuing the course of practical action on which it has embarked. ECLA should therefore co-operate in all efforts to translate ideals into terms of*

concrete facts, as befits an agency which, far from withdrawing into an academic ivory tower, aims at the implementation of the ideas it has advocated. The transition from theory to policy simply and solely implies realism, knowledge of the means to hand, and skill in wielding the proper instruments for putting the ideas in question into effect.

In conclusion, Mr. Mayobre stressed the insistence with which Latin America's problems are clamouring for solution. The symptoms of the region's travail are manifest in the unrest observable throughout the length and breadth of the continent. The secretariat must therefore continue working as a closely united team, testing each member's ideas by daily consultation and analysis, so that the outcome may be one common and perfectly attainable ideal.

Mr. Mayobre added that these were the lessons to be learnt from his predecessor, now that the problems of Latin America are issuing so urgent a summons to profound meditation, to single-minded concentration and, last but not least, to action. Such was the unfaltering example that Mr. Prebisch's admirable ideas and conduct had bequeathed to ECLA, and that the secretariat would follow as faithfully as in it lay.

#### **Mr. José Antonio Mayobre: a short biographical sketch**

Born on 21 August 1913 at Cumaná, Venezuela, Mr. Mayobre took his degree at the Universidad Central de Venezuela, in economics and social sciences in 1944 and in law in 1945, subsequently pursuing his studies at the London School of Economics.

On his return to his country in 1946, Mr. Mayobre became Director of the Department of Economic Research of the Central Bank of Venezuela, and later of the Bank itself. At the same time he held the Chair of Economic Analysis in the Faculty of Economics of the Universidad Central de Venezuela.

He became Director-General of the Banco Agrícola y Pecuário of Venezuela in 1948, and from 1949 to 1951 was General Manager of Industrias Azucareras S.A. in Caracas.

He joined the United Nations Secretariat in 1951 as Assistant Director of the Mexico Office of ECLA. In 1953 he was appointed Resident Representative of the United Nations Technical Assistance Board in Central America. In 1954 he returned to the ECLA secretariat, where for four years he was Director of the Economic Development Division. He went back to Venezuela in 1958 to assume the office of Director of the Corporación Venezolana de Comercio.

In May 1958, Mr. Mayobre joined the Government of Venezuela as Minister for Finance, which office he held until 1960. From 1960 to 1962, he represented his country as Ambassador to the United States Government, and also acted as one of the Executive Directors of the International Monetary Fund.

On 1 May 1962, the Secretary-General of the United Nations appointed Mr. Mayobre Commissioner for Industrial Development, with the rank of Under-Secretary of the world Organization.

## SOME ASPECTS OF THE LATIN AMERICAN ECONOMIC SITUATION IN 1962\*

### INTRODUCTION

The economic development of the Latin American countries, taken as a whole, was not as favourable in 1962 as it had been in 1960 and 1961, when it exceeded the low per capita product growth rate recorded in the five-year period 1956-60. While the 1962 total for the area was affected by the sharp decline in the gross product of Argentina, which carries much weight in the area, the fact is that even if the figures for Argentina are excluded, per capita gross product was below the figure for the previous year and well below the rate of 2.5 per cent usually set as the minimum target in joint international endeavours aimed at increasing economic and social progress in the Latin American countries.

The permanent factors which have long been preventing the Latin American countries from developing more quickly cannot be changed in the short space of one or two years, which is the time span considered in this study. The only way to remove these obstacles is by gradual and vigorous economic growth on the basis of an integrated development plan or programme. Although, as far as planning is concerned, work went ahead in 1962 on the programmes and plans drawn up by the different countries and with respect to their implementation, on the establishment of international machinery of an institutional and financial kind, no tangible results will be seen for some time to come.

Improvements were also made in a number of Latin American countries in 1962 in electric power, transport and the production capacity of certain vital inputs. But these improvements are of little significance in the face of the amount of leeway to be made up and the rapid growth of demand in the various fields. Accordingly the evolution of the economy in 1962 has to be explained in terms of the factors that can be changed in a short space of time. In other words, it is impossible to eliminate the permanent long-term obstacles from one year to another while the changes that can be wrought in that interval have no bearing whatsoever on those that occur at the levels of current economic activity and income.

Two factors influenced the economic situation in 1962. One was the *external sector*, whose situation is fluid over the short term because of the abrupt changes in international demand, the fluctuations in harvests of export crops, etc. The other was *over-all economic policy*, which is also capable of provoking sudden changes according to the particular direction it takes.

With respect to the *external sector*, international demand for Latin American export items remained, with few exceptions, at the same low levels as in previous years. However, a fresh upswing took place in the total volume exported, although external purchasing power

was in any case too little to pay for the imports acquired. This was due to the fact that the terms of trade (based on 1955) were slightly below the 1961 level. To put it another way, in comparison with the benchmark year Latin America's effort in 1962 to increase its export trade was largely absorbed by the external losses it suffered as a result of the deterioration in its terms of trade. Since what was left of the export drive was insufficient to cover the servicing of and arrears in external payments, the fragmentary statistics available indicate that imports had to be reduced to relieve the pressure on the balance of payments. In several countries the retrenchment went so far as to affect capital goods.

Except in so far as imports are concerned, the influence of the external sector on the domestic economy in 1962 or, to be more exact, on its level of activity, was very much the same as in 1960 and 1961. Over the short term, this influence was twofold: (a) immediate—operating directly on income through terms-of-trade losses; and (b) remote—beginning to operate when the main dynamic element in the economy—the external sector—weakens, and thereafter having a secondary depressive effect. As will be seen in the course of this paper, this was undoubtedly the trend of events in Latin America as a whole during 1962 as well as in some countries whose figures carry decisive weight in the Latin American total.

The deficit on Latin America's external current account has traditionally been financed from the returns on foreign capital invested over the long term. On an average, this type of financing has represented slightly more than 10 per cent of the capacity to import. The trends followed by exports and the terms of trade in 1962 coincided with a reduction in the income from foreign capital. In other words, a decline took place in external financing. This is a factor that should be underlined, since such financing is directly connected with the availability of investment resources and the possibility of increasing the capacity to import capital goods.

Within over-all economic policy—the other determining factor over the short term—stress should be laid on monetary policy. As on earlier occasions, this policy was actually conditioned by the balance-of-payments situation and fiscal deficits that were common to virtually the whole of Latin America in 1962. As a general rule, it took little account of economic development requirements or even of the need for more permanent stabilization, to the limited extent that this can be brought about by monetary policy. On the contrary, the monetary repercussions deriving from the situation of the balances of payments and the need to finance increasingly large fiscal deficits often prompted the authorities to take measures that—with very few exceptions—were mainly designed to safeguard the liquidity of the system and prevent it from

\* Corrected version of document E/CN.12/679, submitted to the tenth session of the Commission.

expanding too far, seeking most of all to alleviate the pressure on the balance of payments and, incidentally, to stop prices from rising beyond the level at which they respond to the monetary factor.

In a few cases, the expansionist effects of the financing of the fiscal deficit on the primary money supply—which originates in the monetary operations of the central bank—were nullified by the contractionist influences of the balance of payments. In other and more numerous cases, the expansionist influences prevailed, sometimes by a considerable margin. In both cases—when the general public continued to prefer cash—cash holdings in banks either increased substantially or remained at a low enough level even to permit a sizable expansion in credit without an alarming loss of liquidity.

Whatever the reason, there were very few instances in which the secondary expansion of money by commercial banks proved easily adaptable to the real requirements of the economy, whereas the primary supply was brought into line with the requirements of the public sector. The disrupting effects of the monetary supply in these few cases were due precisely to the elasticity with which it responded *as a whole* to the claims of the public and private sectors. The former competed with the latter through bank financing of its deficit. In other words, the economy was under pressure by monetary demand from two sources at once. If the Treasury's financial difficulties had been settled through an increase in tax revenue—which involves more control over tax evasion and changes in the tax system—monetary policy might have gone further than it did in providing credit backing for the private sector, thereby lessening the pressures making for disequilibrium and helping the banking system to become more liquid. It is an accepted fact that bank credit in Latin America exerts an extraordinary influence not only on the level of activity but on the level of investment as well.

There were many more cases in which the financing of the public sector by the central bank coincided with the application of credit controls vis-à-vis the private sector. In practice, the expansion of the primary money supply deriving from coverage of the fiscal deficit went

to swell the cash holdings of commercial banks. The capacity for credit expansion thereby conferred upon these banks was largely invalidated by the recognized instruments of monetary policy. It should be made clear that this was accomplished through the limitation of bank credit for the private sector. What most mattered were the attempts to ease the acute tensions from which the balances of payments were suffering. So much so that on several occasions severe currency devaluations were decreed. Relative balance-of-payments stability was partly achieved, as has already been pointed out, by limiting the supply of credit for private activities, with the expected repercussions on the level of those activities, on income, and on employment. Here again it is apparent that monetary policy was subordinated to fiscal requirements.

This being so, the fact that none of the central banks seem to have much power to withstand the demands for resources made upon them by the public sector indicates that it is impossible to frame a truly independent monetary policy directed primarily towards development until a reasonable solution has been found to the problem of fiscal deficits. This would entail a thorough overhauling of fiscal policy to reorganize public spending, and a tax reform that would provide additional revenue for the system while making it more progressive and flexible. Otherwise, restrictions on assistance to the private sector with the consequent depressive effects on income and employment would continue to be superimposed on the financing of the deficit. The preservation of balance-of-payments equilibrium and the prevention of price rises would then be simply temporary measures to be discarded—as so often in the past—when income and employment cuts had created so much social tension as to become unbearable.

The salient points of economic developments in 1962 will be examined in detail in the following pages. Section I will consist of an analysis of the world market for the staple commodities exported by Latin America, the export and import situation, the terms of trade and the balance of payments. In section II gross product and income and the investment coefficient will be examined.

## I. EVOLUTION OF THE EXTERNAL SECTOR

### 1. WORLD MARKET FOR PRIMARY COMMODITIES

Generally speaking, the evolution of the world market for primary commodities showed the same signs of sluggishness in 1962 as in previous years. The relative stabilization of external prices in the last four years

kept the over-all level down, but some staple products were affected by a further decline in prices. Those untouched in this way continued to evolve within the same range as before, which, in most cases, means at the lowest levels recorded in the last ten years, as shown in previous annual reports (see table 1).

Table 1  
SELECTED PRIMARY COMMODITIES: WORLD MARKET PRICES, 1960-62

Commodity	Market	Unit	1960	1961	1962	1962			
						I	II	III	IV
Sugar <sup>a</sup>	New York	Unit cents per lb.	5.35	5.36	5.56	5.51	5.56	5.57	5.61
Sugar <sup>b</sup>	New York	Unit cents per lb.	3.10	2.91	2.97	2.44	2.64	3.11	3.71
Coffee <sup>c</sup>	New York	Unit cents per lb.	36.60	36.00	34.00	34.10	34.40	34.00	33.30
Coffee <sup>d</sup>	New York	Unit cents per lb.	44.90	43.60	40.80	42.50	40.40	40.20	39.90
Cacao <sup>e</sup>	New York	Unit cents per lb.	26.60	22.40	21.20	21.30	20.90	21.20	22.10

Table 1 (continued)

Commodity	Market	Unit	1960	1961	1962	1962			
						I	II	III	IV
Cotton <sup>f</sup>	Liverpool	Unit cents per lb.	29.40	30.20	29.30	29.70	29.60	28.70	28.60
Cotton <sup>g</sup>	Liverpool	Unit cents per lb.	26.30	28.00	26.70	27.90	26.60	25.70	26.20
Cotton <sup>h</sup>	Liverpool	Unit cents per lb.	46.20	42.70	40.00	41.80	40.00	38.60	...
Meat <sup>i</sup>	London	Pence per lb.	29.00	27.40	28.50	29.70	28.60	30.30	26.70
Wheat <sup>j</sup>	London	Pence per lb.	24.70	25.80	25.90	25.80	26.20	26.10	25.50
Maize <sup>k</sup>	London	Pence per lb.	21.60	21.10	20.80	21.00	21.00	20.30	21.10
Copper	London	£ per long ton	246.00	230.00	234.00	233.00	234.00	234.00	234.00
Tin	London	£ per long ton	797.00	888.00	897.00	954.00	915.00	856.00	863.00
Lead	London	£ per long ton	72.10	64.20	56.30	59.50	59.30	52.20	54.20
Zinc	London	£ per long ton	89.30	77.80	67.50	69.50	68.30	64.90	67.10
Silver	New York	Cents per ounce	31.40	92.40	107.80	102.70	101.80	106.70	119.90
Wool <sup>l</sup>	Boston	Dollars per lb.	0.80	0.77	0.66	0.72	0.67	0.63	0.64
Wool <sup>m</sup>	Boston	Dollars per lb.	0.95	0.88	0.97	0.90	0.98	1.00	1.00
Oil <sup>n</sup>	Venezuela	Dollars per barrel	2.80	2.80	2.80	2.80	2.80	2.80	2.80

SOURCE: United Nations, *Monthly Bulletin of Statistics*.

<sup>a</sup> Raw sugar, f.o.b. price for exports to the United States.

<sup>b</sup> Raw sugar, f.o.b. price for exports to the free world market.

<sup>c</sup> Santos No. 4.

<sup>d</sup> Manizales.

<sup>e</sup> Bahia.

<sup>f</sup> Mexican cotton, Matamoros SM 1-1/16.

<sup>g</sup> Brazilian cotton. São Paulo type 5.

<sup>h</sup> Peruvian cotton, Pima No. 1.

<sup>i</sup> Chilled Argentine meat.

<sup>j</sup> Up-river Argentine wheat, c.i.f. price.

<sup>k</sup> La Plata Argentine maize, c.i.f. price.

<sup>l</sup> Argentine wool, 40-36's, washed.

<sup>m</sup> Uruguayan wool, 58-60's, washed.

<sup>n</sup> Crude, 35.0-35.9, API gravity, f.o.b. prices.

In contrast to the price behaviour of primary commodities, the volume exported showed frequent increases which were substantial enough to offset the deterioration in prices either totally or partially. This was the trend of events in 1962, and its effect was to raise the region's total external purchasing power slightly above its level in the preceding year. But as over the short term there are fairly well-defined limits to the extent to which the volume of exports can expand for the region as a whole, one country's gains in export trade were often obtained at the expense of another country. It was not only in 1962 that this occurred. Statistics prove that the same interaction of factors took place in the last ten years as well, mainly in the case of coffee and cotton, and operated in favour of the smaller Latin American countries whose total export trade may be regarded as marginal in relation to the volume of the region's exports as a whole.

Thanks to the behaviour of export prices and the relative steadiness of import prices in general, the terms of trade remained at much the same level as in 1962, although this was far lower than in 1955—a point which should be stressed. An expansion in Latin America's exports, indicated by the improvement in the quantum of its external sales over their 1955 level, was largely nullified by the behaviour of the terms of trade.

Although the problem underlying the deterioration in the terms of trade has been taken up with great interest by various international organizations, little progress has been made at the international level. The only general commodity agreement to have any effect is the International Coffee Agreement,<sup>1</sup> but the conclusion of a similar agreement for cacao, on the lines of the draft prepared by the relevant International Study Group, is constantly being postponed.

<sup>1</sup> To some extent this instrument may be regarded as a renegotiation of an earlier agreement, this time with the participation of the importer countries.

The European Economic Community (EEC) has taken certain measures that are undoubtedly of vital importance for Latin America. On the one hand, the common external tariff applied to imports of Latin American coffee and cacao, and to other less important tropical commodities was lowered, while the high tariff (20 per cent *ad valorem*) applied to banana purchases was maintained without any change. On the other hand, the end of 1962 saw the conclusion of EEC's negotiations on the adoption of the new association agreement with the African States, which has not yet been ratified by the Contracting Parties, although ratification is expected to take place in the first half of 1963. Once this has been done, the gradual reduction of the tariff applicable to imports of tropical commodities from the associate countries will be superseded by a preferential régime, whereby duties will be lifted as soon as the conditions for ratifying the agreement have been complied with by the States Members of the Community and the associate countries. During the last few years up to and including 1962, there was an expansion in the volume of Latin America's exports to the Community despite the customs duties levied on goods from the region.<sup>2</sup> Under the new agreement, the discriminatory treatment applied to imports of tropical commodities from Latin America will begin to take effect sooner than was originally envisaged in the Treaty of Rome and its protocols. This raises a new question as to what the immediate future holds for Latin American countries exporting to EEC.

#### (a) Coffee

The price of coffee on the New York market fell in both 1961 and 1962, although less sharply than in the three preceding years. As a result of the successive decline, however, the average annual price of Brazilian

<sup>2</sup> Of the total increment in Latin America's exports between 1950-53 and 1958-60 (1,200 million dollars), 38 per cent represented by exports to the EEC countries.

coffee in 1962 was 37 per cent below the annual average for 1950-53 and 30 per cent below that of 1958. Although world exports and consumption in the producing countries have increased in recent years, the growth of production has been still greater, pushing stockpiles up to exceptional heights (see table 2). The high level of stocks has drawn the sting from the short-lived decreases in world production that occurred in 1960/61 (when the level sank 17 per cent below that of 1959/60) and are expected for 1962/63. In actual fact, despite the probable reduction in world coffee output during the latter period, the downward movement of international market prices gathered fresh speed in the last quarter of 1962.

Table 2

COFFEE BEANS: WORLD PRODUCTION, EXPORTS AND STOCKS, 1957-63

(Millions of 60 kilogramme bags per trade year, July/June)

	1957-58	1960-61	1961-62	1962-63 <sup>a</sup>
Initial stocks .....	18.2	63.1	68.5	80.9
Production .....	55.0	65.5	71.2	65.5
Net exports .....	37.3	44.4	45.5	...
Consumption in producer countries .....	8.5	12.7	13.3	...
Final stocks .....	27.4	68.5 <sup>b</sup>	80.9	...

SOURCE: United States Department of Agriculture, *Foreign Agriculture Circular*, FCOF 4-62 (December 1962).

<sup>a</sup> Provisional estimates.

<sup>b</sup> Reduced by 3 million bags destroyed in Brazil.

Undue stockpiling is also to blame for the virtual failure of the system of export quotas adopted by consecutive international coffee agreements in recent years as a means of stabilizing external prices. This is understandable, since no direct link was established in the agreements between export quotas and minimum external price levels, nor were the necessary funds available for intervening in the market to protect prices.<sup>3</sup>

Coffee demand on the international market has continued to expand, according to the increments recorded recently in world imports. They were estimated at about 46.2 million bags in 1962, which represents an improvement of 5 per cent over the 1961 figure (see table 3). Much of this improvement is attributable to the United States, but was brought about not by an increase in consumption but by stockpiling in preparation for the anticipated longshoremen's strike that eventually took place at the end of December 1962.<sup>4</sup>

<sup>3</sup> Incidentally, the Tin Agreement is an example of the way in which an international instrument that ties export quotas to minimum production levels and direct market intervention can be made to operate quite successfully. The difficulties of coming to an agreement of this kind on coffee have proved insuperable up to now. The coffee agreements originally included only the Latin American exporting countries, but the principal African exporters were subsequently induced to take part. The participation of the major importing countries was only secured in the most recent agreement of all (in force since October 1962).

<sup>4</sup> At the end of December 1962 coffee bean stocks in the United States were 4.0 million bags as against 2.8 million at the end of the preceding year.

Table 3

COFFEE BEANS: WORLD IMPORTS, TOTAL AND BY SELECTED COUNTRIES

(Millions of 60 kilogramme bags)

Country	1960	1961	1962 <sup>a</sup>
United States .....	22.1	22.5	24.6
Federal Republic of Germany....	3.3	3.5	3.8
France .....	3.5	3.4	3.6
Italy .....	1.7	1.7	1.9
Sweden .....	1.2	1.3	1.4
Canada .....	1.0	1.0	1.2
World total <sup>b</sup> .....	42.4	43.9	46.2

SOURCE: G. Gordon Paton, *Complete Coffee Coverage* (New York, 1962).

<sup>a</sup> Provisional estimates.

<sup>b</sup> Including other importing countries.

(b) Cacao

The situation on the world market for cacao beans affords another example of the way in which a series of fairly good harvests helps to keep prices down, since world consumption did not increase enough to absorb the extra output. It should be pointed out, however, that cacao surpluses were to be found mainly in the African countries, as production in Latin America tended to be at slightly lower levels than in previous years (see table 4).

Table 4

CACAO BEANS: WORLD PRODUCTION AND IMPORTS AND EXPORTS OF SELECTED COUNTRIES

(Trade years, July/June)

Country or region	Thousands of tons 1957-58	Production		
		Indices: 1957-58 = 100		
		1960-61	1961-62	1962-63 <sup>a</sup>
Africa .....	449	192.5	184.8	180.0
Latin America .....	303	89.3	86.9	89.3
World total .....	781	149.4	144.5	143.6
		Indices: 1958 = 100		
	1958	1960	1961	1962 <sup>a</sup>
Imports				
United States .....	190	127.5	179.7	155.0
Federal Republic of Germany	90	125.5	138.8	148.3
United Kingdom .....	87	107.3	99.0	125.5
Netherlands .....	62	134.7	176.0	167.2
France .....	56	101.4	105.8	118.2
Exports				
Brazil .....	104	121.0	93.4	50.0
Dominican Republic .....	24	107.0	47.9	83.3
Ecuador .....	22	159.0	145.5	140.0
Venezuela .....	13	60.7	69.0	77.0

SOURCE: *Cocoa Market Report*, Gill and Duffus (London, 4 February 1963).

<sup>a</sup> Estimates.



As the latest estimate of harvest prospects for 1962/63 was less optimistic than forecasts made slightly earlier, this had repercussions on international market quotations in December 1962 and sent prices up a little. Even so, the annual average price of Bahia cacao on the New York market in 1962 was 5 per cent less than in 1961 and 20 per cent less than in 1960. Although world cacao prices have been going down for a fairly long time, the efforts made by producing countries to conclude an international agreement have so far come to nought because of the opposition put up by the principal importing countries.

Ecuador is the only Latin American country to have raised its exports above 1958 levels. Those of Brazil, the Dominican Republic and Venezuela, on the other hand, fell off considerably in 1961 and 1962. This is to a certain extent a reflection of parallel production trends there, but the sharp contraction of Brazilian exports in 1962 also mirrors the sporadic attempts made by the Banco do Brasil to bolster up prices by temporarily suspending sales abroad.

### (c) Sugar

International sugar quotations in the free market area again fluctuated violently in 1962, although in the second half of the year these fluctuations brought prices up after they had remained for nearly two years at the lowest levels recorded since 1941. Various factors contributed towards their recovery, but the main reason was undoubtedly the marked falling off in Cuban production. To this was added the prospect of a further deterioration in Western and Eastern European production in 1962/63 hard upon its decline in 1961/62 below the 1959/60 level (see table 5).

Table 5

#### CENTRIFUGAL SUGAR: WORLD PRODUCTION, BY MAIN AREAS

(Thousands of tons raw sugar by trade years, July/June)

Producing country or area	Thousands of tons 1957-58	Indices: 1957-58 = 100		
		1960-61	1961-62	1962-63 <sup>a</sup>
Cuba .....	5 849	115.7	83.7	71.3
Other Latin American countries .....	7 064	122.1	124.5	128.5
<i>Total: Latin America...</i>	<i>12 913</i>	<i>119.1</i>	<i>106.1</i>	<i>102.6</i>
United States .....	4 020	119.5	123.3	131.4
Western Europe .....	6 821	141.1	110.7	106.9
Eastern Europe .....	3 588	132.2	119.1	108.8
Soviet Union .....	5 171	115.8	128.1	126.3
<i>World total .....</i>	<i>44 518</i>	<i>122.4</i>	<i>114.1</i>	<i>114.6</i>

SOURCE: United States Department of Agriculture, *Foreign Crops and Markets, World Summaries* (29 November 1962).

<sup>a</sup> Provisional estimates.

In 1962 quotations for sugar imports on the United States market were slightly better than in the previous year, although there was some temporary pressure of demand during the last few months of the year in view

of export prospects and the need to stockpile before the longshoremen went out on strike. Provisional estimates indicate that total United States imports were 5 per cent more than in 1961, most of the increment consisting of purchases from the Latin American countries excluding Cuba.

Some important changes were made in United States sugar legislation in mid-1962. While retaining the system of basic import quotas allotted by countries, the Government was authorized to discontinue the quotas for countries with which it did not have diplomatic relations. Quotas refused authorization on this account were combined into a single over-all quota for distribution among other countries, but the imports thus reallocated are subject to payment of a duty equivalent to the difference between United States market prices and prices on the free world market. Since the legislation entered into force, imports chargeable to the basic country quotas have been obliged to pay a duty tantamount to 10 per cent of the total duties levied on imports charged against the over-all quota.<sup>5</sup> This percentage amounts to 20 per cent in 1963 and will be 30 per cent in 1964, always in relation to the same factor.

The way in which it was determined that the duties should be applied will reduce the margin of preference enjoyed by Latin American sugar exports in the United States in comparison with exports to the rest of the world. However, the trend followed by the free world market towards the end of 1962 and early in 1963 has neutralized the effect of the duties. In fact, they have had to be waived temporarily so that the United States market can be sure of receiving its normal flow of supplies.

The data available on total Latin American sugar exports are still very fragmentary, but there is reason to think that 1962 will be a worse year than 1961 in the majority of cases.

### (d) Cotton

In the international cotton market there was a fairly substantial decline in world exports side by side with a moderate falling off in prices, especially of extra long-staple fibres. During the last three seasons—1959/60 to 1961/62—world production varied little, but an increase of about 5 per cent was foreseen for 1962/63. This probable increase, together with the increase recorded in the two previous years in the inventories of the importing countries, was one of the main factors in the weakening of the market, especially during the second half of 1962. Furthermore, inventories in the United States, which had declined in 1960 and 1961, also began to rise in 1962 (see table 6).

The behaviour of world consumption has not been very encouraging, since the level remained practically unchanged between 1959/60 and 1961/62. However, within this international picture the position of Latin America has improved, as regards both production and exports. As to the former, the most significant fact is the full

<sup>5</sup> For instance, if the premium between the United States market prices and the free world market prices is 2 cents per pound, the duty levied on imports chargeable against the over-all quota is 2 cents and on imports chargeable to the basic quotas 0.2 cents.

**Table 6**  
**COTTON: WORLD INVENTORIES, PRODUCTION AND CONSUMPTION**  
*(Trade years, August/July)*

Countries or groups of producers	Thousands of tons 1957-58	Indices: 1957-58 = 100			
		1959-60	1960-61	1961-62	1962-63 <sup>a</sup>
<i>Inventories at the beginning of the trade year</i>					
United States .....	2 466	78.1	66.5	63.5	69.0
Other exporter .....	694	112.5	100.0	109.4	121.9
Other importer .....	1 344	87.1	96.8	104.8	87.1
Centrally planned economies .....	585	118.6	126.0	92.6	81.5
<i>World total</i> .....	<i>5 089</i>	<i>89.8</i>	<i>85.9</i>	<i>84.0</i>	<i>82.4</i>
<i>Production</i>					
United States .....	2 376	132.7	131.6	131.8	132.8
Other countries .....	3 686	98.2	111.8	114.7	123.5
Centrally planned economies .....	2 949	117.6	102.9	102.2	105.1
<i>World total</i> .....	<i>9 011</i>	<i>113.7</i>	<i>114.1</i>	<i>115.1</i>	<i>120.4</i>
<i>Consumption</i>					
United States .....	1 735	112.4	103.7	112.4	
Other countries .....	4 445	108.3	113.6	114.6	
Centrally planned economies .....	3 122	118.8	113.9	109.0	
<i>World total</i> .....	<i>9 302</i>	<i>112.6</i>	<i>111.9</i>	<i>112.3</i>	

SOURCE: International Cotton Advisory Committee, *Quarterly Bulletin* (January 1963).

<sup>a</sup> Provisional figures.

restoration of production in Brazil, and the successive increases recorded in Colombia, El Salvador and Guatemala. In Latin America as a whole, production increased more rapidly than the world total (see table 7). But even more significant is the increase in Latin American exports in the last two seasons, partly due to the recovery in Brazilian production and exports, and partly a reflection of the progress achieved by the Central American countries, as well as by Argentina and Colombia (see table 8).

Although none of the Latin American countries are parties to the Geneva Cotton Textile Agreement, which entered into force in October 1962 for a period of five

**Table 7**  
**COTTON: PRODUCTION OF LATIN AMERICAN COUNTRIES AND WORLD TOTAL**  
*(Trade years, August/July)*

Country	Thousands of tons 1957-58	Indices: 1957-58 = 100		
		1960-61	1961-62	1962-63 <sup>a</sup>
Argentina .....	155	76.8	80.0	76.8
Brazil .....	294	143.9	184.3	184.3
Colombia .....	28	239.3	275.0	332.1
El Salvador .....	36	111.1	155.5	169.4
Guatemala .....	14	150.0	221.4	385.7
Mexico .....	457	99.6	94.3	102.0
Nicaragua .....	48	68.7	112.5	112.5
Paraguay .....	11	72.7	100.0	100.0
Peru .....	109	111.0	129.3	119.3
<i>Total, 9 countries</i> .....	<i>1 152</i>	<i>111.7</i>	<i>127.3</i>	<i>132.8</i>
<i>World total</i> .....	<i>9 011</i>	<i>114.1</i>	<i>115.1</i>	<i>120.4</i>

SOURCE: International Cotton Advisory Committee, *Quarterly Bulletin* (January 1963).

<sup>a</sup> Provisional estimates.

**Table 8**  
**COTTON: EXPORTS OF LATIN AMERICAN COUNTRIES AND WORLD TOTAL**  
*(Trade years, August/July)*

Country	Thousands of tons 1957-58	Indices: 1957-58 = 100		
		1959-60	1960-61	1961-62 <sup>a</sup>
Argentina .....	11.1 <sup>b</sup>	60.4	148.6	277.5
Brazil .....	46.8	207.5	323.3	393.8
Colombia .....	c	c	c	c
El Salvador .....	28.8	85.1	104.5	158.0
Guatemala .....	9.8	115.3	166.3	254.1
Mexico .....	305.9	92.0	113.5	105.4
Nicaragua .....	31.7	78.5	94.9	164.0
Paraguay .....	7.6	14.5	56.6	100.0
Peru .....	91.1	102.5	118.8	143.2
<i>Total, 9 countries</i> .....	<i>532.8</i>	<i>102.7</i>	<i>137.0</i>	<i>154.7</i>
<i>World total</i> .....	<i>3 106.7</i>	<i>122.5</i>	<i>119.3</i>	<i>107.3</i>

SOURCE: International Cotton Advisory Committee, *Quarterly Bulletin* (January 1963).

<sup>a</sup> Provisional figures.

<sup>b</sup> Exports for 1956-57.

<sup>c</sup> Colombian exports began in 1959; the figures in millions of tons were 6.7 in 1959-60, 25.8 in 1960-61 and 26.0 in 1961-62.

years,<sup>6</sup> there is no doubt that this is an important instrument for the regulation of trade in a branch of the manufacturing industry widely developed in Latin America, in which the possibility of expanding exports of manufactured goods should be explored, especially in the light of the increase in the production of cotton fibre in the Latin American countries.

<sup>6</sup> See United Nations, Commission on International Commodity Trade, *Recent Commodity Developments*, Memorandum No. 44.

(e) *Wool*

There have been erratic price movements in the international wool market during the last two years, but fine wools have been more stable in this respect than coarse wools. In 1962 the prices of the latter were generally lower than in 1961, whereas the contrary was true for the prices of fine wools.

In wool, as in cotton, the competition of artificial fibres is a factor that has been limiting the expansion of the consumption of natural fibres for some time, and technological research advances have further improved the competitive standing of artificial fibres in the last few years as regards both the price at which these fibres are offered on the market<sup>7</sup> and also the improvements made in the actual quality of the various fibres and in the ways of using them for the manufacture of goods for which natural fibres were used formerly. For example, rayon production in the United States increased from 314 million pounds in 1960 to 400.5 million in 1961, a 27.5 per cent increase, and 1962 production is estimated as 510 million pounds.

At the request of the United States Government the International Wool Study Group met in London in mid-December 1962 to study the problems of the wool textile industry. The meeting was of an exploratory nature, and adopted no recommendations; it agreed to meet again at the beginning of 1964.<sup>8</sup>

World production of wool increased only to an insignificant extent during the last few years. The consumption in the main industrial countries fluctuated more widely, especially in the United States and the United Kingdom, annual consumption in 1960-62 in the latter remaining below the figure for 1959. Of the principal world consumers, Japan is practically the only country where consumption has expanded in recent years.

The exports of the main world producers of wool rose by nearly 4 per cent in 1961/62, as compared with 1959/60, but this increase related only to the countries of the British Commonwealth, since exports from Argentina and Uruguay declined between these two periods (see table 9). However, inventories in both countries at the beginning of the current trade year (October 1962) were lower than at the same period in 1960.

<sup>7</sup> The most recent price reductions were for rayon and orlon.

<sup>8</sup> See United Nations, Commission on International Commodity Trade, *Recent Commodity Developments*, Memorandum No. 45.

Table 9

## WOOL: EXPORTS OF THE PRINCIPAL WORLD PRODUCERS

Producer	Millions of pounds 1957-58	Indices: 1957-58 = 100		
		1959-60	1960-61	1961-62
Australia <sup>a</sup> .....	1 171	119.1	115.9	122.1
New Zealand <sup>a</sup> .....	436	121.1	117.7	133.0
South Africa <sup>a</sup> .....	218	131.2	111.5	128.0
Argentina <sup>b</sup> .....	150	186.7	226.7	204.0
Uruguay <sup>b</sup> .....	93	69.9	160.2	116.1
<i>Total, 5 countries</i> .....	<i>2 068</i>	<i>123.5</i>	<i>125.8</i>	<i>130.7</i>

SOURCE: *Wool Intelligence* (London, January 1963).

<sup>a</sup> Trade years July/June.

<sup>b</sup> Trade years October/September.

(f) *Wheat*

In the last two years there were fairly large increases in world trade in wheat (including wheaten flour) and maize, although the expansion in demand did not greatly influence prices, because of the high level of inventories in some of the main exporting countries. The increase in the world demand for wheat was largely a reflection of the increased import requirements of Mainland China, and to a lesser extent of other Asian and African countries.

However, the satisfactory course followed by the world market had no great effect on Latin American exports, since production in Argentina was reduced by drought, and Uruguayan production did not recover sufficiently to make a renewal of exports possible. Total inventories of wheat in Argentina in the last three seasons remained below those for 1957/58 as a result of lower production (see table 10).

Table 10

WHEAT: TOTAL AVAILABILITIES IN SELECTED EXPORTING COUNTRIES<sup>a</sup>

Exporting country	Thousands of tons 1957-58	Indices: 1957-58 = 100		
		1960-61	1961-62	1962-63 <sup>b</sup>
Argentina .....	7 702	74.2	79.5	69.6
Australia .....	3 837	239.7	194.3	214.9
Canada .....	30 210	100.6	80.3	85.9
United States .....	51 030	142.5	141.1	127.8
<i>Total, 4 countries</i> .....	<i>92 779</i>	<i>127.2</i>	<i>118.4</i>	<i>113.0</i>

SOURCE: United States Department of Agriculture, *Wheat Situation* (February 1963).

<sup>a</sup> Inventories at the beginning of the crop year in question plus the output for that year.

<sup>b</sup> Provisional figures.

The greatest expansion of exports in absolute terms took place in the United States, where total inventories have been substantially reduced, although they are still much higher than for 1957/58. There were also substantial increases of exports in Australia and the USSR, but in France and other smaller exporting countries exports were lower than in previous years (see table 11).

Table 11

## WHEAT AND WHEATEN FLOUR: EXPORTS FROM SELECTED COUNTRIES AND WORLD TOTAL

(Trade years, July/June)

Country	Thousands of tons 1957-58	Indices: 1957-58 = 100		
		1959-60	1960-61	1961-62
Argentina .....	2 114	99.8	90.3	111.3
Australia .....	1 652	190.9	301.9	378.5
Canada .....	8 633	88.0	108.1	115.1
United States .....	10 952	126.7	164.5	178.5
France .....	2 269	77.9	68.7	81.7
Soviet Union .....	3 932	124.6	93.5	120.5
Uruguay .....	225	—	—	—
Other countries .....	2 620	104.4	70.8	95.0
<i>World total</i> .....	<i>32 396</i>	<i>111.6</i>	<i>127.6</i>	<i>145.6</i>

SOURCE: United States Department of Agriculture, *Wheat Situation* (February 1963).

The improvement noted in the world wheat market was not maintained, however, in recent months. North Amer-

ican exports in the second half of 1962 were considerably below those for the corresponding period in 1961, and preliminary estimates indicate a probable decline in total world exports for the year 1962/63. Nevertheless, the renewal of the International Wheat Agreement in August 1962, with the inclusion of the USSR among the exporting countries and the establishment of minimum and maximum ceiling prices higher than those laid down in the previous agreement, gives grounds for hope that the prices of this grain will be maintained free of major fluctuations, as in previous years.

(g) *Maize*

The world maize market is largely dominated by exports from the United States. Total stocks in that country—which amounted to 71.5 million tons at 1 July 1961—declined to 63.2 million by 1 July 1962; but at this level they still considerably exceed the average for previous years. World exports have expanded substantially over the past two years. In fact, in the last trade year they surpassed the 1957/58 level by more than 100 per cent, both in the United States and in Argentina. The largest volume of exports from Argentina was registered in 1959/60, while that of the two succeeding years was affected to some extent by drought. All in all, external sales were maintained at higher levels than in 1957-58 (see table 12).

Table 12

MAIZE: EXPORTS FROM SOME COUNTRIES AND TOTAL WORLD EXPORTS

(Commercial years, July/June)

Country	Thousands of tons 1957-58	Indices: 1957-58 = 100		
		1959-60	1960-61	1961-62
Argentina .....	1 022	311.8	182.5	222.5
United States .....	4 608	117.9	143.2	214.2
South Africa .....	1 233	30.3	63.7	126.8
Yugoslavia .....	406	125.1	94.8	38.7
World total .....	8 290	131.1	146.2	204.4

SOURCE: FAO, "World Grain Trade Statistics", *Monthly Bulletin of Agricultural Economics and Statistics*.

(h) *Meat*

Quotations for Argentina beef on the London market during most of 1962 remained at slightly higher levels than in 1961; but in the last few months they registered a moderate decline, due to increased domestic production, which was likewise reflected in a lesser volume of total United Kingdom imports. Nevertheless, as a whole, the average price for 1962 was slightly above that for 1961, and Argentina's total volume of exports exceeded the 1958 figure for the first time in the past three years (see table 13).

Table 13

BEEF:<sup>a</sup> EXPORTS OF SELECTED COUNTRIES AND TOTAL WORLD EXPORTS

Country	Thousands of tons 1958	Indices: 1958 = 100		
		1960	1961	1962 <sup>b</sup>
Argentina .....	369.5	75.8	76.6	106.4
Brazil .....	33.3	18.0	44.1	60.0
Uruguay .....	19.1	273.3	223.5	366.0
Denmark .....	71.7	98.9	69.3	99.6
France .....	4.5	1 391.1	2 297.8	4 444.0
Ireland .....	26.6	180.0	280.8	188.0

Table 13 (continued)

Country	Thousands of tons 1958	Indices: 1958 = 100		
		1960	1961	1962 <sup>b</sup>
Netherlands .....	22.3	167.7	107.6	134.5
Yugoslavia .....	10.0	161.0	297.0	400.0
Australia .....	166.3	88.9	95.1	120.3
New Zealand .....	117.6	85.2	82.2	85.0
World total .....	955.0	97.1	103.9	...

SOURCE: FAO, *Monthly Bulletin of Agricultural Economics and Statistics*.

<sup>a</sup> Includes fresh, chilled and frozen beef.

<sup>b</sup> Provisional estimates.

Exports from Uruguay, which were exceptionally scanty in 1958 and 1959, recovered substantially in the two succeeding years, and in 1962 showed a further distinct increase, mostly accounted for by sales to the USSR. Exports to traditional markets such as the United Kingdom and other European countries remained at levels comparable with those prevailing in 1961.

In broad terms, the recent evolution of the external market for beef has not been unfavourable for the main Latin American exporting countries, since the fall in the volume exported in former years was actually a reflection of the limited supply. Nevertheless, there can be no doubt that this is one of the commodities whose prospects on the European market is a cause for major concern, in view of the highly protectionist and restrictive character of the measures adopted in this connexion by the European Economic Community countries. While it is true that the delay in the United Kingdom's entry into the Community has in some measure alleviated the fears of contraction of the market for Latin American exports over the short term, it is equally true that such a possibility still exists and, in fact, is being gradually confirmed by the rapid expansion of French exports recorded during the last two years.

(i) *Copper*

Price trends showed certain divergencies within the group of non-ferrous metals. Copper prices in New York remained stable during 1962 at the level attained in the second half of 1961, though they were still below the 1959 and 1960 levels. Quotations on the London Metal Exchange also registered complete stability at a level slightly above that of 1961, even though it is asserted in authoritative commercial circles that this was largely due to purchases effected by an African producing firm.

Actually, market conditions were not very satisfactory and price stability was also affected by the measures for curtailing production announced by the large copper-producing companies in Africa, the United States and Chile. However, this did not result in an actual deficit in world copper production in 1962 as compared with 1961, although it did represent a decline in relation to over-all installed production capacity, which increased by little more than 100,000 tons with respect to the previous year.<sup>9</sup>

The figures in table 14 show that world production of primary and secondary copper in 1962 was slightly higher than in the two preceding years. On the other hand, metal deliveries to manufacturers—which are a good pointer to demand—fell off by about three per

<sup>9</sup> See *American Metal Market*, Supplement, New York, 14 January 1963.

cent. Nevertheless, the most significant fact was the increment registered by stocks of refined copper in the hands of producers, both in the United States and in other countries. At the end of 1962, inventories were just over 15 per cent larger than in 1961.

Table 14  
COPPER: WORLD PRODUCTION, DELIVERIES TO MANUFACTURERS, AND STOCKS

	Thousands of tons 1958	Indices: 1958 = 100		
		1960	1961	1962 <sup>a</sup>
<i>World production<sup>b</sup></i>				
Primary copper .....	2 462	129.9	130.0	132.6
Secondary copper .....	126	123.8	113.5	141.3
Refined copper .....	2 550	131.5	131.8	130.6
<i>Deliveries to manufacturers</i>				
United States .....	1 070	108.5	120.8	128.7
Other countries .....	1 578	133.8	133.8	122.1
Total .....	2 648	123.6	128.6	124.7
<i>Stocks of refined copper (end of period)</i>				
United States .....	73	172.6	98.6	146.6
Other countries .....	165	158.8	183.0	197.0
Total .....	238	163.0	157.1	181.5

SOURCE: American Metal Market (New York, 18 February 1963).

<sup>a</sup> Provisional figures.

<sup>b</sup> World totals refer to those countries which report to the United States Copper Institute, and represent just over ninety per cent of the total world output, excluding countries with centrally planned economies.

Copper production in Chile registered a small increase in 1962 with respect to the previous year, in spite of the reductions announced by the major mining companies. By contrast, Peru's production suffered a decline as a result of a miner's strike and the damage caused by an explosion in the plants. The over-all exports of these two countries reflected the same trends as production: an increase in the case of Chile and a reduction for Peru (see table 15).<sup>10</sup>

<sup>10</sup> This table also shows the quantities purchased by the leading copper importing countries.

Table 15  
COPPER: EXPORTS AND IMPORTS OF NON-PROCESSED COPPER, FROM SELECTED COUNTRIES

Country	Thousands of tons 1958	Indices: 1958 = 100		
		1960	1961	1962 <sup>a</sup>
<i>Exporters</i>				
Chile .....	425.7	120.5	127.3	130.9
Peru .....	48.3	330.6	363.8	306.4
Mexico .....	—	—	—	—
<i>Importers</i>				
Belgium .....	181.6	151.1	152.6	182.3
France .....	212.0	97.5	105.0	103.9
Federal Republic of Germany .....	329.7	130.5	142.2	125.2
Italy .....	95.2	186.1	195.2	235.9
United Kingdom .....	466.0	119.4	115.1	114.5
United States .....	443.8	105.6	92.9	95.9
Total 6 countries.....	1 728.3	122.6	121.7	124.5

SOURCE: British Department of Non-Ferrous Metal Statistics, *World Non-ferrous Metal Statistics*, vol. 15, No. 11.

<sup>a</sup> Provisional figures.

## (j) Oil

Export prices of Venezuelan crude oil have remained unchanged since 1960, even though this price stability has been upset at various times by the granting of discounts on the producers' list prices. This practice—which was used fairly freely by Venezuelan oil producing companies in 1960 and 1961—has seemingly been abandoned, owing partly to Venezuelan Government opposition and partly to the relative strengthening of oil demand on the world market in recent years.

World crude oil production has continued to expand in practically all the principal producing areas. The increment in 1962, as compared with 1961, was 8 per cent, accounted for chiefly by the USSR, the Middle East and Venezuela. The United States' production, which has been subjected to certain controls, has increased comparatively little in the past few years (see table 16).

Table 16  
CRUDE OIL: WORLD PRODUCTION, BY COUNTRIES AND REPRESENTATIVE AREAS

Producing area or country	Thousands of tons 1958	Indices: 1958 = 100		
		1960	1961	1962 <sup>a</sup>
United States .....	331.0	104.9	106.8	108.5
Canada .....	22.4	115.2	132.6	151.8
Middle East .....	215.0	123.3	132.2	144.6
Soviet Union .....	113.2	130.7	146.6	164.3
Venezuela .....	139.1	107.0	109.3	119.7
World total .....	907.9	115.9	123.3	133.3

SOURCE: Petroleum Press Service (London, February 1963).

<sup>a</sup> Provisional figures.

The largest production increment in Latin America—excluding Venezuela—was that registered by Argentina, which thereby enhanced its degree of self-sufficiency in oil products. Other republics—Brazil, Chile, Mexico and Peru—showed minor increases, whereas Colombia, which has a small exportable surplus, witnessed a drop of 4 per cent in its production, owing to the relative exhaustion of the oil wells in use. However, production from new oil wells was initiated at the end of 1962.

The most important factor from the viewpoint of the external market is the evolution of Venezuela's production and exports. Its production in 1962 increased (6.5 per cent) in comparison with that of 1961. Exports of crude oil and derivatives registered an increase of 8 per cent between the two years cited (see table 17). The result may be described as favourable if prevailing world market conditions are taken into consideration. Actually, import restrictions on crude oil and derivatives in the United States—which absorbs a large proportion of Venezuela's exports—have put a stop to the expansion of sales to that country, if not in absolute terms, at least as regards its percentage share in the consumption increment. In this respect, the controls on United States imports put into effect for 1963 tend to restrict it even further, by modifying the formula previously in use for fixing import quotas. From 1963 onwards, these quotas are established at the equivalent of 12.2 per cent of domestic production of crude oil and natural gas, but imports from Canada and Mexico, which are not subject to controls, are added to the sum of controlled imports for the purpose of calculating the above per-

centage. Thus, theoretically at least, the possibility exists that Canada and Mexico will supply a gradually increasing proportion of imports, thereby decreasing the quotas available for imports from Venezuela.<sup>11</sup>

**Table 17**  
VENEZUELA: EXPORTS OF CRUDE OIL  
AND OIL DERIVATIVES

Product	Millions of cubic metres 1958	Indices: 1958 = 100		
		1960	1961	1962 <sup>a</sup>
Crude oil .....	109.5	106.1	108.1	117.8
Oil derivatives .....	32.1	124.6	131.5	138.6
<i>Total</i> .....	<i>141.6</i>	<i>110.3</i>	<i>113.4</i>	<i>122.5</i>

SOURCE: Banco Central de Venezuela, *Boletines Mensuales* (1962).

<sup>a</sup> Provisional figures.

A further significant aspect of the recent evolution of the world oil market is exports from the USSR. The rapid production growth recorded by this country<sup>12</sup> has been accompanied by a resolute effort to penetrate the Western European markets. Latest figures for the volume of exports from the USSR are available only up to 1961, but already total exports of crude oil and derivatives were 155.5 and 93.6 per cent higher, respectively, than the 1958 levels.

## 2. EXPORTS

In considering the increase in the current value of Latin America's aggregate exports in 1962, which, given the relative stability of export prices, is entirely attributable to the expansion of their quantum, it must always be taken into account that the preceding year—1961—was a period of stagnation as far as external sales were concerned. In 1961 only a tiny increment of less than 1 per cent was registered. Consequently, if 1960 is taken as the basis of comparison, it will be seen that the cumulative annual growth rate of the exports in question in 1961 and 1962 was about 2.6 per cent, a figure which contrasts unfavourably with the 5.2 per cent increase achieved in 1960 (see table 18).

<sup>12</sup> In 1961 and 1962 the USSR surpassed Venezuela's production, to become the second world producer of crude oil.

<sup>11</sup> As shown in table 16, Canada's production has registered one of the fastest rates of growth in the last few years. Expansion in Mexico has been on a far lesser scale, and in 1962 a ceiling was established for exports to the United States.

**Table 18**  
LATIN AMERICA: VALUE OF EXPORTS,  
BY GROUPS OF COUNTRIES, 1959-61

Groups of countries	1959	1960	1961 <sup>a</sup>	1962 <sup>a</sup>
<i>Millions of dollars</i>				
<i>Latin America</i> .....	7 609.6 <sup>b</sup>	8 007.9 <sup>b</sup>	8 062.5 <sup>b</sup>	8 506.3 <sup>c</sup>
Group A: Argentina, Bolivia, Chile, Paraguay, Uruguay	1 711.0	1 764.1	1 749.6	1 928.5 <sup>a</sup>
Group B: Colombia, Ecuador, Peru .....	878.6	1 001.1	1 026.9	1 120.2

**Table 18 (continued)**

Groups of countries	1959	1960	1961 <sup>a</sup>	1962 <sup>a</sup>
Group C: Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama .....	617.0	674.0	644.3	738.0
Group D: Brazil, Mexico, Venezuela .....	4 403.0	4 568.7	4 641.7	4 719.6
<i>Percentage increase or decrease in relation to preceding year</i>				
<i>Latin America</i> .....	—	+5.2	+0.7	+5.5
Group A .....	—	+3.1	-0.8	+10.2
Group B .....	—	+13.9	+2.6	+9.1
Group C .....	—	+9.2	-4.4	+14.5
Group D .....	—	+3.8	+1.6	+1.7

SOURCE: Official foreign trade statistics.

<sup>a</sup> The figures for 1961 and 1962 are provisional.

<sup>b</sup> Excluding Cuba.

<sup>c</sup> Excluding Cuba and Bolivia.

If the countries of the region are grouped, as in table 18,<sup>13</sup> in order of magnitude of the long-term growth rates of their gross product, the disparities between the export trade of the several groups can easily be seen. In group A, whose exports have traditionally shown the same rate of increase, in conjunction with a relative stagnation of the per capita product, external sales expanded considerably in 1962. The decisive factor in this upswing was the high value of Argentina's exports (1,200 million dollars), which exceeded the figure for 1961, when exports were adversely affected by very poor harvests, by over 20 per cent, and represented a peak very similar to that of 1953, which was outstanding in the fifties.

In group B, where substantial annual increases in exports are observable, this upward trend was maintained in 1962, after a slight weakening in 1961 due to the falling-off in the export trade of Colombia and Ecuador. The three countries forming the group all made significant contributions to the considerable expansion registered in 1962 although it was in Ecuador's case that the increment was outstandingly large (nearly 12 per cent).

The countries in group C had been enjoying the benefit of a shift in the external demand for coffee and cotton which had formerly been satisfied mainly by the leading Latin American producers; and their exports again increased sharply after declining in 1961. Almost all the countries in the group shared in this expansion, but the biggest increments were achieved by the Dominican Republic, El Salvador and Haiti, whose volume of exports had contracted or remained stationary in the preceding year.

<sup>13</sup> This grouping was adopted for the sake of comparability—in so far as the available data permit—between the evolution of the external sector in 1961 and 1962 and the corresponding trends at an earlier stage analysed in *The Economic Development of Latin America in the Post-War Period* (E/CN.12/659). The composition of each group is the same as in the aforesaid study, i.e., the data assembled in group A relate to Argentina, Bolivia, Chile, Paraguay and Uruguay; those in group B, to Colombia, Ecuador and Peru; those in group C, to Costa Rica, Cuba, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama; and those in group D, to Brazil, Mexico and Venezuela.

Lastly, the growth rate of group D's exports slackened for the second year in succession. On this occasion the determining factor was the 10 per cent drop in Brazil's external sales.

### 3. TERMS OF TRADE AND PURCHASING POWER OF EXPORTS

The effects of foreign trade on the product and internal income do not derive solely from the fluctuations in the volume of exports. Considerable increases in the latter may be more than offset by the evolution of the terms of trade, in so far as their immediate or remote repercussions on product and income are concerned. Consequently, one of the basic requisites for interpreting the favourable or unfavourable influence of foreign trade is the study of the pattern followed by terms-of-trade trends.

As was pointed out at the beginning of the present section,<sup>14</sup> export and import price levels were almost the same in 1962 as in 1961, and the terms of trade therefore remained virtually unchanged from one year to the next. But if the comparison is referred back to the base year adopted—1955—it will be seen that while export prices dropped by 15.1 per cent in the first nine months of 1962, those of imports declined much less sharply, by 3.7 per cent (see table 19). As a result of this disparity, in 1962 the terms of trade were 12.7 per cent lower than in 1955.

Table 19

#### LATIN AMERICA: EXPORT AND IMPORT PRICES, TERMS OF TRADE AND PURCHASING POWER OF EXPORTS

Item	1959	1960	1961 <sup>a</sup>	1962 <sup>a</sup>
	1955 = 100			
Export prices .....	85.0	86.0	85.0	84.9
Import prices .....	97.3	96.8	96.7	96.7
Terms of trade.....	87.4	88.8	87.9	87.7
Purchasing power of exports	107.5	112.0	112.3	118.8
	Percentage increase or decrease in relation to preceding year			
Export prices .....	—	+1.2	-1.2	-0.1
Import prices .....	—	-0.5	-0.1	-0.1
Terms of trade.....	—	+1.6	-1.0	-0.1
Purchasing power of exports	—	+4.2	+0.3	+5.5

SOURCE: Official foreign trade statistics.

<sup>a</sup> The figures for 1961 and 1962 are provisional.

This deterioration in the terms of trade wiped out 40 per cent of the improvement which the increase in the quantum of exports would otherwise have implied in respect of the external purchasing capacity deriving from Latin America's aggregate export trade. The data available for 1962 appear to suggest that the quantum of exports in that year was probably 30 per cent greater than in 1950, whereas the rise in the real external purchasing power accruing from these exports—with due allowance for the fall in the terms of trade—does not seem to have attained even 18 per cent.<sup>15</sup>

<sup>14</sup> See sub-section 1, "The world market for primary commodities".

<sup>15</sup> The effects of the terms of trade on gross income will be considered below in point 3 of the present section.

### 4. IMPORTS

In 1962, the c.i.f. value of imports was much the same as in the corresponding period in 1961. To judge from the partial data available for the year as a whole, this value would seem to have decreased in 1962. This relative decline followed upon three years of steady expansion of imports. It may be attributed to specific pressures that in 1961 affected the balance of payments of certain countries whose statistics carry considerable weight in the regional total. As the effect of these pressures continued to make itself felt in the early months of 1962, the authorities had to apply still stricter measures than in previous years to control the expansion in question (see table 20).

Table 20

#### LATIN AMERICA: VALUE OF IMPORTS, BY GROUPS OF COUNTRIES

Groups of countries	1959	1960	1961 <sup>a</sup>	1962 <sup>a</sup>
	Millions of dollars			
Latin America .....	7 252.3 <sup>b</sup>	7 734.4 <sup>b</sup>	8 035.1 <sup>b</sup>	8 028.6 <sup>b</sup>
Group A: Argentina, Bolivia, Chile, Paraguay, Uruguay	1 715.6	2 101.8	2 375.1	2 139.9 <sup>c</sup>
Group B: Colombia, Ecuador, Peru .....	821.9	1 017.0	1 126.5	1 192.7
Group C: Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama .....	753.8	779.0	757.4	890.0
Group D: Brazil, Mexico, Venezuela .....	3 961.0	3 836.6	3 776.1	3 806.0
	Percentage increase or decrease in relation to preceding year			
Latin America .....	—	+6.6	+3.9	-0.1
Group A .....	—	+22.5	+13.0	-9.9
Group B .....	—	+23.7	+10.8	+5.9
Group C .....	—	+3.3	-2.8	+17.5
Group D .....	—	-3.1	-1.6	+0.8

SOURCE: Official foreign trade statistics.

<sup>a</sup> The figures for 1961 and 1962 are provisional.

<sup>b</sup> Excluding Cuba and Bolivia.

<sup>c</sup> Excluding Bolivia.

If the same four groups in which the countries were classified for the study of exports are considered here,<sup>16</sup> it will be seen that controls on the growth of imports were fairly widespread. It was apparently the imports of Argentina and Chile that accounted for the restricted expansion of group A's aggregate purchases abroad, since those of Uruguay and Paraguay seem to have increased in the course of the year as a whole. The first two countries had shown a serious disequilibrium on their external current accounts in 1961, and continued to do so in 1962, despite the comparative relief afforded in the latter year by the expansion of their sales abroad and by import restrictions.

In group B, Colombia introduced restrictions on purchases abroad. This reduced the rise in the group's imports, although there was some increase in those of Ecuador and Peru. The decline in the value of imports

<sup>16</sup> See footnote 13 above.

observable in group D was due to the contraction of Brazil's and the stagnation of Mexico's purchases abroad, which the slight expansion of Venezuela's imports did not suffice to counteract. Lastly, the increase in the imports of group C—the one, according to the statistics, in which the greatest expansion took place—was attributable to the increments registered in almost all the component countries. It should be taken into account, however, that the imports of this group had contracted in 1961.

The behaviour pattern of imports in the groups and countries listed corroborates once more the findings of various earlier annual economic surveys. In Latin America an increase in external purchasing power generates an expansion of internal economic activity and rise in gross income. Income-elasticity of demand for imports which is higher than unity immediately results in an increase in such demand proportionally greater than the increment in external purchasing power and income, a situation which, over the longer term—should the purchasing power in question remain stationary or decline—ultimately forces down imports. In 1962 this contraction of imports affected purchases of capital goods in some of the more highly-developed countries of Latin America, where the compressible margin is extremely narrow in the case of consumer goods and the restriction of raw material imports has a depressive effect on current economic activity. Thus, the only way out, over the short term, is to reduce imports of capital goods, even though this may mean postponing to some future date the solution of problems which, as far as the growth of income

is concerned, have their origin in the deficiencies—not only cyclical but long-term—of the external sectors of the countries concerned.

## 5. THE BALANCE OF PAYMENTS

For the purposes of analysis, the international accounts of Latin America as a whole are presented in the most simplified terms (see table 21). In the first place, the current account of the balance of payments is included, in which the results of transactions in goods and services are entered, together with net income payments to external factors, such as interest, dividends, royalties, etc. The surplus or deficit registered shows whether foreign exchange earnings exceeded expenditure, or *vice versa*. In any event, a credit balance—rare in Latin America—would indicate an increase in reserves or in external assets, and, conversely, the debit balance which is the general rule in the region signifies losses of monetary reserves and an increase in foreign liabilities. Such increased liabilities may be financed in two different ways: (a) on the basis of the capital account, i.e., through long-term autonomous movements of public and private capital invested in Latin America (including reinvestment of profits); and (b) by means of compensatory movements of short-term capital, or compensatory accounts, such as foreign bank loans or simply the accumulation of trade debts between exporters and importers, for want of external assets to finance short-term payments. Both capital and compensatory accounts are included in the balance of payments as presented in table 21. Their sum total is of course the same (with the opposite sign) as the balance on current account.

**Table 21**  
LATIN AMERICA: BALANCE OF PAYMENTS, BY GROUPS OF COUNTRIES  
(Millions of dollars)

Groups of countries	Current account			Capital account			Compensatory accounts		
	1960	1961 <sup>a</sup>	1962 <sup>a</sup>	1960	1961 <sup>a</sup>	1962 <sup>a</sup>	1960	1961 <sup>a</sup>	1962 <sup>a</sup>
Latin America (including Venezuela) <sup>b</sup> .....	-995.6	-1 072.0	-680.0	992.8	1 113.2	600.0	2.8	41.2	80.0
Latin America (excluding Venezuela) <sup>b</sup> .....	-1 318.8	-1 446.2	-1 180.0	1 174.8	1 412.2	980.0	144.0	34.0	200.0
Group A <sup>c</sup> .....	-503.7	-901.3	-470.0	562.6	671.5	...	-58.9	229.8	...
Group B .....	-80.2	-158.0	-90.0	145.7	68.3	...	-65.5	89.7	...
Group C <sup>d</sup> .....	-88.5	-75.2	-120.0	105.3	132.0	...	-16.8	-96.8	...
Group D (including Venezuela)	-323.2	62.5	—	179.2	241.4	...	144.0	-303.9	...
Group D (excluding Venezuela)	-713.9	-311.7	-500.0	361.2	540.4	...	352.7	-228.7	...

SOURCE: International Monetary Fund.

<sup>a</sup> Provisional. The figures for 1962 are estimates based on foreign trade statistics for nine months of the year and on monetary data supplied by central banks.

The purely provisional balance-of-payments data available for Latin America as a whole would seem to indicate that a substantial change of pattern took place in 1962. In the first place, the current account shown in table 21 should be noted. The deficit on this account was reduced from an annual average of about 1,000 million dollars to 680 million in 1962. With the exclusion of Venezuela, whose balance-of-payments position is usually quite untypical of Latin America, the magnitude of the figures on current account is affected, but not the trend described

<sup>b</sup> Excluding Bolivia and Cuba.

<sup>c</sup> Excluding Bolivia.

<sup>d</sup> Excluding Cuba.

for 1962. The annual average of the debit balance in 1960 and 1961 rises to about 1,380 million dollars if Venezuela is excluded, whereas the 1962 data would suggest a smaller deficit.

Whether the total for Latin America is taken as including or excluding Venezuela, the first point to remark is that external financing to cover the deficit on current account decreased in 1962. With the inclusion of Venezuela, the amount of funds available for this purpose



was 32 per cent less than in 1961, and with its exclusion, about 28 per cent.

One of the main obstacles to the rapid development of the Latin American countries lies in the low coefficient of savings and, therefore, of investment. Hence, as a supplement to domestic savings, external capital may fulfil the function of adding to investment resources and of making investment possible by enabling more capital goods to be imported. The year 1962 witnessed the initiation of a substantial international effort to increase the flow of such external capital until its annual rate is raised, in the course of the next ten years, to about 2 million dollars. It is therefore surprising that concurrently with this international effort, the data available for 1962—still of course very provisional—indicate a level of external financing far below not only the average mentioned but even the average for the two preceding years. Although the figures for errors and omissions which appear in the balances of payments of the Latin American countries are included in the compensatory account, their imputation to the current account would make no difference to the foregoing conclusions.

This situation is not really due to a widespread change throughout the various Latin American countries. In practice, it is attributable to the smaller deficits shown in the balances on current account of Argentina, Colombia and Chile—the countries which imposed the severest import restrictions in 1962—and the larger surplus achieved by Venezuela; these movements, in the aggregate, more than outweighed the greater disequilibria registered in Brazil and other countries exerting less influence on the total.

To revert to the distribution of the negative balance on current account in the groups of countries mentioned above<sup>17</sup> (excluding Venezuela), another point which should be noted is that the group whose per capita income showed the smallest increase—group A—was the

<sup>17</sup> See again footnote 13.

one whose incidence on that deficit was heaviest over the whole period 1960-62. This group absorbed almost 73 per cent of the total cumulative deficit during those years. The group which came next in importance as regards responsibility for the debit balance was group D, although the strongest influence was exerted by Brazil.

Any attempt to analyse the distribution of external financing of the current account between the capital and compensatory accounts with the difficulty of deciding to which should be imputed the "errors and omissions" item contained in all the balances of payments.<sup>18</sup> In table 21 the whole of this item was assigned to the compensatory account, because it was considered to represent, for the most part, outflows of Latin American private capital. Given this procedure, the total amounts of long-term capital brought into Latin America (excluding Venezuela) for investment purposes decreased from 1,175 in 1960 and 1,412 million dollars in 1961 to only 980 million in 1962. If the figures for Venezuela were included in the total, the same downward trend would still be observable (see again table 21). Still on the assumption that "errors and omissions" are to be entered to the compensatory account, compensatory movements—i.e. losses of reserves and the accumulation of short-term external debts—would seem to have increased.

Be this as it may, in 1962 no progress was made with regard to this aspect of net external financing, as can be seen not only from balance-of-payments statistics but also in the above-mentioned export and import data, which clearly reveal the intensification of Latin America's export effort and the import restrictions that had to be adopted in an unsuccessful endeavour to reduce an imbalance which is now becoming traditional in the external sector.

<sup>18</sup> For Latin America as a whole, "errors and omissions" amounted to about 490 million dollars in 1960 and 350 million in 1961, this latter figure having also been reached in 1962. These are negative balances, i.e., they imply outflows of capital.

## II. PRODUCT, INCOME AND INVESTMENT COEFFICIENT

In 1962 the gross product of Latin America as a whole exceeded the 1961 figure by 1,700 million dollars at constant 1950 prices. Yet the increase was smaller than that registered in 1961, in both absolute and relative terms (see table 22). Expansion in 1962 amounted to

2.6 per cent, but in 1961 a more satisfactory figure—5.0 per cent—had been attained. Expressed in per capita terms, the latter figure indicates that there was no change in the per capita gross product.

Table 22  
LATIN AMERICA: GROSS PRODUCT AND INCOME AND AVAILABLE  
GOODS AND SERVICES

Item	1959	1960	1961	1962
<i>Millions of dollars at 1950 prices</i>				
1. Gross product (including Argentina) . . . .	60 392	63 413	66 659	68 392
2. Gross product (excluding Argentina) . . . .	49 269	51 825	54 408	56 626
3. Terms-of-trade effect . . . . .	—1 863	—1 883	—1 888	—1 906
4. Gross income (1 + 3) . . . . .	58 529	61 530	64 771	66 486
5. Imports minus exports . . . . .	—2 057	—1 913	—1 748	—2 212
6. Available goods and services (1 + 5) . . . .	58 335	61 500	64 911	66 180

Table 22 (continued)

Item	1959	1960	1961	1962
<i>Percentage increase or decrease in relation to preceding year</i>				
1. Gross product (including Argentina) ....	—	5.0	5.1	2.6
2. Gross product (excluding Argentina) ....	—	5.2	5.0	4.1
3. Gross income .....	—	5.1	5.3	2.6
4. Available goods and services .....	—	5.4	5.5	2.0

SOURCE: Up to 1960, *Economic Bulletin for Latin America*, vol. VII, No. 2, *Statistical Supplement 1962*, and official foreign trade statistics. Values converted by ECLA to dollars at 1950 prices. The data for 1961 and 1962 are ECLA estimates based on sectoral statistics for ten countries, and are therefore provisional and subject to revision and alteration.

A difference can be detected between the annual growth rates of the per capita gross product in 1956-60 (1 per cent) and in 1960 and 1961. In this latter period the average increase was 2.5 per cent. This change, which came about precisely in 1960 and continued, with slight variations, in 1961, is attributable to three main factors connected with the external sector of the economy.

In the first place, from 1959 onwards a more vigorous export effort was observable on the part of Latin America, with the result that its total quantum of exports rose from 7,610 million dollars (1950 prices) in that year to some 8,000 in 1961. Secondly, the steady deterioration of the terms of trade was interrupted in 1960, when they were stabilized at the low level mentioned above. Lastly, again from 1959 onwards, the inflow of foreign long-term capital expanded considerably, from 765 million dollars in 1959 to 933 million in 1960 and 1,113 million in 1961.

It should now be noted that in the three years under consideration, and especially in 1960, the combined action of these factors brought about an increase in the capacity to import and a mitigation of the depressive effects—direct and indirect—produced on income and the gross product by terms of trade. Moreover, the weakening of the inflow of long-term capital in 1962 may have had some influence on the lower rate of growth in that year, in addition to that exerted by economic policy, as was explained in the introduction to this study.

It should be pointed out that the decline registered in Argentina was largely responsible for the fact that the per capita gross product remained at a standstill. However, even if the figures for Argentina are subtracted from the total for Latin America as a whole, the rise in the per capita gross product—1.5 per cent—was somewhat below the rate in 1960 and 1961. The considerations mentioned above thus retain their validity.

The behaviour of the gross product was not the same in all countries. While a considerable increase was registered in Peru and Venezuela—in the case of the latter country after the stagnation of the preceding years—in Mexico the gross product increased by about 4 per cent, and in Chile it showed a much slower growth rate. In Brazil the rate of expansion was 3.5 per cent, much below the figure for 1961. Some degree of stagnation seems to have affected the gross product of Uruguay, whereas a recovery, though not a very marked one, was to be noted in some of the Central American countries. In El Salvador, for example, signs of it became apparent

towards the end of the year. Lastly, in Argentina there was a decrease which some sources estimate at a total figure of 4.0 per cent and little over 6 per cent in per capita terms.

Gross income—that is, the product adjusted by the losses or gains deriving from the terms of trade—kept pace with the increase in population growth, which means that it rose much more slowly than in 1961. It should be noted, however, that the increment of 1,700 million dollars (at 1950 prices) registered in the product compares unfavourably with the 1,900 million cancelled out by the deterioration in the terms of trade in relation to 1950.

External transactions in goods and services—imports minus exports—implied the trading of a proportion of domestic production in excess of what was received from abroad. Hence the quantity of goods and services left available for the internal economy after the conclusion of these transactions represented a figure a good deal lower than that of the gross product, the difference amounting to a little over 2,200 million dollars (at 1950 prices), i.e., 3 per cent of the product in question. This was partly because the growth of the capacity to import did not keep parallel with that of exports, and because increasingly high external payments for commercial and financial services, as well as outstanding debts, detracted from import possibilities. It is therefore not surprising that this situation, in conjunction with a decrease in the inflow of foreign capital, made the imposition of import restrictions inevitable. At all events, available goods and services increased in 1962 by only 2.0 per cent, an increment which compares very unfavourably with the 1961 figure of 5.5 per cent.

Lastly, in the growth of the gross product by sectors, significant variations took place in the course of 1962 (see table 23). Agriculture, whose rate of development is usually slow, had achieved a growth rate of 5.4 per cent in 1961. In 1962 this upward movement weakened, and the figure shown was once again close to the usual trend. In the manufacturing industry, whose annual expansion is usually the highest in the whole group of sectors (8.1 per cent in 1961), the rate of increase was reduced to 3 per cent, which was lower even than that of 1960. Only mining and construction showed higher rates of increase than in the last few years. In the aggregate, services, which habitually followed a downward trend, showed their lowest value in 1962, probably mainly on account of the figures registered for trade and financial services.

**Table 23**  
**LATIN AMERICA: ANNUAL VARIATIONS IN THE GROSS PRODUCT, BY SECTORS**  
*(Percentages)*

<i>Sector</i>	<i>1960</i>	<i>1961<sup>a</sup></i>	<i>1962<sup>a</sup></i>
<i>Gross product</i> .....	4.7	5.4	4.4
<i>Agriculture</i> .....	2.5	4.5	3.4
<i>Manufacturing</i> .....	7.8	9.6	7.0
<i>Mining</i> .....	5.9	6.7	7.0
<i>Construction</i> .....	0.5	0.6	0.7
<i>Services</i> .....	4.8	4.3	4.0

SOURCE: As for tables 21 and 22.

<sup>a</sup> Provisional data.



## PROGRESS IN PLANNING IN LATIN AMERICA\*

### I. EVOLUTION OF IDEAS ON THE CONTENT AND SIGNIFICANCE OF PLANNING IN LATIN AMERICA

The most important form of growth registered in the Latin American countries up to the thirties was based on the expansion of exports through the exploitation—thanks to mass intakes of capital and up-to-date technologies—of specific natural resources saleable on the world market. This enabled the countries of the region to continue growing as long as the international market was expanding, but it created serious problems for the development process in question after the breakdown of the dynamic foreign trade system which had prevailed prior to the 1930 Depression. In face of the increasing requirements of a population whose rate of demographic growth was rising, there was an obvious need to develop domestic production in order to supply the goods and services which could no longer be imported, since the external sector had lost most of its dynamic force. As the traditional model had worked on the basis of the trading of raw materials against imports of manufactured goods, the changes introduced into the structure of domestic production consisted mainly in the rapid expansion of manufacturing industry. In order to create, in every sphere, the right conditions for a remodelling of the structure of production—from the investment in infrastructure which would provide basic social capital, to policies aimed at encouraging and protecting domestic production—and, furthermore, to participate directly in the establishment of productive activities which held no attraction or interest for the private entrepreneur or were outside his province, the State was compelled to increase the range, depth and efficiency of its action, since the price system had not proved sufficient in itself for the satisfactory channelling of economic activity.

This expansion of the functions of the Government was carried out in a somewhat disjointed fashion. Meanwhile, the development of industry did not always take place on rational lines. In some instances, disequilibria were generated which implied inefficient utilization of resources and a lower rate of growth than might have been expected.

Consequently, increasing recognition was accorded to the need for more effective co-ordination and direction of these processes, and the idea of resorting to techniques for the formulation of economic policy whereby development targets compatible both with one another and with the available resources could be established in adequate detail began rapidly to gain ground.

Planning was the method calculated to provide a solution for these problems, and the notion of adopting it gradually superseded the purely ideological discussion of its possible applications that had formerly been indulged in.

Concern then began to be felt at the complexity of the task of formulating a development plan and the statistical and staffing difficulties which would be encountered in any attempt to put the idea into practice. It was necessary, in the first place, to work out a technique for diagnoses and projections of the development of individual countries and apply it to specific cases, which would mean solving the attendant problems relating to the availability of data; and, secondly, to train a number of experts to perform the tasks inherent in the application of the technique in question.

Since 1950 considerable progress has been made in the directions indicated above. Of course, as regards experts, requirements are not yet completely covered, and, moreover, the technique of planning and its application, from the statistical standpoint and from that of the amplitude and thoroughness with which it enables problems to be diagnosed and long-term objectives established, is susceptible of improvement in many respects. But a fairly large group of experts now exists as a basis, and, in addition, planning technique has been elaborated and the main problems of adapting it to the situations prevailing in different countries have been solved; moreover, experience has shown how the body of basic information available should be revised and screened for use, and supplemented with special research aimed at quantifying the fundamental aspects of the development process. At the same time, much more thorough knowledge of the structural and operational problems of the Latin American economies has been acquired, and this has afforded coherent explanations of the causes in many cases underlying the slow rate of development, as well as indications of the ways in which they may be counteracted.

The advances made in these directions paved the way to a new stage in the process: the establishment of planning systems in individual countries. It was no longer a question merely of formulating development plans with over-all and sectoral targets, but also of preparing the data and setting up the machinery by means of which these plans could be more directly linked to economic and social decisions. Central planning offices were therefore organized in several countries, public investment plans and programme budgets were drawn up, and in some instances other non-integrated machinery was created.

In close connexion with the process just outlined, ECLA from the very outset focused its activities upon the problem of Latin America's economic development and, therefore, of planning. Its earliest publications analysed some of the fundamental obstacles to more rapid development and the need for rational action on the basis of programming was deduced.<sup>1</sup> During the

\* Document E/CN.12/677, prepared jointly by the ECLA secretariat and the Latin American Institute for Economic and Social Planning, and presented at the tenth session of the Commission.

<sup>1</sup> See *Economic Survey of Latin America 1949* (E/CN.12/164/Rev.1), United Nations publication, Sales No.: 51.II.C.1; and *Theoretical and Practical Problems of Economic Growth* (E/CN.12/221).

initial stages, priority was given to the formulation of a technique of analysis and projections of economic development.<sup>2</sup> In 1952 a training course for programming experts was started as a means of supplying the almost total lack of qualified personnel in this field. At the same time, a period of application of the technique in question was inaugurated, so that the possibilities of overcoming the attendant difficulties and reaching the point of formulating specific economic development programmes could be tried out in practice. In consecutive years, the ECLA secretariat—as a rule in close co-operation with officials and technical experts of the countries concerned—carried out a series of studies of this nature.<sup>3</sup>

When considerable progress had been made in these respects, ECLA embarked upon the provision of advisory services to assist Governments in the work of establishing integrated planning systems. This process was carried out through the Advisory Groups which were set up in various countries and which have now been in operation for several years.<sup>4</sup> Action in this last direction has been notably expanded by virtue of the arrangements made for close co-operation with the Organization of American States (OAS) and with the Inter-American Development Bank (IDB). In July 1962, the creation of the Latin

<sup>2</sup> *Analyses and Projections of Economic Development. I. Introduction to the Technique of Programming* (E/CN.12/363), United Nations publication, Sales No.: 55.II.G.2.

<sup>3</sup> See the following United Nations publications in the series *Analyses and Projections of Economic Development: The Economic Development of Brazil* (E/CN.12/364/Rev.1, Sales No.: 56.II.G.2); *The Economic Development of Colombia* (E/CN.12/365/Rev.1, Sales No.: 57.II.G.3); *El desarrollo económico de Bolivia* (E/CN.12/430/Rev.1, Sales No.: 58.II.G.2); *El desarrollo económico de la Argentina* (E/CN.12/429 and Add.1 to 3/Rev.1, Sales No.: 59.II.G.3, vols. I to III); *The Industrial Development of Peru* (E/CN.12/493, Sales No.: 59.II.G.2); *The Economic Development of Panama* (E/CN.12/494/Rev.1); *El desarrollo económico de El Salvador* (E/CN.12/495, Sales No.: 60.II.G.2); and *El desarrollo económico de Honduras* (E/CN.12/549, Sales No.: 61.II.G.8).

<sup>4</sup> See *The Experience of Advisory Groups and the Practical Problems of Economic Development* (E/CN.12/584).

American Institute for Economic and Social Planning enabled joint efforts in this field to be undertaken on a more integrated basis and on a larger scale.

The results of this work have been crystallized not only in the formulation of plans, but also in the establishment of certain organs and machinery for their implementation.

Under the terms of the Charter of Punta del Este, the Latin American Governments decided to adopt measures conducive to a higher rate of development and to determine the direction of the relevant action on the basis of planning. The effect of this decision was to dissipate any lingering doubts as to the applicability of planning, and, essentially, to give considerably greater impetus to the process of establishing systems for putting it into practice.

As a result of these policy decisions, almost all the Latin American countries have established central programming agencies in recent years, and have drawn up or begun to formulate over-all development plans. Nevertheless, planning is making its way somewhat slowly in comparison with the urgency of the needs to be met, a state of affairs which is imputable to the colossal bureaucratic, administrative and political difficulties inherent in the tasks of overhauling the machinery for adopting decisions and co-ordinating these latter with the over-all objectives established in the plans.

Despite the great strides made in the course of the past decade, it is obviously the stage through which Latin America is now passing that will be the testing-time for the concrete possibilities of effectively promoting planning in the countries of the region, and organizing their executive machinery accordingly.

Hence the present moment is particularly opportune for preparing a progress report on planning systems in order to determine how far they have now become efficacious means of channelling the activities of the public and private sectors. The purpose of this document is to make such an analysis—even though only in preliminary form—in order to draw certain general conclusions which may serve as a guide to future action.

## II. THE PRESENT STATE OF PLANNING

Although so short a time has elapsed since Latin America first became the scene of efforts and achievements in the field of planning, it may be well to consider for a moment the progress made and to define the nature of the possible obstacles to the wider application and improvement of the technique in question.

Such an evaluation is all the more necessary, inasmuch as essential problems still remain to be solved before planning can come into full operation throughout Latin America. Moreover, it must be acknowledged that there are still differences of opinion on several fundamental issues, partly because the requisite process of analysis and maturing is not yet complete.

Consequently, an essential prerequisite for any attempt to evaluate the existing situation is a fairly exact definition of the component features that should characterize an efficient planning system. From a comparison of what actually exists with a basic conceptual model, reasonably

objective conclusions can be deduced as to the degree of progress so far attained and the nature of the most urgent tasks that lie ahead.

An analysis of this kind, conducted against the background of a broad conception of an integrated planning system, may make it possible for the achievements and weak points to be accurately assessed, the causes of the slow rate of advance—the initial stages once over—in the organization of planning systems to be established, and the best methods of surmounting the obstacles to more rapid progress to be determined.

The definitions that will be put forward in the following section would seem to lead to the conclusion that, broadly speaking, the establishment of what might properly be called an integrated planning machinery is a long way off; that certain initial phases may be easily and quickly completed; but that major efforts and decisions will still be required before subsequent stages can

be reached which are not only indispensable but are as a rule more difficult from both the technical and the political standpoints.

### 1. THE CONCEPT OF A PLANNING SYSTEM

It is no easy matter to suggest a set of definitions that will be of use in evaluating what has been achieved in respect of planning in Latin America and what still remains to be done, since in many instances this involves putting forward concepts which are not the outcome of practical experience.

The concepts presented here attempt to give a preliminary rough outline of the system of ideas that has gradually been built up within the ECLA secretariat, together with the contributions and emendations that have arisen out of international meetings and seminars at which the ideas in question have been submitted for the consideration of other technical experts, from Latin America and elsewhere.

First and foremost, the starting-point adopted might well be the essential principle that "the concept of a planning system implies the existence not only of a technical method by which planning agencies are guided in formulating the scope and ensuring the consistency of the objectives postulated, but also of an administrative or organizational method by means of which the whole of the public administration, private enterprise, and the general public can transmit, and channel towards the appropriate responsible levels, their knowledge, information, opinions and desires in respect of immediate and future action and of the action taken in the past. It likewise implies the existence of a complex economic information service which, as a matter of routine, supplies the planning and executive agencies with the basic statistical raw material needed for the formulation and control of plans. The planning agencies should resort to direct or *ad hoc* research only in order to collect such data as because of their nature and cost cannot be regularly furnished. Lastly, a planning system represents an activity of a permanent and continuing character, carried out in accordance with a pre-established routine that is accepted as a necessary means of organizing and channelling decisions. Implicit in a planning system is a routine for the formulation, control and execution of plans"<sup>5</sup>

The establishment of this routine must not exclude the creative element which is indispensable if the specific conditions and problems attendant upon the development of each country or area are to be properly interpreted, both with a view to the correct formulation of the long-term objectives pursued, and in order to adapt plans to changing circumstances, endowing them with the necessary flexibility.

A planning system therefore entails the creation of a whole body of mechanisms whereby programming guidelines can be provided. The guidelines thus established can be transmuted into specific plans of action for each successive year, the administration of the plans can be undertaken and their implementation supervised, and, at the same time, basic data can be periodically furnished for control purposes, so that the plans may be constantly

revised and thus kept permanently valid. Conceived on these lines, the planning system would also constitute a new channel of democratic procedure, through which the wishes of the population could be interpreted, and active popular participation in the development process secured by assigning responsibilities to the people and encouraging their spirit of enterprise; in addition, the system should create a set of values, consistent with the philosophy of planning, by which to measure economic events, so that little by little economic activity may come to flow naturally along the lines laid down by the plan.

Such a conception involves various postulates, some of which warrant special attention. In the first place, it implies recognition of the need for the executive agencies and institutions to take an active part in the process of formulating plans, as a means of resolving any possible conflict between the considerations underlying the behaviour of the whole economy, as reflected in the plans, and those influencing the decisions of economic units, whether these latter belong to the private sector or to the public sector itself. It is important to stress this point, because "the various executive agencies are often found to play only a passive and compulsory part in the formulation of plans. Frequent complaints are heard in connexion with the amount and complexity of the information demanded by the planning organs and the resultant deflection of the executive agencies' energies and resources from their substantive work. This is a sign that such agencies' participation in the formulation of plans bears the stamp of an enforced obligation . . . In an integrated planning system, no such coercion exists, because each executive agency has its own internal uses for the data it transmits to the planning organs. The flow of information takes on the guise of mere red tape when it fulfils no useful function in relation to the internal decisions of the different executive economic units, or as effective backing for an agency's opinion on more general matters"<sup>6</sup>

Once the criteria governing central decisions in the over-all formulation of a plan are adopted by State enterprises or other government units, or by private enterprise itself, each unit ceases to be a passive entity, and begins to take an active part in the work of planning, applying the general principles to its own individual case. If State or private undertakings are induced directly or indirectly to base their investment decisions or assessment of their operational efficiency on the application of social criteria, it seems natural and logical that these same units should for their own sake produce the information needed for a rational approach to such decisions. As soon as an economic unit requires the same type of data as the planning offices, it discards its passive role and becomes a conscious participant in planning. This of course implies that one and the same system of economic values must hold good at all levels of the economy.

