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LONG-TERM TRENDS AND PROSPECTS OF THE DEVELOPMENT
OF LATIN AMERICA

CONTENTS

Introduction

The CEPAL secretariat is engaged in an ambitious programme of activities in the area of long-term prospective studies in the economic, demographic and social fields. This programme was designed in the light of the main General Assembly resolutions on the establishment of a new international economic order and a new international development strategy for the 1980s, taking special account of the biennial appraisals carried out by the Latin American governments (the Quito, Chaguaramas and Guatemala appraisals).

As the close of the present decade draws near and United Nations activities are intensified at the technical and political levels with a view to laying down the guidelines for a new international development strategy for the coming decade,1/ it is an appropriate time to supplement the retrospective and current analysis undertaken by CEPAL 2/ with studies and projections which will help to underpin governmental discussions aimed at defining the region's position.

The present document contains a summary of the initial results and conclusions of the ongoing research. This is important because CEPAL must contribute ideas and proposals to the debate already underway: the aim is that the new strategy should constitute an effective programme of international action to foster the development of the peripheral countries and at the same time include topics and objectives of particular interest to Latin America.

The research in the economic, demographic and social fields has been carried out using a set of interrelated models. In a first stage, progress has been made essentially in macroeconomic and sectoral projections, agricultural projections, a world trade model, demographic projections and a study on income distribution and situations of poverty.

These models deal with specific aspects of the development process and cover the above-mentioned areas. In each case the aim is to establish orders of magnitude for certain indicators with respect to objectives, resources,

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1/   See the recent General Assembly resolution 33/193.

2/   "The economic and social development and external economic relations of Latin America", E/CEPAL/1061.

problems and factors which affect the corresponding field of development. Thus, as the research advances it will be possible to provide material of use to those responsible for establishing objectives and policies and defining a Latin American position at the regional, subregional and national levels.

These preliminary results also make it possible to progress in the design of an integrated model which will be useful in analysing more coherently the suggested scenarios and which will begin to be used when warranted by the progress made in the studies.

At this stage of the research two scenarios have been defined and the projections of the different models have been organized around them. The first scenario corresponds roughly to a prognosis based on present trends; and the second to a changed external and internal situation which would allow the economies to become more dynamic.

In the following pages these two scenarios are first of all presented, followed by a separate analysis of the demographic, macroeconomic and sectoral, and foreign trade projections. In each case the results are discussed for the two scenarios, except as regards the demographic projection, which is the same in both cases.

1. The scenarios

Two scenarios have been defined in this first stage of the prospective study which extends through the forthcoming decade and in some aspects continues until the year 2000. The first scenario deals with the prospects for the development process if the factors with the greatest effect on economic growth continue to behave as they have in recent decades and the economic transformations currently taking place materialize. The second scenario assumes a change in internal and external conditions which would make it possible, within the prevailing form of development, to secure a moderate acceleration of economic growth. In the latter case, work has also started on an analysis of the effects of a greater acceleration of growth for the 1990s sufficiently marked to enable the countries facing more severe social and economic problems to tackle them adequately.

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In both cases these scenarios cover a group of 19 countries representing about 91% of the product and 93% of the total population of Latin America.

A general idea of the nature and scope of the scenarios can be gained from the factors and the overall growth rates used for the group of countries considered. In defining these growth rates by countries, account was taken in each case of the main internal and external factors which in the past have affected their growth. The internal factors include the prospects of a transformation of production, policy on local and imported supply to meet domestic demand, capacity to absorb investment, domestic saving potential and size of national markets. The external factors considered were the dynamism of the industrialized countries, Latin America's share in world trade, the growth of regional and horizontal trade, access to external financing and trends in external prices and the terms of trade.

The rates used in the first scenario were established on the basis of conservative hypotheses with regard to internal and external growth factors. Although the analysis was carried out at the national level, three groups of countries can be identified in which broadly similar criteria were taken into account.

Firstly, there are the countries which are currently or potentially exporters of petroleum or energy. Excluding the English-speaking Caribbean countries, these are Bolivia, Ecuador, Mexico, Paraguay and Venezuela. They are countries where the external factors are, broadly speaking, positive. The fact that they export a product which guarantees high export earnings, either because of the growth of demand or because of prices, places them in a different situation from that which is traditional in the region. Furthermore, the strong growth of imports over the last five years provides them with a basis for reducing them again without great difficulty. Moreover, they are countries which have expanded their productive structures and are in a position, if necessary and with the corresponding political will, to substitute for imported goods or increase the volume of their exports. As concerns domestic factors, they have in most cases attained high coefficients of capital formation, goods levels of domestic saving and in many cases have made intelligent use of their internal resources.

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In these countries, with the exception of Mexico, growth since 1973 has been higher than over the long term. However, it does not seem likely that they will again achieve the high averages which followed the first effects of the rise in oil prices. For Bolivia and Ecuador, where the outlook for fuel exports is less promising, the rate for the period 1965-1973 has been adopted. This corresponds to a period where external circumstances were half-way between the long-term and the recent situation. For Venezuela the very long-term rate was adopted, since it is a country where there have customarily been oil surpluses. For Mexico, whose external prospects are favourable and which has had a low growth rate in recent years, it has been assumed that the growth rate will return to its peak level (1965-1973). Finally, it is assumed that Paraguay will have higher growth than in any recent historical period as a result of its joining the energy-exporting countries.

. The two remaining groups are the non-oil- (or energy-) exporting countries. External conditions are very important for this group of countries and, when unfavourable, play a restrictive role. However, the experience of the last decade shows that in one group of countries internal factors make it possible to take advantage of favourable shifts in external conditions, whereas the other countries are unable to do so. Taking the period 1965-1973 it may be seen that there is a clear difference between the non-oil-exporting countries which come within the first of these two groups, and which grew at rates of 6% or more, and the remainder, which achieved a maximum growth of 4.8%.

On the assumption that the domestic conditions which enabled Brazil, Colombia, Costa Rica, the Dominican Republic, Guatemala and Panama, to grow by more than 6% do not worsen and that external conditions will be somewhere between those in the periods of 1965-1973 and 1974-1978, the very-long-term rates have been adopted for them: though relatively high, these are not as high as the peak levels. This decision has been influenced by considerations such as the high level of indebtedness of some of these countries which would not permit them in all cases to absorb amounts of external debts similar to those of the current decade; the unlikelihood of a recurrence of the growth conditions precisely enjoyed by some of them for certain new export products, and the possibility that the terms of trade will remain at levels similar to those of recent years.

/In the

In the countries of the second group in this trend-based alternative, it is assumed that no significant transformation of production is underway in most cases, that no new natural resource will be exploited in such a way as to significantly alter the level and composition of exports, and that there will be no important changes in external conditions. It has been assumed, however, that the negative external and internal conditions of 1974-1978 will not recur simultaneously in the long run. Consequently, a growth rate corresponding to the highest of the rates for the very long term (1950-1975) and the period 1965-1973 has been chosen for the trend-based alternative.

Under this set of growth hypotheses for the Latin American countries, the region would grow in the 1980s at a rate of 6.3% annually and in the 1990s at a rate of 6.4%, both of which rates are higher than in any of the past decades and also higher than in the current decade, although lower than the rate of 6.7% attained by the region in the period 1965-1974. Thus, while the rate appears high, it is disappointing in comparison with the growth potential shown by the region in the above-mentioned recent period. The situation is even more marked for the countries which underwent accelerated growth in that period, the difference between the trend-based rate and the past rate (1965-1974) being over 1%.

In the second scenario a moderate acceleration of the economic growth rate is assumed. The increments have generally been adopted according to normative criteria. Overall patterns can be defined for the same three groups of countries as in the first scenario.

For the countries which are currently or potentially oil or energy exporters 3/ it is assumed that there will be an increase of a little more than 1% over the previous rates for that group. In these countries it is supposed that the domestic effort will increase, since external prospects are assumed to remain favourable. The greatest increases have been assumed for Mexico and Paraguay, since these are countries which will be joining the group of countries benefiting from the new prices of energy. Mexico has in the past had high growth rates of over 6%. It is therefore assumed that under favourable external conditions it could grow at still higher rates. It is also one of the countries which potentially have a severe employment problem. In the case of

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3/   Bolivia, Ecuador, Mexico, Paraguay and Venezuela.

/Paraguay somewhat

Paraguay somewhat lower rates were adopted because it is a country which in the past has grown by less than 5% over long-term periods. In recent years, however, as a result of the expansion of its energy infrastructure it has had much higher growth rates, and it is therefore assumed that when the country begins to produce and export energy it will enjoy comparative advantages for the installation of energy-consuming industries and put an end to its past balance-of-payments problems.

For the more dynamic non-oil-exporting countries 4/ increases have been assumed which, for the group as a whole, imply an acceleration of the growth rate by somewhat less than 1%. In general, these are countries which took advantage of the favourable external conditions in the period 1965-1973 and attained, as a group, a growth rate of over 8%. However, it is considered very unlikely that Brazil and the Dominican Republic will repeat in the long term their rates of 9.6 and 9%, respectively. Growth in those countries has therefore been limited to 8% in the case of Brazil and 7% in the Dominican Republic. External conditions have worsened for the latter country, and thus a repetition of the boom of the early 1970s has not been considered in the moderate acceleration alternative.

While the acceleration of growth in this second group of countries is in line, as for the other countries, with the intention of tackling the socio-economic problems described in the retrospective studies,5/ this acceleration entails changes which are merely marginal in countries of the size of Brazil (7.3 to 8%), and which will not call for profound changes in the internal and external conditions considered in the trend scenario. For the third group of countries,6/ in contrast, where internal and external factors have combined to produce low growth rates, the changes required to tackle their employment problems and external difficulties must necessarily be more profound. Consequently, for this group of countries it was decided to adopt as a minimum growth rate the target set forth in the second International Development Stratey for the per capita product (3.5%).

4/   Brazil, Colombia, Costa Rica, the Dominican Republic, Guatemala and Panama.

5/   See "The economic and social development and external economic relations of Latin America" (E/CEPAL/1061).

6/   Argentina, Chile, El Salvador, Haiti, Honduras, Nicaragua, Peru and Uruguay.

This set of hypotheses gives an annual growth rate of 7.4% for Latin America in the forthcoming two decades. This rate, referred to here as the moderately accelerated growth rate, seems relatively high if judged in the light of the long-term experience of Latin America. However, if a period such as the early 1970s is analysed, when the region tended to be free of external restrictions, it may be seen that the regional growth rate reached an average of 7.6% per year over a four-year period (1970-1974). Thus, potentially, the acceleration assumed in this scenario is indeed only moderate. The region has shown a capacity to mobilize resources which, in the absence of external restrictions, would enable it to aspire to yet higher growth rates. For these reasons, and as explained above, work is starting on a modification of the second scenario which will assume stronger acceleration of growth in the 1990s leading to an average growth rate of 7.8% over the next two decades.

In sum, the first trend-based scenario is designed to study the possible evolution and, above all, the worsening of the social problems connected with unemployment, income distribution and situations of extreme poverty if the prevailing trends continue in the economic and social growth of the countries.

The second scenario is aimed at examining the effects of more dynamic economic growth, still in keeping with the prevailing development style, on the evolution of the social aspects listed above in the description of the first scenario. Naturally, greater growth calls for changes, and sometimes important ones, at the domestic level as well as in external co-operation and regional and horizontal efforts. The scenario therefore implies new internal and external conditions which will make possible the mobilization of resources needed for greater growth. Of course, the contrast with the trend-based scenario is a fundamental exercise for appraising the magnitude of the efforts involved.

Finally, it is worth pointing out that the scenarios have been formulated essentially for research purposes. They do not necessarily represent equally valid options for each of the countries involved. In fact, it is probable that as the study progresses and a better knowledge is gained of the plans prepared or implemented by countries and the different specific factors of an internal and external nature, the classification of the countries in relation to growth rates may vary to some extent from what is assumed in these hypotheses. It may turn out to be more desirable to use other elements for the scenarios,

/such as

such as the change in the second scenario as described above. At all events,
it has seemed useful to present at this stage of the study a set of preliminary
results which, bearing in mind the above-mentioned qualifications, may be of
use in discussing central aspects of the new international development strategy.