It is, however, none the less important to stress that the greatest need for identity of aims as regards the plan and the objectives and decisions arising therefrom is at the highest levels of government—the executive and legislative branches—since only by consistent and energetic action can the difficult problems of growth and social change be solved.

Another basic characteristic of a planning system—already mentioned, but deserving of more careful

<sup>5</sup> See *Algunas consideraciones sobre las relaciones entre la programación del desarrollo y el presupuesto fiscal* (E/CN.12/BRW.2/L.5).

<sup>6</sup> *Ibid.*

study—is the active participation of the various social sectors. In some Latin American countries, trade unions and employers' associations are represented on the planning committees or councils responsible for the policy aspect of the formulation of plans.

In an integrated planning system, this participation should take place at several levels, through the appointment of their own representatives by employers' and wage-earners' organizations, community institutions, and so forth. The various social sectors may first of all participate at the level of over-all or general planning, so that the general guidelines of the programming may not be determined without due reference to the aspirations and needs of the groups represented. At this stage, of course, only the representatives of the main agencies of a country's social or economically active sectors can take part. This participation is of course important, but it is not enough. The various sectors of the population should also participate, through their appropriate organizations, in the formulation of the decisions by which they will be most directly affected. According to the level at which they are found, planning offices will have a more or less thorough knowledge of a country's major problems and of the detailed problems of specific sectors or areas; unless they make closer contact with the real situation in the country as a whole and with the various sectors, they will be out of touch with very important aspects of the nation's difficulties. A planning system must take these circumstances into account if planning is to be efficient, both in the extent to which it reflects specific aspirations, and in the sense that decisions are adopted in full awareness of their implications. Mere knowledge of a country's over-all problems cannot constitute a sound basis for programming or translate into practical plans of action the guiding principles for the future that are deduced from such knowledge. Nor does special knowledge of a particular situation necessarily lead to the solution of the basic problems underlying it. For planning purposes it is possible to combine both types of knowledge, by means of an organization which enables the different social groups to participate at the levels where they can play the most efficient role. Nation-wide participation would thus be active and organized. It is in such a climate of co-operation that a less costly solution may be found for such problems as those of housing, schools, productivity, etc., which in other circumstances would be more time-consuming and a greater drain on financial resources.

## 2. THE MACHINERY OF A PLANNING SYSTEM

Looked at in this way, the establishment of a planning system is a process implying radical changes in methods of operation. How long it takes to organize this process may depend both on the political and administrative difficulties of establishing the pertinent machinery and on questions of adaptation to new work patterns. Thus there are really two problems: that of the creation of "machinery" and that of "adaptation" to the operational norms which this same machinery imposes. In their turn, both the creation of the new machinery and the process of adaptation to new patterns of work call for new technical knowledge on the part of the existing personnel, and also for new technical experts. Thus the process of establishing the planning system comes to be, to a large extent, a process of training individuals, at various levels.

Naturally, it is unlikely that the fashioning of a planning system of this kind will be rapid and complete, or that the same procedures will be applicable in every case. On the contrary, the process will have to be gradual as a general rule, and may be carried out in different ways. But it is precisely this necessarily gradual character of the process which makes it essential that in practice, throughout the whole course of its evolution, a suitable combination of instruments should be sought, in order that maximum results may be obtained at each of its stages of development. Unfortunately, this principle is not always observed, and instruments corresponding to very different stages of progress are often found side by side within a planning system, while there is complete stagnation in other basic aspects of its functional efficiency. This seriously limits the usefulness of systems that are incomplete or in process of development.

It is therefore necessary to study and follow a strategic approach to the establishment of planning systems, in order both to formulate technical assistance programmes on sounder bases and to systematize analysis of the progress achieved.

Table 1 presents a classified list of appropriate planning mechanisms and of certain possible substitutes which may prove more suitable during the initial phases. This list represents only a preliminary sketch, and was drawn up partly with a view to its careful analysis as a means of arriving at an organic, functional planning system, and partly for use as a standard of comparison whereby the current state of planning in Latin America can be evaluated.

**Table 1**  
POSSIBLE COMBINATIONS OF PLANNING MECHANISMS AT DIFFERENT STAGES OF A PLANNING SYSTEM

Type of mechanisms	Typical combinations in a developed system		Typical combinations in an embryo system		
	General long-term plan	General short-term plan	General investment plan	Individual investment plan	Minimum requirements
A. General guidelines					
General medium or long-term plans	x				
General medium-term investment plans	x	x	x		
Long-term financing plans	x	x			



Table 1 (continued)

Type of mechanisms	Typical combinations in a developed system		Typical combinations in an embryo system		Minimum requirements
	General long-term plan	General short-term plan	General investment plan	Individual investment plan	
<i>Less satisfactory substitutes</i>					
Long-term over-all projections . . . . .		x	x	x	x
Medium and long-term public investment plans . . . . .				x	
Medium and long-term plans for separate sectors . . . . .				x	
<i>B. Short-term guidelines</i>					
General three-year or two-year plans		x			
Three-year or two-year public investment plans . . . . .					x
Annual plans (national budget)* . . . . .	x		x	x	
<i>C. Formulation of projects for the relevant investment plan . . . . .</i>					
	x	x	x	x	x
<i>D. Operational machinery</i>					
Formulation of economic policy in terms of the objectives of the plan	x	x			
Formulation of an economic policy to achieve the investment targets			x	x	x
Programme budgeting at all levels	x	x			
Programme budgeting at specific levels . . . . .			x	x	
<i>E. Informational planning instruments</i>					
Statistical plan in terms of the development plans . . . . .	x	x			
National accounts figures and other individual statistics . . . . .			x	x	x
National accounts adapted to the planning system . . . . .	x	x			

\* See Annex: Explanatory Notes and Definitions, below.

NOTE: For Explanatory Notes and Definition, see the annex.

In line with earlier secretariat documents, the following classification of planning machinery is adopted: (a) general guidelines; (b) short-term guidelines; (c) mechanisms for the formulation of projects; (d) operational machinery; and (e) informational planning instruments.

The general guidelines indicated comprise long or medium-term development plans, over-all investment plans and long-term financing plans. These form an integrated unit as the directive apparatus of a planning system, and their existence reveals a relatively advanced degree of progress in this respect. Alongside them, therefore, a few substitutes are presented, which are less comprehensive or require less elaboration, but which may also form a smoothly co-ordinated though more unassuming whole. They include long-term over-all projections and targets, public investment plans and investment plans for separate sectors.

Among the short-term guidelines, the first items to be listed are two and three-year plans, which can be applied during an initial phase in default of long-term development plans. This category also includes the annual plan

or national budget, as a type of guideline supplementary to long-term plans.

In addition, project formulation machinery is indicated as a basic requisite at any stage of progress, since it constitutes an essential factor in the formulation and implementation of an investment plan.

The operational machinery listed includes economic policy plans and programme budgeting systems. Lastly, attention is drawn to some essential requisites in respect of informational instruments.

The central purpose of the table under discussion is to point out certain possible combinations of machinery which, at different stages of development, may constitute a logically constructed and functional framework. The first column shows a combination proper to an advanced stage of progress, assembling all the basic machinery that makes the operation of the planning process possible. As general guidelines, it includes long or medium-term development plans, medium-term general investment plans and long-term financing plans. The general guidelines thus established, together with knowledge of

foreseeable short-term contingencies, constitute the basis for shaping the annual policy decisions which will be crystallized in the annual plans or national budget. Such annual plans would include not only detailed physical targets but also objectives in respect of financing flows and the use of instruments of economic policy. By means of the annual plan, long-term targets can be co-ordinated with the induced or predicted behaviour of the private sector. It covers, by definition, the action on the part of all sectors of the economy and the measures of fiscal, monetary, exchange, foreign trade and wage policy required for the attainment of the targets established. It also clearly indicates which targets are to be attained by indirect means and which by direct State administration through the application of operational machinery. With a view to the definition of investment targets, machinery is included for the purposes of formulating projects in conformity with the quantitative and qualitative requirements of the plan. Direct State decisions are taken basically through a budget system which covers the whole of the public sector, and in whose formulation and control programme budgeting techniques are adopted. To ensure the continuity of the planning process, there is a statistical plan, so that priorities with respect to the collection and processing of statistical data are established with due regard to the needs of the different planning organs, and the plans can thus be subjected to constant revision and control. Lastly, short and long-term general economic policy is co-ordinated in relation to the objectives of the plan. This would be, in brief outline, a fairly complete planning framework, which might be taken as the ultimate goal or final phase of the process now under way in most of the Latin American countries.

At the other extreme, the last column of table 1 presents the minimum combination of requirements for starting a planning process and moving forward simultaneously on various fronts, so that even in the initial stages annual measures may be linked to programme objectives. In this minimum combination, the general guidelines suggested are a set of over-all targets and projections, useful for analysing the possibilities and direction of economic development in respect of broad

aggregates. The very general guidelines thus determined would find expression in a two-year or three-year public investment plan, with its corresponding projects. By means of the periodic presentation of national accounts data, together with other essential basic statistics, the results of the plans could be ascertained up to a point, and the plans themselves could in due course be subjected to some sort of revision. Even under a traditional budget system, the public investment plan could be administered through the national budget, but fiscal, monetary and foreign trade policies that would ensure the attainment of the plan targets would be indispensable.

Both the situations described are extreme cases, but they have in common the fact that they represent organic mechanisms, in the sense that they constitute complete processes, since both ensure the usefulness and continuity of the programming guidelines in the adoption of practical decisions. As intermediate stages between these two extremes, many possible combinations of devices forming a rational whole might be postulated. On such bases, various approaches to the devising of planning systems may be worked out, and this also makes it possible to analyse the degree of rationality characterizing the combination of mechanisms currently found in the various Latin American countries.

Two extreme alternatives may be propounded. One might be diagrammatically represented as a horizontal movement from right to left of table 1, in which progress is uniform and co-ordinated in respect of all items, covering an appropriate set of instruments in such a way as to ensure homogeneity in their degree of elaboration; while the other could be symbolized by a vertical movement from top to bottom of the table, its distinguishing feature being the creation of the machinery not all at once but by successive stages. In the first case, an evolution from less to more satisfactory systems takes place; in the second, on the other hand, no planning system exists at all until the whole process, covering all the necessary machinery, is completed. Table 2, constructed on bases similar to those of table 1, seems to indicate that planning processes in Latin America have pursued the latter course, with the implications and limitations to which reference has already been made.

**Table 2**  
LATIN AMERICA: EXISTING COMBINATIONS OF PLANNING MECHANISMS

	Countries with medium or long-term plans	Countries with three-year or two-year plans	Countries with general investment plans	Countries with individual investment plans	Countries with an embryo planning system
Number of countries .....	6	2	2	5	4
Type of mechanisms					
<i>A. General guidelines</i>					
General medium or long-term plans	6	—	—	—	
General medium-term investment plans .....	1		2	—	
Long-term financing plans .....	0	0	0	—	
<i>Less satisfactory substitutes</i>					
Long-term over-all projections .....	—	0	1	2	
Medium and long-term public investment plans .....	—	—	—	2	

Table 2 (continued)

	Countries with medium or long-term plans	Countries with three-year or two- year plans	Countries with general investment plans	Countries with individual investment plans	Countries with an embryo planning system
Medium and long-term plans for separate sectors .....	—	—	—	4	
<i>B. Short-term guidelines</i>					
General three-year or two-year plans	—	2	—	—	
Three-year or two-year public invest- ment plans .....	—	—	—	2	
Annual plans (national budget) ...	0	—	0	—	
<i>C. Formulation of projects for the relevant investment plan .....</i>					
	0	0	0	3	
<i>D. Operational machinery</i>					
Formulation of economic policy in terms of the objectives of the plan	0	0	—	—	
Formulation of an economic policy to achieve the investment targets	0	0	0	0	
Programme budgeting at all levels	2	0	0	1	
Programme budgeting at specific levels .....	2	0	0	1	
<i>E. Informational planning instruments</i>					
Statistical plan in terms of the development plan .....	0	0	—	—	
National accounts figures and other individual statistics .....	6	2	2	4	
National accounts adapted to the planning system .....	1	0	—	—	
Countries .....	Bolivia	Brazil	El Salvador	Argentina	Dominican Rep.
	Chile	Panama	Guatemala	Costa Rica	Nicaragua
	Colombia			Haiti	Paraguay
	Ecuador			Honduras	Uruguay
	Mexico			Peru	
	Venezuela				

NOTE: For Explanatory Notes and Definitions, see the annex. The data in this table should be regarded as provisional.

It should be pointed out that tables 2, 3 and 4 were prepared from purely approximate data, as a means of drawing general conclusions. With regard to certain specific situations in some countries, they may contain inaccuracies imputable to the lack of sufficient data and the consequent impossibility of taking every country's individual situation into account. It is felt, however, that the specific reservations or amendments to which this may give rise do not invalidate the over-all conclusions set forth in the present report.

In table 2 the same classifications as in table 1 are used, but are applied to the real situation of the Latin American countries. The criterion adopted for the classification by columns is based on the hypothesis of a planning instrument which is of paramount importance, either because no other over-all machinery exists or because it constitutes the most highly developed element in the system. The first column includes all the countries possessing medium or long-term general plans, the second lists those with two or three-year general plans, and so forth.

Digits above zero enclosed in a square indicate the number of countries using an element which is not consistent with the degree of elaboration of the predominant guideline machinery to which the classification relates. Where the digit enclosed in the square is zero, it is aligned with an item usable as a substitute for the instrument best suited to the degree of elaboration of the predominant mechanism. It is therefore an indication that the system is incomplete, since not even a less advanced instrument is in use. A dash indicates that the existence of the element concerned would be inexpedient, given the stage of evolution and the characteristics of the system.

It is of interest to note that the selection of one or two basic instruments, characteristic of a particular stage of progress, implies the approximate determination of the remainder, if an organic system is to be created. For example, if the general guidelines selected comprise the formulation of long-term over-all targets and projections, it seems essential that these guidelines should be supplemented by specific short-term plans, either for the econ-

omy as a whole or for separate sectors. On the other hand, if the guidelines consist of a long-term development plan, their natural complement will be the annual plan and a system of programme budgeting, together with a statistical plan whereby a project of such far-reaching importance as a development plan or an annual plan can be kept up to date and its information value maintained. The elaboration of certain instruments means that the complexity of the complementary machinery within the system must be increased, firstly in order that real benefit may be derived from this higher degree of elaboration, and secondly to ensure the permanence or continuity of the benefit thus obtained. A system of over-all projections and targets, accompanied by a public investment plan, does not need to be supplemented by a complex economic information system, because the requisite studies and data are simpler and less comprehensive. On the other hand, a long-term plan accompanied by a general investment plan and annual plans calls for a complicated system of timely and reliable information, because the work involved in its formulation and control is also of much more far-reaching scope. The homogeneity of a planning system requires precisely that each instrument be turned to the best possible account, given its degree of elaboration.

### 3. THE ORGANIZATION OF A PLANNING SYSTEM

The planning machinery in question must be the product of a satisfactory organization, which of course will depend upon the scope and trend of the planning itself. If planning is conceived on the lines described above, the inevitable corollary is that the organization concerned must be characterized by its direct or indirect extension to all levels of society, through the existence of an administrative unit responsible for directing the process and, in the intermediate sectors, units whose role is to supplement the general guidelines in the light of their own knowledge of the sector and transmit this guidance to the executing units. Above certain levels, there will be a tendency for the planning function to be fused with the executive functions, whereas at the intermediate levels these two kinds of work are usually kept separate.

This organization, through appropriate activities on the part of its basic nuclei at all levels, will have to secure the properly regulated participation of the different sectors of the population in the formulation and control of plans, permit constant control and revision of the plans themselves, and establish effective co-ordination between the general guidelines, budgets and operational machinery on the one hand, and economic policy on the other.

Consequently, the creation of a planning organization entails not only the existence of appropriate administrative organs, but also a mode of communication among these various organs, and a precise definition of their responsibilities and terms of reference, so that the system can operate as smoothly as is to be desired. The task of "planning the planning process" thus constitutes a special activity and a specific responsibility for groups of technical experts—like organization and methods in administrative routine—for which permanent provision should be made in the central planning offices.

### 4. PROGRESS ACHIEVED BY INDIVIDUAL COUNTRIES<sup>7</sup>

On the basis of definitions such as these, covering the general features necessary for an exact assessment of the stage of progress reached by a planning system, it is possible to analyse and evaluate the advances achieved in various countries with some degree of accuracy.

To this end, in tables 3 and 4 the requisites for a planning system in respect of machinery and organization are systematized, with the inclusion of characteristics corresponding to different stages of development. It should be noted that the tables in question show only the presence or absence of certain basic elements, without entering into considerations of a qualitative nature, which would call for fuller and more complex studies, beyond the scope and aims of the present article.

<sup>7</sup> Cuba is not included in the present report, because the study of its planning system would entail the presentation of other reference patterns.

(Text continues on page 139)

Table 3

## THE MAIN ELEMENTS OF A PLANNING SYSTEM, AND THE EXTENT TO WHICH THEY EXIST IN LATIN AMERICA

	Bolivia	Brazil	Colombia	Chile	Ecuador	Mexico	Panama	Venezuela	Argentina	Costa Rica	El Salvador	Guatemala	Haiti	Honduras	Nicaragua	Paraguay	Peru	Dominican Republic	Uruguay
<b>A. General medium and long-term guidelines</b>																			
General development plan.....	Yes	—	Yes	Yes	Yes	Yes	—	Yes	No	No	No	No	No	No	No	No	No	No	No
Details of public sector activities under the plan .....	No	—	No	No	No	No	—	No	—	—	—	—	—	—	—	—	—	—	—
General investment plan.....	No	...	No	...	...	Yes	No	No	No	No	Yes	Yes	—	—	No	No	No	No	No
Financing plan .....	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Over-all projections .....	—	...	—	—	—	—	...	—	No	No	Yes	...	No	Yes	No	No	Yes	No	No
Public investment plan.....	Yes	Yes	Yes	Yes	Yes	—	Yes	Yes	No	Yes	—	—	—	—	No	...	Yes	...	...
Plans for specific sectors.....	Yes	Yes	Yes	Yes	Yes	—	Yes	Yes	Yes	Yes	—	—	No	Yes	No	...	Yes	...	...
System of regional plans.....	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Plans for specific regions.....	No	Yes	Yes	No	No	Yes	No	Yes	Yes	No	No	No	No	No	No	No	Yes	No	No
<b>B. Short-term guidelines</b>																			
General three-year or two-year plans...	—	Yes	—	—	—	—	Yes	—	No	No	No	No	No	No	No	No	No	No	No
Three-year or two-year public investment plans .....	—	—	—	—	—	—	—	—	No	—	No	No	Yes	Yes	No	No	—	...	No
Annual plans (national budget).....	No	—	No	No	No	No	—	No	No	No	No	No	No	No	No	No	No	...	No
<b>C. Mechanisms for the formulation of projects</b>																			
For the over-all investment plan.....	No	No	No	...	No	No	No	No	—	—	—	—	—	—	—	—	—	—	—
For the public investment plan.....	...	...	Yes	...	...	...	Yes	—	—	...	...	...	Yes	Yes	—	...	No	...	—
For sectoral plans.....	Yes	Yes	Yes	Yes	Yes	...	...	...	Yes	...	...	...	—	...	—	...	Yes	...	—
For regional plans.....	—	...	...	—	—	...	—	...	No	—	—	—	—	—	—	—	—	—	—
<b>D. Operational machinery</b>																			
<i>General</i>																			
Economic policy plan as part of planning system .....	No	No	No	No	No	No	No	No	—	—	—	—	—	—	—	—	—	—	—
Economic policy plan to obtain investment targets .....	No	No	No	No	No	No	No	No	No	No	No	...	No	No	—	...	No	...	...
<i>Public sector</i>																			
Programme budgeting by the central Government .....	Yes	No	Yes	No	Yes	No	No	Yes	No	No	No	No	No	Yes	No	No	Yes	No	No
Programme budgeting by autonomous agencies .....	Yes	No	Yes	No	No	No	No	No	No	No	No	No	No	Yes	No	No	No	No	No
Programme budgeting by regional and municipal governments .....	Yes	No	Yes	No	No	No	No	No	No	No	No	No	No	Yes	No	No	No	No	No
Programme budgeting by public enterprises .....	Yes	No	Yes	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
<b>E. Informational planning instruments</b>																			
Formulation of a statistical information plan in line with the needs of the general plan .....	No	No	No	No	No	No	No	No	No	No	...	...	No	No	—	...	No	...	—
Periodic production of national accounts figures .....	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	Yes	No	No
National accounts adapted to the planning system .....	No	No	No	No	No	No	No	Yes	No	No	...	...	No	No	—	...	No	...	—

NOTE: For Explanatory Notes and Definitions, see the annex. The symbol (—) signifies not applicable because of the existence or absence of other planning mechanisms.

**Table 4**  
**LATIN AMERICA: EXISTING PLANNING BODIES AND SYSTEMS**

	Bolivia	Brazil	Colombia	Chile	Ecuador	Mexico	Panama	Venezuela	Argentina	Costa Rica	El Salvador	Guatemala	Haiti	Honduras	Nicaragua	Paraguay	Peru	Dominican Republic	Uruguay
<b>A. Administrative structure</b>																			
High-level central planning office.....	Yes	Yes	Yes	—	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Central planning office <sup>2</sup> at other levels	—	—	—	Yes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sectoral planning offices.....	Yes	Yes*	Yes	Yes*	No	Yes*	Yes	...	Yes*	Yes	No	No	No	No	No	No	Yes	No	No
Regional planning offices.....	No	Yes	Yes	Yes	No	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No
<b>B. Popular representation</b>																			
Trade union participation at the central Government level.....	No	...	No	No	No	No	...	Yes	No	...	No	No	No	Yes	No	No	Yes	No	No
Trade union representation at other levels .....	No	...	No	Yes	No	No	...	No	No	...	No	No	No	No	No	No	No	No	No
Employers' association participation at the central Government level.....	No	...	Yes	No	No	No	...	Yes	Yes	...	No	No	No	Yes	No	No	Yes	No	No
Employers' association participation at other levels .....	No	...	No	Yes	No	No	...	No	No	...	No	No	No	No	No	No	No	No	No
<b>C. Control and periodic review of plans</b>																			
Control through a record of the achievements of the annual plan.....	No	No	No	No	No	...	No	No	No	...	...	...	No	No	—	...	...	...	...
Control through individual statistical indicators .....	Yes	Yes	Yes	Yes	Yes	...	Yes	Yes	No	...	...	...	No	Yes	—	...	...	...	...
Periodic review of guidelines.....	No	...	Yes	No	No	...	...	No	No	...	...	...	No	No	—	...	...	...	...
<b>D. Co-ordination between plans and budgets</b>																			
Placing of the budget office under the planning office .....	—	No	No	No	No	...	Yes	—	No	...	...	...	No	No	—	...	...	...	...
Including of a budget planning section in the planning office.....	Yes	No	Yes	No	No	...	—	Yes	No	...	...	...	No	No	—	...	...	...	...
Discussion and/or approval of the budget estimates by the planning office .....	—	...	Yes	No	No	...	—	—	No	...	...	...	No	Yes	—	...	...	...	...
Informal contacts, or co-ordinating committees .....	Yes	Yes	Yes	Yes	Yes	...	—	—	Yes	...	...	...	Yes	Yes	—	...	...	...	...
<b>E. Basic reforms</b>																			
Adoption of legislation affecting basic reforms																			
(i) Land reform .....	Yes	No	Yes	Yes	No	Yes	No	Yes	No	Yes	No	No	No	Yes	No	No	No	...	No
(ii) Tax reform .....	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
(iii) Administrative reform .....	No	No	Yes	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Year when the first planning body was established .....	...	1956		1939	1954	1958	1959	1958	1961	1962	1959	1954	1958	1955	1951	1952	1960	1952	1960
Year when the existing planning bodies were established .....	1960	1961	1958	1939	1961		1959	1958	1961	1962	1962	1961	1962	1955	1962	1962	1962	1962	1961

NOTE: For Explanatory Notes and Definitions, see the annex. The symbol (—) signifies not applicable because of the existence or absence of other planning forms; an asterisk (\*) indicates that the data are incomplete.

Broadly speaking, analysis of table 3 reveals that the combinations of machinery found in the countries of the region do not yet constitute organic systems, owing to the absence of certain basic elements. In other words, a structural disequilibrium is observable in the development of planning systems, in the sense that progress in depth in certain fields is accompanied by complete stagnation in others. Hence, as already pointed out, planning in its early stages is divorced from reality. The characteristics of this disequilibrium are, as a rule, intensive development in respect of guidelines and very slow progress in the creation of operational machinery and of mechanisms for the formulation of projects and the supply of data. Six countries of the region have produced a first long or medium-term development plan, and four others have established at least over-all projections and targets for general guidance purposes. On the other hand, relatively advanced programme budgeting systems are in force in only three countries, and in three others are confined to the central Government. Not one country so far formulates economic policy plans as an integral part of development planning, or possesses efficient project formulation machinery consonant with programming requirements. Nor does any country boast a statistical information plan which takes into account the needs of the planning organs, with the result that the formulation and above all the control of plans become difficult tasks. What is more, of the six countries which draw up more or less comprehensive budgetary plans for government institutions, only one has adjusted national accounting procedures in such a way that adequate and efficient records can be kept of the targets attained in the Government's sphere of action. Annual plans are also lacking in the planning systems at present existing in the Latin American countries.

Despite the striking progress made by several countries in the creation of general guidelines there are still some lacunae whose disappearance would enable the scope of the machinery in question to be more clearly defined. Outstanding among them is the absence of long-term financing plans which would clarify the trend that should be followed by tax reforms and the manipulation and possibilities of external financing policy.

Another defect of the general guidelines relates to planning by areas. Six countries have formulated plans for "problem areas", but such efforts have often been independent of national planning and in fact preceded it. Co-ordination between these regional plans and plans at national level is not very clearly evident, and in some instances is more a question of studies than of measures leading to practical action.

Stress must also be laid on the fact that in many cases public enterprises are not subject to programme budgeting, and tend to pursue a somewhat independent policy, so that the Government's action within its own sphere is not always in line with the objectives of the plan. Lastly, it is worth pointing out that in the vast majority of cases medium or long-term guidelines contain few references to such typical fields of government activity as public health, education, communications, social security, etc., so that the possibilities of co-ordinating plans and budgets are limited.

The absence of over-all investment plans, annual plans (in the case of countries possessing long-term plans) and economic policy plans is also a sign that insufficient

influence is being exerted on private investment and the behaviour of the private sector in general. Planning was accepted in Latin America as an instrument of government policy when it was recognized that the operation of the market mechanism does not in itself suffice to ensure the attainment of development targets and a desirable degree of social justice. Consequently, the most important of the structural changes which planning seeks to bring about affect the conduct of the government itself to some extent, but are also aimed at the private sector, whose operational deficiencies originally prompted the introduction of planning. As a result, a minimum requisite for any planning system, as was previously pointed out, is an efficient government policy to channel private investment decisions in directions consistent with the main features of the plan. In default of these minimum requisites, it seems hardly likely that the programming guidelines will ever be translated into terms of concrete economic events.

Table 4 offers a general picture of the advances and the gaps hitherto registered in planning organization. As can be seen, at the present time all the Latin American countries have central planning offices, but only nine of them supplement this central organization with electoral offices, and very few have regional offices as well.

It can be seen from the existing organizational structure that the planning offices have come into being in relative isolation from the operational organs of the governments and still more from the various social sectors concerned. Only three Latin American countries provide for the participation of trade unions or workers at the central level, and one at lower levels. As regards the participation of employers' associations, provision is made in five countries at the level of the central planning offices, and in one at lower levels. The isolation of the planning offices from the operational organs is also reflected in the methods of co-ordinating budgets and plans most commonly used in the region. Only five countries employ effective and permanent methods of co-ordinating plans and budgets, such as the administrative dependence of budget offices on the planning organ, the existence of budgetary planning offices within the planning offices themselves, or the approval or discussion of the budget by the planning organs. In the other countries, the co-ordination in question is based on informal contacts or on the work of committees with inadequate terms of reference, so that, essential though it is, it depends upon the good will and insight of a few individuals, instead of being arranged through proper administrative channels.

The fact that few countries have set up sectoral planning offices is also a sign that planning activities are frequently dissociated not only from the machinery and sectors mentioned above, but also from other governmental institutions whose organized collaboration is indispensable if the guiding principles themselves are to be clearly defined and established.

It should be pointed out that, in view of the unbalanced combination of mechanisms in existing planning systems, characterized as they are by the absence of short-term guidelines and operational machinery, the need for periodic control and revision of plans has not arisen. As no annual plans are formulated to give long or medium-term designs their concrete expression in immediate policies, there is likewise no systematic record

of annual achievements easily comparable with the targets established. It is obviously premature, in the great majority of cases, to evaluate activities relating to periodic revision of plans, since almost all countries completed their first plan only a short time ago. This aspect of the work, however, seems likely to involve problems of the first magnitude in the future, since the limited experience of a few countries which formulated plans long before the rest suggests that in the absence of a system for the provision of economic information expressly designed to supplement planning efforts, the work of revision entails a disproportionate effort and takes too long for the plans to be kept valid and up to date.

Another means of measuring how far programming principles find expression in economic events is afforded by a review of the type of structural reforms carried

out in the Latin American countries, provided that it is accompanied by a study of the scope and direction of the reforms concerned. For purely informative purposes, table 3 also shows which countries have passed basic reform acts.

To sum up, progress has obviously been achieved as regards the number of countries which have taken their first steps along the road towards planning, but the advance in depth of the planning process itself has been slow in every country. This raises some natural doubts as to the advantages of a procedure which begins with the haphazard formulation of certain types of plan, and defers the establishment of a system which should logically produce such plans and create the necessary conditions for their execution, control and periodic revision.

### III. MAIN FUTURE PROBLEMS

The preceding analysis points to a series of important problems whose solution would make for an increase in the effectiveness of planning. In some cases these problems are national, that is, they could be solved within a reasonable period through decisions by the individual Latin American countries, whereas other problems are international, and thus require decision on the part of the majority of the countries of the region.

From this standpoint the problems to be solved can be divided into those whose solution needs only administrative measures, training of personnel, experience, and so forth, since an effective solution has already been found in other countries, and those for which solid research is needed before any final practical solution can be put forward.

#### 1. SCOPE OF THE PLANS

An examination of the present situation (see tables 2, 3 and 4) in the Latin American countries shows that in most cases the planning system is incomplete, since there is no integration between the various plans concerned, that is, between long and medium-term plans and annual plans, or the corresponding machinery.

The facts indicate, however, that the prevailing feature in Latin America is the formulation either of general guidelines or of subsidiary groups of crash projects. This leads to a form of planning based on only one of the factors required for the establishment of a planning system. Thus it is not to be wondered at that the plans bear little relation to the economic activity of the public sector, since in most cases the basic nucleus through which planned action can be effected is embodied in the annual plan and the budget estimates. For the same reason, there is nothing remarkable in the fact that this may lead to problems for the central planning offices.

There is no doubt that progress has been made in Latin America in establishing planning systems, but there seems to be grounds for believing that, broadly speaking, progress has been formal rather than practical. This distinction should be underlined, because it

is crucial for the effectiveness of planning as a system that will guide economic activity, since no changes in the field of action can be expected if the long-term features of the plan have no effect in that field.

The slow rate of effective progress in the planning field in Latin America is due to a number of causes. One is that the establishment of a planning system calls for great changes in the country's administrative structure, and thus there is a basic problem of policy decision. Another is that in many cases prevailing conditions do not permit more rapid progress; this is perhaps the most important cause of the slowness. The establishment of central planning offices and the drafting of the first long or medium-term plan may, with some difficulty, be effected without any basic change in the country's institutional structure; but planned action requires a complete transformation in the procedures, methods and structure of the public administration. Thus there is a danger that the process of establishing a planning system may never progress beyond the first easy stages. It is easy to foresee that further advances in the planning process, in the countries that have already passed these first stages, will be much harder to achieve than in the past.

There is another reason that partly explains the lack of integration in planning efforts. It can be seen that more progress has been made in those fields where a specific technique or working method has been designed or adapted. This applies to the formulation of medium and long-term plans and to programme budgeting for government bodies not concerned with commercial activity, fields where IDB, OAS and ECLA have made a contribution, through the assistance provided by the Advisory Groups. On the other hand, as regards all the other elements referred to as basic to a planning system, a further vigorous research effort is needed to find specific answers to the problems. This applies to the technique of administering the annual plans, integration with the private sector through economic policy, coordination between budgets and plans, and systems of public accounts suitable for planning needs, and also to the organization of a proper system of economic information adequate for an administration that acts



on a planned basis. In this connexion mention should be made of the Workshop on Budgetary Classification and Management in South America, held at Santiago, Chile, in September 1962 under the auspices of ECLA, the Bureau of Technical Assistance Operations (BTAO), the Division for Public Administration and the Fiscal and Financial Branch of the Department of Economic and Social Affairs of the United Nations. The Workshop recommended that "the secretariat should establish a working group consisting of experts in planning, budgeting, economic and government accounting, administration and information systems, with a view to investigating the practical problems of implementing an integrated planning system with special emphasis on co-ordination between plans, budgets, accounts and statistics. The results of this study should be submitted to a meeting sponsored by the United Nations".<sup>8</sup>

The study of the problems referred to will contribute to the establishment of more efficient planning systems in the future. The difficulties that the countries have encountered in overcoming these shortcomings, and the urgent need to prepare development programmes linked with international financial assistance, have in a number of cases led to planning efforts being restricted to the preparation of short-term plans. Although the value of such plans in particular circumstances must be recognized, it must be stressed that they cannot replace efforts specifically aimed at establishing real planning systems. As this question has been fully dealt with in other documents,<sup>9</sup> there is no need to repeat here the reasons why short-term plans cannot be considered as an alternative to a proper planning system.

## 2. PLANS AND ECONOMIC POLICY

Another fundamental problem that helps to lessen the effect of long-term plans as a guide to annual action is the absence of a coherent body of economic policy in terms of the objectives of the plan. This applies particularly to the policy on fiscal, monetary and exchange matters, which often constitutes a massive obstacle to more rational over-all action with a view to fulfilling a development plan.

The kernel of the problem lies in the divorce that often exists between the groups that decide on economic policy and those responsible for planning. In Latin America economic policy is still formulated in line with patterns that are inconsistent with progress in the planning field. The various policy instruments are sometimes used in a way that leads to contradictions, since consistent over-all objectives are left out of account, and frequently the practice is to seek improvised solutions to individual problems on a short-term basis. This traditional type of policy continues to flourish much as it always has, and since developments result from piecemeal action instead of plans, this type of operation involves a machinery of decision running counter to the formal machinery of planning, and much less efficient, but at the same time real and exerting a more powerful influence on events.

<sup>8</sup> See the report of the Workshop (ST/TAO/Ser.C/58; E/CN.12/634/Rev.1), p. 50 (paragraph 5).

<sup>9</sup> See "Report of the Latin American Seminar on Planning", *Economic Bulletin for Latin America*, vol. VII, and *Algunas consideraciones sobre las relaciones entre la programación del desarrollo y el plan y presupuesto fiscal*, op. cit.

This problem is compounded by the obvious difficulties involved in co-ordinating private decisions with the basic lines of the plan. The plan may well involve changes in decisions both in the private sector and in the economy as a whole, and the role of economic policy is precisely to effect such changes. Otherwise it would be pointless to programme changes in the structure and level of consumption, investment, imports, savings, taxation, etc., if all these phenomena are in fact governed only by habit, custom and routine. In order to produce the desired changes in spheres outside that of public administration, an economic policy is needed that will clarify its over-all aims and make a sound choice of the instruments to achieve those aims. Progress in the field of development policy will probably be slow, since it requires further research into the manipulation of different instruments, and a knowledge by planning agents of the practical complexities of the existing machinery in each country. But above all, progress will be slow precisely because economic policy will put to the test the countries' decision to plan their actions and operate in accordance with those plans.

## 3. NATIONAL PLANNING AND REGIONAL INTEGRATION

A number of considerations have helped to determine some of the basic lines of development policy in Latin America. On the one hand, the need to make the best possible use of the productive resources available, in order to increase the economic growth rate, has made clear the need for national planning. On the other, the external bottleneck has been a decisive factor in producing the conviction that it is essential to open the way for a process of regional economic integration. Internal structural reforms, and the safeguarding of export commodities, have also become basic elements that must be incorporated in this development policy.

There is little doubt that in every case the efforts made have the same ultimate aim, and the action taken is intended to achieve the same objects by different means. But this unity of purpose is not enough to ensure that whatever specific steps are taken to achieve the aims in practice will constitute a coherent and completely consistent whole.

Thus it is particularly important to deal now with the problems of co-ordinating the development planning of the individual countries with the activities of the Latin American Free-Trade Association (ALALC) and the Central American Common Market.

The meeting convened recently by ALALC to consider these problems should be followed by studies covering the manifold aspects of this major problem.

## 4. ORGANIZATION OF PLANNING MACHINERY AND PARTICIPATION OF VARIOUS SOCIAL SECTORS

It has frequently been emphasized that planning requires the establishment of the means necessary to ensure a continuing process. However, examination of the progress made by the Latin American countries shows that this continuity has not been secured, and that important elements have been omitted from the planning process.

The basic organic defect of the planning offices is that they are generally concerned exclusively with the study of medium and long-term programming guidelines and that only frail links connect them with any form of

practical action. Of the three basic elements of a planning system—general guidelines, operational and informational machinery—the planning offices have concentrated almost entirely on the first, that is, general medium and long-term plans, and three-year plans.

In recent years, however, real progress has been made in some countries in the field of budgetary reforms, aimed at integrating the annual plans of the public sector with the general economic development plans.

Nevertheless, the difficulties in this field persist, since generally no clear criteria have been available for preparing the budget programmes and projects on the basis of a general classification of activities and programmes for the economy as a whole. Because of the lack of research in this field, the administrative criterion has predominated in the structure of national programme budgeting. Moreover, the budgets involve substantial expenditure, for which in some cases no programming guidelines have been laid down in the planning offices. This applies to expenditure on health, education, communications, social security, etc. At the same time, the budgetary reforms often do not extend to the sector of public enterprises and autonomous agencies, and this means that the integration of plans and budgets is largely a formal matter, restricted to the least important sectors. However, the basic difficulty arises because the planning offices do not prepare annual directives for immediate action, and thus those responsible for deciding the structure and level of public expenditure can only take account in a very general way of the programming guidelines embodied in medium and long-term plans; on the other hand, they are strongly affected by extraneous short-term developments, such as inflationary pressures, wage adjustments, monetary restrictions, international price fluctuations, the burden of previous administrative expenditure, etc.

There is no need to repeat here that the work of drafting a medium or long-term plan is an extremely lengthy and complex task, in view of the relative lack of basic resources in the Latin American countries, and requires an outstanding research effort in order to obtain data that in a different situation the public administration should produce as a routine duty. Consequently although it may be possible, by dint of exceptional efforts and adequate international technical assistance, to draft a first medium or long-term development plan, there remains the problem of the periodic revision of the plan if it is to maintain its value for guidance purposes. Unless the countries make an outstanding effort in the near future to round off their rudimentary planning machinery, there is a danger of frittering away even the general guidelines that now exist.

There is another problem that is particularly important for the progress of planning in Latin America. As now constituted, the planning offices may remain cut off, broadly speaking, both from the State agencies and from the various sectors of the population. The almost exclusive concentration of these offices on medium and long-term plans cuts them off from day-to-day action, and detracts from their authority in relation to the executive organs of economic policy, which must decide on specific and detailed short-term action. Furthermore, in most cases the various social sectors are outside the planning process, and take no part in either the formulation or the implementation of plans. Consequently they

cannot feel that their wishes are properly represented, or that their action potential is fully appreciated. As the Panel of Experts stated:<sup>10</sup> "Unless the workers, the farmers, the students, the urban masses can feel that they have been invited to take part in the job of economic and social development for their own benefit, they will not consider themselves the object of real concern". And to underline further the importance of the question, the Panel also stated that in its opinion "there is one reform essential to the success of the Alliance: if there is a true desire to give national support to development programs, it is necessary to aid in the organization of workers and to assure them, in the best way possible, of being able to share in development activities and in their results".

It should be stressed that this sharing cannot be on a purely formal basis, or consist merely of consultation, after the event, on the plans that have already been drawn up by the specialized offices. The basic purpose of a plan is to meet the needs of the population, and to ensure that this purpose is fulfilled there must be a high degree of interaction between the technical bodies and the different social sectors throughout the whole process of formulating, implementing and supervising the plans. Only thus can a complex of targets and methods be built up that truly reflects the needs and aspirations of these sectors, with a popular support that will ensure the continuity of the plans.

For this purpose it is necessary, *inter alia*, to establish formal administrative channels by which the population can participate in the planning process.

##### 5. THE PROBLEMS OF FORMULATING PROJECTS

Another outstanding defect of Latin America's planning machinery is the small number of specific investment projects that are included in economic and social development plans.

An account is given below of some possible causes of the weaknesses in the preparation of projects of the quantity and quality needed. These causes are put forward on a tentative basis, as the problem really calls for a more detailed and systematic study. Furthermore, it should be recognized that there are considerable differences in the level of technical, cultural and economic progress of the Latin American countries, which make it difficult to establish general reasons for the lack of projects.

One important reason for this lack is the small number of technical experts. Despite the unquestionable importance of this factor, the common view of it as the main cause is an over-estimation; although in some cases this view is corrected, in others a more careful study of the situation obliges one to recognize that the problem is not as simple as this.

In the social investment sectors (housing, schools, hospitals) and in others connected with public works, there are usually a respectable number of technical experts capable of making a proper analysis of the engineer-

<sup>10</sup> Report of the Panel of Experts to the Inter-American Economic and Social Council (Pan American Union, Washington, D.C., 1962), paras. 86 and 160. This report was presented to the First Annual Meetings of the Inter-American Economic and Social Council at the Expert Level and the Ministerial Level, as document No. 17 (English), 30 September 1962.

ing aspects of projects. The weaknesses in the presentation of the studies are frequently due, in such cases, to faulty analysis of the economic aspects of the projects and of the place assigned to them in the general picture of the sector, of the economy of the area, or of the country as a whole. This failure to locate projects properly within the general framework also applies to projects in the field of transport and energy.

The shortage of technical experts is in many instances greater when it comes to projects relating to industrial fields. Local consulting firms are generally few, and in addition the pay scales offered to technical experts in public bodies is often low, making it difficult to recruit professional workers. Another lack that is all too well known is the shortage of the proper facilities, such as equipment and laboratories, essential for certain phases of the study of a project.

The institutional problems, and the lack of organization of machinery for the analysis of projects, are factors whose effect is generally under-estimated. Their importance derives from the need to make optimum use of technically qualified nationals, who are often substantial in number. Moreover the high cost of studies of final projects—which in some cases may represent about 5 per cent of the total investment—makes it necessary to organize the task in a form that will permit the maximum yield from the financial resources available.

Since the study of a project in itself represents an investment, and should therefore be subject to the criteria for determining priority, a minimum knowledge of the project is needed to ensure that expenditure on projects that are subsequently rejected does not become disproportionately high. The formulation of draft projects thus takes on a vital importance in the process of planning projects; in Latin American countries there has been little development of machinery for selecting draft projects on a continuing basis, undertaking preliminary studies to justify them, and evaluating them and deciding which deserve further study. This is largely an organizational problem, since the planning offices generally have no special sections to do such work.

In addition, a high proportion of the draft projects never reach the project stage, either because there are differences of opinion concerning them, or because the cost of the necessary study is not included in the investment, so that there are financing difficulties. International technical and financial assistance can do much to solve these problems, and also to provide the studies relating to the preparation of final projects.

#### IV. THE NEED FOR INTERNATIONAL TECHNICAL ASSISTANCE

Elsewhere in this article a preliminary assessment has been made of the progress achieved in Latin America in the planning field, and of the problems involved in establishing national planning systems. It has also been stated that planning is a new way of formulating and executing economic and social policy that entails a complex of entirely new functions within the public administration and the transformation of traditional practices. Thus the planning work undertaken in Latin

The cost of preparation is usually an even higher item for small projects, which usually originate in the private sector. There has been some success in Latin America with the preparation of forms for the provision of standard minimum information, which go far to solve this problem.

Broadly speaking, it can be said that the existence of a climate of economic development can make a valuable contribution to the solution of the problems referred to here, especially in relation to the institutional and organizational features that play so important a role.

#### 6. THE SHORTAGE AND INADEQUACY OF SURVEYS OF NATURAL RESOURCES AND OF THE TECHNOLOGY TO MAKE USE OF THEM

Lastly, the problems that remain to be solved include the inadequate knowledge in the Latin American countries of their own natural resources. This is undoubtedly a world problem, and it also affects many developed countries; but it takes an extreme form in Latin America.

Development plans must be based on specific and practical possibilities, consequently their precision and scope is increased by a more detailed and extensive knowledge of the country's resources.

It is essential to take vigorous action to launch broad geological, ecological and other surveys that can be used expeditiously in the preparation of projects to make use of new resources or improve productivity in the use of those already being exploited. Studies on the soils, rainfall regime, watersheds, river system, subterranean waters, climate, mineral resources, etc., that are now incomplete, and in some countries non-existent, will greatly facilitate the task of finding more promising paths towards the region's development. But here again the effort needed is beyond the powers of each country individually. Modern methods for the survey of natural resources, such as aerophotogrammetry applied to geology, agriculture, etc.; geophysics based either on aeromagnetic, radiometric, seismic or electrical methods; geochemistry, etc.—all these, although much more efficient than the traditional forms of exploration, require both a substantial number of trained personnel, and a considerable financial effort, because of the scale on which the work has to be carried out.

Consequently there would seem to be a pressing need for financing on an international scale to make possible the survey of natural resources with the most suitable techniques, and to establish priorities for the study of resources on the basis of economic complementarity in the region.

America has required, and made good use of, a substantial measure of international technical assistance.

This assistance took different forms, ranging from the training of economists and government officials in the techniques and methods of over-all and sectoral planning, to the organization of advisory missions sent to a number of countries to help both to formulate development programmes and to establish the institutional machinery for programming. The latter method un-

doubtedly led to considerable progress in overcoming some of the limitations which were a feature of international technical assistance in the past. By concentrating the work of technical assistance in a planning mission closely linked with the national planning body, better co-ordination can be achieved in the use of the national and international technical resources available.

In the former the great waste of the human capital available in Latin America was all too obvious. There is now a strenuous effort to provide technical training, both at home and abroad, especially for the younger generation of officials and professional workers, but it often happens that for various reasons those who have been thus specially trained to undertake planning work do not find the proper opening in their own country that will enable them to apply the knowledge they have acquired. The organization of national planning systems and the execution of the work involved at all levels of the public administration, and also the participation of the private sector, have helped to reduce this waste of human resources. It is to be hoped that the countries will exert every effort to make full use in future of the technical knowledge and enthusiasm of their trained nationals, who must necessarily constitute the technical factor essential for carrying the planning process to a successful conclusion.

Furthermore, the centralization of requests for international technical assistance, and close co-ordination between these and planning, will not only make it possible to eliminate requests for assistance that can perfectly well be furnished by qualified nationals, but will also open up the way for applying strict priority criteria in allocating the limited resources available for the provision of international technical assistance.

The new form of such assistance represented by the advisory missions has also made possible undoubted progress as regards the effectiveness of the various functions of international technical co-operation. The United Nations, IDB, OAS, the International Development Agency, (IDA), and other bodies have co-ordinated their efforts, expanded their financial assistance and improved their patterns of assistance and advice. As a result, the basic problem is no longer the financial ability to recruit experts, but the relatively small number of qualified people available for recruitment.

There are three points that should be stressed in relation to this shortage of staff, since they indicate measures that could be taken to increase substantially the number of such people available in the future.

Naturally, it must again be stressed how vital it is to speed up the training in planning of the Latin American government officials who will carry out the task of planning. The establishment of the Latin American Institute for Economic and Social Planning, which began work on 1 July 1962, has already made possible a considerable expansion both in the number of those participating in the Training Courses (formerly given under the joint auspices of ECLA and the Bureau of Technical Assistance Operations) and in the range of specific planning sectors covered. Similarly, other training programmes have been initiated or strengthened, particularly in relation to the preparation and evaluation of investment projects, both by IDB, in co-operation with the Centre for Latin American Monetary Studies (CEMLA), and the

International Bank for Reconstruction and Development (IBRD).

Another way of facilitating the access to technical knowledge that is indispensable in planning work, especially as regards personnel highly specialized in certain specific problems relating to the formulation of projects and policies, the survey of resources, and so forth, would be the establishment of an international information centre that would act much as a documentation centre does, and make available to the Governments concerned a catalogue, as it were, of experts, consulting firms, research institutes, experience in other countries, and any other type of information that would be relevant or helpful.

Lastly, it is clear from an examination of the progress achieved in the planning field in Latin America that the stage already reached in some countries, and bound to be reached by others in the next few years, makes it necessary to advance towards new fields of action about which little, if any, experience has been gained in other countries. Consequently there are no experts in the field, and the only way of avoiding improvised action will be a *substantial research effort directed to just those areas of knowledge that must be developed if planning in Latin America is to be given the organized character it lacks today.*

It must be recognized that there are fields, such as the establishment of systems to provide economic information, that require not only an efficient machinery for the collection of statistics, but also a classification of such statistics appropriate to the various functions of information, control, changes in economic policy, etc. involved in planning. To co-ordinate plans, budget estimates and economic policy, for example, involves a detailed classification of activities covering both the public and private sectors in order to formulate programmes and budget estimates in a manner that will take account of the interrelationships with other economic activities, and of the modifications in economic policy needed to induce the desired action by private enterprise. In this connexion there is a lack of experience as to the possibilities offered by public accounting, or even private accounting, for obtaining information tailored to the need to formulate and control the plans.

The techniques of planning themselves need to be perfected, or even in some cases developed. A vigorous research programme is needed if the programming methods of the services dealing with health, education, social security, human and natural resources, and so forth, are to be brought into line with the programming techniques used in what are termed the productive sectors.

The annual plan, as a factor complementary to the general long-term guidelines, is missing from the planning schemes analysed. A considerable research effort is needed here, because the annual plan is a semi-operational instrument that has to be formulated in great detail, and must have more active and direct participation by officials and by the population in general. Consequently there are two problems: to find a method of formulation, and to organize the channels for broad participation by the public; both these problems have received little study.

Generally speaking, if planning is to become an ingrained habit in the administration, the method and

processes for formulating and controlling plans must be regulated. This involves problems ranging from the establishment of the appropriate sequence of the process to the designing of forms for submitting plans at different levels. The drafting of the "administrative blueprint" of a planing system is a complex task that requires, *inter alia*, the establishment of working norms, the calculation of standard indices for purposes of comparison, the designing of forms for the presentation and control of plans, the standardization of channels of information and public participation, the adaptation of the administrative organization, the definition of the machinery for advice and decision, and so forth. Such a blueprint can only be the end result of a study involving experts in very different fields.

To sum up, it can be stated that research has now become a basic requirement of future technical assistance in the planning field.

Analysis of tables 3 and 4, which were examined in earlier sections of this article, suggest some of the directions that such research should take. It seems logical to give special attention to questions of training personnel to formulate and evaluate investment projects, in view of the general lack of this element in development plans.

Economic policy is another of the region's basic problems, since patterns appropriate to the conditions in Latin American countries must be formulated and established. There is a wide field here where advice is urgently needed, as regards both tax and fiscal reform, and their relationship with other structural reforms, especially land reform. Administrative reforms, including both the institutional structure and procedures, are another broad field where action is urgently needed. Lastly, as already indicated, technical assistance should take account of the urgent need to establish planning instruments that will provide a basis for annual decisions in order to establish closer links between plans and economic policy and action.

The Latin American Institute for Economic and Social Planning was established for the specific purpose of helping to build up institutional systems of planning in the Latin American countries. By seeking more effective ways of doing so, both through its training and advisory activities and its work in the research field, it can help, in co-operation with the ECLA secretariat and that of other international technical assistance agencies, in conjunction with the institutions and technical experts of the individual countries, to find speedy solutions to a number of the problems that have been indicated here.

## ANNEX

### EXPLANATORY NOTES AND DEFINITIONS

#### A. MEDIUM OR LONG-TERM GUIDELINES

1. The general medium or long-term development plan is a mechanism that includes at least the following features as a basis for establishing guidelines for a period of four to ten years:

- (i) Diagnosis and prognosis;
- (ii) Over-all projections and targets;
- (iii) Detailed projections and targets for the structure of production and the external sector;
- (iv) Public and private investment targets by sector, and use of productive capacity;
- (v) General financial analysis;
- (vi) Use of human and natural resources;
- (vii) Organization for the achievement of the targets.

2. The general medium-term investment plan comprises targets for the formation of public and private capital itemized by economic sectors, with studies for at least draft projects.

3. The medium or long-term financial plan includes a detailed analysis of sources of savings and the instruments of economic policy necessary to mobilize them. There is no need to include policy for the control of intermediate financial flows between the various economic sectors (bank credits, commercial credits, changes in cash holdings, etc.).

4. Over-all targets and projections cover the gross product, over-all supply and demand, broken down into their basic components, and the growth trends in the basic sectors of the economy and the population.

5. Public investment plans cover the investment by sectors of all State bodies (central and local government, autonomous agencies and public enterprises), with studies of at least draft projects.

6. Sectoral plans cover both financing and investment expenditure, and as a rule current expenditure as well, for a general or particular sector of the economy, such as industry, agriculture, electrification, roads, housing, schools, etc.

7. A system of regional plans is defined as a nationally integrated planning mechanism by main problem areas, that covers the whole country and meets the minimum requirements of a planning system.

8. The plans for certain regions include general economic and social development plans for certain problem areas, either where there is no planning at the national level, or where there is no formal co-ordination through administrative channels with national planning.

#### B. SHORT-TERM GUIDELINES

9. The general three-year or two-year plan requires at least the same amount of detail as a long-term plan, but public sector expenditure is usually itemized in greater detail.

10. The three-year or two-year public investment plan includes at least the same level of detail as the long-term public investment plan.

11. The annual plan, or national budget, is the short-term instrument that supplements the long-term plan. It includes the activities of all economic sectors in the detail necessary for applying and determining with precision the annual economic policy. The activities of the public sector are programmed with the detail necessary for budget estimates.

#### C. MECHANISMS FOR THE FORMULATION OF PROJECTS

12. The formulation of projects requires at least the existence of completed technical studies for all the projects on which work should be begun during the first year of the plan. For the

remaining investment, preliminary projects are required, with a view to assessing whether they should be included in the plan.

#### D. GENERAL OPERATIONAL MACHINERY

13. The economic policy plan that forms part of the development plan involves the selection of all the specific instruments of economic policy that will have to be used to achieve and finance the targets of the development plan. It should include the broad outlines of economic policy that accord with the long-term targets, and the annual or short-term policies.

14. The economic policy plan for achieving the investment aims involves selecting all the instruments needed to finance and direct investment and to ensure that it materializes within the period envisaged.

#### E. INFORMATIONAL PLANNING INSTRUMENTS

15. The formulation of a statistical information plan in line with the requirements of the general plan. This calls for the routine provision of the data essential to a planning system, namely those required for economic diagnosis, the preparation of the general plan, and its supervision and review. Some data can be obtained through administrative channels, and others by systematic and regular sampling.

16. The adaptation of public accounts to the planning system means keeping a record and control of public sector expenditure in order to achieve the targets of the plan, and to permit their formulation and review, and also to make possible the administration and implementation of the system of performance budgeting and the construction of national accounts, financial flows and other economic statistics.

## AGRICULTURE IN LATIN AMERICA: PROBLEMS AND PROSPECTS\*

### INTRODUCTION

One of the weakest points in the economic and social development of Latin America is the slow progress of its agricultural sector. The significance of this situation is now beginning to be realized in the region, and public opinion in a number of circles in Latin America is devoting its attention more and more to the various aspects of the agricultural question. It is true that for many years the international agencies concerned with the problems of agriculture and of over-all economic and social development have been stressing the urgent need to consider the unfavourable effects on development in general produced by the relative backwardness of agriculture, and have outlined the action that might be taken to remedy matters. It must be acknowledged, however, that most countries are still handicapped by the unsatisfactory conditions which are preventing agriculture from acquiring a more powerful dynamic impetus and the rural population from attaining higher standards of living.

The present document attempts to provide a broad over-all picture of these conditions and their principal effects, measured by means of certain important indicators. Alongside this global presentation of the most significant trends which have characterized the evolution of agriculture in Latin America during the last two decades, an attempt has also been made to give an approximative idea of the magnitude and direction of the changes in these trends which will have to take place in the coming years. Because of the pressure of population growth, on the one hand, and the inescapable need to improve, without further delay, the living conditions of the bulk of the rural population, on the other, the changes in question may have to be of a fundamental character. And they will in turn entail radical reforms in rural institutional structures, whose beneficial repercussions will make themselves felt throughout the whole of Latin American society.

The statistical basis for some of the data and estimates presented in this document is not always as sound as might be wished. But the general statements it contains are none the less valid. The aim has been to give a general impression of Latin America as a whole, even though the situation in each individual country may diverge, in greater or in lesser degree, from this over-all picture.

The same warning must be given with respect to the projections presented in Part II of the present document. Their purpose is solely to indicate orders of magnitude in the light of which the agricultural problem can be viewed in the proper perspective, not to offer a precise forecast of what is really going to happen.

Even an approximation to the latter would require more accurate data than are at present available, from the standpoint of both quantity and quality.

Obviously, in any event, the Latin American countries should use every means at their disposal to acquire a fuller knowledge of the real agricultural situation. This would provide a more reliable basis for their development plans in relation to this sector and enable them to channel the basic changes referred to along the most appropriate lines.

Although the analysis made in this paper does not pretend to be exhaustive, it brings to light some fields of research that are clamouring for attention by the countries concerned. Apart from strictly technical aspects, such as those related to the increase of unit yield, which should be given special attention in the coming years, there are others that should also have preferential treatment. Examples of these are the factors that influence demand for agricultural commodities in different population strata and areas; the factors that have a bearing on the levels of productivity in the different countries and regions as a whole and individually; the relation between the prices of goods purchased by farmers and those of agricultural commodities; the impact of marketing factors, their structure and effects on the earnings of agricultural workers; the resources at Latin America's disposal to satisfy future demand for agricultural commodities; the possibilities of regional specialization and of increasing trade in agricultural commodities; credit and technical assistance requirements, and the need for skilled personnel at every level, etc.

There is no doubt that the search for more complete knowledge of the real agricultural situation in Latin America and for solutions to its many complex problems will be so much easier in proportion to the extent of co-operation among the Latin American countries in this respect. The progress achieved by some of them can be paralleled by the others provided that the information and the technical experts available in the different countries are exchanged on a regional basis; joint action of this kind will undoubtedly bear unsuspected fruits. In addition the work of the international organizations in the field of technical assistance will be facilitated out of all recognition if their efforts are not dispersed.

Both ECLA and FAO, which, through their Joint Division, have been working together in close co-operation for years in the examination of Latin America's agricultural problems, may find here a vast field in which to pursue their studies and research. Moreover, their efforts are now being supplemented by those of other international and regional organizations. In mid-1961, for example, the Inter-American Committee for Agricultural Development (CIDA), composed of the Organi-

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zation of American States (OAS), the Inter-American Development Bank (IDB), the Inter-American Institute of Agricultural Sciences (IIAS), FAO and ECLA, was set up for the purpose of co-ordinating the activities of the five organizations in Latin America in the field of agricultural development. This co-operation has al-

ready given good results, but their combined efforts should be intensified in view of the magnitude of the task lying before them in the next few years. As has already been said, more benefits will be obtained in a shorter space of time if the countries themselves increase and co-ordinate their share of the work.

## I. RECENT TRENDS AND PRESENT STATE OF AGRICULTURE IN LATIN AMERICA

### 1. AGRICULTURAL DEVELOPMENT IN THE POST-WAR PERIOD

An attempt is made in this section to give a rough panoramic view of the most significant changes in Latin America's agriculture over the past fifteen years. For this purpose, a few important indicators have been chosen which demonstrate fairly forcibly the slow rate of growth of this sector in relation to the population increase and in sharp contrast to what has occurred in other parts of the world. Space does not permit an exhaustive examination to be made here of agricultural development in each individual Latin American country; it has therefore been thought best to present the region as a whole, pointing out in pertinent cases some of the more striking discrepancies between the different countries.

However, a few figures suffice to show that Latin America's agricultural development has, on the whole, been unsatisfactory. With the exception of very few countries, whose rates of production growth have been considerably higher than those of their population increase, growth of production in most Latin American nations has been insufficient. As will be seen in detail later in this study, per capita production of some of the items most needed to raise existing low nutrition levels, e.g., meat consumption, has declined noticeably. It is easy to discern almost everywhere a clear trend towards stagnation: the highest production levels have been achieved mainly through expansion of cultivated areas, whereas yield increases in general have been very small; little diversification is noted in most of the region's agricultural areas, and this has had a depressive effect on the conservation of natural resources and resulted in the composition of agricultural exports showing little variation. Moreover, while the average income per person engaged in agriculture has increased, such an increment is not reflected

in a substantial improvement of the living standards of the rural masses, because of the systems of land tenure and the existing concentration of income. The production techniques commonly applied today are virtually the same as those in use long ago, notwithstanding the notable progress in this direction recorded in other world regions. This explains the fact that agricultural productivity levels, although better in recent years, continue to be lower than those registered in other activities.

Other sections of this paper analyse more fully the causes of this situation, its impact on economic and social development, the future prospects and the changes that must be introduced in order to solve the problems that have arisen. This section, as pointed out above, will be confined to indicating some of the outstanding aspects of development since the last war.

#### (a) Production

Latin America's total agricultural production<sup>1</sup> rose by approximately 80 per cent between the pre-war period and 1958-60, that is, at an annual rate of 2.6 per cent (see below, annex II, table 1). Despite the fact that in aggregate terms this increase was considerable, and indeed greater than that registered by the other regions of the world, it was not enough to raise per capita production levels significantly, owing to the region's exceptional population growth during the last few decades. In fact, as will be noted in table 1, while Latin America's aggregate agricultural production index for 1958-60 was 20 per cent higher than the index for the whole world, actually in terms of per capita production the index for Latin America was 8 per cent lower than the world average.

<sup>1</sup> Excluding forestry and fisheries.

Table 1  
AGRICULTURAL PRODUCTION INDICES, BY REGIONS  
(1934-38 = 100)

Region	1948-52		1958-60		Annual rate of over-all growth	
	Aggregate	Per capita	Aggregate	Per capita	1934-38 to 1958-60	1948-52 to 1958-60
Africa .....	128	102	162	107	2.1	2.7
Eastern Europe and USSR...	105	109	160	146	2.1	4.8
Far East <sup>a</sup> .....	103	85	136	96	1.3	3.1
Middle East .....	116	98	179	114	2.6	4.9
North America .....	137	114	158	113	2.0	1.6
Oceania .....	115	96	152	103	1.8	3.2
Western Europe .....	105	95	140	117	1.5	3.3
Latin America .....	130	95	181	104	2.6	3.8
Latin America excluding						
Argentina .....	140	103	208	118	3.2	4.5
World total .....	115	100	152	112	1.8	3.2

SOURCE: Latin America: ECLA; Rest of the world: FAO.

<sup>a</sup> Excluding Mainland China.



Latin America's efforts have not been insignificant, particularly during the post-war period, when annual rates of 3.8 and 4.5 per cent were attained, if Argentina is excluded. These rates are surpassed during the period in question only by those for the Middle East and the socialist countries. However, as already stated, this effort has not been sufficient to raise per capita production levels at the same rate as in other parts of the world. During the 1948-52 period the position in Latin America was the same as in Western Europe, in terms of per capita production: both regions had suffered a decline of 5 per cent with respect to pre-war levels. Ten years later the relationship had changed radically: while in Western Europe per capita production had increased by 17 per cent, Latin America registered a meagre increment of 4 per cent, also in relation to the pre-war period.

The average index for Latin America is not, however, a faithful reflection of what has occurred in the greater part of the region. A powerful factor has been the highly unfavourable evolution of Argentina's agricultural production. Excluding this country from the above computation, it will be seen that the rest of the region experienced a considerable increment, in both aggregate and per capita terms: total production is considered to have more than doubled, resulting in a production increase per head of about 18 per cent, which is slightly more than the proportion recorded for Western Europe.

Nevertheless, even this apparently more favourable situation for the region as a whole, excluding Argentina, conceals notable discrepancies between the individual countries, as will be seen from table 2. Of the fourteen countries covered, only six had an increase in agricultural production exceeding population growth. Among these are Brazil and Mexico which, if Argentina is excluded, carry decided weight within the total index. Attention is called within this picture to the extraordinary difference noted between the group of countries in the southern cone of Latin America—Argentina, Bolivia, Chile, Paraguay and Uruguay—which have the lowest growth indices, i.e., less than 2 per cent per annum, and the countries in the northern part of South America, Central America and Mexico. Particularly noteworthy are the cases of Mexico and Ecuador which, though for different reasons, register an annual increase of over 7 per cent. In Mexico the increase has been spread evenly over a large group of products, and fostered by an extension of the area under irrigation and an over-all improvement in yields; in Ecuador, on the other hand, the substantial increment in the index is due essentially to the exceptional increase in the pro-

duction of one commodity—bananas—in response to favourable foreign demand conditions.

**Table 2**  
YEARLY RATE OF INCREASE IN POPULATION AND  
AGRICULTURAL PRODUCTION IN SOME LATIN  
AMERICAN COUNTRIES, 1945-47 TO 1958-60

	Population	Agricultural production
Argentina .....	1.0	2.1
Bolivia .....	1.3	2.0
Brazil .....	3.9	2.9
Chile .....	1.8	2.2
Colombia .....	2.5	2.8
Ecuador .....	7.2	3.0
El Salvador .....	3.8	2.3
Guatemala .....	2.7	3.0
Honduras .....	2.1	3.0
Mexico .....	7.1	3.0
Paraguay .....	1.5	2.4
Peru .....	2.9	2.3
Uruguay .....	1.4	1.6
Venezuela .....	4.6	3.7

SOURCE: ECLA, with the exception of Chile, the figures for which were obtained from publications issued by the Production Development Corporation.

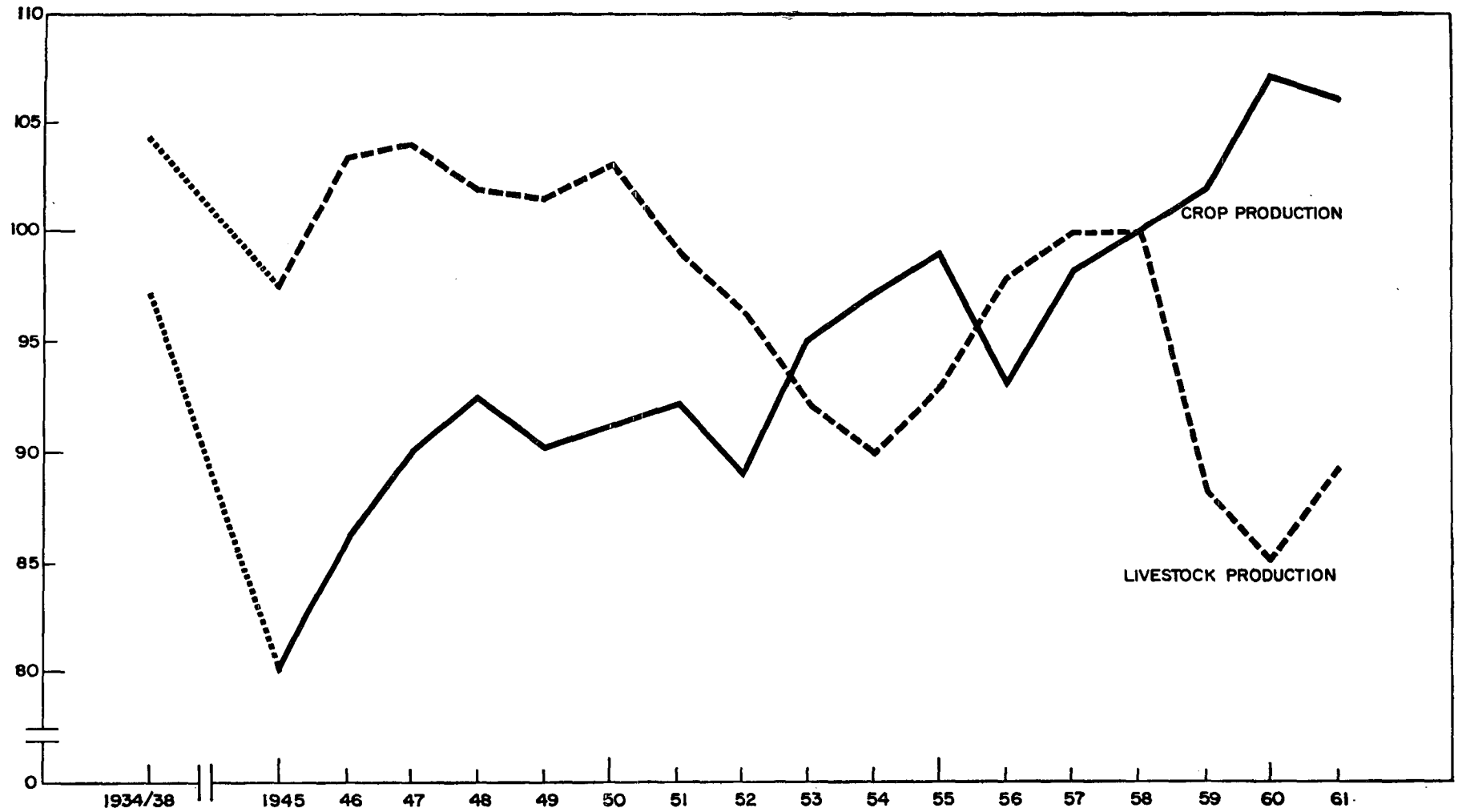
Caution should nevertheless be exercised in connexion with the above figures. It should not be concluded at once that the production increase registered—excluding Argentina—has signified a correlative rise in Latin America's income levels. In actual fact, a large part of the increment noted is derived from the greater production of export items, mainly tropical and semi-tropical, whose world market prices have persistently declined in the course of the last few years. As will be noted in the following section, the Latin American countries, like those in other regions, have had to export a far larger volume of agricultural products in order to maintain the same foreign income levels they had at the beginning of the 'fifties.

In so far as the different items of agricultural production are concerned, there are marked differences, as mentioned above. In the first place, stress should be laid on the unequal growth of crop and livestock production. While the former increased by 87 per cent between the pre-war years and 1958-60, that is, at an annual rate of 2.8 per cent, the rise in animal production was barely 49 per cent, representing an annual rate of 1.8 per cent. Figure I shows the per capita production trends.

Figure I

LATIN AMERICA: INDICES OF THE QUANTUM OF PER CAPITA CROP AND LIVESTOCK PRODUCTION  
(1958 = 100)

NATURAL SCALE



Source: ECLA, on the basis of national statistics.

As already pointed out, tropical and semi-tropical commodities experienced a relatively greater increase within the group of agricultural products. Thus the production of bananas, sugar and cotton was more than doubled in relation to the pre-war period, by virtue of the favourable conditions of external demand; that of coffee rose by nearly 50 per cent, although the increment in the post-war period was almost one hundred per cent, production having fallen off considerably during the war as a consequence of the loss of foreign markets, especially the European market. By contrast, important temperate climate products, such as wheat and maize,

experienced a much smaller increase in production. As will be seen from table 3, the production of these cereals increased only 8 and 17 per cent respectively between the pre-war period and 1958-60. Here again, these figures were influenced by the decline in Argentina's production, which dropped from 6.6 million tons of wheat and 8.2 million tons of maize per year during the 1934-38 period to 5.5 and 4.6 million tons respectively in 1958-60. Excluding Argentina, it may be noted that the rest of the region showed an increase of 90 per cent in the case of wheat and nearly 70 per cent in that of maize.

**Table 3**  
LATIN AMERICA: AGRICULTURAL PRODUCTION BY SELECTED ITEMS

Product	1934-38	1958-60	Aggregate index 1934-38 = 100	Per capita index	Annual rate 1934-38 = 100
(Thousands of tons)					
Wheat .....	8 620	9 283	108	62	0.3
Excluding Argentina .....	1 986	3 777	190	108	2.8
Maize .....	17 954	21 024	117	67	0.7
Excluding Argentina .....	9 730	16 409	169	96	2.3
Coffee .....	2 112	3 152	149	86	1.8
Sugar .....	7 840	18 655	238	137	3.8
Cotton .....	590	1 277	216	125	3.4
Bananas .....	4 200	11 870	283	163	4.6
Meat .....	5 020	7 097	141	81	1.5
Excluding Argentina .....	3 068	4 613	150	85	1.8
Wool .....	145	196	135	78	1.3
Milk (total) .....	12 220	21 340	175	101	2.5
(Indices)					
Crops products .....	100	187	187	108	2.8
Animal products <sup>a</sup> .....	100	149	149	86	1.8
Total agricultural products.....	100	181	181	104	2.6
Excluding Argentina .....	100	208	208	118	3.2
Excluding sugar, cotton and bananas .....	100	165	165	95	2.2

SOURCE: Quantum: FAO, Production Yearbooks, 1956 and 1961; indices: ECLA, on the basis of national statistics.

<sup>a</sup> Meat, milk, wool, eggs.

In the case of products of animal origin, the adverse evolution of the index is due primarily to the slow growth of meat and wool production, since that of milk and eggs went up considerably during the period under review. In fact, aggregate meat production rose by only 40 per cent, which meant a decline of nearly 20 per cent in terms of per capita production. This situation has been general throughout Latin America; very few countries, among them Mexico, Brazil and Venezuela, have succeeded in increasing their production of meat at a higher rate than that of their population growth. The want of a proper livestock raising policy to promote higher unit yields and slaughtering rates, has brought about genuine stagnation in meat production in practically the whole region. On the other hand, increasing development may be noted in milk production which has made it possible, at least, to maintain the per capita levels recorded before the war.

In contrast to what has taken place regarding animal production, attention should be drawn to the notable

increase in fisheries production in many countries of the region. Thus, for example, the volume of catches and shellfish harvests in Peru rose more than a hundred times from 1948 to 1961, i.e., from 48,000 tons to 5.2 million tons. In Chile the increase was seven-fold over the same period, and fourteen-fold if compared with the pre-war period; in Mexico catches were twelve times the volume of twenty years ago, while in Brazil, Colombia and Cuba they were three times that volume. Likewise, increased production of some forestry items outstripped that of agricultural products; for example, production of wood pulp rose from 220,000 to 580,000 tons from the period 1948-52 to 1961, that is, at an annual rate of over 9 per cent.

#### (b) Foreign trade

Foreign trade in agricultural commodities has been characterized from the beginning of the post-war period by a steadily increasing volume of both exports and imports. The latter, however, have increased at a much

faster pace. As will be noted from table 4, while gross exports rose by less than 20 per cent from the pre-war period to 1958-60, imports more than doubled during that time. In consequence, Latin America's net exports increased very slightly over that period. If these figures are analysed in terms of population growth, it may be observed that the net volume of agricultural exports per head during this period declined by nearly 40 per cent.

Table 4

LATIN AMERICA: INDICES OF THE VOLUME OF AGRICULTURAL EXPORTS AND IMPORTS. AGGREGATE AND PER CAPITA

(1934-38 = 100)

	1948-52	1958-60	Yearly rate	
			1934-38 to 1958-60	1948-52 to 1958-60
Gross exports .....	95	119	0.8	2.5
Gross imports .....	152	205	3.1	3.2
Net exports .....	88	108	0.3	2.3
Net per capita exports	65	62	-2.1	-0.5

SOURCE: FAO, *The State of Food and Agriculture*, 1962.

However, it is worth-while pointing out the discrepancy registered in the behaviour of exports between the period extending from pre-war days up to the years immediately following the war, and the past decade. Whereas during the first period, the volume of agricultural exports fell off by 5 per cent, for reasons which are only too well known, there has been a sharp turn in this trend in the last ten years, even though it has been insufficient to reach the level of population growth. Imports, on the other hand, increased at the same high rate during both periods.

(i) *Exports.* The fact that the Latin American agricultural export trade is not sufficiently dynamic has brought about a reduction in the region's share of world trade in these commodities. As will be noted from table 5, whereas world agricultural exports increased by 32 per cent from the pre-war period to 1958-60, Latin America's rose by only 19 per cent. It will be seen from the above table that, with the exceptions of the Far East where a recession occurred with respect to the pre-war situation, Latin America's export trade has the lowest rate of increase of all the regions considered. Attention should be drawn, in this respect, to the notable increment in African exports, many of which compete with Latin America's.

Table 5

INDEX OF PHYSICAL VOLUME OF WORLD AGRICULTURAL EXPORTS, BY REGIONS

(1934-38 = 100)

Region	Foods and forage		Flavoured beverages and tobacco		Raw materials		All agricultural products	
	1958-60	Annual rate (percentage)	1958-60	Annual rate (percentage)	1958-60	Annual rate (percentage)	1958-60	Annual rate (percentage)
Africa .....	159	2.0	195	2.9	180	2.6	179	2.6
Far East <sup>a</sup> .....	49	-3.1	112	0.5	89	-0.5	64	-2.0
Middle East .....	143	1.6	182	2.6	143	1.6	145	1.6
North America ....	406	6.3	114	0.6	100	0.0	223	3.6
Oceania .....	130	1.1	136	1.3	167	2.3	147	1.7
Western Europe ...	166	2.2	170	2.3	85	-0.7	156	2.0
Latin America .....	115	0.6	124	0.9	111	0.5	119	0.7
World total <sup>b</sup> ....	139	1.4	139	1.4	114	0.6	132	1.2

SOURCE: FAO, *The State of Food and Agriculture*, 1962.

<sup>a</sup> Excluding Mainland China.

<sup>b</sup> Excluding Mainland China, Soviet Union and Eastern Europe.

As in the case of production, developments in connexion with Argentina's exports have had a marked impact on the over-all index for Latin America. While the Argentine export trade declined by approximately 25 per cent between the pre-war period and 1958-60, that of the rest of the region increased by over 43 per cent. Argentina's exports, which like those of other crop-exporting countries were seriously affected by the last war, have been unable to recover completely since the close of hostilities. This has been due, in part, to the exceptional increment in the production of cereals, meat and other temperate climate products in erstwhile importing countries, many of which later became net exporters of these commodities; and in part, too, to Argentina's notably increased internal demand which, in the face of insufficient production growth, had to be met to an increasing extent from the portion destined for export. As a result of the combined effect of these two factors,

Argentina's cereal exports dropped by nearly 50 per cent between 1934-38 and 1958-60, those of livestock and meat by 10 per cent, of animal fats by 80 per cent, and oil seeds and vegetable oils by 65 per cent, to cite only a few of the more important items.

It would be well now to investigate the behaviour of exports in the rest of the region. As mentioned above, the export index as a whole shows a significant improvement of slightly over 43 per cent. There were notable differences, however, between the different commodities and countries. In the first place, it is worth pointing out that exports of animal products fell off by nearly 10 per cent, owing to slow production growth and increased domestic demand. The item registering the largest absolute reduction was wool, owing to the smaller volume of Uruguayan exports, although meat, eggs and animal fats also suffered a relatively sharp decline (see table 6). Alone of this group, exports of milk products showed

a significant increase, although their relative importance continued to be very slight.

Table 6

PHYSICAL VOLUME OF LATIN AMERICA'S AGRICULTURAL EXPORTS, EXCLUDING ARGENTINA  
(Thousands of U.S. dollars at 1960 prices)<sup>a</sup>

	1934-38	1958-60	Index (1934-38 = 100)
<i>Total agricultural products</i> ..	2 294 916	3 289 714	143.3
<i>Animal products</i> .....	233 547	211 505	90.6
Livestock and meat.....	165 676	164 201	99.1
Milk products .....	310	828	267.1
Eggs .....	1 596	532	33.3
Animal fats .....	3 725	376	10.1
Wool .....	62 240	45 568	73.2
<i>Crop products</i> .....	2 061 369	3 078 209	149.3
Cereals .....	42 400	32 060	75.6
Fruits .....	185 346	269 304	145.3
Roots and tubers.....	613	2 676	436.5
Sugar .....	376 371	832 164	221.1
Alcoholic beverages .....	1 099 864	1 341 160	121.9
Tobacco .....	72 152	100 764	139.7
Oleaginous products .....	37 649	38 620	102.6
Fibres .....	210 796	428 859	203.4
Other .....	36 178	34 602	95.6

SOURCE: FAO, *Trade Yearbooks*, 1958, 1961.

<sup>a</sup> Based on world market prices.

On the other hand, excluding Argentina, the volume of crop exports underwent a decided increase. With the exception of cereals, which fell by 25 per cent, and oleaginous products which remained virtually stationary, exports of the remaining products increased substantially. However, the major part of this increase was due to four products: cotton, sugar, bananas and coffee, the increment in these exports representing 97 per cent of the over-all increase of the entire group.

In the case of cotton, the increase of nearly 100 per cent registered between the pre-war period and 1958-60 derived chiefly from the considerable increment in Mexico's exports, which rose from 23,000 to 354,000 metric tons during this period. El Salvador, Nicaragua and Peru also showed important increments, those of the first two countries being particularly noteworthy as they were not cotton exporters before the war. Brazil, on the other hand, experienced a sharp decline from nearly 200,000 to 70,000 tons; this is explained by the huge expansion of its textile industry in the post-war period and the consequent increase in domestic demand.

Table 7

VOLUME OF FOUR IMPORTANT LATIN AMERICAN EXPORTS, BY COUNTRIES, IN THE PRE-WAR PERIOD AND 1958-60  
(Thousands of tons)

	1934-38	1958-60	Index (1934-38 = 100)
<i>Coffee</i>			
<i>Latin America</i> .....	1 398	1 751	125
Brazil .....	875	943	108
Colombia .....	230	356	155

Table 7 (continued)

	1934-38	1958-60	Index (1934-38 = 100)
Costa Rica .....	23	45	196
El Salvador .....	54	84	156
Guatemala .....	47	78	166
Mexico .....	37	79	214
Venezuela .....	48	30	63
Other countries .....	84	136	162
<i>Bananas</i>			
<i>Latin America</i> .....	2 035	3 113	153
Brazil .....	214	242	113
Colombia .....	162	189	117
Costa Rica .....	96	263	274
Ecuador .....	39	982	2 518
Guatemala .....	168	153	91
Honduras .....	349	372	107
Mexico .....	256	23	9
Panama .....	113	274	242
Other countries .....	638	615	96
<i>Sugar</i>			
<i>Latin America</i> .....	4 050	8 982	222
Brazil .....	42	714	1 700
Cuba .....	2 587	5 343	207
Mexico .....	0	272	—
Peru .....	278	476	171
Dominican Republic .....	420	814	194
Other countries .....	723	1 363	189
<i>Cotton</i>			
<i>Latin America</i> .....	338	646	191
Brazil .....	194	71	37
El Salvador .....	0	34	—
Mexico .....	23	354	1 539
Nicaragua .....	1	44	—
Peru .....	75	107	143
Other countries .....	45	36	80

SOURCE: FAO, *Trade Yearbooks*, 1958, 1961.

The largest increase in sugar exports, in absolute terms, was registered by Cuba, with an increment of 2.7 million tons over the pre-war period, the total reached during the three years 1958-60 being over 5.3 million tons.<sup>2</sup> In relative terms, however, the increase from 42,000 to 714,000 tons in Brazil's exports was far greater; the expansion of Mexico's export trade has been equally remarkable; from zero before the war, exports have risen to over 270,000 tons in 1958-60. Exports from Peru and the Dominican Republic also registered a considerable rise, while in Haiti, which exported approximately 30,000 tons before the war, they fell to less than half that figure.