2. Demographic projections

The population projections were prepared by the components method, using
three different hypotheses: high, intermediate and low. In substance the
hypotheses differ in the values assigned to mortaility and fertility rates.
There are strong signs that the fertility rate is declining in various countries
and that it may continue to do so more strongly over the coming years. The same
is true of the mortaility rate, although on a different scale and at a different
intensity.

In the projections described below, only the intermediate hypothesis has
been used, since small changes in demographic variables do not alter the nature
or relative size of fundamental problems such as employment.

The size, structure and location of the Latin American population has
changed profoundly in recent decades. Population growth rates increased slowly
in the past decades, reaching a peak in the late 1960s and early 1970s. In the
mid-1970s these rates began to fall, which represents an important milestone in
demographic change. At the same time, in the period 1950-1978 Latin America
was the region of the world with the greatest increase in population, the total
figure for 1978 being 2.13 times higher than that for 1950 (see table 1).

The region has also been characterized, like other developing areas, by
high rates of urbanization. However, the peak of the urban population growth
rate was reached in the 1950s, and while the rate has continued to be high it
has fallen significantly: from 4.8% annually in the 1950s to 3.9% in the period
1970-1978. The urban population, which represented 41% of the total in 1950,
currently amounts to 64%. These indicators show the profound change which has
taken place in the size of the different social groups.

The age structure has changed rapidly as a result of the changes in
the fertility and mortality rates. The population of working age and the
labour force have been growing with a certain lag in relation to total
population. From the standpoint of the social groups, the growth of the
labour force and the increase of urban employment in comparison with rural
employment are of the utmost importance. In the 1950s the labour force
grew at an annual rate of 2.2%, whereas the rate was slightly less than

/Table 1

Table 1

RELATIVE GROWTH OF WORLD POPULATION BY REGIONS, 1950-1978[a]/

(1950 = 100)

	1950	1955	1960	1965	1970	1975	1978
World total	100	109	119	132	144	159	168
More developed regions	100	107	114	121	126	132	135
Less developed regions	100	110	122	137	154	172	185
Africa	100	111	125	141	161	183	199
Latin America	100	115	132	151	173	197	213
North America	100	109	120	129	136.	143	147
Eastern Asia	100	108	117	127	137	149	156
Southern Asia	100	110	123	140	159	180	195
Europe	100	104	108	114	117	121	123
Oceania	100	112	125	139	153	169	179
Union of Soviet Socialist Republics	100	109	119	128	135	142	146

Sources: United Nations, World Population Prospects as Assessed in 1973, ST/ESA/SER.A/60,
United Nations, New York, 1978 (United Nations Publication, sales number
E.76.XIII.4). The data for Latin America were taken from the CELADE Demographic
Bulletin, No. 22, July 1978.

a/ The world total and the figures for the more developed and less developed regions take
into account the figures from the above Demographic Bulletin No. 22. Argentina, Uruguay
and Chile are included in the more developed regions. The figures for 1978 were obtained
by interpolation between those for 1975 and 1980.

/2.8% in

2.8% in the 1970s. The participation of women in the labour force has increased sharply, but towards the end of the 1970s it was still sus substantially less than that of men.

The population changes described above reflect relatively stable trends towards the transformation of Latin American society into a predominantly urban society, the beginning of a decline in population growth rates, and the reaching of the peak of the employment problem: these are features which will have a great effect on the socio-economic prospects of the region.

In spatial terms, the countries have varied greatly. With regard to population, three types of countries may be distinguished (see table 2). A first group, comprising Argentina, Chile, Cuba and Uruguay, had annual population growth rates in the period 1950-1978 of not more than 2%, urban growth of not more than 3% and growth of the economically active population of less than 2%. In all of them the growth rate of both the total and the urban population began to decline before the 1970s. In addition, Argentina and Uruguay had declining growth rates for the economically active population and Argentina, Chile and Uruguay had declining rates for the rural population. In sum, these are countries where the overall trends are in advance of those for the region as a whole.

Another group, comprising the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico and Nicaragua, still has very high and rising population growth rates, and an urban population growing at high rates, sometimes close to 5%. At the same time they have relatively high growth rates of the rural population, which continues to account for a significant percentage of the total population. In short, these are countries where the population factors have been lagging behind the average situation, and indeed they have recorded higher rates than the countries of the first group did.

The remaining countries form an intermediate group quite close to the average regional situation. Brazil and Colombia, the demographically largest countries in this group, already have declining total and urban population growth rates, while the rural population is growing at an annual rate of less than 1% in Brazil and almost zero in Colombia.

Table 2

LATIN AMERICA (TWENTY COUNTRIES): GROWTH RATES OF TOTAL, URBAN AND RURAL POPULATION, 1950-1978[a]/

Country	Population	Period			
		1950-1960	1960-1970	1970-1978	1950-1978
Argentina	Total	1.9	1.4	1.3	1.6
	Urban	2.9	2.1	1.9	2.3
	Rural	-0.6	-0.7	-0.8	-0.7
Bolivia	Total	2.1	2.6	2.7	2.4
	Urban	3.6	4.6	3.9	4.0
	Rural	1.5	1.5	1.9	1.6
Brazil	Total	3.1	2.9	2.9	3.0
	Urban	6.0	4.9	4.3	5.1
	Rural	1.1	0.9	0.8	0.9
Colombia	Total	3.1	3.0	2.4	2.9
	Urban	6.0	5.1	3.7	5.0
	Rural	1.0	0.7	0.1	0.7
Costa Rica	Total	3.7	3.4	2.5	3.3
	Urban	5.1	3.3	6.0	4.7
	Rural	3.1	3.5	0.3	2.4
Cuba	Total	1.8	2.0	1.6	1.8
	Urban	3.2	3.0	2.4	2.9
	Rural	0.5	0.7	0.3	0.5
Chile	Total	2.2	2.1	1.7	2.0
	Urban	3.6	3.2	2.5	3.1
	Rural	-0.1	-0.6	-0.8	-0.5
Ecuador	Total	2.9	3.0	3.0	3.0
	Urban	5.2	5.3	4.3	5.0
	Rural	2.1	1.8	2.0	2.0
El Salvador	Total	2.9	3.4	3.0	3.1
	Urban	4.2	5.8	4.2	4.8
	Rural	2.3	2.1	2.1	2.2
Guatemala	Total	3.0	3.0	3.1	3.0
	Urban	4.3	4.1	4.5	4.3
	Rural	2.4	2.6	2.4	2.5
Haiti	Total	1.9	2.1	2.3	2.1
	Urban	4.1	6.5	4.8	5.1
	Rural	1.6	1.3	1.7	1.5
Honduras	Total	3.3	3.1	3.4	3.3
	Urban	5.2	6.6	5.4	5.7
	Rural	2.8	1.8	2.3	2.3
Mexico	Total	3.2	3.3	3.3	3.3
	Urban	4.8	4.6	4.6	4.7
	Rural	1.7	1.7	1.3	1.6