As regards bananas, a significant increase was recorded in four countries—Ecuador, Costa Rica, Panama and the Dominican Republic—the most important being that of Ecuador with an increment of 940,000 tons, or almost twenty-four times that country's total exports in the pre-war period. On the other hand, banana exports from Mexico and Cuba, which together represented about one-fifth of the region's total exports before the war, virtually disappeared in the period 1958-60.

<sup>2</sup> As a consequence of the drastic reduction in Cuba's 1962 sugar harvest, exports from this country have declined far below the 1958-60 level.

Coffee exports show a relatively lesser growth than those of the three other products referred to above, owing primarily to the small increment registered by Brazilian exports—a mere 8 per cent for the period under review. By contrast, there were far greater increases in exports from Colombia, Mexico, El Salvador, Guatemala, Costa Rica, Ecuador and the Dominican Republic. Of a total increase of 353,000 tons for the region, Brazil contributed only 68,000 tons, its share in total exports falling from 63 per cent in 1934-38 to 54 per cent in 1958-60. The recently concluded International Coffee Agreement nevertheless allocated to Brazil a basic export quota equivalent to about 63 per cent of that for Latin America, in other words a proportion similar to that which the country enjoyed in the pre-war period.

(ii) *Value of agricultural exports.* In comparison with Latin America's agricultural export earnings before the war, the situation in aggregate terms in 1958-60 was apparently satisfactory. The value of exports, at current prices, rose by 273 per cent during the period in question. In real terms, however, this increase was far less, since the price index for manufactured goods—which shows the purchasing power of agricultural exports—rose at a much faster rate than that for agricultural commodities. As will be noted from table 8, if the necessary adjustment is made, the real value of Latin America's agricultural exports would appear to have increased by only 84 per cent. As during that period, population growth was slightly over 73 per cent, there would appear to have been an effective increment of 6 per cent in the real value of exports per head.

The wide disparity between the two periods indicated is clear from table 8. While the real value of exports increased considerably (86 per cent) in the early post-war period, attaining a per capita level 38 per cent higher than that registered before the war, prices of agricultural commodities began to decline steadily from 1952 onwards, to the extent that in 1958-60 the real value was 2 per cent lower than in the five years 1948-52, despite the fact that the volume of exports increased by 25 per cent during the same period. In consequence, the real per capita value fell off by 23 per cent between the two periods in question.

**Table 8**  
LATIN AMERICA: INDEXES OF VALUE  
OF AGRICULTURAL EXPORTS  
(1934-38 = 100)

	1948-52	1958-60
At current prices.....	354	373
Real value <sup>a</sup> .....	186	184
Real per capita value.....	138	106

SOURCE: FAO, *The State of Food and Agriculture*, 1962.

<sup>a</sup> Deflated according to the United Nations index of unit value for exports of manufactured goods.

Although the drop in world prices has severely affected the majority of important exports, with the exception of meat, it has not been equally sharp for them all, nor has it followed the same pattern chronologically. Thus it may be noted from table 9 that the average unit price for cereals remained relatively high during the early post-war years, a decline setting in after 1948; it has kept practically stable over the past three years, but at a level 35 per cent below that for 1947-49. The price of coffee, after climbing steadily to reach its highest peak in 1954, declined drastically from that year onwards, so that by 1961 it represented less than half that level, though still somewhat higher than that registered in the early post-war years. A similar situation arose in the case of cotton: maximum quotations were reached in 1951, as a result of the Korean War, falling off to just over half in the last three years. As regards bananas and sugar, price fluctuations have not been so violent, but in any case in recent years they have been about 20 per cent lower than when quotations were at their peak.<sup>3</sup> In so far as meat is concerned, the process has been the reverse, as pointed out above. There has been a slow, but steady rise in prices up to 1959-61, when the average level attained was 30 per cent higher than in the year 1947-49.

<sup>3</sup> During the course of the past year world market sugar quotations rose steeply. While on 1 March 1962 the price quoted was £23 sterling per metric ton, by 1 March 1963 it had reached the level of £53.10.0 c.i.f. London. (Bank of London and South America Ltd., *Fortnightly Review* No. 689.)

**Table 9**  
INDEX OF AVERAGE UNIT VALUES OF EXPORTS OF SELECTED AGRICULTURAL  
COMMODITIES AT CURRENT PRICES  
(1952-53 = 100)

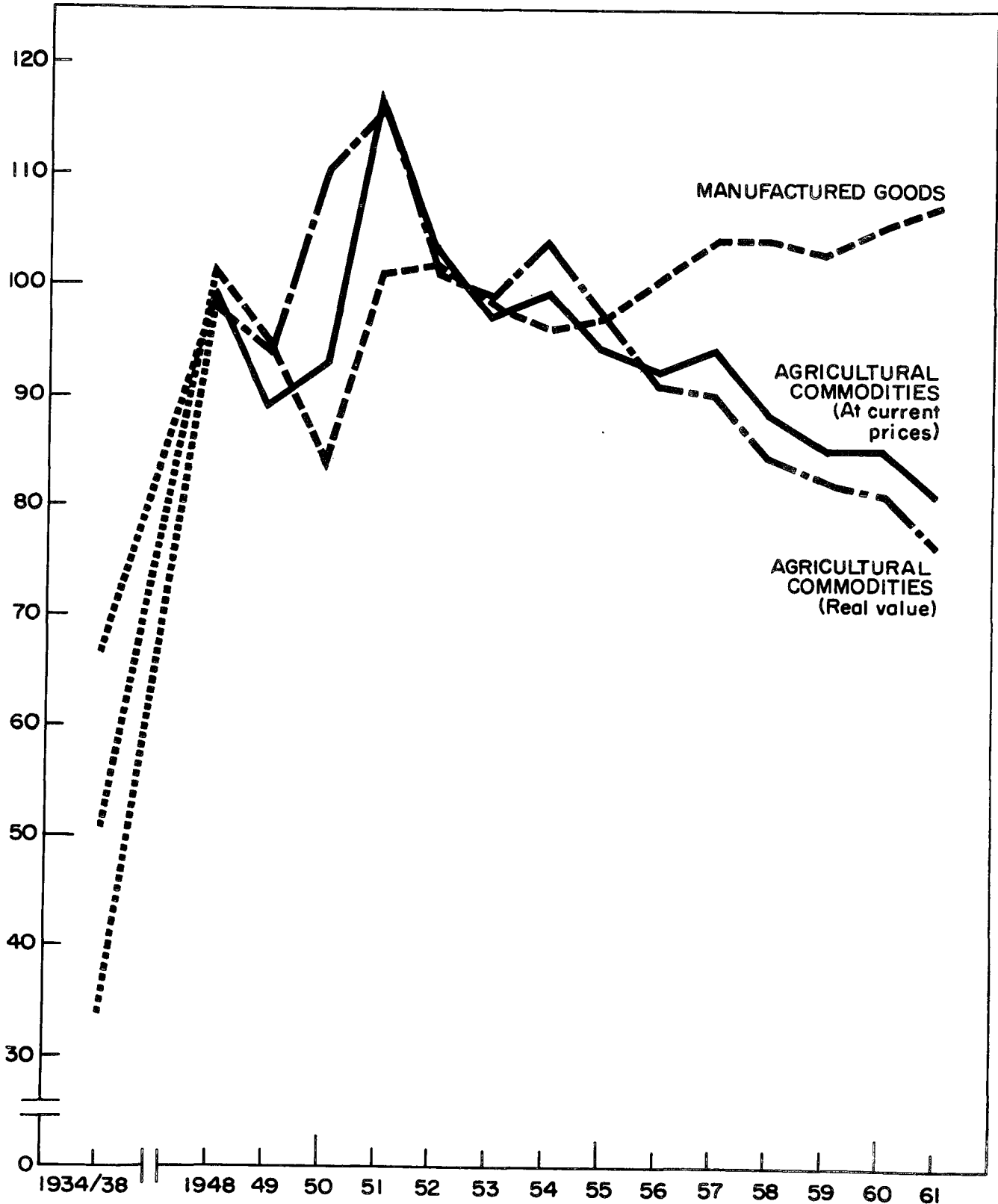
	1934-38	1948	1951	1954	1957	1959	1960	1961
Cereals .....	33.0	124	92	84	75	73	72	72
Meat .....	42	83	94	103	101	106	109	107
Coffee .....	16	45	96	125	91	67	64	61
Cotton .....	29	97	132	93	84	67	71	72
Sugar .....	37	96	112	96	112	91	86	84
Bananas .....	31	102	102	101	104	88	86	86
All agricultural commodities .....	34	99	117	99	94	85	85	81
Manufactured goods .....	51	101	102	96	104	103	105	107

SOURCE: FAO, *The State of Food and Agriculture* (various years).

In real terms, these price variations have been even more accentuated, since precisely in the last few years

the rise in the price of manufactures has coincided with the drop in agricultural prices (see figure II).

**Figure II**  
**INDICES OF THE AVERAGE UNIT VALUE OF WORLD EXPORTS OF ALL**  
**AGRICULTURAL COMMODITIES**  
*(1952-53 = 100)*  
 NATURAL SCALE



SOURCE: FAO, *State of Food and Agriculture*.

While it is true that the decline in agricultural prices has had a very similar impact on all countries exporting these commodities, its repercussions on Latin America have been particularly adverse owing to the important contribution of such exports to the region's aggregate foreign exchange receipts. In 1950 they represented 53 per cent of total Latin American exports; this share declined in 1959, for the reasons mentioned, but they still constituted approximately 40 per cent of the total. This unfavourable impact has been largely due to the excessively rigid structure of the Latin American agricultural export trade. There have been no significant changes in this structure for the past ten years: coffee and sugar have contributed steadily to two-thirds of total agricultural export revenue. A small increase in the share of cotton and meat has been offset by a decline in that of wool, hides and wheat. The importance of other exports, such as temperate climate fruits and semi-manufactured products, continues to be minimal.

Neither have there been any substantial changes in the destination of Latin America's agricultural exports. The United States and Western Europe together have continued to absorb three-fourths of the total, although as a result of the recovery of European markets, the increase in exports to these markets has been proportionately greater. Some increase is also noted in exports to Japan and Eastern Europe, whose economies have expanded vigorously in the last ten years. By contrast, intra-regional exports have remained practically constant at the very low level of 10 per cent of total agricultural exports.<sup>4</sup>

(iii) *Imports.* As stated above, the gross volume of agricultural imports doubled between the pre-war period and 1958-60. It is worthwhile now investigating in greater detail where and in what commodities such an increase occurred.

In contrast to developments in the case of exports, and as a result of the insufficient growth of production vis-à-vis increased internal demand, imports of products of animal origin have gone up at a much faster rate than those of vegetable origin. Whereas the former imports more than trebled from 1934-38 to 1958-60, those of crops rose by only 80 per cent (see table 10).

<sup>4</sup> The distribution of exports from ALALC countries in 1958-60, by destination, was the following: ALALC—9.6 per cent; U.S.A.—38.8 per cent; rest of Latin America—0.6 per cent; Western Europe—37 per cent; and rest of the world—14 per cent.

**Table 10**  
LATIN AMERICA: QUANTUM OF AGRICULTURAL IMPORTS

(Thousands of U.S. dollars at 1960 prices)<sup>a</sup>

	1934-38	1958-60	Index
<i>Total</i> .....	401 703	806 127	200.7
<i>Animal products</i> .....	67 999	207 469	305.1
Livestock and meat.....	45 459	81 496	179.3
Milk products .....	14 890	79 885	536.5
Eggs .....	1 064	15 248	1 433.1
Animal fats .....	3 474	10 612	305.5
Wool .....	3 112	20 228	650.0

**Table 10 (continued)**

	1934-38	1958-60	Index
<i>Crop products</i> .....	333 704	598 658	179.4
Cereals .....	147 116	296 138	201.3
Fruits .....	25 329	35 223	139.1
Roots and tubers.....	10 911	11 635	106.6
Sugar .....	23 436	28 644	122.2
Alcoholic beverages .....	33 373	45 399	136.0
Tobacco .....	14 928	17 416	116.7
Oleaginous products .....	43 507	45 522	104.6
Vegetable fibres .....	15 452	34 410	222.7
Other .....	19 652	84 271	428.8

SOURCE: FAO, *Trade Yearbooks*, 1958, 1961.

<sup>a</sup> World market prices.

Among the animal products contributing most of this increment, primary mention should be made of milk products. During the period under review, these imports multiplied more than five-fold, from 15 to 80 million dollars (at 1960 prices). Of the 65 million dollar increment, 25 million represented Venezuela, while a further 25 million were distributed in varying proportions among Chile, Peru, Cuba, Haiti and Mexico. The remainder represented imports of lesser quantities effected by the other Latin American countries. The increase in livestock and meat imports was also significant, from 45 million dollars (at 1960 prices) in the pre-war period to 82 million in 1958-60. This increment was wholly accounted for by larger imports effected by Chile, Venezuela, Cuba, Peru and Mexico, as detailed in table 11. Imports of eggs and wool rose at a relatively faster rate than those of the commodities mentioned previously (1.4 and 6.5 times, respectively), although they are of considerably less importance within the group. These increments are due almost exclusively to larger imports of eggs by Venezuela, and of wool by Mexico.

As far as products of vegetable origin are concerned, the picture is somewhat more diversified, even though a single product—wheat—is responsible for nearly half the total increase. Aggregate imports of this cereal rose from 1.7 million tons in pre-war years to 3.8 million in 1958-60; 40 per cent of the difference of 2.1 million tons represented larger imports by Brazil; 13 per cent by Venezuela, and 10 per cent by Peru. The remaining 800,000 tons were distributed in varying proportions among eight other Latin American countries. It should be emphasized that this notable increment in wheat imports was in response to the great increase in demand by those countries, which could not be covered by local production. In Brazil, for example, notwithstanding the production increase of nearly 500,000 tons, or four times the total pre-war output, consumption rose by 1.3 million tons, giving rise to the additional importation of 800,000 tons referred to.

As regards maize, the increase in imports was accounted for almost exclusively by Mexico's purchases in 1958. In 1959 and 1960, once local production had reverted to normal, the volume of imports was reduced to insignificant proportions.

As to cotton, another commodity carrying considerable weight in the imports of some countries, the increment of 35,000 tons recorded for the region as a whole is



**Table 11**  
LATIN AMERICA: IMPORTS OF SOME AGRICULTURAL COMMODITIES, BY COUNTRIES

	Crop products (thousands of tons)			Animal products (millions of U.S. dollars at 1960 prices)			
	1934-38	1958-60	Index	1934-38	1958-60	Index	
<i>Cotton</i>				<i>Meat</i>			
Latin America .....	9.3	48.0	516	Latin America .....	45.3	81.4	180
Colombia .....	3.3	5.9	179	Cuba .....	1.1	10.0	909
Cuba .....	1.5	5.9	393	Chile .....	4.0	13.7	343
Chile .....	2.3	19.8	861	Mexico .....	0.4	2.7	675
Uruguay .....	0.1	8.6	—	Peru .....	0.6	5.7	950
Other countries .....	2.1	7.8	371	Venezuela .....	1.5	11.2	747
<i>Wheat</i>				<i>Milk products</i>			
Latin America .....	1 670.0	3 800.0	228	Latin America .....	14.9	79.7	535
Bolivia .....	35.0	105.0	300	Cuba .....	0.7	4.2	600
Brazil .....	990.0	1 803.0	182	Chile .....	—	8.4	—
Colombia .....	15.0	126.0	840	Haiti .....	0.1	5.9	—
Cuba .....	121.0	222.0	183	Mexico .....	0.6	4.3	717
Chile .....	13.0	93.0	715	Peru .....	1.3	5.0	385
Peru .....	128.0	327.0	255	Venezuela .....	1.1	26.3	2 390
Venezuela .....	30.0	303.0	1 010	Other countries .....	11.1	25.6	231
Other countries .....	338.0	821.0	243				

SOURCE: FAO, *Trade Yearbooks*, 1958 and 1961.

almost entirely accounted for by larger purchases effected by non-producing countries such as Chile, Cuba and Uruguay, i.e., 17,500, 4,400 and 8,500 tons respectively.

The rest of the agricultural imports consists of a large group of commodities of which only rubber is of any importance. Imports of this commodity rose by 45 million dollars between the pre-war period and 1958-60, the major part representing Argentina and Brazil. (Although Brazil is the only important rubber producer in Latin America, its output has lagged behind increased demand.) Minor increases were registered in Chile, Colombia, Peru, Uruguay and Venezuela.

As regards origin, about half the agricultural imports come from the region itself. (See annex II, table A.) A

substantial proportion of the other half is from the United States, part of it purchased on special terms in accordance with US Public Law 480.

(c) *Consumption of agricultural commodities*

By relating the above figures on production and foreign trade, the pattern of Latin America's consumption of agricultural commodities can now be determined.

According to the figures shown in table 12, apparent consumption of these commodities rose at an annual rate of 3.7 per cent after the pre-war period, which led to an improvement in per capita supplies at a rate of approximately 1.25 per cent per annum. This fairly moderate rate was adversely affected by Argentina's

**Table 12**  
LATIN AMERICA: INDICES OF APPARENT CONSUMPTION OF  
AGRICULTURAL COMMODITIES  
(1934-38 = 100)

	Production	Exports	Imports	Apparent consumption		
				Aggregate	Per capita	Annual rate (percent)
<i>A. The whole region</i>						
1948-52 .....	129	95	160	158	117	1.10
1958-60 .....	181	118	207	231	133	1.25
<i>B. Excluding Argentina</i>						
1948-52 .....	143	118	168	164	121	1.30
1958-60 .....	208	143	227	257	146	1.60
<i>C. Excluding coffee</i>						
1948-52 .....	157	119	187	180	133	2.10
1958-60 .....	222	152	247	261	148	1.70

SOURCE: Calculations based on the previous tables.

<sup>a</sup> 1948-52 to 1958-60.

relatively slower growth. In fact, owing to the small growth in this country's production, and notwithstanding the appreciable decline in imports, Argentina's apparent aggregate consumption increased by only 67 per cent in the course of the two decades under consideration, as compared with 131 per cent for the region as a whole. Excluding this country from the calculations, a *substantial improvement* is noted in the rate of increase in per capita consumption, i.e., 1.6 per cent per year for the rest of the region during the whole period in question. As may be seen from the table, during the second half of the period the annual rate of consumption growth appears to have quickened as from the pre-war period to 1948-52 it was only 1.3 per cent. However, this accelerated rate was less real than it appeared, owing to the impact of Brazil's coffee stocks which increased considerably over the past few years, and are included in the aggregate consumption figures. Excluding this commodity, the annual growth rate between 1948-52 and 1958-60 is only 1.3 per cent, as against 2.1 per cent if it is included.

Although imports rose considerably during the period under review, their share in the region's total consumption remained fairly steady at approximately 6 per cent. With exports of these commodities lagging behind the rise in production, there was a larger surplus in the region to meet internal demand. If the pre-war proportion of exports had been maintained, the supplies available for consumption within the region would have risen by only 82 per cent in 1958-60, as compared with the actual rate of 131 per cent. If Argentina is excluded, the relative difference between the two situations would be somewhat less, as the consumption increase would have been 110 per cent instead of the actual 157 per cent; this proves that Argentina was forced to devote a proportionately larger part of its exportable production to meet domestic consumption needs. The increase in per capita consumption for the region, excluding Argentina, has not been the same for all agricultural commodities. As will be seen from table 13, fairly large increments are recorded in the consumption of rice, wheat, milk, sugar, wool, cotton and eggs; consumption of maize has remained steady,

**Table 13**

LATIN AMERICA (EXCLUDING ARGENTINA): APPARENT PER CAPITA CONSUMPTION OF SELECTED AGRICULTURAL COMMODITIES

(Kilogrammes per person per year)

Commodity	1934-38	1958-60
Cotton .....	2.3	3.2
Sugar <sup>a</sup> .....	35.6	50.2
Meat .....	28.5	25.0
Milk .....	88.7	98.1
Wool .....	0.2	0.4
Eggs .....	3.7	4.1
Wheat .....	34.7	41.5
Maize .....	98.2	99.0
Rice (clean) .....	15.1	27.0

SOURCE: FAO, *Trade Yearbooks*, 1958, 1961.

<sup>a</sup> Includes *panela* and other non-centrifugal sugars.

and that of red meat has declined. Although the reduction in meat consumption has been partially offset by the rise in consumption of fish and poultry,<sup>5</sup> such a situation is none the less serious since it reveals that, at best, animal protein consumption has shown no significant improvement. Broadly speaking, in spite of the relative increase recorded by the consumption figures given in table 12, the absolute levels are still low in comparison with those prevailing in more developed countries.

Even including Argentina, whose high consumption levels contribute appreciably to raising average per capita consumption for the region, it will be noted that Latin America is very far from attaining the levels existing in the more developed countries. Thus, table 14 shows that cereal consumption (both human and animal) is equivalent to one-fourth of that of North America (if Argentina is excluded, this ratio is in fact a great deal more unfavourable). The disparity in the consumption of edible fats and oils is also noteworthy. Only in respect of sugar and cotton is the position relatively equal, although in the case of cotton it must be remembered that the more industrialized countries' demand for fibres is largely covered by synthetic products.

**Table 14**

APPARENT PER CAPITA CONSUMPTION OF SOME AGRICULTURAL COMMODITIES IN LATIN AMERICA AND SELECTED COUNTRIES<sup>a</sup>

(Kilogrammes per year)

Commodities	Latin America	North America	France	Federal Republic of Germany	United Kingdom
All cereals <sup>b</sup> .....	204	859	391	295	348
Sugar .....	44	43	34	35	56
Fats and oils.....	13	29	24	31	29
Meat <sup>c</sup> .....	37	93	73	57	73
Cotton .....	4	9	5	6	6

SOURCE: Various FAO publications.

<sup>a</sup> Latest available figures.

<sup>b</sup> Human consumption and forage.

<sup>c</sup> Includes red meat, poultry and other kinds of meat.

If this situation is expressed in terms of the Latin American population's average daily intake of food factors, the contrast with prevailing levels in the developed countries will be more clearly appreciated. As may be seen in table 15, with the exception of Argentina and Uruguay, the region's consumption of calories and proteins—particularly animal protein—is highly deficient. Thus countries like Colombia, Ecuador, Peru and Venezuela register a daily intake per head of little more than 2,100 calories, 53 grammes of proteins in all, and 20 grammes of animal protein, which represents a deficit in relation to the developed countries of 30, 40 and 65 per cent, respectively.

As may be seen from table 15, disparities in consumption levels do not exist solely between Latin America and more developed countries in other regions, but are also to be found in a highly acute form among the

<sup>5</sup> Not included in the table as complete statistical figures for the whole region are not available.

**Table 15**

COMPARISON BETWEEN NUTRITION LEVELS IN TEN LATIN AMERICAN COUNTRIES AND IN SOME OF THE DEVELOPED COUNTRIES, 1960<sup>a</sup>

	Population (millions of inhabitants)	Daily in- take of calories	Total protein (grammes/ day)	Total animal protein (grammes/ day)
<i>Latin America</i>				
Higher group <sup>b</sup> . . . . .	23 783	2 950	92	50
Middle group <sup>c</sup> . . . . .	114 983	2 580	68	20
Lower group <sup>d</sup> . . . . .	36 973	2 180	53	20
All 10 countries <sup>e</sup> . . . . .	176 739 <sup>e</sup>	2 540	68	24
Developed countries <sup>f</sup> . . . . .	390 348	3 050	88	54

SOURCE: FAO, *The State of Food and Agriculture* (various years).

<sup>a</sup> Latest available figures have been used in the case of countries for which no data exist for that year.

<sup>b</sup> Argentina and Uruguay.

<sup>c</sup> Brazil, Chile, Mexico and Paraguay.

<sup>d</sup> Colombia, Ecuador, Peru and Venezuela.

<sup>e</sup> Account for 85.7 per cent of the Latin American population.

<sup>f</sup> United States, Federal Republic of Germany, France, United Kingdom, Netherlands and Italy.

Latin American countries themselves. In order to present a clearer picture of the situation, the ten countries selected have been grouped at three levels. In the top-most group are Argentina and Uruguay, where the average diet of the population is adequate in both quantity and composition, especially as regards protective foods. In the middle group are countries such as Chile, Brazil, Mexico and Paraguay, where the diet has serious deficiencies and is particularly lacking in animal proteins. It should of course be pointed out that the population of these countries is heavily concentrated in towns where average levels of income and consumption are usually higher, and that this tends to distort to some extent the significance of the averages given. There are large population groups mainly in the rural sectors, whose nutritional level is one of the worst in the world and, at best, is equivalent to those of the lowest group. This comprises countries with a predominantly rural population, such as Bolivia, Colombia, Ecuador, Haiti, Peru and Venezuela, where food consumption is conspicuously deficient in the elements mentioned above. It should be noted, however, that in Venezuela consumption has expanded very rapidly in the last few years owing to the substantial and steady increase in income (see also annex II, table B).

When this point is being considered, it should be remembered that the basic statistical data available are quite inadequate, since no clear picture of the food situation of the different population groups in each country can be obtained. The averages quoted hide marked discrepancies in the nutritional levels of the various groups. Moreover, there is no reliable information available on the reactions of these population groups to fluctuations in their earnings and in the prices of agricultural commodities. Consequently, the figures given in the course of this study should be regarded simply as approximations. This is particularly true of the effect that the rise in the relative prices of agricultural commodities may have had on their consumption. It is equally impossible to determine with any accuracy the

price impact of supply shortages when demand is expanding. As many of the price policies applied in the Latin American countries are intended to protect real consumer purchasing power, they are sometimes instrumental in preventing scarcities from being properly reflected in the price level of the particular item in relatively short supply. Generally speaking, however, agricultural commodities have tended to become more expensive than other goods at the consumer level in several Latin American countries. Table 16 shows that between 1950 and 1960 the cost of foodstuffs rose more rapidly than the cost of living in Argentina, Brazil, Chile, Peru and Uruguay, whereas the relation remained almost the same in Mexico. If the heavy incidence of foodstuffs in the cost-of-living indices of these countries is taken into account, it may be concluded that the difference between foodstuffs and other products was actually greater than the percentage relation would indicate.

**Table 16**

SELECTED LATIN AMERICAN COUNTRIES: PERCENTAGE RELATION BETWEEN THE INDICES OF THE COST OF FOODSTUFFS AND COST OF LIVING, RESPECTIVELY, 1950-60<sup>a</sup>

(1950 = 100)

Country	1960
Argentina . . . . .	1.19
Brazil . . . . .	1.18
Chile . . . . .	1.75
Mexico . . . . .	1.02
Peru . . . . .	1.12
Uruguay . . . . .	1.34

SOURCE: ECLA, on the basis of official national statistics.

<sup>a</sup> The index for the cost of foodstuffs has been divided by cost-of-living index.

It should be pointed out, however, that not all farmers benefited to the same extent from the relatively greater rise in food prices. As a rule, most of the increases in consumer prices were retained in the distribution system. The shortcomings of the marketing process and the existence of an unduly large number of middlemen—partly because of mass shifts by the rural population to other activities—have broadened the distribution margins in many places. For instance, a study recently carried out in Chile<sup>6</sup> shows that between 1947-51 and 1959-60 the ratio between wholesale and retail meat prices contracted from 48 to less than 35 per cent. Much the same probably happened, in Chile as in other countries, in the case of perishable foodstuffs (e.g., fruits and vegetables) which are mainly supplied from small-holdings and whose wholesale prices are seldom controlled. Even in the case of more durable commodities, such as cereals, middlemen play an exaggeratedly important part in many countries. In some of the Central American countries for example, 50 per cent of the price paid by consumers for such commodities is absorbed by the marketing margin. A quarter of this margin consists of transport and storage costs and the remainder represents the middlemen's profits.

<sup>6</sup> Development Corporation and Ministry of Agriculture, *Programa Nacional de Desarrollo Ganadero 1961-70*.

(d) *Efficiency of agricultural production and output*

It is interesting to note that, unlike the trend of developments in other regions, the increase in agricultural production recorded in Latin America is chiefly attributable to an extension of the cultivated area since average unit yield has improved very little.

The group of nineteen staple commodities presented in table 17, which together cover more than 50 million hectares, in other words, nearly half the entire crop area,<sup>7</sup> recorded a productivity increment of only 16 per cent per hectare between the pre-war period and 1957-59, equivalent to an annual growth rate of 0.7 per cent, whereas the area on which they were grown was enlarged during the same period by 38 per cent, i.e., at the rate of 1.5 per cent yearly. Part of this improvement in productivity can be ascribed to the greater relative output of items having a higher unit value. If yield increment is considered in physical terms alone, the rise in productivity during the period under consideration was not more than 5 per cent, which would represent an annual rate of only 0.3 per cent.

<sup>7</sup> The proportion is actually larger, since 15 to 20 per cent of the crop area is lying idle.

**Table 17**

LATIN AMERICA: VARIATIONS IN THE AVERAGE YIELD AND CROP AREA OF NINETEEN AGRICULTURAL COMMODITIES, PRE-WAR PERIOD TO 1957-59<sup>a</sup>

(Index: 1934-38 = 100)

	Index 1957-59	Annual rate of variation
Production .....	160	2.2
Crop area .....	138	1.5
Productivity per hectare <sup>b</sup> .....	116	0.7
Average yield per hectare <sup>c</sup> .....	105	0.3
Crop area (millions of hectares).....	50.9	—

SOURCE: FAO, *Production Yearbooks*. The unit values of the ECLA index were used to calculate the production index.

<sup>a</sup> Including wheat, maize, rice, oats, barley, beans, peas, lentils, chick-peas, broad beans, sweet potatoes, manioc, potatoes, tomatoes, peanuts, sunflower seed, linseed, cotton, tobacco.

<sup>b</sup> The production index is divided by the index of area to give this result.

<sup>c</sup> The increase in unit yield has been weighted in accordance with the relative importance of each commodity within the total area occupied by the group in the base year.

There was no radical change in the situation after the war. Table 18, which covers the same commodities as table 17 and includes a few more on which adequate information could be obtained, shows that between the five-year period 1948-52 and 1957-59 yield increased very little in physical terms, i.e., only 7 per cent in eight years—an annual rate of 0.8 per cent. Although this admittedly is a relative improvement over the whole period, it is certainly far below the percentage registered in Europe and North America during the same period. In fact, average yield for the group of commodities under consideration increased in both regions at the rate of about 2.8 per cent yearly (approximately 25 per cent in eight years). This pushed up production there to an appreciable extent, despite the fact that in Europe the crop area expanded barely 3 per cent and in North America was reduced by 7 per cent.

**Table 18**

LATIN AMERICA, EUROPE AND NORTH AMERICA: VARIATIONS IN AVERAGE YIELD AND CROP AREA, 1948-52 TO 1957-59<sup>a</sup>

(Index: 1948-52 = 100)

	Index of crop area	Index of average yield	Annual rate of varieties	
			Area	Yield
Latin America .....	124	107	2.7	0.8
Europe .....	103	124	0.4	2.7
North America .....	93	125	-0.9	2.8
World total .....	114	121	1.7	2.4

SOURCE: As for table 17.

<sup>a</sup> Comprising the nineteen commodities listed in table 17 plus sorghum, soya beans, sesame, onions and grapes. In the case of Europe, manioc was excluded, and in that of North America, manioc, broad beans, chick-peas, lentils and sesame, since the quantities produced are too small to appear in the statistics.

From table 19 it may be seen that only six of the twenty-four commodities under review showed an increment in yield of more than 10 per cent in Latin America, whereas in Europe and North America this percentage was improved upon by seventeen commodities and by fourteen in the whole world.

**Table 19**

LATIN AMERICA, EUROPE AND NORTH AMERICA: VARIATIONS IN AGRICULTURAL YIELD, 1948-52 TO 1957-59

Percentage variation	Latin America		North America		Europe		World total	
	Number of commodities	Percentage area <sup>a</sup>	Number of commodities	Percentage area <sup>a</sup>	Number of commodities	Percentage area <sup>a</sup>	Number of commodities	Percentage area <sup>a</sup>
More than 10 .....	6	13.8	17	89.3	17	88.1	14	87.4
5-10 .....	5	54.1	—	—	3	11.0	3	3.4
0-5 .....	5	25.1	1	8.4	1	0.5	4	7.3
0 or minus .....	8	10.6	1	2.3	2	0.4	3	1.9
Total .....	24	100.0	19	100.0	23	100.0	24	100.0

SOURCE: As for table 17.

<sup>a</sup> Percentage corresponding to 1957-59.

In terms of the area covered by each of the crops concerned, the difference between Latin America and Europe. North America and the world total is still more marked. The crops whose yield has been stepped up by more than 10 per cent occupy in Latin America less than 14 per cent of the total acreage for the twenty-four commodities, while the proportion for the other two regions and the world is nearly 90 per cent. Similarly, the crops whose yield has gone down represent an area of more than 10 per cent in Latin America, but a negligible percentage in the other two regions. At a time when production of nearly every agricultural commodity made striking advances in both Europe and North America thanks to the adoption of improved techniques, Latin America saw the productivity of a number of salient commodities decline, and when some improvement did take place it was usually greatly inferior to

achievements in other regions (see annex II, table C).

The situation is, in fact, even more serious, since the levels of yield in Latin America are, on the whole, far below those prevailing in other regions. Table 20 shows that unit yield for the six items listed is much lower in Latin America than in Europe and North America. For instance, in the case of rice it is less than half the amount in North America and almost a third of the figure obtaining in Europe. The situation as regards maize, barley and potatoes is much the same, but in the case of wheat there is less of a difference between Latin America and North America although it is still fairly marked between Latin America and Europe. The only crop from which a relatively higher yield is obtained in Latin America is cotton, but even here the region is gradually falling behind the other two regions, as a result of their progress in the past decade.

**Table 20**  
LATIN AMERICA, EUROPE AND NORTH AMERICA: YIELD VARIATIONS FOR SIX SELECTED COMMODITIES<sup>a</sup>

(Quintals per hectare)

	Latin America		Europe		North America	
	1948-52	1957-59	1948-52	1957-59	1948-52	1957-59
Wheat .....	10.6	11.6	14.7	18.2	11.6	14.7
Rice .....	16.9	17.1	42.2	45.3	25.6	36.4
Maize .....	10.6	11.4	12.4	19.8	24.5	31.6
Barley .....	10.6	10.4	16.9	21.6	14.5	15.0
Potatoes .....	53.0	60.0	138.0	148.0	152.0	188.0
Cotton .....	2.1	2.6	1.5	2.7	3.2	4.9

SOURCE: As for table 17.

<sup>a</sup> Representing 75 per cent of the entire crop area occupied by the sample of twenty-four commodities in Latin America.

In the group of commodities taken as a whole, on four-fifths of the total acreage covered, yield per hectare was less than the world average, higher figures being obtained on only 18 per cent of the area. In North America, on the other hand, virtually the whole of the crop area yields more than the world average and in Europe only 27 per cent produces less (see annex II, table D). Other staple products that were not included for want of full statistical coverage for the region are in the same situation as the group described. For instance, coffee production in Brazil rose 90 per cent between the five-year period 1948-52 and 1960, following an increment of 61 per cent in the cultivated area but of only 18 per cent in average yield,<sup>8</sup> and cacao production increased by 46 per cent during the same period simply by virtue of a 70 per cent expansion in the crop area, 28 per cent increment in cacao production was due to an expansion of 20 per cent in the crop area and an improvement of 7 per cent in yield. Lastly, the development of banana cultivation in Brazil and Mexico was entirely attributable to an extension of the cultivated area, yield during the decade remaining the same.

Animal products are in an even worse position. Argentina, Chile and Uruguay are the only countries where beef yield per head of stock is more or less on a par with figures in more developed stock farming areas, such as Australia and New Zealand. In the rest

of Latin America beef production per head of stock is about half that of the three countries mentioned. The same applies to the rate of slaughter. As table 21 indicates, the extraction percentage in 1960 was approximately 21 and 19 per cent in Argentina and Chile respectively, but barely reached 11 per cent for the whole of the rest of the region. It should be pointed out, however, that even the relatively high rates in the first two are considerably lower than those recorded in more developed countries.

**Table 21**  
BEEF YIELD IN LATIN AMERICA AND SELECTED COUNTRIES, 1960

	Rate of slaughter (percentage)	Carcas meat per head of stock (kilogrammes)
Argentina .....	21.1	43.8
Uruguay .....	14.0	34.5
Chile .....	18.7	43.9
Rest of Latin America .....	11.0	20.0
Australia .....	38.4	39.3
Canada .....	31.6	54.5
United States .....	27.0	74.6
New Zealand .....	36.5	40.0
United Kingdom .....	28.0	70.6

SOURCE: ECLA, on the basis of official statistics on cattle slaughtering, meat production and estimated inventories.

<sup>8</sup> The fact that the new land brought into cultivation was more fertile, especially in the State of Paraná, helped to raise yield.

Apart from the factors mentioned, there are other efficiency indices in Latin America, such as the lower birth rate, higher death rate and the very limited carrying capacity of pastureland, which testify to the inefficiency of stock farming there in comparison with more advanced areas.

Sheep and pig production is in much the same state. In the case of the latter, it is estimated that the slaughter rate in Latin America is a third of the rate in more developed countries, where the annual extraction exceeds the total inventory, which is replenished from year to year. Furthermore, the size and fattening of the animals has never acquired the same importance in Latin America as in other parts of the world.

Because of this low average productivity, Latin America has had a much larger cattle population with which to achieve the meat production levels recorded. North America and Europe, with approximately 110 million head of stock each, produced more meat than Latin America, which has nearly 200 million.

With respect to milk production, the picture is also one of low unit yield, although there are considerable differences among the Latin American countries and even within a single country. For instance, in the temperate zones, where strains are more specialized, animals are better fed and herd and pasture management is more efficient, the annual yield recorded is about 1,200 to 1,500 litres of milk per cow. Nevertheless, this figure is far outstripped by the yield obtained in such countries as the United States, Denmark and the Netherlands, where it fluctuates between 3,000 and 4,000 litres. In tropical countries it is more difficult to acclimatize specialized European strains and exploitation is much more extensive, so that average yield is usually not more than 800 litres per cow yearly. It should be noted, however, that isolated examples of highly efficient dairy farms are to be found in every Latin American country, sometimes in very diverse climates, which proves that the average productivity of the dairy industry could be much higher than it is.<sup>9</sup>

As regards wool yield, the situation is equally unfavourable. Production per animal barely averages 1.5 kilogrammes in the majority of countries. Only in the River Plate area and Chile did the yearly average come close to 3.5 kilogrammes per animal, although in a similar environment 5 to 6 kilogrammes were obtained in Australia and New Zealand.

The evolution of unit yield has not been the same everywhere. Commodities have progressed in some countries and lost ground in others. Absolute yield also varies considerably from one country to another, according to the natural factors and the systems of production used (see annex II, table E).

The increments in unit yield recorded in Latin America cannot always be ascribed to actual improvements in production methods. For instance, in the case of Argentina, there is no doubt that the increase in wheat yield was largely due to a reduction in the area sown, extensive marginal zones with a very low yield thus

being eliminated so that cultivation could be concentrated on land with a higher productivity per hectare.<sup>10</sup>

On the other hand, the upward trend of unit yield and the substantial growth of agricultural production in Mexico were largely due to the extension of the irrigated area during the last fifteen years. From 816,000 hectares in 1946 the figure had become more than 2.7 million by 1960. The difference between the yield obtained from irrigated and from non-irrigated land is quite considerable, being more than double in the case of some commodities.<sup>11</sup> Apart from the expansion in the irrigated area, improved techniques were introduced and made it possible to raise the yield of a good many irrigation crops and a smaller number of crops grown on non-irrigated land.

The low yields of crop and livestock production can be put down to a number of reasons, which are often closely interrelated. There are, for instance, the primitive systems of cultivation, the scant use made of fertilizers or improved seeds, deficiencies in water utilization, the poor livestock feeding, mainly because of seasonal shortages of fodder and inefficient pasture management, the generally low standards of animal health and genetics, and the lack of integration or complementarity between livestock and crops, etc. all of which are closely bound up with the low educational level of the rural worker, the system of land tenure in force and, in general, the lack of an agrarian policy that would stimulate the application of more modern technical methods. The influence of structural and institutional shortcomings on agricultural production and productivity are gone into more exhaustively in other parts of this study, while livestock production problems are examined in greater detail in other documents.<sup>12</sup> In the present section, all that is intended is to bring out one fundamental point, i.e., the gradual destruction of the land's productive capacity that can be observed in many agricultural areas in Latin America.

Even when trustworthy data on cases of soil destruction in Latin America are not obtainable, there are manifest signs in most countries—dune formation and advance, marginal areas of cultivation, impoverished pastureland, etc.—that this process has assumed alarming proportions, owing to the lack of soil conservation practices and, to a great extent, the lack or insufficient use of fertilizers to replace the nourishment that the crops extract from the soil. Table 22 demonstrates that, even though fertilizer consumption increased more than five-fold in Latin America during the last fifteen years, it

<sup>10</sup> Between the two five-year periods 1925-29 and 1950-54, wheat land was reduced by about 2.5 million hectares altogether, the low-yield areas eliminated amounting to even more.

<sup>11</sup> The following figures give a clear idea of the disparities:

	Irrigated land (Kg/ha)	Non-irrigated land (Kg/ha)
Rice .....	2 839	1 736
Maize .....	1 512	913
Wheat .....	1 972	1 037
Beans .....	1 077	430
Potatoes .....	8 170	5 087
Sugar-cane .....	67 553	51 655

<sup>12</sup> See *Livestock in Latin America: Status, Problems and Prospects. I. Colombia, Mexico, Uruguay, Venezuela*, United Nations publication, Sales No.: 61.II.G.7 and *Livestock in Brazil: Status, Problems and Prospects* (E/CN.12/636).

<sup>9</sup> This also applies to meat production, and to agricultural production in general.

is still very low in absolute terms, especially in comparison with the levels in other regions. In fact, in the 1959/60 crop year, the total amount of fertilizers consumed in Latin America (in terms of nutrients per hectare) was equivalent to only 10 per cent of the total in Europe and little more than a quarter of consumption in Oceania and North America. The difference between

some of the Latin American countries on the one hand, and, on the other, North America and countries in Europe and Asia may be appreciated from annex II, table 6. Chile, for example, which is a major producer of sodium nitrate, does not use more than the equivalent of 7 per cent of the total amount consumed by Japan, with an arable area of much the same size.

**Table 22**  
FERTILIZER CONSUMPTION BY REGIONS, 1945-60

Region	Arable area (millions of hectares)	Nutrients in plants (Kg/ha)				Percentage increment with respect to 1945-46		
		1945-46	1949-50	1954-55	1959-60	1949-50	1954-55	1959-60
Africa .....	223	0.5	0.8	1.4	1.8	57	167	248
Europe .....	154	21.9	41.5	59.7	83.1	89	173	280
Far East <sup>a</sup> .....	261	0.3	3.9	6.7	9.7	1 079	1 903	2 842
Latin America .....	102	1.5	2.2	4.7	8.2	46	212	446
Middle East .....	77	0.6	1.7	2.7	3.2	177	329	421
North America .....	229	11.7	17.6	25.7	31.1	51	120	167
Oceania .....	28	13.3	18.1	25.8	30.0	36	94	125
Soviet Union .....	221	3.1	4.6	7.8	10.6	51	153	244
<i>World total<sup>a</sup></i> .....	<i>1 295</i>	<i>5.8</i>	<i>10.4</i>	<i>15.6</i>	<i>20.9</i>	<i>80</i>	<i>170</i>	<i>262</i>

SOURCE: As for table 17.

<sup>a</sup> Excluding mainland China.

In view of the exceptional importance of soil destruction through unplanned forest exploitation, it has been thought worth while to devote a special paragraph to this subject. The beneficial properties of forests as a protection for the soil are well known. They include the multiple action of tree roots, of the topsoil and of the humus formed from leaf droppings; their controlling influence over surface and underground streams, preventing torrents and flood damage and regulating river flow; wind protection, defence against dunes, etc. In addition, they provide a convenient shelter for livestock and wild animals. But a continuous process of deforestation is obviously going on in Latin America which is not being counteracted by adequate replacement activities, and is often without any justification as regards the level of timber production. In many parts of Latin America, the arable area was enlarged at the expense of the forests and without a proper conservation policy; this has meant that, with the passage of time, large tracts of land have become useless for both timber and crops, since most deforested land is unsuitable for permanent crop or stock farming. It is clearly essential for fertility to be restored to the soil in many parts of the region by means of extensive afforestation programmes. This would entail the mass adoption of modern farming techniques in those parts of the remaining land which are clearly suitable for crops or livestock.

(e) *Economically active population and gross product in the agricultural sector*

In view of the fact that agricultural production has progressed less rapidly than that of other sectors of the Latin American economy, the share of agriculture in the regional gross domestic product has been gradually shrinking during the last few decades. From nearly

30 per cent in the pre-war period, it came to represent little more than 21 per cent in 1958-60.

This evolution, which is normal in developing countries, was accompanied in Latin America by an extensive drift to the towns. As indicated in table 23, the economically active population in the agricultural sector increased by only 30 per cent between the pre-war period and 1958-60, i.e., at an annual rate of approximately 1.3 per cent, whereas the total active population increased by 65 per cent in the same period, and by 118 per cent in the other sectors, i.e., 3.8 per cent yearly. However, during the last decade the economically active agricultural population increased at a more vigorous pace thanks to the upward trend of demographic growth in the region as a whole, attaining a rate of 1.5 per cent annually. But, despite the rising rate, population shifts continued to take place on a fairly sizable scale, since the economically active population in non-agricultural sectors increased 3.9 per cent yearly in the same decade. Consequently, this group in the agricultural sector reckoned as a percentage of the total economically active population dropped sharply to nearly 48 per cent in 1958-60 from 60 per cent before the war.<sup>13</sup>

For the same reason the gross product per economically active person increased more rapidly in the agricultural sector than in all the other sectors together. Although the total agricultural gross product failed to keep pace with that of other activities, the product per economically active person in the same sector expanded by 38 per cent (1.6 per cent annually) in the course of the two decades under consideration, but by only 27 per cent in the remaining sectors as a whole (1.2 per cent annually).

<sup>13</sup> Nevertheless, the active agricultural population continued to increase in absolute terms: from 24.7 million before the war it rose to 32.2 million in 1958-60.

**Table 23**  
**LATIN AMERICA: AGRICULTURAL AND NON-AGRICULTURAL GROSS DOMESTIC PRODUCT**

(Total and per economically active person)

	Pre-war period <sup>a</sup>	1945-47	1951-53	1958-60
Total gross domestic product.....	100	137	182	248
Agricultural sector .....	100	114	138	179
Non-agricultural sectors .....	100	146	200	278
Total economically active population.....	100	118	137	165
Agricultural .....	100	109	117	130
Non-agricultural .....	100	132	167	218
Gross domestic product per economically active person...	100	115	133	151
Agricultural sector .....	100	104	118	138
Non-agricultural sectors .....	100	111	120	127
Agricultural sector as a percentage of the total gross domestic product .....	29.5	24.6	22.4	21.3
Agricultural workers as a percentage of the total economically active population.....	60.5	55.9	51.9	47.8
Ratio between the gross domestic product per person economically active in non-agricultural and agricultural sectors .....	3.66	3.88	3.74	3.38

SOURCE: ECLA estimates.

<sup>a</sup> 1937-39.

In the last few years of the period, there was a fairly considerable step-up in the rate at which productivity per employed person in agriculture was increasing yearly to nearly 2.3 per cent. Conversely, a substantial decline was reported for the other sectors where the rate dropped to as little as 0.8 per cent yearly. This came about because of their failure to develop enough to absorb all the immigrants from the countryside which meant that some of the unemployment and underemployment in agricultural activities was transferred to the towns.

The influence exerted by the weak growth rate of Argentina's economy in general and agricultural sector in particular should be taken into account here. When this country is excluded, both the agricultural and non-

agricultural gross products made much swifter progress (see table 24). Productivity per employed person also rose much more quickly, annual rates of 1.9 and 1.3 per cent respectively being recorded for the agricultural sector and the remaining sectors as a whole. For the latter period, approximately the same ratios as those indicated for the entire region were maintained: the product per economically active person in the agricultural sector increased 2.6 per cent yearly, but dropped to only 1 per cent for the other sectors. However, if Argentina is left out, the economically active persons in the agricultural sector represent a larger share of the total number, since only a small proportion of about 20 per cent is employed in crop and livestock activities.

**Table 24**  
**LATIN AMERICA (EXCLUDING ARGENTINA): AGRICULTURAL AND NON-AGRICULTURAL GROSS DOMESTIC PRODUCT**

(Total and per economically active person)

	Pre-war period <sup>a</sup>	1945-47	1951-53	1958-60
Total gross domestic product.....	100	137	190	269
Agricultural sector .....	100	115	145	193
Non-agricultural sectors .....	100	147	210	304
Total economically active population.....	100	118	138	167
Agricultural .....	100	110	118	132
Non-agricultural .....	100	132	175	235
Gross domestic product per economically active person...	100	117	138	161
Agricultural sector .....	100	105	123	147
Non-agricultural sectors .....	100	111	120	130
Agricultural sector as a percentage of the total gross domestic product .....	31.3	26.3	23.9	22.4
Agricultural workers as a percentage of the total economically active population.....	65.3	61.0	55.9	51.3
Ratio between the gross domestic product per person economically active in non-agricultural and agricultural sectors .....	4.14	4.38	4.03	3.65

SOURCE: ECLA estimates.

<sup>a</sup> 1937-39.



The tables in question offer other interesting points for consideration. For instance, there is the question of the disparity between productivity per person employed in the agricultural and in the other sectors. Although the gap has narrowed in the last few years as a result of the greater relative increase of productivity in the former, it is still appreciable, the ratio being currently about three and a half to one. There are, of course, marked disparities among the different countries of the region. According to preliminary information obtained, the ratio is 1 to 1.5 in Argentina, but almost one to four in Brazil, Mexico and Peru—which demonstrates that agriculture in the last three is at a very low level technically. The product per economically active person also differs considerably in absolute terms. In 1960, the gross agricultural product per economically active person in Argentina, Cuba and Uruguay was about eight times greater than in Bolivia and Haiti, and four times greater than in Paraguay and Peru. As table 25 testifies, only nine of the Latin American countries exceeded the regional average.

**Table 25**

LATIN AMERICA: INDEXES OF AGRICULTURAL GROSS DOMESTIC PRODUCT PER ACTIVE PERSON, 1960

(Indices: Latin America = 100)

Country	Index
Uruguay .....	290
Cuba .....	249
Argentina .....	244
Costa Rica .....	200
Venezuela .....	147
Colombia .....	143
Panama .....	143
Nicaragua .....	115
Chile .....	111
Guatemala .....	90
Dominican Republic .....	87
Mexico .....	86
Brazil .....	80
El Salvador .....	73
Honduras .....	71
Ecuador .....	68
Peru .....	61
Paraguay .....	59
Bolivia .....	31
Haiti .....	31

SOURCE: ECLA, on the basis of provisional data.

It may be worth while to add a further reminder that the sole purpose of the indices given in other tables is to illustrate orders of magnitude. Each of them incorporates large rural population sectors whose income is much less than the corresponding national average. As will be shown in a later section, the inequitable distribution of agricultural income, due chiefly to the great extent to which land is concentrated in the hands of a few owners, means that the income levels of most of the agricultural population fall 20 or 30 per cent or even farther short of the statistical averages mentioned. If the annual gross product per member of the agricultural population is taken to be, in absolute terms, about 140

dollars (at 1950 prices) for Latin America as a whole, in the case of the bulk of agricultural wage-earners and small-holders the corresponding figure probably does not exceed 90 or 100 dollars a year. Because of the statistical difficulties to which allusion has repeatedly been made, it is impossible to present an exact picture of the situation, either by population groups or by geographical areas; the real state of affairs, however, cannot differ very greatly from that described, at least as far as the relative disparities between the various countries and social groups are concerned.

2. LIVING CONDITION OF THE AGRICULTURAL POPULATION IN LATIN AMERICA

Of the 206 million inhabitants of the twenty Latin American republics in 1960, approximately 110 million were living in rural areas. It is the present living conditions of the major proportion of this rural population—those engaged in crop and stock farming and forestry<sup>14</sup>—that will be briefly analysed in the present chapter.<sup>15</sup>

The geographical distribution of the rural population throughout Latin America is determined by the relative demographic importance of each country and by its degree of urbanization. In 1960 approximately 40 per cent of the total was concentrated in Brazil, where about 43 million persons were living in rural areas. Next in importance came Mexico, with a little over 16 million; Colombia, with 8.3 million; and Peru and Argentina, with about 7 million each. In all the other Latin American countries the rural population in 1960 numbered fewer than 4 million inhabitants.

In relative terms, the countries with the highest degree of urbanization or the lowest proportion of rural population are Uruguay, Argentina, Chile and Venezuela;<sup>16</sup> those whose population is of a semi-urban (or semi-rural) character are Colombia, Cuba, Mexico, Panama, Brazil and Costa Rica;<sup>17</sup> and the population of the remainder is pre-eminently rural.<sup>18</sup>

Broadly speaking, there is a certain over-all correlation between the degree of urbanization and the level of economic development in the countries listed. In the most highly urbanized, average per capita income tends to be higher than in those where semi-urbanization or rural conditions prevail; but despite this correlation, even in the countries that are apparently at a more

<sup>14</sup> Under the classification used in population censuses, inhabitants of small townships pursuing such occupations as mining or fishing on the one hand, or business or home industries on the other, are also shown as rural population. Although as a general rule their levels of living are very similar to those of agricultural workers, it is primarily to the living conditions of these latter, who represent over 90 per cent of the rural population, that the present chapter will refer.

<sup>15</sup> It should be noted that extremely fragmentary data had to be used in this connexion, as no complete statistics exist whereby the levels of living of the agricultural population can be precisely assessed. Even with these reservations, however, the figures presented are fairly illustrative of the situation prevailing in the rural areas of Latin America.

<sup>16</sup> More than 60 per cent of the total population was urban in 1960, and over 80 per cent in the case of Uruguay.

<sup>17</sup> Between 40 and 60 per cent of their total population was urban in 1960.

<sup>18</sup> The minimum proportion of rural population in 1960 was 65 per cent, but in some countries the figure was much higher (78 per cent in Honduras and 87 per cent in Haiti).

advanced stage of development the standard of living of vast masses of the rural population is extremely low.

The analysis which follows will cover various aspects of the living conditions in question.

(a) *Economic situation*

Generally speaking, this is characterized by a low average level and a very inequitable distribution of agricultural income. It has already been pointed out that the average income of the agricultural worker was much smaller than that of the worker engaged in non-

agricultural activities. And this is true, in varying degrees, of all the countries of the region. The averages registered, however, obscure the real facts as to the economic situation of the bulk of the rural population, because of the extremely uneven distribution of agricultural income. In Chile, for example, in the middle of the last decade, the agricultural-employer sector, which represented 12.4 per cent of that country's total agricultural active population, received an average income fourteen times as high as that of the agricultural-worker sector (see table 26).

**Table 26**  
CHILE: INCOME DISTRIBUTION IN THE AGRICULTURAL SECTOR  
BY SOCIAL GROUPS, 1954

(Expressed in terms of escudos at 1960 prices)

Social group	Active persons		Aggregate income		Income per active person (escudos)
	Thousands	percentages	Millions of escudos	Percentages	
Working class .....	574.2	87.2	190.3	34.0	331
Middle class .....	2.9	0.4	2.1	0.4	724
Employer class <sup>a</sup> .....	81.7	12.4	367.0	65.6	4 492
<b>Total</b> .....	<b>658.8</b>	<b>100.0</b>	<b>559.4</b>	<b>100.0</b>	<b>849</b>

SOURCE: Helio Varela, *Estratificación social de la población trabajadora en Chile y su participación en el ingreso nacional (1940-1954)* Panorama Económico, No. 199, Editorial Universitaria, Santiago, Chile, February 1959. The figures for the working class were adjusted by Marvin J. Sternberg, *Distribución de los ingresos en la agricultura chilena*. Panorama Económico, No. 226, December 1961.

<sup>a</sup> The author of the table classifies employers' earnings under two heads: one representing entrepreneurial earnings, to which he assigns 133 million escudos (1,628 escudos per active person), and the other corresponding to income on property calculated residually, to which he assigns 234 million escudos (2,864 escudos per active person).

The over-all data presented are corroborated by many specific studies. A case in point is the research undertaken by the Ministry of Agriculture of Chile in the large agricultural commune of San Vicente de Tagua-Tagua,<sup>19</sup> according to which, *inter alia*, the total income of the local *inquilinos*,<sup>20</sup> taking into account all forms of remuneration (including consumption of their own produce), was insufficient to guarantee a minimum balanced diet, irrespective of other expenditure.

Within the group of semi-urban or semi-rural countries, the cases of Cuba and Brazil may be cited. A survey carried out in Cuba in 1956,<sup>21</sup> which covered a thousand agricultural workers' households, distributed throughout the country's 126 municipalities, and considered to be representative of a sample universe of about 400,000 households, indicated that, in contrast with the average annual income of approximately \$370

dollars registered for the country as a whole, the average income of the rural population was only 92 dollars, i.e., one-fourth as much. A similar situation prevails in Brazil. The average national income per active person in the agricultural sector is about 110 dollars (as against 440 dollars in the non-agricultural sectors); but in the North Eastern region, where about one-third of Brazil's total population is to be found, and almost 80 per cent of whose inhabitants live in rural areas, the over-all average falls to about 85 dollars a year, while for agricultural workers in the sugar-growing areas it drops to approximately 50 dollars.

In the pre-eminently rural countries of Latin America the economic situation of the broad masses of the rural population is certainly no better. A few data relating to Ecuador may serve to illustrate this fact.

One of the most characteristic groups within the rural population of Ecuador, although numerically not one of the largest,<sup>22</sup> is that of the *huasipungueros*, composed of agricultural labourers who have to work for a certain number of days a week on the farms in the sierra, receiving in compensation a cash payment and the right to cultivate a plot of land. In a study carried out for the Institute of Anthropology and Geography of Ecuador in 1959,<sup>23</sup> it was found that the average income of the

<sup>19</sup> Ministry of Agriculture, Department of Agronomics, *Aspectos Económicos y Sociales del Inquilinaje en San Vicente de Tagua-Tagua*, Santiago, Chile, 1960.

<sup>20</sup> The *inquilino* is the cornerstone of the structure of agricultural labour in Chile. The system of *inquilinaje* is characterized by the following features: (a) annual contracts and steady work; (b) payment basically in kind, including a plot of cultivable land for the *inquilino's* own use and grazing rights for a given number of animals (only 25 per cent of the total remuneration is paid in cash); and (c) the obligation to bring another worker into the agricultural enterprise (if no relative is available; the *inquilino*, in order to comply with the rules of the system, must provide board and lodging in his house for an outsider and must share with him the remuneration received in kind).

<sup>21</sup> This survey was carried out by the *Agrupación Católica Universitaria*.

<sup>22</sup> About 100,000 persons.

<sup>23</sup> See Alfredo Corrales Samaniego, in the *Revista del Instituto de Derecho del Trabajo y de Investigaciones Sociales*, Year I, No. 2 (July-December 1961), Central University of Quito, Ecuador.

*huasipunguero* population fluctuated (in terms of dollars) between 11 and 27 cents a day, including both cash wages and payments in kind. At the same time, it was established that the daily wage for unattached labourers (who are not entitled to remuneration in kind was—taking the average for the ten sierra provinces—equivalent to a little under 40 cents. If it is estimated that each worker has a household of three persons, average per capita income works out at less than 15 cents a day. On the coast of Ecuador wages are higher, and in 1959, according to the study referred to above, they reached an average of rather more than 60 cents a day per worker. Although in law the *huasipunguero* system was abolished in 1962, the situation of other agricultural workers was clearly not much better.

(b) *Diet*

This is another basic indicator of the level of living of the bulk of Latin America's rural population. Unfortunately, on this subject again there are no studies which give an exact idea of the real state of affairs among the agricultural populations of the various countries of the region. The few studies available on consumption of food in general and of calories and proteins in particular relate, as indicated in an earlier section, to the population as a whole, and do not differentiate either between social classes (upper, middle and lower) or between population sectors (urban and rural). It is easy to see, however, that owing to the low income levels prevailing in rural environments nutritional conditions

among the rural population groups are in general very unsatisfactory, especially from the qualitative standpoint.

Thus, for example, the survey carried out in Cuba in 1956 revealed the following facts in connexion with the diet of the rural population. Only 4 per cent of the population in question indicated that meat formed an integral part of their usual rations. Fish was mentioned by less than 1 per cent. Eggs were eaten by 2 per cent of agricultural workers, and only 11 per cent drank milk. Consumption of bread and wheat flour was confined to 3 per cent and 7 per cent of the rural population, respectively, and no mention whatever was made of green vegetables. The main sources of energy-giving food were rice, which constituted 24 per cent of the total diet; beans accounting for 23 per cent; and a group of vegetables comprising plantains, sweet potatoes, malanga and squash, which represented 22 per cent. It was remarkable how uniformly these three items figured as the staple diet of the Cuban agricultural worker.

In Peru, according to a publication<sup>24</sup> which sums up the findings of several surveys carried out in the various geographical zones of the country (coastal belt, sierra and *selva*) and in different environments (urban and rural areas), the situation with respect to nutritional deficiencies is as indicated in table 27.

<sup>24</sup> See Ministry of Public Health and Social Welfare, Inter-American Co-operative Service of Public Health, and Institute of Nutrition, *La Alimentación y el Estado de Nutrición en el Perú*, Lima, Perú, March 1960.

**Table 27**  
PERU PERCENTAGE OF FAMILIES CONSUMING LESS THAN 75 PER CENT OF THE DIET RECOMMENDED, BROKEN DOWN BY FOOD FACTORS  
(Percentages)

Food factor	Coastal belt		Mountain region		Forest region (semi-urban and urban area)
	Urban area	Rural area	Urban area	Rural area	
Calories .....	5.8	19.8	21.0	60.7	26.2
Proteins .....	9.1	29.7	18.0	67.7	21.9
Calcium .....	77.1	85.9	86.0	89.9	82.9
Iron .....	9.9	27.6	13.0	16.7	7.9
Vitamin A .....	36.9	65.3	42.0	89.5	37.1
Thiamine .....	35.9	59.8	66.0	41.7	33.8
Riboflavin .....	34.7	68.4	52.0	53.7	45.5
Niacin .....	3.1	13.5	0.0	25.0	24.3
Vitamin C .....	22.4	40.8	24.0	35.2	11.8

SOURCE: Ministry of Public Health and Social Welfare, Inter-American Co-operative Service of Public Health, and Institute of Nutrition, *La Alimentación y el Estado de Nutrición en el Perú* (Lima, March 1960).

It can be seen from the table in question that both on the coast and in the sierra nutritional deficiencies tend to be much more serious in rural than in urban households. Dietary recommendations in respect of the various food factors represent quantities sufficient to keep healthy persons well nourished and to provide a safety margin over and above minimum requirements. A danger point is reached when intake is between 50 and 75 per cent of the recommended diet. Thus, households classified in the groups consuming less than 75 per cent of the

amounts recommended are considered to be suffering from some kind of nutritional deficiency.

In the light of this concept, and of the data presented in table 27, it can be seen that the diet of 20 per cent of rural households on the coast and 60 per cent in the sierra is seriously deficient in calories. Intake of proteins is inadequate in 30 per cent of rural households on the coast and nearly 70 per cent in the sierra. In the case of other food factors, such as calcium, the deficiency is much more widespread, and affects about 90 per cent

of rural households both on the coast and in the sierra. Considerable deficiencies are also observable in respect of vitamin A, thiamine, riboflavin, niacin and vitamin C. All this shows that the nutritional levels of the rural population of Peru are as a general rule deplorably low.

With respect to Brazil, mention may be made of the North Eastern region, an area with a pre-eminently rural population. Here the average daily consumption of calories is less than 2,000, as against an average consumption of approximately 2,500 calories a day in Brazil as a whole. According to some sources,<sup>25</sup> there are many cases in the area in question where the income of the rural population is so low that their nutritional levels are far below the average.<sup>26</sup>

<sup>25</sup> See René Dumont, *Terres vivantes*, Plon, Paris, 1961.

<sup>26</sup> On some reasonably typical estates the daily wage in 1958 was from 20 to 35 cruzeiros, without food. Farm workers had to pay for their *farinha* (dry yucca starch, almost entirely devoid

Another example is afforded by Ecuador, where, according to various surveys, the diet of the bulk of the rural population does not provide a satisfactory daily minimum of calories per inhabitant.

Evidence of this can be found in a study published by the Ministry of Social Security and Health, in which nutritional surveys carried out in various parts of the country are analysed. Table 28 sums up the principal findings of these surveys with respect to the rural population groups.

of proteins and often containing from 15 to 30 per cent of pulp), which is the staple item of food throughout the whole of the North and North Eastern regions of Brazil, at a rate of 25 cruzeiros per kilogramme. In other words, their daily wage was the equivalent of about 1 kilogramme of *farinha*. In South China, the lowest wages which Professor Dumont came across represented the equivalent of 2 kilogrammes of hulled rice, a food of much higher quality than *farinha*.

Table 28

ECUADOR: NUTRITIONAL LEVELS IN SELECTED RURAL AREAS

Locality	Year of survey	Type of population	Average daily intake of calories	Main nutritional deficiencies
Cotacollao, Canton of Quito....	1953	Mainly <i>mestizo</i> ; a smaller proportion indigenous	1 705	Calcium Vitamin A
Communities of Pegucho and La Bolsa (Otavalo).....	1953	Indigenous	1 697	Calcium Vitamin A Riboflavin
Rural population on the littoral or Costa Baja of Ecuador....	1954	<i>Mestizos</i> in the sierra and Negroes on the coast	2 035	Calcium Riboflavin

SOURCE: Ministry of Social Security and Public Health, *La Realidad Alimentaria Ecuatoriana*, 1956.

(c) Education

The low income of Latin America's rural population, analysed in earlier paragraphs, is reflected in appalling social conditions as regards levels of education, housing, public health, sanitation and diet.

With respect to education, it should be pointed out that the over-all level of illiteracy is much higher in the rural than in the urban areas in all the countries of the region, without a single exception. By way of corroboration, a UNESCO table is reproduced here showing the level of illiteracy among the urban and rural population aged fifteen years or over, in nine Latin American countries, about 1950.

It can be seen from table 29 that the level of illiteracy was from twice to six times as high—according to the country concerned—in the rural areas as in the larger towns. In the latter at worst, not more than 30-35 per cent of the population in the over 15 age group are illiterate. In the rural areas, on the other hand, the level of illiteracy ordinarily fluctuates between 40 and 80 per cent of the population aged over 15 years. Although the proportions have no doubt varied in the course of the past decade, these figures give a fairly clear idea of the situation.

It should also be stressed that there is no direct correlation between the level of rural illiteracy and average

Table 29

LATIN AMERICA: ILLITERACY AMONG THE URBAN AND RURAL POPULATION IN THE OVER-FIFTEEN AGE GROUP IN NINE SELECTED COUNTRIES, 1950<sup>a</sup>

Country	Percentage of illiterate persons	
	Urban	Rural
Brazil .....	27	67
Chile .....	11	37
Costa Rica .....	8	28
Dominican Republic .....	29	67
El Salvador .....	35	77
Nicaragua .....	30	80
Panama .....	8	46
Paraguay .....	14	37
Venezuela .....	30	72

SOURCE: UNESCO, *The educational situation in Latin America* (Paris, 1960).

<sup>a</sup> Chile, 1952.

per capita income levels in the agricultural sectors of the various countries. Thus, for example, Paraguay where the average income figure is less than half that registered in Chile, shows exactly the same rural illiteracy percentage as the latter country. In Venezuela, where average

per capita income in the agricultural sector is slightly more than in Panama, the level of rural illiteracy is 50 per cent higher.

Primary school attendance rates in the 5-14 age group constitute another important aspect of the question, since they are indicative of what is being done to raise the future level of literacy in the various countries. Table 30 shows rates of attendance at primary schools, determined on the basis of the ratio of the number of children enrolled to the total number of children of primary school age (5 to 14 years).<sup>27</sup> These rates are given for the various countries of the region and relate to the period 1955-59.

The rates indicated in table 30 correspond to the total number of children in the 5-14 age group, regardless of whether they came from urban or from rural homes. In order to give some idea of the position in the urban and rural sectors in this respect, rural population percentages in 1960 are shown in the first column of the table, by countries in descending order of magnitude. From a comparison of the two columns it can be seen that, broadly speaking, and with due allowance for a few exceptions such as Costa Rica, the Dominican Re-

<sup>27</sup> The rates given are higher than the real rates of school attendance, for it is common knowledge that many of the children who enrol subsequently fail to attend school regularly.

Table 30

LATIN AMERICA: PERCENTAGE OF RURAL POPULATION, PERCENTAGE OF TOTAL POPULATION AGED FIVE TO FOURTEEN YEARS ENROLLED IN PRIMARY SCHOOLS, AND FUTURE RATE OF POPULATION GROWTH

Country	Percentage of rural population in 1960 (1)	Percentage of total population aged 5 to 14 years enrolled in primary schools in 1955-59 (2)	Estimated rate of population growth in 1965-75 (3)
Haiti .....	87	24	2.6
Honduras .....	78	36	3.5
Dominican Republic ....	71	68	3.5
Bolivia .....	70	40	2.5
Guatemala .....	69	26	3.1
El Salvador .....	67	45	3.2
Paraguay .....	66	71	2.8
Nicaragua .....	66	40	3.5
Ecuador .....	65	47	3.2
Peru .....	64	48	3.2
Costa Rica .....	62	83	3.5
Brazil .....	61	43	3.0
Panama .....	59	60	2.8
Colombia .....	54	39	2.9
Mexico .....	46	51	3.0
Cuba .....	45	57	2.0
Venezuela .....	38	51	2.9
Chile .....	37	62	2.4
Argentina .....	32	70	1.7
Uruguay .....	18	67	0.8

SOURCES: For (1) and (3): ECLA, provisional population estimates for the twenty Latin American republics, presented in the *Statistical Supplement to the Economic Bulletin for Latin America*, vol. VII, No. 1, Santiago, Chile, October 1962; for (2): Latin American Demographic Centre (CELADE), *A demographic analysis of the educational situation in Latin America* (UNESCO/ED/CEDES/8; ST/ECLA/CONF.10/L.8; PAU/SEC/8), January 1962, document prepared for the Conference on Education and Economic and Social Development in Latin America, Santiago, Chile.

public and Paraguay, the larger the proportion of the total population represented by the rural population, the lower the rate of school attendance. This would suggest that educational facilities at the primary level are far less adequate in the rural than in the urban areas, and that the higher the percentage of rural population the less chance there is that a major proportion of the children in the 5-14 age group will be taught to read and write.<sup>28</sup>

A third column has been added to the table to show probable annual rates of population growth during the period 1965-75. While they are in general very high, it should be noted that in almost all the countries with a large proportion of rural population they exceed 3 per cent. In other words, the rapidity of the estimated rate of population growth will call for a substantial effort on the part of these countries to improve the low primary-school attendance rates.

The educational situation of the rural population has been analysed only in terms of the levels of literacy and of primary education. The other educational levels (secondary and university) have not been taken into account, for want of sufficient relevant data. Nor has consideration been given to the technological training of the rural population to enable them to farm more efficiently and turn their resources to better account in the interests of social development. In all these respects, educational deficiencies are far more serious still than the deficiencies in respect of elementary literacy. Consequently, it may be asserted that the vast majority of the rural population of Latin America, apart from its minimal income levels, is in a marginal position with respect to education and culture.

#### (d) Housing

Another significant index which shows how extremely low is the level of living of Latin America's agricultural population is that relating to the housing situation. It is worth while to consider a few data which reveal the general position in this respect. Table 31 shows the percentages of housing units with mud floors, straw-thatched roofs and adobe walls in six countries of the region about the year 1950.

It can readily be deduced that the higher the percentage of rural housing in a given country, the poorer, as a rule, is the quality of the materials with which the housing unit is built and the worse the state in which it is maintained. Further evidence of this is afforded by a study of the situation in those countries where figures relating to the same period are available for both urban and rural housing, as is the case in Honduras, Panama

<sup>28</sup> A case in point is that of Venezuela. The 1950 Census data showed that in urban centres 32 per cent of the population aged over 7 years was illiterate, whereas in rural areas the corresponding proportion was 74 per cent.

The following were the causes of failure to attend school in rural areas in Venezuela:

- 57.0 per cent: dearth of schools
- 15.3 per cent: children gainfully employed
- 23.5 per cent: lack of resources
- 2.1 per cent: chronic disease or disability
- 2.1 per cent: unspecified causes

Total: 100 per cent.

The foregoing data are taken from Luis P. Prieto F., *Reforma Agraria y Educación en Venezuela, Política*, No. 8, Caracas, Venezuela, April 1960.

and Venezuela. It is clear that in these countries mud floors and straw-thatched roofs are to be found in much higher percentages of the rural than of the urban housing units.

**Table 31**

LATIN AMERICA: PERCENTAGE OF HOUSING UNITS WITH MUD FLOORS, STRAW-THATCHED ROOFS AND ADOBE WALLS IN SIX SELECTED COUNTRIES, UP TO 1950

Country	Number of urban housing units as a percentage of total number of housing units	Percentage of housing units with:		
		Mud floors	Straw-thatched roofs	Adobe walls
Argentina .....	64	23.8	18.1	19.8
Venezuela .....	49			
Urban .....		26.4	14.7	—
Rural .....		83.3	67.0	84.6
Panama .....	42			
Urban .....		4.8		
Rural .....		69.6		
Colombia .....	38	52.7	46.2	72.3
Paraguay .....	28	73.6	74.3	—
Honduras .....	17			
Urban .....		52.7	6.3	64.6
Rural .....		89.8	33.8	58.4

SOURCE: Preliminary version (October 1962) of a study on outstanding aspects of the social development of Latin America (chapter II: Housing), prepared by the General Secretariat of the Organization of American States (OAS) for the *Economic and Social Survey of Latin America*, 1961.

Table 32 shows the percentage of the population living in housing units provided with tap water, electric light and sanitary facilities, in urban and rural areas in six Latin American countries, about the year 1950. It can be seen that as regards the availability of tap water, electric light and sanitary facilities, the situation of residents in urban areas is vastly different from that of the population living in rural housing units.

The data given in these over-all tables can be corroborated by a series of national or local examples taken both from countries with relatively high levels of per capita income and degrees of urbanization and from those where income levels are low and the population is pre-eminently rural. They all indicate that, broadly speaking, in all the countries of the region, housing conditions in rural areas are seriously deficient. In Chile, for example, it was stated at a seminar on rural housing held in 1958 that 51 per cent of the existing rural housing units ought to be completely scrapped and replaced.

The study of the commune of San Vicente de Tagua-Tagua cited above established that 37 per cent of the typical rural housing units investigated had earthen floors; 60 per cent were devoid of sanitary facilities; in 57 per cent, drinking-water was obtained from irrigation ditches; in 34 per cent, candles were used for lighting purposes; and in 90 per cent, there was only one bed for more than one and up to four persons.

In another local study carried out in the Chilean province of Aconcagua,<sup>29</sup> the various components of a

<sup>29</sup> Luis Ratinoff, *La estratificación urbana y rural en la Provincia de Aconcagua*, Economic Planning Centre of the University of Chile (unpublished).

**Table 32**

SIX LATIN AMERICAN COUNTRIES: PERCENTAGE OF THE POPULATION SUPPLIED WITH TAP WATER, ELECTRIC LIGHT AND SANITARY FACILITIES, 1950

Country	Population living in urban and rural housing units supplied with					
	Tap water		Electric light		Sanitary facilities	
	Urban	Rural	Urban	Rural	Urban	Rural
Brazil .....	39.5	1.4	62.7	3.6	71.3	10.4
Cuba .....	82.8	10.5	86.1	9.0	95.1	46.2
Dominican Republic .....	80.1	12.4	46.1	1.9	97.4	87.9
Honduras .....	33.7	1.9	22.5	1.3	28.6	11.4
Panama .....	97.3	10.3	—	—	97.7	37.7
Venezuela .....	51.3	5.9	68.8	8.7	67.5	10.9

SOURCE: OAS, study on the social development of Latin America, op. cit., table 43.

housing unit were considered from the standpoint of quality. If the same criterion is adopted, but is applied to housing units throughout the whole country, it can be seen that only 22.8 per cent of urban households live in housing conditions as poor as the majority of rural households. Better standards prevailed for all the rest of the urban households, i.e., nearly 80 per cent.

Similarly, in Cuba, according to the national survey mentioned earlier, 64 per cent of rural housing units had neither toilets nor latrines, 60 per cent were built of poor-quality materials, 83 per cent had no bath or shower, only 7 per cent were supplied with electric light and in 42 per cent there was only one bedroom. Their

general condition was considered by the surveyors to be satisfactory only in the case of 22 per cent, fair in that of 36 per cent and poor in that of 42 per cent.

In the North Eastern region of Brazil, only 4 per cent of housing units had tap water, 9 per cent electric light and 13 per cent sanitary facilities. These data also cover urban housing units, so that the percentages for rural housing units alone must certainly have been much lower.

In Haiti, in the departments of Norte and Artibonite, in which the population is predominantly rural, and which take up about 40 per cent of the total area of the country, the housing situation, according to the 1950 Census, was

as follows: in Norte, out of 117,000 housing units enumerated, only 2 per cent had electric light and 1 per cent indoor tap water, while 92 per cent had no sanitary facilities; in the department of Artibonite, out of 133,000 housing units enumerated, only 0.5 per cent had electric light and 0.8 per cent indoor tap water, while sanitary facilities were lacking in 93.5 per cent.

During the fifties this situation probably improved somewhat. However, no up-to-date information is available whereby the improvement, if any, can be assessed. In any event, the data presented above bear eloquent witness to the deplorable housing conditions which up to a few years ago prevailed in the rural areas of Latin America.

#### (e) Sanitation and health situation

As in the foregoing cases, the data available are insufficient for a thorough analysis of the sanitation and health situation of Latin America's rural populations. To give an approximate idea of the conditions in question, the countries of the region are grouped in table 33 in order of the percentages of their total population represented by the population of rural areas. Alongside the countries are presented as indicators the death rates from infectious and parasitic diseases and the number of hospital beds per thousand inhabitants.

From an analysis of table 33 it emerges that, in general terms, the higher the proportion of rural population, the heavier the incidence of deaths from infectious and parasitic diseases, which are closely linked to sanitary conditions. Thus, for example, in countries where more than 45 per cent of the population lives in a rural environment this death rate almost invariably exceeds one hundred deaths yearly per hundred thousand inhabitants, and this proportion sometimes rises to over five hundred. In contrast, in four of the five Latin American countries whose rural population represents 45 per cent or less of the total, the corresponding annual mortality rate is about fifty deaths or even fewer, per hundred thousand inhabitants, and in only one of these countries—Chile—does the annual figure slightly exceed one hundred.

Table 33

LATIN AMERICA: RELATION BETWEEN RURAL POPULATION, DEATH RATE FROM INFECTIOUS AND PARASITIC DISEASES AND NUMBER OF HOSPITAL BEDS. BY COUNTRIES

Country	Percentage of rural population in 1960 (1)	Death rate from infectious and parasitic diseases (per 100,000 inhabitants) (2)	Number of hospital beds (per 1,000 inhabitants) (3)
Haiti .....	87	...	0.7
Honduras .....	78	184.7	2.0
Dominican Republic ....	71	109.6	2.7
Bolivia .....	70	...	1.8
Guatemala .....	69	503.8	2.8
El Salvador .....	67	109.2	2.0
Paraguay .....	66	98.1	0.8
Nicaragua .....	66	157.1	1.8
Ecuador .....	65	302.8	2.1
Peru .....	64	149.5	2.2
Costa Rica .....	62	102.8	5.1
Brazil .....	61	182.9	3.4
Panama .....	59	110.5	3.8
Colombia .....	54	139.7	3.2
Mexico .....	46	151.8	1.4
Cuba .....	45	34.0	2.3
Venezuela .....	38	55.5	3.6
Chile .....	37	107.3	5.0
Argentina .....	32	34.3	6.4
Uruguay .....	18	39.7	3.9

SOURCES: For column (1): As for table 30 columns (1) and (3); for columns (2) and (3): Pan American Health Organization (Pan American Sanitary Bureau, Regional Office of the World Health Organization), *Summary of Four-Year Reports on Health Conditions in the Americas 1957-1960*, prepared for the XVI Pan American Sanitary Conference, July 1962.

\* 1960, or the most recent year for which data are available.

## II. FUTURE OUTLOOK

### 1. GROWTH OF INTERNAL DEMAND

Latin America must be prepared to deal, in the next few decades, with an extraordinarily large increase in the internal demand for agricultural products. It has been shown above that in recent years the growth rate of production has been only slightly higher than that of the population, which means that the level of consumption of such products has remained very low for most of the population of Latin America, in relation both to minimum recommended nutritional levels, and to the levels obtaining in the wealthier groups of the region itself, and for the majority of the population in the more developed countries. As will be shown below, internal demand is likely to increase more rapidly than in the past, which will lead to strong pressure on the productive capacity of the Latin American countries. The extent to which agriculture in these coun-

tries is able to deal successfully with this increase in demand will largely determine whether or not the region's general economic development can proceed more rapidly, and the broad masses can attain a more satisfactory level of living.

In the next few years the basic challenge for the Latin American countries, and for their economic, social and political structures, will above all be posed by their population growth. At present this growth is faster than in any other part of the world, and there are no grounds for assuming that it will decrease soon; on the contrary, it seems more likely that Latin America's population growth rate may tend to increase in the immediate future.

Between 1925 and 1960 the region's population increased by about 112 million, a more than twofold increase. Nevertheless, this growth was not even; in the decade 1926-35 the annual growth rate was 2 per cent,

whereas in 1946-55 it amounted to 2.6 per cent, and rose to nearly 2.9 per cent for 1956-60. The data available indicate that this trend will be maintained in the next few years, so that the region's total population, which in 1960 was 206 million, will rise to 315 million in 1975 and nearly 360 million in 1980. In more specific terms, this means that within twenty years Latin America will have to be able to feed, clothe and find shelter for 150 million more people than at present, and at the same time improve food, clothing and housing standards for a large part of the remaining 200 million. The impact that this situation is bound to have on the region's various economic sectors and particularly on the agricultural sector, is too clearly significant to need underlining.

In order to understand fully the magnitude of the effort that Latin America must make to meet the increased demand for food and other agricultural products, it is sufficient to examine a few figures. Purely by way of illustration, some over-all estimates are given below of the level that internal demand may reach in 1980, and the implications for policy on production, employment, and income distribution. In subsequent sections of the present document some of the basic conditions required for the fulfilment of these hypotheses will be considered in more detail.

In order to determine the extent of agricultural demand in coming years with some degree of accuracy, information about at least three factors is necessary: the growth of population, the increase in income, and individual changes in demand for each product in terms of a given increase in income.<sup>30</sup> Only for population can a fairly reliable estimate be made; as stated previously, it is calculated that the population will increase during the next few years at an annual rate no lower than that for the last five years, that is, about 2.9 per cent (see annex II, table H). As for the rate of growth of income, it is estimated that in the next few years this will be substantially higher than in the past, and that there will have to be a greater degree of redistribution if it hoped to attain certain minimum welfare targets, especially for that part of the population that is now at the lowest social levels. Consequently it has been assumed that the annual average rate of income growth should not be less than 6 per cent, or 3 per cent in per capita terms. Similarly, it has been assumed that the total consumption of goods and services will grow at an over-all rate of 5 per cent (2 per cent in per capita terms), which will make possible a marked increase in the rate of capitalization.

As regards the coefficients of income elasticity of demand for the various agricultural products, unfortunately there is no adequate statistical basis for making a detailed projection of the demand for each product separately. The lack of complete studies in this field means that the best that can be done is to present a quantitative evaluation for all agricultural products taken together, and for the region as a whole, on the basis of information from other parts of the world and of piecemeal data from the region itself. Nevertheless, some individual estimates of the coefficients in question for a

number of important products are presented, for the purpose of translating the effects of the increase in demand in physical terms, even though in a very tentative manner.