/Table 2 (concluded)

Table 2 (concluded)

Country	Population	Period			
		1950-1960	1960-1970	1970-1978	1950-1978
Nicaragua	Total	2.9	3.0	3.3	3.0
	Urban	4.8	4.7	4.8	4.8
	Rural	1.8	1.7	1.8	1.8
Panama	Total	2.9	2.9	2.7	2.8
	Urban	4.5	4.5	4.0	4.4
	Rural	1.9	1.7	1.3	1.7
Paraguay	Total	2.6	2.6	2.9	2.7
	Urban	3.3	4.4	4.1	3.9
	Rural	2.3	1.7	2.1	2.0
Peru	Total	2.6	2.9	2.8	2.8
	Urban	4.9	5.6	4.1	4.9
	Rural	1.2	0.1	0.8	0.7
Dominican Republic	Total	3.3	3.3	2.8	3.2
	Urban	6.4	6.5	4.7	5.9
	Rural	2.3	1.7	1.5	1.8
Uruguay	Total	1.4	1.1	0.3	1.0
	Urban	2.4	1.8	0.7	1.7
	Rural	-1.4	-1.7	-2.0	-1.7
Venezuela	Total	4.0	3.4	3.4	3.6
	Urban	6.7	4.9	4.4	5.4
	Rural	0.7	0.6	0.6	0.6
Latin America (twenty countries)	Total	2.8	2.8	2.7	2.8
	Urban	4.8	4.3	3.9	4.4
	Rural	1.2	1.0	0.9	1.1

Sources: 1950, 1960 and 1970: CELADE estimates on the basis of national censuses. The figures for 1978 were obtained by interpolation between the figures projected for 1975 and 1980.

a/ Urban population as defined by each country.

/The challenges

The challenges and changes these demographic changes imply in the
employment and social fields will vary greatly in the coming decades, and
it will be necessary to study the countries separately - in some cases
even the regions within countries. In the projections described below
the aim has been to cover some characteristics at the level of groups of
countries; with regard to the analysis of regions within countries, a
study is being made of the situation in the demographically largest countries.

As indicated above, the region as a whole reached a peak in demographic
growth in the late 1960s and early 1970s. In the next twenty years,
however, it is assumed that the annual growth rate will keep on dropping
until it reaches somewhat less than 2.5% in the 1990s, giving a total
Latin American population of nearly 600 million people in the year 2000.

In the retrospective analysis it will be seen that there are sharp
differences between groups of countries with regard to demographic growth.
The projections show that these differences will continue and even increase
over the next twenty years (see tables 3 and 4).

The first group of countries, made up of Argentina, Chile, Cuba and
Uruguay, will continue to have declining population growth rates, and over
the coming decades the annual rates will drop to the order of 1.5% or less.
The rural population will decline at rates of over 1%, except in the case
of Cuba where it will only decline slightly. The economically active
population will grow at an annual rate of less than 2% and towards the end
of the century the rate will be close to 1% in two of the four countries.

The second group, comprising Ecuador, El Salvador, Guatemala,
Honduras, Mexico and Nicaragua, will maintain or accelerate its population
growth in the 1980s and only slightly reduce it in the 1990s. With the
exception of Guatemala, the annual average rate over these twenty years
will be 3% and in some countries in the 1990s close to 3.3%. The urban
population growth rate will continue to average over 4% per year during
the period 1980-2000, and the rural population will still grow at rates of
close to 2% in most of them. The annual growth of the economically active
population will reach levels practically without precedent in the world:
well above 3%, and approaching 3.5% in a country with the demographic
weight of Mexico.