According to estimates given in another document<sup>31</sup> 5 per cent of the population of Latin America absorbs 24 per cent of the region's total consumption of goods and services; 45 per cent absorbs 60 per cent of consumption; and the remaining 50 per cent, representing the groups with the lowest average incomes, accounts for the remainder that is, 16 per cent of total personal consumption. For the purpose of projecting future demand for agricultural products use was made of the same classification of the population by income groups. It is assumed that in the highest income group total per capita consumption will be reduced by 20 per cent by 1980, but that the per capita consumption of agricultural products will remain at the 1960 level.<sup>32</sup> It is also assumed that the total per capita consumption of the middle income group will increase at an annual rate of 2.1 per cent, and that the consumption of agricultural products will increase at an annual rate of slightly over 1 per cent, the elasticity for this group being estimated as 0.5; for the low income groups it is estimated that total per capita consumption will increase at an annual rate of 4.8 per cent, which will make possible a duplication of this consumption within fifteen years, and that the per capita consumption of agricultural products will increase at an annual rate of 3.6 per cent, representing an elasticity of 0.75 per cent.

On the basis of these assumptions, dealt with in detail in annex A of the present document, over-all internal demand for agricultural products will increase by 146 per cent by 1980, representing an annual growth rate of 4.6 per cent (1.7 per cent in per capita terms). For the three income groups considered, the increase in twenty years, and the respective annual growth rates, are as follows (in percentages):

	Total consumption		Per capita consumption	
	Increase	Annual growth rate	Increase	Annual growth rate
Low income group ..	260	6.60	103	3.60
Middle income group	118	4.00	23	1.05
High income group	77	2.90	0	0.00
TOTAL	146	4.60	39	1.70

According to these figures, in the next twenty years the low income group will double its real per capita consumption of food and other agricultural products, which will mean a marked improvement in both the quantity and quality of its diet, and bring this group closer to the consumption levels of the other groups. Whereas in 1960 the ratios were 1 to 2.9 and 1 to 5.8, respectively, in 1980 they will be reduced to 1 to 1.7 and 1 to 2.8, respectively. However, the achievement of this improvement will require the adoption of an adequate food policy to educate and assist this majority group of the population to channel a considerable part of the increase referred to above into the consumption

<sup>30</sup> The ratio in question is what is termed the coefficient of the income elasticity of demand. The effect of prices is not taken into account.

<sup>31</sup> *El desarrollo económico de América Latina en la postguerra* (E/CN.12/659).

<sup>32</sup> This involves the assumption that the decrease will make itself felt mainly in the consumption of services.



of foods with a higher protein content, especially foods of animal origin, and of other items in which their diet is now deficient.

It is interesting to note that the projected increase in annual per capita consumption (1.7 per cent) is substantially higher than that for the last twenty years (1.25 per cent) for Latin America as a whole, but that it is the same as the rate for the region excluding Argentina, and excluding the consumption of coffee (see table 12). Consequently, the target suggested here does not seem to be over-ambitious. The most important exchange in comparison with the past trend is the distribution of consumption between the various population groups.

## 2. GROWTH OF EXTERNAL DEMAND

To complete the picture of total demand and its implications for the supply of agricultural products in the region, we must now estimate net external demand. It is no easy matter to project future external demand for agricultural products, because of the large number of factors that affect the production and trade policies of the countries that import Latin American agricultural products. However, on the basis of the data available,<sup>33</sup> which will be examined in greater detail in another section of this document, only a moderate increase in Latin American agricultural exports can be foreseen. The outlook differs considerably as regards the various products concerned, and will, of course, have a very different effect on the situation of the individual exporting countries. However, for the purpose of an overall projection of the kind presented here, it seems reasonable to assume that the volume of the region's agricultural exports will increase at an annual rate not exceeding that for the last decade, which was, as noted previously, approximately 2.5 per cent. As regards extra-regional imports of agricultural products, it is even more difficult to forecast future developments. Nevertheless, since they depend basically on what happens to national production, and since the opportunities for the substitution of this type of product in Latin America are good, it is estimated that imports should increase at an annual rate not exceeding 1.2 per cent, which is much lower than in the past.

## 3. GROWTH OF PRODUCTION AND PRODUCTIVITY

Putting together the various elements considered thus far, it may be concluded that over-all production must increase during the next twenty years at an annual rate of about 4.2 per cent, representing a total increase of 134 per cent in twenty years,<sup>34</sup> in order to meet the projected demand.

<sup>33</sup> See United Nations Food and Agriculture Organization (FAO), *Agricultural Commodities—Projections for 1970*, *FAO Commodity Review 1962*, special supplement (E/CN.13/48; CCP 62/5).

<sup>34</sup> The calculation is as follows:

The structure of production and consumption in 1960 is estimated as being: Production for internal consumption 70 per cent, and for export 30 per cent. Consumption of domestically produced goods, 94 per cent, and of imports, 6 per cent.

In addition it is assumed that the following annual growth rates will be attained: total internal consumption 4.6 per cent, imports 1.2 per cent, and exports 2.5 per cent.

The resulting calculation is as follows:

If the prices of agricultural products in relation to other goods and services do not change, total agricultural income should increase at the same annual rate of 4.2 per cent, but the total consumption of the agricultural sector would increase at a lower rate—estimated as about 3.5 per cent because of the higher rate of capitalization assumed.<sup>35</sup> Thus it is necessary to consider what growth rate of the agricultural population would make it possible to reconcile the assumptions as to consumption and production that have been put forward thus far. Since the projected average increase in per capita consumption is in the neighbourhood of 2 per cent a year, it can be inferred that the annual increase in the agricultural population must not be more than 1.5 per cent if the total consumption of this sector is to increase at an annual rate of 3.5 per cent. This rate is close to that recorded over the last fifteen years for their rural population, although slightly higher, perhaps, than that for the strictly agricultural population.<sup>36</sup>

In accordance with the foregoing assumptions, and provided that the active agricultural population increases at the same annual rate of 1.5 per cent as the total agricultural population, labour productivity in agriculture should increase at an annual rate of 2.7 per cent. This rate is substantially higher than that recorded for the region as a whole over the past twenty years, namely 1.7 per cent, but it is only slightly higher than that for the last decade, when an annual average rate of 2.4 per cent was attained, and practically the same as that for the region excluding Argentina during the last decade (see again tables 23 and 24).

An annual growth rate of 1.5 per cent in the active agricultural population would mean that the large-scale movement of this population into other activities would continue, and that consequently new employment opportunities would have to be created outside agriculture in order to avoid an increase in urban unemployment and under-employment. However, this movement could be to some extent decreased by a vigorous development of forestry and related activities, for which, according to information presented in another document,<sup>37</sup> there are excellent prospects in Latin America. The transfer of the agricultural population might also be less than

	1960	1980	Index for 1980 (1960 = 100)	Annual growth rate (per centage)
	(units)			
Total consumption . . . . .	100	245	245	4.6
Imports . . . . .	6	8	127	1.2
Domestic production ..	94	237	252	4.7
Exports . . . . .	40	66	164	2.5
Production . . . . .	134	303	228	4.2

<sup>35</sup> In this connexion it should be recalled that a growth rate of 6 per cent in the gross income of the regional economy as a whole has been estimated, compared with an increase of only 5 per cent in the total consumption of goods and services. If the same proportion is maintained for the agricultural sector, the result would be an increase of 3.5 per cent in total consumption, compared with the increase of 4.2 per cent in income that has been referred to.

<sup>36</sup> The proportion of strictly agricultural population within the rural population has probably tended to decrease as a result of the increase in non-agricultural activities in rural areas, and of the greater migration of the agricultural population to the towns.

<sup>37</sup> ECLA/FAO, *Latin American Timber Trends and Prospects* (E/CN.12/624; United Nations publication, Sales No.: 63.II.G.1).

that referred to if agricultural exports increased at a higher rate than that estimated, or if there were an increase in the share of agricultural producers in the total expenditure of consumers as a result of improvements in marketing. The effect of these two factors would be to increase the growth rate of the gross agricultural income. Furthermore, the same effect might be achieved if part of the consumption of the agricultural population were subsidized by the State, or if a proportionally larger share of agricultural investment involved public funds. In the last case the effect would be to reduce the difference between the growth rates of income and consumption, which would make it possible for more people to stay in the countryside without affecting the projected per capita consumption targets.<sup>38</sup>

#### 4. WAYS AND MEANS OF ATTAINING PRODUCTION GOALS

Now the question is, how is Latin America to attain the higher levels of production projected? Obviously, there are only two principal ways of doing so, (a) to extend the area under cultivation and increase the total number of livestock, and (b) to increase yield per unit area and per head of livestock. The problem is not so much to choose between these alternatives, as to determine what each of them should contribute. This decision is of prime importance, since there will be radical differences in many of the policy measures of agricultural development and of general economic development adopted, according to which of these methods predominates. For example, the type of investment required to bring new areas under cultivation is very different from that needed to increase yield. In the first case a number of infrastructure activities will have to be undertaken in order to provide the facilities needed in the new zones to be brought under cultivation, whereas in the second the emphasis must be on investment in experiments and training, and investment aimed at the production of inputs intended to improve production (seeds, pesticides, fertilizers, etc.) and investment in installation and equipment on the farms. As will be shown subsequently, it is clear that Latin America should place more emphasis on the second method, which would involve a decisive break with the past trend. Although there are still abundant reserves of unexploited land (and even unexplored territory), their conditioning for cultivation would require vast capital investment; furthermore, the best land is already under cultivation, and not much is known about the potential of the remainder. Most of the reserves of land are in the tropical zones, and not enough physical surveys have been made to permit a rough estimate of their productive capacity. However, it is obvious that in many Latin American countries a policy of extending the agricultural areas will have to be pursued, essentially for the purpose of relieving the congestion in areas where the soil is poor and the population dense.<sup>39</sup>

As indicated in an earlier section, the increase of production that took place in the last two decades was

<sup>38</sup> For example, if total consumption increased at an annual rate of 3.8 per cent instead of 3.5 per cent, the agricultural population could increase at an annual rate of 1.8 per cent instead of the 1.5 per cent referred to.

<sup>39</sup> Many farmers in these zones, most of them farming *minifundios*, have land that slopes steeply. It would not be either easy or economic for them to use technological improvements to improve unit yields. As regards maize, for instance, which is

due essentially to the extension of the area under cultivation and, as regards cattle, the increase in meat production was almost entirely due to the increase in the cattle population, with no perceptible improvement in unit yield. If these trends deriving from the projections<sup>40</sup> were maintained, it would be necessary to increase the area under cultivation by about 88 per cent, or about 90 million hectares, and the livestock population by 150 per cent, which would mean, for cattle alone, an increase of nearly 300 million head. Clearly increases of this magnitude would be very difficult, if not impossible, to achieve. Firstly, much of the additional crop land would have to come from areas now given to natural pasture, which would make it even more difficult to maintain a livestock population as large as that referred to, or else from forested area whose agricultural potential might be low.<sup>41</sup> Secondly, the volume of investment needed to reclaim such an amount of land is clearly beyond the region's capacity.<sup>42</sup> Thus these figures show the imperative need for Latin America to strive more vigorously to increase unit yields, for both crops and livestock, in order to attain the production increases envisaged.

It would be rash to attempt to indicate precisely what yield improvements are needed to obtain these production increases with a minimum of reclaimed land. However, it can be estimated, on the basis of the experience of other geographical areas, and even of many zones in Latin America itself, that an average yield increase of about 60 per cent over the twenty years, or 2.4 per cent a year, would not be difficult to attain, provided that the modern production techniques that are now at the disposal of all the Latin American countries are applied on a large scale.<sup>43</sup> On this hypothesis,

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one of the subsistence crops most widely grown in Latin America, the use of better seed would require more nutritious elements in the soil, that is, the use of fertilizers. But the steep slope of the land would mean that much of the fertilizer would be carried off and lost. In many cases it appears difficult for *minifundio* farmers to change the type of farming they have developed because of the small size of their holdings. Any extension in the size of these holdings presupposes moving part of the agricultural population to other areas.

<sup>40</sup> That is, 134 per cent for agricultural production as a whole. However, considering that elasticities for products of animal origin are substantially higher than for crop products, it is estimated that production of the former should increase by 165 per cent, compared with an increase of 120 per cent in the latter. An annual increase in yield of 0.8 per cent would mean an increase of 17 per cent over the twenty years. Dividing the crop production index by the yield index (117) gives the area index referred to in the text (188).

<sup>41</sup> The fact is that the real agricultural potential of present reserves of land in Latin America is not accurately known, as regards either forested land or land under natural pasture. However, it has been established that there are countries, such as Argentina and Uruguay, for example, where no further extension of the area under cultivation is possible.

<sup>42</sup> If the cost of bringing one hectare of land under cultivation is estimated as about 300 dollars (including the infrastructure works required), the incorporation of the new land in the area under cultivation would require an investment of nearly 30,000 million dollars in twenty years.

<sup>43</sup> Table 18 shows that Europe and North America increased the average yield for the group of twenty-four products included in the table by about 25 per cent in nine years, starting from absolute levels substantially higher than those that now prevail in Latin America. With an increase such as that estimated, Latin America could attain by 1980 the average levels for Europe for the three-year period 1957-59.

about 35 million hectares of reclaimed land would be needed for additional cultivation. This figure appears much closer to what is feasible, since it represents a net addition of 1.5 to 2 million hectares a year.<sup>44</sup>

<sup>44</sup>In fact the requirements for new land could be further reduced by making better use of the land already under cultivation. It is estimated that of the 100 million hectares now cultivated, between 15 and 20 million are lying fallow. The pressure on land might also be reduced if the losses that are incurred in the marketing process, which are for some items very considerable, could be brought down.

An analysis of the outlook for some specific products makes clearer this need to increase yield, and the feasibility of doing so. Let us take, for example, wheat, maize, rice and beans, which together account for 35 per cent of all land under cultivation in the region, and constitute the staple foods of a large percentage of Latin America's population. Table 34 shows the levels that internal demand is likely to have reached by 1980, and the areas that would have to be given over to the crops in question on two different assumptions as to yield.

**Table 34**  
**LATIN AMERICA: PROJECTIONS OF TOTAL INTERNAL DEMAND AND PRODUCTION**  
**FOR FIVE AGRICULTURAL PRODUCTS IN 1980**

(Millions of tons)

Product	Total internal demand		Production		Yield			Area (millions of hectares)		
	1958-60	1980	1958-60	1980	1980		1958-60	1980		
					I <sup>a</sup>	II <sup>b</sup>		I <sup>a</sup>	II	
Wheat .....	11.4	24.6	10.1	24.6 <sup>c</sup>	11.6	14.4	18.2	8.8	17.1	13.5
Maize .....	20.6	53.5	21.0	53.5 <sup>c</sup>	11.4	14.3	19.8	18.3	37.4	27.0
Rice <sup>d</sup> .....	7.5	18.1	7.3	18.1 <sup>c</sup>	17.5	18.7	45.3	4.2	9.7	4.0
Beans .....	2.6	5.3	2.6	5.3 <sup>c</sup>	5.9	6.4	6.4	4.5	8.3	8.3
								35.8	72.5	52.8

SOURCE AND METHODS: See annex II, table G.

<sup>a</sup> By extrapolation of the trend for the period 1948/52-1958/60.

<sup>b</sup> Average yield for Europe in 1957-59, except for beans, for which the level was lower than in Latin America.

<sup>c</sup> It is assumed that there will be no net foreign trade balance.

<sup>d</sup> Rice in the husk.

It can be seen that, except for rice, it should not be difficult for Latin America to attain by 1980 the yield levels which prevailed in Europe two or three years ago. If this happened, the extension of the area under cultivation would be 20 million hectares less for the four commodities in question alone.

However, even on this favourable assumption the need to extend the area under cultivation would still be considerable. As regards wheat, for example, it would not be easy in existing circumstances to achieve an increase of nearly 5 million hectares, in view of the fact that only five countries, namely Argentina, Brazil, Chile, Mexico and Uruguay, account for 90 per cent of the total area under wheat in the region and that in some of these countries the possibilities for expansion are decidedly limited. The outlook is most hopeful in Argentina and Mexico, although in Brazil (and also in other countries in the region) there are virtually unexplored areas that might perhaps be used for wheat production. Hence it is likely that imports of wheat from outside the region will tend to rise, unless unit yields increase beyond the highest projected levels, or the population's consumption is restricted. However this may be, attention is called to the urgency of making a careful and systematic study of the land resources of Latin America, in order to determine more accurately the real possibilities in the region of effecting an increase in the production of the various agricultural items in line with the growth of demand.

As regards livestock the situation is even more alarming. Partly because technological improvements have

been introduced very slowly in the past, and partly because future needs to increase production will be greater, it is essential to bring about a radical change in recent trends. With respect to beef, for example, it is estimated that internal demand may increase from 4.8 million tons in 1960 to 12.4 million in 1980, an increase of about 160 per cent. Leaving out of account net exports, which may increase at a lower rate, it will be necessary to produce between 7 million and 8 million more tons of beef to meet the demand of Latin America's population. If, as has been indicated, the average yields per animal, estimated for the region as a whole as about 26 kg of meat, are maintained, about 300 million more head of cattle will be needed. On the other hand, if there were a large-scale introduction of production techniques currently applied in the agriculturally more advanced countries, it would not be difficult to attain an average meat yield of about 35 kg per animal,<sup>45</sup> which would reduce the increase needed in the cattle population to 150 million head.

From the brief outline given thus far a number of basic conclusions can be drawn. (a) Income, and thus the consumption of a substantial part of the population of Latin America, must increase in the future at a

<sup>45</sup> It should be pointed out that the average in Argentina and Chile is now higher than this, and that in Uruguay it is equal to it. Consequently the average yield to be attained in the other Latin American countries, for which the yield as a group is now about 20 kg, would be somewhat lower than that indicated. It is worth noting that in 1960 the average yield in the United States was 75 kg, in the United Kingdom 70 kg, and in Australia and New Zealand 40 kg.

much faster rate than in the past, in order to make it possible for them to obtain a better standard of living; (b) population growth and income growth will lead to a substantial increase in the internal demand for agricultural products, and (c) in order to meet this demand, it will be essential to effect a great increase in agricultural production by the large-scale use of improved techniques and a rise in labour productivity. It will be useful now to examine in greater detail the basis for these conclusions and how they can be translated into action.

## 5. INCREASE AND REDISTRIBUTION OF INCOME

There is no doubt whatever that, just as the population of Latin America is rapidly increasing in numbers, it desires a rapid increase in its qualitative level. This means that it wants to be better fed, better educated, and better housed, and to consume an increasing quantity of industrial goods and other goods and services.

These desires, that exert an ever-increasing pressure on the economic, social and political structures of the countries of the region year after year, are largely the result of the demonstration effect, that is, increasing knowledge of the patterns of living and of consumption in the highest income groups within these countries, and of those that prevail in the more developed countries. The rapid urbanization of Latin America's population, and the spread of such modern mass communication media as the cinema, radio, television, illustrated magazines and the press, mean that the patterns of life in other groups and regions have had a direct visual and emotional impact on nearly all sectors of the population. This has created new desires, new consumption goals, and new attitudes. Already there are large numbers who do not accept their wretched conditions as part of the natural order of things, with the passivity that used to exist, and this psychological factor tends to strengthen considerably the implications of rapid population growth for the Latin American countries, and the challenge it constitutes.

But, apart from the social and political grounds for an effective redistribution of income, especially in the agricultural sector, there are strong economic reasons which make this change a matter of urgency.

The extremely unequal distribution of wealth and income, and the lag in agricultural production and productivity and the low levels of living that prevail in the Latin American countryside that result, have harmful consequences that go beyond the agricultural sector itself and affect the development of the whole economy, as will be shown below.

It is widely recognized that the industrial development of many Latin American countries is held back by the small size of the domestic markets. This explains the importance attributed to agreements on industrial complementation under the Montevideo and Central American treaties, which will make possible a substantial extension of the consumer market for a whole series of manufactured goods. The finalizing of such agreements will undoubtedly provide a vital impetus to industrial development in the countries concerned; yet even this vast programme of co-ordination and complementation will take effect in a joint market that does not comprise more than 50 or 60 per cent of the population of Latin America, since the rest of this population, with its piti-

fully small income, at present represents a total purchasing power of manufactured goods that is infinitesimal. There is no need to labour this point to make clear the additional impetus to industrial expansion that would result from the full incorporation of this great mass in the economic process. It should also be borne in mind that the propensity to import is much lower in the low income groups than in the high income groups, which means that the pressure on imports of consumption goods would tend to decline with a higher level of redistribution.<sup>46</sup>

This point is of vital importance in view of the fact that the outlook for agricultural exports is not particularly promising, and that consequently the countries of the region should proceed with great caution in distributing the external income available if they wish to avoid an undue contraction of imports of capital goods.

If industry is provided with a broader consumption base, its expansion could be effected by taking advantage of the benefits arising from economies of scale. Larger-scale units can be installed that involve lower unit costs, and this in turn would make it possible to face foreign competition on a stronger footing and ensure an extra-regional market for the goods produced.

From the employment standpoint it is equally important to create a larger domestic market for industry. It is very likely that, at least during the first stages of redistribution, the greater demand of the low income groups will be diverted to (apart from food products) such simple manufactured goods as clothing, household goods, etc. This will give a great impetus to light industry, which could undoubtedly absorb a relatively higher proportion of the available labour force. In this connexion it should be remembered that the projection presented above involves a substantial transfer of the rural population to the towns.

Moreover, agriculture, as an economic sector, is a purchaser of a large number of goods of industrial origin (equipment, tools, building materials, fertilizers, pesticides, etc.). As farming attains a more technical level, a vast new field will be opened up for the installation of new industrial enterprises to supply the inputs required for efficient farming, and these new enterprises will provide additional employment.

## 6. EMPLOYMENT IN THE AGRICULTURAL SECTOR

As indicated in the chapter on projections, it is estimated that if the indicated targets for the increase in per capita income in the agricultural sector are to be attained, a large part of the natural increase in the rural population will have to continue to migrate to the towns. Although the assumed rate of migration is lower than in the recent past, it nevertheless represents a considerable addition to the labour force available for the growth of the urban sector itself. This will call for a careful study of employment policy in this sector, since experience shows that in the past the absorption of manpower by industry has not been sufficient to provide effective employment for the whole of the population that has moved in from the rural areas. The data avail-

<sup>46</sup> This would only be possible if sufficient quantities of foodstuffs were available, since, as has been shown, income redistribution has an immediate and powerful effect on the demand for these products.

able make it clear that a high proportion of this labour force has been engaged in services with a very low productivity, which means that the effect has merely been to transfer under-employment from the countryside to the towns. This is demonstrated by the visible presence in all the large towns in the region of considerable marginal population groups who live crammed together in wretched hovels (which have their own name in each country—*callampas*, *javelas*, *villas miserias*, etc.) and which are a symptom not only of the housing shortage, but also of the urban economy's obvious failure to absorb the whole of this labour force in productive activity.

As already indicated, migration to the towns will continue in the future. Consequently the industrialization and urbanization policy will have to be pursued to take due account of the need to provide productive employment for the new population groups that will become available. This will call for, among other things, an examination of the policy of automation in industry, in order to forecast the maximum employment compatible with a reasonable increase in productivity.<sup>47</sup>

However, even when the problem of urban employment is satisfactorily solved, the problem of employment in the countryside will still have to be dealt with. As already indicated, the postulated rate of increase in the active agricultural population is about 1.5 per cent a year, which means that each year about 5 million will be added to the agricultural labour force. This figure would seem moderate if the rural labour force were being fully used at present; but this is not the case. The under-employment of the Latin American rural worker has been, and continues to be, one of the striking features of agriculture in the region. The average level of agricultural employment ranges, with slight variations according to the various areas and types of farming, between slightly over 100 and slightly less than 200 days a year. This is due not so much to the factors inherent in the nature of the agricultural work as to structural factors relating to single-crop production and to the organization of the agricultural enterprises that prevail in the region.

The past development of Latin American agriculture was essentially a colonial type of development. Its basic purpose was to produce coffee and cocoa, food and raw materials for other more advanced countries, which furnished in exchange most of the manufactured products required. As a result of the patterns imposed when the *conquistadores* first settled the region, which became entrenched in the colonial life that followed and remained virtually unchanged by the political independence attained at the beginning of the nineteenth century, farming on the basis of a single crop or type of livestock, and the *latifundio* worked with what amounted to serf labour, became the predominating features everywhere.

<sup>47</sup>This is particularly important because generally speaking the industrial techniques used in Latin America come from highly developed countries where labour is relatively scarce, its cost is high, and consequently there is a trend towards increasing the capital density per worker employed. Moreover the large amount of hidden unemployment that exists in Latin America makes it possible for many of the new jobs to be filled by persons who change from jobs in other industries or businesses that have too many workers, with the consequence that the jobs that are left vacant can remain so without affecting the volume of goods and services produced by such enterprises.

Efforts to diversify agriculture and to introduce more intensive farming methods have been generally very limited and on a small scale, except in certain regions. This is largely due to the lack of a dynamic domestic market—resulting from the low general level of income and above all to its extremely uneven distribution—and to the absence, up to a fairly recent date, of any political, social or economic pressure to bring about changes in the structure of the traditional estate.

This is the situation that has been largely responsible for the increasing movement of population from the countryside to the towns. Contrary to what happened in the more developed countries, what led to the migration to the towns of a large part of the new rural population was, not the diversification of farming and the introduction of technical improvements, but the lack of an agricultural development capable of providing work for the additional labour on a large enough scale and sufficiently well paid, with the social consequences already referred to.

The structure of land ownership that prevails in most of Latin America, with large areas owned by a few and large numbers of rural workers who own little land, or none, has led not only to the under-employment of the labour force, but also to the under-utilization and spoilage of agricultural land. Under-utilization, because with extensive production methods much good land lies idle or produces at a level that is very low in relation to its capacity.<sup>48</sup> Spoilage, because the lack of rotation, the predominance of the single crop, the absence of any integration of crop farming, stock raising and forestry, and the failure to use conservation practices, result in the productive capacity of the land under cultivation being eaten away by erosion, neglect, or endless repetition of the same crop grown by methods that exhaust the soil.

In the light of the growing need of the population of Latin America for agricultural products this situation, where there is under-utilization both of the labour force and of agricultural land, is absurd. The increased production that it is hoped to obtain from agricultural land, and the better conservation of this land, can be attained by the use of improved techniques, which require, to an extent that varies according to the type of technique, a much higher rate of investment per unit area than in the past. However, much of this investment could be effected by means of a more intensive use of the under-employed labour force. Many improvement works need only a small component of material per worker employed, for example the building of approach roads, land leveling, terracing, small and medium-sized irrigation and drainage works, plantings, flood control works, and so forth, which, in addition to contributing to an increase in output, are most important for the conservation of natural resources.

## 7. DIVERSIFICATION OF AGRICULTURAL PRODUCTION, AND THE INTRODUCTION OF INTENSIVE METHODS

Apart from the execution of different kinds of works, both on the farms and outside them, that can be undertaken during agriculture's slack periods, the most effective way of providing permanent and productive employ-

<sup>48</sup>In some Latin American countries the proportion of agricultural land lying fallow amounts to 50 per cent of the total of such land.

ment for the rural population is by diversifying agricultural activity and introducing intensive methods.

It has been indicated in a previous section that if the projections in question are fulfilled, labour productivity would increase at the annual rate of 2.7 per cent. Without being particularly striking, this rate would be satisfactory compared with the average rate of 1.6 per cent recorded in the last two decades. This rate of increase in productivity would be necessary to ensure that the rural population can achieve a reasonable increase in their average income during the next twenty years. The next question is, what are the basic requirements that must be met to make this increase in productivity possible?

Obviously there can be no easy answer to this question. The transformation of agriculture that such an answer would imply requires a united and simultaneous effort on a number of fronts. Many of the measures that should be taken could produce some result in isolation, but only combined action will make it possible to attain let alone exceed, the projected target figures.

The various fields in which action must be taken to make possible a more intensive agriculture include four areas of basic importance:

(a) The application of a body of production techniques and methods that will permit full utilization both of the labour force and of the land, and proper land conservation;

(b) The education of the rural population so that it will be capable of using the new production techniques and methods;

(c) The transformation of present conditions of land tenure and water rights;

(d) The organization and extension of the domestic market for agricultural products, for the benefit of producers and consumers.

Other aspects, equally important but more general in nature, such as foreign trade policy and the planning of agricultural development, will be dealt with in subsequent sections.

#### (a) *Technological transformation*

From what has been said in previous sections it is clear that the greater part of the increase in agricultural production required to meet the growing demand will have to come from improved unit yields. Certain targets were put forward there that, without being unduly optimistic, represent a considerable advance in relation to the existing situation. In fact, if such targets are to be reached, a real technological revolution will have to take place.

This is not the place for a detailed list of the technical measures that will have to be applied for each crop and in each country, a task which, in addition to being beyond the scope of the present paper, would be hampered by the lack of sufficient information. Despite all that has been said on the subject in Latin America, no clear picture exists of what would have to be done in each particular case.

What should be stressed at this point is precisely the lack of technical information available for a successful attempt to undertake the herculean task of effecting a balanced rise in productivity levels in Latin American agriculture. Although the technical services of the region

can, with great advantage, make use of the progress in research made in more advanced countries, the results in question cannot always be properly adapted to the very different conditions that prevail in Latin America, in terms not only of ecological factors, but also of economic, social and cultural factors.

Although all the countries of the region have some kind of agricultural research services, they do not appear, broadly speaking, to be adequate for the task to be undertaken. There are no specific figures as to how much is invested in agricultural research in Latin America, but to judge by the scanty and fragmentary data available, the amount spent is very small in relation to the economic importance of the agricultural sector.<sup>49</sup>

The lack of funds, which in turn leads to a shortage of skilled personnel, and the lack of a policy for agricultural research directly related to the region's agricultural development requirements, have prevented the services concerned from undertaking studies in a series of basic fields. Thus, for example, matters relating to animal nutrition and other fundamental aspects of livestock production have been shamefully neglected, which is one reason for the low level of development in this activity. Another glaring lack relates to research on soil problems and on the productive capacity of soils and alternative uses, and also to systematic study of the use of fertilizers. With few exceptions, there are no complete studies of farm management and administration, or of the economic aspects of farming, such as relative prices, utilization of machinery and manpower, the use of credit, marketing and processing of products, etc.

One research field that deserves special attention is the mechanization and use of labour. For reasons given previously, it is clear that any technological improvements introduced should be such as to obviate any unnecessary displacement of labour, in view of the rapid population growth and the difficulty of other sectors in absorbing the surplus rural population in a satisfactory manner. Consequently any study of mechanization policy should be undertaken in the light of national, and not individual, requirements. For any one agricultural enterprise the use of tractors might be advisable for a number of reasons, but if there is a general spread of mechanization, the effect might be harmful to the economy as a whole because of the increase in unemployment it would lead to.

This does not mean that agricultural work should not be mechanized. On the contrary, in many cases mechanization may be essential in making possible intensive farming methods. For example, the short harvesting season, due to climatic reasons, enforces intensive use of combined harvesters and similar equipment if large areas are planted with cereal crops. Similarly, the preparation of the land for large-scale sowing requires a considerable number of tractors. Nevertheless, there should be a detailed survey in each country that would

<sup>49</sup> For example, in Argentina the National Institute for Agricultural Technology (INTA) spent about 1,400 million pesos in 1961-62 on research carried out at its forty experimental stations. This sum represents only 1 per cent of the gross product of Argentina's agricultural sector. The ratio is very similar in other countries of the region. These data are from *Inventario de la información básica para la programación del desarrollo agrícola en la América Latina*, prepared by the Inter-American Committee for Agricultural Development (ICAD) in 1962.

make it possible to determine the maximum degree of mechanization compatible with the desirable increase in the active agricultural population and in labour productivity.

Another vitally important aspect is that relating to research on water use. In most of the Latin American countries water is a scarce resource that is not properly used. Furthermore, experience shows that irrigation is essential for the raising of agricultural production and productivity in large geographical areas. But with the water resources available, it would be possible to irrigate a much larger area than at present if scientific principles were applied to the use of water.

It is also pertinent to stress the enormous importance of research on the use of fertilizers. As indicated in an earlier section, one of the factors that has most contributed to the increase of yields in the United States, Europe, Oceania and Japan, is the intensive use of fertilizers (see table 22). There is no doubt that the Latin American countries will also have to attain substantially higher levels of fertilization than at present in order to attain the required increases in yield. But this will mean a much broader research effort.<sup>50</sup>

The above outline is undoubtedly incomplete; there are many other items of equal or similar importance that should be considered, but the foregoing observations have been put forward as a sample of what still remains to be done in the region.

*(b) Diffusion and application of the new technology*

It is not enough for laboratories and experimental stations to have a store of technical knowledge; the information should also be placed at the disposal of farmers for use on a commercial scale. Hence, it is vitally important that the new technology should be spread and taken up by farmers. Indeed many countries could make spectacular progress in their agricultural production merely with the technical knowledge now accessible to them. The methods used over the greater part of Latin America are so rudimentary that a few slight improvements would suffice to raise the level of unit yield considerably. Proof of this is afforded by the numerous individual cases in which production levels per hectare that are comparable to those of more developed countries have been achieved without any special advantage as to soil or other natural factors. The reason why progress has not been more universal is to be found chiefly in the following factors: (a) inadequate extension services; (b) the low educational level of the rural worker; (c) the structure of land tenure; and (d) other institutional factors such as the lack of credit facilities and of an efficient marketing system. Only the first two will be taken up at this juncture, the others being dealt with later.

As indicated before in connexion with the living levels of the Latin American rural population, there is a vast amount of illiteracy in country districts, 80 per cent of the entire rural population of some countries being unable to read or write. Furthermore, a sizable proportion is ignorant of all but traditional methods of farming that have been followed for generations.

<sup>50</sup> Very few experiment stations in Latin America keep a proper check on the yield curves that result from successive applications of fertilizers (CIDA, op. cit.).

The great problem in intensifying the spread of technology is how to prepare the rural population as quickly as possible to accept a new kind of agriculture characterized by crop diversification (rotation), mixed farming (crops-livestock-forests), land, water and forest conservation and higher yields per unit of area for crops and livestock.

From a broader human and social angle, another problem is how to progress rapidly from education for the minority to education for the masses, in order to equip them to know how to raise their standard of living and to use their earnings in a more effective way inasmuch as their personal development and that of the community is concerned.

The scope and implications of the task and the meagre supply of human and material resources to draw upon in coping with it indicate that the educational and technical assistance facilities provided in the past for the rural worker should be drastically overhauled.

Vast numbers of rural workers have to be taught to read and write, new techniques and methods of production must be inculcated, they have to be organized in co-operatives of different kinds which they must be able to run themselves, and they have to be taught to spend the family income in a more useful and rational way, as well as how to use their own working capacity productively and to channel the joint efforts of the community to develop.

As table 35 indicates, the number of agricultural experts attached to extension services in the Latin American countries is extremely low in comparison with the number of people they have to assist. The situation is seen to be even worse if it is compared with the state of affairs in countries at a similar or even less advanced stage of development in other regions. For instance, in Argentina, where agriculture is more developed than in any other part of Latin America, the number of extension service personnel per agricultural worker is about half the number in Taiwan and South Korea. In Japan, where farming efficiency has made rapid strides in the last few decades, the proportion is six times greater than in Argentina, eight times greater than in Chile and nearly twenty times greater than in Haiti.

**Table 35**

NUMBER OF AGRICULTURAL WORKERS PER AGRONOMIST ATTACHED TO EXTENSION SERVICES IN SELECTED COUNTRIES, 1959

Haiti .....	11 900
Ecuador .....	7 000
Bolivia .....	6 000
Chile .....	5 000
Argentina .....	4 000
Thailand .....	13 000
South Korea .....	2 500
Taiwan .....	1 500
Japan .....	650

SOURCE: FAO, *The World Situation of Food and Agriculture, 1961*; Haiti, preliminary report of the OAS/IDB/ECLA mission.

Given Latin America's lack of professional personnel to cope with the tremendous task of disseminating information on the new technology in a relatively short space

of time, radical changes should be made in the traditional methods of technical assistance used up to now which are largely based on the systems in force in the United States. The latter country, however, has access to an immense pool of professional personnel and material resources, its agricultural population is relatively small with nearly 100 per cent literacy, and there is a universal interest in technological matters, which is spread wholesale through the communication media of a highly industrialized and culturally well-integrated society.

In Latin America, on the other hand, the social and economic facts of literacy among the rural population, cultural integration of society, supply of professional persons and material resources for technical assistance are, as pointed out before, very different. Accordingly, some thought must be given to providing the sort of technical assistance for the rural masses in which they could themselves take part, since the fact that they speak the same language and live in the same conditions would make it much easier for them to understand one another. The formation of farmers' associations, housewives' committees and youth clubs can help to smooth the way for the rapid expansion of technical assistance services.

This does not, of course, mean that persons of professional standing are not to be called upon. On the contrary, they will have to be used more than ever and every effort must be made to train thousands of new professional recruits in the shortest possible time.<sup>51</sup> It is essential, however, that a broad intermediate category drawn from the rural population should be created between the rural sector and the professional personnel.

To begin with, there must be simple if fundamental innovations, easy and complementary technical improvements that can be understood with the minimum of intellectual effort and are calculated to increase the agricultural workers' productivity and income in a short space of time, while simultaneously protecting the soil. The following examples of this: ploughing, contour, the use of hybrid maize seed, fertilizer application, the installation of easily-made silos to store animal fodder against times of shortage, the adoption of strains that are resistant to a particular disease, and the preservation of the best seed for sowing instead of the worst, as is usually the case. In each zone and important branch of farming, there are about ten or twelve simple but basic improvements that can be made which, if introduced as a body, can increase the sector's production and the income of agricultural workers to a remarkable degree.

It is this series of simple improvements that should be rapidly disseminated in agricultural communities through the medium of thousands of workers who have already become familiar with them and have been organized to pass on their knowledge with the backing of more high-level technical assistance.

What has just been stated exclusively in terms of technological advances for production systems also applies to the living conditions of the rural population.

<sup>51</sup> A FAO study on advanced agricultural training in Latin America estimates that about 42,000 agronomists are needed to take care of the region's requirements properly. There are now less than 20,000. (See A. Chaparro, *Un Estudio de la Educación Agrícola Universitaria en América Latina*, Rome, 1959.)

In this context, simple improvements that are easy to accept and grasp should be introduced in the fields of health, nutrition, the construction of community cooperatives by the people themselves, etc.

Given the vital importance and urgency of this question, it is essential for these measures to be taken in a number of places at the same time.<sup>52</sup> The rural population as a whole should be induced to introduce improvements by giving them information on simple points that are easy to understand and explain to others and offer practical and tangible rewards in a short space of time. Once the first steps forward have been taken on a wide front, the chances of making greater progress in future will be enhanced and are more likely to materialize soon. These changes, once made, will have a cumulative effect which will facilitate further development. Before this can take place, however, the responsible public agencies will have to make a radical change in their mode of operation.<sup>53</sup>

Because of the overwhelming importance of educational work for the development of the agricultural sector in Latin America, it is quite clear that agricultural training will have to be planned at all levels as an intrinsic part of general educational planning. It is just as important to establish personnel training goals throughout the region as to fix production targets.<sup>54</sup>

### (c) Agrarian reform

As already pointed out, one of the factors most influencing Latin America's low level of agricultural development is the inadequacy of the systems of land tenure and water use prevailing in most parts of the region. For the reasons analysed below, the large-scale application of new production technologies considered in the foregoing pages will be possible only if radical changes are introduced in the existing outmoded agrarian structures.

It is a well-known fact that one of the features characterizing the Latin American agrarian structure is the concentration of a major proportion of the agricultural land in the hands of a few landowners, while the majority of farmers either own very limited tracts of arable land or are landless rural workers. At one end of the scale are a few thousand huge estates, and at the other there are millions of properties whose average area is too

<sup>52</sup> This does not rule out the possibility that, in certain circumstances and, above all, at the beginning of the process of agrarian reform, more resources will be concentrated in particular geographical areas which, if developed in a co-ordinated way, could start the process of demonstration. These nuclei could be used to train nearly all the rural leaders who would subsequently help to spread the new techniques, and to teach the professional staff from different specialties to work together in a co-ordinated way.

<sup>53</sup> Among these, the close co-ordination of extension services with research activities is particularly important, since both are interdependent. One of the most serious defects observed in the Latin American countries is precisely the absence of any liaison between the two services which detracts from their effectiveness.

<sup>54</sup> In connexion with this point, it should be pointed out that FAO has a comprehensive study under way on the present situation and future requirements of agricultural training in Latin America. It would be highly desirable for the findings of this survey to be duly taken into account by the Latin American countries when preparing their agricultural development plans.



small to support a family.<sup>55</sup> According to figures available on the subject, of the 32 million inhabitants constituting the economically active rural population, some 100,000 or less own two-thirds of the total agricultural area, about 2 million are medium farmers and approximately 30 million are *minifundio* farmers<sup>56</sup> or landless agricultural workers. The degree of concentration of land ownership varies, naturally, from one country to another, some contributing factors being the area of land available, the system of farming, population pressure on arable land, etc. Even with such variations, however, the common denominator is the concentration of land ownership and, consequently, a like concentration of rural income.

This is not the place to analyse the historical events which led to this situation. It is, however, important to examine the consequences of the unusual concentration of land ownership in so few hands, which is greater than in any of the other large under-developed regions of the world.

The first fact to be noted is the poor utilization of agricultural land. The large estates normally practise crop or stock farming by extensive methods, with a very low physical and economic yield per unit area. This, however, would not appear to be a drawback for the owner or manager, since the large extent of land available to him makes it possible, for a small capital investment, to obtain an income which is more than sufficient to meet his economic needs and maintain his status. His profits would appear to be derived primarily from the manner in which he remunerates his workers, who are paid a small pittance and frequently nothing at all, their compensation being the right to cultivate for their own use a piece of marginal land which the owner does not utilize.<sup>57</sup>

This seems to be one of the basic reasons underlying the extensive system of crop and stock farming. Since labour is virtually free and the area very extensive, even though production per unit area is low, land may be under-exploited and still produce a substantial profit.

A particular sign of poor land use is the large area of agricultural land lying fallow or covered with natural pastures, which in many countries represents over half the existing arable land. With extraordinary regularity these two basic symbols of extensive agriculture and livestock raising—idle land and fields of natural pasture—make up the picture of Latin America's agriculture. Added to this is the lack of concern displayed regarding conservation of land capital, both on large estates and smallholdings.

Those owning extensive areas of land do not worry overmuch about its conservation. From their point of

view it is so plentiful that there is no need to trouble about amortization. At the opposite end of the scale the *minifundio* farmer, who owns little land and often of poor quality, is unable to concern himself with its conservation.

However, unsatisfactory land use does not find expression solely in crop and stock farming by extensive methods. Another result is single-crop production. In the first place, it is worth mentioning in this respect that the integration of agriculture and livestock raising on the same farm is exceptional in Latin America. The two types of activities are usually pursued separately. Thus, all the benefits of such integration (utilization of stubble for forage, general forage cultivation for home consumption, natural fertilization, rotation of crops and cultivated pastures, increased possibilities of sound soil management and conservation, etc.) are generally wasted.

Secondly, it may be pointed out that proper supplementary crop rotation is rarely practised, the normal procedure being single-crop farming which exhausts the soil and encourages erosion.<sup>58</sup> Single-crop farming cannot, of course, be attributed solely to unsatisfactory land distribution—markets, types of farming, etc. are other influential factors—but there can be no doubt that excessive concentration of land ownership on the one hand and limited land resources for thousands of small farmers on the other also contribute decisively to this system.

A second social-economic consequence of the abnormal concentration of land ownership has been the under-employment of the rural population, as mentioned earlier in this study. Even if under-capitalized, crop and livestock farming by extensive methods requires few workers per unit of area. Moreover, production of a single crop, even on well-run, up-to-date farms, gives rise to *large-scale* seasonal unemployment. An example of this is the sugar plantations, where the ratio of employment between harvest-time (3 to 4 months) and the rest of the year is 4 to 1. Thus another of the plentiful resources available to farming in the region, i.e., manpower, is considerably under-utilized as a result of the extensive system of farming in use due to unsatisfactory land distribution. Such under-employment, in turn, signifies low average productivity and wretched living conditions for the rural masses of the region, whose standard of living tends to adjust itself to the level of the poorest. For example, in the State of São Paulo, where farming seems to be more up to date and progressive than in most parts of Latin America, it has been noted that, in general, wages on the more productive and efficiently-run farms are inclined to remain at the same level as on the less productive ones.<sup>59</sup> Accordingly, greater pro-

<sup>55</sup> Of a total of 7.5 million agricultural holdings, 100,000, or about 1.5 per cent, cover 65 per cent of the whole agricultural area in the region. On the other hand, 5.5 million properties of less than 20 hectares each include less than 4 per cent of that area.

<sup>56</sup> Called *parvifundio* farmers in some countries.

<sup>57</sup> In many Latin American countries, in return for the right to cultivate one or two hectares of poor land for his own use, the agricultural worker (*colono*, *peón*, *terrazguero* or *huasipunguero*) is expected to work on the farm from sun-up to sun-down, from one to four, and sometimes five days a week, without any money payment whatsoever. In other cases, in addition to the right to cultivate land, he receives a wage which is far below that paid to free labourers.

<sup>58</sup> Attention should be drawn to the serious degree of destruction of agricultural land that is taking place in Latin America. Partly owing to single-crop farming and also partly to indiscriminate utilization of forest resources, it is an undisputed fact that large tracts of agricultural land are lost annually for want of proper conservation practices. The destruction of forests to open up new arable land is not always conducive to the actual incorporation of agricultural areas. Many of them are exclusively adapted to forestry; after a few years of agricultural use they lose their fertility and have to be abandoned. In the absence of a rational reforestation policy, these lands are condemned to utter deterioration.

<sup>59</sup> Salomón Schattan: "Estructura Económica de la Agricultura Paulista", in *Revista Brasileira de Estudos Políticos*, University of Minas Gerais, Belo Horizonte; No. 12, October 1961.

ductivity is by no means reflected in higher wages; most of it is retained by the employer. This is merely the result of excessive concentration of land ownership in the hands of a few farmers, which leaves landless workers and farmers owning so little land that they cannot subsist on it, with no alternative but to accept the lowest wage levels.

A third consequence of this excessive concentration of land ownership would appear to be that it fails to offer an appropriate incentive to utilize agricultural technologies which it is important should be developed in Latin America, namely, those enabling full use to be made of the most plentiful resources (land and labour force), and the most efficient use possible of the least abundant: capital. Without underestimating the importance of the tractor and the harvester, the real symbols of agricultural progress in Latin America should be: fertilizers, pesticides, improved seeds, crop rotation, cultivated pastures and improved pasture and herd management. However, if the farmer has a great deal of land available which he can cultivate at a low cost, a very small net income per hectare multiplied by a large number of hectares represents a substantial aggregate income.

This would also explain the reason why agriculture for internal consumption should react so slowly to market stimuli. A favourable price policy not always induces important landowners to adopt all the necessary progressive measures designed to raise production, as this implies larger capital investment and better organization of farming methods, which, on account of the huge areas involved, could demand a greater effort from them than their farming capabilities allow, let alone obliging them to change their pattern of living. Neither are such incentives successful in the case of the *minifundio* farmer since it is more than likely that in the face of a rise in prices, instead of increasing his production and marketing a larger quantity of commodities, he would reduce his sales, thereby maintaining his level of monetary income. Such a reaction is, perhaps, more understandable in the case of these rural workers, in view of the small size of their holdings, their low level of education and all the other reasons given earlier in this paper.<sup>60</sup>

The general consequence of the concentration of land ownership is, in a word, the social stratification of Latin America's rural population into veritable separate castes, with the majority condemned to poverty and wretched living conditions.

If a modern, democratic society is to function as such, there must be at least a minimum degree of social integration, a minimum of openness and permeability between the various human groups composing that society. From a study of Latin America's agrarian society it is easy to see that such a minimum degree of integration does not exist between its different social sectors. Not only is their status diametrically opposed, but their opportunities, expectations and scales of values are all

<sup>60</sup> Nevertheless, agriculture is not completely at a standstill. Vis-à-vis favourable world market price conditions, as has occurred in the case of coffee, cotton and other commodities in the last few years, production of these items has tended to increase at a faster pace. This is primarily due to the fact that export farming, while subject to most of the above shortcomings, is better organized and responds more dynamically to the stimulus of external demand.

totally different. On the one hand, there is the small group consisting of *latifundio* farmers of traditional outlook and capitalist farmers engaged in agriculture for the internal market or in speculative export farming, which accounts for most of the available land resources and further absorbs a substantial proportion of the income generated by the agricultural sector; hence the average ratio of 20, 30 or more to 1 between per capita income of this group and that of the rural masses as a whole.

Most of this small group come from the lower social strata embracing the huge rural masses. These groups consist of different population sectors according to the country and type of farming.

In nearly all the Latin American countries there are *minifundio* farmers who may be owners, tenants, *de facto* land occupants, and so on. They have one feature in common: in view of the impossibility of meeting their minimum needs by working their own land, they have to hire themselves out for a wage or devote part of their time to the extractive industries, commerce, or other activities. The second basic component of the lower strata consists of the various types of workers employed on traditional estates:<sup>61</sup> *inquilinos*, *medieros* or *aparceros*, *colonos*, *conuqueros*, etc. A large portion of their payment is not in money but in kind (the use of, or the right to build a hut within the farm precincts, grazing for their animals, the right to grow subsistence crops, on what is usually marginal land, etc.). The predominating mentality of this group, as a rule, is that of the minor rural worker, and their highest aspiration is to work their own land, as distinct from the wage-earning farm hands on large plantations where the individual hunger for land is less intense and the social claims are of the wage-earning category. In countries engaged in plantation agriculture, in particular, it is possible to distinguish a type of rural wage-earning class with a mentality very similar to that of the industrial worker, and which in many aspects and reactions could easily be assimilated in the urban wage-earning classes.

These three sectors which together probably account for about 90 per cent of Latin America's rural population, is the antithesis of the small dominating group in rural areas, there being no rural middle class between them, except in a few cases which have their own peculiar characteristics. Expectations of any improvement for these masses within the existing agrarian structure are practically nil and their only real hope is to emigrate to the cities where, owing to their lack of training and resources, and to the backward stage of industrial development, their prospects are by no means bright either.<sup>62</sup>

<sup>61</sup> It would be well to differentiate within this group between the permanent farm hands and the many seasonal labourers who are employed only at certain periods of the year (sowing, weeding, harvesting, etc.). The latter are forced to lead a semi-nomad existence, virtually outside the pale of the community. They wander from place to place throughout most of the year, obtaining sporadic employment and often having to scrape a living on the wrong side of the law.

<sup>62</sup> The situation described is aggravated in many places by the problem of indigenous populations. In fact, in many Latin American countries most of the lower groups of the agricultural sector are composed of indigenous inhabitants who still live largely according to their own scale of values, which is different from that of the main community in which they are not properly integrated.

To overcome this dramatic situation which is giving rise to many of the gravest problems that beset Latin America today, there can be no question of proceeding otherwise than by a radical change in existing agricultural land tenure and water use conditions.

Since the problem presents varying characteristics in the different countries of the region, the process of land reform to be undertaken in each individual one should clearly also be different. What is lacking at present is comprehensive knowledge of the diverse situations to be found in Latin America. Although the facts as set out above may apply in general, they must be adjusted to each particular situation. Accordingly, it is impossible to consider a single formula or a uniform pattern of agrarian reform. Plans should be based on the real circumstances prevailing in each individual country, and even in each geographical area therein. This necessitates first of all a more accurate investigation of present characteristics of land tenure, water use and related aspects, such as the degree of population pressure on these resources; nature of the soil, types of production and of markets; the real cultural, sociological and psychological situation of the different rural segments, etc. It is only thus, and in terms of agricultural development needs in particular and economic development needs in general, of the availability of financial resources, and other factors, that it will be possible to determine more realistically the best type of land reform to promote.<sup>63</sup>

In some cases a large-scale distribution of land may be inevitable, the economic drawbacks having to be mitigated by means of sound co-operative organization; in others, it might be better to establish both socially and economically efficient family units of production, whose size would vary according to the type of soil, the kind of agriculture practised and the degree of mechanization; in other cases again it may be essential to maintain the unity of production by seeking patterns of collective farming or farming by the association of workers with a share in both land ownership and profits, so that agriculture can develop efficiently.<sup>64</sup> Notwithstanding the foregoing, there are certain basic conditions which must be met by agrarian reform, whatever its particular pattern may be.

In the first place, the land reform process must be quick and widespread, rather than a simple land settlement process. If redistribution of land is to be really effective, it must benefit a large number of rural families. Even if their farming capabilities are limited at present, they must be given the opportunity to develop them, which will be accomplished when they can accede to land ownership rights. It is a fallacy to claim, as often occurs, that the rural workers must first be educated and then provided with opportunities. It is more than

<sup>63</sup> The Inter-American Committee for Agricultural Development (CIDA), which co-ordinates the work of FAO, OAS, ECLA, IDB and IIAS in connexion with Latin America's agricultural development, is carrying out a survey of the various patterns of land tenure systems in force in several countries of the region, and the problems deriving from them. It is hoped that the results of this survey will be available in the second half of 1963. In the light of what has been written above, it seems unnecessary to stress the immense importance of continuing and amplifying such investigations.

<sup>64</sup> Israel, where different systems of land ownership and land tenure exist side-by-side, is a good example of this.

likely that many of the rural workers benefiting from agrarian reform will fail in their farming enterprises and others will have to take their place. Nevertheless, a process of improving the levels of living and productivity of the rural masses, such as that presently aimed at, must be based on a considerable number of rural workers and not on a chosen few.

Further, land reform ought to be a rapid process, that is to say, the substantial work of mass redistribution of land ownership and water rights<sup>65</sup> should be carried out over a brief period of years. The importance of speed stems from the necessity to overcome in the shortest possible space of time the state of instability which a process of this nature tends to create in the rural medium. To counteract such instability without delay is of vital importance if the production process is not to be adversely affected, since it will have to respond to the rapid increment in demand for foodstuffs deriving from the redistribution of resources and income brought about by the actual process of reform.

To effect such a rapid and wide-scale process it is necessary to obtain the support of the majority. Hence the scope, speed and depth of agrarian reform will be determined mainly by decisions of an essentially political character. On the other hand, the technician plays an all-important role in ensuring the success of agrarian reform. He has to plan it and help in its implementation, organizing the supplementary tasks of assistance, credit, etc., and pointing out the economic implications of the political measures adopted.

A further condition for the broad-scale execution of agrarian reform in the region is the long-term financing of the expropriation of land. Agrarian reform is a highly expensive process, not only because of the land that has to be paid for, but also because of the amount of capital that must be invested in it so that the recipient rural workers can utilize it and develop it to the full. Large social capital investments are needed (roads, irrigation works, power, etc.) to permit an increment in production and its transportation to the centres of consumption. It is also vitally important to invest capital in training and technical extension, experimental centres, and so on. It is necessary, too, to erect marketing installations, build and improve housing, and increase available transport facilities, and a substantial investment in the redistributed land is called for in order to increase its productivity (construction of fences, plantations, pastures, watering facilities, cow-sheds, silos, etc.).

However economic the terms of investment may be and however great a part is played in them by the actual rural labour force that is benefited by agrarian reform, all this implies an exceedingly high financial cost in view of the magnitude of the projects to be undertaken in order that agricultural production and productivity shall reach the levels anticipated. In addition, it must not be forgotten that ample credit resources in real

<sup>65</sup> It is of fundamental importance that agrarian reform should apply to water as well as land. In many countries of the region, or at least in many parts of these countries, the irrigation factor is quite as important, or even more important, as the land itself, so far as farming results are concerned. In general, the systems in force for appropriation, distribution and use of water are defective and give rise to its unsatisfactory or inadequate utilization. Frequently, moreover, the brackishness resulting from defective water use has caused the loss of irrigated land, to say nothing of the capital invested in it.

terms will be needed for the gradual formation of working capital for the new farmers. What is more, a certain proportion of this credit will probably not be directly recoverable at the outset, given the limited initial farming capabilities of many of the recipient rural workers.

Consequently, considering the economic and financial difficulties encountered in practically all the countries of the region, it must be realized that if an attempt is made to indemnify the present landowners at prevailing commercial values, which are often exaggeratedly enhanced for reasons unconnected with the land's productivity, the agrarian reform will not be effective or it will be frustrated almost from the start.

Finally, it is worth noting that it is imperative to formulate the land reform programme as an integral part of over-all agricultural development plans. Obviously, as land reform is a basic means of achieving effective progress in the agricultural sector, it cannot be envisaged as an isolated undertaking, independent of the rest of the agrarian policy measures which make up the over-all development plan.

#### (d) *Organization and diversification of the domestic market*

The question has been raised in this document of the need to diversify agricultural production and introduce intensive methods, firstly as a means of meeting the demand for food products and other agricultural products, and secondly of raising the income level of the rural worker. As pointed out, the increase in internal demand would derive basically from population growth and from higher and better distributed income. However, if this increase in demand (that for reasons explained in the section concerned have been estimated only in an over-all form) is to have the effect of inducing greater diversification of agricultural production, this demand too must be diversified.

There are products of a high nutritional value, such as milk, eggs, fish, vegetables and meat, that large sections of the population of Latin America consume only in minute quantities, or not at all. The causes of this may be rooted in custom, or in the low incomes of these groups and the high relative prices of the products in question, or in the lack of supplies of these products in many areas; whatever the reason, the diet of a high percentage of Latin America's population is very badly balanced. If a policy of income redistribution in favour of the broad masses is to provide an effective stimulus to better nutrition, and thus to agricultural diversification, it is essential that the redistribution should be accompanied by a vigorous nutrition policy, that would both permit the demand to become effective, and ensure that each member of the community has the opportunity of buying the foods that will provide the minimum of calories and proteins needed to safeguard his health, welfare and ability to work.

An essential element of this nutrition policy, in which the State could avail itself of the co-operation of private groups (consumer co-operatives, producers' associations, trade unions, etc.) is the education of the consumer. This could be carried out, as it is already being carried out to some extent, through schools, rural extension services and campaigns to encourage the consumption of particular foods. However, this education task could usefully be supplemented by direct State action in the

form of the distribution of products in schools, army units, canteens and similar centres.

The mere fact that the State had entered the food market as a direct buyer and as a price-regulating factor would increase stability and provide an effective stimulus to agricultural production.

At the same time, as part of a broad nutrition policy, the market for agricultural products must be provided with a better organization. As frequently stated, one of the most striking features of Latin American agriculture is in fact the present very poor structure of the marketing systems for agricultural products, especially those intended for the domestic market. Inadequate transport systems, lack of proper facilities for the storage and handling of these products, lack of up-to-date market information, monopolistic purchasing power on the one hand and a multiplicity of small-scale intermediaries on the other, all add considerably to the final price of the product to the consumer, most of which represents revenue to the intermediary system, so that the producers are not able to obtain adequate prices for their products. It should also be emphasized that a very large part of these considerable marketing margins do not represent any real service rendered in respect of the primary product, but are frequently attributable to speculative profits, excessive losses in the distribution process, and the remuneration of various unnecessary intermediaries who intervene between the producer and the final consumer.

## 8. FOREIGN TRADE PROSPECTS

As was shown in part I of the present study, Latin America's agricultural exports have been characterized by a lack of diversification both as regards their composition and in respect of markets of destination. It has also been noted that intra-regional trade has up to now been on an extremely small scale. Obviously, therefore, in view of the importance of agricultural exports in relation to total exports on the one hand, and to total agricultural output on the other, each of the Latin American countries should thoroughly overhaul its foreign trade policies with respect to agricultural commodities, in pursuit of the twofold objective of increasing their foreign exchange earnings and intensifying agricultural production.

Some important aspects of this subject are analysed below.

### (a) *Exports to the rest of the world*

Latin America's agricultural export prospects do not appear to be particularly bright. A recent FAO study<sup>66</sup> points out that, even if an optimistic hypothesis is adopted in respect of the growth of income in the more highly developed countries, the annual rate of expansion of these countries' net imports of tropical and semi-tropical products is unlikely to exceed 2.5 per cent. Within the group of countries referred to, it is estimated that those of Western Europe will increase their net purchases abroad at an annual rate of approximately 1.5 per cent, while North America may perhaps do so a little more slowly. On the other hand, Japan's imports, and, particularly, those of the Soviet Union and the

<sup>66</sup> Food and Agriculture Organization of the United Nations, *Agricultural commodities—Projections for 1970* (E/CN.13/48, CCP. 62/65), special supplement to the *FAO Commodity Review 1962*, Rome, May 1962.

People's Republic of China, are expected to expand at a more rapid rate.

Projections for the commodities which are of special interest to Latin America are presented in table 36.

**Table 36**

ANNUAL RATE OF EXPANSION OF THE VOLUME OF NET IMPORTS OF TROPICAL AND SEMI-TROPICAL AGRICULTURAL COMMODITIES BETWEEN 1957-59 AND 1970, ON THE ASSUMPTION OF CONSTANT PRICES

(Percentages)

Commodity	North America	Western Europe	Japan	USSR and People's Republic of China
Sugar .....	0.8	1.5	4.2	a
Coffee .....	2.5	2.9	16.8	16.8
Cacao .....	2.9	3.0	9.8	12.3
Fibres <sup>b</sup> .....	0.4	1.5	3.0	1.9

SOURCE: Food and Agriculture Organization of the United Nations, *Agricultural commodities—Projections for 1970* (E/CN.13/48, CCP 62/5). Data based only on the indices corresponding to the most optimistic hypothesis of income growth.

<sup>a</sup> It is estimated that from net exporters these countries will become net importers, by a volume of about 3 million tons.

<sup>b</sup> Cotton, wool and jute.

It may be noted that, generally speaking, the net imports of the commodities in question effected by North America and Western Europe are not likely to increase very fast. In the case of sugar, this will be mainly due to the expansion of domestic production and the fact that per capita consumption in North America will increase very little, since it exceeds 7 kilogrammes already and its income-elasticity is very low. In Western Europe, on the other hand, the prospects are somewhat brighter, even though in several of the countries of this region any very large-scale expansion of demand is impeded by a variety of tariff duties and taxes. Where cacao is concerned, the fluctuations of demand in the higher-income countries are much more dependent on prices. Consequently, at constant prices no significant increase in per capita demand is projected. As in the case of coffee, however, the abolition of duties in various European countries may mean that the estimated increase in consumption is exceeded. The smallness of the increment projected for textile fibres is essentially attributable to the growing competition from synthetic products, which may become keener in the future, according to the prevalent relative prices. A rise in the price of cotton, for example, will divert a proportion of demand towards consumption of synthetic fibres, and vice versa.

In the markets of the USSR, the People's Republic of China and Japan, on the other hand, the outlook is much more promising. Apart from the fact that these are economies in full process of expansion, per capita levels of consumption of the commodities under discussion are relatively low, so that demand can be expected to increase considerably in the next few decades. Latin America should therefore devote more attention to the possibilities opened up by these markets.

Prospects for the temperate-climate products of interest to Latin America—i.e., cereals and meat—differ from one of these groups of commodities to the other.

It is expected that production of grain in the developed countries will continue to exceed domestic consumption, leaving substantial exportable surpluses. Western Europe will remain a net importer of grain up to 1970, but a change is likely to occur in the composition of its imports. While the wheat deficit may decrease, if the present trend towards self-sufficiency is maintained, requirements of secondary cereals are likely to increase. But the best sales prospects for grain are offered by the developing countries themselves, whose total grain deficit, according to estimates, may be doubled in the course of the next ten years. Consequently, in the specific case of Latin America, the outlook for Argentina and Uruguay will probably depend on demand in the other Latin American countries rather than on that of extra-regional markets.

For meat, especially beef, world demand prospects are somewhat brighter. In the FAO report cited above, it is estimated that by 1970 the net beef imports of the main importer regions may increase between 17 and 32 per cent in relation to those registered in 1957-59, while those of Japan (very small at present) may be trebled. Projections of the expansion of net imports by 1970 in selected regions, on the basis of a favourable hypothesis of consumption growth, are presented in table 37.

**Table 37**

NET IMPORTS OF BEEF, 1957-59 AND 1970

(Thousands of tons, carcass weight)

Country or region	1957-59	1970	Index	Annual percentage
North America .....	316	385	122	1.8
United Kingdom .....	629	736	117	1.4
European Economic Community	258	340	132	2.6
Japan .....	10	30	300	10.5
Total for countries listed....	1 213	1 491	123	2.0

SOURCE: FAO, *op. cit.*, table II-1.

For forest products, world market prospects are more encouraging than for agricultural commodities. It is estimated that world requirements of industrial roundwood (wood for all purposes except use as fuel) will increase in the course of the next decade at an annual rate which may perhaps exceed 3 per cent. However, Latin America's chances of absorbing a larger proportion of world trade in sawnwood may be partly invalidated by the more favourable geographical situation of Canada and the Soviet Union. Again, the outlook for wood pulp products is very hopeful, since it is estimated that world consumption of paper and board, which amounted to 38 million tons in 1950 and 74 million in 1960, will reach approximately 124 million tons by 1970.<sup>67</sup> In this field, too, Latin America's efforts should be directed towards the satisfaction of the domestic market, since at the present time the region is an extensive net importer of such products. There is no reason, however, why this should prevent Latin America, if it shows itself capable of effectively boosting its output of forest products and their derivatives, from securing its share, in due course, in the import trade of other regions.

<sup>67</sup> *Ibid.*, pp. 1-23.

### (b) *Intra-regional exports*

The most powerful impetus to Latin America's foreign trade in agricultural commodities will undoubtedly have to be the expansion of demand in the countries of the region themselves. It has been shown that in all likelihood consumption of these commodities will increase more rapidly than in the past, and that, in view of the limited export prospects, it will be necessary to control the growth of imports from outside the region.

Import substitution possibilities in respect of agricultural commodities are fairly promising. A high percentage of the total quantum of extra-regional agricultural imports—which at present amounts to about 450 million dollars—is constituted by goods that can be produced within Latin America itself. Extra-regional imports of wheat and other cereals, oils and fats, milk products, pulses, tobacco, wood, livestock and meat, and cotton—to list only the staple items—represent a considerable proportion of total agricultural imports from outside the region.<sup>68</sup>

A prerequisite for the intensification of intra-regional trade in agricultural commodities will be the adoption by the Latin American countries of a much more energetic and consistent policy as regards the improvement of transport and marketing facilities, in addition to the reciprocal tariff concessions granted by the States signatories of the Montevideo Treaty and of the treaties relating to Central American economic integration, respectively. The full implementation of these treaties, and perhaps ultimately of an agreement to which all the countries of the region are parties, will entail thorough exploration of the possibilities for such specialization in respect of agricultural commodities as will enable each of the countries concerned to turn its natural assets to the best possible account. The termination of the interim period contemplated in the treaties referred to will imply free circulation of agricultural commodities, as of goods of other kinds among the signatory States. Clearly, then, these latter will have to introduce certain adjustments in their production systems so as to safeguard marginal producers against a sudden and radical change of circumstances which may do serious harm from the social standpoint. The adoption of improved techniques and a gradual process of specialization will give the existing marginal producers an opportunity of switching over from one type of farming to another that offers more advantages, and for whose products there may be a broader market in the region as a whole. But, as has already been pointed out, if this objective is to be

<sup>68</sup> Thus, for example, in the countries listed below the following agricultural imports from outside Latin America were registered in 1958-60: Brazil, 77 million dollars (wheat, 47.5 million; tobacco, 12.9 million, edible oils and fats, 5.4 million); Chile, 29 million dollars (cotton, 6 million; wheat, 5.8 million; milk products, 5.0 million; edible oils and fats, 2.7 million); Colombia, 30 million dollars (wheat, 10.4 million; oleaginous products, 9.4 million; malt, 4.6 million; cotton, 4.4 million); Mexico, 43 million dollars (maize, 16.8 million; greasy wool, 9.5 million; tobacco, 5.4 million; hides, 4.4 million; livestock, 3.0 million; milk products, 2.5 million); Peru, 33 million dollars (wheat, 16.2 million; edible oils and fats, 4.4 million; milk products, 4.1 million; rice, 3.2 million; wood, 1.5 million; malt, 1.1 million); Uruguay, 17 million dollars (wheat, 4.7 million; cotton, 4.6 million; tobacco, 3.4 million; maize, 1.3 million; wood, 0.9 million); Venezuela, 82 million dollars (milk products, 30.2 million; wheat, 13.6 million; eggs, 12.1 million; pulses, 3.1 million; oats, 2.6 million; wood, 2.5 million).

attained, the Latin American countries must undertake more thorough research on their levels of productivity, on alternative uses of land and other resources and on the precise trends that may be followed by future demand—which have been traced here only in broad outline—in order to determine the agrarian policies that it will be wisest to apply in each of the countries in question.

### 9. AGRICULTURAL DEVELOPMENT PLANNING

Today hardly anyone questions the assumption that the economic development of Latin America cannot be left to chance, to the free interplay of market forces. On the contrary, there is a growing realization of the need to rationalize this process by laying down in advance *guide-lines for action adjusted to a framework of appropriate socio-economic priorities*. In the specific domain of agricultural development, the immensity of the task that lies immediately ahead has already been indicated. Decisions will have to be adopted that will affect the destiny of millions of human beings and the utilization of vast land and capital resources; they will also involve the co-ordinated action of State machinery and of private enterprise. Obviously, therefore, these decisions will have to be taken in full awareness of their repercussions and with a view to maximum exploitation of Latin America's resources.

This need to approach agricultural development through planning becomes yet more obvious when the investment problem is considered. Even though, for readily understandable reasons, it is not yet feasible to define the sum total which investment in the agricultural sector can or must reach in order to meet the requirements in respect of expansion, intensification and diversification of production indicated in earlier pages, it will clearly have to be very great. Suffice it to recall all that will have to be done in respect of irrigation works, reclamation of land, building of roads, schools and installations; marketing facilities; purchases of equipment; establishment of experimental centres; training of skilled personnel; resettlement of hundreds of thousands of agricultural workers, and so on and so forth, in order to achieve the postulated increases in production and productivity. Furthermore, it must be remembered that mass investment will have to be effected in many other fields, and that the funds available for the purpose are definitely limited. It follows logically that a careful scale of priorities must be established in order to determine how much capital should be allocated to each sector. Clearly therefore, the agricultural development of the Latin American countries can only be tackled in the context of the planning of their over-all economic development.

A very important aspect of this planning process is the organization of State services not only for the formulation but also for the implementation of the development plan. In connexion with agriculture, there are many agencies that play some part in the process. But these institutions do not always co-ordinate their action, with the result that a serious waste of skilled human resources ensues, in addition to the inconsistencies which may be perpetrated and the consequent confusion in the spheres in which the services in question pursue their activities. What has been said of the need to establish closer liaison between the agricultural research and extension service is also applicable to credit, which is not always granted

for the purposes and in the ways that are most appropriate and most compatible with the interests of overall development. Similarly, a very close relation must be established between agricultural production plans and the supply of agricultural inputs, since fertilizers, improved seeds, vaccines, etc., must be actually available and within the reach of all farmers, so that these latter can introduce modern production techniques and meet the targets established.

In addition to these and other factors which it is essential to take into account in the formulation and execution of agricultural development plans, there is another vitally important element which must be considered if the maximum impetus is to be given to the progress of this activity in Latin America—namely, the co-ordination of national plans at the regional level.

The progress being made in the planning of development, considerable as it is, is in danger of being at least partly frustrated by the manner in which the various programmes were drawn up and implemented. Many of the Latin American countries, whatever the magnitude and quality of their resources, tend to envisage a considerable degree of self-sufficiency in their development plans, which does not seem expedient in view of their modest income levels and, in most cases, low population density, and their consequently narrow internal markets, as well as, lastly the wide diversity of natural resources to be found among them. Unquestionably, the economic and social cost of achieving in each of these countries maximum output of all the products that their land can yield is bound to be very high, if intra-regional trade possibilities and the advantages of some degree of specialization are not taken into consideration. The domestic market, which has repeatedly been singled out in the present document as the most important dynamic factor for Latin America's future industrial development, must,

therefore, be understood in the context of the region as a whole and not in that of each of its constituent countries.

How, then, is this planned agricultural development to be conceived in terms of the Latin American geographical unit? It seems that with respect both to markets and to production, the first step would be to study the Latin American region not by countries but by homogeneous zones or sub-regions, from the standpoint of their natural conditions and agricultural, human and technical resources, the character of the problems to be solved or their current level of development.

Thus, for example, such areas might be chosen as that comprising the south of Brazil, Uruguay and the Argentine pampa; the Andean regions of Bolivia, Peru, Ecuador and Colombia, etc. These aggregates, which are suggested purely for purposes of illustration, set an approximate pattern for the type of zoning that would have to be established. For the zoning to be satisfactory, an indispensable requisite would be thorough research on such aspects of the question as natural characteristics, predominant lines of crop and livestock production, organization of the typical agricultural enterprise, social composition of the population, income and its distribution, levels of living of the population, the extent to which intensive or extensive farming methods are practised, utilization of the labour force, land tenure systems, and many other points.

All this involves an enormous amount of work, which will call for serious efforts on the part of the countries concerned and will take a relatively long time. But the sooner a start is made on the study of Latin America's real agricultural situation in these new terms, and a co-ordinated agricultural development policy is put into effect, the easier it will be to attain the objective of a higher standard of living for the population of this continent.

## ANNEXES

### Annex I

#### METHODOLOGY USED FOR THE PROJECTIONS OF DOMESTIC DEMAND FOR AGRICULTURAL COMMODITIES

##### 1. Assumptions:

(a) Demographic growth: 2.9 per cent annually for all income groups.

(b) Growth of total income: 6 per cent annually or 3 per cent per capita.

(c) Growth of total consumption of goods and services: 5 per cent annually or 2 per cent per capita.

(d) Growth of consumption by income groups:

(i) High-income group: per capita consumption will decrease 20 per cent up to 1980;

(ii) Medium-income group: per capita consumption will increase 2.1 per cent annually;

(iii) Low-income group: per capita consumption will increase 4.8 per cent annually.

(e) The present population distribution by income groups and their respective shares of total consumption were estimated as follows:

	Percentage of total population	Percentage of total consumption
High-income group (H) . . . . .	5	24
Medium-income group (M) . . . . .	45	60
Low-income group (L) . . . . .	50	16
TOTAL	100	100

(f) Consumption of agricultural commodities in relation to total consumption: H = 25 per cent; M = 45 per cent; L = 65 per cent.

(g) Elasticity of demand for agricultural commodities in relation to total consumption: H = 0; M = 0.5; L = 0.75. For group H it was assumed that per capita consumption of agricultural commodities remained the same throughout the period.

2. If total consumption in 1960 is equal to 1,000 million units, consumption by groups—total and agricultural—is as follows:

	Over-all consumption (millions of units)			Per capita consumption (units)		Annual per capita growth rate of agricul- tural con- sumption (per- centage)	Index in 1980 (1960 =100)	Index of over- all agricultural consumption in 1980		Over-all agricul- tural con- sumption in 1980 (millions of units)	Per capita agricul- tural con- sumption in 1980 (units)
	Total	Agricul- tural	Population (millions)	Total	Agricul- tural			(per- centage)	(annual rate)		
Group H ..	240	60	10.3	23.30	5.83	0	100	177	2.9	106	5.83
Group M ..	600	270	92.7	6.47	2.91	1.05	123	218	4.0	588	3.58
Group L ..	160	104	103.0	1.55	1.01	3.60	203	360	6.6	374	2.05
Total ....	1 000	434	206.0	4.85	2.11	1.70	139	246	4.6	1 068	2.93

3. If the coefficients of elasticity of demand and the hypothetical rates of consumption growth are applied, agricultural consumption is seen to have increased by the following amounts in 1980:

4. The average elasticities obtained are: 0.85 with respect to total consumption and 0.57 with respect to income.

## Annex II

### STATISTICAL TABLES

Table A

#### LATIN AMERICA: IMPORTS OF AGRICULTURAL PRODUCTS

(Millions of dollars at current prices)

Origin	Latin America		ALALC countries 1958-60
	1953	1955-57	
From all countries.....	1 153	897	525
From within the region.....	483	415	281
From outside the region.....	632	482	244
Percentage of intra-regional imports.....	43.3	46.3	53.5

SOURCES: ECLA, document E/CN.12/369 (1956) and E/CN.12/499 (1959); the figures for ALALC have been calculated on the basis of the official foreign trade statistics of the member countries.

Table B

#### LATIN AMERICA: PER CAPITA LEVELS OF CONSUMPTION OF AGRICULTURAL PRODUCTS FOR HUMAN USE

(Kilogrammes per year)

Product	Argentina (1959)	Brazil (1957)	Chile (1957)	Colombia (1956-1958)	Ecuador (1957-1959)	Mexico (1957-1959)	Paraguay (1957-1959)	Peru (1959)	Uruguay (1954-1956)	Venezuela (1959)
<i>Food products</i>										
Grains .....	120	106	129	61	74	124	84	87	99	82
Roots and tubers.....	67	118	92	84	90	8	229	151	61	92
Sugar .....	31	31	37	51	22	33	15	26	33	37
Leguminous vegetables and nuts..	3	27	8	9	13	21	15	9	2	16
Vegetables .....	44	21	77	13	30	24	36	78	37	16
Meat .....	91	29	31	41	15	24	48	18	109	25
Eggs .....	7	3	4	3	5	6	1	1	7	4
Milk (protein content).....	3	2	3	2	3	3	2	1	6	4
Fats .....	20	10	10	8	7	12	7	9	23	13
<i>Natural fibres</i>										
Cotton .....	5	4	2	3	...	3	...	2	3	3
Wool .....	1.0	0.3	1.0	0.3	...	0.1	...	0.4	1.2	0.3

SOURCE: FAO, *State of Food and Agriculture, 1962*.



**Table C**  
**INDICES OF CHANGES IN THE AREA UNDER CULTIVATION, YIELDS AND PRODUCTION FOR THE MAIN AGRICULTURAL PRODUCTS, BY REGIONS, 1957-59**

(1948-52 = 100)

Product	World total			Latin America			North America			Europe			Middle East			Far East			Africa		
	Area	Yield	Production	Area	Yield	Production	Area	Yield	Production	Area	Yield	Production	Area	Yield	Production	Area	Yield	Production	Area	Yield	Production
Wheat	121.4	118.0	142.9	116.3	109.4	127.4	75.9	126.7	96.0	105.7	123.8	130.8	135.9	113.0	154.2	126.3	100.0	126.8	123.3	96.6	119.3
Rice	113.7	129.4	146.9	135.8	101.2	137.9	77.7	142.2	108.9	115.1	107.3	123.4	98.0	124.6	122.4	110.8	113.7	126.0	106.6	113.5	121.5
Maize	110.6	125.0	138.1	129.6	107.5	139.8	93.1	129.0	120.0	111.9	159.7	178.6	111.9	102.1	114.4	131.7	117.3	154.0	111.2	116.2	128.6
Barley	116.7	120.4	139.5	140.7	98.1	138.8	139.9	103.4	144.8	123.8	127.8	158.5	131.8	107.5	141.1	106.5	103.8	110.7	100.2	83.6	84.1
Oats	88.8	110.3	98.3	129.2	101.0	130.4	87.1	111.0	96.8	82.8	110.0	91.0	127.2	114.3	144.1	100.0	129.3	127.6	118.3	66.7	79.3
Sorghum	123.2	173.2	212.2	114.3	92.8	105.9	225.8	169.0	380.7	100.0	142.3	137.5	119.4	118.8	142.3	—	—	—	—	—	—
Cotton	104.6	125.0	132.5	114.8	123.8	145.0	55.8	153.1	87.7	127.5	180.0	233.3	137.5	100.0	137.9	132.8	100.0	134.0	116.6	120.0	139.5
Tobacco	116.7	108.3	126.6	116.4	112.5	131.7	70.6	120.4	84.8	126.5	114.4	144.3	136.3	96.0	126.7	140.9	95.1	134.4	110.8	126.8	140.7
Beans	122.1	102.3	124.6	124.5	103.5	129.3	92.0	111.8	103.3	102.5	118.2	124.0	115.6	120.9	140.0	152.9	100.0	149.9	105.6	111.5	118.8
Peas	95.3	107.2	102.3	101.9	88.0	90.5	100.0	113.9	113.9	70.0	103.9	72.8	100.0	100.0	100.0	109.9	113.4	125.6	94.7	95.2	89.7
Potatoes	109.5	104.7	114.6	109.6	113.2	124.2	83.3	123.7	103.0	97.3	107.7	104.3	160.9	132.0	194.4	121.0	113.6	136.8	102.0	118.0	121.1
Sweet potatoes	145.2	119.4	173.8	106.7	105.4	111.9	64.7	126.9	82.7	100.0	81.6	81.8	—	—	—	119.2	107.7	128.5	105.5	104.2	109.5
Manioc	119.8	102.0	122.1	119.9	100.6	121.0	—	—	—	—	—	—	—	—	—	152.7	108.4	164.6	108.3	102.1	110.8
Onions	125.7	110.2	134.5	144.0	105.9	163.2	100.0	116.7	116.7	105.6	116.5	122.8	152.9	118.8	180.8	131.4	109.4	143.2	140.0	80.9	113.3
Tomatoes	125.3	111.7	139.5	133.3	102.1	136.2	87.9	130.3	114.9	140.9	113.9	160.5	164.0	109.1	178.8	200.0	65.0	130.0	140.0	125.4	175.9
Broad beans	102.2	103.1	106.1	105.1	92.8	97.8	—	—	—	103.1	119.1	122.0	95.0	104.2	99.1	80.0	110.0	88.0	98.3	85.1	84.0
Chick-peas	119.7	115.4	137.6	120.7	114.5	138.0	—	—	—	83.3	119.0	98.7	106.7	95.6	102.2	123.9	119.2	145.4	95.7	80.0	75.8
Lentils	86.9	94.5	82.4	88.3	74.7	66.0	—	—	—	84.6	122.2	104.3	141.0	85.0	120.6	85.2	89.1	75.3	90.5	94.0	84.2
Vineyard products	109.1	110.9	120.8	123.7	93.3	115.5	87.3	112.3	98.1	100.5	114.2	112.7	125.2	132.2	165.9	233.3	105.5	246.0	104.3	128.4	133.9
Soya beans	139.0	121.8	170.4	225.0	117.6	264.6	178.6	111.8	199.5	62.2	117.9	73.3	—	—	—	121.4	102.5	123.3	—	—	—
Groundnuts	135.2	105.8	141.7	175.7	116.0	204.6	65.9	132.6	87.3	100.0	107.8	108.0	345.0	126.5	434.0	137.4	108.1	67.5	—	—	—
Flax (seed)	104.3	100.0	104.3	117.3	98.5	115.3	123.7	79.3	97.6	78.9	83.1	65.4	90.0	109.3	92.5	102.7	96.3	99.3	65.2	100.0	67.0
Sesame	90.8	91.4	81.5	139.5	105.7	146.1	—	—	—	92.5	128.0	120.0	123.3	110.5	137.1	100.5	100.0	101.3	113.9	115.6	130.0
Sunflower	100.6	141.4	142.6	106.1	80.8	85.7	80.0	125.5	100.0	82.2	137.3	113.4	150.0	81.1	122.2	—	—	—	—	—	—
<i>Totals<sup>a</sup></i>	<i>114.2</i>	<i>120.8</i>	<i>138.1</i>	<i>124.1</i>	<i>107.0</i>	<i>133.8</i>	<i>93.4</i>	<i>125.1</i>	<i>116.2</i>	<i>102.9</i>	<i>123.7</i>	<i>128.2</i>	<i>130.9</i>	<i>111.1</i>	<i>145.4</i>	<i>118.4</i>	<i>109.9</i>	<i>129.7</i>	<i>109.6</i>	<i>104.7</i>	<i>114.9</i>

SOURCE: FAO, *Production Yearbook*, 1960.

<sup>a</sup> The total yield has been weighted by the area occupied by each crop in 1948-52.