Table 3

LATIN AMERICA (TWENTY COUNTRIES): PROJECTIONS OF THE ANNUAL AVERAGE POPULATION GROWTH RATE, 1970-2000

Country	Population	Period			
		1970–1980	1980–1990	1990–2000	1978–2000
Argentina	Total	1.3	1.1	0.9	1.0
	Urban a/	1.8	1.5	1.2	1.4
	Rural b/	-0.9	-1.2	-1.5	-1.3
	Urban localities (20 000 inhabitants or more)	2.1	1.7	1.4	1.6
	Rural localities (less than 20 000 inhabitants)	-0.4	-0.6	-0.9	-0.8
	Urban localities (100 000 inhabitants or more)	1.7	1.3	1.0	1.2
Bolivia	Total	2.7	2.6	2.6	2.6
	Urban a/	3.9	3.8	3.6	3.7
	Rural b/	1.9	1.7	1.6	1.7
	Urban localities (20 000 inhabitants or more)	4.6	4.3	4.0	4.2
	Rural localities (less than 20 000 inhabitants)	1.7	1.6	1.4	1.5
	Urban localities (100 000 inhabitants or more)	4.5	4.2	3.9	4.1
Brazil	Total	2.9	2.7	2.5	2.7
	Urban a/	4.3	3.9	3.4	3.7
	Rural b/	0.8	0.3	-0.2	0.1
	Urban localities (20 000 inhabitants or more)	5.1	4.5	3.9	4.3
	Rural localities (less than 20 000 inhabitants)	1.2	0.7	0.2	0.5
	Urban localities (100 000 inhabitants or more)	5.3	4.8	4.1	4.5
Colombia	Total	2.4	2.5	2.2	2.3
	Urban a/	3.7	3.5	3.0	3.3
	Rural b/	0.1	-0.1	-0.7	-0.3
	Urban localities (20 000 inhabitants or more)	4.5	4.1	3.4	3.8
	Rural localities (less than 20 000 inhabitants)	0.4	0.1	-0.5	0.1
	Urban localities (100 000 inhabitants or more)	4.4	4.0	3.3	3.7
Costa Rica	Total	2.5	2.3	2.0	2.2
	Urban a/	5.6	3.7	3.2	3.5
	Rural b/	0.5	0.9	0.7	0.7
	Urban localities (20 000 inhabitants or more)	4.8	4.3	3.7	4.0
	Rural localities (less than 20 000 inhabitants)	1.5	1.2	0.7	1.0
	Urban localities (100 000 inhabitants or more)	4.9	4.4	3.8	4.1
Cuba	Total	1.5	1.3	1.1	1.2
	Urban a/	2.3	2.0	1.7	1.9
	Rural b/	0.2	-0.0	-0.4	-0.2
	Urban localities (20 000 inhabitants or more)	2.6	2.3	2.0	2.2
	Rural localities (less than 20 000 inhabitants)	0.6	0.3	0.0	0.2
	Urban localities (100 000 inhabitants or more)	2.8	2.5	2.2	2.4
Chile	Total	1.7	1.6	1.3	1.5
	Urban a/	2.4	2.2	1.8	2.0
	Rural b/	-0.9	-1.0	-1.5	-1.2
	Urban localities (20 000 inhabitants or more)	3.0	2.6	2.1	2.4
	Rural localities (less than 20 000 inhabitants)	-0.6	-0.8	-1.2	-1.0
	Urban localities (100 000 inhabitants or more)	3.3	2.9	2.4	2.7

Table 3 (continued)

Country	Population	Period			
		1970–1980	1980–1990	1990–2000	1978–2000
Ecuador	Total	3.0	3.2	2.9	3.0
	Urban a/	4.3	4.4	4.0	4.2
	Rural b/	2.1	2.1	1.7	1.9
	Urban localities (20 000 inhabitants or more)	5.0	4.2	4.8	4.6
	Rural localities (less than 20 000 inhabitants)	1.9	2.4	1.1	1.8
	Urban localities (100 000 inhabitants or more)	5.6	4.8	5.4	5.1
El Salvador	Total	3.0	3.1	3.0	3.0
	Urban a/	4.2	4.2	4.0	4.1
	Rural b/	2.1	2.1	1.9	2.0
	Urban localities (20 000 inhabitants or more)	5.3	5.2	4.9	5.0
	Rural localities (less than 20 000 inhabitants)	2.3	2.2	2.0	2.1
	Urban localities (100 000 inhabitants or more)	7.2	6.8	6.2	6.5
Guatemala	Total	3.1	2.9	2.8	2.9
	Urban a/	4.5	4.1	4.0	4.1
	Rural b/	2.3	2.1	1.8	2.0
	Urban localities (20 000 inhabitants or more)	5.2	4.8	4.6	4.8
	Rural localities (less than 20 000 inhabitants)	2.7	2.4	2.2	2.3
	Urban localities (100 000 inhabitants or more)	4.8	4.4	4.2	4.4
Haiti	Total	2.3	2.6	2.8	2.7
	Urban a/	4.8	4.8	4.8	4.8
	Rural b/	1.7	1.7	1.7	1.7
	Urban localities (20 000 inhabitants or more)	5.6	5.6	5.4	5.5
	Rural localities (less than 20 000 inhabitants)	1.9	2.0	2.0	2.0
	Urban localities (100 000 inhabitants or more)	5.3	5.3	5.1	5.2
Honduras	Total	3.4	3.3	3.2	3.3
	Urban a/	5.4	5.1	4.7	4.9
	Rural b/	2.3	1.9	1.6	1.8
	Urban localities (20 000 inhabitants or more)	7.0	6.6	5.6	6.2
	Rural localities (less than 20 000 inhabitants)	2.5	2.0	1.8	1.9
	Urban localities (100 000 inhabitants or more)	6.8	6.1	5.5	5.9
Mexico	Total	3.1	3.4	3.1	3.3
	Urban a/	4.6	4.4	3.9	4.2
	Rural b/	1.3	1.1	0.6	0.9
	Urban localities (20 000 inhabitants or more)	5.1	4.9	4.3	4.6
	Rural localities (less than 20 000 inhabitants)	2.3	2.2	1.9	2.1
	Urban localities (100 000 inhabitants or more)	5.5	5.3	4.7	5.1
Nicaragua	Total	3.3	3.3	3.2	3.2
	Urban a/	4.8	4.6	4.2	4.4
	Rural b/	1.8	1.5	1.2	1.4
	Urban localities (20 000 inhabitants or more)	6.0	5.5	4.9	5.3
	Rural localities (less than 20 000 inhabitants)	1.9	1.6	1.2	1.4
	Urban localities (100 000 inhabitants or more)	6.4	5.9	5.3	6.1

/Table 3 (concluded)

Table 3 (concluded)

Country	Population	Period			
		1970-1980	1980-1990	1990-2000	1978-2000
Panama	Total	2.6	2.2	1.9	2.0
	Urban a/	3.9	3.3	2.9	3.1
	Rural b/	1.3	0.7	0.2	0.5
	Urban localities (20 000 inhabitants or more)	4.7	3.8	3.2	3.5
	Rural localities (less than 20 000 inhabitants)	1.1	0.4	-0.0	0.3
	Urban localities (100 000 inhabitants or more)	4.6	3.7	3.1	3.4
Paraguay	Total	2.9	2.9	2.6	2.8
	Urban a/	4.2	4.1	3.7	3.9
	Rural b/	2.1	2.0	1.6	1.8
	Urban localities (20 000 inhabitants or more)	4.7	4.6	4.2	4.4
	Rural localities (less than 20 000 inhabitants)	2.4	2.3	1.9	2.1
	Urban localities (100 000 inhabitants or more)	4.1	4.4	4.0	4.2
Peru	Total	2.8	2.7	2.4	2.6
	Urban a/	4.0	3.7	3.2	3.5
	Rural b/	0.8	0.5	0.1	0.4
	Urban localities (20 000 inhabitants or more)	4.5	4.2	3.6	3.9
	Rural localities (less than 20 000 inhabitants)	1.5	1.2	0.9	1.1
	Urban localities (100 000 inhabitants or more)	4.5	4.2	3.6	3.9
Dominican Republic	Total	2.8	2.4	2.2	2.3
	Urban a/	4.6	4.0	3.5	3.8
	Rural b/	1.4	0.8	0.3	0.6
	Urban localities (20 000 inhabitants or more)	5.7	4.7	4.0	4.4
	Rural localities (less than 20 000 inhabitants)	1.3	0.7	0.2	0.5
	Urban localities (100 000 inhabitants or more)	5.8	5.1	4.4	4.9
Uruguay	Total	0.3	0.8	0.9	0.8
	Urban a/	0.7	1.1	1.1	1.1
	Rural b/	-1.9	-1.6	-1.6	-1.6
	Urban localities (20 000 inhabitants or more)	1.2	1.5	1.4	1.5
	Rural localities (less than 20 000 inhabitants)	-1.0	-0.6	-0.7	-0.7
	Urban localities (100 000 inhabitants or more)	1.4	1.7	1.7	1.7
Venezuela	Total	3.4	3.1	2.4	2.8
	Urban a/	4.3	3.8	2.9	3.4
	Rural b/	0.5	0.1	-0.8	-0.3
	Urban localities (20 000 inhabitants or more)	5.0	4.3	3.3	3.9
	Rural localities (less than 20 000 inhabitants)	0.8	0.2	-0.7	-0.2
	Urban localities (100 000 inhabitants or more)	5.5	4.7	3.7	4.3
Latin America (twenty countries)	Total	2.7	2.7	2.5	2.6
	Urban a/	3.9	3.6	3.2	3.5
	Rural b/	0.9	0.7	0.3	0.5
	Urban localities (20 000 inhabitants or more)	4.4	4.1	3.6	3.9
	Rural localities (less than 20 000 inhabitants)	1.4	1.2	0.8	1.0
	Urban localities (100 000 inhabitants or more)	4.5	4.2	3.8	4.0

Source: CELADE, on the basis of official data.

a/ Urban population as defined in each country.
b/ Rural population as defined in each country.

Table 4

LATIN AMERICA (TWENTY COUNTRIES): GROWTH RATES OF TOTAL POPULATION, POPULATION
OF WORKING AGE AND ECONOMICALLY ACTIVE POPULATION, 1970-2000

Country	Population	Period			
		1970-1980	1980-1990	1990-2000	1970-2000
Argentina	Total	1.31	1.10	0.85	1.09
	15-64	1.24	1.09	1.07	1.13
	EAP a/	1.16	1.09	1.10	1.12
Bolivia	Total	2.66	2.62	2.58	2.62
	15-64	2.60	2.88	2.76	2.75
	EAP	2.38	2.67	2.79	2.62
Brazil	Total	2.87	2.75	2.52	2.71
	15-64	3.03	2.95	2.89	2.96
	EAP	2.84	2.92	3.00	2.92
Colombia	Total	2.38	2.46	2.15	2.33
	15-64	3.42	2.75	2.63	2.94
	EAP	3.03	2.82	2.59	2.81
Costa Rica	Total	2.48	2.29	1.98	2.25
	15-64	3.95	2.84	2.24	3.01
	EAP	3.74	3.00	2.32	3.02
Cuba	Total	1.52	1.33	1.12	1.32
	15-64	2.21	2.20	1.15	1.85
	EAP	2.04	2.51	1.38	1.97
Chile	Total	1.71	1.64	1.35	1.57
	15-64	2.55	1.88	1.63	2.02
	EAP	2.59	2.25	1.69	2.18
Ecuador	Total	3.02	3.16	2.92	3.03
	15-64	3.26	3.29	3.39	3.31
	EAP	2.95	3.15	3.37	3.16
El Salvador	Total	2.96	3.06	2.99	3.01
	15-64	3.10	3.40	3.45	3.32
	EAP	2.85	3.23	3.43	3.17
Guatemala	Total	3.10	2.91	2.79	2.93
	15-64	3.40	3.29	3.09	3.26
	EAP	3.06	3.02	2.94	3.01
Haiti	Total	2.35	2.60	2.76	2.57
	15-64	2.26	2.64	2.84	2.58
	EAP	1.85	2.14	2.35	2.11
Honduras	Total	3.41	3.30	3.17	3.29
	15-64	3.28	3.77	3.69	3.58
	EAP	3.08	3.46	3.42	3.32

Table 4 (concluded)

Country	Population	Period			
		1970-1980	1980-1990	1990-2000	1970-2000
Mexico	Total	3.35	3.38	3.09	3.27
	15-64	3.58	3.54	3.56	3.56
	EAP	3.36	3.46	3.58	3.47
Nicaragua	Total	3.33	3.29	3.15	3.26
	15-64	3.96	3.06	3.65	3.56
	EAP	3.22	3.49	3.70	3.47
Panama	Total	2.62	2.15	1.87	2.21
	15-64	3.20	2.93	2.31	2.81
	EAP	2.78	2.69	2.30	2.59
Paraguay	Total	2.90	2.90	2.62	2.80
	15-64	3.19	3.18	3.15	3.17
	EAP	3.06	3.17	3.21	3.15
Peru	Total	2.79	2.71	2.41	2.64
	15-64	3.20	3.03	2.87	3.03
	EAP	3.07	3.15	3.06	3.09
Uruguay	Total	0.35	0.80	0.86	0.67
	15-64	0.24	0.72	0.83	0.60
	EAP	0.08	0.78	1.02	0.63
Venezuela	Total	3.38	3.07	2.43	2.96
	15-64	4.25	3.29	2.06	3.53
	EAP	4.07	3.53	3.11	3.57
Latin America (twenty countries)	Total	2.71	2.68	2.46	2.62
	15-64	2.93	2.87	2.81	2.89
	EAP	2.76	2.85	2.85	2.82

Sources: ILO, Labour Force estimates and projections, 1950-2000. Vol. III, Latin America. Second edition, Geneve 1977.
CELADE, Boletín Demográfico, Nº 15, January 1975 and Nº 22, July 1978.

a/ The economically active population was calculated by applying the participation rates from the ILO study to the population figures published in the CELADE bulletins.