**Table D**  
**COMPARATIVE YIELD INDICES FOR THE MAIN AGRICULTURAL PRODUCTS, BY REGION**

Product	World total			Latin America			North America			Europe		
	1 Area under cultivation 1957-59	2 Percentage of total	3 Comparative yield index	1 Area under cultivation 1957-59	2 Percentage of total	3 Comparative yield index	1 Area under cultivation 1957-59	2 Percentage of total	3 Comparative yield index	1 Area under cultivation 1957-59	2 Percentage of total	3 Comparative yield index
Wheat .....	206 200	27.3	100	8 757	16.9	98	29 043	25.2	125	29 590	34.0	154
Rice .....	116 667	15.5	100	3 803	7.3	83	583	0.5	176	357	0.4	219
Maize .....	100 767	13.4	100	18 347	35.5	57	31 306	27.1	158	11 573	13.3	99
Barley .....	60 667	8.0	100	1 717	3.3	76	9 740	8.4	110	11 003	12.6	159
Oats .....	47 667	6.3	100	1 150	2.2	81	17 323	15.0	110	10 343	11.9	138
Sorghum .....	27 540	3.7	100	343	0.7	93	6 977	6.1	220	40	0.1	142
Cotton .....	33 367	4.4	100	4 743	9.2	87	5 463	4.7	163	510	0.6	90
Tobacco .....	3 430	0.5	100	425	0.8	91	505	0.5	164	493	0.6	107
Beans .....	18 933	2.5	100	4 482	8.7	131	635	0.6	296	3 537	4.1	58
Peas .....	6 767	0.9	100	107	0.2	99	135	0.1	156	43	0.5	151
Potatoes .....	24 967	3.3	100	997	1.9	54	700	0.6	168	9 207	10.6	132
Sweet potatoes .....	14 667	1.9	100	480	0.9	72	110	0.1	89	15	0.0	146
Manioc .....	7 067	0.9	100	1 607	3.1	130	—	—	—	—	—	—
Onions .....	553	0.1	100	77	0.2	66	50	0.0	193	190	0.2	108
Tomatoes .....	827	0.1	100	120	0.2	57	233	0.2	121	310	0.4	117
Broad beans .....	4 700	0.6	100	205	0.4	65	—	—	—	907	1.0	101
Chick-peas .....	12 333	1.6	100	175	0.3	132	—	—	—	450	0.5	83
Lentils .....	1 373	0.2	100	53	0.1	119	—	—	—	110	0.1	127
Vineyard products .....	9 600	1.3	100	433	0.8	165	227	0.2	278	6 490	7.5	96
Soya beans .....	21 967	2.9	100	135	0.3	103	9 163	7.9	131	28	0.0	64
Groundnuts .....	14 867	2.0	100	650	1.3	127	600	0.5	134	15	0.0	198
Flax (seed) .....	8 133	1.1	100	1 267	2.5	160	2 697	2.3	115	347	0.4	123
Sesame .....	4 633	0.6	100	300	0.6	175	—	—	—	37	0.0	100
Sunflower .....	6 547	0.9	100	1 347	2.6	72	16	0.0	84	1 077	1.2	99
<i>Total sample</i> .....	<i>754 239</i>	<i>100.0</i>	<i>100</i>	<i>51 720</i>	<i>100.0</i>	<i>85</i>	<i>115 506</i>	<i>100.0</i>	<i>140</i>	<i>87 042</i>	<i>100.0</i>	<i>132</i>
<i>Summary</i>												
Below world level.....					82.3	73.9		0.1	89.0		27.2	90.0
Above world level.....					17.7	137.9		99.9	140.0		72.8	147.7

SOURCE: FAO, *Production Yearbook*, 1960.

**Table E**  
**LATIN AMERICA: UNIT YIELDS OF SOME IMPORTANT CROPS IN SELECTED COUNTRIES**  
*(Quintals per hectare)*

Country	Wheat			Maize			Rice			Potatoes			Beans			Tobacco			Cotton		
	1934-38	1948-52	1958-60	1934-38	1948-52	1958-60	1934-38	1948-52	1958-60	1934-38	1948-52	1958-60	1934-38	1948-52	1958-60	1934-38	1948-52	1958-60	1934-38	1948-52	1958-60
Argentina .....	9.8	11.5	12.4	18.1	14.8	18.5	28.5	30.5	32.5	58.0	64.0	87.0	10.5	9.5	9.9	10.9	10.4	10.3	1.9	2.4	2.3
Brazil .....	9.0	7.4	5.1	13.9	12.4	12.9	14.3	15.7	16.3	67.0	48.0	55.0	8.7	6.8	6.9	9.0	7.6	7.9	1.8	1.5	1.6
Chile .....	10.6	11.9	12.6	13.8	13.8	20.0	38.4	29.0	24.6	85.0	88.0	81.0	8.5	9.3	8.2	20.8	20.3	20.6			
Colombia .....	8.0	7.2	8.7	9.0	10.7	11.6	...	20.4	20.4	46.0	...	...	5.0	...	...	11.0	10.4	16.9	1.7	2.2	4.1
Paraguay .....	...	7.8	7.2	10.3	12.0	12.6	20.4	19.1	22.1	...	63.0	36.0	...	8.3	8.0	8.5	11.1	10.0	2.1	2.6	1.6
Peru .....	7.0	9.3	10.1	16.1	14.3	12.7	19.9	38.5	40.4	29.0	57.0	52.0	...	9.2	9.7	...	10.2	12.9	5.0	5.0	5.1
Uruguay .....	7.5	9.1	6.4	6.3	6.9	5.2	35.7	32.7	33.0	41.0	38.0	37.0	4.2	...	...	9.2	...	...			
Venezuela .....	4.9	4.7	6.4	13.8	11.4	11.7	12.0	11.7	15.8	16.0	26.0	63.0	...	...	7.8	4.3	8.5	15.1	1.2	2.8	2.3
El Salvador .....				10.7	11.2	8.7	11.8	16.3	18.4					9.1	8.2	5.2			2.8	3.6	7.7
Guatemala .....	7.1	5.8	6.6	9.9	8.6	7.6	14.3	11.8	13.4	28.0	30.0	31.0	7.5	5.1	5.9	4.1	6.2	8.0	2.5	3.0	8.0
Honduras .....	...	5.8	5.9	10.5	7.3	7.6	12.0	16.2	16.6	...	19.0	20.0	4.4	4.4	4.4	5.0	5.0	5.1	...	2.9	6.6
Mexico .....	7.6	8.8	14.5	5.6	7.5	8.8	21.0	18.0	20.6	48.0	45.0	51.0	2.0	2.6	4.0	8.6	10.0	13.6	2.5	3.2	4.9
Latin America .....	9.5	10.6	11.0	12.8	10.6	11.6	15.2	16.9	17.5	44.0	53.0	62.0	6.6	5.7	6.0	8.4	8.4	9.7	2.0	2.1	2.7

SOURCE: FAO, *Production Yearbooks*, 1956 and 1961.

**Table F**  
**CONSUMPTION OF FERTILIZERS IN SELECTED COUNTRIES IN  
LATIN AMERICA AND OTHER REGIONS**

Country	Nitrates (thousands of tons of N)		Phosphates (thousands of tons of P <sub>2</sub> O <sub>5</sub> )		Potassium fertilizers (thousands of tons of K <sub>2</sub> O)		Arable area (millions of hectares)
	1948-52	1958-59	1948-52	1958-59	1948-52	1958-59	
Brazil .....	11.0	44.3	31.0	81.3	11.6	65.7	19.1
Chile .....	9.5	47.7 <sup>a</sup>	20.9	29.6 <sup>a</sup>	3.5	6.5	5.5
Ecuador .....	0.2	3.7 <sup>a</sup>	0.3	2.3	0.1	1.8	1.1
El Salvador .....	0.4	14.9	0.2	8.9	0.2	17.5	0.5
Honduras .....	0.6	6.5	0.7	0.3	0.7	0.1	1.0
Mexico .....	10.4	140.0	8.9	28.0	2.2	4.5	19.9
Peru .....	34.3	55.3	23.6	7.3	4.9	3.2	1.7
Venezuela .....	1.3	5.5	0.5	6.8 <sup>b</sup>	0.8	4.0 <sup>c</sup>	2.9
Belgium .....	77.0	97.5	85.2	91.7	118.5	152.3	1.0
France .....	251.7	480.8	454.2	764.4	362.1	705.4	21.5
Greece .....	23.6	70.8	19.1	54.6	5.3	8.5	3.7
Spain .....	77.0	273.8	155.5	316.0	39.5	89.7	20.9
Fed. Rep. of Germany	194.1	226.2	405.5	607.9	660.3	1 003.8	8.6
Egypt .....	98.2	177.1	16.7	27.7	0.6	2.3	2.6
Japan .....	368.0	681.7	224.5	389.4	145.3	437.4	6.1

SOURCE: FAO, *Production Yearbook*, 1960.

<sup>a</sup> 1959-60.

<sup>b</sup> 1956-57.

<sup>c</sup> 1955-56.

**Table G**  
**LATIN AMERICA: PROJECTIONS OF PRODUCTION, YIELD AND AREA FOR  
FOUR AGRICULTURAL PRODUCTS IN 1980**

	Maize	Rice <sup>a</sup>	Beans	Wheat
<i>Average 1958-60</i>				
Area (millions of hectares).....	18.3	4.2	4.5	8.8
Yield (metric quintals per hectare).....	11.4	17.5	5.9	11.6
Production (millions of tons).....	21.0	7.3	2.6	10.1
Net foreign trade (millions of tons) <sup>b</sup> .....	-0.4	0.2	—	1.3
Total apparent consumption (millions of tons) <sup>c</sup> .....	20.6	7.5	2.6	11.4
Per capita apparent consumption (kilogrammes)...	102.7	37.4	13.0	56.9
<i>1980</i>				
Per capita apparent consumption (kilogrammes)...	149.1 <sup>d</sup>	50.4 <sup>e</sup>	14.7 <sup>e</sup>	68.6 <sup>f</sup>
Total apparent consumption and production <sup>g</sup> (mil- lions of tons).....	53.5	18.1	5.3	24.6
Yield per hectare (quintals per hectare) <sup>h</sup> .....	14.3	18.7	6.4	14.4
Area required (millions of hectares).....	37.4	9.7	8.3	17.1

SOURCE: FAO, *Production and Foreign Trade Yearbooks*, 1958-60.

<sup>a</sup> Rice in the husk.

<sup>b</sup> Net imports (+); net exports (-).

<sup>c</sup> Production plus imports minus exports.

<sup>d</sup> An elasticity coefficient of 0.5 was assumed, or an annual rate of 1.5 per cent, in view of the higher growth rate estimated for animal consumption.

<sup>e</sup> The 1948-52 trend was extrapolated to 1958-60, giving an annual rate of 1.4 per cent for rice and 0.4 per cent for beans.

<sup>f</sup> The per capita consumption for Argentina, Chile and Uruguay was maintained at the same level, and for the remaining countries the same annual rate as for the last twenty years was assumed, i.e., 1.66 per cent.

<sup>g</sup> It was assumed that there would be no net foreign trade balances.

<sup>h</sup> The trend between 1948-52 and 1958-60 was extrapolated, giving the following annual rate of increase: maize and wheat, 1 per cent; rice, 0.15 per cent; and beans, 0.4 per cent.

**Table H**  
**LATIN AMERICA: TOTAL POPULATION, ESTIMATES AND PROJECTIONS TO 1980**  
*(Thousands)*

Country	1925	1930	1935	1940	1945	1950	1955	1960	1965	1970	1975	1980
Costa Rica .....	456	499	551	619	695	801	951	1 171	1 390 <sup>a</sup>	1 651 <sup>a</sup>	1 960 <sup>a</sup>	2 327 <sup>a</sup>
Cuba .....	3 364 <sup>a</sup>	3 837 <sup>a</sup>	4 221	4 566	4 932	5 508	6 127	6 797	7 523 <sup>a</sup>	8 307 <sup>a</sup>	9 146 <sup>a</sup>	10 034 <sup>a</sup>
Dominican Republic .....	1 054	1 256	1 484	1 674	1 889	2 131	2 526	3 014	3 554 <sup>a</sup>	4 221 <sup>a</sup>	5 013 <sup>a</sup>	5 954 <sup>a</sup>
El Salvador .....	1 361	1 443	1 531	1 633	1 742	1 868	2 108 <sup>a</sup>	2 442 <sup>a</sup>	2 859 <sup>a</sup>	3 346 <sup>a</sup>	3 917 <sup>a</sup>	4 585 <sup>a</sup>
Guatemala .....	1 532	1 771	1 996	2 201	2 438	2 805	3 258	3 765	4 343 <sup>a</sup>	5 053 <sup>a</sup>	5 906 <sup>a</sup>	6 942 <sup>a</sup>
Haiti <sup>a</sup> .....	2 472	2 632	2 802	2 983	3 175	3 380	3 722	4 140	4 645	5 255	6 001	6 912
Honduras .....	862 <sup>a</sup>	948	1 042	1 146	1 261	1 428	1 660	1 950	2 315 <sup>a</sup>	2 750 <sup>a</sup>	3 266 <sup>a</sup>	3 879 <sup>a</sup>
Mexico .....	15 204	16 589	18 089	19 815	22 576	25 826	30 015	34 988	40 602 <sup>a</sup>	47 022 <sup>a</sup>	54 485 <sup>a</sup>	63 231 <sup>a</sup>
Nicaragua .....	683 <sup>b</sup>	728 <sup>b</sup>	775 <sup>b</sup>	825	923	1 060	1 245	1 477	1 754 <sup>a</sup>	2 083 <sup>a</sup>	2 474 <sup>a</sup>	2 938 <sup>a</sup>
Panama <sup>c</sup> .....	457	471	546	620	703	797	923	1 055	1 209 <sup>a</sup>	1 387 <sup>a</sup>	1 591 <sup>a</sup>	1 823 <sup>a</sup>
Argentina .....	10 358	11 896	13 044	14 169	15 390	17 189	19 122	20 956	22 909	24 937	27 068	29 334
Bolivia <sup>a c</sup> .....	2 022	2 153	2 314	2 508	2 740	3 013	3 322	3 696	4 136	4 658	5 277	6 000
Brazil <sup>b</sup> .....	30 332	33 568	37 150	41 114	46 000	51 976	60 200	70 600	82 900	96 700	111 400	126 800
Chile .....	4 073	4 365	4 700	5 063	5 541	6 073	6 761	7 627	8 567 <sup>a</sup>	9 636 <sup>a</sup>	10 872 <sup>a</sup>	12 300 <sup>a</sup>
Colombia <sup>a c</sup> .....	6 562	7 280	8 115	9 097	10 267	11 679	13 441	15 468	17 787	20 514	23 774	27 691
Ecuador <sup>b</sup> .....	1 857 <sup>a</sup>	2 022 <sup>a</sup>	2 223 <sup>a</sup>	2 466	2 781	3 197	3 691	4 317	5 036 <sup>a</sup>	5 909 <sup>a</sup>	6 933 <sup>a</sup>	8 080 <sup>a</sup>
Paraguay <sup>c</sup> .....	785	880	988	1 111	1 247	1 397	1 565	1 768	2 007 <sup>a</sup>	2 296 <sup>a</sup>	2 645 <sup>a</sup>	3 065 <sup>a</sup>
Peru <sup>c</sup> .....	5 579	6 001	6 483	7 033	7 727	8 521	9 396	10 857	12 585 <sup>a</sup>	14 681 <sup>a</sup>	17 238 <sup>a</sup>	20 371 <sup>a</sup>
Uruguay .....	1 659	1 877	2 030	2 155	2 256	2 407	2 617	2 827	2 970 <sup>b</sup>	3 104 <sup>b</sup>	3 231 <sup>b</sup>	3 355 <sup>b</sup>
Venezuela <sup>b</sup> .....	2 840	3 082	3 300	3 710	4 267	4 974	6 049 <sup>a</sup>	7 331 <sup>a</sup>	8 707 <sup>a</sup>	10 320 <sup>a</sup>	11 600 <sup>a</sup>	13 355 <sup>a</sup>
<i>Total</i> .....	<i>93 512</i>	<i>103 298</i>	<i>113 384</i>	<i>124 508</i>	<i>138 550</i>	<i>156 130</i>	<i>178 699</i>	<i>206 246</i>	<i>237 798</i>	<i>273 830</i>	<i>313 797</i>	<i>358 976</i>

SOURCE: ECLA, *Economic Bulletin for Latin America*, vol. VII, No. 1 (Santiago, Chile, October 1962), Statistical Supplement, table 3.

<sup>a</sup> Based on non-official statistics.

<sup>b</sup> Excluding jungle (selva) dwellers.

<sup>c</sup> Including jungle dwellers.

**Table I**  
**LATIN AMERICA: INDEX OF AGRICULTURAL PRODUCTION**  
(1958 = 100)

<i>Groups of products<sup>a</sup></i>	1934-38	1945	1948	1951	1954	1957	1958	1959	1960
Grains .....	71.5	59.9	81.3	81.4	95.4	102.5	100.0	106.7	108.2
Roots and tubers.....	46.3	70.0	75.5	83.5	94.6	93.7	100.0	99.9	108.5
Pulses .....	51.3	62.9	73.8	80.6	98.4	101.4	100.0	105.9	113.0
Oil seeds .....	67.8	71.6	79.2	80.3	70.6	89.2	100.0	87.7	107.7
Sugar and panela.....	40.7	53.0	74.5	76.8	79.1	93.7	100.0	104.4	105.4
Fruits .....	45.3	49.1	60.0	71.3	89.9	99.0	100.0	106.9	109.8
Meat .....	59.4	66.3	76.0	79.8	78.5	96.6	100.0	89.8	89.1
Non-alcoholic beverages .....	73.0	57.6	65.3	67.5	73.6	90.1	100.0	114.4	136.8
Fibres .....	48.4	57.1	55.7	70.4	88.0	92.4	100.0	94.2	105.5
Wines .....	58.8	55.9	84.7	83.9	81.7	70.7	100.0	118.5	109.0
Other .....	41.5	62.1	68.2	78.8	90.4	99.4	100.0	103.5	110.3
<i>Total agricultural products.....</i>	<i>57.4</i>	<i>59.4</i>	<i>71.8</i>	<i>76.8</i>	<i>85.0</i>	<i>95.5</i>	<i>100.0</i>	<i>102.5</i>	<i>108.5</i>
<i>Crop products .....</i>	<i>56.7</i>	<i>57.0</i>	<i>70.4</i>	<i>75.8</i>	<i>86.1</i>	<i>95.2</i>	<i>100.0</i>	<i>105.3</i>	<i>112.9</i>
Wheat .....	81.0	60.0	91.7	85.1	100.6	110.9	100.0	105.6	94.7
Maize .....	89.6	61.8	81.7	78.5	94.7	90.8	100.0	108.2	109.8
Coffee .....	74.9	57.9	66.7	67.9	72.9	88.2	100.0	115.0	141.5
Sugar .....	39.0	51.5	72.9	75.9	78.4	93.7	100.0	104.2	105.7
Cotton .....	43.4	47.5	45.6	64.7	86.1	90.9	100.0	90.3	104.6
Leguminous vegetables .....	51.3	62.9	73.8	80.6	98.4	101.4	100.0	105.9	113.0
Oil seeds .....	67.8	71.6	79.2	80.3	70.6	89.2	100.0	87.7	107.7
Bananas .....	45.3	49.1	60.0	71.1	90.0	99.0	100.0	106.9	109.8
<i>Livestock products .....</i>	<i>60.7</i>	<i>69.4</i>	<i>77.6</i>	<i>81.1</i>	<i>80.5</i>	<i>96.8</i>	<i>100.0</i>	<i>90.6</i>	<i>90.2</i>
Beef .....	59.3	58.4	75.3	80.0	75.2	95.6	100.0	88.6	86.6
Wool .....	76.4	105.7	96.4	96.1	103.0	97.9	100.0	99.4	102.4
<i>Per capita</i>									
Total agricultural products.....	99	84	94	93	95	98	100	99	103
Total crop products.....	97	80	93	92	97	98	100	102	107
Total livestock products.....	104	98	102	99	90	100	100	88	85

SOURCE: ECLA, on the basis of national statistics.

<sup>a</sup> *Groups of products: Grains:* Wheat, maize, rice, oats, barley, rye; *Roots and tubers:* Potatoes, manioc and sweet potatoes; *Leguminous vegetables:* Beans, chick-peas, broad beans, lentils and peas; *Oil seeds:* Sesame, cotton seed, sunflower, linseed ground-nuts, castor-oil plant and tung; *Fruits:* Bananas and pineapples; *Meat:* Beef, mutton and pork; *Beverages:* Coffee, cocoa, tea, and yerba mate; *Fibres:* Greasy wool, cotton, sisal and abaca; *Other:* Fresh chili, dried chili, tomatoes and tobacco.

## A MEASUREMENT OF PRICE LEVELS AND THE PURCHASING POWER OF CURRENCIES IN LATIN AMERICA, 1960-62\*

### PRELIMINARY NOTE

The present study brings up to date the document entitled "Comparative prices and the purchasing power of currencies in selected Latin American countries" (E/CN.12/589) submitted to the Economic Commission for Latin America at its ninth session in May 1961. While the methodology has remained unchanged in all except minor aspects, the results now apply to capital cities in all Latin American countries, except Cuba for which comparable information could not be obtained. An important addition to the study is the inclusion of data for two United States cities—Los Angeles and Houston—where prices were specially collected for ECLA by the United States Bureau of Labor Statistics. Results for these two cities have been included by way of a comparison with those capitals in Latin America where it was believed that conditions were sufficiently comparable to provide meaningful results.

As with document E/CN.12/589, the data shown in the present study are represented in the form of indexes reflecting the relative price levels, and of "purchasing power equivalents" indicating the number of currency units in one country which correspond in purchasing power with a given number of currency units in another country. Information of this nature is presented for the main types of goods, services and producers' equipment which enter into consumer expenditure and investment in the region. Figures are also given for total expenditure—the results thereby providing a measure of the "parity" exchange rate which would give the

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\* Excerpt from document E/CN.12/653, submitted to the tenth session of the Commission and prepared by the Statistical Research Section (Statistical Division) of the ECLA secretariat. The work was directed by Mr. Stanley N. Braithwaite and was carried out with the co-operation of Mr. Jean-Roger Messy, Mrs. Maria Isabel Seguel, Mrs. Tatjana Babarovic and other members of the Statistical Division. The original document was the result of a study based on material collected in the capital cities of nineteen Latin American countries and in two cities of the United States of America. It contains fuller sections on methodology and procedure which, together with a number of tables and the technical and statistical annexes, have been omitted from the present version.

over-all equivalent of one Latin American currency in terms of another.

While in ECLA's previous work the results referred to the months in which the basic data were collected (thus introducing a factor of incomparability that was significant for those countries where prices were subject to rapid or frequent change), in the present document the calculations have been adjusted in order to relate the results to two chosen months at an interval of two years—June 1960 and June 1962. For this reason, and because of changes in the relative importance of each item now that nineteen rather than ten Latin American countries are included in the calculation, the results will differ from those given in the preliminary study published in document E/CN.12/589.

Notwithstanding the inclusion of the two United States cities—Houston and Los Angeles—in the calculations, no attempt has been made to calculate parity exchange rates for Latin American currencies in terms of the United States dollar (or of any other non-Latin American currency). Much additional work would have to be done before such a tabulation could be considered statistically sound. In particular, the problem of comparing countries with very different income levels and expenditure patterns (e.g., Bolivia or Haiti and the United States) still needs to be solved and additional price information needs to be collected in sufficient cities to provide data which can be considered fully representative of an average price level in the United States and in each Latin American country.

In the same way, the ECLA secretariat has not yet had sufficient resources to implement the recommendation made by the Commission at its ninth session that the study be amplified to include relationships between price, wage and personal income levels and that an analysis be made of the causes underlying differences in the price structure of each country. The present study is therefore limited to a determination of purchasing power equivalents and of relative price levels in the capital cities of Latin America and does not pretend to evaluate in any significant way the various factors influencing such levels.

### I. GENERAL

The establishment in Latin America of a Free-Trade Area and the progress towards a common regional market has focussed attention on three independent problems which have to some extent been a limiting factor in certain aspects of ECLA's work: the measurement of the real "worth" or the purchasing power of each Latin American currency; the measurement of

relative price levels for the various countries; and the conversion into a single currency of prices or values which are initially expressed in different national currency units.

While to a large extent index numbers have furnished a means of establishing relative levels at different points of time and national currency figures have sufficed for

measuring absolute levels or prices within a country, in the case of inter-country comparisons, neither index numbers, percentage figures nor even national values calculated at prevailing rates of exchange have provided indicators sufficiently reliable or meaningful for many analytical purposes. In post-war years a growing emphasis has been placed on macro-economic aggregates, and interest in comparable national income statistics for individual countries or for the region as a whole has increased substantially. The lack of adequate measures for translating national data expressed in varying units of currency into reliable regional aggregates with a common monetary denominator has constituted an obstacle which usual statistical procedures have been unable to solve. Similarly, in the formation of plans or proposals for economic integration—whether of the type envisaged for the Central American countries or that considered for the Gran-Colombia region, lack of information regarding relative price levels has hindered the work. Finally, as mentioned above, the creation of a Free-Trade Area already covering the greater part of the Latin American population and production has brought into the open the need for adequate measures of the real “value” of each currency, the comparative cost structure, the relative price levels and the relationship between domestic prices and those applicable to internationally traded goods.

#### 1. THE INADEQUACY OF PREVAILING EXCHANGE RATES

The traditional method adopted for converting prices (or values) for one country into prices (or values) of another has been to apply the rates of exchange currently in use for international transactions. The complexity of the exchange rate systems for many Latin American countries in post-war years would in itself suggest the danger of adopting such a procedure. One would be left with the choice between free market rates, official rates, preferential and non-preferential rates, often fluctuating violently from one month to the next and certainly volatile over the course of years.

Even when a single rate is applied, exchange rates could only with difficulty be thought of as adequately reflecting the true “value” or purchasing power of domestic currencies. A glance at the price situation in Chile should suffice to make the point. In February 1959 the exchange rate for both trade and non-trade transactions was pegged at the level of 1,050 pesos to the dollar. If at that time it correctly reflected the “worth” of the peso, it could hardly have done so in, say, February 1961 when, with no alteration in the exchange rate, domestic prices had in the meanwhile risen 33 per cent (as in fact was the case). A similar situation is encountered in other countries (e.g., Argentina and Uruguay) where the exchange rate has for lengthy periods been maintained at an arbitrary level, irrespective of the movement of internal prices. In other cases, such as Brazil and more recently Chile, a marked divergence is shown in the trends of the official rate applicable to an important part of the nation’s external transactions and the free rate which generally applies only to marginal transactions such as private remittances, tourist expenditure and perhaps the import of luxury-type goods. In such a situation it will usually be found that the short-term movements of neither rate will resemble the trend of prices within a country.

The fact that exchange rates fail to measure adequately the relative domestic price levels is, of course, logical. They apply basically and exclusively to those items entering into transactions of an international nature—the export and import of goods and services (including shipping and insurance), the expenditure of tourists, the remittance of interest and profits, the donations from residents of one country to another, the flow of short-term capital and loans over a longer period. The exchange rate or the system of exchange rates is that which maintains in equilibrium the inflow and outflow of funds relating to such transactions. Governmental action in controlling outflows is, however, often a dominant factor in equalizing both sides of the national balance of payments, and as a result it can be said for only a few Latin American countries that the inflows and outflows are truly in equilibrium or that the current rates of exchange could conceivably measure the comparative values of currencies—even considering only those transactions which figure directly in the inter-country relationships, such as the import or export of goods, flow of capital, etc.

When other transactions not figuring in the inter-country relationships are taken into account, the use of prevailing exchange rates for a measurement of purchasing power is even less appropriate. The bulk of final goods and services consumed or used in a country is not internationally traded; and although the role of trade in determining the level of national income cannot be over-emphasized, it must be observed that the value of imported goods is low compared with national production. If services are added, practically all of which are produced domestically (international transportation, communications, tourism, certain aspects of banking, together with consular services being amongst the few exceptions) it will be appreciated that an exchange rate determined by international transactions would be scarcely appropriate for valuing the totality of a country’s production, income or expenditure.

#### 2. THE OBJECTIVE DEFINED

The objective of the present study is accordingly a threefold one:

(a) To measure the relative price levels amongst the various Latin American countries based on all expenditure transactions (whether by individuals or by Governments) which relate to final consumption or investment.

(b) To determine the purchasing power of each currency, in terms of the comparative quantities of final products which can be bought.

(c) To determine the parity exchange rates which will equate the price levels applicable to final products in total for each of the countries concerned.

The way in which over-all price levels can be “equated” is an aspect yet to be discussed. As with other types of price comparisons, some criterion of “equivalence” for the various situations must be introduced. This “equivalence” in most cases is considered to be an “equivalence in well-being” or an “equivalence in the satisfaction of wants or needs”. “Equivalence in the satisfaction of wants” has, however, various interpretations. In accordance with one approach, a global concept is adopted, without considering each component



item or service separately. That is to say, a collection or "basket" of goods and services is considered which gives in total the same satisfaction in one country that another "basket" of goods and services provides in another—irrespective of the composition of the "basket". The more usual approach is, however, to consider a "basket" which has an identical composition in both places—the assumption being that the same item affords the same amount of satisfaction in two places and that in total the items give a basket which (theoretically at least) affords the same level of well-being in the two situations. The cost of the basket in the two places would, it is contended, then measure the relative level of prices in the two places.

If the latter approach is adopted, the *parity exchange rate* may be defined as the rate which equates the cost of a representative basket of goods and services in one country with the cost of a similar basket in another. If, for instance, 1,000 pesos in country A buys a representative basket which in turn costs 1,500 nacionales in country B and 50,000 centavos in country C, the parity rates of exchange would be as follows: 1 peso = 1.5 nacionales = 50 centavos.

Conversely, *prices are in parity* for two countries when, with a given rate of exchange, a unit of currency in country A buys the same quantity of goods and services that an equivalent number of currency units will in country B (the rate of exchange determining the equivalence in terms of currency units).

Likewise, the *purchasing power* of one country's currency compared with another's can be described as the relative amount of goods and services which can be

purchased for a unit of currency in each of the countries concerned.

Finally, the *purchasing power equivalent* of two currencies is the number of units of the one currency which need to be paid in order to obtain the same quantity of goods and services purchasable for one unit of the other currency. It should be noted that the "parity exchange rate" concept relates to the aggregate of all goods and services which are classified as final products—not to a particular type of transaction or a particular group of commodities. There is, for instance, no "parity exchange rate" for food alone, nor for investment alone—since this would pre-suppose that the only transactions in the countries concerned were for food, or for investment. On the other hand, there is a "purchasing power equivalent" for each type of transaction, or each group of transactions, since the number of currency units which are needed to purchase a particular item or group of items can be considered independent of other items or other groups. The total of the purchasing power equivalents for all items, when combined in appropriate proportions, gives the over-all purchasing power for the currency of the country relative to another, and in this way become a measure of the "parity exchange rate".

As an alternative, purchasing power equivalents could be calculated for an income of a particular magnitude (in which case they would refer to the relative quantity of goods and services obtainable for that income in each country). In this event, the combination of the equivalents for all income levels would once again give the over-all purchasing power of the currency of each country, and hence an indication of the parity exchange rate.

## II. SYNOPSIS

### 1. METHODOLOGY

#### (a) *The concept*

For any statistical study, the methodology adopted and its practical application must depend specifically on the objectives to be achieved and the extent to which available data can be utilized in order to achieve such objectives. Above all, a method is required which is precise, simple to compute, comprehensive in coverage, easily understood and capable of yielding results which are readily interpreted and are at the same time compatible with the framework of the study. An approach which might have sound justification theoretically might thus have to be rejected if it were difficult to put into practice—alternatively, if the results were difficult to interpret or were not in keeping with the basic design of investigation. For similar reasons, what was appropriate for one study might have to be discarded as a possible approach for others.

For the present investigation, ECLA's choice of a method has been guided by the desire to obtain mutually-compatible results for all countries within the region, rather than a series of independently-calculated price relationships each of which is applicable to a restricted number of the countries concerned (as in the case of binary comparisons). In the same way, methods which are over-elaborate or too difficult to put into practice with the resources and information available

have been considered unsuitable for the investigation and have been rejected accordingly.

ECLA's approach has (like that of virtually all investigators in the field of price comparisons) rested on the fundamental concept of equivalence in two or more situations. The equivalence may refer to either: (a) a collection of items each of which is considered to satisfy "wants" or "needs" in the same or an equivalent way in the various situations; or (b) a collection of items which in total provide the same or an equivalent amount of satisfaction (or well-being) in each of the situations concerned—even though individually the items may provide differing amounts of satisfaction.

The latter approach has been supported by many writers on the grounds that it avoids the difficulties attributable to the interdependence existing between the price of an item and the quantity consumed. In the same way, its use would, it is claimed, circumvent problems due to differing availabilities in different countries and to factors such as the climate which, although influencing consumer costs, have in themselves no monetary value capable of adequate measurement, in price or cost comparisons. Unfortunately, the approach has a number of disadvantages. It is, for instance, difficult to demonstrate that a given collection of goods and services actually provides a specific amount of well-being or that the satisfaction of wants or the levels of well-being are precisely equated in the various situa-

tions. The use of indifference curves and income elasticities of demand to indicate equivalence has been advocated; but at the present stage of statistical development, this global approach cannot be considered as one likely to provide practical results except in a very restricted number of cases.

The alternative approach of selecting a basket of goods and services each of which is individually assumed to provide the same or an equivalent satisfaction in two or more situations seemed from ECLA's point of view to be more satisfactory. Such an approach contains the implicit assumption that if individual commodities provide equivalent amounts of satisfaction, the aggregate of the items will also provide an equivalence in total satisfaction or total well-being in the countries being compared; and that the cost of the basket in the various situations will indicate the comparative level of prices, the comparative purchasing power and the exchange rate. The method has a number of limitations and disadvantages not encountered in the global approach. It demands precise identification of each individual item in each situation; it assumes that the same item meets the same needs and performs the same function, no matter which country is concerned; it requires the combination of items in such a way as to reflect their relative importance within the total on a comparative basis; it assumes a homogeneity, both of income and of expenditure (as well as of prices) within a country which may not, and usually is not, true; it demands a mass of precisely-calculated statistical material relating to prices, quantities, values, incomes, etc. which is not readily available; and its results may be restricted in application by the limited coverage of the study and the methodology employed.

On the other hand, the approach has the over-riding advantage that it is mathematically precise, it is free from ambiguities in interpretation, and it does not rest on the subjective judgement of the statistician engaged in the investigation. In addition, its application can be extended through all sectors of expenditure, whereas the global approach advocated by Staehle, Frisch and others has so far been applied experimentally to only a restricted part of consumer expenditure, and to particular levels of income.

It was accordingly decided to adopt the "market basket" approach in the ECLA study.

#### (b) *The problem of weights*

For most studies where the "market basket" approach has been adopted, some prevailing exchange rate has been used in order to convert prices for all countries to a common monetary denominator; price relatives have then been calculated; and the weighting pattern of first one country and then the other has been used in order to combine the individual price relatives (the indexes which emerge providing, in theory at least, measurements of the price relationship of the two countries, the purchasing power parities of the two countries and correction factors which, when applied to the official exchange, would indicate the parity exchange rate applicable to the currencies of the two countries). Since, however, a weighting pattern representative of all the countries concerned has not been used, the results in practically all cases have been confined to a series of binary comparisons which serve a limited purpose.

For the ECLA study, it was considered important that the results be obtained in such a manner that they would be mutually valid as between all countries in the region. This signified the adoption of a common weighting system which, because of the nature of the study, had of necessity to be based on the average consumption pattern for the region—that is to say, the pattern with the greatest similarity to (or the least variation from) each of the patterns for individual countries. The consumption pattern could be expressed either as values spent (in which case they would be used for weighting price relatives) or quantities consumed (which could be applied for weighting prices directly). The averaging of values pre-supposed the existence of satisfactory exchange rates with which data expressed in national currencies could be converted and aggregated for averaging purposes. Since the present study is designed precisely to measure such an exchange rate, this assumption could not be sustained. In addition, the use of price relatives involves the selection of a base country with which prices in other countries can be compared; and unless weights are chosen in accordance with the consumption pattern of the base country (which would be undesirable for an intra-regional comparison), the results are affected by the price level in the base country whenever two other countries are being compared.<sup>1</sup> Where common quantity weights are employed, any country within the group may, however, serve as the reference point (or base) for the price comparisons. This is, therefore, the system of weighting which has been chosen.

Two qualifying statements need to be made regarding the computation of weights. First: the main objective of the study is to compare one country with another country rather than to compute price levels or purchasing power equivalents for Latin America as a whole. The countries are of equal importance for the investigation; and any system of weighting which would give greater proportion to those with the greatest number of inhabitants has accordingly to be rejected, in this way avoiding the danger that the largest countries in the region (e.g., Brazil) so dominate the weighting structure that the results resemble a fixed weight index for which the total quantities consumed in the largest country serve as weights—a clearly undesirable effect if the same weighting structure is to be employed in comparing the smaller countries (e.g., Haiti and Paraguay) with each other.<sup>2</sup> Secondly, quantities consumed per inhabitant depend on the purchasing power available which in turn is a function of the per capita income. The market basket has accordingly been based on the unweighted average of per capita quantities consumed in each of the countries concerned.

#### (c) *The approach defined*

The approach which ECLA decided to use is based, then, on a basket of goods and services, the items of which are representative of average consumption patterns for all countries within the region. The per capita quan-

<sup>1</sup> The same defect applies whenever value weights and prices have not been obtained in a consistent manner, e.g., values from one year, and prices from another.

<sup>2</sup> For a comparison with another region, however, the basket would need to be calculated in accordance with the importance of all individuals within the region and the average would be a weighted one—with greater importance to those countries with the greatest total purchasing power.

tities consumed in each country provide the necessary weights—allowing however, a certain amount of substitution where different items are used in the different situations (e.g., potatoes or manioc; light-weight or heavy-weight clothing; trains or buses etc.). Prices obtained for each item in each country are then applied to the quantity weights in order to yield a total cost for the basket in each country. The comparison of the costs in the various countries provides a measure of comparative prices (both for totals and for component groups), an estimate of the purchasing power equivalent to each currency, and an evaluation of the parity exchange rate.

The formula used to express the relationship of prices for two countries K and O within the region is explained more precisely in the chapters on methodology but it may be noted here as:

$$P_{ko} = \frac{\sum_i q_{i\bar{o}} \cdot p_{ik}}{\sum_i q_{i\bar{o}} \cdot p_{io}} \quad (k = a, b, c \dots m \text{ countries; } i = 1, 2, 3 \dots n \text{ items})$$

where  $\bar{P}_{ko}$  is the price ratio of country K relative to country O (O being any other country within the group of countries);

$q_{i\bar{o}}$  is the average per capita consumption of item i in all the countries concerned;

$p_{ik}$  is the price of item i in country K; and

$p_{io}$  is the price of the same item in any country O.

The purchasing power equivalent ( $R_{ko}$ ) of an item in country K relative to country O is equal to the reciprocal of the price ratio:<sup>3</sup>

i.e.

$$R_{ko} = \frac{1}{P_{ko}} \quad \text{or (for all items)}^4: \quad \bar{R}_{ko} = \frac{1}{\bar{P}_{ko}}$$

Reversing the purchasing power relationships we get

$$R_{ok} = P_{ko} \\ R_{ko} = P_{ok}$$

When the calculation extends over all items of expenditure, the purchasing power relationships of two currencies is by definition equal to the parity exchange rate (E) for those currencies:

i.e.

$$E_{ok} = \bar{R}_{ok} = \bar{P}_{ko} = \frac{1}{\bar{P}_{ok}}$$

and

$$E_{ko} = \bar{R}_{ko} = \bar{P}_{ok} = \frac{1}{\bar{P}_{ko}}$$

<sup>3</sup> For the time being, differences in needs of inhabitants because of climatic and other factors are ignored. Adjustments for such influences are, however, necessary if the approach is based on an equal satisfaction of needs, even though the magnitude of the adjustments would generally be small in relation to over-all totals.

<sup>4</sup> The sign “—” above a symbol signifies an average for all the commodities (or countries) concerned.

Since the same weights are applied to the prices in each country, the results are mutually convertible and any country may be used as a reference point. In practice this signifies that the relationship of prices between, say, Argentina and Mexico, Mexico and Chile, Chile and Brazil will provide equally valid price relationships for Argentina—Chile, Argentina—Brazil, Mexico—Brazil, and so on for all twenty Latin American countries. What it will not do is to provide a price relationship for one of the Latin American countries vis-à-vis the United States or Europe; nor a parity rate of exchange expressed in dollars, francs or any non-Latin American currency. For such relationships, the calculations need to be extended and the methodology modified in certain respects to take into account the weighting pattern and the price structure of the extra-regional territories.

## 2. PROCEDURE

### (a) Preliminary investigations

In order to formulate a design for the adequate collection of price material and its subsequent elaboration, a substantial amount of preliminary work was necessary, taking into consideration the complete lack of suitable material which could be made available from alternative sources. A pilot study was accordingly carried out in two countries during 1958 in order to ascertain first-hand the types of durable goods available in Latin America and the manner in which technical problems (such as identification of items and their subsequent pricing) could be overcome. In 1959, a study was made in three countries which endeavoured amongst other objectives to find solutions to many problems involved in the inter-country comparison of prices for consumer goods and services.

A general plan was then developed for a more ambitious project which would eventually cover both private and governmental expenditure as well as investment in all Latin American countries, at the same time providing a link with one or more countries in other parts of the world. To a considerable extent, ECLA was guided by work already done by other investigators in Europe and in the United States; and although an identical approach could not be adopted because of different objectives and different availabilities of basic material, ECLA was in particular aided by the pioneering work of Gilbert, Kravis and associates of the OEEC and by the various studies carried out by the United States Bureau of Labor Statistics in the field of inter-city price comparisons. A selection of goods and services most important in Latin American expenditure and investment was next carried out and specifications were formulated taking into consideration any work of this nature done by countries for their national price indexes. In many cases, where suitable items were not included in national price indexes (e.g., machinery or construction materials) technical specifications were elaborated by ECLA on the basis of the experience acquired during its 1958 pilot study and in the additional research which was found necessary.

### (b) Field work

For the collection of data, pricing agents were appointed in each country and given precise instructions as to the timing of the enquiry, the manner in which the work was to be carried out, the type of outlet to be

visited, the quality of the item to be considered, the way in which possible difficulties should be handled (e.g., where fruit or vegetables were sold by number rather than weight), the treatment of discounts and such other problems as could be envisaged in advance.

The collection of the material by the pricing agents was followed up almost immediately with a visit to the country concerned by a member of ECLA's staff specialized in this type of work who could ensure that, as far as possible, the pricing was carried out along comparable lines and for comparable items in all countries of the region. As a rule, the ECLA staff member test-priced and verified data for every item in at least one outlet in each city covered. For some items (particularly in the earlier part of the work when difficulties still existed in applying the specifications) ECLA relied almost entirely on the data collected by its own staff members (this was notably true for investment goods, even during the later stages of the study). For a limited number of cases where precise information was difficult to obtain from the local representative or distributor, information was obtained by correspondence from the manufacturers or the parent company.

Since the magnitude of the study and the limited resources at ECLA's disposal made it impossible to carry out the collection of prices in all countries at the same point in time, the work was divided into various periods. During the initial stage (1960), information was obtained from the capital cities in nine countries, including notably those where inflationary price movements might invalidate the comparison if the price data referred to a point in time too far from that selected as a weight-base—namely, June 1960. The results for the nine countries concerned were then presented in document E/CN.12/589 at ECLA's ninth session in May 1961. Later in 1961, information was collected for cities in six more countries;<sup>5</sup> while in 1962 capital cities in all the remaining Latin American countries other than Cuba were covered. A special inquiry was carried out in mid 1962 by the United States Bureau of Labor Statistics, which sent three officials to Los Angeles and Houston to make a special collection of prices for consumer goods, services and construction materials in accordance with the specifications adopted by ECLA in its Latin America inquiry. A senior ECLA statistician visited the cities concerned at the same time so as to assist in solving the many problems of comparability which were inevitable for cities with income levels and living patterns appreciably different from those prevailing in Latin America.

During 1962, the question of maintaining price relatives and purchasing power equivalents up to date for different points of time was also considered. In a region where price movements for certain countries are notoriously irregular and often accentuated to an extreme, this problem has a greater significance than in Europe or North America. Five countries—Argentina, Brazil, Chile, Paraguay and Uruguay—where inflationary price changes had occurred since the initial price inquiry carried out by ECLA were selected and a further price enquiry was conducted. The comparison of price levels for the same city at intervals of time two years apart has, it is hoped, helped to throw light on the variation of prices for

the economy as a whole, the relative changes for each expenditure group and the extent to which national price indexes can be used for extrapolating inter-country price indexes and for keeping current the information on purchasing power equivalents and parity exchange rates.

#### (c) *Adjustments for incomparabilities in basic data*

Probably the biggest problem encountered by the investigator in the field of inter-spatial price comparisons is the variation which exists in the quality of items selected for the inquiry. Only in a few specific cases (e.g., where an item is made by the same company or in accordance with the same specifications) are commodities found to be truly identical. A diesel engine of a given make and of a given horse-power imported into two separate countries will at first sight appear to satisfy the requirement that items be identical in both places. In practice, other considerations need be taken into account since the engine may be imported with different accessories capable of influencing the prices up to thirty or forty per cent. In other cases, items even if having the same name are found to be of appreciably different quality in various countries—such as “*corvina*” fish in the Pacific (where the variety is large) and in certain Atlantic countries where, being small, it is often sold under different conditions (e.g., including the head, instead of per piece). Confusion is also possible because of different names for identical products—as for instance butter which is *manteca* in Argentina and *mantequilla* in Chile; and lard which is *manteca* in Chile, but *mantequilla* in Argentina.

To the maximum extent possible, ECLA endeavoured to solve the problems arising from such differences at the time its field investigations were carried out in each city. Where practicable, precisely identical varieties were selected; and where minor incompatibilities existed (as for the diesel engine quoted above), the prices were rectified so as to include in each country an item which was theoretically identical. In other cases, advantage was taken of local knowledge in order to obtain a quality which, while differing slightly in specification, would give an equivalent amount of satisfaction in each country. To the extent that ECLA's resources permitted, use was made of technical advice—as for some textile items where samples were obtained for subsequent comparison purposes—but only for a limited number of items was such a procedure possible. For some items (e.g., transport services), adjustments for quality differences had to be made in accordance with the subjective judgement of the ECLA research statisticians directing the field work. For other items, particularly services, where no statistical evaluation of quality differences seemed possible, ECLA had no alternative but to consider the items identical (e.g., medical care, communications and domestic help).

Contrary to expectations, “unique” items which existed in one country but not in another did not prove to be an unduly disturbing problem. When as many as twenty countries were covered in the inquiry, the problem was simplified since the same product could generally be found in a contiguous or nearby country. Some estimate or adjustment of prices could then be made on the basis of price relationship with similar items in the second country. Piped gas did not, for instance, exist in many cities; on the other hand liquid gas was

<sup>5</sup> Five Latin American cities plus Georgetown, British Guiana.

available in all. A relationship between piped and liquid gas was accordingly established and taken into account in order to place all cities on a similar footing. Comparable techniques were adopted for such items as tea and *mate*, potatoes and manioc, and to some extent light and heavy weight clothing. For machinery and equipment (e.g., looms or lathes) which were not available or could not easily be priced on a comparable basis in all countries, hypothetical prices were calculated on the basis of the factory price in the country of export, increased by freight, insurance, handling charges, consular fees, customs duties and such other elements (including distributors' mark-up) which might enter into the price paid by the final user. For many items, this technique was considered superior to direct pricing since identical specifications could thus be ensured for every country. Exceptions existed for certain important items in Argentina and Brazil where imports were prohibited and local production was both significant and of a different quality from that available elsewhere. However, since local production of major machinery and equipment items was generally in accordance with the design and specifications of a parent-firm in Europe or in the United States, the item available locally could often be identified without too much difficulty and a quality difference allowed for. Only in a limited number of cases (especially when the United States cities were brought into the comparison) was ECLA left in serious doubt as to the reliability and the comparability of the data. Figures for house rental in particular were felt to be subject to a wide margin of error, both because of the differences in quality and the existence of effective rental controls for some or all housing in certain countries covered in the inquiry.

#### (d) *Seasonal variations*

The collection of information at different points of time for countries in which appreciable price differences arise from one month to another automatically created a problem of comparability which ECLA has endeavoured to solve by the establishment of coefficients indicating for each commodity its price level in any given month relative to the month at which the price was lowest; i.e., the month with the greatest abundance of supply. While work is still proceeding in this direction, it is considered that the application of these coefficients to the price data collected in any given month for a country has helped materially to eliminate incomparabilities attributable to seasonal price movements.

#### (e) *Price differentials within a country*

The work so far carried out by ECLA relates only to selected cities in each country and price variations within a country may well create divergence between the results for the capital city indicated in this study and the results which would apply to the country as a whole. This could be true especially for a large area such as Brazil where availabilities and cost elements differ considerably in the various provinces. It no doubt also applies within smaller countries for items the prices of which are influenced considerably by local conditions (e.g., rent, transportation, water, electricity and possibly domestic services). The problem is being studied by ECLA and field work has been carried out in selected cities in Argentina, Ecuador and Peru. Material available from national sources has also been collected for study.

However, it is still too soon to make a statistical evaluation of the influence of this factor in determining national price levels and the purchasing power equivalents for each country as a whole.

#### (f) *Final calculations*

In accordance with the formula decided on, each item used in the price comparisons is given the relative importance which it has on a "per capita expenditure" basis for the various countries of the region. Such a system was adopted so as to give equal importance to each country and prevent countries of the greatest size or with the greatest population from dominating the weights. The per capita expenditure for the items was accordingly determined on the basis of national accounts data, family living studies, governmental budgets and related statistics. Prices already collected by ECLA in a particular country were then divided into the corresponding value figures in order to provide hypothetical quantities which reflected the per capita consumption of each item (as well as the consumption of similar items whose value had been imputed to the selected item). A summation of quantities for all countries and the derivation of a country average then provided the basis of the weighting system.

Using the "market-basket" approach, the calculation of purchasing power equivalents was a simple arithmetical operation. The multiplication of the quantity weights by the prices for the corresponding item gave the value of that item in each country's "basket"; and the comparison of the size of the basket (either in total or for selected groups) gave the amount of expenditure in the currency of one country which corresponded to a particular amount of expenditure in another.

The establishment of relative price levels, either at parity exchange rates (reflecting the purchasing power equivalent of the country for all items of expenditure) or at official or free market exchange rates was also a simple operation involving few difficulties beyond the choosing of a suitable reference point. While the greatest interest would probably be in parity exchange rates expressed in terms of the United States dollar, the data available as well as the methodology used did not permit such a calculation at the present stage of the enquiry. Considerably more information on United States price levels would be required, while a new weighting pattern would need to be determined in order to take into account the distribution of expenditure in the United States and in Latin America as a whole. The difference in income levels and in expenditure patterns might well invalidate a price comparison of this kind, except for those countries where the dissimilarity in living standard is not of unduly large proportions.

For the present study, the reference point chosen was therefore a Latin American country—Mexico—the decision being influenced largely by its monetary stability, its price structure and its income level relative to the remaining countries in the region. At the same time, for selected zones and groups of countries, alternative bases or reference points have been chosen; while for particular arrangements of price relatives, an average of prices in all the countries of the region has been adopted as the basis of the comparisons.

It should finally be mentioned that as prices had been collected in different months during the period May

1960 to October 1962, it was considered advisable to adjust the results in order to relate to a common time basis—two reference points (June 1960 and June 1962)

being chosen so as to illustrate the changes which had occurred in price levels and in comparative purchasing power in the meantime.

### III. THE RESULTS OF THE INVESTIGATION

#### A. THE GENERAL PRICE LEVEL

##### I. PARITY EXCHANGE RATES

The parity exchange rate is by definition that which equates the over-all price levels for the countries concerned—alternatively, the rate which, when applied to the currencies of the various countries, equates the over-all purchasing power of those currencies. In accordance with the methodology adopted by ECLA and described in previous chapters, this has been arrived at by comparing the cost of a given basket of goods and services in each country—the cost in one country relative to another providing the desired parity rate. As nineteen Latin American countries are involved in the comparison,<sup>6</sup> eighteen mutually convertible rates emerge—the currency of the nineteenth country serving as a point of reference. Since any one of the countries may be the reference point, a network of inter-related exchange rates can be obtained.

For reasons given earlier, Mexico was chosen as the country which would serve best for comparison purposes. The parity exchange rates calculated by ECLA are therefore presented, in the first instance, in terms of the Mexican peso—the following table showing the number of currency units in each country equivalent in purchasing power to one Mexican peso.

It will be seen that in 1960, 6.10 Argentine pesos had the same purchasing power in Argentina as 14.06 cruzeiros in Brazil, .109 escudos in Chile, 1.34 sucres in Ecuador, 8.98 guaranis in Paraguay, .110 balboas in Panama and so forth—all being equal in purchasing power to one Mexican peso in the country of reference.

<sup>6</sup> Cuba being excluded, as comparable data was not obtainable.

**Table 1**  
PARITY EXCHANGE RATES IN LATIN AMERICA:  
1960 AND 1962

(Units of domestic currency equivalent to one Mexican peso)

Country and currency	June 1960	June 1962
Argentina, peso	6.10	9.57
Bolivia, peso	.878	.999
Brazil, cruzeiro	14.1	29.1
Chile, escudo	.109	.128
Colombia, peso	.578	.641
Costa Rica, colon	.602	.650
Dominican Republic, peso	.120	.128
Ecuador, sucre	1.34	1.45
El Salvador, colon	.254	.254
Guatemala, quetzal	.112	.110
Haiti, gourde	.462	.465
Honduras, lempira	.235	.237
Nicaragua, cordoba	.779	.791
Panama, balboa	.110	.110
Paraguay, guarani	8.98	10.87
Peru, sol	1.98	2.14
Uruguay, peso	.790	1.044
Venezuela, bolivar	.565	.571

It will be observed from the table that for many countries changes in domestic price levels had created a new parity situation for 1962. Whereas, for instance, in June 1960, 6.10 Argentine pesos bought as much as one Mexican peso, by June 1962, the resident of Argentina had to spend 9.57 pesos to obtain the quantity of goods and services that one peso would buy in Mexico. Similarly, in the case of Brazil, 29.1 cruzeiros were required in June 1962 to buy what 14.1 cruzeiros had bought two years previously. Other notable changes will be observed for Uruguay, Paraguay and to a lesser extent Bolivia, Chile, Colombia, Costa Rica, Ecuador and Peru. On the other hand, for most countries of Central America and the Caribbean, the situation showed little change in the two years concerned.

Within limitations, the relationship of the parity exchange rates for 1960 and 1962 provide a means of estimating an index of prices for the years concerned. Care should however be exercised in interpreting the results. In the first place, the data calculated by ECLA for the years concerned refer to all aspects of expenditure, including investment as well as consumer goods (to which national cost of living or consumer price indexes normally refer). While for some countries (Argentina, Brazil, Chile, Paraguay and Uruguay) the parity rates for 1960 and 1962 were arrived at in accordance with independent price collections for all items in the two years, for other countries use was made of consumer price indexes, wholesale price indexes of building materials and specially computed indexes for prices of imported equipment in order to arrive at either the 1960 or the 1962 figure. The results should therefore not be interpreted as an independent measure of price change except for the five countries mentioned above. Finally, it should be pointed out that for some expenditure sectors a certain amount of price change during the period under review occurred in Mexico, which was used as base for table 1—some prices rising and others (e.g., food and construction materials) falling. National price indexes derived from the data shown in table 1 can therefore be affected by the weighting accorded to each item or group of items, and by the pattern of prices in Mexico.

An alternative arrangement of the same data is presented in table 2—the reference point this time being Panama, a country in which prices were notably stable during the 1960-62 period.

Since the national currency in Panama, the balboa, is nominally at par with the United States dollar, the figures in table 2 are more readily interpreted. Thus, while according to prevailing exchange rates, the dollar (and hence the balboa) was equivalent to 82.8 Argentine pesos in June 1960, according to ECLA calculations only 55.8 Argentine pesos at that time were necessary to buy the amount of goods and services which one balboa would buy in Panama. On the other hand, in June 1962 while one balboa was worth 135.0 Argentine pesos according to free market rates of exchange, the

parity rate was 87.2. In the same way for Brazil in June 1960 the balboa equalled 187 cruzeiros according to the free market rate of exchange but only 129 cruzeiros according to ECLA's calculation of parity rates.

Table 2

PARITY EXCHANGE RATES: JUNE 1960 AND JUNE 1962  
(Units of domestic currency equivalent to one Panamanian balboa)

Country and currency	June 1960	June 1962
Argentina, peso	55.8	87.2
Bolivia, peso	8.04	9.11
Brazil, cruzeiro	129	265
Chile, escudo	1.00	1.16
Colombia, peso	5.30	5.84
Costa Rica, colon	5.52	5.93
Dominican Republic, peso	1.10	1.16
Ecuador, sucre	12.32	13.23
El Salvador, colon	2.33	2.31
Guatemala, quetzal	1.02	1.00
Haiti, gourde	4.24	4.25
Honduras, lempira	2.16	2.16
Nicaragua, cordoba	7.14	7.21
Mexico, peso	9.14	9.14
Paraguay, guarani	81.3	99.1
Peru, sol	18.1	19.5
Uruguay, peso	7.24	9.52
Venezuela, bolivar	5.18	5.21

Data for British Guiana which had been collected for most items were also tabulated, and the parity rates of exchange for this country are included in the Tables.

It will be observed that in June 1960, for a block of countries comprising the greater part of South America, the free market and the parity rates were not very divergent. Similarly, if Central American countries are compared with one another the figures are approximately the same whether free market or parity rates are used. However, if countries in one block are compared with countries in the other block, wide differences exist—the magnitude being approximately 25 to 45 per cent. That is to say, the price levels for countries in the Central American region were generally 25 to 45 per cent higher than those prevailing in the greater part of South America.

It will be seen that neither Mexico, Chile nor Venezuela conformed to the pattern of exchange rates for nearby countries—the situation for Mexico resembling that applicable to South American countries; and Chile (in 1960) that for countries in Central America and the Caribbean. For Venezuela, 1960 parity exchange rates bore no resemblance to free market rates for any country in Latin America—the difference between the two being extreme when Venezuela was related to Uruguay, Peru, Argentina or any other country except Chile in South America and still quite marked in relation to countries in Central America or the Caribbean.

For 1962, the situation was virtually unchanged for countries within Central America and the Caribbean—little modification being observed in relation to 1960 for either the free market or the parity exchange rates (Costa Rica being a possible exception). In the case of South America, while price levels were still generally 25 to 45 per cent below those ruling in Central America

and the Caribbean, significant changes occurred for individual countries. In some instances, a devaluation of the currency is indicated by marked changes in the free market rates; in other cases, rising domestic prices are reflected in the higher figures shown for the parity rates. In June 1962 the situation for Chile, instead of resembling Central American countries, resembled that for other countries in South America. In the case of Uruguay, the 1960 parity exchange rate had been well below the free market rate when the Uruguayan peso was compared with the currency of other South American countries. In June 1962, the parity rate for Uruguay exceeded the free market rate vis-à-vis all countries in the South American region except Venezuela—indicating that its price level (calculated in accordance with prevailing rates of exchange) was now higher and not lower than the price level in other parts of South America. For Venezuela, the currency devaluation which applied to part of the exchange transactions of that country is reflected in the lower free market rate which now resembled the parity exchange rate vis-à-vis the Dominican Republic and Honduras. The former rate of exchange still applied in Venezuela to a certain range of transactions and it should be noted that if this rate, rather than that ruling in the free market, were compared with the parity rate, the situation in 1962 was approximately the same as in 1960.

Controlled as well as free market rates existed not only for Venezuela, but also for Colombia, Ecuador and Nicaragua in 1960 and 1962, and for Costa Rica in 1960 and Chile in 1962. Since these rates applied to important classes of transactions (as for instance essential imports and government expenditure) they need to be taken into account when a comparison is made between prevailing and parity exchange rates.

## 2. PRICE RELATIVES (AT PREVAILING EXCHANGE RATES)

As implied in previous paragraphs, the relationship between the parity exchange rates and free market or controlled exchange rates provides the simplest and most direct means of determining the relative level of prices in the various countries (valued at prevailing rates of exchange). These are given in table 3: the figures in each horizontal column or row representing an index of prices, with the country mentioned at the left of the table as the base. The nineteen Latin American countries covered by the inquiry have been arranged in sequence according to the level of their prices or the relative "cheapness" of their currencies. Thus, in June 1960, prices were lowest in Uruguay, highest in Venezuela and at an intermediate level for such countries as Paraguay, Haiti and Costa Rica. The similarity in price levels (valued according to free market rates of exchange) is particularly noticeable for all countries in South America other than Chile and Venezuela; Mexico also falls within the range of price levels for this block. Equally obvious is the similarity of prices for countries in Central America. For the Caribbean, Haiti was situated at a point intermediate between South and Central American countries, while the Dominican Republic was at a high extreme, exceeded only by Venezuela. Prices in the latter country were almost two and a half times as high as in Uruguay (the cheapest country), more than twice as high as in other South American countries and 50 to 65 per cent higher than prices in Central America.

Table 3

## PRICE RELATIVES AND THE PURCHASING POWER OF CURRENCIES AT FREE MARKET RATES OF EXCHANGE

(a) JUNE 1960

(Indexes: base country = 100)

Country	Uruguay	Peru	Argentina	Paraguay	Bolivia	Ecuador	Brazil	Mexico	Colombia	Costa Rica
Uruguay .....	100	105	107	107	108	108	109	116	122	132
Peru .....	95	100	102	102	103	103	104	111	117	126
Argentina .....	94	98	100	100	101	101	102	109	114	124
Paraguay .....	93	98	100	100	100	101	102	109	114	124
Bolivia .....	93	97	100	100	100	100	102	108	114	123
Ecuador .....	92	97	99	99	99	100	101	108	113	123
Brazil .....	92	96	98	98	98	99	100	107	112	121
Mexico .....	86	90	92	92	92	93	94	100	105	114
Colombia .....	82	86	87	87	88	88	89	95	100	108
Costa Rica .....	76	79	81	81	81	82	82	88	92	100
Haiti .....	75	78	80	80	80	81	81	87	91	99
El Salvador .....	67	71	72	72	72	73	74	79	82	89
Nicaragua .....	64	67	68	68	69	69	70	74	78	85
Panama .....	63	66	67	67	68	68	69	73	78	83
Chile .....	63	66	67	67	68	68	69	73	77	83
Guatemala .....	62	64	66	66	66	66	67	71	75	81
Honduras .....	58	61	62	62	63	63	64	68	72	77
Dominican Republic .....	57	60	61	61	62	62	62	67	71	76
Venezuela .....	41	43	44	44	44	44	45	48	50	54
British Guiana .....	81	85	87	87	87	88	89	95	99	108

Country	Haiti	El Salvador	Nicaragua	Panama	Chile	Guatemala	Honduras	Dominican Republic	Venezuela	British Guiana
Uruguay .....	134	148	157	158	158	163	171	175	244	123
Peru .....	128	142	149	151	151	165	163	167	233	118
Argentina .....	126	138	146	148	148	152	160	163	228	115
Paraguay .....	126	138	146	148	148	152	160	163	228	115
Bolivia .....	125	137	145	147	147	152	159	162	227	114
Ecuador .....	124	137	145	147	147	150	158	162	226	114
Brazil .....	123	136	143	145	145	149	157	160	223	113
Mexico .....	115	127	134	137	137	140	147	150	209	106
Colombia .....	110	121	128	129	130	133	140	143	199	101
Costa Rica .....	101	112	118	120	120	123	129	132	184	93
Haiti .....	100	111	117	118	118	121	128	130	182	92
El Salvador .....	90	100	106	107	107	110	115	118	164	83
Nicaragua .....	86	95	100	101	102	104	109	112	156	79
Panama .....	85	93	98	100	100	102	108	110	155	79
Chile .....	85	93	98	100	100	102	108	110	154	78
Guatemala .....	82	91	96	97	97	100	105	107	150	76
Honduras .....	78	87	91	92	93	95	100	102	142	72
Dominican Republic .....	77	85	90	91	91	93	98	100	140	71
Venezuela .....	55	61	64	65	65	67	70	72	100	51
British Guiana .....	109	120	127	129	129	132	139	142	198	100



Table 3 (continued)

(b) JUNE 1962

Country	Ecuador	Argentina	Colombia	Chile	Peru	Mexico	Brazil	Bolivia	Paraguay	Haiti
Ecuador .....	100	112	116	125	127	127	128	134	137	147
Argentina .....	89	100	104	111	113	113	114	119	122	131
Colombia .....	86	97	100	108	109	109	110	115	118	127
Chile .....	80	90	93	100	101	102	103	107	109	118
Peru .....	79	89	92	99	100	100	101	105	108	116
Mexico .....	79	89	92	98	100	100	101	105	108	116
Brazil .....	78	88	91	97	99	99	100	104	106	115
Bolivia .....	75	84	87	94	95	95	96	100	102	110
Paraguay .....	73	82	85	92	93	93	94	98	100	108
Haiti .....	68	76	79	85	86	86	87	90	93	100
Uruguay .....	66	75	77	83	84	84	85	89	91	98
Costa Rica .....	64	72	75	80	82	82	83	86	88	95
El Salvador .....	62	70	72	78	79	78	80	83	85	91
Nicaragua .....	60	67	70	75	76	76	77	80	82	88
Panama .....	58	65	67	71	73	73	74	77	79	84
Guatemala .....	57	64	67	71	73	73	74	76	78	84
Honduras .....	53	60	62	66	68	68	68	71	73	78
Venezuela .....	50	56	58	62	63	63	64	66	68	73
Dominican Republic .....	49	55	57	62	62	62	63	66	67	73
British Guiana .....	74	83	86	93	94	94	95	99	101	109

Country	Uruguay	Costa Rica	El Salvador	Nicaragua	Panama	Guatemala	Honduras	Venezuela	Dominican Republic	British Guiana
Ecuador .....	150	156	161	167	174	174	188	201	203	135
Argentina .....	134	139	144	149	155	155	167	179	181	120
Colombia .....	130	134	139	144	150	150	162	173	175	116
Chile .....	120	124	129	134	140	140	150	161	162	108
Peru .....	119	123	127	132	138	138	148	159	160	106
Mexico .....	119	123	127	132	137	137	147	159	160	106
Brazil .....	117	121	126	130	136	136	146	157	158	105
Bolivia .....	113	116	121	125	130	131	141	151	152	101
Paraguay .....	110	114	118	122	127	128	138	147	149	99
Haiti .....	102	106	109	113	118	118	127	137	138	92
Uruguay .....	100	103	107	111	115	116	125	134	135	90
Costa Rica .....	97	100	104	108	112	112	121	129	130	87
El Salvador .....	93	96	100	104	108	108	117	125	126	84
Nicaragua .....	90	93	96	100	103	104	112	120	121	81
Panama .....	87	89	92	97	100	100	108	115	116	79
Guatemala .....	86	89	92	96	100	100	108	114	116	77
Honduras .....	80	83	86	89	93	93	100	107	108	72
Venezuela .....	75	77	80	83	87	87	93	100	101	67
Dominican Republic .....	74	77	79	82	86	86	93	99	100	66
British Guiana .....	111	115	119	124	126	129	139	149	150	100

NOTE: Horizontal columns = indexes of prices; vertical columns = indexes of purchasing power.

The magnitude of price differences between Central and South American countries can be seen by making a comparison of Panama and Brazil with other countries (price levels for each being typical of Central and South America respectively). In the case of Brazil, for example, while most other South American countries had price levels differing by only a few per cent (Chile and Venezuela being the exception), the price levels for the countries in the Central American and Caribbean region were from 27 to 50 per cent higher. Conversely, while for most countries in Central America and the Caribbean, prices were within ten per cent of the Panama level, prices in the South American group<sup>7</sup> were from 23 to 37 per cent lower.

For 1962, the situation changed only in respect of countries in South America. The outstanding features in the new pattern of price relatives were as follows:

(a) Venezuela, instead of being the most expensive country (when prices were converted at free market exchange rates) was now second to the Dominican Republic. The new situation reflected, however, the devaluation which applied to free market transactions rather than an absolute reduction in internal prices (the parity rate of exchange for June 1962 remaining much the same as it was in 1960).

(b) A marked increase in the price level of Uruguay without any corresponding modification in the free market exchange rate made that country the most expensive in South America, after Venezuela (instead of being the cheapest, as it was in 1960).

(c) A reverse situation applied to Ecuador, where currency devaluation was not accompanied by any equivalent price change—Ecuador ranking as the cheapest in Latin America in 1962 as compared with its sixth position two years earlier.

(d) While in 1960 Chile was one of the most expensive countries in Latin America (being exceeded only by Venezuela, the Dominican Republic and Honduras), in 1962, despite a 20 per cent increase in internal prices during the two previous years, it now ranked as the fourth cheapest.<sup>8</sup>

(e) Paraguay had also devaluated its currency but not to the extent of internal price changes. In consequence, Paraguay ranked ninth cheapest in 1962 instead of third in 1960. A reverse situation applied to Colombia.

(f) In the case of Argentina, parity and free market rates had changed in a roughly similar fashion—the price rise having somewhat the same magnitude as the depreciation of the national currency. The relative price level was therefore not affected very much and the ranking of this country (in terms of cheapness of prices at free market exchange rates) was almost the same in 1962 as it was in 1960. A somewhat comparable situation applied to Brazil, its ranking remaining unchanged despite inflation in domestic prices.

<sup>7</sup> Excluding Chile and Venezuela.

<sup>8</sup> It should be noted that in Chile the devaluation which began in January 1961 had by June 1962 not yet applied to the official (or controlled) exchange rate. The ranking of that country if the parity rate is compared with the official rate would be third highest—that is to say, exceeded only by the Dominican Republic and Venezuela.

### 3. COMPARATIVE PURCHASING POWER OF CURRENCIES (AT PREVAILING RATES OF EXCHANGE)

If countries with somewhat similar living conditions, income levels and expenditure patterns are compared with each other, the purchasing power of each currency is directly proportional to the level of prices in each place.<sup>9</sup> The data given in table 3 may thus be used not only to show price levels but also to provide an indication of comparative purchasing power for the currencies of the Latin American countries. In this case, since purchasing power is a reciprocal of the price relationship, the figures in table 4 should be compared vertically rather than horizontally; that is to say, each vertical column provides an index of comparative purchasing power with the country mentioned at the head of the column as base.

**Table 4**  
RANKING OF COUNTRIES ACCORDING TO THEIR  
RELATIVE PRICE LEVELS  
(at free market exchange rates)

Country	1960	1962
Argentina .....	3	2
Bolivia .....	5	8
Brazil .....	7	7
Chile .....	15	4
Colombia .....	9	3
Costa Rica .....	10	12
Dominican Republic .....	18	19
Ecuador .....	6	1
El Salvador .....	12	13
Guatemala .....	16	16
Haiti .....	11	10
Honduras .....	17	17
Mexico .....	8	6
Nicaragua .....	13	14
Panama .....	14	15
Paraguay .....	3	9
Peru .....	2	5
Uruguay .....	1	11
Venezuela .....	19	18

It will, for example, be seen that compared with the Mexican peso at free market rates of exchange, the currency of both Panama and Chile had, in 1960, 73 per cent of the purchasing power of the Mexican peso, the Dominican currency had 67 per cent, but the Venezuela bolivar only 48 per cent. On the other hand, for Brazil,

<sup>9</sup> If conditions are not similar (e.g., in tropical and temperate areas, or for high income versus low income countries) some adjustment may be necessary to take into account different needs or different consumer preferences. For Latin American countries, reliance was placed on a system of equivalences designed to correct the relatively small number of incomparabilities present in the price data. Only in a few extreme cases, was the weighting pattern allowed to vary in order to take account of differing consumption habits.

Ecuador, Argentina, Peru and Uruguay, equivalent amounts of currency would at free market rates of exchange respectively purchase 7, 8, 9, 11 and 16 per cent more goods and services than a peso would in Mexico. In like manner, one could obtain 58 per cent more goods and services in Uruguay, 48 per cent more in Argentina, 45 per cent more in Brazil, 37 per cent more in Mexico and 7 per cent more in Nicaragua than was possible for equivalent amounts of currency in Chile or in Panama (in only four countries—Guatemala, Honduras, the Dominican Republic and Venezuela—could less goods and services be obtained for equivalent amounts of currency than was possible in Chile or Panama). Compared with Venezuela, one could buy in Uruguay 2.44 times as many goods and services; in Brazil 2.23, Colombia 1.99, Panama and Chile 1.54 and Honduras 1.42 times as many for equivalent amounts of currency. That is to say, the bolivar had in June 1960 a purchasing power 41, 45, 50, 65 and 70 per cent of that possessed by the national currencies in Uruguay, Brazil, Colombia, Panama (or Chile) and Honduras. The devaluation of the bolivar in 1961 reduced the amount of other currencies equivalent to a bolivar and increased the purchasing power of the bolivar (relative to other currencies). Inflationary price movements in certain countries accentuated this increase in the purchasing power of the bolivar relative to other currencies at free market rates of exchange. It was, for instance, possible in June 1962 to obtain 78 per cent of what an equivalent number of pesos would bring in Uruguay—against 41 per cent in 1960.

So far as the currencies of other countries were concerned, attention might be drawn to the much increased purchasing power in June 1962 of the escudo, the Colombian peso and the sucre—as against a decreased purchasing power of the guarani, the Bolivian peso, the sol, the Costa Rican colon, the cruzeiro and the Dominican peso.

As prices and exchange rates were stable in Panama during the period under review, the relative purchasing power of each Latin American country vis-à-vis the balboa in June 1960 and again in June 1962 provides the simplest means of assessing the modification in purchasing power for each currency during the period under review. The following table shows in percentage form the change which occurred.

**Table 6**  
PURCHASING POWER EQUIVALENTS FOR MAIN EXPENDITURE SECTORS  
(Units of national currency per Mexican peso)

(a) JUNE 1960  
(1) South America

Country:	Argentina	Bolivia	Brazil	Colombia	Chile	Ecuador	Paraguay	Peru	Uruguay	Venezuela
Currency:	M\$N	\$B	Cr.\$	\$	E°	S/-	Gs.	S/o	\$	Bs.
Exchange rate:	6.63	.951	15.0	.546	.084	1.45	9.8	2.20	.915	.268
Consumer expenditure: total.....	5.65	.868	13.7	.589	.111	1.36	8.7	1.96	.742	.596
I. Food .....	4.79	.878	11.7	.635	.090	1.42	8.0	1.89	.726	.532
II. Beverages .....	5.23	1.422	9.9	.874	.090	1.74	10.5	2.16	.742	.730
III. Tobacco .....	5.95	.594	10.3	.284	.107	1.39	8.5	.78	.490	.615
IV. Clothing, Textiles .....	5.68	.806	12.9	.401	.125	1.02	8.5	1.97	.769	.406
V. Housing .....	8.36	1.195	19.3	.743	.163	1.64	10.6	2.38	.966	.649

**Table 5**

CHANGES IN THE PURCHASING POWER OF AN AMOUNT OF NATIONAL CURRENCY CORRESPONDING TO ONE BALBOA<sup>a</sup>

(Indexes: Purchasing power in June 1960 = 100)

JUNE 1962 COMPARED TO JUNE 1960

Country	Currency	Index
Argentina	peso .....	104.8
Bolivia	peso .....	88.2
Brazil	cruzeiro .....	93.5
Chile	escudo .....	139.6
Colombia	peso .....	116.0
Costa Rica	colon .....	93.4
Dominican Republic	peso .....	94.5
Ecuador	sucre .....	119.0
El Salvador	colon .....	101.4
Guatemala	quetzal .....	102.7
Haiti	gourde .....	100.2
Honduras	lempira .....	100.3
Mexico	peso .....	100.0
Nicaragua	cordoba .....	103.1
Panama	balboa .....	100.0
Paraguay	guarani .....	86.3
Peru	sol .....	91.0
Uruguay	peso .....	73.2
Venezuela	bolivar .....	133.4
British Guiana	BWI dollar .....	100.4

<sup>a</sup> Converted in accordance with free market rates of exchange.

**B. ANALYSIS BY MAIN EXPENDITURE GROUPS**

**1. PURCHASING POWER EQUIVALENTS**

The parity of exchange which applied to total expenditure, by definition, equated the over-all purchasing power of the nineteen Latin American currencies. Purchasing power equivalents expressing the number of currency units necessary to buy a given amount of goods or services in each country have also been calculated for main expenditure groups. Because of the number of series involved, the tables are not fully reproduced in this chapter but are included in the Statistical Annex. However, in order to provide an indication of the pattern for each country, table 6 presents the purchasing power equivalents in terms of the Mexican peso for twelve main expenditure sectors. Similar data in terms of the Panamanian balboa are given in table 7.

Table 6 (continued)

## (1) South America (continued)

Country:	Argentina	Bolivia	Brazil	Colombia	Chile	Ecuador	Paraguay	Peru	Uruguay	Venezuela
Currency:	M\$N	\$B	Cr.\$	\$	E°	S/-	Gs.	S/o	\$	Bs.
Exchange rate:	6.63	.951	15.0	.546	.084	1.45	9.8	2.20	.915	.268
VI. Transport, Communication ...	8.83	.874	21.3	.763	.098	2.04	11.1	2.49	.863	.640
VII. Personal care .....	5.75	1.000	12.4	.593	.129	1.63	10.9	2.52	.937	.747
VIII. Recreation .....	6.79	.847	13.5	.638	.131	1.58	11.0	2.90	.715	.704
IX. Government services .....	4.05	.463	13.7	.432	.083	0.90	6.2	1.21	.497	.762
Fixed investment: total.....	9.21	.969	16.9	.536	.103	1.27	11.4	2.15	1.101	.391
X. Construction .....	8.39	.830	13.9	.455	.084	1.04	9.8	2.00	.940	.504
XI. Producers' equipment .....	9.39	1.043	19.2	.563	.114	1.49	13.4	2.22	1.040	.263
XII. Transport equipment .....	11.66	1.277	21.4	.745	.144	1.54	11.8	2.50	1.822	.309
Total expenditure .....	6.10	.878	14.1	.578	.109	1.34	9.0	1.98	.790	.565

## (2) Central America, the Caribbean and British Guiana

Country:	Costa Rica	El Salvador	Guatemala	Haiti	Honduras	Mexico	Nicaragua	Panama	Dominican Republic	British Guiana
Currency:	¢	¢	Q	G	L.	\$	C\$	B/.	RD\$	BW1\$
Exchange rate:	.532	.200	.080	.400	.160	1.00	.584	.080	.080	.137
Consumer expenditure: total.....	.614	.265	.117	.480	.246	1.00	.796	.112	.125	.151
I. Food .....	.610	.303	.123	.505	.269	1.00	.844	.115	.139	.138
II. Beverages .....	1.542	.514	.195	.965	.448	1.00	1.216	.157	.223	.330
III. Tobacco .....	.827	.158	.122	.545	.081	1.00	.797	.073	.158	.190
IV. Clothing, Textiles .....	.489	.210	.085	.360	.176	1.00	.672	.081	.090	.120
V. Housing .....	.771	.221	.130	.505	.312	1.00	.863	.143	.142	.167
VI. Transport, Communication ...	.677	.416	.158	.730	.277	1.00	.782	.152	.153	.182
VII. Personal care .....	.454	.278	.136	.420	.266	1.00	.815	.120	.106	.121
VIII. Recreation .....	.573	.247	.136	.430	.269	1.00	.747	.105	.092	.191
IX. Government services .....	.454	.205	.087	.375	.154	1.00	.661	.085	.083	.155
Fixed investment: total.....	.550	.194	.081	.380	.176	1.00	.703	.098	.096	.137
X. Construction .....	.593	.195	.083	.375	.187	1.00	.790	.116	.102	.143
XI. Producers' equipment .....	.456	.183	.077	.375	.169	1.00	.580	.081	.090	.130
XII. Transport equipment .....	.632	.221	.084	.400	.158	1.00	.710	.075	.088	.136
Total expenditure .....	.602	.254	.110	.462	.235	1.00	.779	.110	.120	.148

## (b) JUNE 1962

## (1) South America

Country:	Argentina	Bolivia	Brazil	Colombia	Chile	Ecuador	Paraguay	Peru	Uruguay	Venezuela
Currency:	M\$N	\$B	Cr.\$	\$	E°	S/-	Gs.	S/o	\$	Bs.
Exchange rate:	10.81	.951	28.8	.700	.130	1.84	10.1	2.15	.879	.364
Consumer expenditure: total.....	8.97	.992	28.4	.652	.130	1.45	10.6	2.13	1.013	.595
I. Food .....	7.86	.967	23.6	.710	.108	1.51	10.1	2.11	.874	.508
II. Beverages .....	9.47	1.614	21.6	.948	.139	2.00	11.7	2.32	1.147	.852
III. Tobacco .....	9.90	.674	22.6	.307	.127	1.42	5.5	.86	.483	.587
IV. Clothing, Textiles .....	10.65	.900	36.0	.446	.133	1.09	10.7	2.20	1.126	.474
V. Housing .....	11.45	1.556	38.4	.815	.195	1.72	12.1	2.46	1.493	.671
VI. Transport, Communication ...	12.30	.991	28.8	.827	.109	2.09	16.0	2.76	1.004	.610
VII. Personal care .....	11.53	1.029	20.2	.665	.146	1.73	13.9	2.63	1.304	.745
VIII. Recreation .....	12.21	.870	25.0	.716	.153	1.72	14.3	3.02	1.017	.728
IX. Government services .....	5.06	.571	28.5	.469	.100	.97	7.4	1.30	.692	.703
Fixed investment: total.....	13.40	1.042	33.9	.572	.115	1.45	12.7	2.17	1.247	.418
X. Construction .....	12.69	.974	32.8	.513	.102	1.09	11.6	2.04	1.280	.513
XI. Producers' equipment .....	13.64	1.043	35.1	.563	.119	1.79	13.9	2.22	1.020	.288
XII. Transport equipment .....	15.31	1.277	35.0	.801	.152	1.89	13.8	2.50	1.695	.408
Total expenditure .....	9.57	.999	29.1	.641	.128	1.45	10.9	2.14	1.044	.571

Table 6 (continued)

(2) Central America, the Caribbean and British Guiana

Country:	Costa Rica	El Salvador	Guatemala	Haiti	Honduras	Mexico	Nicaragua	Panama	Dominican Republic	British Guiana
Currency:	¢	¢	Q	G	L.	\$	C\$	B/.	RD\$	BV\$
Exchange rate:	.532	.200	.080	.400	.160	1.00	.596	.080	.080	.137
<i>Consumer expenditure: total</i> .....	.658	.263	.115	.480	.246	1.00	.803	.111	.132	.151
I. Food .....	.625	.309	.121	.505	.256	1.00	.871	.116	.144	.139
II. Beverages .....	2.438	.494	.187	.955	.457	1.00	1.192	.154	.235	.324
III. Tobacco .....	.857	.152	.117	.535	.083	1.00	.782	.071	.148	.186
IV. Clothing, Textiles .....	.497	.193	.084	.395	.192	1.00	.687	.083	.118	.123
V. Housing .....	.816	.210	.127	.485	.322	1.00	.859	.143	.134	.166
VI. Transport, Communication ...	.684	.400	.151	.725	.282	1.00	.767	.149	.161	.179
VII. Personal care .....	.465	.284	.130	.415	.271	1.00	.796	.118	.134	.119
VIII. Recreation .....	.591	.252	.130	.460	.274	1.00	.733	.103	.116	.187
IX. Government services .....	.472	.205	.083	.375	.156	1.00	.650	.083	.088	.153
<i>Fixed investment: total</i> .....	.603	.196	.080	.380	.178	1.00	.709	.099	.096	.139
X. Construction .....	.622	.198	.082	.380	.190	1.00	.804	.118	.103	.146
XI. Producers' equipment .....	.536	.183	.077	.375	.169	1.00	.580	.081	.090	.130
XII. Transport equipment .....	.701	.221	.084	.400	.158	1.00	.710	.075	.088	.136
<i>Total expenditure</i> .....	.650	.254	.110	.465	.237	1.00	.791	.110	.128	.149

Table 7

## PURCHASING POWER EQUIVALENTS FOR MAIN EXPENDITURE SECTORS

(Units of currency per balboa)

(a) JUNE 1960

(1) South America

Country:	Argentina	Bolivia	Brazil	Colombia	Chile	Ecuador	Paraguay	Peru	Uruguay	Venezuela
Currency:	M\$N	\$B	Cr.\$	\$	E°	S/-	Gs.	S/o	\$	Bs.
Exchange rate:	82.8	11.88	187	6.82	1.053	18.1	122	27.4	11.43	3.35
<i>Consumer expenditure: total</i> .....	50.6	7.77	123	5.27	.993	12.2	78	17.6	6.68	5.94
I. Food .....	41.5	7.61	101	5.50	.788	12.3	70	16.4	6.30	4.60
II. Beverages .....	33.4	9.06	63	5.58	.571	11.1	67	13.8	4.73	4.65
III. Tobacco .....	81.6	8.15	141	3.89	1.468	19.0	116	10.6	6.73	8.44
IV. Clothing, Textiles .....	69.7	9.90	159	4.93	1.530	12.6	105	24.2	9.45	4.99
V. Housing .....	58.4	8.30	134	5.19	1.140	11.5	74	16.6	6.74	4.53
VI. Transport, Communication ....	58.2	5.76	141	5.03	.648	13.5	73	16.4	5.69	4.22
VII. Personal care .....	47.9	8.35	103	4.94	1.076	13.6	91	21.0	7.81	6.23
VIII. Recreation .....	64.9	8.10	129	6.10	1.250	15.2	105	27.7	6.84	6.73
IX. Government services .....	47.6	5.45	162	5.08	1.039	10.6	72	14.2	5.85	8.96
<i>Fixed investment: total</i> .....	94.0	9.89	172	5.48	1.050	13.0	116	21.9	11.25	4.00
X. Construction .....	72.1	7.14	120	3.91	.718	8.9	85	17.2	8.09	4.33
XI. Producers' equipment .....	116.1	12.89	238	6.96	1.409	18.4	166	27.4	12.86	3.26
XII. Transport equipment .....	155.8	17.07	286	9.95	1.922	20.6	157	33.5	24.34	4.13
<i>Total expenditure</i> .....	55.8	8.04	129	5.30	1.000	12.3	81	18.1	7.24	5.18

Table 7 (continued)

## (2) Central America, the Caribbean and British Guiana

	Country:	Costa Rica	El Salvador	Guatemala	Haiti	Honduras	Mexico	Nicaragua	Panama	Dominican Republic	British Guiana
	Currency:	¢	¢	Q.	C	L.	\$	C\$	B/.	RD\$	BW1\$
	Exchange rate:	6.65	2.50	1.000	5.00	2.00	12.49	7.30	1.00	1.000	1.71
<i>Consumer expenditure: total</i> .....		5.69	2.38	1.051	4.29	2.20	8.96	7.13	1.00	1.117	1.40
I. Food .....		5.28	2.63	1.069	4.42	2.33	8.66	7.31	1.00	1.205	1.20
II. Beverages .....		9.83	3.28	1.246	6.16	2.86	6.38	7.75	1.00	1.423	2.11
III. Tobacco .....		11.35	2.17	1.680	7.45	1.12	13.72	10.94	1.00	2.163	2.60
IV. Clothing, Textiles .....		6.00	2.58	1.041	4.42	2.16	12.29	8.26	1.00	1.109	1.48
V. Housing .....		5.38	1.54	.911	3.54	2.18	6.98	6.02	1.00	.995	1.17
VI. Transport, Communication ....		4.46	2.74	1.044	4.82	1.82	6.59	5.16	1.00	1.009	1.20
VII. Personal care .....		3.78	2.32	1.137	3.50	2.22	8.34	6.80	1.00	.885	1.01
VIII. Recreation .....		5.48	2.36	1.298	4.12	2.57	9.56	7.14	1.00	.876	1.82
IX. Government services .....		5.34	2.42	1.024	4.41	1.81	11.76	7.77	1.00	.973	1.82
<i>Fixed investment: total</i> .....		5.62	1.97	.825	3.86	1.80	10.21	7.18	1.00	.976	1.40
X. Construction .....		5.10	1.68	.721	3.20	1.60	8.60	6.80	1.00	.875	1.23
XI. Producers' equipment .....		5.63	2.26	.945	4.66	2.08	12.36	7.17	1.00	1.107	1.61
XII. Transport equipment .....		8.44	3.00	1.118	5.38	2.12	13.36	9.50	1.00	1.180	1.82
<i>Total expenditure</i> .....		5.52	2.33	1.025	4.24	2.16	9.14	7.14	1.00	1.101	1.36

## (b) JUNE 1962

## (1) South America

	Country:	Argentina	Bolivia	Brazil	Colombia	Chile	Ecuador	Paraguay	Peru	Uruguay	Venezuela
	Currency:	M\$N	\$B	Cr.\$	\$	E°	S/-	Gs.	S/o	\$	Bs.
	Exchange rate:	135.0	11.88	359	8.74	1.630	22.9	126	26.8	10.98	4.54
<i>Consumer expenditure: total</i> .....		80.5	8.90	254	5.85	1.166	13.0	98	19.1	9.09	5.34
I. Food .....		67.8	8.35	204	6.12	.935	13.0	87	18.2	7.54	4.38
II. Beverages .....		61.6	10.50	140	6.17	.906	13.0	76	15.1	7.46	5.54
III. Tobacco .....		138.5	9.44	316	4.30	1.778	19.9	77	12.0	6.76	8.21
IV. Clothing, Textiles .....		128.0	10.83	433	5.37	1.596	13.1	128	26.5	13.54	5.70
V. Housing .....		80.2	10.90	268	5.71	1.365	12.1	85	17.2	10.46	4.70
VI. Transport, Communication ....		82.7	6.67	194	5.56	.734	14.1	108	18.6	6.75	4.10
VII. Personal care .....		98.0	8.75	171	5.65	1.247	14.7	118	22.3	11.09	6.34
VIII. Recreation .....		119.0	8.48	244	6.98	1.489	16.8	139	29.5	9.91	7.10
IX. Government services .....		60.6	6.16	341	5.62	1.197	11.6	88	15.6	8.29	8.42
<i>Fixed investment: total</i> .....		135.7	10.55	343	5.80	1.168	14.7	129	22.0	12.63	4.23
X. Construction .....		107.2	8.23	277	4.34	.866	9.2	98	17.2	10.82	4.33
XI. Producers' equipment .....		168.5	12.89	434	6.96	1.466	22.1	172	27.4	12.60	3.57
XII. Transport equipment .....		204.5	17.07	467	10.72	2.033	25.2	184	33.5	22.65	5.45
<i>Total expenditure</i> .....		87.2	9.11	265	5.84	1.163	13.2	99	19.5	9.52	5.21

## (2) Central America, the Caribbean and British Guiana

	Country:	Costa Rica	El Salvador	Guatemala	Haiti	Honduras	Mexico	Nicaragua	Panama	Dominican Republic	British Guiana
	Currency:	¢	¢	Q.	C	L.	\$	C\$	B/.	RD\$	BW1\$
	Exchange rate:	6.65	2.50	1.000	5.00	2.00	12.49	7.45	1.00	1.000	1.71
<i>Consumer expenditure: total</i> .....		5.91	2.36	1.028	4.30	2.21	8.98	7.46	1.00	1.188	1.35
I. Food .....		5.40	2.67	1.042	4.38	2.21	8.63	7.52	1.00	1.243	1.20
II. Beverages .....		15.85	3.21	1.214	6.20	2.97	6.50	7.75	1.00	1.526	2.11
III. Tobacco .....		11.99	2.12	1.637	7.51	1.16	13.99	10.94	1.00	2.073	2.60
IV. Clothing, Textiles .....		5.97	2.32	1.014	4.74	2.31	12.03	8.26	1.00	1.417	1.48
V. Housing .....		5.72	1.47	.892	3.39	2.25	7.00	6.02	1.00	.938	1.17
VI. Transport, Communication ....		4.60	2.70	1.018	4.86	1.90	6.72	5.16	1.00	1.082	1.20
VII. Personal care .....		3.95	2.41	1.108	3.53	2.31	8.50	6.77	1.00	1.142	1.01
VIII. Recreation .....		5.76	2.46	1.264	4.46	2.67	9.75	7.14	1.00	1.129	1.82
IX. Government services .....		5.66	2.46	.996	4.48	1.87	11.97	7.78	1.00	1.050	1.83
<i>Fixed investment: total</i> .....		6.10	1.99	.812	3.86	1.80	10.13	7.18	1.00	.976	1.40
X. Construction .....		5.26	1.68	.691	3.21	1.60	8.45	6.80	1.00	.875	1.23
XI. Producers' equipment .....		5.63	2.26	.945	4.66	2.08	12.36	7.17	1.00	1.107	1.61
XII. Transport equipment .....		9.37	2.96	1.118	5.38	2.12	13.36	9.49	1.00	1.180	1.82
<i>Total expenditure</i> .....		5.93	2.31	1.002	4.25	2.16	9.14	7.21	1.00	1.163	1.36

It will be observed, by way of example, that in June 1960 one peso spent on *Food* in Mexico bought as much as 4.79 m\$ in Argentina, .878 Bolivian pesos in Bolivia, 11.7 cruzeiros in Brazil, 8.7 guaranis in Paraguay or 1.96 soles in Peru. For *Clothing and Textiles*, on the other hand, one Mexican peso in June 1960 bought as much as 5.68 Argentine pesos, 12.9 cruzeiros, 8.5 guaranis, 1.97 soles, .085 quetzales, or .176 lempiras. Similarly one balboa spent in 1960 on *Clothing* corresponded in purchasing power to 4.93 Colombian pesos, 1.53 escudos or 4.99 bolivares—as against 5.19 Colombian pesos, 1.14 escudos or 4.53 bolivares if spent on *Housing*.

Again, for *Investment* in Peru it was necessary to spend 27,400 soles on *Producers' equipment* in 1960 as against 33,500 soles on *Transport equipment* (but only 17,200 soles on *Construction*) in order to obtain quantities equal to those obtainable in Panama with 1,000 balboas.

The purchasing power equivalents may be related to each other so as to make a direct comparison of countries independent of Mexico or Panama. Thus, 11.7 cruzeiros in June 1960 bought as much food as 1.42 sucres in Ecuador, .726 pesos in Uruguay, .610 colones in Costa Rica or .139 pesos in the Dominican Republic.

Tables 6 and 7 also provide the purchasing power equivalents in June 1960 as well as June 1962. It was, for example, necessary to spend 195 escudos in June 1962 to get an amount of *Housing and household equipment* in Chile for which only 163 escudos were

needed in 1960. Care must, however, be exercised in making such comparisons since the changes in the price structure of the country used as the reference point can well influence the results. Thus, in June 1960, 1,000 Mexican pesos bought as much *Construction* as 13,900 cruzeiros; in June 1962, 1,000 Mexican pesos bought as much as 32,800 cruzeiros. However, since prices of construction materials fell in Mexico between 1960 and 1962, more *Construction* could be bought for 32,800 cruzeiros in June 1962 than was possible with 13,900 cruzeiros in 1960. The purchasing power in 1962 relative to 1960 is better compared for individual groups on the basis of a country in which prices were stable during the period under review—Panama being probably the most suitable for this purpose (in the example quoted, 277,000 cruzeiros in June 1962 bought an amount of *Construction* which cost 120,000 cruzeiros in June 1960—both being equivalent to a sum of money—1,000 balboas which maintained an equal purchasing power during the period concerned).

## 2. PRICE RELATIVES (AT PREVAILING EXCHANGE RATES)

In order to express data in the form of price relatives, the purchasing power equivalents for each group have been compared with the free market rate—in this way providing a set of indexes similar in presentation and in manner of interpretation to those shown for total expenditure in table 3. However, in order to present a synthesis of the data, table 8 has been compiled wherein for twelve main sectors of expenditure the prices in each country are expressed relative to prices in Mexico.

**Table 8**  
PRICE RELATIVES AT FREE MARKET RATES OF EXCHANGE  
(Indexes: Mexico = 100)

(a) JUNE 1960  
(1) South America

Expenditure Sector	Argentina	Bolivia	Brazil	Colombia	Chile	Ecuador	Paraguay	Peru	Uruguay	Venezuela
<i>Consumer expenditure: total</i> .....	85	91	91	107	139	94	89	89	81	221
I. Food .....	72	92	78	116	112	98	82	86	79	197
II. Beverages .....	79	150	66	159	112	120	108	98	81	270
III. Tobacco .....	90	62	69	52	134	96	87	35	53	182
IV. Clothing, Textiles .....	86	85	86	73	156	71	87	90	84	150
V. Housing .....	126	126	129	135	204	113	108	108	105	240
VI. Transport, Communication ....	133	92	142	139	122	141	114	113	94	237
VII. Personal care .....	88	105	83	108	161	112	112	114	102	277
VIII. Recreation .....	102	89	90	116	164	109	112	132	78	261
IX. Government services .....	61	49	92	78	104	62	63	55	54	282
<i>Fixed investment: total</i> .....	139	102	112	98	123	88	116	98	120	146
X. Construction .....	126	87	93	83	100	72	101	91	103	188
XI. Producers' equipment .....	142	110	128	103	136	103	137	101	114	98
XII. Transport equipment .....	176	134	143	136	171	107	121	114	199	115
<i>Total expenditure</i> .....	92	92	94	105	136	93	92	90	86	209

Table 8 (continued)

(a) JUNE 1960 (continued)

(2) Central America, the Caribbean and British Guiana

<i>Expenditure Sector</i>	<i>Costa Rica</i>	<i>El Salvador</i>	<i>Guatemala</i>	<i>Haiti</i>	<i>Honduras</i>	<i>Mexico</i>	<i>Nicaragua</i>	<i>Panama</i>	<i>Dominican Republic</i>	<i>British Guiana</i>
<i>Consumer expenditure: total</i> .....	116	132	146	120	154	100	137	140	156	108
I. Food .....	115	152	154	126	168	100	146	144	174	98
II. Beverages .....	291	257	244	241	280	100	210	196	279	236
III. Tobacco .....	156	79	152	136	51	100	137	91	198	136
IV. Clothing, Textiles .....	92	105	106	90	110	100	116	101	112	86
V. Housing .....	146	110	162	126	195	100	149	179	178	119
VI. Transport, Communication ....	128	208	198	182	173	100	135	190	191	130
VII. Personal care .....	86	139	170	105	166	100	140	150	132	86
VIII. Recreation .....	108	124	170	108	168	100	129	131	115	136
IX. Government services .....	86	102	109	94	96	100	114	106	104	111
<i>Fixed investment: total</i> .....	104	97	95	95	110	100	120	122	119	100
X. Construction .....	113	97	94	94	117	100	135	145	127	104
XI. Producers' equipment .....	86	91	96	94	106	100	99	101	112	95
XII. Transport equipment .....	120	110	101	101	99	100	121	93	110	99
<i>Total expenditure</i> .....	114	127	140	116	147	100	134	137	150	106

(b) JUNE 1962

(1) South America

<i>Expenditure Sector</i>	<i>Argentina</i>	<i>Bolivia</i>	<i>Brazil</i>	<i>Colombia</i>	<i>Chile</i>	<i>Ecuador</i>	<i>Paraguay</i>	<i>Peru</i>	<i>Uruguay</i>	<i>Venezuela</i>
<i>Consumer expenditure: total</i> .....	83	104	98	93	100	79	105	100	115	165
I. Food .....	73	102	82	101	83	82	100	99	99	141
II. Beverages .....	88	170	75	135	107	109	116	109	130	237
III. Tobacco .....	92	71	78	44	98	77	54	40	55	163
IV. Clothing, Textiles .....	98	95	125	64	102	59	106	103	128	132
V. Housing .....	106	164	133	116	150	94	120	115	170	186
VI. Transport, Communication ....	114	104	100	118	84	114	159	129	114	169
VII. Personal care .....	113	108	70	95	112	94	138	123	148	207
VIII. Recreation .....	113	92	87	102	118	94	141	141	116	292
IX. Government services .....	47	54	99	67	77	53	73	61	79	195
<i>Fixed investment: total</i> .....	124	110	118	82	88	79	126	101	142	115
X. Construction .....	117	102	114	73	78	59	115	95	146	141
XI. Producers' equipment .....	126	110	122	80	91	97	138	103	116	79
XII. Transport equipment .....	142	110	122	114	117	103	136	117	193	112
<i>Total expenditure</i> .....	89	105	101	92	98	79	108	100	119	159

(2) Central America, the Caribbean and British Guiana

<i>Expenditure Sector</i>	<i>Costa Rica</i>	<i>El Salvador</i>	<i>Guatemala</i>	<i>Haiti</i>	<i>Honduras</i>	<i>Mexico</i>	<i>Nicaragua</i>	<i>Panama</i>	<i>Dominican Republic</i>	<i>British Guiana</i>
<i>Consumer expenditure: total</i> .....	124	132	144	120	154	100	134	139	165	108
I. Food .....	118	154	151	126	160	100	145	145	180	99
II. Beverages .....	460	247	234	239	286	100	199	192	293	231
III. Tobacco .....	162	76	146	134	52	100	130	89	185	133
IV. Clothing, Textiles .....	94	96	105	99	120	100	114	104	148	88
V. Housing .....	154	105	159	121	201	100	143	179	168	119
VI. Transport, Communication ....	129	200	189	181	176	100	128	186	201	128
VII. Personal care .....	88	142	162	104	169	100	133	148	168	85
VIII. Recreation .....	112	126	162	115	171	100	122	129	145	134
IX. Government services .....	89	102	104	94	98	100	108	104	110	109
<i>Fixed investment: total</i> .....	115	98	95	95	111	100	119	123	120	101
X. Construction .....	118	99	95	96	119	100	135	147	129	107
XI. Producers' equipment .....	101	91	96	94	106	100	97	101	112	95
XII. Transport equipment .....	133	110	101	101	99	100	119	93	110	99
<i>Total expenditure</i> .....	123	127	137	116	147	100	132	137	160	106



When a given country is, however, used as a base or reference point, the price level for each item or group of items in that country is automatically placed at 100; and the "cheapness" or "expensiveness" of the item there is not taken into account. Price levels for other countries which are related to the given country are accordingly at a comparatively low level for items which are expensive in the base country and at a comparatively

high level for the items which are cheap in the base country.

To overcome this disadvantage, a further set of data has been elaborated in which the average of the prices in all nineteen Latin American countries has been used as base—table 9—showing for each of the twelve expenditure groups the relationship which prices in each country (including Mexico) bore to the average of prices for the same group in the whole region.

**Table 9**  
PRICE RELATIVES AT FREE MARKET RATES OF EXCHANGE

(Indexes: average of 19 Latin American countries = 100)

(a) JUNE 1960

(1) South America

<i>Expenditure Sector</i>	<i>Argentina</i>	<i>Bolivia</i>	<i>Brazil</i>	<i>Colombia</i>	<i>Chile</i>	<i>Ecuador</i>	<i>Paraguay</i>	<i>Peru</i>	<i>Uruguay</i>	<i>Venezuela</i>
<i>Consumer expenditure: total</i> .....	71	76	76	89	115	78	74	74	67	183
I. Food .....	61	76	64	95	96	81	73	71	66	163
II. Beverages .....	45	85	38	91	64	68	61	56	46	154
III. Tobacco .....	87	61	67	50	130	93	84	34	52	176
IV. Clothing, Textiles .....	80	79	80	68	146	66	81	83	78	266
V. Housing .....	87	87	89	93	141	78	75	75	73	166
VI. Transport, Communication ....	89	62	96	93	82	95	76	76	63	159
VII. Personal care .....	67	82	64	84	125	87	87	89	79	215
VIII. Recreation .....	81	70	71	93	129	86	88	104	61	206
IX. Government services .....	64	51	96	82	109	65	66	58	57	296
<i>Fixed investment: total</i> .....	125	92	101	89	111	79	105	88	108	132
X. Construction .....	116	80	85	77	92	66	93	84	94	173
XI. Producers' equipment .....	131	102	118	95	125	95	127	93	105	91
XII. Transport equipment .....	140	107	114	109	137	85	96	91	159	92
<i>Total expenditure</i> .....	77	78	79	87	115	78	77	76	72	176

(2) Central America, the Caribbean and British Guiana

<i>Expenditure Sector</i>	<i>Costa Rica</i>	<i>El Salvador</i>	<i>Guatemala</i>	<i>Haiti</i>	<i>Honduras</i>	<i>Mexico</i>	<i>Nicaragua</i>	<i>Panama</i>	<i>Dominican Republic</i>	<i>British Guiana</i>
<i>Consumer expenditure: total</i> .....	96	110	121	100	128	83	114	116	130	89
I. Food .....	95	125	127	106	139	83	120	119	144	65
II. Beverages .....	165	146	139	137	159	57	119	112	159	134
III. Tobacco .....	151	77	148	132	49	97	133	89	192	132
IV. Clothing, Textiles .....	86	98	99	86	103	93	108	94	105	80
V. Housing .....	101	76	112	87	135	69	103	124	123	82
VI. Transport, Communication ....	86	140	133	122	116	67	90	128	128	87
VII. Personal care .....	66	108	132	81	129	78	109	116	103	67
VIII. Recreation .....	85	98	134	85	133	79	102	105	91	108
IX. Government services .....	90	108	114	98	101	105	120	112	109	116
<i>Fixed investment: total</i> .....	94	87	86	86	99	90	108	110	108	90
X. Construction .....	104	90	86	86	107	92	124	133	117	96
XI. Producers' equipment .....	79	84	88	87	98	92	92	93	103	88
XII. Transport equipment .....	96	88	80	80	79	80	97	75	88	79
<i>Total expenditure</i> .....	96	107	118	97	124	84	113	116	126	89

Table 9 (continued)

(b) JUNE 1962

(1) South America

<i>Expenditure Sector</i>	<i>Argentina</i>	<i>Bolivia</i>	<i>Brazil</i>	<i>Colombia</i>	<i>Chile</i>	<i>Ecuador</i>	<i>Paraguay</i>	<i>Peru</i>	<i>Uruguay</i>	<i>Venezuela</i>
<i>Consumer expenditure: total</i> .....	70	88	83	78	84	66	88	84	97	139
I. Food .....	62	86	69	85	70	69	84	83	84	119
II. Beverages .....	47	91	40	73	57	58	62	58	70	127
III. Tobacco .....	94	73	80	45	100	79	56	41	56	167
IV. Clothing, Textiles .....	93	89	118	60	96	56	99	97	120	124
V. Housing .....	75	115	94	82	106	66	85	81	120	131
VI. Transport, Communication ....	80	73	70	83	59	80	111	90	80	119
VII. Personal care .....	89	85	55	75	88	74	108	97	117	163
VIII. Recreation .....	89	72	69	81	108	74	112	111	91	160
IX. Government services .....	52	60	110	74	85	59	81	67	87	217
<i>Fixed investment: total</i> .....	114	101	109	75	81	73	116	93	131	106
X. Construction .....	107	94	104	67	72	54	105	87	133	129
XI. Producers' equipment .....	122	106	118	78	88	94	134	100	112	76
XII. Transport equipment .....	120	94	103	97	99	88	116	99	164	95
<i>Total expenditure</i> .....	75	90	86	78	84	67	92	85	105	135

(2) Central America, the Caribbean and British Guiana

<i>Expenditure Sector</i>	<i>Costa Rica</i>	<i>El Salvador</i>	<i>Guatemala</i>	<i>Haiti</i>	<i>Honduras</i>	<i>Mexico</i>	<i>Nicaragua</i>	<i>Panama</i>	<i>Dominican Republic</i>	<i>British Guiana</i>
<i>Consumer expenditure: total</i> .....	105	111	121	101	130	84	113	117	139	91
I. Food .....	99	130	127	107	135	84	122	122	151	84
II. Beverages .....	247	132	125	128	153	54	107	103	157	124
III. Tobacco .....	165	78	150	137	53	102	133	91	189	136
IV. Clothing, Textiles .....	88	91	99	93	113	94	108	97	139	83
V. Housing .....	108	74	112	85	142	70	101	126	118	84
VI. Transport, Communication ....	91	140	132	127	124	70	90	131	141	90
VII. Personal care .....	69	112	128	81	133	79	104	116	132	67
VIII. Recreation .....	88	100	128	91	135	79	97	102	115	106
IX. Government services .....	99	114	115	104	108	111	120	115	122	121
<i>Fixed investment: total</i> .....	105	90	88	88	102	92	110	114	111	93
X. Construction .....	108	90	87	88	108	91	123	135	118	97
XI. Producers' equipment .....	97	88	93	91	102	97	94	98	108	92
XII. Transport equipment .....	113	94	86	86	84	85	101	79	94	84
<i>Total expenditure</i> .....	104	108	117	99	126	85	112	116	136	91

Thus, the June 1960 price of *Foods* in Argentina (converted in accordance with free market rates of exchange) was 61 per cent of the average price for Latin America, in contrast to 163 per cent in the case of Venezuela, 144 per cent for the Dominican Republic and 139 per cent for Honduras. (For all South American countries except Venezuela, prices were below the regional average, while for Central America and the Caribbean, all except Mexico and Costa Rica were above that average).

For *Beverages and Tobacco* the price levels reflect to a considerable extent the tax policies which applied in each country. In the case of beverages, however, an influential factor was undoubtedly the low production costs in certain countries—Argentina, Brazil, Chile, Peru

and Mexico being specially cheap in both of the periods under review.

Prices of *Clothing* in June 1960 were little different in Central American and Caribbean countries from those applicable to most parts of South America, except Chile and Venezuela. For 1962, however, the devaluation of the currencies of the latter two countries changed the position considerably; and at free market rates of exchange, Chile was 4 per cent below the regional average, while Venezuela was only 24 per cent higher (as compared with 39 per cent for the Dominican Republic and 20 per cent for Uruguay). Significant changes also occurred in the case of Brazil (which with an especially high price increase for this group was in mid-1962

some 18 per cent above the regional average instead of being 20 per cent below it).

For *Housing*, Venezuela and Chile were in June 1960 again the most expensive countries; but in June 1962, at free market rates of average, Venezuela was second to Honduras. Chile was in turn exceeded by Panama, Uruguay (which had been cheapest in 1960), the Dominican Republic, Bolivia, Guatemala and Costa Rica. The indexes are, however, subject to an appreciable margin of error because of the difficulty in assessing average rentals—particularly in the countries where rent controls were enforced. (In general, ECLA data are based on non-controlled rents.)

*Transport services* in 1960 were notably cheap in Bolivia, Uruguay, Mexico, Paraguay, Peru and Chile—again being most expensive in Venezuela, in Central America and in the Caribbean area. For 1962, with an index of 59 Chile became easily the cheapest—the next being Brazil and Mexico (70), Bolivia (73), and Argentina, Ecuador and Uruguay (all 80). As will be pointed out later, however, different price relatives applied to the component product—classes within this group—the operation of private transport being expensive in those countries where public transportation was cheap and *vice versa*.

*Personal Care and Recreation* were two expenditure sectors with a similar pattern of price relatives—expensive countries in 1960 being Venezuela, Guatemala, Honduras and Chile. For 1962, little change in the order of countries is apparent, except that the Dominican Republic replaced Chile—prices in the latter country now being at levels similar to those prevailing in Mexico, Haiti, Costa Rica and the various South American countries.

Data for *Government Services* are based on salaries applicable to selected occupations or professions, and prices for non-investment goods purchased by Governments. Unfortunately, not all countries replied to ECLA's questionnaire on salaries; and information for Argentina, Brazil, Haiti, Mexico and the Dominican Republic had to be estimated on the basis of other information available to ECLA. Difficulties also exist with regard to the comparability of the services concerned, and the figures given in this study should be used with considerable caution. The relative price level for Mexico, for example, is probably too high, and that for Argentina possibly too low. Generally speaking, however, the price or cost pattern was similar to that applicable to private consumer expenditure. That is to say, the levels in South American countries (except Chile and Venezuela) in 1960 were lower than in Central America or the Caribbean. Similarly in 1962, little significant change is apparent in the relative position, except for those countries where marked price rises occurred without corresponding currency devaluation, or *vice versa* (Uruguay and Paraguay on the one hand, and Chile, Ecuador, and Venezuela on the other being notable examples).

Summarizing *Total Consumer Expenditure*, it may be said that for June 1960, the level of prices in Mexico and all South American countries except Chile and Venezuela were 15 to 30 per cent below the regional average, while Central America and Caribbean countries were mostly grouped some 10 to 30 per cent above it. The 1962 position was little different for the latter group of countries; but rising prices, sometimes with

and sometimes without corresponding currency devaluation, changed the relative position of many South American countries. In the case of Chile for instance, the mid-1952 price level at free market exchange rates approximated that of other countries in the South American zone (instead of being substantially higher). Price levels also fell for Colombia and Ecuador as well as Venezuela; but for Bolivia, Brazil, Paraguay, Peru and in particular Uruguay they were from 7 to 10 per cent higher than in June 1960.

For *Investment* a marked reversal of the price situation which applied to Consumer Expenditure is apparent. Instead of being more expensive at free market rates of exchange, prices in Central America and the Caribbean countries are now seen to be equal to or less than those applicable for most South American countries. Countries with low per capita incomes were generally the ones where price levels were lowest. Countries with higher per capita income, such as Uruguay, Argentina, Chile, Venezuela, Brazil and Panama were those with highest relative prices. Exceptions were Paraguay, Nicaragua and the Dominican Republic—high construction costs in the two latter countries contributing to unusually high price levels for the investment sector. *Construction* was also expensive in Costa Rica and Honduras, but relative low prices for machinery and equipment reduced their 1960 investment price indexes to levels compatible with those in other Central American countries. It should be noted, however, that the devaluation which took place in 1961 increased the cost of imported equipment in Costa Rica and raised its investment-cost index appreciably.

*Producers' Equipment* was, in June 1960, most expensive in Argentina, followed by Paraguay, Chile and Brazil (the high costs in Paraguay being attributable to greater freight costs, customs duties and an exchange surcharge of some 25 per cent). Cheapest countries were those without protective customs tariffs and with relatively cheap freight costs (most Central American countries falling into this category). In two instances, Colombia and Ecuador (also Venezuela in 1962), the low price level was in part due to the preferential exchange rates applicable to imports of machinery—the official rather than the free market rate applying to most purchases of this kind.

*Transport Equipment* was subject to high fiscal tariffs in most Latin American countries, particularly Argentina, Brazil and Chile where tariffs also had a protective aspect (local production at comparatively high costs replacing imports for many types of vehicles). Cheapest countries were, once again, those in Central America and the Caribbean, together with Ecuador and (in contrast to the situation for other types of expenditure) Venezuela.

## C. COMPARATIVE PRICE STRUCTURES (AT PARITY EXCHANGE RATES)

### 1. RELATIVE PRICE LEVELS FOR MAIN EXPENDITURE SECTORS

Once parity exchange rates have been established for the various countries, these can be used to measure in a more satisfactory form: (a) the dispersion of price levels for different items in a particular country; and (b) the comparative price structure for similar items

in all the countries concerned. In order to do this and place prices at levels relative to (i) the average prices of all items in the same country; and (ii) the average of all prices for the same item in other countries, a further tabulation was made in which the parity exchange rates were used to express all expenditures in a common currency.<sup>10</sup> Average expenditure for each group of items was then calculated and expenditure for given items or groups of items in the individual countries was expressed relative to that average so as to provide a set of price relatives at parity rates of exchange.

It follows that, since a common basket of commodities was used for all countries (quantities being identical, and prices being converted in accordance with the parity exchange rates) the aggregate expenditure for each country must be the same.<sup>11</sup>

<sup>10</sup> Any of the nineteen currencies would serve for this purpose as the parity rates are mutually convertible. In practice, the Mexican peso was used.

<sup>11</sup> By definition, the parity rate is that which equates the cost of a representative basket of goods and services in each of the countries concerned.

The aggregate expenditure can be considered as 100 in all countries so as to express all data in index form. The average of the price relatives for each particular group is, by definition, also equal to 100. Any deviation from the average price level for an individual item of group of items in any country will now be indicated by an index which is greater or less than 100 for the item or the group concerned. The indexes thus show simultaneously: (a) the ratio which the price of an item has to the price of the same item in all other countries; and (b) the deviation of the price of the item concerned from the general price level of a particular country.

These data are given in Table 10. The weighting pattern in the table, it may be observed, reflects the share of each group in the total expenditure, valued in accordance with the parity exchange rates. Though implicit in previous calculations, these weights could not be explicitly quantified in percentage value terms until the parity exchange rates had been determined.

**Table 10**  
COMPARATIVE PRICE STRUCTURES AT PARITY RATES OF EXCHANGE  
(Indexes: average of the countries = 100)

(a) JUNE 1960

(1) South America

<i>Expenditure Sector</i>	<i>Weight percent*</i>	<i>Argentina</i>	<i>Bolivia</i>	<i>Brazil</i>	<i>Colombia</i>	<i>Chile</i>	<i>Ecuador</i>	<i>Paraguay</i>	<i>Peru</i>	<i>Uruguay</i>	<i>Venezuela</i>
<i>Consumer expenditure: total</i> .....	86.8	92	98	97	101	100	101	96	98	93	104
I. Food .....	32.7	78	99	82	109	82	105	89	95	91	93
II. Beverages .....	3.4	59	112	49	105	57	89	81	76	65	89
III. Tobacco .....	1.4	112	78	84	56	112	118	108	45	71	125
IV. Clothing, Textiles .....	10.7	109	107	107	81	133	89	111	116	113	84
V. Housing .....	16.3	112	112	112	105	122	100	96	98	100	94
VI. Transport, Communication ....	3.5	115	79	120	105	71	120	98	100	86	90
VII. Personal care .....	5.4	87	106	82	95	109	112	112	118	109	123
VIII. Recreation .....	3.1	105	91	90	104	112	111	114	137	85	117
IX. Government services .....	10.3	85	68	126	96	104	86	88	79	81	173
<i>Fixed investment: total</i> .....	13.2	154	113	122	94	96	96	129	111	142	71
X. Construction .....	6.4	147	101	106	84	82	83	117	108	127	96
XI. Producers' equipment .....	4.6	158	122	140	100	107	113	153	115	135	48
XII. Transport equipment .....	2.2	168	128	134	113	116	101	115	111	202	48
<i>Total expenditure</i> .....	100.0	100	100	100	100	100	100	100	100	100	100

(2) Central America, the Caribbean and British Guiana

<i>Expenditure Sector</i>	<i>Weight percent*</i>	<i>Costa Rica</i>	<i>El Salvador</i>	<i>Guatemala</i>	<i>Haiti</i>	<i>Honduras</i>	<i>Mexico</i>	<i>Nicaragua</i>	<i>Panama</i>	<i>Dominican Republic</i>	<i>Average</i>
<i>Consumer expenditure: total</i> .....	86.8	101	104	104	103	104	99	101	102	102	100
I. Food .....	32.7	100	118	109	109	114	99	107	105	115	100
II. Beverages .....	3.4	177	140	121	144	132	69	108	99	128	100
III. Tobacco .....	1.4	158	71	126	135	40	115	117	77	151	100
IV. Clothing, Textiles .....	10.7	95	96	88	91	87	117	101	87	88	100
V. Housing .....	16.3	105	71	96	90	109	82	90	108	97	100
VI. Transport, Communication ....	3.5	90	129	112	125	93	79	79	110	101	100
VII. Personal care .....	5.4	70	101	113	84	105	93	97	102	82	100
VIII. Recreation .....	3.1	89	91	114	87	107	94	90	90	72	100
IX. Government services .....	10.3	97	104	100	104	84	129	109	100	88	100
<i>Fixed investment: total</i> .....	13.2	93	78	74	84	76	102	92	92	81	100
X. Construction .....	6.4	105	82	79	86	85	107	108	114	91	100
XI. Producers' equipment .....	4.6	78	74	70	84	74	103	76	76	77	100
XII. Transport equipment .....	2.2	92	76	66	76	59	88	80	60	65	100
<i>Total expenditure</i> .....	100.0	100	100	100	100	100	100	100	100	100	100

Table 10 (continued)

(b) JUNE 1962

(1) South America

Expenditure Sector	Argentina	Bolivia	Brazil	Colombia	Chile	Ecuador	Paraguay	Peru	Uruguay	Venezuela
Consumer expenditure: total.....	92	104	95	101	100	98	95	97	100	102
I. Food .....	82	100	81	111	85	104	93	99	84	89
II. Beverages .....	65	105	48	97	71	90	70	71	71	97
III. Tobacco .....	126	82	95	58	121	119	61	49	56	125
IV. Clothing, Textiles .....	124	100	138	77	116	83	109	115	119	92
V. Housing .....	99	129	109	105	127	98	92	95	118	97
VI. Transport, Communication ....	106	82	82	107	71	119	122	107	79	88
VII. Personal care .....	112	96	64	96	107	110	118	114	115	121
VIII. Recreation .....	119	81	80	104	112	111	122	132	91	119
IX. Government services .....	70	68	129	97	103	88	90	80	88	163
Fixed investment: total.....	148	110	123	94	95	106	124	107	125	77
X. Construction .....	141	104	120	85	85	80	113	101	129	95
XI. Producers' equipment .....	155	114	132	96	102	135	140	113	107	55
XII. Transport equipment .....	152	121	114	118	113	123	120	111	153	68
Total expenditure .....	100	100	100	100	100	100	100	100	100	100

(2) Central America, the Caribbean and British Guiana

Expenditure Sector	Costa Rica	El Salvador	Guatemala	Haiti	Honduras	Mexico	Nicaragua	Panama	Dominican Republic	Average
Consumer expenditure: total.....	102	103	102	109	103	97	99	100	103	100
I. Food .....	96	122	110	109	108	100	110	106	113	100
II. Beverages .....	245	127	111	134	126	65	98	91	120	100
III. Tobacco .....	161	73	130	140	43	122	120	79	141	100
IV. Clothing, Textiles .....	85	84	85	94	90	111	96	84	103	100
V. Housing .....	104	68	96	86	112	83	90	108	87	100
VI. Transport, Communication ....	87	131	114	128	99	83	80	112	104	100
VII. Personal care .....	66	104	110	82	106	93	93	99	98	100
VIII. Recreation .....	85	93	110	85	108	93	86	87	85	100
IX. Government services .....	96	107	100	106	87	132	108	100	91	100
Fixed investment: total.....	98	82	77	86	79	105	94	95	78	100
X. Construction .....	102	83	79	87	85	106	108	115	86	100
XI. Producers' equipment .....	90	79	76	88	78	109	79	80	77	100
XII. Transport equipment .....	102	83	72	82	63	95	85	65	66	100
Total expenditure .....	100	100	100	100	100	100	100	100	100	100

\* Percentages are based on per capita expenditure averaged for the nineteen countries (if based on aggregate expenditure in those countries, different percentages would be obtained).

Data for both June 1960 and June 1962 are presented, but it must once more be pointed out that only in the case of Argentina, Brazil, Chile, Paraguay, Uruguay and (for investment goods) Mexico, were the two sets of figures calculated independently. For other countries, data were collected in one of the years and were estimated for the other year in accordance with various price indexes. Notwithstanding the fact that in nearly all such cases changes in domestic prices were negligible (the exceptions being Bolivia with a 16 per cent increase<sup>12</sup> between 1960 and 1962, Colombia 10 per cent, Ecuador, Peru and Costa Rica 7 per cent, and the Dominican Republic 5 per cent) caution should be exercised in relating the figures of one year in table 10 to those of another.

Comments in this chapter will accordingly be limited to data for June 1960, except for countries where price information was specially collected in both years.

<sup>12</sup> Percentage figures relate to a composite index in which prices of investment goods are combined with those for consumer goods and services. Levels may therefore differ from national cost of living or consumer price indexes.

## 2. ANALYSIS BY COUNTRY

Examining each country individually, it will be seen that for *Argentina* in June 1960, the price level was influenced considerably by the low cost of Food (which has a weight of 33 out of 100 total expenditure). The less important groups, Beverages and Personal Care were also fairly cheap—likewise Government Services (though figures may not be reliable for this sector). All types of Investment on the other hand were extremely expensive—Argentine prices exceeding the average for Latin America by about 50 per cent for all three component groups. The 1962 situation showed little change—Construction and other Investment goods being somewhat cheaper. For Consumer Goods and Services, offsetting changes within the sector may be observed—Housing and Transportation being cheaper, but Tobacco, Clothing and to a lesser extent, Food, more expensive.

In *Bolivia*, Investment was comparatively expensive—due partly to high freight costs for imported machinery and equipment. Government Services were inexpensive—as also Tobacco, Transport and Recreation. Food prices varied considerably; and while in total the

level for this group was equal to the regional average, for individual sub-groups prices were often 30 per cent higher or lower than that average.

For *Brazil* in 1960, Food, Beverages, Tobacco, Personal Care and Recreation were relatively cheap, but Clothing, Housing (particularly Rent), Transport and Government Services, like Investment, costly. For 1962 the main change was a marked increase in the relative price levels of Clothing, Textiles, Footwear and durable household goods, offset by cheaper Rent, Public Transport, Personal Care and Recreation. The over-all price level for Investment goods remained unchanged (Construction costs being notably higher, as against cheaper Machinery and Vehicles).

In the case of *Colombia*, the 1960 price structure showed no unusual features. Food (particularly Meat, Fish, Cereals, Sugar, Fats and Oils) was somewhat more expensive than in most countries; likewise the Operation of Private Transport (which with an index of 200 was the most expensive for the region). Another costly item was the rent of houses not subject to rental control. Tobacco, Clothing, Footwear and Textiles were however relatively inexpensive—likewise Public Transport (which in contrast to Private Transportation was the cheapest for the region—the price being only 53 per cent of the regional average). The cost of Construction and Agricultural Equipment—but not vehicles—was also relatively low.

*Chile* was significantly expensive in 1960 for the Clothing sub-group (index = 149), for Textiles (119), Housing (122) and Medical Services (152)—but cheap for Beverages (57), Transportation (71), Medicines (61), Construction (82), and Food (82). Public Transport services (54) were very much cheaper than anywhere else in the region except Colombia. In total, Consumer goods and services were priced at a level equal to the regional average. Investment, however, was slightly below the average (notwithstanding a high cost of Vehicles and to a lesser extent Industrial Equipment). The 1962 situation revealed significant changes only in respect of Beverages (1962 index = 71 instead of 56); Tobacco (121 instead of 112); Clothing (124 instead of 149); Footwear (84 against 114); Hairdressing and Domestic Services. A decline of a few points can be observed within the Investment Sector for Machinery and other Producers' Equipment.

In *Ecuador* most Food was expensive—as also Tobacco, Household goods and Furniture, the Operation of Private Transport (Index 187), Medicines, Toilet articles, Books and Toys. Machinery and Equipment were moderately high-priced with the exception of Vehicles, the cost of which approximated the regional average. Cheapest items were Fish, Fruit and Vegetables, Beverages, Clothing, Rent and Medical Services.

*Paraguay* was outstandingly expensive for Producers' Equipment—heavy freight costs, high tariffs and other taxes (including a 25 per cent exchange surcharge) making its price level 153 second only to Argentina. Other expensive items were Toilet articles, Fuel and Light, the Operation of Private Transport and Domestic services. For other groups, however, most prices were slightly below the average for Latin America.

*Peru* was expensive for Medicines, Entertainment, Public Transport (mainly because of the extensive use

of "collective" taxis instead of buses), Textiles, Clothing and a few Food items such as Meat and Fruit. Machinery and Equipment was also comparatively expensive. Cheapest items were Tobacco, Sugar, Fats and Oils, Fish, Vegetables, Fuel and Light, Private Transport and Government Services.

For *Uruguay* in June 1960 some food items were cheap, the price of Fish and Cereals being respectively 41 and 61 per cent of the regional average. Beverages also had a low index figure (65) while Transportation and Entertainment were both priced below the regional average. Housing was at a level of 100, though a low index for Rent (70) was offset by high costs of Fuel, Electricity and Electrical Appliances. Drugs and Medicines, Medical, Dental and Domestic Services were priced slightly above average. Investment goods of all kinds were, on the other hand, particularly expensive—Transport Equipment being twice the average regional price if parity exchange rates are applied. For 1962 an increase can be observed in the index for Housing (rent, fuel, light and water being in particular affected). The cost of Services (including government as well as medical, personal and household services) likewise increased. On the other hand, Public Transportation was appreciably cheaper. In the case of capital goods, prices of all types of machinery and equipment (including Transport equipment) were now at much lower levels relative to other items—prices of imported equipment being influenced to some extent by the rate of exchange which in 1962 was slightly more favourable for imports than in 1960. Since prices of other items had in the meantime risen appreciably, prices for machinery and equipment were at a substantial lower relative level. (If absolute levels of the indexes are considered, it ought to be noted that the 1962 price level for Transport Equipment in Uruguay (153) was still considerably above the regional average. The index, had, however, been 202 in 1960). In the case of Construction, the price levels remained relatively stable, some 27-29 per cent above the average for the region.

Prices in *Venezuela* revealed a very different pattern when converted at parity rather than free market rates of exchange. The distortion due to an abnormal price-exchange rate relationship seen in table 3 is eliminated; and in table 10 the true structure of prices can be studied. The only items which remain excessively high in relation to prices elsewhere were the provision of Government Services, Communications, Hairdressing, Medical Services and Non-alcoholic Beverages. On the other hand, Agricultural, Industrial and Transport Equipment is seen to be extremely cheap, the price level being only half that normally ruling in Latin America. (Most equipment is imported duty free and at a favourable rate of exchange.) Foodstuffs were comparatively cheap, with the exception of meat and vegetables (which to some extent are imported). Clothing was also cheap relative to other countries—likewise Soaps, Toilet Articles, Books, Toys and the Operation of Private Transport (where an index of 41 reflects the low price of Gasoline, Oil and Spare parts).

*Costa Rica*, like most Central American countries, was inexpensive for Investment goods (notably Machinery which in 1960 was mainly imported at a preferential rate of exchange). Consumer goods were priced at a level only slightly above the Latin American average

—Beverages, Tobacco, Rent and Household supplies being moderately expensive while Fuel, Light, Transportation and Personal Care were cheap.

For *El Salvador*, the price structure was similar to that of Costa Rica though Food was noticeably more expensive (Cereals being at a much higher price level); Beverages were expensive; but Tobacco, Footwear, Housing and Domestic Services were cheap. With a low customs barrier, El Salvador was one of the least expensive countries for Investment Goods—being in fourth place behind Venezuela, Guatemala and Honduras.

*Guatemala* (like El Salvador, Haiti and other countries in the area) was moderately expensive for Food and Beverages. The prices of Tobacco, Transportation, Personal Care and Entertainment were also somewhat above the regional average. Investment goods (as already pointed out) were exceedingly cheap.

*Haiti* had a price structure resembling Guatemala except that Personal Care and Entertainment were cheaper. Producers' Equipment was slightly more expensive than in Central American countries but was in price still 16 per cent below the Latin American average.

In *Honduras*, prices for most groups were at a level intermediate between those prevailing for El Salvador and Guatemala—notable exceptions being Housing—which was comparatively costly—and Transportation (as well as Transport Equipment) which was cheap.

In *Mexico*, Meat was extremely expensive, but otherwise prices were clustered fairly closely around the regional average. Fish, Clothing, and Domestic Services were the items appreciably more costly than elsewhere—Beverages, Rent, Household Supplies, the Operation of Private Transport, Toilet Articles and Medicines being relatively cheap. With an index of 88, vehicles in 1960 were moderately priced. The cost of Construction and Producers' Equipment was on the other hand a few points above the regional average. For Government Services it is unfortunate that reliable figures could not be obtained as the index of 129 calculated on the basis of unofficial data would appear to place Mexico at a level excessively high when compared to other countries in the region.

*Nicaragua's* price pattern was very similar to that of Honduras—Milk Products, Fruit, Beverages, Housing and Transportation being, however, somewhat cheaper, with Tobacco, Clothing, Government Services and Construction more expensive. Prices were, it will be noted, not very different from the regional average; and even for sub-groups the indexes are in most cases fairly close to 100.

*Panama* had also a fairly compact price structure—though Fish, Tobacco, Textiles, Electrical Appliances, Private Transport, Toilet Articles, Machinery and Vehicles stand out as sub-groups with prices about 30 points below the regional average (Milk, Vegetables, Sugar, Footwear, Fuel and Light, Furniture and Public Transport being on the other hand expensive).

In the *Dominican Republic*, Food, Beverages and Tobacco were significantly high-priced, while Clothing, Personal Care and Recreation were cheap. Prices were however, not evenly distributed and in cases such as Fish, Cereals, Tobacco, Household Supplies and Communications they ranged from 40 to 100 per cent above

the regional average. (Rent by way of contrast was only 64 per cent of the regional level—likewise Medical Services which to a large extent were subsidized by the Government.)

In the case of *British Guiana*, data have not been included in the comparison because of a lack of reliable figures for certain groups.

### 3. OBSERVATIONS FOR MAIN EXPENDITURE GROUPS

An analysis by country does not permit a clear view of the price levels which prevailed in the various parts of the region for individual items, product-classes or groups. While it is obviously impossible to comment on each of the 500 items used by ECLA in the inquiry, the following observations may illustrate the price structure and the relative level of the prices for important groups.

I. *Food*. (Weight = 32.7 per cent.) As a whole, prices were lowest in the South American region and highest in Central America and the Caribbean. Two South American countries for which a large part of the price data had been obtained in the *altiplano* area—Colombia and Ecuador—were exceptions so far as South America was concerned, while in Mexico and Costa Rica food was cheaper than elsewhere in that zone.

*Meat* (which carried a percentage weight of 5.1) was understandably cheap in Argentina, Brazil, Paraguay and Uruguay—but very expensive in Mexico, Haiti, and (to a lesser extent) Peru. Prices of Fish also followed a logical pattern—being cheapest in such places as Uruguay, Ecuador, Argentina, Chile and Panama, where supplies were easier to obtain, and most expensive in countries such as Colombia, Bolivia, Mexico and Honduras where price data were collected in cities situated in the interior of the country. In the Dominican Republic, extremely high prices applied, while Nicaragua was also expensive.

*Milk products* (5.4 per cent) and *Cereals* (8.5 per cent) were two important sub-groups with reasonable similar price patterns—cheapest countries being Chile, Argentina and Brazil (all substantially below the regional average) followed by Uruguay and Mexico. Central American countries were generally those with highest price levels—some variation being shown in the case of *Cereals* which were expensive in four of the Central American countries but moderately priced in the fifth. It will also be noted that in the Caribbean, price levels for cereals in Haiti (90) and the Dominican Republic (148) were at opposite extremes—the situation being somewhat reversed for milk-products and eggs.

*Fruit* (1.8 per cent) and *Vegetables* (5.3 per cent) were two groups with contrasting price levels. In the tropical countries of South America (Brazil, Colombia, Ecuador, Paraguay) fruit was cheap but vegetables somewhat more expensive. Again in Central America vegetable prices were high relative to those for fruit. Elsewhere, (particularly Argentina, Chile, Peru and Mexico) the situation was reversed—vegetables being notably cheap in the four countries mentioned.

*Sugar* (1.2 per cent) was relatively low in price in countries such as Peru (index = 59), Brazil (66), Mexico (79), Venezuela (81), and the Dominican Republic (82)—the expensive countries being Bolivia (134), El Salvador (126), and Uruguay (123).

**Table 11**  
**FOOD: PRICE RELATIVES AT PARITY RATES OF EXCHANGE, JUNE 1960**  
*(Indexes: average of the countries = 100)*

Item: Percentage weight:	Total 32.7	Meat, poultry 5.1	Fish 0.9	Milk, eggs 5.4	Cereals 8.5	Fruits 1.8	Vegetables 5.3	Sugar 1.2	Fats, oils 2.0	Other foods 2.5
Argentina .....	78	75	57	70	76	113	67	109	78	99
Bolivia .....	99	72	135	136	87	84	97	134	120	86
Brazil .....	82	85	63	74	89	81	86	66	128	45
Chile .....	82	113	84	62	52	125	63	98	98	159
Colombia .....	109	116	179	103	120	84	106	116	126	50
Ecuador .....	105	106	51	107	121	73	85	111	112	116
Paraguay .....	89	56	85	113	81	69	105	96	74	117
Peru .....	95	127	84	108	90	138	66	59	70	89
Uruguay .....	91	88	41	91	61	160	115	123	108	85
Venezuela .....	93	104	72	86	97	96	105	81	75	76
Costa Rica .....	100	98	63	112	106	86	97	107	85	103
Dominican Republic .....	115	91	235	90	148	75	90	88	188	98
El Salvador .....	118	97	105	117	143	78	114	126	86	146
Guatemala .....	109	104	75	113	118	135	112	92	84	100
Haiti .....	109	112	107	108	90	106	150	98	98	101
Honduras .....	114	96	135	101	128	108	128	100	94	112
Mexico .....	99	160	125	91	84	91	75	79	94	105
Nicaragua .....	107	98	139	87	121	89	113	106	92	119
Panama .....	105	99	65	132	88	109	125	117	89	93
Average .....	100	100	100	100	100	100	100	100	100	100

*Fats and Oils* (2.0 per cent) were extremely expensive in the Dominican Republic and (to a much lesser extent) Brazil, Colombia and Bolivia. Argentina, Paraguay, Peru and Venezuela were those with significantly low price levels, while in addition most countries in Central America (including Panama) were situated about 10 to 15 points below the regional average.

Indexes for *Other Foods* (2.5 per cent) were dominated by the price of coffee which was understandably low in Brazil and Colombia. Chile (159) was at a very high level, but indexes for other countries were clustered around the regional average (see table 11).

II. *Beverages* (weight = 3.4 per cent). Two main factors appeared to determine price levels: (a) the cost of production (which gave a natural advantage to grape-growing countries such as Argentina and Chile); and (b) governmental tax policy. Cheapest countries were those located in South America (exceptions being Bolivia and Colombia). The most expensive country for both alcoholic and non-alcoholic varieties was Costa Rica with indexes respectively 76 and 79 per cent above the regional average. Other countries in the Central America and Caribbean regions (excluding Panama, Nicaragua) and Mexico were also generally expensive (see table 12).

III. *Tobacco* (weight = 1.4 per cent). The level of customs and excise taxation was generally the most

influential factor for this product-class. Prices were extremely low in Honduras, Peru and Colombia (all being from 40 to 60 per cent of the regional average); while on the other hand, significantly high levels were observed for Costa Rica (158), the Dominican Republic (151), Haiti (135), Guatemala (126) and Venezuela (125) (see table 12).

IV. *Clothing Footwear and Textiles* (weight = 10.7 per cent). The availability of differing qualities of material in various countries made a price comparison difficult. Once adjustments had been made, however, price indexes were reasonably uniform—Chile (index = 133) standing out as a country with high costs; Colombia (81), and Venezuela (84) as those where price levels were lower.

Within the sector, the price structure of the sub-groups was generally similar; countries which had high indexes for clothing had usually high indexes both for footwear and for textiles (which includes drapery, bed-linen, etc. in addition to yard goods). However, if the absolute levels of the indexes are ignored, in Argentina, Bolivia, Colombia, Chile, Paraguay, El Salvador and Guatemala, footwear was cheap relative to clothing, but in Cost Rica, Honduras, Panama and the Dominican Republic, a reverse situation applied (see table 12).



Table 12

## BEVERAGES, TOBACCO, CLOTHING AND TEXTILES: PRICE RELATIVES AT PARITY RATES OF EXCHANGE, JUNE 1960

(Indexes: average of the countries = 100)

Item: Percentage weight:	Beverages			Tobacco Total 1.4	Clothing and Textiles			
	Total 3.4	Alcoholic 2.4	Other .9		Total 10.7	Clothing 5.4	Footwear 2.2	Textiles 3.1
Argentina .....	59	51	82	112	109	110	100	113
Bolivia .....	112	106	128	78	107	107	91	119
Brazil .....	49	41	69	84	107	102	106	117
Chile .....	57	50	75	112	133	149	114	119
Colombia .....	105	121	61	56	81	88	75	73
Ecuador .....	89	91	86	118	89	75	94	109
Paraguay .....	81	70	110	108	111	111	92	123
Peru .....	76	67	98	45	116	110	108	132
Uruguay .....	65	67	59	71	113	107	104	130
Venezuela .....	89	71	140	125	84	86	80	83
Costa Rica .....	177	176	179	158	95	90	117	88
Dominican Republic .....	128	136	109	151	88	82	96	92
El Salvador .....	140	149	114	71	96	95	83	108
Guatemala .....	121	109	153	126	88	96	79	82
Haiti .....	144	151	127	135	91	98	88	79
Honduras .....	132	153	73	40	87	83	108	81
Mexico .....	69	72	61	115	117	126	125	95
Nicaragua .....	108	119	77	117	101	106	107	87
Panama .....	99	100	98	77	87	80	131	69
Average .....	100	100	100	100	100	100	100	100

V. *Housing* (weight = 16.3 per cent). Since this sector comprises rent, fuel, light, furniture and other household supplies, it is not a homogeneous one and the index patterns which apply to the various sub-groups are dissimilar.

*Rent* (which had a percentage weight of 7.3 per cent) refers to housing not subject to rent control, and the index for Argentina (137) does not take into account the very large percentage of housing for which only nominal rents apply. A slightly similar situation applies to Colombia (135). In other cases, while controls existed they were not effective and have not restricted the comparability of the data. Cheapest countries in June 1960 were Nicaragua (54), El Salvador (57), Dominican Republic (64), Paraguay (67), Haiti (68), Uruguay (70), Ecuador (75), and Mexico (78). Most expensive was Brazil (179). Chile, Bolivia and Costa Rica also stand out as places where rents were costly. The figures are however subject to a wide margin of error; and while many adjustments have been made to place all housing on a comparable basis, the wide quality variation for different countries limits the reliability of the resulting indexes.

*Fuel, Light and Water* (3.4 per cent) were easier to compare, though the non-availability of items such as pipeline gas, fuel oil, charcoal for cooking purposes and even running water (in Asuncion) raised problems which had to be solved before comparable indexes could be obtained. The availability of local sources of energy—particularly petroleum products and hydro-electric

power—was undoubtedly a factor of importance in determining the relative price levels—Uruguay, Paraguay, Haiti, the Dominican Republic and Honduras standing out as those where prices were high.

*Household supplies* (2.6 per cent) (mainly washing and cleaning materials, glassware, china, hollow-ware, cutlery, household tools, etc.) were generally most expensive in countries where they were of foreign origin and cheapest in countries such as Brazil, Argentina and Mexico where they were locally made. Venezuela, Colombia and Panama, with very low prices, were exceptions, the indexes no doubt reflecting the import and/or exchange rate policies of the countries concerned.

*Furniture* (1.4 per cent) was cheap in both Argentina and Brazil in 1960 (but not in 1962). Other places with low prices were Venezuela, El Salvador, Guatemala and Haiti—the most expensive countries being Panama and Chile with price levels 82 and 59 per cent above the average for Latin America.

Panama was on the other hand cheap for *Electrical Appliances* (refrigerators, washing machines, radios, etc.)—the index for this sub-group being 60 per cent below the regional average. Venezuela with an index almost 41 per cent below was also cheap. It will be noted that electrical appliances were usually most expensive in those countries where high duties were imposed for fiscal purposes or to protect local industry (Brazil with a low index of 90 being an exception) (see table 13).

Table 13

## HOUSING AND TRANSPORTATION: PRICE RELATIVES AT PARITY RATES OF EXCHANGE, JUNE 1960

(Indexes: average of the countries = 100)

Item:	Housing						Transportation and communications			
	Total 16.3	Rent 7.3	Fuel, light 3.4	Household supplies 2.6	Furniture 1.4	Electrical appliances 1.5	Total 3.5	Public transport 2.0	Private transport 1.2	Communi- cations .4
Argentina .....	112	137	102	69	85	122	115	114	123	91
Bolivia .....	112	122	93	109	128	93	79	67	86	116
Brazil .....	112	179	59	56	65	90	120	155	83	51
Chile .....	122	126	108	92	159	159	71	54	90	100
Colombia .....	105	135	57	74	108	128	105	53	200	68
Ecuador .....	100	75	104	129	134	132	120	77	187	133
Paraguay .....	96	67	137	99	97	145	98	86	126	65
Peru .....	98	111	64	106	94	108	100	121	67	90
Uruguay .....	100	70	148	96	88	157	86	91	91	44
Venezuela .....	94	117	99	74	59	41	90	109	41	145
Costa Rica .....	105	124	63	134	85	77	90	87	95	80
Dominican Republic .....	97	64	132	139	95	113	101	83	104	185
El Salvador .....	71	57	74	114	66	66	129	147	103	122
Guatemala .....	96	99	96	110	70	79	112	129	85	109
Haiti .....	90	68	137	118	53	75	125	132	118	113
Honduras .....	109	107	124	100	131	77	93	103	74	104
Mexico .....	82	78	88	71	100	95	79	81	77	73
Nicaragua .....	90	54	99	127	101	84	79	76	79	99
Panama .....	108	108	118	82	182	60	110	133	71	113
Average .....	100	100	100	100	100	100	100	100	100	100

VI. *Transport and Communications* (weight = 3.5 per cent). *Transportation* showed conflicting price indexes for publicly and privately operated vehicles—in many cases one being exceptionally cheap and the other expensive (note, for example, Brazil 155 and 83;<sup>13</sup> Colombia 53 and 200; Ecuador 77 and 187; Paraguay 86 and 126; Peru 121 and 67; Venezuela 109 and 41; Guatemala 129 and 85; Panama 133 and 71; etc.). Figures for private transport to a large extent reflect the tax policies which applied to gasoline, imported vehicles and spare parts; while in the case of public transport, the size of the city was a factor (e.g., in Buenos Aires and Rio de Janeiro where transportation was relatively costly). In some countries where inflationary pressures existed, it may be observed that public transport prices appeared to lag behind price changes for other commodities (e.g., in Chile and Uruguay).

In the case of *Communications* (which is not a very influential group) a similar lag in prices (relative to other prices in the same country) would explain in part the low cost of services in Uruguay, Brazil, Paraguay and (to a lesser extent) Peru and Argentina.

VII. *Personal care* (weight = 5.4 per cent). This group comprises soaps, cosmetics, medicines, medical

and dental care, hairdressing, domestic services, laundry and dry cleaning. It is thus a heterogeneous one and indexes of relative prices varied accordingly.

*Toilet articles* were particularly expensive in Paraguay where high prices prevailed for cosmetics, tooth-paste, shaving creams and imported (but not locally-made) soap. Ecuador, Chile and Peru also reflected high production costs and high customs barriers. In Argentina and Brazil on the other hand, local industry seemed to be in a better competitive position—the price levels being the lowest for the region (Venezuela and Panama excluded). Countries in Central America and the Caribbean had also moderately low price levels—Guatemala and Nicaragua being the exceptions.

*Drugs and Medicines* were very cheaply priced in Costa Rica, Brazil, Chile, Nicaragua and Mexico but were expensive in Ecuador, Peru, El Salvador, Honduras and Venezuela.

*Medical services* presented the problem that in certain countries they were in varying degrees provided free or at nominal cost by the State. In the Dominican Republic, for instance, the low index figure of 63 in part reflects government-subsidized services. Quality differences were also difficult—if not impossible—to eliminate; and the low indexes for many countries may well reflect somewhat inferior standards as well as price differences. Expensive countries, it will be noted, were

<sup>13</sup> Figures for Public Transportation are given first.

Table 14

## PERSONAL CARE: PRICE RELATIVES AT PARITY EXCHANGE RATE, JUNE 1960

(Indexes: average of the countries = 100)

Item:	Total	Toilet	Drugs and	Medical	Hair-	Domestic
Percentage weight:	5.4	articles	medicines	services	dressing	services
		1.0	1.5	1.0	.6	1.2
Argentina .....	87	73	93	90	76	96
Bolivia .....	106	126	93	145	67	91
Brazil .....	82	61	61	80	96	119
Chile .....	109	120	61	152	109	125
Colombia .....	95	114	89	92	125	73
Ecuador .....	112	155	150	66	82	83
Paraguay .....	112	192	66	95	75	138
Peru .....	118	118	136	85	93	136
Uruguay .....	109	100	122	105	89	116
Venezuela .....	123	63	130	130	177	129
Costa Rica .....	70	77	49	92	84	63
Dominican Republic .....	82	81	90	63	89	84
El Salvador .....	101	91	140	105	85	68
Guatemala .....	113	107	122	118	155	80
Haiti .....	84	81	107	89	104	43
Honduras .....	105	94	131	81	81	116
Mexico .....	93	75	72	95	86	136
Nicaragua .....	97	101	71	135	116	81
Panama .....	102	70	117	82	111	122
Average .....	100	100	100	100	100	100

Chile (index = 152), Bolivia (145), Nicaragua (135), and Venezuela (130).

For *Hairdressing*, quality was also variable and no satisfactory correction factors could be devised. The results may therefore be influenced by the subjective judgement of the enumerators. In general, it can be stated that the highest prices ruled in Venezuela (where all types of services were expensive), in Guatemala and in Colombia—the cheapest countries being Bolivia, Paraguay, Argentina, Ecuador and Honduras.

*Domestic Services* were cheapest in Haiti (43), Costa Rica (63), El Salvador (68), Colombia (73), Guatemala (80) and Nicaragua (81). Expensive countries were Paraguay, Peru, Mexico, Venezuela, Panama and Chile. As with other services, however, doubts arise as to the precision with which quality can be measured. The group comprises laundry and dry-cleaning as well as domestic help within the home; and it is probably only for the former two product-classes that data are fully comparable (see table 14).

VIII. *Recreation* (weight = 3.1 per cent). The sector comprises public entertainment such as cinemas, theatres and sporting fixtures as well as books, toys and sporting equipment.

Information for the *Public Entertainment* sub-group was easy to obtain, but difficult to compare from a country standpoint because of the significant variations in quality which existed. A classification system had to be adopted for cinemas; and only those of comparable standards and conditions were compared with each other. The indexes reveal high relative prices in Venezuela,

Peru, Guatemala and Honduras—with low prices prevailing in the Dominican Republic, Haiti and Brazil. Prices elsewhere differed little from the regional average.

*Books, toys and sporting equipment* were, on the other hand, cheapest in countries such as those in Central America, where imports carried low or negligible customs duties. Argentina, where most items in the sub-group were locally produced, also had a moderately low price level (see table 15).

IX. *Government Services* (weight = 10.3 per cent). For reasons given elsewhere, data for this sector were difficult to obtain. The question of comparability also arises as no evaluation of productivity seemed possible for government employees, or for government services generally, in the various countries.

ECLA's results, which must be considered tentative, suggest that *Salaries* were at a very high level (relative to other prices) in Venezuela, and to a lesser extent in Mexico and Brazil.<sup>14</sup> Countries with low salary levels were Bolivia, Ecuador, Peru and Uruguay.

Price data collected for private consumer expenditure groups were utilized in order to provide indexes of the prices which applied to *Government Purchases*. The weighting accorded to each group was, however, different in the government sector (foods have a much less influential role). The indexes suggest higher prices for government purchases in Ecuador and Colombia, but low relative prices in Venezuela, Brazil and Mexico (see table 15).

<sup>14</sup> Figures for these two countries are based on unofficial data—similarly for Argentina, Haiti and the Dominican Republic.

**Table 15**  
**OTHER CONSUMER EXPENDITURE: PRICE RELATIVES AT PARITY RATES**  
**OF EXCHANGE, JUNE 1960**

*(Indexes: average of the countries = 100)*

Items:	Recreation			Government services		
	Total 3.1	Public entertainment 2.0	Books, toys, etc. 1.1	Total 10.3	Salaries 8.2	Purchases 2.1
Percentage weight:						
Argentina .....	105	113	89	85	81	101
Bolivia .....	91	88	96	68	58	104
Brazil .....	90	71	125	126	136	83
Chile .....	112	110	117	104	104	105
Colombia .....	104	98	114	96	89	125
Ecuador .....	111	104	122	86	75	132
Paraguay .....	114	106	129	88	84	104
Peru .....	137	142	128	79	75	92
Uruguay .....	85	86	81	81	77	95
Venezuela .....	117	146	64	173	198	74
Costa Rica .....	89	104	62	97	96	101
Dominican Republic .....	72	51	109	88	83	109
El Salvador .....	91	99	77	104	105	99
Guatemala .....	114	123	99	100	101	95
Haiti .....	87	58	140	104	104	103
Honduras .....	107	120	84	84	81	97
Mexico .....	94	92	98	129	139	86
Nicaragua .....	90	90	89	109	112	96
Panama .....	90	98	76	100	101	97
Average .....	100	100	100	100	100	100

X. *Construction* (weight = 6.4 per cent). Indexes for this group were elaborated by combining prices of materials and labour on the one hand with the cost of finished construction on the other. Separate indexes

were calculated for *Buildings* and for *Roads*, bridges, dams, communication networks, sewerage systems and other private or public construction.

**Table 16**  
**INVESTMENT: PRICE RELATIVES AT PARITY RATES OF EXCHANGE, JUNE 1960**

*(Indexes: average of the countries = 100)*

Item:	Construction			Producers' equipment				Transport equipment		
	Total 6.4	Buildings 3.5	Others 2.9	Total 4.6	Agricultural .4	Industrial 4.0	Office .2	Total 2.2	Road vehicles 1.8	Other equipment .4
Percentage weight:										
Argentina .....	147	156	136	158	150	161	106	168	169	165
Bolivia .....	101	95	107	122	120	120	148	128	132	111
Brazil .....	106	109	101	140	159	137	158	134	141	99
Chile .....	82	84	79	107	95	108	96	116	119	100
Colombia .....	84	88	79	100	93	101	92	113	118	93
Ecuador .....	83	87	77	113	112	112	131	101	100	106
Paraguay .....	117	114	119	153	137	155	137	115	108	151
Peru .....	108	117	97	115	135	113	110	111	110	117
Uruguay .....	127	128	125	135	143	133	129	202	202	200
Venezuela .....	96	90	101	48	49	47	50	48	49	45
Costa Rica .....	105	104	106	78	78	77	78	92	96	75
Dominican Republic .....	91	87	94	77	73	76	80	65	61	83
El Salvador .....	82	76	88	74	75	74	69	76	76	77
Guatemala .....	79	75	83	70	70	70	77	66	65	69
Haiti .....	86	83	89	84	84	83	80	76	74	86
Honduras .....	85	79	91	74	70	72	100	59	56	75
Mexico .....	107	107	106	103	108	102	94	88	87	92
Nicaragua .....	108	107	109	76	71	75	96	80	78	88
Panama .....	114	113	114	76	77	76	69	60	59	68
Average .....	100	100	100	100	100	100	100	100	100	100

Costs were notably high in Argentina and Uruguay for both types of construction—timber and cement being in particular expensive in the two countries. At a low price level were Haiti, Guatemala, Chile, El Salvador, Ecuador, Colombia and Honduras—the low cost of labour in most of these places combining with low costs of materials (particularly timber) to bring the indexes about 20 per cent below the regional average (see table 16).

XI. *Producers' Equipment* (weight = 4.6 per cent). The cost of local production and the level of customs duties were the two factors which most influenced price levels in Latin America. An intricate system of custom surcharges, consular fees, exchange surtaxes, and prior deposits ("*depósitos previos*") also applied in varying degrees—the landed cost of imported equipment affected accordingly.

In Argentina and in Brazil, a combination of high costs for locally produced items and heavy duties (particularly surcharges) raised the price level from 40 to 50 per cent above the regional average. In Paraguay, (without local production) prices were also 50 per cent above average, while in Uruguay, Bolivia and Peru (which were other countries where fiscal tariffs applied), prices were moderately high. Only in Venezuela where most imports were duty-free and admitted at a favourable exchange rate was a very low price level noticeable. Elsewhere—as in Central America—prices were uniformly from 15 to 30 per cent below the regional average. It should, however, be noted that even in the cases of Central America and Caribbean countries a certain amount of customs taxation and surprisingly high

consular fees combined with freight cost to make Latin American machinery and equipment costly in comparison with the United States and Europe (see table 16).

XII. *Transport Equipment* (weight = 2.2 per cent). High fiscal (and for some countries protective) tariffs made vehicles of all kinds extremely expensive in South America. For Uruguay, prices converted at parity rates of exchange were 202 per cent of the regional average; in Argentina 168 per cent; Brazil 134 per cent; and Bolivia 128 per cent. As with Producers' Equipment, Venezuela had an extremely low price-level; while prices were notably low in Honduras, Panama, Guatemala and other Central American countries (see table 16).

#### 4. SUMMARY

In conclusion it may be stated that the price structures of Latin America generally conformed to a logical pattern—those goods being cheapest in the countries which had natural advantages in their production, e.g., readily available supplies of material, cheap labour or technical skill (see table 17). Products such as fish were, for instance, cheapest in countries with easy access to the sea; meat and cereals were inexpensive in countries of the temperate zone; fats and oils cost less in places where animals were raised or oilseeds produced; soaps in turn varied in price according to the cost of fats and oils; beverages were cheap where grapes, barley or other alcohol-producing commodities were grown; household supplies were most reasonably priced in those countries where local production was efficiently organized, and so on.

Table 17

#### PRIVATE CONSUMER EXPENDITURE: PRICE RELATIVES AT PARITY RATES OF EXCHANGE, JUNE 1960

(Indexes: average of the countries = 100)

	Total	Foods	Beverages	Tobacco	Clothing Textiles	Housing	Transport	Personal Care	Entertain- ments
Argentina .....	93	78	59	112	109	112	115	87	105
Bolivia .....	102	99	112	78	107	112	79	106	91
Brazil .....	93	82	49	84	107	112	120	82	90
Colombia .....	102	109	105	56	81	105	105	95	104
Chile .....	100	82	57	112	133	122	71	109	112
Ecuador .....	103	105	89	118	89	100	120	112	111
Paraguay .....	97	89	81	108	111	96	98	112	114
Peru .....	100	95	76	45	116	98	100	118	137
Uruguay .....	95	91	65	71	113	100	86	109	85
Venezuela .....	95	93	89	125	84	94	90	123	117
Costa Rica .....	102	100	177	158	95	105	90	70	89
El Salvador .....	103	118	140	71	96	71	129	101	91
Guatemala .....	105	109	121	126	88	96	112	113	114
Haiti .....	102	109	144	135	91	90	125	84	87
Honduras .....	106	114	132	40	87	109	93	105	107
Mexico .....	95	99	69	115	117	82	79	93	94
Nicaragua .....	100	107	108	117	101	90	79	97	90
Panama .....	102	105	99	77	87	108	110	102	90
Dominican Republic .....	104	115	128	151	88	97	101	82	72
Average .....	100	100	100	100	100	100	100	100	100

The availability of finished products or means of production, was however, by no means the only important factor influencing the price structure. Tax policy (including customs and excise duties, consular fees, surcharges, etc.) as well as interest rates on compulsory bank deposits helped in varying degrees to increase the cost of imported goods (and, in the case of alcoholic beverages and tobacco, locally-produced commodities). Since tax levels were often high and, in any case, varied substantially between countries, they were at times the major factor in determining the level of relative prices (compare, for instance, imports of machinery into countries like Brazil and Argentina where tariffs were highly protective and Venezuela where duties were negligible, likewise the cost of automobiles in Panama—where duties were low—and Uruguay or Chile where extremely high fiscal tariffs applied).

In the case of services, no firm conclusions can be drawn. Generally, the price structure appears to have been determined by demand and supply factors (as, for instance, the high cost of government and other services in Venezuela where professional staff were in short supply). Problems in comparability, however, arise and to some extent differences in price levels may be attributable to differences in efficiency or productivity.

Wage rates were again an influential factor in construction; but the relative level of costs appears to have

been determined mainly by the prices paid for raw materials (notably timber, cement and bricks).

Reviewing total expenditure (see table 18), it will be noted that while Investment was generally cheaper in *Central America and the Caribbean*, it was not a highly influential sector (carrying a weight of only 13.2 per cent in the total). On the other hand, Food and Beverages (which together represented 36 per cent of total expenditure) were relatively expensive in that area. Clothing and Housing were slightly below the average regional levels, but for the less important groups of Transport and Personal Care, a rather uneven pattern is shown.

For *South America*, countries with abundant production of food products (Argentina, Brazil, Paraguay and Uruguay), were below average in the relative price level for private consumer goods. (Elsewhere in South America, little variation from the regional average can be observed). For Investment, however, Argentina and Brazil were extremely expensive as a result of high tariffs which protected local industry at an apparently high cost to the community. Equipment was also expensive in other parts of South America—particularly Uruguay and Paraguay where fiscal tariffs appeared to be an influential factor.

Table 18

TOTAL EXPENDITURE: PRICE RELATIVES AT PARITY RATES  
OF EXCHANGE, JUNE 1960

(Indexes: average of the countries = 100)

	(a) Consumer expenditure			(b) Investment			Total
	Total	Private	Public	Total	Construc- tion	Equip- ment	
Argentina .....	92	93	85	154	147	160	100
Bolivia .....	98	102	68	113	101	123	100
Brazil .....	97	93	126	122	106	137	100
Colombia .....	101	102	96	94	84	103	100
Chile .....	100	100	104	96	82	109	100
Ecuador .....	101	103	86	96	83	108	100
Paraguay .....	96	97	88	129	117	139	100
Peru .....	98	100	79	111	108	113	100
Uruguay .....	93	95	81	142	127	174	100
Venezuela .....	104	95	173	71	96	47	100
Costa Rica .....	101	102	97	93	105	81	100
El Salvador .....	104	103	104	78	82	74	100
Guatemala .....	104	105	100	74	79	68	100
Haiti .....	103	102	104	84	86	80	100
Honduras .....	104	106	84	76	85	68	100
Mexico .....	99	95	129	102	107	97	100
Nicaragua .....	101	100	109	92	108	76	100
Panama .....	102	102	100	92	114	70	100
Dominican Republic .....	102	104	88	81	91	72	100
Average .....	100	100	100	100	100	100	100

D. COMPARISON OF PRICE LEVELS FOR SELECTED CITIES IN LATIN AMERICA AND THE UNITED STATES

1. CONCEPTUAL PROBLEMS

One of the principal needs in a study of income, trade, production or economic development for a group

of countries within a region is a measure which will express the different currencies in a common monetary denominator related to some outside currency (such as the United States dollar, the pound sterling, the franc or the mark). While the work so far done by ECLA will, it is hoped, prove useful in determining the purchasing power of Latin American currencies *inter se*, in

no way does it answer the question: "How much was each Latin American currency worth in terms of the United States dollar?"

The question is a difficult one since it raises new problems of concept and comparability which, while important, could be satisfactorily solved within Latin America since extremes were not too great in income level, living conditions, buying habits, price structure, consumer preferences and in the quality of the goods and services available. Even in cases where marked differences existed—e.g., in Haiti and Argentina where contrasts are found in income levels, in climatic factors, in the structure of production and in buying habits (influenced to some degree by differing racial composition)—the extension of ECLA's price study to all parts of Latin America simplified the problem since each country could be related to another in the region where intermediate conditions prevailed. A system of equivalences was thus established in which countries such as Peru, Colombia, Panama and Mexico provided suitable "bridges" between the extremes.

No suitable "bridges" were however available to ECLA for a United States—Latin American comparison (though the inclusion of Puerto Rico in the inquiry would no doubt have helped somewhat in this connexion<sup>15</sup>). There was furthermore the consideration that limits exist in the extent to which a system of equivalences can be extended in order to relate situations with widely divergent characteristics. While it may be permissible to compare, say, El Salvador and Uruguay, relating them through third countries such as Peru, Brazil or Colombia in order to arrive at comparable prices for a common market-basket, a comparison of El Salvador and the United Kingdom (or Japan) might increase the magnitude of differences to such an extreme that the results would be inaccurate and even meaningless.

Similarly, in a comparison of price levels in Latin America and the United States, the shift from one set of conditions (as in Latin America) to a completely different set (as in the United States) introduces such great changes in price structures, in availabilities, needs and preferences that the market-basket is no longer a representative one in both areas. One could only with difficulty think of comparing, for example, (a) a community living on a diet of beans or maize, in scarcely adequate housing, without proper medical facilities and other services; and (b) a community enjoying nutritious food, good housing, adequate medical services, and a wide range of supplementary facilities such as privately operated means of transport, efficient marketing systems, organized community services, reliable protection or defence measures and so on. Yet this is precisely what a comparison of price levels for many developed and under-developed economies entails.

The "market-basket" approach would thus need considerable modification before being applied to a comparison of prices in many Latin American countries and the United States. Alternatively, an approach would have to be adopted which considered globally the needs or wants of the areas concerned and compared them accordingly (prices being obtained for different baskets

<sup>15</sup> The extension of the inquiry to extra-regional territories such as Portugal, Greece, Turkey and Italy could also provide intermediate points of comparison.

which would in total yield equivalent amounts of well-being or satisfaction<sup>16</sup>).

## 2. THE FIELD WORK

Since ECLA's work in the field of inter-country price comparisons has not yet reached the point where a global approach for countries with dissimilar conditions could be considered, it was decided that the initial work in Latin American-United States price comparison should be confined to individual cities in the two areas—selecting within Latin America only those where living standards and qualities were sufficiently similar to make the comparison a meaningful one. The cities which suited ECLA's objectives best seemed to be Montevideo (where 1960 per capita income at parity rates of exchange appeared to be higher than elsewhere in Latin America), Buenos Aires, São Paulo, Caracas, Santiago, Mexico City and Lima. (Since data collected by ECLA in São Paulo referred to investment goods only, this city was replaced by Rio de Janeiro for which complete information was available).

For the United States, it was hoped that comparative data could be obtained in about twenty cities selected according to size and location so as to yield price averages which might be considered typical of those prevailing throughout the country. The resources at ECLA's disposal were not sufficient for the task involved; and without the co-operation of the United States Department of Labor, it is likely that this aspect of the work would have had to be abandoned. An offer of assistance was, however, received from the Department of Labor and arrangements were made for a special collection of price material to be carried out by the Bureau of Labor Statistics (Division of Prices and Cost of Living) in two cities—Los Angeles and Houston—where it was considered that conditions were most similar to those prevailing in the selected cities of Latin America.<sup>17</sup>

A comparison of the specifications used by ECLA and by the Bureau of Labor Statistics in its regular consumer price work revealed many similarities; and in cases where the items were virtually identical (for example, refrigerators), the Bureau of Labor Statistics agreed to provide ECLA with average figures collected for each of the two cities (in some cases making a selection of outlets so as to eliminate any where conditions of sale differed widely from those found in Latin America). In the case of unfurnished housing, a machine tabulation of rent data was carried out in order to provide results as far as possible in accordance with the classification used by ECLA which took into account the type of neighbourhood as well as the size of the house or apartment in each city). For remaining consumer goods and services (including the rental of fur-

<sup>16</sup> Even this does not solve all problems since the amount of well-being actually available to inhabitants of developed and under-developed areas is not identical.

<sup>17</sup> Appreciation is in particular expressed for the interest shown and the advice given by Mr. Ewan Clague (Commissioner of Labor); Mr. Robert J. Myers (Deputy Commissioner of Labor); Mr. Raymond T. Bowman (Assistant Director for Statistical Standards, Bureau of the Budget); Mr. Arnold E. Chase (Chief of the Division of Prices and Cost of Living, Bureau of Labor Statistics) and other officials of the Bureau of Labor Statistics who assisted in planning and carrying out the work. Valuable advice was also given by Dr. Dorothy Brady and Dr. Irving Kravis of the Wharton School of Economics, University of Pennsylvania.

nished apartments), pricing agents of the Bureau of Labor Statistics carried out a special collection of data in accordance with ECLA's specifications in localities where quality would be most comparable with that found in the major Latin American cities. That is to say, preference was given to outlets patronized chiefly by families in the lower-income brackets—many prices paid in the United States by higher income classes being accordingly ignored. For construction materials, the Bureau of Labor Statistics (Branch of Industrial Prices) also sent a specialist to Los Angeles and Houston to collect data which would be comparable with that obtained by ECLA in Latin American cities (the inquiry being modified to take into account the different scale of production, and therefore different conditions of sale, which applied in the United States<sup>18</sup>).

At the same time, an ECLA official visited the cities concerned to make on the spot decisions wherever doubts arose as to the comparability of data in Latin America and in the United States. In the case of machinery and equipment, all data were collected by ECLA—two methods being employed. For transport equipment and for selected types of machinery, prices were obtained directly from the distributors or representatives in Los Angeles and Houston (from whom information on freight rates from the factory to point of sale or distribution was also obtained). For other machinery items, final sales prices were requested by correspondence with the manufacturers—once again obtaining information on freight costs to Houston, Los Angeles and other parts of the United States. (It may be noted that export prices were requested at the same time; and that with the co-operation of the manufacturers, ECLA was able to assemble a considerable amount of data relating to factory prices, inland freight, handling and other export charges, maritime freight, insurance, consular and other fees in order to arrive at the c.i.f. price in each Latin American country. These data were in turn compared with figures collected within Latin America in order to verify and in certain cases to amplify the information which had been obtained by ECLA in other parts of its study).