The third group of countries will be in an intermediate position. Their annual population growth rates will show substantial declines in the next two decades, falling well below 3% in the 1980s and nearing 2% in the 1990s. The annual growth rates of the urban population will be below 4% but above 3%, and the growth rates of rural population will, in general, increase only very slightly or even go down in the 1990s in countries of such great demographic importance for the region as Brazil and Colombia. The annual growth rates of the economically active population will continue to rise, reaching a peak in the next two decades, with levels of close to or over 3%.

The above figures show that, with the exception of the countries in the first group, the region will face a considerable challenge in the field of population. On the one hand, the still high rates of urban population growth will lead to considerable pressure on the physical and social infrastructure, and on the other hand they will produce an appreciable change in the distribution, size and relative weight of the rural and urban strata. In the year 2000 about 80% of the population will live in towns, and 63% of it will be in towns of 20,000 or more inhabitants. In Argentina, Chile and Uruguay about 90% will be living in towns, and with the exception of Haiti, all will have less than half of the population in the countryside. Thus the analysis of rural problems will differ substantially depending on the country. The rural population as a socio-economic category will represent very different percentages of the total, changing in many cases from the present status of a majority of the population to a minority by the year 2000.

The growth in the economically active population presents a considerable challenge in the field of employment. In absolute terms, annual growth rates of about 3% in the labour force are very high by any standards and have few precedents at the world level. Moreover, if it is borne in mind that annual growth in the product per employed person in Latin America was of the order of 2.8% in the 1950s, rising to about 3.5% in the 1960s, and if it is accepted that this growth conceals a substantial degree of underemployment, it may be deduced that even if the present nature of underemployment is not improved, and even if technological

/change does

change does not farther increase the rate of growth in productivity, annual growth of the order of 6.5% in the product will be necessary merely to absorb the labour force. However, it does not appear to be easy, given the form that development takes at present, to avoid increases in the rate of growth of the product per person employed; nor is it desirable that the situation of underemployment should not improve. For these reasons it is easy to see that annual rates of growth of more than 6.5% will be required. If it is borne in mind that as far as long periods are concerned the region as a whole has grown with such vigour only between 1965 and 1973 - a period of very favourable external circumstances - the difficulties ahead can be readily appreciated.

3. Macroeconomic and balance-of-payments projections

The macroeconomic and sectoral projections were prepared using an economic model at the country level whose principal variables are: total product, consumption, national savings and external financing, exports and imports classified under major headings, external factor payments, external debt, terms of trade, and value added, productivity and employment for five economic sectors.

In the work being carried out at this first stage, consideration is given chiefly to the following relationships and criteria:

(a) Determination of the investment requirements on the basis of marginal capital-output ratios.

(b) Imports classified under five headings, in relation to the domestic product and investment.

(c) External interest and profits in relation to foreign borrowing and investment.

(d) The terms of trade are assumed to be stable at 1976 levels.

(e) External financing is generally fixed on the basis of exogenous considerations linked to the experience of the present decade and with upper limits which are established for external borrowing.

(f) The contribution of the economic sectors in question to the product in relation to per capita income.

(g) The product per employed person in the economic sectors in question in relation to per capita income and technical progress.

/(h) Finally,

(h) Finally, an aggregate saving function is formulated and the
remainder of the variables are determined using accounting equations.

The model operates by adopting the level of dynamism defined for
each country in the corresponding scenario and producing projections for
financing and the limits of external borrowing. As a result, it may be
said that in general terms exports prove to be essential for maintaining
the balance of payments within limits deemed acceptable. Nevertheless,
there is no mechanical, uniform approach to all countries. Exogenous
variables and the model's solutions are examined bearing in mind the
specific circumstances of each country or group of countries.

Thus, for example, the econometric import functions are adjusted,
in some cases, in order to take account of national policies already adopted
in the field of industrialization; the relative magnitude established for
external financing is examined in relation to the present extent of
borrowing, which varies substantially from one country to another; and
its effects on the mobilization of domestic resources in terms of savings
are analysed. When considering the growth targets which characterize
the various projected scenarios, account is taken, as was explained above,
of national development plans, specific domestic and external circumstances,
historical experience and the principal factors which gave rise to this.
In addition, the projections of import and export requirements which
emerge from this econometric model are brought into line with the more
disaggregated projections which are obtained from the external trade model
described below.

(a)   Sectoral macroeconomic projections

Using the methodology described above, the projections show the effects
of various rates of dynamism on the macroeconomic and sectoral variables
mentioned above.

(i) First scenario. The first scenario assumes, as has already been
said, growth of about 6.4% a year for the region as a whole. The accumulation
required in order to achieve the dynamism based on past trends will to a
large extent depend on the country being considered, the level of the rate
of growth being analysed and the productive changes adopted.

/The 1970s

The 1970s have been marked by great variability in the marginal product-capital ratios. At the beginning of the decade there was a considerable rise in such ratios, while the reverse has occurred in recent years.

At the beginning of the decade it would appear that two factors combined to raise the product-capital ratios. After passing through periods during which its imports declined considerably, Latin America began in the mid-1960s to expand its external trade. As a result, supply became flexible, and there is no doubt that this fact must have led to greater efficiency in the use of capital. Secondly, the high growth rates coexisted with very vigorous demand, which considerably increased the degree of utilization of installed capacity. In recent years these tendencies have become reversed, with the added fact that notwithstanding the decline in dynamism, investment continued to expand, and this naturally contributed to a reduction in the marginal product-capital ratios.

In the analysis based on past trends, accumulation requirements similar to the long-term requirements were accepted for most countries, since if the 1970s are looked at as a whole, the results do not differ substantially from those achieved in previous decades. It is postulated that if for the long-term analysis the cyclical movements in greater or lesser use of installed capacity offset one another, results similar to those of the long-term trends will be achieved.