No data were collected for government services as conditions were so dissimilar as to render a Latin American-United States comparison meaningless. Even for other services (such as medical, hospital, dental and transport services), doubts arose as to the comparability of the item concerned. However, only in three cases—government services, domestic services and labour costs in the construction industry—was it considered necessary to omit the prices from the inquiry. In the case of domestic services, it was felt that the availability of cheap domestic help in Latin America was offset by superior housing and marketing facilities in the United States; and that the omission of this item would not prejudice the results of the inquiry. For construction costs, the impossibility of relating productivity to man-hours worked was a more serious problem which was overcome in part by giving less weight to materials and more to finished construction (which implicitly included a labour-cost factor).

<sup>18</sup> United States prices were based on qualities normally purchased for constructing mass-produced houses, rather than one house as in Latin America.

### 3. PROBLEMS IN WEIGHTING

While adherence to specifications applied in Latin America and the collection of prices in shops patronized by lower income groups ensured an acceptable measure of comparability between the two United States cities and the seven selected cities in Latin America, the combination of various items in such a way as to reflect the consumption patterns in both areas was a problem which ECLA's "market-basket" approach could not satisfactorily solve. That is to say, no basket could be devised which would at one and the same time reflect the buying habits and consumer preferences in two areas as dissimilar as Latin America and the United States.

For this study, it was accordingly decided that the calculations should be restricted to a set of data which would reflect the cost of a typical Latin American basket of goods and services, pricing it first in the seven Latin American cities, and secondly in the two selected United States cities. No attempt would be made to present data in the reverse way—that is to say, the cost of a typical United States basket in both the United States and in Latin America—since this would need to take into account the higher quality of goods and services normally purchased in the United States (as well as a different weighting pattern). Indexes of prices or purchasing power equivalents resulting from the ECLA calculations need therefore to be considered within the framework of the study, recognizing in particular the non-representativity of the prices for the United States, the bias which presumably results from the use of only Latin American weights and the effect of excluding certain groups or products-classes—such as government services—from the inquiry.

The influence of the weighting pattern is particularly troublesome because of the very marked inverse correlation between the price level and the quantities of each item consumed in any country. Since consumer preferences shift according to the structure of prices, relatively larger quantities are consumed of those items which are cheapest in each country (every individual endeavouring to maximize the satisfaction of his wants in each different situation). Conversely, production costs tend to be greater and prices higher for items not commonly bought by the population. Therefore, if two situations, A and B, are compared and the weighting system is based on the expenditure pattern in situation A, the index of prices for situation B relative to A will as a rule be higher than it would be if weights are derived from the expenditure pattern in situation B. (In a test-comparison of food and transportation costs in San Juan, Puerto Rico and Washington D.C., the United States Bureau of Labor Statistics found that using Washington budget weights the index of food in San Juan would be 132 and transportation 113. However, if San Juan budget weights were applied, the food index would be 73 and transportation 77—Washington being 100 in all cases<sup>19</sup>).

The weights used in the present ECLA study were, for the inter-country comparison detailed in preceding

<sup>19</sup> *Measuring Comparable Living Costs in Cities of Diverse Characteristics*, United States Department of Labor, Bureau of Labor Statistics (Reprint No. 2207, from the *Monthly Labor Review*, October 1956).



chapters, based on the average of per capita quantities consumed in nineteen Latin American countries. For the comparison of the seven selected Latin American cities with Los Angeles and Houston, it was decided that the weights should not be influenced by the consumption pattern in areas such as Central America, the Caribbean or the less industrialized parts of Latin America. Weights are accordingly based on the average of the per capita quantities consumed in Argentina, Brazil, Chile, Mexico, Peru and Venezuela—Uruguay being excluded since the consumption estimates were not considered sufficiently reliable<sup>20</sup>. Once again it may be pointed out that the weighting differs from that which would be adopted for an inter-regional comparison (of Latin America with Europe or Asia, for example) since a system designed for the latter purpose should give to the price of each item in each country an importance proportional to the *total* expenditure on that item in the country concerned (as against a per capita concept adopted for the present comparisons).

In theory, ECLA's approach assumes a fixed market basket or a rigid pattern of expenditure in all the countries being compared. While this was appropriate for countries of similar characteristics within Latin America, it was nonetheless found to create inconsistencies in some instances. Slight variations in the weighting pattern were therefore found necessary even within Latin America to obtain accurate measures of equivalence in the various situations (more light-weight clothing being, for example, appropriate in tropical as compared with temperate zones). In the comparison of Latin American cities with Los Angeles and Houston, still more variation in the weighting pattern was considered advisable in order to offset differences in climate, environment, customs, tastes and preferences—the approach thus deviating from a fixed market basket which would give in practice a varying amount of well-being or satisfaction in the unequal situations. In the case of bread, for instance, a fixed per capita quantity was used for weighting purposes, but the component items were allowed to vary according to the proportions of French bread, English bread, and other varieties consumed in Latin America and in the United States respectively. Similar adjustments appeared necessary in the case of fresh, frozen and canned food; wines, beer and other beverages; tailor-made and manufactured clothing; fuel items; furnishings and other household equipment; public and private transport services; entertainment; materials used in construction; and equipment necessary for productive or distributive purposes. In some cases, the adjustments cut across the arrangement of ECLA's expenditure groups, e.g., television sets which substitute for cinemas and theatres to a greater extent in the United States than in Latin America; likewise, vacuum cleaners, washing machines, outside laundry services etc. which in the United States to some extent take the place of domestic help in Latin America. With the limited amount of research done by ECLA in this field, it was obviously impossible to make all the adjustments necessary to obtain equivalence

<sup>20</sup> For the comparison of prices in the nineteen Latin American countries the pattern of expenditure in Uruguay was estimated on the basis of the similar data for other countries, especially Argentina.

in the various situations. However, the most glaring inconsistencies were rectified and in such cases the weighting pattern was allowed to vary in order to compensate for differences in quality or in the quantities consumed.

#### 4. THE RESULTS OF THE COMPARISON

##### (a) *Purchasing power equivalents*

Because of the scope of the study, the coverage of the data, the methodology adopted and the difficulties involved in obtaining equivalence in two areas as dissimilar as the United States and Latin America, the calculations made by ECLA on the basis of prices in Los Angeles, Houston and the main Latin American cities in no way provide an evaluation of the parity exchange rates which would apply to the currencies of the countries concerned. On the other hand, the results do with reasonable accuracy indicate the cost of a given collection of goods and services in selected Latin American cities on the one hand, and in Los Angeles and Houston on the other (the collection, or "market basket", being determined in accordance with the expenditure patterns in Latin American countries only).

It will be seen from table 19 for instance, that in June 1962 (which is the common date selected for comparison purposes) one Argentine peso had the same purchasing power in Buenos Aires as 2.85 cruzeiros in Rio de Janeiro, .0121 escudos in Santiago, .096 Mexican pesos in Mexico City, .215 soles in Lima, .107 Uruguayan pesos in Montevideo, .0546 bolivares in Caracas or .0128 dollars (1.28 cents) in Los Angeles and Houston<sup>21</sup>—assuming always that such currencies were used to buy a specified basket of goods and services determined in accordance with the expenditure patterns in the Latin American countries concerned. Put in another way, a basket of goods and services, representative of expenditure in the selected Latin American countries, which would have cost one dollar at Los Angeles and Houston (prices in the two cities being averaged) would cost 78 Argentine pesos in Buenos Aires, 231 cruzeiros in Rio de Janeiro, .95 escudos in Santiago, 7.50 Mexican pesos in Mexico City, 16.9 soles in Lima, 8.36 Uruguayan pesos in Montevideo and 4.28 bolivares in Caracas<sup>22</sup>.

On the other hand, according to the free market exchange rates, one United States dollar was equal to 135 Argentine pesos, 359 cruzeiros, 1.63 escudos, 12.49 Mexican pesos, 26.8 soles, 10.98 Uruguayan pesos and 4.54 bolivares. Even though the price data for the various cities have shortcomings with respect to representativity and although the adoption of a Latin American basket undoubtedly biases the results for the United States, it is obvious that Latin American countries were

<sup>21</sup> In the case of the two United States cities mentioned, results are presented as an unweighted average so as to facilitate an interpretation of the results. Individual figures for each United States city were: Houston .0121 dollars, and Los Angeles .0134 dollars.

<sup>22</sup> It may be observed that for Latin American countries, the pattern of relative prices is slightly different in table 20 from that in table 3—the changes being due to the weighting adopted (which for table 20 is based on expenditure patterns for a reduced number of countries) and to the coverage of the data (which now excludes government and certain other services).

very much undervalued vis-à-vis the dollar. The only exception is the bolivar where the purchasing power equivalent (4.28 bolivares to one dollar for the selected basket of goods and services) was very little below the free market rate of 4.54 bolivares to the dollar—and much in excess of the controlled selling rate of 3.35 which still applied in June 1962 to essential imports and other preferential transactions.

(b) Price relatives (at free market exchange rates)

The extent of the undervaluation of Latin American currencies is suggested (but not measured) by the index of relative prices given in table 20—data being determined by a direct comparison of the purchasing power equivalents and the free market exchange rates already shown for each city in table 19.

Table 19

INTER-CITY COMPARISON OF EXCHANGE RATES AND PURCHASING POWER EQUIVALENTS: JUNE 1962<sup>a</sup>

(Units of other currencies equivalent to one unit of the national currency)

	Currency: Peso (Arg.)	Cruzeiro	Escudo	Peso (Mex.)	Sol	Peso (Ur.)	Bolivar	U.S. Dollar
<b>BUENOS AIRES</b>								
<i>Units equivalent to one Argentine peso</i>								
Purchasing power equivalent..	x	2.85	.0121	.096	.215	.107	.0546	.0128
Free market rate.....	x	2.66	.0121	.092	.199	.081	.0336	.0074
<b>RIO DE JANEIRO</b>								
<i>Units equivalent to one Cruzeiro</i>								
Purchasing power equivalent..	.350	x	.0042	.0335	.0754	.0374	.0191	.0045
Free market rate.....	.376	x	.0045	.0347	.0746	.0305	.0126	.0028
<b>SANTIAGO DE CHILE</b>								
<i>Units equivalent to one Escudo</i>								
Purchasing power equivalent..	82.6	236	x	7.90	17.8	8.81	4.51	1.053
Free market rate.....	82.8	221	x	7.66	16.4	6.74	2.79 <sup>b</sup>	.614
Controlled (official) rate.....	128.6	342	x	11.90	25.5	10.46	3.19 <sup>b</sup>	.952
<b>MEXICO CITY</b>								
<i>Units equivalent to one Mexican peso</i>								
Purchasing power equivalent..	10.45	29.82	.127	x	2.25	1.116	5.71	.133
Free market rate.....	10.81	28.78	.130	x	2.15	.879	.364	.080
<b>LIMA</b>								
<i>Units equivalent to one Sol</i>								
Purchasing power equivalent..	4.64	13.2	.0563	.444	x	.496	.254	.0593
Free market rate.....	5.04	13.4	.0608	.466	x	.410	.169	.0373
<b>MONTEVIDEO</b>								
<i>Units equivalent to one Uruguayan peso</i>								
Purchasing power equivalent..	9.37	26.7	.114	.90	2.02	x	.512	.120
Free market rate.....	12.30	32.7	.148	1.14	2.44	x	.414	.091
<b>CARACAS</b>								
<i>Units equivalent to one Bolivar</i>								
Purchasing power equivalent..	18.3	52.2	.222	1.75	3.94	1.95	x	.234
Free market rate.....	29.7	79.1	.359 <sup>b</sup>	2.75	5.91	2.42	x	.220
Controlled selling rate.....	40.3	107.3	.313 <sup>b</sup>	3.73	8.00	3.28	x	.299
<b>HOUSTON-LOS ANGELES (Average)</b>								
<i>Units equivalent to one U.S. Dollar</i>								
Purchasing power equivalent..	78	231	.95	7.50	16.9	8.36	4.28	x
Free market rate.....	135	359	1.63 <sup>c</sup>	12.49	26.8	10.98	4.54 <sup>d</sup>	x

<sup>a</sup> As explained in the text, purchasing power equivalents relate to the cost of a Latin American market basket of goods and services in each city—items being combined with weights which reflect the expenditure patterns in Latin American countries only.

<sup>b</sup> Where both free market and controlled rates existed, the free rates were related to the free rates, and controlled rates to any other controlled rates (failing which, to the free rate).

<sup>c</sup> Official (controlled) rate = 1.05.

<sup>d</sup> Controlled selling rate = 3.35.

Table 20

PRICE RELATIVES AND THE PURCHASING POWER OF CURRENCIES IN SELECTED CITIES:  
AT FREE MARKET RATES OF EXCHANGE, JUNE 1962

(Indexes: base city = 100)

City and Country	Buenos Aires	Santiago, Chile	Mexico City	Rio de Janeiro	Lima	Montevideo	Caracas	Houston-Los Angeles
Buenos Aires: Argentina.....	100	101	103	107	108	131	162	172
Santiago: Chile .....	99	100	102	106	107	130	160	171
Mexico City: Mexico.....	97	98	100	104	105	127	157	167
Rio de Janeiro: Brazil.....	93	94	96	100	101	122	151	161
Lima: Peru .....	92	93	96	99	100	121	150	159
Montevideo: Uruguay .....	76	77	79	82	82	100	124	131
Caracas: Venezuela .....	62	62	64	66	67	81	100	106
Houston-Los Angeles: U.S.A.....	58	58	60	62	63	76	94	100

NOTE: Horizontal columns = indexes of prices; vertical columns = indexes of purchasing power.

It will be observed that using the weighting system based on Latin American expenditure patterns and considering only those items in the United States which were comparable in quality with their counterpart in Latin America, the price level in Buenos Aires and Santiago was only 58 per cent of the level in the two United States cities of Los Angeles and Houston; in Mexico City, it was 60 per cent; in Rio de Janeiro 62 per cent; Lima 63 per cent; Montevideo 76 per cent; and Caracas 94 per cent.

Since the reciprocal of the price indexes indicates the relative purchasing power of each currency, it may likewise be said that, converting currencies at the free market rates of exchange prevailing in June 1962, the Argentine peso had 72 per cent more purchasing power for the selected goods and services in Buenos Aires than an equivalent amount of dollars would have had in Los Angeles and Houston. Similarly, the escudo had 71 per cent more purchasing power, the Mexican peso 67 per cent more, the cruzeiro 61 per cent more, the sol 59 per cent more, the Uruguayan peso 31 per cent more and the bolivar 6 per cent more (but at *controlled* rates of exchange the bolivar had 22 per cent *less* purchasing power than a corresponding amount of dollars in the two cities spent under the circumstances mentioned).<sup>23</sup>

So far as the United States is concerned, it may be appropriate at this stage to point out that although prices for cities in Latin America were compared with the average of prices in Houston and Los Angeles, a significant difference existed in the price levels for those two cities—Los Angeles prices for the Latin American basket (arrived at with the use of Latin American weights) being 10.5 per cent higher than in Houston.

No attempt has been made by ECLA to compare the price levels of Houston and Los Angeles with those in other United States cities. It may be of interest, however, to quote the calculations made by the Bureau of Labor Statistics for two typical budgets which were prices in various cities of the United States during the autumn of 1959 (see table 21).

<sup>23</sup> Note also that at the official exchange rate of 1.05 escudos to the dollar which ruled in June 1962, the price index for Santiago would be 95 and the index of purchasing power for the escudo would be 111 (Los Angeles—Houston being 100 in both cases).

Table 21

UNITED STATES BUREAU OF LABOR STATISTICS CALCULATION OF RELATIVE INTER-CITY DIFFERENCES IN THE COST OF BUDGETS IN 20 LARGE UNITED STATES CITIES AND SUBURBS, AUTUMN 1959

(Indexes: Washington, D.C. = 100)<sup>a</sup>

City	City worker's family budget	Retired couple's budget
Atlanta .....	92	89
Baltimore .....	93	93
Boston .....	103	108
Chicago .....	107	110
Cincinnati .....	99	96
Cleveland .....	101	106
Detroit .....	99	102
Houston .....	87	87
Kansas City .....	97	100
Los Angeles .....	102	102
Minneapolis .....	101	103
New York .....	97	100
Philadelphia .....	96	95
Pittsburgh .....	101	102
Portland, Oregon .....	101	100
St. Louis .....	102	102
San Francisco .....	103	106
Scranton .....	93	88
Seattle .....	107	107
Washington DC .....	100	100

<sup>a</sup> SOURCE: *The interim City Worker's Family Budget* and the *BLS Interim Budget for a Retired Couple*, United States Department of Labor, Bureau of Labor Statistics (Reprints 2346 and 2354 from the *Monthly Labor Review*, August 1960 and November 1960).

While no weighted averages are available, it will be noticed that the Los Angeles index for the City Worker's Family Budget was three points above the unweighted average of levels in all twenty cities; and two points above the average level in the case of the Retired Couple's Budget. On the other hand, Houston was respectively 12 and 13 index points below the unweighted average levels for the two budgets. Since Houston and Los Angeles together were on an unweighted basis 4.5 and 5.5 index points below the twenty-city average for the two budgets, this would suggest that ECLA's results for Houston and Los Angeles (combined) were also about five per cent below an average price level in the whole of the United States—specially if account is

taken of the density of population in each city or its share in national expenditure (which would give proportionately more importance to prices in New York, Chicago and other large cities).<sup>24</sup>

<sup>24</sup> The significance of an "average" price level, or the method of its calculation, is tacitly ignored. It should be noted that divergent views exist as to the validity or the usefulness of such averages if they relate to a large area with a diversified price structure, as for example the United States.

(c) Analysis by main expenditure groups (at free market rates of exchange)

Table 22 shows in terms first of the Mexican peso and secondly the United States dollar the purchasing power equivalents for the main components of the Latin American basket of goods and services priced in each of the cities.

**Table 22**  
INTER-CITY COMPARISON OF PURCHASING POWER EQUIVALENTS  
(For a Latin America Market-Basket priced in Selected Cities: June 1962<sup>a</sup>)

(a) UNITS OF CURRENCY EQUIVALENT TO ONE MEXICAN PESO

City:	Buenos Aires	Rio de Janeiro	Santiago de Chile	Mexico City	Lima	Montevideo	Caracas	Los Angeles-Houston
Currency:	M\$N	Cr.\$	E°	\$(Mex)	S/o	\$(Urug)	Bs.	\$(US)
Free rate:	10.8	28.8	.130	1.00	2.15	.88	.36	.080
Consumer expenditure: total <sup>b</sup> .....	9.9	29.0	.128	1.00	2.27	1.10	.60	.137
I. Food .....	8.1	24.8	.098	1.00	2.10	.96	.55	.139
II. Beverages .....	8.9	22.8	.130	1.00	2.23	1.15	.78	.139
III. Tobacco .....	10.1	23.3	.122	1.00	.89	.49	.53	.110
IV. Clothing, Textiles .....	10.1	35.0	.127	1.00	2.09	1.05	.43	.089
V. Housing .....	11.6	38.4	.192	1.00	2.56	1.42	.63	.123
VI. Transport, Communications ...	12.4	29.0	.111	1.00	2.89	1.02	.60	.260
VII. Personal care .....	15.6	26.9	.181	1.00	2.89	1.56	.87	.191
VIII. Recreation .....	12.7	26.9	.142	1.00	3.00	1.09	.63	.154
Investment: total .....	14.0	35.0	.119	1.00	2.14	1.24	.37	.110
X. Construction .....	14.0	34.8	.109	1.00	1.96	1.30	.42	.159
XI. Producers' equipment .....	13.5	35.1	.118	1.00	2.23	.99	.29	.068
XII. Transport equipment .....	15.3	35.0	.152	1.00	2.51	1.70	.41	.060
Total expenditure <sup>b</sup> .....	10.4	29.8	.127	1.00	2.25	1.12	.57	.133

(b) UNITS OF CURRENCY EQUIVALENT TO ONE U.S. DOLLAR  
(Spent in Los Angeles and Houston)

City:	Buenos Aires	Rio de Janeiro	Santiago de Chile	Mexico City	Lima	Montevideo	Caracas	Los Angeles-Houston
Currency:	M\$N	Cr.\$	E°	\$(Mex)	S/o	\$(Urug)	Bs.	\$(US)
Free rate:	135.5	359.4	1.630	12.49	26.81	10.98	4.54	1.00
Consumer expenditure: total <sup>b</sup> .....	72.0	211.4	.933	7.29	16.54	7.99	4.40	1.00
I. Food .....	58.3	177.8	.702	7.18	15.03	6.86	3.92	1.00
II. Beverages .....	64.0	163.7	.934	7.17	15.99	8.22	5.57	1.00
III. Tobacco .....	91.9	212.2	1.108	9.12	8.08	4.50	4.87	1.00
IV. Clothing, Textiles .....	112.6	391.0	1.422	11.18	23.39	11.69	4.83	1.00
V. Housing .....	94.0	311.8	1.563	8.12	20.75	11.57	5.12	1.00
VI. Transport, Communications ...	47.7	111.5	.429	3.85	11.13	3.90	2.32	1.00
VII. Personal care .....	81.5	140.8	.945	5.23	15.14	8.19	4.58	1.00
VIII. Recreation .....	82.6	174.5	.923	6.49	19.49	7.07	4.07	1.00
Investment: total .....	127.0	317.2	1.076	9.07	19.40	11.23	3.36	1.00
X. Construction .....	88.0	219.3	.689	6.30	12.31	8.17	2.67	1.00
XI. Producers' equipment .....	199.2	516.7	1.733	14.71	32.83	14.64	4.23	1.00
XII. Transport equipment .....	255.2	583.4	2.538	16.68	41.78	28.27	6.80	1.00
Total expenditure <sup>b</sup> .....	78.4	223.6	.949	7.50	16.87	8.36	4.28	1.00

<sup>a</sup> Items have been combined with weights which reflect the expenditure pattern in Latin American countries only.

<sup>b</sup> Excludes Government Expenditure on consumer goods and services.

As already emphasized, the prices of all items refer to qualities regularly purchased in Latin America; and items have been combined in accordance with the expenditure pattern of selected Latin American countries without taking into account the differing pattern which applies for purchases of residents in the United States.

It will be observed that an amount of food which costs one peso in Mexico City, 2.10 soles in Lima, .55 bolivares in Venezuela or 24.8 cruzeiros in Brazil

would cost 13.9 cents (.139 dollars) in Los Angeles-Houston.<sup>25</sup> In reciprocal form, a Latin American basket

<sup>25</sup> Results for Los Angeles and Houston have been arithmetically averaged—the Houston figure being 13.1 cents and Los Angeles 14.8 cents. While not shown in table 21, the corresponding figures in cents for other sectors were (Houston figures given first): II: 13.9 and 14.0; III: 12.0 and 9.8; IV: 8.9 and 9.0; V: 11.6 and 13.1; VI: 24.2 and 27.7; VII: 17.3 and 21.0; VIII: 15.0 and 15.8; X: 15.3 and 16.5; XI: 6.7 and 6.9; XII: 6.0 and 6.0; Total: 12.7 and 14.0, I-XII.

of food which would have cost one dollar in Los Angeles and Houston would correspond to a basket costing 58.3 m\$ in Buenos Aires, 177.8 cruzeiros in Rio de Janeiro, .702 escudos in Santiago de Chile, 7.18 pesos in Mexico City and so on.

Data for other groups are given in a similar manner—the free market rate of exchange also being shown in the table for comparison purposes.

The division of the purchasing power equivalent by the prevailing exchange rate provides an indication of the relative price level for each item (or group of items) in each city. As mentioned in a previous chapter, however, the selection of a particular city as a reference point or base automatically places the prices for such items at the level of 100—thus preventing an evalua-

tion of price relationships which apply within that country. Only in the case of a comparison of prices with Houston and Los Angeles was it considered convenient to present a table which used prices in a single country (or part of a country) as base—the reason being that the relationship of Latin American price levels vis-à-vis those of the United States is of considerable interest irrespective of the internal price structure which applies for the United States cities concerned. These data are presented in part (b) of table 23. For Latin America, it was decided that the technique used in chapter II should be applied—that is to say, the prices in all seven Latin American cities should be averaged and the resulting level should be adopted as the comparison—base. These figures are presented in summary form in part (a) of table 23.

**Table 23**  
INTER-CITY DIFFERENCES IN PRICE LEVELS AT FREE MARKET EXCHANGE RATES  
(For a Latin American Market-Basket, priced in Selected Cities: June 1962<sup>a</sup>)

(a) INDEXES: AVERAGE OF PRICES IN SEVEN LATIN AMERICAN CITIES = 100

	Buenos Aires	Rio de Janeiro	Santiago de Chile	Mexico City	Lima	Montevideo	Caracas	Average (7 L.A. cities)	Houston-Los Angeles
<i>Consumer expenditure: total<sup>b</sup>.....</i>	81	89	87	89	94	110	149	100	152
I. Food .....	76	87	76	101	98	109	153	100	175
II. Beverages .....	71	68	86	86	90	112	186	100	150
III. Tobacco .....	106	92	107	114	47	64	169	100	157
IV. Clothing, Textiles .....	87	114	91	93	91	111	112	100	104
V. Housing .....	79	99	109	74	88	120	130	100	114
VI. Transport, Communications ...	98	86	73	86	116	99	143	100	278
VII. Personal care .....	98	63	94	68	92	120	165	100	162
VIII. Recreation .....	96	76	89	82	114	101	142	100	157
<i>Fixed investment: total.....</i>	115	108	82	89	89	125	92	100	123
X. Construction .....	114	107	74	88	81	130	104	100	176
XI. Producers' equipment .....	120	116	87	95	98	110	75	100	81
XII. Transport equipment .....	110	94	91	78	91	150	87	100	58
<i>Total expenditure<sup>b</sup> .....</i>	86	92	87	89	93	113	140	100	148

(b) INDEXES: AVERAGE OF PRICES IN LOS ANGELES AND HOUSTON = 100

	Buenos Aires	Rio de Janeiro	Santiago de Chile	Mexico City	Lima	Montevideo	Caracas	Houston-Los Angeles
<i>Consumer expenditure: total<sup>b</sup>.....</i>	53	59	57	58	62	73	97	100
I. Food .....	43	49	43	57	56	62	86	100
II. Beverages .....	47	46	57	57	60	75	123	100
III. Tobacco .....	68	59	68	73	30	41	107	100
IV. Clothing, Textiles .....	83	109	87	89	87	106	106	100
V. Housing .....	70	87	96	65	77	105	113	100
VI. Transport, Communications ...	35	31	26	31	42	36	51	100
VII. Personal care .....	60	39	58	42	56	75	101	100
VIII. Recreation .....	61	49	57	52	73	64	90	100
<i>Fixed investment: total.....</i>	94	88	66	73	72	102	74	100
X. Construction .....	65	61	42	50	46	74	59	100
XI. Producers' equipment .....	148	143	108	118	122	136	93	100
XII. Transport equipment .....	189	162	156	134	156	257	150	100
<i>Total expenditure<sup>b</sup> .....</i>	58	62	58	60	63	76	94	100

<sup>a</sup> Weights reflects the expenditure pattern in Latin American countries only.

<sup>b</sup> Excludes Government Expenditure on consumer goods and services.

While comments cannot be made on all points of interest in the results, attention may be drawn to the relatively low prices of most consumer goods in Latin American cities as compared with Houston and Los Angeles. A reverse situation, however, applied in the case of machinery and equipment (which represented approximately half of all investment in Latin American countries).

In the case of *Foods*, prices in Buenos Aires, Rio de Janeiro and Santiago were (at free market rate of exchange) less than half as high as they were in Los Angeles and Houston; while for Mexico City, Lima and Montevideo, the prices were between 56 and 62 per cent of the level in the two United States cities. Only in Caracas, where the percentage figure was 86 did prices for Latin America approach those in the United States cities mentioned. At the levels of the sub-groups the items very much cheaper in the Latin American cities were Meat (index for Houston and Los Angeles = 175 if the average of prices in Latin American cities is taken as 100); Fish (268); Milk products and eggs (164); Cereals (192); Fruits (191), Vegetables (184) and Sugar (164). Thus Fats and oils (119) and Other Foods (principal item, coffee; index 112) were the only sub-groups for which price levels in the Latin American and the United States cities were at all similar.

For *Beverages*, prices in Houston and Los Angeles were 50 per cent above the average of levels in the seven Latin American cities—alcoholic beverages being 67 per cent and non-alcoholic varieties 43 per cent above that average.

*Tobacco* prices revealed almost the same price differences—those of Los Angeles and Houston being 57 per cent higher than the average in Latin American cities. Note that, as with Beverages, considerable price variation existed for the individual cities within Latin America. Price differences also applied in the case of Tobacco for Los Angeles and Houston (the spread of prices being 24 per cent).

Prices of *Textiles, Clothing and Footwear* in the two United States cities were little different from those prevailing in Latin America. For Textiles (which includes yard goods as well as household items such as sheets and blankets), the price index (84) was actually lower for Houston and Los Angeles than for cities in Latin America—the exceptions being Buenos Aires (81) and Mexico City (69).<sup>26</sup>

*Housing* was 14 per cent more expensive in Houston and Los Angeles than in the selected Latin American cities—Rent being 4 per cent higher; Fuel, light and water 54 per cent; Household supplies (such as kitchenware, cutlery, cleaning articles, etc.), 34 per cent; and Furniture, 29 per cent. However, Electrical appliances (which include radios and television sets as well as refrigerators, washing machines, vacuum cleaners, etc.) were in Los Angeles and Houston only 52 per cent of the average price level in the seven Latin American cities (the latter average being influenced considerably by very high levels at Santiago and Montevideo where prices were three times those of the United States cities).

In the case of rent, it should be noted that the figures used in this inquiry relate to a type and quality of

<sup>26</sup> As with other figures quoted in this part of the chapter, the indexes are based on prices in seven Latin American cities.

housing in Latin America which is inferior to that commonly available in the United States. The representative house chosen for a working class family in the Latin American cities had its counterpart only in some of the poorer districts of Houston and Los Angeles; and only in the case of houses for upper-income families in Latin America did standards approach those of the United States cities. Since the Latin American weighting pattern gave much greater importance to working-class family housing, the results for the United States contain a significant element of bias.

*Transport and Communications* presented appreciable problems in view of the differing means of transport used and the distances involved. While most Latin Americans rely on public transportation systems such as buses, trolleys and trains, in the United States, according to one survey<sup>27</sup> 67 per cent of the workers go by car, 14 per cent walk and only 19 per cent travel by bus, trolley, rail or underground. In addition, while in cities such as Santiago, Lima, Montevideo and Mexico, distances of five kilometres (three miles) seemed typical, in Los Angeles journeys of as much as ten miles were quite common. For Houston, on the other hand, typical distances were smaller; while within Latin America, the situation in Rio de Janeiro and Buenos Aires was more like that of Los Angeles (apart from the means of transportation commonly used). In accordance with the compromise weighting pattern which was decided on, transportation costs residents of Houston and Los Angeles nearly three times as much as it costs Latin Americans living in the selected cities (public transportation being 3.5 and privately operated transport 1.3 times more expensive in Houston-Los Angeles than in Latin America). Note that extremes existed within Latin America—Santiago prices being only one seventh those of Houston and Los Angeles for public transportation, while in Lima and Caracas, they were roughly one half. Private transportation on the other hand was cheaper in Lima and Caracas than it was in Santiago, Buenos Aires and other Latin American cities—and much cheaper than in Houston or Los Angeles.

*Personal Care* was a heterogeneous sector in which those items involving personal service or high labour cost were very expensive for Houston and Los Angeles relative to Latin America. Medical, dental and hospital services cost, for instance, 77 per cent more, and Hair-dressing 133 per cent more. No attempt was made to include Domestic help, since conditions of housing, productivity of servants, shopping and marketing systems, availability of cheap household appliances, etc. were so very different in the two areas. Only laundering and dry cleaning costs were covered—for both of which, prices in Latin American and in United States cities were similar. Drugs and medicines, it will be noted, were expensive in Houston and Los Angeles (index 160) but even more expensive at free market rates of exchange in Venezuela (index 198). Toilet articles, perfumery, cosmetics, etc., were 22 per cent more expensive in the two United States cities than in the seven cities of Latin America. However, the Latin American average was influenced considerably by low price levels in Rio de Janeiro, Buenos Aires and Mexico City. Prices in Santiago and Lima being actually higher than in the two United States cities. (The index for Caracas was

<sup>27</sup> See *The Economist*, 9 March 1963, p. 897.

at about the United States level and Montevideo a few points less). In total, the *Personal Care* sector showed a price level for Houston and Los Angeles 62 per cent above the average for the seven Latin American cities.

*Recreation* was expensive in Los Angeles and Houston—especially cinemas which had the greatest weight. Difficulties in allocating weights arose, however, because of the greater availability of television in the United States (the importance of cinemas as a means of entertainment being much less than in Latin America).

*Investment* was 23 per cent more costly at Houston and Los Angeles than in the seven Latin American cities. Indexes were, however, influenced considerably by the cost of *Construction* which, because of high labour costs, was considerably more expensive in the United States cities (index = 176) than in Latin American cities (100). Prices of building materials were, however, more similar for the various cities—the indexes (which are not shown separately in table 23 or in the Statistical Annex) being as follows (base: average of prices in seven Latin American cities = 100): Buenos Aires: 115; Mexico City: 87; Caracas: 104; Rio de Janeiro: 105; Lima: 96; Santiago: 80; Montevideo: 113; two United States cities: 122.

*Machinery and Equipment* was much more expensive in Latin American cities than in either Houston or Los Angeles; and notwithstanding the fact that in some instances (e.g., tractors), Latin American importers were able to obtain equivalent models from European countries at a significantly lower factory price than that ruling in the United States, the addition of maritime freight costs, insurance, consular fees, customs duties, and (for some countries) appreciable surcharges, made the price of Agricultural and Industrial Equipment about 20 per cent more in the Latin American cities than in the United States. The exception was Caracas—imports of equipment into Venezuela being favoured with a preferential exchange rate of 3.35 bolivares instead of 4.54 bolivares to the dollar.<sup>28</sup> (In addition imports of this kind into Venezuela were virtually duty-free, a small consular fee being applied). For other Latin American cities it will be observed that prices of *Industrial equipment* were highest in Buenos Aires (index 124), followed by Rio de Janeiro (116) and Montevideo (109). However, Lima (96), Mexico City (94) and Santiago (86) were priced below the average for the seven Latin American cities but were nevertheless more expensive than Houston and Los Angeles (80). *Agricultural equipment* was most expensive in Rio de Janeiro (121), Lima (115), Montevideo (114) and Buenos Aires (104). On the other hand, as imports into Chile and Venezuela were favoured by preferential exchange rate treatment, figures for Santiago (76) and Caracas (71) were below both the average level for the Latin American cities and the level for Houston and Los Angeles (82). *Office equipment* was expensive at Santiago and Montevideo, but was comparatively cheap in Buenos Aires (71). The index for the two United States cities (93) was at an

<sup>28</sup> A few important exceptions, e.g., construction equipment, were imported at non-preferential rates.

intermediate level, equal to that of Mexico City and slightly below Lima (98) and Caracas (101).

*Transport Equipment* was, by Latin American standards, extremely cheap at Houston and Los Angeles—prices of automobiles, trucks, and other road vehicles being 56 per cent of the average price in the seven Latin American cities. At an opposite extreme was Uruguay (150). Price indexes for remaining cities were clustered within ten points of the Latin American average—the exception being Mexico City where an index of 77 placed it intermediate between Houston-Los Angeles and the Latin American group represented by Buenos Aires, Rio de Janeiro, Santiago, Lima and Caracas. Prices for Other Transport items (railway rolling stock, ships, planes, etc.) observed a similar pattern.

#### (d) Summary

In conclusion, it may be said that notwithstanding the shortcomings of the data (because of incomplete coverage the non-representativity of the prices and the weighting pattern as applied to the two United States cities), rather interesting results emerge from the inter-city comparison. In particular, Latin American currencies with the exception of the bolivar (and presumably the Dominican peso) appear to be very much under-valued if free market exchange rates are used to express those currencies in terms of the United States dollars. The Latin American cities selected for this part of the study are situated in countries where prices were generally low relative to those applying in other parts of the region. However, it will be noted that Venezuela was situated at a high extreme in relative price levels (exceeded in 1962 only by the Dominican Republic). It may accordingly be assumed that the five Central American countries as well as Panama and Haiti would be situated at a level intermediate between Uruguay (Montevideo) and Venezuela (Caracas) if an inter-country comparison were made for all parts of Latin America vis-à-vis the United States. Ecuador, on the other hand, would in June 1962 have no doubt ranked as the country with the greatest measure of under-valuation when the free market exchange rate is used to express the monetary relationships. The currencies of Bolivia, Colombia and Paraguay, like those of Argentina, Brazil, Chile and Peru, would no doubt have had approximately twice the purchasing power of the dollar in June 1962. However, the actual extent of this difference in purchasing power can only be estimated roughly, since full and comparable data for all items in all cities, specially within the United States, have not yet been obtained.

Lastly, it should be noted that since June 1962 significant modifications have occurred in certain countries for the level of prices and the free exchange rates. A marked devaluation has for instance taken place for the cruzeiro (and to a much lesser extent the Argentine peso). However, at the time this study is written (April 1963), the Latin American currency most under-valued vis-à-vis the dollar is undoubtedly the Chilean escudo, with a free market rate of exchange of over 3.0 escudos to the dollar.





## INFORMATIVE NOTE

### THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

#### 1. BACKGROUND INFORMATION

The forthcoming United Nations Conference on Trade and Development was one of the topics to which most attention was devoted and on which important resolutions were adopted by the Latin American Governments during the tenth session of ECLA.

The Conference, which has been convened by the United Nations Economic and Social Council and General Assembly,<sup>1</sup> will take place at the Palais des Nations in Geneva from 23 March to 15 June 1964. A Preparatory Committee was set up under the chairmanship of Mr. A. Rosenstand Hansen, composed of representatives from Argentina, Australia, Austria, Brazil, Canada, Colombia, Czechoslovakia, Denmark, El Salvador, Ethiopia, the Federation of Malaya, France, India, Indonesia, Italy, Japan, Jordan, the Lebanon, Madagascar, New Zealand, Nigeria, Pakistan, Peru, Poland, Senegal, Tunisia, the Union of Soviet Socialist Republics, the United Arab Republic, the United Kingdom, the United States, Uruguay and Yugoslavia. Mr. Raúl Prebisch, Under-Secretary of the United Nations, until recently Executive Secretary of ECLA and now Director-General of the Latin American Institute for Economic and Social Planning, is Secretary-General of the Conference.

The Preparatory Committee held two sessions in 1963, the first from 22 January to 5 February and the second from 21 May to 29 June.<sup>2</sup> Beginning on 3 February 1964, a third pre-Conference session will be held.

At its thirty-sixth session, pursuant to a proposal made by the representatives of Argentina, Colombia, El Salvador, Ethiopia, India, Jordan, Uruguay and Yugoslavia, the Economic and Social Council approved the provisional agenda drawn up for the Conference by the Preparatory Committee and endorsed the Committee's recommendations on participants, documentation and the establishment of administrative and procedural rules. In the same resolution, the Council invited the participants to prepare proposals for practical action and to explore ways and means of putting them into effect. It also expressed the hope that the Conference would be able to frame a policy for accelerating economic development and promoting economic stability and security in the world at large.<sup>3</sup>

#### 2. IMPORTANCE OF THE CONFERENCE FOR LATIN AMERICA

The importance of the Conference lies in the fact that it offers the under-developed countries an exceptional opportunity to place before the world the basic

problems of their trade relations. This was the view held by the member countries of ECLA at its tenth session when they concluded in their discussions that the aim of accelerating Latin American development made it both urgent and indispensable to complement efforts to achieve regional integration by equally rapid and far-reaching action in the field of trade with other areas. There are threatening indications that the extension of the discriminatory practices and special protectionist measures that are being adopted in other areas have begun to affect Latin America's foreign trade, and measures have not yet been taken to avert such effects. Hence it is essential to make an immediate start on preparations for joint action by the Latin American countries, and to take advantage of the desire of the member countries of the European Economic Community that the process of integration of their economies should provide increasingly ample opportunities for the developing countries to place their exports and for the liberalization of the world trade flows which is the paramount concern of the Community.

The establishment of closer economic ties with the rest of the world should not be confined to the mere negotiation of preferential agreements, but should aim at creating conditions favourable to a continuous and sustained growth of the flow of goods and services exported by Latin America to the rest of the world. In the last analysis, this implies the need for a change in the actual structure of Latin America's foreign trade. It is clearly necessary for the region to prepare itself to undertake and progressively expand a substantial flow of exports of industrial and semi-manufactured goods, at the same time effecting a greater geographical diversification of its trade flows. It is equally important to define a common policy aimed at ensuring adequate price levels for Latin American exports.

On the same occasion, the Latin American countries came to the conclusion that the achievement of the foregoing aims did not depend exclusively on the definition of a joint policy of links with the rest of the world, but that it was also essential to obtain full and active international co-operation that would make it possible to overcome the obstacles that had thus far hampered the prospects of expanded trade for Latin America.

It was therefore vital to take the fullest advantage of the opportunity provided by the United Nations Conference on Trade and Development for studying the problems and proposing specific solutions, in both the institutional and the strictly economic spheres. It was desirable that the Latin American countries should arrive at the Conference with a common stand on the topics to be discussed. To achieve such a stand, it was thought indispensable to study in advance the particular problems of each country, the way in which they could be

<sup>1</sup> Economic and Social Council resolution 917 (XXXIV) of 3 August 1962 and General Assembly resolution 1785 (XVII) of 8 December 1962. The text of both is given in point 6.

<sup>2</sup> See the pertinent reports (E/3720 and E/3799) adopted by the Economic and Social Council at its last two sessions.

<sup>3</sup> Resolution 963 (XXXVI) of 19 July 1963 (see below, point 6).

reconciled and the common aims that could be defined. In the light of these considerations, the Commission adopted resolution 221 (X),<sup>4</sup> in which, in addition to asking the secretariat to give top priority to the preparation of studies relating to the provisional agenda of the Conference, it recommends that those studies should be extended to other matters susceptible of contributing to the region's presentation of its problems. For that purpose the secretariat was requested to organize a seminar on the Conference, with the co-operation of specialists appointed by the Governments of all the Latin American countries, in order to provide the information calculated to enable those countries to take a concerted stand at the Conference which would constitute the first step in the process of the structural transformation of Latin American trade.

In short, the way in which the Latin American countries make their preparations to take part in the United Nations Conference on Trade and Development, and the degree of understanding with which their arguments are received in the large industrial countries and the rest of the world, will constitute a turning-point for the future of Latin America's economic and social development. Either the region will be able to enjoy, with resulting benefits to all, the opportunities offered by expanding trade, on new and more equitable bases, or it will have to retreat into itself, and face the continuation of the process of import substitution in progressively more difficult circumstances, in order to meet the requirements of its internal development.

### 3. THE AGENDA FOR THE CONFERENCE

The following is the provisional agenda for the Conference, adopted at the first session of the Preparatory Committee, which will set the pattern for the discussions:

#### I. *Expansion of international trade and its significance for economic development*

1. A review of trends in world trade and its perspectives;
2. Trade needs of developing countries for their accelerated economic growth;
3. International trade and its relations with national development planning, policies and institutions;
4. Trade problems between countries:
  - (a) At a similar level of development;
  - (b) At different stages of development;
  - (c) Having different economic and social systems;
5. Principles governing international trade relations and trade policies conducive to development.

#### II. *International commodity problems*

1. Review of the long-term trends and prospects for primary commodity producers (including terms of trade);
2. Programme of measures and actions for the removal of obstacles (tariff, non-tariff and other) and of discriminatory practices and

for expansion of market opportunities for primary commodity exports and for increases in their consumption and imports in developed countries;

3. Measures and actions for the promotion of trade in primary commodities among developing countries;
4. Measures for stabilization of primary commodity markets at equitable and remunerative prices including commodity arrangements;
5. International compensatory financing and measures for stabilization of primary export earnings at adequate levels.

### III. *Trade in manufactures and semi-manufactures*

1. Measures and actions for diversification and expansion of exports of manufactures and semi-manufactures by developing countries with a view to increasing their share in world trade;
2. Measures for the expansion of markets in the developed countries for exports of manufactures and semi-manufactures from developing countries:
  - (a) Programme of measures and actions for the progressive reduction and elimination of tariffs on imports of manufactures and semi-manufactures;
  - (b) Programme of measures and actions for the progressive reduction and elimination of quantitative and other restrictions and discriminatory practices with respect to imports of manufactures and semi-manufactures;
  - (c) Programme of measures and actions for the expansion of market opportunities for exports of manufactures and semi-manufactures produced in developing countries and for increases in their consumption and imports;
3. Measures and actions for promotion of trade in manufactures and semi-manufactures among the developing countries.

### IV. *Improvement of the invisible trade of developing countries*

1. Role of invisibles in the balance of payments of developing countries;
2. Measures for improving the invisible trade of developing countries through increasing receipts for services such as tourism and reducing payments for transportation, insurance and similar charges.

### V. *Implications of regional economic groupings*

1. Implications for the trade and development of developing countries of economic groupings of developed countries and/or preferential trading arrangements;
2. Implications for the trade and development of developing countries of economic groupings in developing areas and/or preferential trading arrangements.

<sup>4</sup> See below, point 4.

## VI. *Financing for an expansion of international trade*

1. Importance of medium and long-term financing for the trade of developing countries;
2. Co-ordination of trade and aid policies, including technical assistance, for accelerated economic development;
3. Measures for increasing the volume and improving the terms of financing for the promotion of the exports of developing countries and their imports of essential commodities and capital equipment.

## VII. *Institutional arrangements, methods and machinery to implement measures relating to the expansion of international trade*

1. A reappraisal of the effectiveness of the existing international bodies dealing with international trade in meeting trade problems of developing countries, including a consideration of the development of trade relations among countries with uneven levels of economic development and/or different systems of economic organization and trade;
2. The advisability of eliminating overlapping and duplication by co-ordination or consolidation of the activities of such bodies, of creating conditions for expanded membership and of effecting such other organizational improvements and initiatives as may be needed, so as to maximize the beneficial results of trade for the promotion of economic development.

## VIII. *Final Act*

No changes were made in the provisional agenda at either the second session of the Preparatory Committee of the Conference or the thirty-sixth session of the Economic and Social Council. However, the possibility was left open for the Preparatory Committee, at its third session, to make amendments in the provisional agenda after consideration of various submissions by the Union of Soviet Socialist Republics (including the addition of an item on the significance of general and complete disarmament for economic development and international trade), by the Romanian People's Republic (to examine the importance and effectiveness of long-term trade agreements for the stability and development of international trade) and by other members of the Committee.<sup>5</sup> It was also suggested that special consideration should be given to the creation of new organizations capable of making an effective contribution to the promotion of international trade, and to the bringing up to date of trade studies and projects, further research being undertaken if necessary.

### 4. POSITION OF ECLA VIS-À-VIS THE CONFERENCE

During the tenth session of the Economic Commission for Latin America (Mar del Plata, Argentina, 6 to 17 May 1963) the subject of the Conference was extensively discussed. The spirit of the discussions is reflected in earlier comments on the importance of the Conference,

<sup>5</sup> See the *List of topics proposed for consideration by the United Nations Conference on Trade and Development* (E/CONF.46/PC/L.30).

and led to the adoption of resolution 221 (X) of 16 May 1963, which is reproduced below.

### 221 (X) *United Nations Conference on Trade and Development*

#### *The Economic Commission for Latin America,*

*Considering* that the development process of the Latin American countries is encountering serious obstacles to the maintenance of sufficient speed and continuity in the immediate future, owing to the increasingly unsatisfactory foreign trade situation, and that import substitution, which had constituted the chief dynamic factor in this development, is beset by increasing difficulties as it progresses in the various countries of the region, inasmuch as the high-cost factors of many consumer goods are being aggravated, and the economy is becoming daily more vulnerable to the fluctuations in the external markets for traditional export commodities,

*Taking into account* the fact that this unsatisfactory foreign trade situation in Latin America largely derives from the present structure of international trade, characterized by slow expansion of the region's traditional exports in comparison to internal demand and the growth of import requirements in respect of manufactured goods, especially capital goods essential for development, and that this slowness is in contrast to the rapid rate of expansion of the reciprocal trade of the developed countries,

*Bearing in mind* that this slow growth of Latin America's export trade is a result both of the discriminatory and restrictive measures by which the exports in question are affected, and of the deterioration in the terms of trade, as well as of internal and international structural factors which hamper the expansion of exports of manufactured goods,

*Considering* that the United Nations Conference on Trade and Development, scheduled by the Economic and Social Council for 1964, will devote its attention to the search for practical ways of solving the international trade problems currently besetting the developing countries,

*Considering* that among these problems special importance attaches to those relating to the institutional aspect of international trade, as well as to those connected with markets and prices,

*In view of the fact* that sufficient background data must be prepared to enable the Latin American countries to adopt a concerted position, and that their problems and prospects must be put forward in clear and convincing terms if Latin America is to take due advantage of the opportunity afforded by the United Nations Conference on Trade and Development to find a satisfactory solution,

#### *Expresses:*

1. Its deep interest in the holding of the United Nations Conference on Trade and Development, since this will constitute an excellent opportunity for the developing countries to present their foreign trade problems in close relation to their economic development problems;

2. Its conviction that, the fundamental purpose of the Conference on Trade and Development being to find practical solutions for the serious trade problems

which hamper economic development, its attention should be concentrated on such problems and that it should avoid discussing those of a political nature which might jeopardize the attainment of the Conference; and

*Decides:*

1. To recommend to the secretariat that it should concentrate its efforts on the preparation of those studies which are intended for the United Nations Conference on Trade and Development, giving them top priority, so that they may be of assistance in the search for ways and means of solving Latin America's foreign trade problems and meeting the requirements created by intensive development. These secretariat studies will follow the pattern already outlined in the provisional agenda of the Conference, but should in addition be supplemented by any others recommended at the tenth session and by the inclusion of any further topics which the ECLA secretariat, in consultation with the Secretary-General of the Conference, may deem to be conducive to a better presentation of the problems of the region.

2. To recommend that the studies which the secretariat carries out in accordance with the foregoing paragraph should be developed in such a way that they may provide sufficient data to enable the Latin American countries to adopt a concerted position at the world Conference.

3. To request the secretariat to hold a seminar on the United Nations Conference on Trade and Development, prior to the Conference in question, and at a date to be determined in consultation with its Secretary-General. This seminar should be conducted with the co-operation of specialists appointed by the governments of all the Latin American countries and should aim at promoting more efficient preparation and fuller mutual knowledge of those problems of the countries of the region which are to be discussed at the Conference.

In compliance with this resolution, the ECLA secretariat submitted to the second session of the Preparatory Committee a report on the problems of trade and economic development considered at the last session of the Commission.<sup>6</sup> The secretariat is also preparing other documents to be submitted to the Conference, and is currently engaged in organizing the seminar referred to in operative paragraph 3 of the resolution.

5. JOINT STATEMENT BY REPRESENTATIVES OF SEVENTEEN DEVELOPING COUNTRIES

At the second session of the Preparatory Committee, seventeen developing countries from every region of the world (Argentina, Brazil, Colombia, Ethiopia, the Federation of Malaya, India, Indonesia, Jordan, the Lebanon, Madagascar, Nigeria, Pakistan, Peru, Senegal, Tunisia the United Arab Republic and Yugoslavia) made a statement stressing the importance of the Conference and pointing out that the great efforts being made by their Governments to promote economic and social development should be supplemented by adequate international action. The statement also lists some measures calculated to stimulate international trade and

recommends that all the States Members of the United Nations should give them their earnest consideration and explore the means for their implementation.

The seven types of measures suggested in the declaration are:

1. Creation of conditions for the expansion of trade between countries at a similar level of development, at different stages of development and having different systems of social and economic organization;

2. Progressive reduction and early elimination of all barriers and restrictions impeding the exports of the developing countries, without reciprocal concessions on their part;

3. Increasing the volume of exports of the developing countries in primary products, both raw and processed to the industrialized countries, and stabilizing prices at fair and remunerative levels;

4. Expansion of the markets for exports of manufactures and semi-manufactures from the developing countries;

5. Provision of more adequate financial resources at favourable terms, so as to enable the developing countries to increase their imports of capital goods and industrial raw materials essential for their economic development; and better co-ordination of trade and aid policies;

6. Improvement of the invisible trade of the developing countries, particularly by reducing their payments for freight and insurance and the burden of their debt charges;

7. Improvement of institutional arrangements including, if necessary, the establishment of new machinery and methods to implement the decisions of the United Nations Conference on Trade and Development.

6. RESOLUTIONS OF THE ECONOMIC AND SOCIAL COUNCIL AND OF THE GENERAL ASSEMBLY RELATING TO THE CONFERENCE

The decision to convene the United Nations Conference on Trade and Development derived from the following Economic and Social Council resolution:

917 (XXXIV): *United Nations Conference on Trade and Development* (1236th plenary meeting, 3 August 1962)

*The Economic and Social Council,*

Recalling General Assembly resolution 1707 (XVI) of 19 December 1961 on international trade as the primary instrument for economic development,

Further recalling General Assembly resolutions 623 (VII) of 21 December 1952, 1028 (XI) of 20 February 1957, 1322 (XIII) and 1324 (XIII) of 12 December 1958, 1421 (XIV) and 1422 (XIV) of 5 December 1959, 1519 (XV) and 1520 (XV) of 15 December 1960,

Proceeding from the aims of the United Nations Development Decade in which both the developed and the less developed countries are to intensify their efforts in order to ensure a self-sustaining growth of the economies of the individual nations so as to attain in the developing countries, by 1970, a minimum annual rate of growth of the aggregate national income of 5 per cent,

<sup>6</sup> E/CONF.46/PC/41.

*Recognizing* the importance of the economic development, particularly of the less developed countries, for the stability of the world economy and the maintenance of international peace and security,

*Noting* the difficulties which hamper the development of international trade in general and trade among less developed countries and industrially developed countries in particular,

*Bearing in mind* the vital importance of the rapid growth of exports and export earnings of developing countries, or primary products and manufactures, for promoting their economic development,

*Recognizing* that the developing countries have in recent years suffered from the drop in prices of primary products and the worsening of their terms of trade with industrialized countries and that the losses arising therefrom have hampered and delayed the implementation of their long-term development programmes and that measures to impart stability in international commodity markets at remunerative levels are vital for the development of less developed countries,

*Considering* the importance of all countries and all regional and sub-regional economic groupings pursuing trade policies designed to facilitate the necessary expansion of trade of developing countries and encouraging the indispensable growth of their economies,

*Bearing in mind* the importance of increasing the net inflow of long-term capital to developing countries and improving its terms and conditions so as to take account of their special requirements and problems,

*Noting* the declaration on promotion of trade of less developed countries and the proposed programme of action of the last ministerial meeting of the Contracting Parties to the General Agreement on Tariffs and Trade in November 1961, and expressing the hope that significant progress will continue to be made in implementing the above programme of action,

*Considering* the numerous replies of the Governments of Member States to the questionnaire of the Secretary-General on the desirability of convening an international conference on international trade problems relating particularly to commodity markets and on the agenda of such a conference,

1. *Resolves* to convene a United Nations Conference on Trade and Development;

2. *Decides* to convene, by the early spring of 1963, a preparatory committee consisting of expert representatives designated not later than November 1962, by Governments represented on the Council to consider the agenda and documentation for the Conference with particular reference to the problems of the developing countries;

3. *Requests* the Secretary-General, with the assistance of the regional economic commissions, the specialized agencies and other related international organizations concerned with international trade such as the International Monetary Fund, the General Agreement on Tariffs and Trade and the International Bank for Reconstruction and Development, to prepare, for consideration by the preparatory committee appro-

appropriate documentation and proposals for such a conference;

4. *Requests further* the preparatory committee to submit its report in time for consideration by the Council at its thirty-sixth session.

The General Assembly, in turn, ratified the decision of the Council in the following resolution:

*1785 (XVII): United Nations Conference on Trade and Development* (1190th plenary meeting, 8 December 1962)

*The General Assembly,*

*Recalling* its resolution 1707 (XVI) of 19 December 1961 entitled "International trade as the primary instrument for economic development",

*Taking note* of Economic and Social Council resolution 917 (XXXIV) of 3 August 1962 on the United Nations Conference on Trade and Development,

*Convinced* that economic and social progress throughout the world depends in large measure on a steady expansion in international trade,

*Considering* that the extensive development of equitable and mutually advantageous international trade creates a good basis for the establishment of neighbourly relations between States, helps to strengthen peace and an atmosphere of mutual confidence and understanding among nations and promotes higher living standards, full employment and more rapid economic progress in all countries of the world,

*Convinced further* that accelerated economic development of the developing countries depends largely on a substantial increase in their share in international trade,

*Noting* that the terms of trade continue to operate to the disadvantage of the developing countries, thus accentuating their unfavourable balance-of-payments position and reducing their capacity to import,

*Bearing in mind* that exports of a relatively limited range of primary commodities constitute a major source of foreign exchange for the developing countries and, consequently, are basic for their development,

*Conscious* of the serious problems both of a short-term and a long-term nature which confront the developing countries as a result of the depression of, and fluctuations in, the prices of primary commodities,

*Mindful* of the need to eliminate obstacles, restrictions and discriminatory practices in world trade which, in particular, adversely affect the necessary expansion and diversification of the exports of primary commodities and of semi-manufactured and manufactured goods by the developing countries,

*Considering* the importance of all countries and all regional and sub-regional economic groupings pursuing trade policies designed to facilitate the necessary expansion of trade of developing countries and encouraging the indispensable growth of their economies,

*Convinced* that the promotion of higher rates of economic growth throughout the world and the evolution of a new and more appropriate pattern of inter-

national trade will require the adaptation of the institutional framework for international co-operation in the field of trade,

1. *Endorses* the decision of the Economic and Social Council in its resolution 917 (XXXIV) to convene a United Nations Conference on Trade and Development;

2. *Recommends* the Economic and Social Council at its resumed thirty-fourth session:

(a) To enlarge by twelve members the Preparatory Committee provided for by the Council in resolution 917 (XXXIV), with due regard to equitable geographical distribution and to an adequate representation of developing and major trading countries;

(b) To convene the first session of the Committee by January 1963 so that the Committee will be able to submit an interim report to the Council at its thirty-fifth session;

(c) To convene the resumed session of the Committee immediately after the thirty-fifth session of the Council so that the Committee will be able to report to the Council at its thirty-sixth session;

3. *Recommends* further the Economic and Social Council to convene, after consideration of the preparatory work, the United Nations Conference on Trade and Development, as soon as possible after the thirty-sixth session of the Council to be held in July 1963, but in no event later than early 1964, taking into account the view expressed by a large number of delegations that the Conference should be convened not later than September 1963 as well as the view of other delegations that the Conference should be held in early 1964;

4. *Requests* the Secretary-General:

(a) To invite all States Members of the United Nations and members of the specialized agencies and of the International Atomic Energy Agency to take part in the Conference;

(b) To appoint a secretary-general of the Conference;

(c) To assist the Preparatory Committee by providing the necessary documentation in connexion with the Conference, on the lines indicated in Economic and Social Council resolution 917 (XXXIV) and in the discussions at the seventeenth session of the General Assembly;

5. *Recommends* the Economic and Social Council and the Preparatory Committee, in drawing up the draft agenda of the Conference referred to in paragraph 3 above, to take into consideration the following fundamental points:

(a) The need for increasing the trade of developing countries in primary commodities as well as in semi-manufactured and manufactured goods so as to ensure a rapid expansion of their export earnings and, for that purpose, to examine the possibility of taking measures and reformulating principles with a view to:

(i) Increasing trade between the developing and developed countries, irrespective of the differences in the foreign trade systems of the latter;

(ii) Intensifying trade relations among the developing countries;

(iii) Diversifying the trade of developing countries;

(iv) Financing the international trade of developing countries;

(b) Measures for ensuring the stable, equitable and remunerative prices and the rising demand for exports of developing countries, including, *inter alia*:

(i) The stabilization of prices of primary commodities at equitable and remunerative levels;

(ii) The increase in consumption of products imported from primary-producing countries and of semi-manufactured and manufactured goods imported from developing countries;

(iii) International commodity agreements;

(iv) International compensatory financing;

(c) Measures leading to the gradual removal of tariff, non-tariff or other trade barriers by industrialized countries, whether individually or collectively, which have an adverse effect on the exports of developing countries and on the expansion of international trade in general;

(d) Methods and machinery to implement measures relating to the expansion of international trade, including:

(i) A reappraisal of the effectiveness of the existing international bodies dealing with international trade in meeting trade problems of developing countries, including a consideration of the development of trade relations among countries with uneven levels of economic development and/or different systems of economic organization and trade;

(ii) The advisability of eliminating overlapping and duplication by co-ordination or consolidation of the activities of such bodies, of creating conditions for expanded membership and of effecting such other organizational improvements and initiatives as may be needed, so as to maximize the beneficial results of trade for the promotion of economic development.

At its last session, the Economic and Social Council adopted the following resolution:

963 (XXXVI): *United Nations Conference on Trade and Development* (1288th plenary meeting, 18 July 1963)

*The Economic and Social Council,*

*Recalling* its resolutions 917 (XXXIV) of 3 August 1962, 944 (XXXV) of 18 April 1963, and General Assembly resolution 1785 (XVII) of 8 December 1962 on the United Nations Conference on Trade and Development,

*Recalling further* its resolution 919 (XXXIV) of 3 August 1962 on the Group of Experts on commodity and trade problems of developing countries,

*Convinced that* economic and social progress throughout the world depends in a large measure on an expansion in international trade; and on an increasing participation of developing countries in it,

*Believing that* the development of equitable and mutually advantageous trade can promote higher standards of living, full employment and rapid economic progress in all countries of the world and can help create an atmosphere of mutual confidence and understanding among nations, and strengthen peaceful and neighbourly relations between States,

*Realizing* that the fundamental problems of developing countries are well identified and that what is now required is a universal readiness to act and generally to adopt practical measures aimed at increasing exports and export earnings of developing countries and accelerating their economic development.

*Having in mind* the joint statement of the developing countries in the Preparatory Committee of the United Nations Conference on Trade and Development dated 27 June 1963,

*Confident* that the United Nations Conference on Trade and Development will represent an outstanding event in international co-operation conducive to the development of the economies of the developing countries and the growth of the world economy as a whole,

*Proceeding* from the aims and action programme of the United Nations Development Decade as set out in its resolution 916 (XXXIV) of 3 August 1962, designed to promote international economic co-operation so as to supplement adequately the efforts of the developing countries to achieve self-sustained growth of their economies,

*Bearing in mind* the need for adequate and comprehensive preparations for the proposed Conference,

*Expressing its appreciation* to the Directors-General of the ILO and WHO for their co-operation in seeking to adjust the dates of their meetings so as to make it possible for the United Nations Conference on Trade and Development to meet in Geneva,

*Recognizing* the wide interest expressed in the Conference by members of the United Nations family and various inter-governmental bodies,

*Mindful* of the possibility that developments in the time remaining before the United Nations Conference on Trade and Development meets may make it desirable to introduce some changes into the provisional agenda for the Conference,

## I

1. *Takes note* of the report of the Group of Experts on commodity and trade problems of developing countries (E/3756);

2. *Further takes note* of the report of the second session of the Preparatory Committee (E/3799, E/3799/Corr.1, English only) defining the problems before the Conference, presenting proposals for action

or indicating lines along which solutions may be sought;

3. *Decides* that the United Nations Conference on Trade and Development shall be held in Geneva, beginning on 23 March 1964, and continuing until 15 June 1964;

4. *Decides* to convene a third session of the Preparatory Committee in New York beginning on 3 February 1964;

5. *Approves* the provisional agenda drawn up by the Preparatory Committee and authorizes the Committee at its third session, in the event of changes in the provisional agenda becoming desirable in the light of circumstances then pertaining, to modify the provisional agenda accordingly;

6. *Approves* the arrangements for documentation set out in that report and further outlined by the Secretary-General of the Conference;

7. *Further approves* the Preparatory Committee's recommendations on levels of representation, the rules of procedure and similar administrative arrangements;

8. *Approves* the recommendation of the Preparatory Committee contained in paragraph 208 of its report (document (E/3799) as regards the invitation to the inter-governmental economic organizations;

9. *Further requests* the Secretary-General to submit to the Council at its resumed thirty-sixth session proposals regarding the inter-governmental economic organizations which would be chiefly interested in the work of the Conference, and regarding the practical rules to be observed for the participation of those organizations in the Conference as observers.

## II

1. *Invites* the States which will participate in the Conference to give earnest consideration, before the beginning of the Conference, to proposals for concrete and practical international action and to explore all practical means for their implementation, so as to make it possible to reach, at the Conference, basic agreement on measures constituting a new international trade and development policy;

2. *Expresses the hope* that the United Nations Conference on Trade and Development will offer an opportunity for the manifestation, in the field of trade and development, of the will necessary to contribute to the acceleration of the economic development of developing countries and the promotion of economic stability and security in the world at large.

1. Introduction

The first part of the document discusses the importance of maintaining accurate records. It highlights the challenges faced by organizations in data management and the need for robust systems. The text emphasizes the role of technology in streamlining processes and reducing errors. It also touches upon the legal implications of data handling and the importance of security measures. The author provides a detailed overview of the current landscape and offers practical advice for implementation.

2. Methodology

This section describes the research methodology used in the study. It outlines the data collection methods, including interviews, surveys, and document analysis. The author details the selection criteria for participants and the steps taken to ensure the reliability and validity of the data. The methodology is presented in a clear and structured manner, allowing readers to understand the research process and the potential limitations of the study.



## RECENT ACTIVITIES OF ECLA

### I. TENTH SESSION OF THE ECONOMIC COMMISSION FOR LATIN AMERICA

(Mar del Plata, Argentina, 6-17 May 1963)

#### 1. PRELIMINARY NOTE

The tenth session of the Economic Commission for Latin America was held at Mar del Plata, Argentina, from 6 to 17 May 1963. It was attended by large delegations from twenty-five member States (Argentina, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, France, Guatemala, Honduras, Jamaica, Kingdom of the Netherlands, Mexico, Nicaragua, Panama, Paraguay, Peru, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, and Venezuela), an associate member (British Guiana), sixteen States Members of the United Nations not members of the Commission (Australia, Austria, Belgium, Bulgaria, Czechoslovakia, Denmark, Finland, Hungary, Italy, Japan, Poland, Romania, Spain, Sweden, Union of Soviet Socialist Republics, and Yugoslavia), and two States not members of the United Nations (Federal Republic of Germany and Switzerland). A number of specialized agencies of the United Nations, inter-governmental organizations and non-governmental organizations, were also represented. Attending as special guests were Mr. A. Rosenstand Hansen, Chairman of the Preparatory Committee of the United Nations Conference on Trade and Development, and Mr. Raúl Saez, Acting Co-ordinator of the Panel of Nine appointed by the Inter-American Economic and Social Council.

At the inaugural meeting addresses were delivered by His Excellency Mr. José María Guido, President of the Argentine Republic, Mr. Philippe de Seynes, United Nations Under-Secretary for Economic and Social Affairs, Mr. Plácido García Reynoso, Under-Secretary for Trade and Industry of Mexico, speaking on behalf of the delegations attending the session, and Mr. Luis Escobar Cerda, Minister for Economic Affairs, Public Works and Reconstruction of Chile, speaking as the retiring Chairman of the Commission. At the same meeting a message from the Secretary-General of the United Nations was read out. At the closing meeting statements were made by Mr. Felipe Herrera, President of the Inter-American Development Bank, Mr. Eduardo Tiscornia, Under-Secretary for Economic Affairs of Argentina, Mr. Celso Furtado, Minister for Planning of Brazil, and Mr. Raúl Prebisch, Executive Secretary of the Commission.

The officers of the session were as follows: Mr. Eustaquio Méndez Delfino (Argentina), Chairman; Mr. Plácido García Reynoso (Mexico) and Mr. Celso Furtado (Brazil), Vice-Chairman; Mr. Tomás Cáliz Montcada (Honduras), Rapporteur.

In addition to the general debate on the present economic situation in Latin America, held in the course of several plenary meetings, discussion of the remaining

items of the agenda was divided, by nature of the subject, among four committees set up for the purpose (Economic and Social Development, International Trade and Economic Integration, Industry and Natural Resources, and General Questions).

During the tenth session of the Commission two meetings of the Governing Council of the Latin American Institute for Economic and Social Planning were held and the report of the Governing Council was issued.

At its plenary meetings held towards the end of the session the Commission adopted twenty important resolutions, which are discussed below, and the report on its activities between 17 February 1962 and 17 May 1963, which contains the programme of work and priorities for 1963-64.<sup>1</sup>

#### 2. HIGHLIGHTS OF THE DEBATE AND RESOLUTIONS ADOPTED

Since the previous session of the Commission, important events have taken place in Latin America, mainly in relation to development planning, methods of international co-operation, and efforts to achieve regional integration. In the meantime, measures have been adopted on a wide front to prepare and implement integrated economic and social development plans and to establish and perfect the appropriate administrative machinery; the new programmes of international technical and financial assistance have gradually crystallized in close alliance with the aims of improving the living conditions of broad sectors of the Latin American population and introducing the internal structural reforms indispensable for expediting the rate of growth; decisive steps have been taken towards Central American integration and progress has been made in the application of the instruments approved by the countries members of the Latin American Free-Trade Association (ALALC). But such efforts have not yet borne sufficient fruit to make any significant changes in the steadily declining rate of development of the Latin American economies, which had already been remarked upon during the Commission's earlier debates.

#### *Economic and social development*

Although the prevalence of lagging growth rates may once again be traced to the influence of short-term factors, chiefly connected with the external sector, their persistence confirms the view that, in the last analysis, they are attributable to the structural inability of the

<sup>1</sup> *Official Records of the Economic and Social Council: Thirty-sixth Session, Supplement No. 4 (E/3766/Rev.2—E/CN.12/690/Rev.2).*

Latin American economic system to ensure a satisfactory rate of growth. This, therefore, is the reason why special stress has been laid in the studies prepared by ECLA for this occasion, on a review of the experience acquired during the course of the post-war period in order to determine the nature of the factors underlying the lack of sufficient dynamic force. Moreover, the documents submitted by the secretariat provide an excellent basis for an examination of this kind, representing a body of complementary research work in which the experience gained is surveyed from different angles and projected in terms of what might constitute the basic lines of a dynamic policy for the future economic and social development of Latin America.

The first evidence of the dynamic weakness during the post-war period was the inability of most of the Latin American economies to make productive use of the additions to the labour force and the manpower which tends to shift away from agriculture. Urban agglomerations, in some cases excessive, with larger marginal population groups living in the towns in highly unsatisfactory conditions, constitute one of the results of this inability to create sufficient openings in activities that have a higher productivity. Moreover, the situation in question is one that tends to become aggravated the moment intensive efforts are made to raise agricultural productivity, though these are indispensable for improving the conditions of the rural masses. The only way to dispose of this paradox is through a very substantial increase in the rate of capital formation,<sup>2</sup> for which—given the existing pattern of income distribution in most parts of Latin America—there is a vast savings potential available which has so far been dissipated in non-essential and excessive consumption on the part of small high-income groups, unnecessary investment or expenditure unrelated to basic development requirements.

Redistributive action, which would at one and the same time help to promote capital formation and bring about a rapid improvement in the living conditions of the less favoured social groups, is thus seen to be one of the prime factors in a more dynamic development policy.<sup>3</sup> But it would not suffice in itself, since the transformation of these domestic savings into capital goods, the bulk of which have to be purchased abroad, and the extra imports required in the shape of intermediate goods and other essential products, might come up against an unsurmountable obstacle—as demonstrated by post-war experience—in the failure of exports to expand sufficiently and the adverse effect of the terms of trade.

The discussions of the Commission at its tenth session revealed deep concern over the factors associated with the phenomenon of external bottlenecks, and special attention was devoted to an examination of the two lines of action that might lead to their removal: (a) efforts to achieve regional economic integration, and (b) trade relations with other areas.

#### *Regional economic integration*

With regard to the former, stress was laid on the outstanding accomplishments recorded within the context of Central American integration. Shortly after the

tenth anniversary of the Central American Economic Integration Programme, the common market formed by the five countries of the region was already virtually in full operation; with few exceptions, free trade had become a reality for all Central American products, and at the same time a very high proportion of the customs duties levied on imports from third countries had been standardized. As a result of these measures, reciprocal trade has been showing a rising rate of growth. In addition, the Contracting Parties to the agreement now have their own executing agencies to promote their eventual economic integration, as well as regional institutions specializing in such questions as development financing, technological research and training in public administration. The co-ordination of planning efforts—for which the technical co-operation of an Advisory Group formed by various international organizations is available for the whole area—ensures that the preparation of national plans will also be undertaken on the basis of regional requirements. This, in turn, will make it easier to attain the objectives proposed for the forthcoming stages, in relation not only to industrial integration but also to the need for establishing a regional infrastructure of transport and communications media, inter-connected electric power systems, joint development of regional resources, etc.

Particular interest was likewise shown in the possibilities of expanding the present framework of integration through the incorporation of new countries. In that respect, it was pointed out that Panama might become a member on a limited basis, that the Dominican Republic had expressed interest in studying ways and means of achieving closer association, and that a study had been started to determine whether there were practical possibilities that British Honduras (Belize) might also join the new market.

As far as ALALC is concerned, the Commission noted the considerable progress achieved in the implementation of the Montevideo Treaty. In particular, it was pointed out that the first two rounds of negotiations had produced a large number of concessions, which actually went beyond the minimum liberalization requirements laid down by the Treaty. Nevertheless, it was felt that by and large the integration effort had not so far been vigorous enough, and at the same time concern was expressed that the selective negotiations were likely to run into serious obstacles in the future.

It was also acknowledged that progress in regard to complementarity agreements had been slow, one of the reasons given being the lack of attention paid by the Latin American entrepreneurs themselves to the scope and advantages offered by the existing agreements and machinery. In evaluating progress and the problems to be dealt with, it should no doubt be taken into account that this is a programme which took shape little more than three years ago, and that in the course of this period it has shown an appreciable capacity to grow steadily, as demonstrated by the fact that since the Commission's last session, two further countries, Colombia and Ecuador, have been added to the scheme. Moreover, its activities have been gradually extended to include other aspects of concern to the countries of the region. This is shown, for example, by the meetings held recently under its auspices at Bogota, to help to bring the trade policies of member countries into line,

<sup>2</sup> Resolution 226 (X) on financing of development.

<sup>3</sup> Resolution 229 (X) on income distribution.

and at Lima, to advance efforts towards co-ordination of regional integration with planning at the national level. However, while the high degree of competence shown by the Montevideo Committee and its secretariat was recognized, there was wide support for the view that fresh impetus should be given to the integration of the countries members of ALALC by adopting major political decisions going beyond present commitments and probably incorporating quantitative targets for the reduction of tariffs. In this connexion particular satisfaction was expressed with the initiative recently taken by the Presidents of Brazil and Chile, pointing to the need for major political decisions to give impetus to the Latin American common market, perhaps on the occasion of a meeting of the foreign ministers of the ALALC countries. The Commission also duly noted the declaration by the Argentine Ministry of Foreign Affairs on this question.

In reviewing the progress achieved and the obstacles encountered by the two existing integration movements and the likelihood of their incorporating additional Latin American countries—including the intention of Bolivia and Venezuela to join ALALC—there was due regard for the need to bear in mind the ultimate aim of achieving a single common market open to all the countries of the region.<sup>4</sup> It was also pointed out that it would be appropriate if all the agencies concerned with financial and technical assistance to Latin America gave support in any action they might take to all measures conducive to the speeding up of integration. The need for closer links between planning at the national level and integration schemes and machinery was also referred to. Generally speaking, much of the work entrusted to the secretariat on this occasion—including research and studies on specific sectors, e.g., in connexion with industrial activities—reflects the Commission's desire that future work shall be directed primarily towards achieving the objectives of integration as rapidly as possible.

#### *Trade relations with other areas*

The Commission's debates stressed the conviction that, in view of the magnitude of the external bottleneck problems facing the countries of Latin America, it is urgent and essential to supplement efforts towards regional integration with no less rapid and thorough-going action as regards trade in other areas. The slow increase in exports and the persistence of adverse trends in the terms of trade have been aggravated by new developments, mainly the hardening of protectionism in other regional groupings, accentuating the discrimination against Latin American exports, and by the recent difficulties in continuing import substitution, which is already approaching its limits, especially in the more industrialized countries.

Without a deliberate and serious effort, involving a definition of certain common lines of development aimed at unifying Latin America's trade policy, the countries of the region can scarcely hope to secure an adequate share of world trade, which on the whole is highly dynamic. Hence it is not merely a case of expanding the traditional flows of exports to equally traditional markets, but of making important qualitative changes in the nature of that trade, involving greater

geographical diversification of markets—taking advantage of the opportunities for increased trade with economies that show a high growth rate—and substantial changes in the export structure itself by starting and progressively developing exports of manufactured and semi-manufactured goods. The difficulties that the latter aim undoubtedly presents will tend to decrease as regional integration progresses, and moreover encouraging signs of a policy in line with this aim are beginning to appear in the industrialized centres.

On these topics there was general agreement within the Commission that the forthcoming United Nations Conference on Trade and Development will give the under-developed countries an exceptional opportunity to put forward their points of view and secure remedies for their international trade problems, both in the institutional sphere and in regard to markets and prices.<sup>5</sup> The review of the very foundations of international trade which the Conference can undertake—covering trade machinery, reciprocity norms, methods of financing and more generally the ways in which the developing economies might benefit in the future from the economic expansion of the great western and socialist countries—comprises subjects of profound interest to the Latin American countries.

During the debates it was pointed out that the advantages which Latin America could derive from the Conference depend on whether the countries of the region go to it with common objectives and specific approaches to the most suitable ways of achieving those objectives. Furthermore the approaches in question are such as might largely coincide with those of the under-developed countries of Africa and Asia. Thus, apart from their very keen interest in the forthcoming Conference, the countries members of the Commission attach great importance to adequate preparation for Latin America's participation.

The invitation from the Secretary-General of the United Nations to the regional commissions to participate actively in the preparatory work was therefore welcomed, and the secretariat was asked to prepare a series of studies which would at the same time provide basic criteria for any decisions the Latin American countries might take with regard to a common approach at the Conference.

Redoubled efforts to achieve integration and an active policy of promotion and change in the structure of its foreign trade will enable Latin America to abolish the external bottleneck that has so seriously hampered its development. This will establish some of the basic conditions for achieving the growth targets that the countries are including in their development plans.

#### *Development planning*

In connexion with this last question, the views advanced by the members of the Commission illustrate the great progress achieved since the last session. It is no longer a question of adopting vital political decisions in order to embark on the planning of economic and social development programmes, but of tackling the problems raised by the extension and progressive improvement of a process that has already

<sup>4</sup> Resolution 222 (X) on Latin American trade and integration.

<sup>5</sup> Resolution 221 (X) on the United Nations Conference on Trade and Development.

begun and is producing its first results, as shown by the larger number of countries which have installed the initial basic machinery and drawn up their first overall development plans.

Nevertheless, concern was expressed at the delay in producing specific plans for immediate action following the initial step of outlining long-term guide-lines; at the weaknesses still apparent in the preparation and evaluation of specific projects; at the inadequate co-ordination of economic policy programmes; and at the unsatisfactory progress made in reinforcing and integrating the machinery for the revision, supervision and implementation of the plans, as well as suitable machinery for national participation, which is essential to a comprehensive planning system on a permanent basis.<sup>6</sup> Likewise, concern was expressed at the lack of adequate co-ordination between planning at the national level and the aims of regional integration.<sup>7</sup>

#### *Social aspects of development and sectoral development*

In connexion with planning and general research on the development of Latin America, one positive factor noted was that the documents submitted by the secretariat for consideration by the Commission at the present session showed greater concern for social problems. The feeling that the task facing the Commission is not confined to purely economic matters, but in the last analysis is virtually a matter of social transformation<sup>8</sup> lends great weight to systematic studies of social conditions in Latin America; this led to the suggestion in the course of the debates that a high priority should be given to the objective analysis of such problems, as regards both the continuation of research in which the secretariat is engaged<sup>9</sup> and the programme on the same subject being prepared by the Latin American Institute for Economic and Social Planning.

The documents submitted by the secretariat also assisted the Commission in considering the problems linked with specific sectors—in particular, agriculture and industry—within the more general context of the structural transformations and changes demanded by the development of the economies of the region.<sup>10</sup> Furthermore, the numerous sectoral studies on specific branches of the manufacturing industry are helping to build up a body of research that facilitates examination of the possibilities of expanding and diversifying trade in manufactured goods as regional integration agreements develop.<sup>11</sup> For the first time the topics dealt with included a report by the secretariat on the preliminary results of surveys recently initiated on natural resources in Latin America.<sup>12</sup>

Side by side with the main issues represented by the basic problems to which reference has been made,

<sup>6</sup> Resolution 233 (X) on planning.

<sup>7</sup> Resolutions 227 (X) on economic integration and planning and 228 (X) on private enterprise and economic development.

<sup>8</sup> Resolution 230 (X) on programming of social development.

<sup>9</sup> Resolutions 231 (X) on planning of education and economic and social development, and 224 (X) on programming of housing.

<sup>10</sup> Resolution 225 (X) on agricultural development.

<sup>11</sup> Resolutions 234 (X) on integration industries; 235 (X) on problems of the textile industry; and 236 (X) on forest resources and industries.

<sup>12</sup> Resolution 239 (X) on natural resources.

opinions and suggestions concerning other cognate matters were also put forward in the course of the discussions. Stress was laid on the strategic role of external finance in the next phases of development, not only from the immediate point of view of the balance of payments, but as a means of facilitating internal structural changes and as a vehicle for technological assimilation.<sup>13</sup> In this connexion it was also pointed out that Latin America's backwardness in assimilating the technical progress being made throughout the world was tending to become more pronounced, and consequently a greater effort must be made in this direction, and more resources provided for technological research within the region itself, in order to facilitate rapid assimilation of technical progress and its adaptation to the conditions peculiar to the Latin American economies.

In another context, it was pointed out that the great political decisions which must be taken to speed up the economic and social development of Latin America depend on the support of public opinion; this calls for a great deal of work in publicizing development experiences and goals, with special emphasis on the problems of regional economic integration.<sup>14</sup>

#### *Technical assistance*

The decentralization of United Nations technical assistance programmes and their transfer to ECLA, recently decided by the General Assembly and the Economic and Social Council, received wide support in the Commission. Likewise the recent establishment of a Technical Assistance Co-ordination Unit in Santiago and an auxiliary unit at the Mexico Office was noted with satisfaction. This will enable the ECLA secretariat to act as a focal point for the planning and implementation of regional technical assistance projects. It was pointed out that in carrying out these functions the secretariat works in close collaboration with the Resident Representatives of the United Nations Technical Assistance Board.

However, it was observed that the secretariat had not yet been delegated adequate authority in the substantive, administrative and financial fields, and in the recruitment of technical assistance experts. It was pointed out that if the secretariat was to fulfill its functions successfully in the technical assistance field, it was essential that it should have sufficient flexibility and the necessary machinery to enable it to play the vital role expected of it in the programming of technical assistance requirements within Latin America, and in the implementation of projects approved by the competent organs of the United Nations.<sup>15</sup>

The Commission also considered the work of the Latin American Demographic Centre which, within its special field, has co-operated closely with the secretariat. It called attention to the need to maintain that co-operation and to extend it to Central America by establishing a similar institution there.<sup>16</sup>

<sup>13</sup> Resolution 232 (X) on external financing.

<sup>14</sup> Resolution 223 (X) on publicity concerning the Commission's work.

<sup>15</sup> Resolution 237 (X) on decentralization of the economic and social activities of the United Nations and strengthening of the regional economic commissions.

<sup>16</sup> Resolution 238 (X) on demography.

## *Latin American Institute for Economic and Social Planning*

The Commission took cognizance of the first report on the setting up and activities of the Latin American Institute for Economic and Social Planning, whose establishment had been recommended by the Commission at its previous session. Despite the short time which has elapsed since this new body was set up under the aegis of ECLA and with the help of contributions from the United Nations Special Fund and IDB, the Commission was able to note that considerable progress had already been achieved in the training of personnel and in the provision of technical advice to Governments in planning, and it was also informed of the Institute's future research programme. Several of the resolutions approved recommend that the secretariat in performing the task assigned to it should keep in close touch with the Institute or operate on the basis of a joint work programme.

On 15 May the Governing Council of the Institute, which is to remain in office until the next session of the Commission, was elected. In addition to the members appointed by the Inter-American Development Bank, the Organization of American States and the Economic Commission for Latin America, the following were elected to the Governing Council: Mr. Luis Escobar Cerda (Minister for Economic Affairs, Development and Reconstruction of Chile); Mr. Alberto Fuentes Mohr (Chairman of the Central American Advisory Mission on Planning); Mr. Celso Furtado (Minister for Planning and Superintendent of SUDENE of Brazil); Mr. Plácido García Reynoso (Under-Secretary for Industry and Trade of Mexico); Mr. Hector Hurtado (Director-General, Central Co-ordination and Planning Office of Venezuela); Mr. Bernal Jimenez Monge (Director of the Economic Planning Office of Costa Rica); Mr. Manuel San Miguel (Vice-President of the National Development Council of Argentina); and Mr. Angel Valdivia Morriberón (Director, National Planning Institute of Peru).

### *Other questions*

The Commission took note with satisfaction of the activities undertaken by the secretariat in close and fruitful co-operation with the Organization of American States (OAS), the Inter-American Development Bank (IDB), the Inter-American Agricultural Development Committee (CIDA), the Panel of Nine appointed by the Inter-American Economic and Social Council, the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA) and the Latin American Free-Trade Association (ALALC). Highlighted among these activities were the impetus given to the work of groups providing advice on planning to Governments requesting it and the valuable contribution made by the Inter-American Development Bank and the Organization of American States to financing the Latin American Institute for Economic and Social Planning and to maintaining the system of fellowships for the various training courses provided by the Institute.

The Commission also received a progress report on the construction of the United Nations Building at Santiago, Chile, which is to house the offices of the secretariat and of the specialized agencies maintaining

branch offices in the country. On this occasion, several delegations took the floor in order to ratify, supplement or announce donations in cash or in kind offered by their Governments in response to the appeal made by the General Assembly.

Lastly, the Commission accepted the invitation of the Government of the Dominican Republic to hold the eleventh session of the Commission in the city of Santo Domingo in April or May 1965.<sup>17</sup>

### *Conclusion*

The characteristic feature of the debates was the desire to evaluate the collective experience acquired during the post-war period as a basis for the formulation of a dynamic policy of economic and social development, and this was related in several of the statements to the completion of fifteen years of work by the Commission. It was stressed that Latin America owes a great deal to the work accomplished by ECLA since it was established in 1948, when the available knowledge of the obstacles hampering the development of Latin America was purely intuitive, and the rest of the world regarded the region as a mere appendage of the economies of the industrialized centres.

The basic problems of the Latin American economies today are not fundamentally different from those which they faced at that time, but accurate knowledge of the problems has increased greatly and the instruments essential for dealing with them have gradually taken shape. Every single significant step taken since then is closely linked with the work of ECLA, whose ideas—frequently considered impracticable at the outset—have proved feasible, effective and capable of being adapted to the fundamental requirements of Latin American development.

It was likewise pointed out in the course of the debates that the time-lag between the formulation and the realization of those ideas has been gradually shrinking. Twelve years had to elapse before the ideas on planning and structural reforms embodied in the 1949 *Economic Survey of Latin America*<sup>18</sup> were crystallized in the Charter of Punta del Este; ten years were needed for the consolidation of the Central American Common Market; five years to set up the Inter-American Development Bank and sign the Montevideo Treaty; and less than two years for the Latin American Institute for Economic and Social Planning to be established.

The fact that the appraisal of fifteen years work by the Commission coincided with the announcement that the man who almost throughout this period served as Executive Secretary was retiring prompted unanimous expressions of gratitude to Mr. Raúl Prebisch on the part of the Governments of the member countries during the session. In addition to tributes to the services which he has rendered to Latin America in his capacity as Executive Secretary expression was given to the great satisfaction and confidence inspired in Latin American circles by his appointment as Secretary General of the United Nations Conference on Trade and Development, and also by the fact that he will remain as Director

<sup>17</sup> Resolution 240 (X) on the date and place of the next session.

<sup>18</sup> Document E/CN.12/164/Rev.1, United Nations publication, Sales No.: 51.II.G.1.

General of the Latin American Institute for Economic and Social Planning. The Commission took the opportunity of welcoming the new Executive Secretary, Mr.

José Antonio Mayobre, at present United Nations Commissioner for Industrial Development: Mr. Mayobre was present at the beginning of the session.

## II. SEMINAR ON INDUSTRIAL PROGRAMMING

(São Paulo, Brazil, 4-15 March 1963)

### I. PRELIMINARY NOTE

A Seminar on Industrial Programming was held from 4 to 15 March 1963 in the capital of the State of São Paulo, under the joint sponsorship of the Economic Commission for Latin America (ECLA), the Centre for Industrial Development (CID) and the Bureau of Technical Assistance Operations (BTAO), all United Nations organs, with the co-operation of the Executive Groups of Brazilian Industry, the National Federation of Industry and the Federation of Industries of the State of São Paulo. In the nature of background information for this meeting, it is worth while pointing out the need for techniques which will permit flexible industrial planning and the analysis and compilation of data for industrial programming, in view of the all-important role played by industrial programming in over-all development planning. This is a problem which has increasingly engaged the attention of the planning agencies gradually established over the past few years in most of the Latin American countries. In response to this concern, the Centre for Industrial Development and the regional commissions are carrying out studies on industrialization, with the approval of the Economic and Social Council,<sup>19</sup> which include the compilation and analysis of data on industrial programming. An Expert Working Group on Industrial Development Programming Data had met on an earlier occasion (17 to 19 May 1961) at United Nations Headquarters, under the auspices of the CID (then the Industrial Development Division), ECLA and BTAO.<sup>20</sup>

Most of the Latin American Governments have already established central planning offices, and these have become aware of the increasingly acute need for planning techniques that would both make for flexible planning of the industrial sector and perfect the instruments used for that purpose. Planning must provide for specific goals to be attained within a given time, which should all be steps towards raising the national product, increasing employment, fostering regional development and reducing the uneven distribution of income among the different social strata in the country. The task is a complex one, since an industrial development plan has to take into account engineering problems, the training of personnel at the management level, technicians and skilled workers and the financing of the industrial sector.

In preparing a plan it is essential to have the co-operation of economists, engineers, managers, entre-

<sup>19</sup> Resolution 872 (XXXIII) of 10 April 1962 in connexion with the *Report of the Committee for Industrial Development on its second session* (5 to 28 March 1962), United Nations publication (E/3600/Rev.1). See also Economic and Social Council resolution 751 (XXIX) of 12 April 1960 creating the Committee for Industrial Development.

<sup>20</sup> *Report of the meeting of the Expert Working Group on Industrial Development Programming Data* (Miscellaneous Paper No. 3), provisional version for restricted distribution.

preneurs, and workers. Once the Government has approved the plan, the main task is to prepare the ground, from a social and institutional standpoint, for the execution of the plan. As the plan gets under way, the co-operation of the groups referred to above will still be required to carry out the specific tasks entrusted to them, to supervise the progress made and to adjust the plan in the light of such new conditions as may arise.

The ECLA secretariat, in the fifteen years of its existence, has completed a series of studies on specific industrial sectors which, besides emphasizing the trends and prospects of the principal manufacturing branches, throw light on some fundamental aspects of the broad mechanism of industrial development. All this has made it possible and advisable to compare and systematize the data available on programming so that they can be used in industrial programming, not only by the planning offices of the Latin American countries but by the ECLA secretariat itself and by the Latin American Institute for Economic and Social Planning.

The Seminar was attended by twenty-seven experts from the following Latin American countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Venezuela, and others from France, Japan, Poland and the United States of America, as well as observers from the Bolivian Development Corporation, the Chilean Steel Institute, the ECLA/BNDE Economic Development Centre, the Banco Industrial de la República Argentina, the Rand Corporation and the Planning Group of the State of São Paulo. Also represented at the Seminar were the economic commissions for Africa (ECA) and for Asia and the Far East (ECAFE), the Latin American Free-Trade Association (ALALC), the Inter-American Development Bank (IDB), the International Bank for Reconstruction and Development (IBRD), the Organization of American States (OAS) and the Latin American Institute for Economic and Social Planning.

The conduct of proceedings was entrusted jointly to Mr. Nuno Fidelino de Figueiredo, Director of the Industrial Development Division, and to Mr. Samuel Lurié, Director of the Research and Evaluation Division of the CID. Mr. Bruno Leuschner (ECLA) and Mr. Mohammed Yeganeh (CID) acted as general rapporteurs.

At the opening meeting, speeches were made by Mr. Rafael Souza Noschese, Chairman of the Federation of Industries of the State of São Paulo, Mr. Lucio Meira, President of the Executive Groups of Brazilian Industry and by the co-directors of the Seminar. An address was also made at the closing ceremony, by Mr. Jorge de Souza Rezende, who was in the chair.<sup>21</sup>

<sup>21</sup> See the *Provisional Report of the Seminar on Industrial Programming* (E/CN.12/663).

## 2. ACCOUNT OF PROCEEDINGS

One of the aims of the Seminar was to bring together a group of economists—including specialists in economic planning and in industrial development—engineers and industrial entrepreneurs, for an exchange of expert opinion, expressed in the light of personal experience, on the studies and documents submitted by the sponsoring organizations. The aim in doing so was to reduce the gulf that has hitherto separated the macroeconomist from those working in the industrial sector and at the factory level.

Academic discussion was avoided, and the aim throughout was to keep the debates at the level of the practical realities of industrial development planning, so that the various experts in different fields could understand and comment on problems relating to other fields. As the participants came from countries widely separated, both geographically and as regards development levels, resources and economic policy, the exchange of views was most productive, bringing out new aspects of many well known problems and indicating the course that future investigations should take.

The agenda covered a large range of problems, from the theoretical aspects of industrial planning and their relation to over-all planning, to the policy for the execution of a plan, the sectoral planning of many representative industrial branches and the evaluation of individual industrial projects.

The working meetings began with a discussion of the relations between general economic programming and the formulation of industrial development programmes, and of how far it would be possible or effective to prepare industrial programmes in the absence of a general economic development plan or programme. This is an important point, since in view of the structural interrelations that exist in any economy that has gone beyond a certain minimum level of development, the outlook for the development of the manufacturing sector depends closely on the behaviour of certain variables related to the economy as a whole. There cannot, of course, be any hard and fast rule as to how far it is possible, without loss of efficiency, to undertake economic programming on a piecemeal basis. The best solution as regards the level at which planning should be undertaken will depend on the individual circumstances of each country with respect to given structural and circumstantial characteristics, and there may be situations in which piecemeal programming can reasonably be expected to be effective.

Another point on which interest centred was the structural changes in demand and production that take place as a result of industrialization, and the best methods of allowing for these changes in drawing up industrial development programmes. One aspect of this question is the choice, in establishing new manufacturing activities, between import substitution and the manufacturing of goods for export, and there was a discussion of the principles that would enable rational decisions to be taken in that respect.

There was frequent reference in the debates to the importance of giving greater emphasis to the selection of production techniques (processes and equipment) in industrial development programming. Some participants supported the view that, since capital was lacking and

manpower was abundant in Latin America, preference should be given to production processes and equipment that would use more labour and less capital per unit of output, as a means of effecting a maximum increase in the economy's total output and attaining the highest level of employment compatible with the limited capital resources available. Other participants, on the contrary, were opposed to the adoption of less than optimum techniques and equipment. They supported the view that in particular circumstances—when the aim was to launch a development process that would be self-sustaining—it might be desirable, in underdeveloped countries with abundant manpower, to adopt the most modern techniques available, involving high capital density and low manpower absorption, with a view to achieving certain dynamic effects that would make it possible at a later stage to absorb the population surplus that had been built up. This important problem of industrial programming was discussed in relation to the nature of economies of scale and how they should be taken into account in preparing industrial programmes, and the seminar was led on to an extensive debate on the more general subject of the motive causes underlying economic development.

There followed a review of the experience of each of the Latin American countries in the field of industrial planning. Particular attention was paid to Colombia and Venezuela, where the greatest progress had been made in establishing industrial programmes as integral parts of general development programming. From another standpoint Mexico and Brazil were considered to be of special interest, since in those countries piecemeal programming predominated, in the form of programmes for certain industrial sectors considered to be of strategic importance for an increase in the rate of development. However, it was indicated that all the Latin American countries were currently interested in establishing integral economic and social programming systems, a fact which lent a special interest to the accounts given by participants from outside Latin America. In the countries they represented, namely, India, Japan, France and Poland, broad-scale programming, adapted to the widely varying institutional conditions obtaining in each, has been carried out successfully.

During the discussion a number of points were brought out relating to the experience of these countries that was of particular interest to Latin America. In both India and Japan, for example, highly capitalized forms of modern industry existed side by side with artisan activities in the same branch, and both types of activity had been incorporated in the development process with very satisfactory results from the standpoint of high absorption of manpower. The main contribution of experience in France related to the success with which the private sector has been induced to participate actively and systematically at all levels of the planning process. Experience in Poland provided valuable lessons as to evaluation of projects and allocation of resources, with particular emphasis being given to the often neglected question of determining the correct ratios between infrastructure and productive investment.

The Seminar considered a number of technical documents concerned with the basic data and criteria required for the planning of certain major industrial sectors, namely, the metal-transforming, chemical, pulp and paper,

textile, cement and aluminium industries. All these documents included estimates of investment and operating costs in plants of different size, thus making possible an evaluation of the magnitude of the economies of scale in the sector and facilitating the preparation of viability studies for the industries concerned. The documents submitted on these agenda items are particularly important for experts responsible for industrial programming, since there has hitherto been an almost total lack of studies of this kind.

In the analysis of problems related to the preparation and evaluation of industrial projects, a valuable contribution was made by the Inter-American Development Bank (IDB) and the International Bank for Reconstruction and Development (IBRD), whose representatives explained the criteria applied by these banks in selecting projects.

The formulation of programmes limited to industrial sectors was analysed from two standpoints according to whether sectoral programming concerned dynamic industries or traditional industries. By way of illustrating the former subject, the discussion centred mainly on the method of programming the motor vehicle industry in Latin America, and the experience, plans and methods of promoting this industry in Argentina, Brazil, Mexico and Venezuela were compared. It was noted that the method of approach was very different in all these countries. The outline for programming the development of the Brazilian machine-tool industry, recently prepared by ECLA, was also discussed, together with the programme for establishing a shipbuilding industry in Brazil. The common denominator in all these examples was the analysis of the fundamental approach adopted in each sector with respect to market

evaluation, determination of the industry's growth targets, selection of technological alternatives, estimation of the effect of sectoral programming on the factors-of-production market and on incentives to private enterprise, etc.

As an outstanding example of the sectoral programming of traditional industries, the textile industry was chosen for detailed analysis. The fact that ECLA was conducting a series of studies on this industry that would shortly cover all the member countries of ALALC and that would provide reorganization and modernization programmes for the textile sector in each country, as had already occurred in the case of Brazil, made the discussion of this subject particularly topical. One very important point considered related to the possibility of renewing the textile industry's equipment by replacing obsolete machinery and equipment with modern equivalents, and determining criteria for establishing the degree of up-to-dateness and automation desirable in the new equipment. In view of the increasing demographic pressure in most of the Latin American countries, and the limited capital available for the new investment on which, in the last analysis, the creation of new employment depends, doubts were expressed as to the desirability of adopting highly automatic equipment, that would leave without employment a high proportion of the labour force now employed in the present inefficient textile industry. Thus the basic theme that emerged from the Seminar's debates was the dilemma of choosing between efficiency of operation and the maximum level of employment; it was suggested that in given circumstances either of these criteria might predominate, and an analysis was made of ways of evaluating the economic repercussions of different technological alternatives.



## *Methodological notes*

### THE ADOPTION OF MACHINE TABULATION FOR NATIONAL FOREIGN TRADE STATISTICS

#### The case of Ecuador

by *Mario Movarec\**

#### I. INTRODUCTION

##### 1. THE IMPORTANCE OF FOREIGN TRADE STATISTICS

It is a well-known fact that foreign trade plays a very important part in the economy of the Latin American countries. Consequently, within economic statistics in general, those on foreign trade are a vital source of information for the public and private sectors of the different countries and for international organizations alike. Among the latter, the Economic Commission for Latin America (ECLA) has made use of the official publications of these countries as a source of reference ever since it was first set up, and has drawn upon them when preparing the foreign trade statistics given in its documents. Special mention should be made of the *Study of Inter-Latin American Trade*,<sup>1</sup> and of the *Statistical Supplements to the Economic Bulletin for Latin America*, which is published twice a year and gives foreign trade data relating to the twenty Latin American countries. As these data range from aggregates to figures by commodities according to country of origin or destination, indexes of quantum and unit value and other data usually requiring a great deal of statistical processing, it was found necessary to rationalize their processing through the use of the machine tabulation system. Nevertheless, the lack of any standardized presentation for statistics in the Latin American countries as regards commodity classification, methods of evaluating goods, recording of units of measurement, etc. is a serious obstacle to the compilation, codification and transfer on to punch cards of the data contained in foreign trade publications.

##### 2. ECLA'S EXPERIENCE AND ITS RECOMMENDATIONS TO THE LATIN AMERICAN FREE-TRADE ASSOCIATION (ALALC)

In the light of its experience, and in pursuance of its advisory functions in the statistical field vis-à-vis

\* Chief of the Foreign Trade Statistics Unit of ECLA's Statistical Division. This article is confined to a brief account of the method used for organizing foreign trade statistics in Ecuador, at the request of the Government; but the same method, subject to such adjustments as were needed, also served the same purpose in Peru, and it is felt that it should be of general methodological value. The opinions expressed in the article are the author's own, and are not necessarily those of the ECLA secretariat.

<sup>1</sup> E/CN.12/369/Rev.1 (April 1956), United Nations publication, Sales No.: 56.II.C.3.

ALALC, ECLA suggested that a centre be set up for the tabulation of foreign trade statistics, with the aid of information to be supplied by the States members of ALALC in the form of punch cards.<sup>2</sup> This plan was discussed at the first meeting of experts on foreign trade statistics (Montevideo, January 1961). The group of experts recommended:

(a) The establishment of a central system of mechanical punch card equipment which would use the summary standard cards that the States members of ALALC undertook to send in;

(b) The preparation of the standard cards by machine tabulation, using for this purpose the punch cards from which the different national agencies process their foreign trade statistics;

(c) The adoption of standard codes and their use in the standard cards to be sent to the Montevideo Committee. The tabulation centre would thus be supplied with standard comparable information on the foreign trade of the Free-Trade Area countries.

##### 3. RESOLUTIONS ADOPTED ON NOMENCLATURES AND CODES

The standard codes adopted are as follows:

(a) Code for countries of origin or destination, based on a grouping of two codes: economic areas and geographical areas (annex II, A and B);

(b) Code for units of measurement (annex II, C);

(c) Code for periods of time (annex II, D,1);

(d) Code for foreign trade (annex II, D,2);

(e) Code for reporting countries (annex II, D,3);

(f) Code for transport media (annex II, D,4).

With respect to the classification of commodities, the member States would supply statistics on their overall foreign trade on the lines of the classification established by the Brussels Tariff Nomenclature (revised BTN) pursuant to recommendation 8070 (60) of the Brussels Customs Co-operation Council on subdivision. In so doing, they would assure correlation between their statistics and the United Nations Standard International Trade Classification (SITC revised).

In April 1962, the Standing Executive Committee of ALALC convened a second meeting of the group of experts on foreign trade statistics. On that occasion,

<sup>2</sup> Information document No. 28 of ALALC.

the following were, among others, the draft resolutions adopted:

Date on which the member countries were to provide information relating to 1961 and 1962;

Standardization of statistics on intra-area trade in the goods covered by the liberalization programme;

Criteria for the modification of different codes;

Procedures for subdividing the revised BTN for statistical purposes;

Establishment of a Statistical Council in ALALC.

The resolutions adopted at the two Montevideo meetings thus constituted an enormous advance towards the perfecting of statistical compilation in the countries members of ALALC. The punch card data on the aggregate foreign trade of these countries—imports and exports itemized according to the revised BTN, by countries of origin and destination—which would be sent in by the member States at the appropriate time to the tabulation

centre, could be machine-processed so as to yield all the information required to facilitate the negotiations called for by the Montevideo Treaty. The tabulations needed for undertaking studies of foreign trade in the countries of the Area could be obtained in the same way.

Once this important stage of rationalizing the process of compiling foreign statistics has been passed, the advantages of machine tabulation might be turned to account in establishing foreign trade indicators that could serve as guide-lines for analysing this vital sector of the Latin American economy. Some useful indicators are quantum and unit value indexes, the terms of trade, the capacity to import and the adoption of classifications of economic significance that would enable the articles traded to be presented on the basis of groups. They could be classified, for instance, by the economic use or destination of the commodity, by the type of use or principal sector of utilization or by the degree of fabrication.

## II. DETERMINATION OF INDEXES IN ECUADOR

Following the above introductory remarks, this article will describe the methodology used to calculate foreign trade indexes for Ecuador with the aid of machine tabulation. Every stage of the work was done in the Treasury Department, thanks to the valuable co-operation given by the Fiscal Statistics Department of the Budget Division, in conjunction with the National Planning Board and the Central Bank.

### 1. DESIGN OF THE CARD

The type of card used to determine the export and import indexes for Ecuador contained several fields in common with the standard card recommended at the first meeting of the group of experts on foreign trade statistics at Montevideo. Use was also made of the standard codes relating to foreign trade, origin and destination and units of measurement adopted on that occasion.

The basic card, as depicted in annex I, records the following information:

- A. *Period*: Covers two fields: the first with two digits, refers to the month or months; the second, also with two digits, refers to the year.
- B. *Foreign trade code*: One digit, in keeping with the code outlined in annex II, D, 2.
- C. *Origin and destination*: Covers two fields: the first, with two digits, for classification by economic area (annex II, A); the second, with three digits, for classification of countries according to geographical area (annex II, B).
- D. *Correlative number*: Four digits.
- E. *Classification according to the national statistical nomenclature*: Seven digits.
- F. *Classification according to the Brussels Tariff Nomenclature (revised BTN)*: Six digits, the first four referring to the item, and the other two to the subdivisions recommended by the Brussels Customs

Co-operation Council. It is hoped in this way to ensure that the items will correspond to those of the revised SITC.

- G. *United Nations Standard International Trade Classification (SITC revised)*: Five digits.
- H. *United Nations International Standard Industrial Classification of All Economic Activities (ISIC revised)*: Covers two fields: the first, with three digits, refers to the ISIC group; the second, with one digit, is assigned to the letters classifying the SITC sub-groups into twenty-two aggregates whereby totals can be obtained by type of economic use and principal sector of utilization and by degree of fabrication and principal sector of utilization (see the table in subsection 3 (c) below).
- I. *Classification of imports by economic use or destination of commodities*: Two digits: the first refers to the ten groups of the classification by economic use or destination; the second digit is reserved for a possible subdivision of the classification.
- J. *Classification of exports by nature of commodity*: One digit.
- K. *Reserved for future classifications*: Two digits.
- L. *Units of measurement*: Covers two fields: the first, with two digits, is for the standard unit code (annex II, C); the second, with seven digits, is intended for recording the respective amounts.
- M. *Value, in thousands of monetary units*: Covers two fields: the first, with one digit, is for the code of value; the second, with seven digits, covers value expressed in thousands of monetary units.
- N. *Unit value*: Eight digits: the first six refer to the unit value in sucres and the last two record two figures after the decimal point.
- O. *Value at constant prices, in thousands of monetary units*: Covers two fields of seven digits: the first

registers values at 1960 prices; the second is reserved for registering values at the price obtaining in the new base year selected.

## 2. SOURCES OF INFORMATION

The information used to calculate foreign trade indexes for Ecuador was obtained mechanically, by punching on the type of card described above the data registered on the summary cards (yearly total for the statistical item concerned) kept by the Fiscal Statistics Department of the Treasury. The information reported on the export and import cards came from the respective customs clearance certificates for the years in question.

The period under consideration extends from 1957 to 1961. A set of cards was made up for each year showing imports and exports classified according to the items in the national statistical nomenclature, and free from the errors likely to be made in manual compilation. But the biggest advantage of machine tabulation is that it enables data to be obtained on every item imported and exported. Consequently, if the summary cards for each national statistical item are used as a basis for preparing the indexes, it is possible to classify all the imports and exports in each year. To do this, it is essential to know the structure of foreign trade in current values in accordance with all the classifications used to work out the index.

By means of machine tabulation, information on the following fields can be reported on the basic card: A. Period; B. Foreign trade code; C. Origin or destination; E. National statistical item; F. Item in the revised BTN; L. Code of units and measurements; M. Code of value and of value reckoned in thousands of sucres.

## 3. COMMODITY CLASSIFICATION

In addition to the indexes of quantum and unit value of total exports and imports, it is interesting to note the variations or changes that may appear in certain commodity groups. The items have therefore been grouped in accordance with classifications that make for international comparability and are helpful for the purposes of economic analysis. Two digits have been reserved on the cards for classifications that could be used in future by the different economic institutions in Ecuador (field K). Thanks to the characteristics inherent in the system of machine tabulation it will be possible to adopt new classifications. All that has to be done to sort out the values corresponding to the new groups is to punch the code for the new classification on the commodity cards.

The classifications used for exports and imports are listed below.

### (a) BTN revised

In order to classify Ecuador's foreign trade according to the revised BTN, the tables of equivalence with the national statistical nomenclature which were drawn up by the Budget Service were used, in compliance with the recommendations made at the first meeting of the group of experts on foreign trade statistics at Montevideo. These tables of equivalence correlate each item in the national statistical nomenclature with each of the items and subitems in the revised BTN. Equivalence was established with the aid of the legal and explanatory notes to the BTN. Thus, the code for the item cor-

responding to the BTN was punched on the card in field F, which is assigned to that classification.

### (b) SITC revised

With the BTN as a starting-point, it was possible to classify Ecuador's foreign trade in accordance with the revised SITC, since the recommendation of the Brussels Customs Co-operation Council that the BTN should be subdivided to ensure correspondence with the revised SITC at the item level was carried out. For this purpose, use was made of the United Nations publication in question: the *Standard International Trade Classification*, Series M, No. 34 (New York, 1961).

### (c) ISIC Classification of All Economic Activities

In order to group Ecuador's imports and exports on the lines of this classification, recourse was had to the manual of the European Economic Community Statistical Office (1961), which makes a correlation between the items in the revised SITC and in ISIC, both United Nations documents. It may be that the correlation between the two classifications will be improved upon in future, but this document was helpful for grouping all Ecuador's imports and exports by activities or sectors of production.<sup>3</sup>

In addition to establishing a correspondence between SITC and ISIC, the present document contains a simple system for grouping the revised SITC subgroups through the addition of a letter which is punched in the place of the fourth digit in field H on the card, thereby enabling a classification of twenty-two special groups to be built up. These, in turn, can be rearranged on the basis of a number of criteria that enable a matrix to be constructed by type of economic use and principal sector of utilization. The classifications that can be obtained therefrom are indicated below:

Type of use	Principal sector of utilization			Products not classifiable by sector of utilization
	Agriculture	Industry and other economic activities	Household use	
1. Energy				
1.1 Raw materials . . . . .	—	—	—	0
1.2 Manufactured products . . . . .	—	—	—	I

(Table continues on p. 256)

<sup>3</sup> ISIC—*International Standard Industrial Classification of All Economic Activities*, Series M, No. 4, Rev.1 (New York, 1961) is a United Nations publication. However, the following changes that affect the content of some ISIC groups have been made in the EEC Statistical Office manual mentioned above:

011 *Agriculture and livestock production*: The only commodities included in this group are those intended, directly or indirectly, for human or animal food. Horticultural products, synthetic and grey rubber, and wool, skins and hides are therefore excluded (see 019).

019 This group has been created to cover *crop and livestock products not intended for food*. It includes, among other things, the non-edible by-products of slaughtering.

201 *Slaughtering, preparation and preserving of meat*: This group is entirely devoted to the preparation of food products. It therefore excludes the non-edible by-products of slaughtering (see 019).

387 *Engines, except aircraft engines*: The products under this head have been extracted from groups 381, 382, 383 and 385.

611 *Wholesale trade*: Waste and left-over materials not chargeable to a well-defined production activity have been grouped together here.

900 This group comprises *products that do not belong to a production activity proper*.

Type of use	Principal sector of utilization			Products not classifiable by sector of utilization
	Agriculture	Industry and other economic activities	Household use	
<b>2. Foodstuffs</b>				
2.1 Raw materials . . . . .	A	J	S	—
2.2 Processed products ..	B	K	T	—
<b>3. Raw materials</b>				
3.1 Natural raw materials	D	M	V	—
3.2 Artificial and synthetic materials ...	—	L	—	—
<b>4. Intermediate goods . . . . .</b>				
—	—	Q	—	—
<b>5. Finished goods for investment</b>				
5.1 Transport and haulage	E	N	W	—
5.2 Fixed investment ...	F	P	X <sup>a</sup>	—
<b>6. Finished goods for consumption and transforming . . . . .</b>				
—	H	R	Z	—

SOURCE: European Economic Community Statistical Office.

<sup>a</sup> Machinery and apparatus only.

If the columns in this table are added together the sum will give the principal sector of utilization, and if the lines are added together the sum will be the type of economic use. All the intermediate classifications can of course be made.

Classifications by degree of fabrication are obtained as follows: Raw materials: lines 1.1, 2.1 and 3.1; Intermediate goods: lines 3.2 and 4; group K; Finished goods: lines 1.2, 5.1, 5.2 and 6; groups B. and T.

#### Composition of special groups by SITC headings

- A. Unprocessed foodstuffs, mainly for agriculture
- B. Foodstuffs, mainly for agriculture
- D. Natural raw materials, mainly for agriculture
- E. Transport and haulage equipment, mainly for agriculture
- F. Fixed investment goods, mainly for agriculture
- H. Unclassified finished goods, mainly for agriculture
- I. Processed energy products
- J. Unprocessed foodstuffs, mainly for industry and other non-agricultural activities
- K. Foodstuffs, mainly for industry and other non-agricultural activities
- L. Artificial and synthetic raw materials, mainly for industry and other non-agricultural activities
- M. Natural raw materials, mainly for industry and other non-agricultural activities
- N. Transport and haulage equipment, mainly for industry
- O. Energy-producing raw materials
- P. Fixed investment goods, mainly for industry and other non-agricultural activities
- Q. Non-foodstuff semi-finished or primary-processed goods, mainly for industry and other non-agricultural activities

R. Finished goods, mainly for consumption or industrial transforming or for other non-agricultural activities

S. Unprocessed foodstuffs, mainly for household use

T. Foodstuffs, mainly for household use

V. Unprocessed inedible raw materials, mainly for household use

W. Transport equipment, mainly for domestic use

X. Machinery and apparatus, mainly for household use

Z. Non-foodstuff products, mainly for household use

#### (d) Classification of imports by economic use or destination

ECLA classifies imports in ten main groups according to the economic use or destination of the items. The criterion underlying this classification may be grasped from the explanatory notes in the Statistical Supplement to the *Economic Bulletin for Latin America*, vol. V (Santiago, Chile, November 1960). Broadly speaking, it has been borne in mind: (i) that all accessories, spare parts and allied products are classified in the same way as the item to which they belong, and (ii) that when a product has a number of uses and functions, and amounts and values cannot be divided among the relevant categories, it is classified according to its principal use or function in the importer country.

The classification is as follows:

1. Non-durable consumer goods
2. Durable consumer goods
3. Fuels
4. Raw materials and intermediate goods: metal products
5. Raw materials and intermediate goods: other products
6. Construction materials
7. Machinery, equipment and tools: for agriculture
8. Machinery, equipment and tools: for industry and other activities
9. Machinery, equipment and tools: for transport and communications
10. Miscellaneous

These groups may be rearranged in the following way: Consumer goods: groups 1 and 2; Fuels: group 3; Raw materials and intermediate goods: groups 4, and 5; Capital goods: groups 6, 7, 8 and 9.

#### (e) Classification of exports by nature of commodity

Ecuador's exports have also been classified in five main groups according to the origin or nature of the commodities concerned:

1. Agricultural and forest products. This group includes all crops of agricultural or forest origin and commodities, such as flour, at the first stage of processing. Specific commodities included are, *inter alia*, tobacco, rubber, wood in the rough and sawnwood.

2. Livestock and fisheries products. This group comprises cattle on the hoof, dairy products, honey, meat of all kinds, hides, wool and fish.

3. Fuels. The bulk of this group consists of petroleum and petroleum products. Lubricants are also included.

4. Mining products (except fuels). This group covers ferrous and non-ferrous metals and ores, unworked or semi-finished. It includes ingots, bars, plates, and sheets, but finished products such as wire are excluded.

5. Other products. This is essentially a residual group of which the principal components are manufactures (textiles, chemical and pharmaceutical products, panama hats, etc.).

#### 4. FORMULAS FOR DETERMINING INDEXES

The formulas selected for determining the quantum and unit value indexes for Ecuador's imports and exports had to be theoretically acceptable and at the same time easy to apply. They are given below:

$\frac{\sum P_n Q_n}{\sum P_0 Q_0}$  for quantum indexes of the Laspeyres type

$\frac{\sum P_n Q_n}{\sum P_0 Q_n}$  for unit value indexes of the Paasche type

In these:

$P_0$  is the unit value of each item in the base year;

$P_n$  is the unit value of each item in any given year;

$Q_0$  is the amount of each item in the base year; and

$Q_n$  is the amount of each item in any given year.

Another advantage of using these formulas is that the price index can be worked out as the quotient of the index of value divided by the quantum index, since the sum of the Laspeyres and Paasche formulas gives the index of value, namely:

$$\frac{\sum P_0 Q_n}{\sum P_0 Q_0} \cdot \frac{\sum P_n Q_n}{\sum P_0 Q_n} = \frac{\sum P_n Q_n}{\sum P_0 Q_0}$$

If the Laspeyres formula is used, the quantum index can be determined simply by calculating the average price of each commodity in the base year, multiplying it by the amounts exported or imported in the other years and adding the partial products to obtain the values at constant aggregate prices for each year. If these values are then divided by the equivalent totals for the base year, quantum indexes will be obtained.

Indexes of unit value are arrived at by dividing the current aggregate values for a given year by the constant aggregate values for the same year. This means that all that has to be done to determine the indexes of quantum and unit value is to calculate the unit value of the items in the base year and from this the value at constant prices, since current values are obtained by means of reproduction from the summary cards.

The main advantage offered by the Laspeyres and Paasche formulas is their practical simplicity, which is enhanced even more by the system of machine tabulation. In fact, the quantum and unit value indexes can be determined merely by leaving two punch fields on the card for the relevant data. On the basic card used to determine the indexes in the case of Ecuador, field *N* was assigned to unit values and field *Q* to values at constant prices. Both fields are determined and

automatically punched with the aid of an IBM calculating machine.

#### 5. SELECTION OF THE SAMPLE FOR CALCULATING THE INDEXES

As regards the calculation of values at constant prices by means of the above-mentioned formulas, it is impossible to deal with every single trade item. In fact, the variations in the composition of the products that are registered by exports in a given period—and even more markedly by imports—would make this difficult. In addition, a large number of items are not significant enough in relative terms to be included in the sample. And to include all the items directly in the calculations entails an effort that would not invariably bear fruit in the shape of more precise results, since the lack of homogeneity in some items in the national statistical nomenclature would greatly distort the indexes of unit value for the group in which the items in question are included. But although these products were not taken into direct account in calculating the values at constant prices, they are included in the total for the relevant group, adjusted to 100 per cent in current values (see subsection 6 (a) below). If these current values are then deflated by the index of unit value for the group concerned—after the distortions have been eliminated—a series of values at constant prices is obtained which is better screened and adjusted to 100 per cent. The sample chosen for Ecuador had a representativeness of about 98 per cent of total exports and 95 per cent of total imports during the period under consideration.

As regards the criterion followed in choosing the items to form part of the sample, the export coverage mentioned was achieved with as few as seventeen commodities, in view of the substantial proportion of Ecuador's export trade they represented. The items to be included in the import sample were selected in two stages: (a) according to their relative proportions of the total, and (b) according to their degree of homogeneity, which was determined on the basis of the variations observed in the unit values of each item over the period in question. Those whose unit value fluctuated widely from one year to the next without apparent reason were excluded. In the light of this criterion, 805 items were eventually included in the sample for calculating imports.

#### 6. METHOD OF ADJUSTING THE SAMPLE SELECTED TO THE STATISTICAL UNIVERSE

As explained already, through the use of the machine tabulation system information on the current values of all exports and imports at the item level of the national statistical nomenclature can be made available on punch cards. By sorting the relevant cards, it is also possible for them to be grouped in accordance with the different classifications used for the purpose. In this way the structure of foreign trade in current values can be ascertained for each year, in relation to both the items included in the sample and those excluded from it. With the aid of this information, the values at constant prices for the sample can be adjusted to 100 per cent in keeping with the actual yearly structure of the items not incorporated in the sample in terms of current values.

The method adopted for adjusting the values at constant prices to the statistical universe was applied in two stages:

(a) *Adjustment of values at constant prices on the basis of the main classification*

The current values of the items not included in the sample were classified for each year in ten groups according to economic use or destination in the case of imports and in five groups according to the nature of the article in the case of exports. The results obtained for each group in the classification were added to the current values for the sample covering the respective groups. This gives the total current value for each group in all years.

The current values for each group (adjusted to 100 per cent) were deflated by the index of unit value applicable to the sample for the particular group, the assumption being that the prices of the items not included in the group varied to the same extent as those of the commodities included. This gave the values at constant prices for each group in the main classification, adjusted to 100 per cent.

(b) *Distribution, on the basis of the other classifications, of the value of the items excluded*

Once the value at constant prices for each group in the main classification had been adjusted to 100 per cent, the next stage consisted in assigning the value at constant prices of the items not included in the sample in accordance with the other classifications. These values were obtained by deducting in each of the groups in the main classification the values of the sample at constant prices from the value at constant prices adjusted to 100 per cent. Subsequently, each of the ten groups of imports and five groups of exports was classified separately in terms of current value on the basis of the following classifications: Sections and divisions of the revised SITC; ISIC divisions and major groups; Groups by type of economic use and principal sector of utilization.

The percentage distribution in current values of the items not included in the sample was thus obtained for the above-mentioned classifications in relation to the main classification of ten groups of imports and five groups of exports. These percentages in current values were applied to the value in constant prices of the items not included in each of the groups in the principal classification, as appropriate.

DESIGN OF THE BASIC CARD FOR ECUADOR

Annex I

A	Month		Period
	Year		
0	0	0	Foreign trade code
1	2	3	
4	5	6	
7	8	9	
B	0	0	Origin or destination
C	0	0	
	0	0	
	0	0	
D	0	0	Correlative
	0	0	
	0	0	
	0	0	
E	0	0	National statistical item
	0	0	
	0	0	
	0	0	
F	0	0	BTN
	0	0	
	0	0	
	0	0	
G	0	0	Revised SITC
	0	0	
	0	0	
	0	0	
H	0	0	ISIC
	0	0	
	0	0	
	0	0	
I	0	0	Ten groups of imports
J	0	0	Five groups of exports
K	0	0	Reserved for future classifications
L	0	0	Unit code
	42	43	
	44	45	
	46	47	
L	0	0	Quantum
	0	0	
	0	0	
	0	0	
M	0	0	Code of value
	51	52	
	53	54	
	55	56	
N	0	0	Value in thousands of sucres
	57	58	
	59	60	
	61	62	
N	0	0	Unit value
	63	64	
	65	66	
	67	68	
O	0	0	Thousands of sucres
	69	70	
	71	72	
	73	74	
	0	0	Values at constant prices
	75	76	
	77	78	
	79	80	

## Annex II

### CODES USED

#### A. ECONOMIC AREAS

11	America, excluding Latin America	21321	Brazil
21	Latin American Free-Trade Association (ALALC) (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru and Uruguay)	21331	Uruguay
29	Rest of Latin America	21333	Argentina
31	Eastern Europe	29341	Bolivia
41	European Economic Community (EEC) (Belgium, Federal Republic of Germany, France, Italy, Kingdom of the Netherlands, Luxembourg)	21343	Paraguay
42	European Free Trade Association (EFTA) (Austria, Denmark, Norway, Portugal, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland)	21351	Peru
49	Rest of Western Europe	21353	Chile
51	Asia, excluding the Middle East	11361	British Guiana
61	Middle East	21333	Falkland Islands or Malvinas
71	Africa, excluding the Middle East	11371	French Guiana
81	Oceania	11381	Surinam
91	Special provisions (unknown, ship consumption, etc.)	31401	Albania
		41402	Federal Republic of Germany
		31403	Eastern Germany
		49404	Andorra
		42407	Austria
		41408	Belgium—Luxembourg
		31411	Bulgaria
		31412	Czechoslovakia
		49413	Holy See
		42414	Denmark
		49417	Spain
		49418	Faeroe Islands
		49421	Finland
		41422	France
		49423	Gibraltar
		49424	Greece
		31427	Hungary
		49428	Ireland
		49431	Iceland
		41432	Italy
		49433	Malta
		41434	Kingdom of the Netherlands
		41437	Channel Islands
		42438	Norway
		31441	Poland
		42442	Portugal
		42443	United Kingdom of Great Britain and Northern Ireland
		31444	Romania
		42447	Sweden
		42448	Switzerland
		31451	Yugoslavia
		61501	Aden
		51502	Afghanistan
		61503	Bahrein
		51504	Burma
		51507	North Borneo
		51508	Brunei
		51511	Bhutan
		51512	Cambodia
		51513	Kashmir
		51514	Ceylon
		51517	Republic of Korea
		51518	Mainland China and adjacent States
		51521	China (Taiwan)
		49522	Cyprus
		61523	Trucial States

#### B. COUNTRIES OF ORIGIN OR DESTINATION<sup>a</sup>

11101	Greenland	42414	Denmark
11102	St. Pierre and Miquelon	49417	Spain
11103	Canada	49418	Faeroe Islands
11105	United States of America	49421	Finland
21107	Mexico	41422	France
29211	Guatemala	49423	Gibraltar
29212	British Honduras or Belize	49424	Greece
29213	El Salvador	31427	Hungary
29214	Honduras	49428	Ireland
29217	Nicaragua	49431	Iceland
29218	Costa Rica	41432	Italy
29219	Panama	49433	Malta
29220	Panama Canal Zone	41434	Kingdom of the Netherlands
29231	Cuba	41437	Channel Islands
29232	Dominican Republic	42438	Norway
29233	Haiti	31441	Poland
11241	Bermudas	42442	Portugal
11242	Barbados	42443	United Kingdom of Great Britain and Northern Ireland
11243	Bahamas	31444	Romania
11244	Jamaica	42447	Sweden
11247	Leeward Islands	42448	Switzerland
11248	Windward Islands	31451	Yugoslavia
11249	Trinidad and Tobago	61501	Aden
11251	Guadeloupe	51502	Afghanistan
11252	Martinique	61503	Bahrein
11261	Netherlands Antilles	51504	Burma
11271	Virgin Islands	51507	North Borneo
11275	Puerto Rico	51508	Brunei
21311	Colombia	51511	Bhutan
21313	Ecuador	51512	Cambodia
29314	Venezuela	51513	Kashmir
		51514	Ceylon
		51517	Republic of Korea
		51518	Mainland China and adjacent States
		51521	China (Taiwan)
		49522	Cyprus
		61523	Trucial States

<sup>a</sup> The main reference work used for the preparation of these codes was the *Guide to the classification of countries and places for foreign trade statistics* (Washington, Pan American Union, 1959). The version given hereafter contains some slight changes and clarifications required by the new political and geographical structures accepted by the United Nations, but the codes remain the same.



51524	Federation of Malaya	71744	Nigeria
51527	Philippines	71747	Peñón de Vélez de la Gomera
51528	Hongkong	71748	Réunion
51531	India	71751	Federation of Rhodesia and Nyasaland
51532	Portuguese India	71752	Santa Helena
51533	Indonesia	71753	São Tomé and Príncipe
61534	Iraq	71754	Spanish Sahara
61537	Iran	71757	Seychelle Islands
61538	Israel	71758	Sierra Leone
51541	Jammu	71761	Somalia
51542	Japan	71762	British Somaliland
61543	Jordan	71763	French Somaliland
61544	Kuwait	71764	Sudan
51547	Laos	71767	Tanganyika
61548	Lebanon	71768	Tangier
51551	Macao	71771	Togoland
51552	Maldivé Islands	71772	Tunisia
61553	Muscat and Oman	71773	Uganda
51554	Mongolia	71774	South Africa
51557	Nepal	71777	Zanzibar and Pemba
51558	Netherlands New Guinea	81801	Australia
51561	Pakistan	81802	Cook Islands
51562	Qatar	81803	Gilbert and Ellice Islands
51563	Sarawak	81805	Hawaii
61564	Saudi Arabia	81807	Guam
51567	Singapore	81808	Nauru Atoll
51569	Thailand	81811	Niue Island
51571	Portuguese Timor	81812	Norfolk Island
49572	Turkey	81813	New Caledonia
51573	Republic of Viet-Nam	81814	New Guinea (Australian administration)
61574	Yemen	81817	New Hebrides
31600	Union of Soviet Socialist Republics	81818	New Zealand
71701	French Equatorial Africa [now Congo (Brazzaville), Chad and Gabon]	81821	French Oceania
71702	French West Africa [now Upper Volta, Ivory Coast, Dahomey, Guinea, Mauritania, Niger, Senegal and Sudan]	81822	North American Oceania
71703	Guinea	81823	Papua
71704	Alboran and Perejil	81824	Solomon Islands
71707	Alhucema Islands	81827	American Samoa
71708	Angola	81828	Western Samoa
71711	Algeria	81831	Tokelau Islands
71712	Cape Verde Islands	81832	Fiji Islands
71713	Cameroons		<i>Special provisions</i>
71714	Ceuta	91901	Unknown
71717	Comoro Islands	91911	Exports "on request"
71718	Congo (Leopoldville)		
71721	Chafarina Islands		
71723	Ethiopia		
61722	United Arab Republic		
71724	Gambia		
71727	Ghana		
71728	Spanish Guinea		
71731	Portuguese Guinea		
71732	Kenya		
71733	Liberia		
71734	Libya		
71737	Madagascar		
71738	Morocco		
71741	Mauritius		
71742	Melilla		
71743	Mozambique		

C. UNITS OF MEASUREMENT

1. *General measures*

01	Kilowatt-hour
11	Per unit
12	Hundreds
13	Thousands
14	Hundreds of thousands
15	Dozens
16	Thousands of dozens
17	Stems or bunches
18	Thousands of stems or bunches
19	Pairs
21	Dozens of pairs
22	Thousands of pairs
23	Gross
24	Thousands of dozens
25	60-kilogramme bags

26 Thousands of 60-kilogramme bags  
 27 Boxes  
 28 H.P. (horse power)

2. *Weight*

31 Gross kilogrammes  
 32 Legal kilogrammes  
 33 Net or liquid kilogrammes  
 34 Tens of net kilogrammes  
 35 Tens of gross kilogrammes  
 36 Gross metric quintals  
 37 Net metric quintals  
 38 Thousands of gross metric quintals  
 39 Thousands of net metric quintals  
 41 Gross metric tons  
 42 Net metric tons  
 43 Thousands of gross metric tons  
 44 Thousands of net metric tons  
 45 Milligrammes  
 46 Gross grammes  
 47 Legal grammes  
 48 Net grammes  
 49 Gross pounds  
 51 Net pounds  
 52 Ounces troy weight

3. *Volume*

61 Litres  
 62 Thousands of litres  
 63 Hectolitres  
 64 Thousands of hectolitres  
 65 Gallons  
 66 Barrels  
 67 Cubic metres  
 68 Ten board feet  
 69 Cubic feet

4. *Area*

81 Square feet  
 82 Square metres  
 83 Thousands of square metres

5. *Length*

91 Metres  
 92 Yards  
 93 Centimetres  
 94 Tens of thousands of metres

D. OTHER CODES

1. *Period*

*First two digits*

01 First quarter  
 02 Second quarter

03 Third quarter  
 04 Fourth quarter  
 06 First half year  
 12 Second half year  
 61 onwards Yearly total

*Second two digits*

Year to which the data refer

*Example*

0161 First quarter 1961  
 1261 Second half 1961  
 6161 Total 1961  
 6162 Total 1961 and 1962

2. *Foreign trade*

1 Imports  
 2 Exports  
 3 Re-exports

3. *Reporting countries*

01 Argentina  
 02 Bolivia  
 03 Brazil  
 04 Colombia  
 05 Costa Rica  
 06 Cuba  
 07 Chile  
 08 Dominican Republic  
 09 Ecuador  
 10 El Salvador  
 11 Guatemala  
 12 Haiti  
 13 Honduras  
 14 Mexico  
 15 Nicaragua  
 16 Panama  
 17 Paraguay  
 18 Peru  
 19 Uruguay  
 20 Venezuela

4. *Transport media*

1 Sea  
 2 River  
 3 Lake  
 4 Air  
 5 Postal  
 6 Rail  
 7 Road  
 8 Cross-country by animal  
 9 Others

Annex III

ECUADOR'S FOREIGN TRADE, 1957-61

1. The present annex contains data on Ecuador's exports and imports in 1957, 1958, 1959, 1960 and 1961.

2. The tables have been arranged in three series. The first (tables I to 3) contain the indexes of quantum, unit value, the terms of trade and the purchasing power of exports.

The second series gives the value of exports in current dollars and at 1960 prices for the classification by nature of commodity (tables 4 and 5). Exports have also been classified in terms of current dollars by the sections and divisions of the United Nations Standard International Trade Classification (SITC revised), the divisions and major groups of the United Nations

International Standard Industrial Classification of All Economic Activities (ISIC), the type of economic use and principal sector of utilization and the degree of fabrication and principal sector of utilization (tables 6 to 9).

The third series includes imports in current dollars and at 1960 prices on the lines of the classification by economic use or destination of commodity (tables 10 and 11) and in current dollars according to the other classifications (tables 12 to 15).

3. Although it was not thought necessary to include in the present annex all the data obtained on Ecuador's foreign trade, it should be pointed out that this is the first Latin American country on which information is available with respect to the

value of exports and imports in national currency and in dollars—current and constant at 1960 prices—in accordance with the above-mentioned classifications.

4. The data on exports are obtained from the customs clearance certificates for the years in question. Adjustments have been made in the figures in accordance with information supplied by the Central Bank of Ecuador on the revaluation of bananas and shrimps.

The data on imports derive from the customs clearance certificates for the relevant years.

5. The whole of the processing was carried out in the Fiscal Statistics Department of the Budget Division in Ecuador.

#### FIRST SERIES: ECONOMIC INDICATORS ON FOREIGN TRADE

**Table 1**

##### QUANTUM OF TOTAL EXPORTS AND IMPORTS

(Index: 1960 = 100)

	1957	1958	1959	1960	1961
Exports .....	81.6	81.5	93.0	100.0	93.8
Imports .....	87.5	93.3	87.8	100.0	98.9

**Table 2**

##### UNIT VALUE IN DOLLARS OF TOTAL EXPORTS AND IMPORTS

(Index: 1960 = 100)

	1957	1958	1959	1960	1961
Exports .....	112.4	112.5	104.7	100.0	91.6
Imports .....	97.3	96.6	96.3	100.0	93.6

**Table 3**

##### TERMS OF TRADE AND PURCHASING POWER OF EXPORTS

(Index: 1960 = 100)

Year	Terms of trade in dollars	Purchasing power of exports <sup>a</sup>
1957 .....	115.5	94.2
1958 .....	116.5	94.9
1959 .....	108.7	101.1
1960 .....	100.0	100.0
1961 .....	97.9	91.8

<sup>a</sup> This series was obtained by multiplying the annual index for the terms of trade in dollars by the quantum index of exports for the same year.

#### SECOND SERIES: EXPORTS

**Table 4**

##### TOTAL EXPORTS CLASSIFIED BY NATURE OF COMMODITY

(F.o.b. value in thousands of dollars)

Code and group	1957	1958	1959	1960	1961
<i>Total</i> .....	135 261	135 321	143 759	147 591	126 859
1. Agricultural and forest products	128 414	128 404	137 234	141 116	119 534
2. Livestock and fisheries products	3 517	4 066	4 270	3 962	4 875
3. Fuels .....	1 216	756	302	—	—
4. Mining products .....	243	199	173	197	253
5. Other products .....	1 871	1 896	1 780	2 316	2 197

**Table 5**

##### TOTAL EXPORTS CLASSIFIED BY NATURE OF COMMODITY

(Value in thousands of dollars at 1960 prices)

Code and group	1957	1958	1959	1960	1961
<i>Total</i> .....	120 388	120 308	137 258	147 591	138 483
1. Agricultural and forest products	113 483	114 055	130 283	141 116	129 494
2. Livestock and fisheries products	3 534	3 768	4 784	3 962	6 513
3. Fuels .....	1 323	544	302	—	—
4. Mining products .....	162	120	146	197	325
5. Other products .....	1 886	1 821	1 743	2 316	2 151

**Table 6**  
**TOTAL EXPORTS CLASSIFIED BY THE SECTIONS AND DIVISIONS OF THE REVISED SITC**  
*(F.o.b. value in thousands of dollars)*

Section	Division	Section and division headings	1957	1958	1959	1960	1961
0		<i>Food and live animals</i> .....	128 342	129 534	138 526	141 847	119 880
	01	Meat and meat preparations.....	17	14	12	14	18
	02	Dairy products and eggs.....	—	—	—	—	—
	03	Fish and fish preparations.....	3 320	3 904	4 130	3 803	4 670
	04	Cereals and cereal preparations.....	4 689	3 466	2 224	3 541	3 088
	05	Fruit and vegetables.....	72 271	74 975	92 507	91 855	77 542
	06	Sugar, sugar preparations and honey.....	1 523	1 738	2 166	1 171	2 887
	07	Coffee, tea, cocoa, spices and manufactures thereof...	46 388	45 327	37 391	41 354	31 535
	08	Feeding stuff for animals (not including unmilled cereals) .....	134	110	96	109	140
2		<i>Crude materials, inedible, except fuels</i> .....	3 901	3 191	3 199	3 483	4 853
	21	Hides, skins and furskins, undressed.....	149	122	106	120	155
	22	Oil-seeds, oil nuts and oil kernels.....	1 088	925	1 057	1 427	2 551
	24	Wood, lumber and cork.....	1 873	1 496	1 474	1 296	1 324
	28	Metalliferous ores and metal scrap.....	199	163	141	161	207
	29	Crude animal and vegetable materials, n.e.s.....	592	485	421	479	616
3		<i>Mineral fuels, lubricants and related minerals</i> .....	1 216	756	302	—	—
	33	Petroleum and petroleum products.....	1 216	756	302	—	—
5		<i>Chemicals</i> .....	580	839	838	1 050	1 404
	51	Chemical elements and compounds.....	14	12	23	27	26
	53	Dyeing, tanning and colouring materials.....	36	30	26	29	37
	54	Medicinal and pharmaceutical products.....	375	670	679	868	1 179
	58	Plastic materials, regenerated cellulose and artificial resins .....	8	7	6	7	9
	59	Chemical materials and products, n.e.s.....	147	120	104	119	153
6		<i>Manufactured goods classified chiefly by material</i> .....	89	73	63	71	93
	61	Leather, leather manufactures, n.e.s. and dressed furskins .....	—	—	—	—	—
	62	Rubber manufactures, n.e.s.....	22	18	15	18	23
	63	Wood and cork manufactures (excluding furniture)...	1	1	1	—	1
	65	Textile yarn, fabrics, made-up articles and related products .....	7	6	5	6	7
	67	Iron and steel.....	2	1	1	1	2
	68	Non-ferrous metals .....	45	37	32	36	47
	69	Manufactures of metal, n.e.s.....	12	10	9	10	13
7		<i>Machinery and transport equipment</i> .....	85	70	61	69	88
	71	Machinery, other than electric.....	77	63	55	62	80
	72	Electrical machinery, apparatus and appliances.....	4	4	3	4	4
	73	Transport equipment .....	4	3	3	3	4
8		<i>Miscellaneous manufactured articles</i> .....	1 048	858	770	1 071	541
	81	Sanitary, plumbing, heating and lighting fixtures and fittings .....	1	—	1	—	1
	84	Clothing .....	1 033	846	759	1 059	524
	86	Professional, scientific and controlling instruments; photographic and optical goods; watches and clocks .....	7	6	5	6	8
	89	Miscellaneous manufactured articles n.e.s.....	7	6	5	6	8
		<i>Total</i> .....	135 261	135 321	143 759	147 591	126 859

**Table 7**  
**TOTAL EXPORTS CLASSIFIED BY DIVISIONS AND MAJOR GROUPS OF THE ISIC**  
*(F.o.b. value in thousands of dollars)*

Division	Major group	Headings of divisions and major groups	1957	1958	1959	1960	1961
0		<i>Agriculture, forestry, hunting and fishing</i> .....	123 619	127 862	136 347	141 095	116 347
	01	Agriculture .....	119 911	123 962	132 408	137 461	112 670
	02	Forestry and logging.....	388	318	276	314	404
	04	Fishing .....	3 320	3 582	3 663	3 320	3 273

Table 7 (continued)

Division	Major group	Headings of divisions and major groups	1957	1958	1959	1960	1961
1		Mining and quarrying.....	1 377	888	417	130	168
	12	Metal mining .....	161	132	115	130	168
	13	Crude petroleum and natural gas.....	1 216	756	302	—	—
2-3		Manufacturing .....	10 227	6 539	6 968	6 335	10 304
	20	Food manufacturing industries, except beverage industries .....	6 409	3 087	3 660	2 663	6 706
	23	Manufacture of textiles.....	7	6	5	6	7
	24	Manufacture of footwear, other wearing apparel and made-up textile goods.....	1 033	846	759	1 059	524
	25	Manufactures of wood and cork, except manufacture of furniture .....	1 874	1 497	1 475	1 297	1 325
	29	Manufacture of leather and leather and fur products, except footwear and other wearing apparel.....	153	125	109	124	159
	30	Manufacture of rubber products.....	18	15	13	14	19
	31	Manufacture of chemicals and chemical products.....	580	839	838	1 049	1 404
	33	Manufacture of non-metallic mineral products, except products of petroleum and coal.....	1	—	—	1	1
	34	Basic metal industries.....	47	38	33	38	49
	35	Manufacture of metal products, except machinery and transport equipment .....	12	10	9	10	13
	36	Manufacture of machinery, except electrical machinery .....	77	63	55	62	80
	37	Manufacture of electrical machinery, apparatus, appliances and supplies.....	4	3	3	3	5
	38	Manufacture of transport equipment.....	4	3	3	3	4
	39	Miscellaneous manufacturing industries.....	8	7	6	6	8
6		Commerce .....	38	32	27	31	40
	61	Wholesale and retail trade.....	38	32	27	31	40
		Total .....	135 261	135 321	143 759	147 591	126 859

Table 8  
TOTAL EXPORTS CLASSIFIED BY TYPE OF ECONOMIC USE AND  
PRINCIPAL SECTOR OF UTILIZATION  
(F.o.b. value in thousands of dollars)

Type of use	Principal sector of utilization				Total
	Agriculture	Industry and other economic activities	Household use	Products not classifiable by sector of utilization	
1. Energy					
1957 .....	—	—	—	1 216	1 216
1958 .....	—	—	—	1 216	1 216
1959 .....	—	—	—	302	302
1960 .....	—	—	—	—	—
1961 .....	—	—	—	—	—
1.1 Raw materials					
1957 .....	—	—	—	1 216	1 216
1958 .....	—	—	—	756	756
1959 .....	—	—	—	302	302
1960 .....	—	—	—	—	—
1961 .....	—	—	—	—	—
2. Food					
1957 .....	134	46 656	81 567	—	128 357
1958 .....	110	48 538	80 899	—	129 547
1959 .....	96	38 891	99 550	—	138 537
1960 .....	109	44 334	97 417	—	141 860
1961 .....	140	32 644	87 110	—	119 894
2.1 Raw materials					
1957 .....	134	46 345	75 604	—	122 083
1958 .....	110	47 893	78 567	—	126 570
1959 .....	96	38 696	96 180	—	134 972
1960 .....	109	44 011	95 185	—	139 305
1961 .....	140	32 360	80 828	—	113 328

Table 8 (continued)

Type of use	Principal sector of utilization				Total
	Agriculture	Industry and other economic activities	Household use	Products not classifiable by sector of utilization	
<b>2.2 Manufactured products</b>					
1957 .....	—	311	5 963	—	6 274
1958 .....	—	645	2 332	—	2 977
1959 .....	—	195	3 370	—	3 565
1960 .....	—	323	2 232	—	2 555
1961 .....	—	284	6 282	—	6 566
<b>3. Raw materials</b>					
1957 .....	—	1 905	155	—	2 060
1958 .....	—	1 594	127	—	1 721
1959 .....	—	1 639	110	—	1 749
1960 .....	—	2 088	126	—	2 214
1961 .....	—	3 402	162	—	3 564
<b>3.1 Natural raw materials</b>					
1957 .....	—	1 897	155	—	2 052
1958 .....	—	1 587	127	—	1 714
1959 .....	—	1 633	110	—	1 743
1960 .....	—	2 081	126	—	2 207
1961 .....	—	3 393	162	—	3 555
<b>3.2 Artificial and synthetic raw materials</b>					
1957 .....	—	8	—	—	8
1958 .....	—	7	—	—	7
1959 .....	—	6	—	—	6
1960 .....	—	7	—	—	7
1961 .....	—	9	—	—	9
<b>4. Intermediate goods</b>					
1957 .....	—	1 928	—	—	1 928
1958 .....	—	1 543	—	—	1 543
1959 .....	—	1 527	—	—	1 527
1960 .....	—	1 356	—	—	1 356
1961 .....	—	1 394	—	—	1 394
<b>5. Finished goods for investment</b>					
1957 .....	64	37	4	—	105
1958 .....	52	30	4	—	86
1959 .....	45	26	3	—	74
1960 .....	51	30	3	—	84
1961 .....	66	39	4	—	109
<b>5.1 Transport and haulage</b>					
1957 .....	60	1	—	—	61
1958 .....	49	1	—	—	50
1959 .....	42	1	—	—	43
1960 .....	48	1	—	—	49
1961 .....	62	2	—	—	64
<b>5.2 Fixed investment</b>					
1957 .....	4	36	4	—	44
1958 .....	3	29	4	—	36
1959 .....	3	25	3	—	31
1960 .....	3	29	3	—	35
1961 .....	4	37	4	—	45
<b>6. Finished goods for consumption and transforming</b>					
1957 .....	147	25	1 423	—	1 595
1958 .....	120	20	1 528	—	1 668
1959 .....	104	18	1 448	—	1 570
1960 .....	119	20	1 938	—	2 077
1961 .....	153	26	1 719	—	1 898
<b>Total</b>					
1957 .....	345	50 551	83 149	1 216	135 261
1958 .....	282	51 725	82 558	756	135 321
1959 .....	245	42 101	101 111	302	143 759
1960 .....	279	47 828	99 484	—	147 591
1961 .....	359	37 505	88 995	—	126 859

**Table 9**  
**TOTAL EXPORTS CLASSIFIED BY DEGREE OF FABRICATION**  
**AND PRINCIPAL SECTOR OF UTILIZATION**  
*(F.o.b. value in thousands of dollars)*

Degree of fabrication	Principal sector of utilization				Total
	Agriculture	Industry and other economic activities	Household use	Products not classifiable by sector of utilization	
<i>Raw materials</i>					
1957 .....	134	48 242	75 759	1 216	125 351
1958 .....	110	49 480	78 694	756	129 040
1959 .....	96	40 329	96 290	302	137 017
1960 .....	109	46 092	95 311	—	141 512
1961 .....	140	35 753	80 990	—	116 883
<i>Intermediate goods</i>					
1957 .....	—	2 247	—	—	2 247
1958 .....	—	2 195	—	—	2 195
1959 .....	—	1 728	—	—	1 728
1960 .....	—	1 686	—	—	1 686
1961 .....	—	1 687	—	—	1 687
<i>Final goods</i>					
1957 .....	211	62	7 390	—	7 663
1958 .....	172	50	3 864	—	4 086
1959 .....	149	44	4 821	—	5 014
1960 .....	170	50	4 173	—	4 393
1961 .....	219	65	8 005	—	8 289
<i>Total</i>					
1957 .....	345	50 551	83 149	1 216	135 261
1958 .....	282	51 725	82 558	756	135 321
1959 .....	245	42 101	101 111	302	143 759
1960 .....	279	47 828	99 484	—	147 591
1961 .....	359	37 505	88 995	—	126 859

THIRD SERIES: IMPORTS

**Table 10**  
**TOTAL IMPORTS CLASSIFIED BY ECONOMIC USE OR DESTINATION OF PRODUCT**  
*(C.i.f. value in thousands of dollars)*

Code and group	1957	1958	1959	1960	1961
<i>Total</i> .....	97 825	103 529	97 265	114 955	106 374
1. Non-durable consumer goods.....	16 243	17 006	14 330	16 345	14 717
2. Durable consumer goods.....	6 751	8 231	7 744	9 383	9 038
3. Fuels .....	2 155	3 101	2 999	4 336	3 801
4. Raw materials and intermediate goods: metal products.....	5 323	4 845	5 056	5 569	5 281
5. Raw materials and intermediate goods: other products.....	26 148	25 069	26 675	29 031	28 584
6. Construction materials .....	8 908	7 786	6 807	8 655	8 063
7. Machinery, equipment and tools: for agriculture.....	4 026	3 493	3 495	4 903	3 950
8. Machinery, equipment and tools: for industry and other activities..	15 742	18 066	14 137	16 218	16 713
9. Machinery, equipment and tools: for transport and communications	12 279	15 596	15 698	19 967	15 909
10. Miscellaneous <sup>a</sup> .....	280	336	324	548	318

<sup>a</sup> Including unclassified products covered by articles 13 and 14 of the Customs Act.

Table 11

## TOTAL IMPORTS CLASSIFIED BY ECONOMIC USE OR DESTINATION OF PRODUCT

(Value in thousands of dollars at 1960 prices)

Code and group	1957	1958	1959	1960	1961
<i>Total</i> .....	100 554	107 226	100 958	114 955	113 697
1. Non-durable consumer goods.....	16 276	16 938	14 459	16 345	15 458
2. Durable consumer goods.....	6 924	8 433	8 050	9 383	9 385
3. Fuels .....	1 841	3 114	2 819	4 336	5 416
4. Raw materials and intermediate goods: metal products.....	5 104	4 845	5 300	5 569	5 623
5. Raw materials and intermediate goods: other products.....	26 070	24 772	26 178	29 031	29 909
6. Construction materials .....	8 226	7 596	7 367	8 655	8 445
7. Machinery, equipment and tools: for agriculture.....	4 483	3 805	3 961	4 903	4 763
8. Machinery, equipment and tools: for industry and other activities..	18 852	22 248	16 613	16 212	18 443
9. Machinery, equipment and tools: for transport and communications	12 491	15 127	15 873	19 967	15 914
10. Miscellaneous <sup>a</sup> .....	287	348	336	548	341

<sup>a</sup> Including unclassified products covered by articles 13 and 14 of the Customs Act.

Table 12

## TOTAL IMPORTS CLASSIFIED BY SECTIONS AND DIVISIONS OF THE REVISED SITC

(C.i.j. value in thousands of dollars)

Section	Division	Headings of sections and divisions	1957	1958	1959	1960	1961
0		<i>Food and live animals</i> .....	8 049	8 216	8 972	8 389	8 135
	00	Live animals .....	358	246	235	305	284
	01	Meat and meat preparations.....	41	53	48	58	87
	02	Dairy products and eggs.....	537	680	616	643	553
	03	Fish and fish preparations.....	328	302	312	447	170
	04	Cereals and cereal preparations.....	5 064	4 919	5 725	4 327	4 831
	05	Fruit and vegetables.....	504	683	701	923	731
	06	Sugar, sugar preparations and honey.....	361	522	421	591	510
	07	Coffee, tea, cocoa, spices and manufactures thereof....	272	249	346	288	267
	08	Feeding stuff for animals (not including unmilled cereals) .....	72	101	138	168	217
	09	Miscellaneous food preparations.....	512	461	430	639	485
1		<i>Beverages and tobacco</i> .....	827	1 227	591	835	736
	11	Beverages .....	498	350	342	397	412
	12	Tobacco and tobacco manufactures.....	329	877	249	438	324
2		<i>Crude materials, inedible, except fuels</i> .....	2 395	2 770	2 837	3 109	3 805
	21	Hides, skins and furskins, undressed.....	—	7	—	—	—
	22	Oil-seeds, oil nuts and oil kernels.....	5	1	2	6	5
	23	Crude rubber (including synthetic and reclaimed)....	2	1	—	1	1
	24	Wood, lumber and cork.....	4	—	1	2	—
	25	Pulp and waste paper.....	—	—	—	2	8
	26	Textile fibres (not manufactured into yarn, thread or fabrics) and their waste.....	1 535	1 780	1 380	2 067	2 802
	27	Crude fertilizers and crude minerals (excluding coal, petroleum and precious stones).....	699	861	1 340	924	866
	28	Metalliferous ores and metal scrap.....	4	3	3	2	2
	29	Crude animal and vegetable materials, n.e.s.....	146	117	111	105	121
3		<i>Mineral fuels, lubricants and related materials</i> .....	2 291	3 184	2 825	4 472	3 986
	32	Coal, coke and briquettes.....	19	10	25	31	27
	33	Petroleum and petroleum products.....	2 268	3 159	2 796	4 418	3 945
	34	Gas, natural and manufactured.....	4	15	4	23	14
4		<i>Animal and vegetable oils and fats</i> .....	4 305	4 228	4 357	4 160	4 213
	41	Animal oils and fats.....	771	1 029	1 040	1 534	1 580
	42	Fixed vegetable oils and fats.....	2 683	2 481	2 655	1 920	2 201
	43	Animal and vegetable oils and fats, processed, and waxes of animal or vegetable origin.....	851	718	662	706	432
5		<i>Chemicals</i> .....	12 461	12 308	11 613	13 276	12 154
	51	Chemical elements and compounds.....	1 300	1 297	1 563	1 689	1 551
	52	Mineral tar and crude chemicals from coal, petroleum and natural gas.....	47	59	42	46	35



Table 12 (continued)

Section	Division	Headings of sections and divisions	1957	1958	1959	1960	1961
	53	Dyeing, tanning and colouring materials.....	995	903	728	999	1 071
	54	Medicinal and pharmaceutical products.....	5 711	5 974	5 202	5 520	5 241
	55	Essential oils and perfume materials; toilet, polishing and cleaning preparations.....	971	991	933	1 004	969
	56	Fertilizers, manufactured .....	943	929	879	1 114	833
	57	Explosives and pyrotechnic products.....	343	312	302	485	359
	58	Plastic materials, regenerated cellulose and artificial resins .....	915	435	265	351	454
	59	Chemical materials and products, n.e.s.....	1 236	1 408	1 699	2 068	1 641
6		<i>Manufactured goods classified chiefly by material.....</i>	<i>31 593</i>	<i>28 317</i>	<i>27 334</i>	<i>32 713</i>	<i>29 440</i>
	61	Leather, leather manufactures, n.e.s. and dressed furskins .....	137	140	127	149	140
	62	Rubber manufactures, n.e.s.....	3 594	3 397	3 620	4 298	3 515
	63	Wood and cork manufactures (excluding furniture)..	112	142	176	298	202
	64	Paper, paperboard and manufactures thereof.....	3 724	3 548	3 967	4 487	4 328
	65	Textile, yarn, fabrics, made-up articles and related products .....	7 207	6 416	5 225	6 367	5 578
	66	Non-metallic mineral manufactures, n.e.s.....	2 073	2 032	2 373	2 498	2 557
	67	Iron and steel.....	7 261	6 302	5 720	6 792	7 055
	68	Non-ferrous metals .....	552	555	609	645	640
	69	Manufactures of metal, n.e.s.....	6 913	5 785	5 517	7 179	5 425
7		<i>Machinery and transport equipment.....</i>	<i>30 281</i>	<i>37 504</i>	<i>33 028</i>	<i>40 231</i>	<i>37 499</i>
	71	Machinery, other than electric.....	14 258	16 800	12 723	15 743	16 101
	72	Electrical machinery, apparatus and appliances.....	5 415	6 937	6 546	8 140	8 304
	73	Transport equipment .....	10 608	13 767	13 759	16 348	13 094
8		<i>Miscellaneous manufactured articles.....</i>	<i>5 156</i>	<i>5 234</i>	<i>5 179</i>	<i>6 918</i>	<i>5 820</i>
	81	Sanitary, plumbing,, heating and lighting fixtures and fittings .....	826	718	790	936	799
	82	Furniture .....	79	122	114	181	223
	83	Travel goods, handbags and similar articles.....	5	4	3	4	3
	84	Clothing .....	629	541	275	296	288
	85	Footwear .....	40	43	34	29	31
	86	Professional, scientific and controlling instruments; photographic and optical goods; watches and clocks .....	1 185	1 369	1 385	1 736	1 378
	89	Miscellaneous manufactured articles, n.e.s.....	2 392	2 437	2 578	3 736	3 098
9		<i>Commodities and transactions not classified according to kind .....</i>	<i>4</i>	<i>4</i>	<i>2</i>	<i>34</i>	<i>4</i>
		Unclassified <sup>a</sup> .....	463	537	527	818	582
		<i>Total .....</i>	<i>97 825</i>	<i>103 529</i>	<i>97 265</i>	<i>114 955</i>	<i>106 374</i>

<sup>a</sup> Including unclassified products covered by articles 13 and 14 of the Customs Act.

Table 13

## TOTAL IMPORTS CLASSIFIED BY DIVISIONS AND MAJOR GROUPS OF THE ISIC

(C.i.f. value in thousands of dollars)

Division	Major group	Headings of divisions and major groups	1957	1958	1959	1960	1961
0		<i>Agriculture, forestry, hunting and fishing.....</i>	<i>5 466</i>	<i>5 413</i>	<i>6 606</i>	<i>5 593</i>	<i>6 855</i>
	01	Agriculture .....	5 399	5 337	6 550	5 525	6 783
	02	Forestry and logging.....	64	75	54	63	65
	04	Fishing .....	3	1	2	5	7
1		<i>Mining and quarrying.....</i>	<i>727</i>	<i>1 637</i>	<i>1 837</i>	<i>3 085</i>	<i>2 677</i>
	11	Coal mining .....	2	1	2	10	5
	12	Metal mining .....	4	3	2	2	2
	13	Crude petroleum and natural gas.....	30	773	495	2 150	1 806
	14	Stone quarrying, clay and sand pits.....	90	79	68	45	119
	19	Other non-metallic mining and quarrying.....	601	781	1 270	878	745
2-3		<i>Manufacturing .....</i>	<i>91 066</i>	<i>95 570</i>	<i>88 139</i>	<i>105 174</i>	<i>96 037</i>
	20	Food manufacturing industries, except beverage industries .....	2 752	3 096	2 762	3 178	2 759

Table 13 (continued)

Division	Major group	Headings of divisions and major groups	1957	1958	1959	1960	1961
	21	Beverage industries .....	498	351	342	397	412
	22	Tobacco manufactures .....	329	877	249	437	325
	23	Manufacture of textiles.....	7 271	6 433	5 414	6 710	5 928
	24	Manufacture of footwear, other wearing apparel and made-up textile goods.....	819	789	431	457	448
	25	Manufactures of wood and cork, except manufacture of furniture .....	166	194	246	353	249
	26	Manufacture of furniture and fixtures.....	79	122	114	181	223
	27	Manufacture of paper and paper products.....	3 704	3 522	3 938	4 466	4 312
	28	Printing, publishing and allied industries.....	334	244	503	1 390	839
	29	Manufacture of leather and leather and fur products, except footwear and other wearing apparel.....	103	112	92	117	102
	30	Manufacture of rubber products.....	3 594	3 397	3 620	4 299	3 515
	31	Manufacture of chemical and chemical products.....	18 062	17 593	16 666	18 544	17 198
	32	Manufacture of products of petroleum and coal.....	2 307	2 469	2 371	2 359	2 211
	33	Manufacture of non-metallic mineral products, except products of petroleum and coal.....	2 387	2 294	2 688	2 892	2 925
	34	Basic metal industries.....	7 814	6 856	6 329	7 436	7 695
	35	Manufacture of metal products, except machinery and transport equipment .....	7 574	6 380	6 115	7 895	5 983
	36	Manufacture of machinery, except electrical machinery	12 501	14 374	11 002	13 406	13 974
	37	Manufacture of electrical machinery, apparatus, appliances and supplies.....	5 580	7 346	7 089	8 506	8 692
	38	Manufacture of transport equipment.....	12 350	16 165	15 092	18 588	15 232
	39	Miscellaneous manufacturing industries.....	2 842	2 956	3 076	3 563	3 015
6	Commerce .....	59	328	110	234	173	
	61	Wholesale and retail trade.....	59	328	110	234	173
8	Services .....	43	44	46	50	50	
	84	Recreation services .....	43	44	46	50	50
		Unclassified <sup>a</sup> .....	464	537	527	819	582
		<i>Total</i> .....	97 825	103 529	97 265	114 955	106 374

<sup>a</sup> Including unclassified products covered by articles 13 and 14 of the Customs Act.

Table 14  
TOTAL IMPORTS CLASSIFIED BY TYPE OF ECONOMIC USE AND  
PRINCIPAL SECTOR OF UTILIZATION  
(C.i.f. value in thousands of dollars)

Type of use	Principal sector of utilization				Total
	Agriculture	Industry and other economic activities	Household use	Products not classifiable by sector of utilization	
1. Energy					
1957 .....	—	—	—	1 492	1 492
1958 .....	—	—	—	2 452	2 452
1959 .....	—	—	—	2 081	2 081
1960 .....	—	—	—	3 769	3 769
1961 .....	—	—	—	3 374	3 374
1.1 Raw materials					
1957 .....	—	—	—	34	34
1958 .....	—	—	—	775	775
1959 .....	—	—	—	496	496
1960 .....	—	—	—	2 160	2 160
1961 .....	—	—	—	1 811	1 811
1.2 Manufactured products					
1957 .....	—	—	—	1 458	1 458
1958 .....	—	—	—	1 677	1 677
1959 .....	—	—	—	1 585	1 585
1960 .....	—	—	—	1 609	1 609
1961 .....	—	—	—	1 563	1 563

Table 14 (continued)

Type of use	Principal sector of utilization				Total
	Agriculture	Industry and other economic activities	Household use	Products not classifiable by sector of utilization	
<b>2. Food</b>					
1957 .....	832	4 947	4 867	—	10 646
1958 .....	925	4 817	4 717	—	10 459
1959 .....	850	5 668	4 554	—	11 072
1960 .....	1 001	4 570	5 002	—	10 573
1961 .....	660	5 306	4 297	—	10 263
<b>2.1 Raw materials</b>					
1957 .....	760	4 227	400	—	5 387
1958 .....	824	3 958	387	—	5 169
1959 .....	712	5 053	505	—	6 270
1960 .....	833	3 987	546	—	5 366
1961 .....	443	4 827	482	—	5 752
<b>2.2 Manufactured products</b>					
1957 .....	72	720	4 467	—	5 259
1958 .....	101	859	4 330	—	5 290
1959 .....	138	615	4 049	—	4 802
1960 .....	168	583	4 456	—	5 207
1961 .....	217	480	3 814	—	4 511
<b>3. Raw materials</b>					
1957 .....	398	2 697	—	—	3 095
1958 .....	372	2 631	—	—	3 003
1959 .....	648	2 150	—	—	2 798
1960 .....	484	2 506	—	—	2 990
1961 .....	466	3 325	—	—	3 791
<b>3.1 Natural raw materials</b>					
1957 .....	398	437	—	—	835
1958 .....	372	1 058	—	—	1 430
1959 .....	648	1 129	—	—	1 777
1960 .....	484	919	—	—	1 403
1961 .....	466	1 969	—	—	2 435
<b>3.2 Artificial and synthetic raw materials</b>					
1957 .....	—	2 260	—	—	2 260
1958 .....	—	1 573	—	—	1 573
1959 .....	—	1 021	—	—	1 021
1960 .....	—	1 587	—	—	1 587
1961 .....	—	1 356	—	—	1 356
<b>4. Intermediate goods</b>					
1957 .....	—	17 625	—	—	17 625
1958 .....	—	16 730	—	—	16 730
1959 .....	—	15 743	—	—	15 743
1960 .....	—	18 318	—	—	18 318
1961 .....	—	17 628	—	—	17 628
<b>5. Finished goods for investment</b>					
1957 .....	1 052	23 683	6 832	—	31 567
1958 .....	668	28 027	8 519	—	37 214
1959 .....	676	24 577	8 224	—	33 477
1960 .....	1 076	30 159	9 485	—	40 720
1961 .....	929	27 182	9 219	—	37 330
<b>5.1 Transport and haulage</b>					
1957 .....	—	4 673	3 560	—	8 233
1958 .....	—	6 205	5 016	—	11 221
1959 .....	—	6 146	4 944	—	11 090
1960 .....	—	7 374	5 570	—	12 944
1961 .....	—	5 825	4 968	—	10 793
<b>5.2 Fixed investment</b>					
1957 .....	1 052	19 010	3 272	—	23 334
1958 .....	668	21 822	3 503	—	25 993
1959 .....	676	18 431	3 280	—	22 387
1960 .....	1 076	22 785	3 915	—	27 776
1961 .....	929	21 357	4 251	—	26 537

Table 14 (continued)

Type of use	Principal sector of utilization				Total
	Agriculture	Industry and other economic activities	Household use	Products not classifiable by sector of utilization	
<b>6. Finished goods for consumption and transforming</b>					
1957	1 639	20 993	10 048	—	32 680
1958	1 739	21 151	10 004	—	32 894
1959	2 028	20 114	9 194	—	31 336
1960	2 473	23 763	11 105	—	37 341
1961	1 859	21 364	9 913	—	33 136
<b>Unclassified products<sup>a</sup></b>					
1957	—	—	—	720	720
1958	—	—	—	777	777
1959	—	—	—	758	758
1960	—	—	—	1 244	1 244
1961	—	—	—	852	852
<b>Total</b>					
1957	3 921	69 945	21 747	2 212	97 825
1958	3 704	73 356	23 240	3 229	103 529
1959	4 202	68 252	21 972	2 839	97 265
1960	5 034	79 316	25 592	5 013	114 955
1961	3 914	74 805	23 429	4 226	106 374

<sup>a</sup> Including unclassified products covered by articles 13 and 14 of the Customs Act.

**Table 15**  
**TOTAL IMPORTS CLASSIFIED BY DEGREE OF FABRICATION**  
**AND PRINCIPAL SECTOR OF UTILIZATION**  
*(C.i.f. value in thousands of dollars)*

Degree of fabrication	Principal sector of utilization				Total
	Agriculture	Industry and other economic activities	Household use	Products not classifiable by sector of utilization	
<b>Raw materials</b>					
1957	1 158	4 664	400	34	6 256
1958	1 196	5 016	387	774	7 373
1959	1 360	6 182	505	496	8 543
1960	1 317	4 906	546	2 160	8 929
1961	910	6 795	482	1 810	9 997
<b>Intermediate goods</b>					
1957	—	20 606	—	—	20 606
1958	—	19 163	—	—	19 163
1959	—	17 379	—	—	17 379
1960	—	20 488	—	—	20 488
1961	—	19 465	—	—	19 465
<b>Final goods</b>					
1957	2 763	44 676	21 347	1 457	70 243
1958	2 508	49 178	22 853	1 677	76 216
1959	2 842	44 691	21 467	1 585	70 585
1960	3 717	53 921	25 047	1 609	84 294
1961	3 005	48 545	22 947	1 563	76 060
<b>Unclassified goods<sup>a</sup></b>					
1957	—	—	—	720	720
1958	—	—	—	777	777
1959	—	—	—	758	758
1960	—	—	—	1 244	1 244
1961	—	—	—	852	852
<b>Total</b>					
1957	3 921	69 946	21 747	2 211	97 825
1958	3 704	73 357	23 240	3 228	103 529
1959	4 202	68 252	21 972	2 839	97 265
1960	5 034	79 315	25 593	5 013	114 955
1961	3 915	74 805	23 429	4 225	106 374

<sup>a</sup> Including unclassified products covered by articles 13 and 14 of the Customs Act.



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