On these assumptions, and with the rates of dynamism considered, the accumulation requirements at the national level were estimated. In general terms, the three economically most important countries will have relatively high requirements, either because high rates of growth are postulated for them, or because, as in the case of Argentina, the product-capital ratio is rather low. The investment ratio of these countries is 22% on average. In the medium-sized countries the requirements differ greatly, ranging from about 10% up to 34% (Venezuela). The small countries show less disparity, with an average figure of 17% (see tables 5, 6, 7 and 8).

Table 5

LATIN AMERICA[a]: GROWTH AND DISTRIBUTION OF THE GROSS DOMESTIC PRODUCT AND EVOLUTION
OF THE EXTERNAL SECTOR

Hypothesis: Continuation of past GDP growth trends

(Percentages)

Period	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms of trade effect	Imports of goods and services	Net payments of profits and interest	Net external financing b/	Gross national savings	Gross domestic income
				Annual growth rates						
				Historical evolution, 1950-1976						
1950-1960	5.2	6.1	4.9	4.0	...	3.5	...	...	4.7	4.8
1960-1965	5.3	5.3	4.7	4.6	...	3.6	...	...	6.6	5.0
1965-1974	6.7	10.4	6.3	4.6	...	9.4	...	...	9.8	7.0
1974-1976	4.0	3.1	3.6	1.4	...	-2.2	...	...	1.9	3.3
				Projections, 1980-2000						
1976-1980	5.8	0.6	7.3	7.6	...	5.9	...	...	0.8	5.9
1980-1985	6.3	6.4	6.4	6.3	...	7.1	...	...	6.3	6.3
1985-1990	6.3	6.4	6.4	6.2	...	6.9	...	...	6.2	6.4
1990-2000	6.4	6.5	6.4	6.8	...	6.6	...	...	6.5	6.5
				As percentages of the gross domestic product						
				Historical evolution, 1950-1976						
1950	100.0	18.3	83.4	14.0	5.3	15.7	2.7	-0.8	19.1	105.3
1960	100.0	19.9	81.0	12.5	1.3	13.4	1.9	1.6	18.3	101.3
1970	100.0	21.5	78.7	11.3	-	11.5	1.8	1.9	19.6	100.0
1976	100.0	26.6	75.4	9.7	1.5	11.7	1.9	2.3	24.3	101.5
				Projections, 1980-2000						
1980	100.0	21.7	79.7	10.3	1.8	11.7	2.1	1.7	20.0	101.8
1985	100.0	21.8	80.0	10.4	2.0	12.2	2.0	1.8	20.0	102.0
1990	100.0	21.9	80.3	10.3	2.1	12.5	2.0	2.1	19.8	102.1
2000	100.0	22.1	80.0	10.7	2.3	12.8	2.4	2.2	19.9	102.3

Table 6

LATIN AMERICA (LARGE COUNTRIES)[a/]: GROWTH AND DISTRIBUTION OF THE GROSS DOMESTIC PRODUCT AND EVOLUTION OF THE EXTERNAL SECTOR

Hypothesis: Continuation of past GDP growth trends

(Percentages)

Period	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effect	Imports of goods and services	Net payments of profits and interest	Net external financing[b/]	Gross national savings	Gross domestic income
				Annual growth rates						
				Historial evolution, 1950-1976						
1950-1960	5.4	7.4	4.9	3.1	...	2.8	...	...	5.5	5.0
1960-1965	5.3	5.1	4.6	4.2	...	-2.3	...	...	7.7	5.2
1965-1974	7.5	11.8	6.8	6.2	...	12.2	...	...	10.0	7.6
1974-1976	4.2	3.0	3.5	1.8	...	-6.2	...	...	4.7	4.0
				Projections, 1980-2000						
1976-1980	5.8	-0.8	7.9	8.7	...	4.9	...	...	-0.0	6.1
1980-1985	6.6	6.6	6.7	6.8	...	7.7	...	...	6.6	6.7
1985-1990	6.7	6.7	6.7	6.8	...	7.5	...	...	6.5	6.7
1990-2000	6.7	6.8	6.7	7.5	...	7.1	...	...	6.7	6.7
				As percentages of the gross domestic product						
				Historical evolution, 1950-1976						
1950	100.0	17.1	85.3	10.4	4.4	12.8	1.0	-1.0	18.1	104.4
1960	100.0	20.6	81.1	8.3	0.4	10.0	1.0	2.4	18.2	100.4
1980	100.0	22.5	78.1	7.7	0.0	8.3	1.3	1.8	20.7	100.0
1976	100.0	28.4	73.0	6.8	0.4	8.2	1.9	2.9	25.5	100.4
				Projections, 1980-2000						
1980	100.0	21.9	78.5	7.5	0.9	7.9	2.1	1.6	20.2	100.9
1985	100.0	21.9	78.8	7.6	1.0	8.3	2.0	1.7	20.2	101.0
1990	100.0	21.9	79.1	7.6	1.1	8.6	2.1	1.9	20.0	101.1
2000	100.0	21.9	78.8	8.2	1.1	8.9	2.4	2.0	20.0	101.1

Source: CEPAL, on the basis of official data.

a/ Comprising Argentina, Brazil and Mexico.

b/ Including net private transfer payments.

Table 7

LATIN AMERICA (MEDIUM-SIZED COUNTRIES)[a/]: GROWTH AND DISTRIBUTION OF THE GROSS DOMESTIC PRODUCT AND EVOLUTION OF THE EXTERNAL SECTOR

Hypothesis: Continuation of past GDP growth trends

(Percentages)

Period	Gross domestic product	Gross domestic invest-ment	Total consumption	Exports of goods and services	Terms-of-trade effect	Imports of goods and services	Net payments of profits and interest	Net external financing [b/]	Gross national savings	Gross domestic income
				Annual growth rates						
				Historical evolution, 1950-1976						
1950-1960	5.4	3.6	5.5	5.7	...	4.3	...	...	4.4	5.0
1960-1965	6.0	5.9	5.3	4.3	...	1.2	...	...	3.8	4.9
1965-1974	4.7	5.9	5.5	1.6	...	6.3	...	...	9.5	6.1
1974-1976	2.9	3.0	3.8	-1.1	...	3.5	...	...	-8.8	0.1
				Projections, 1980-2000						
1976-1980	5.4	6.0	5.6	5.0	...	7.0	...	...	3.9	5.3
1980-1985	5.4	5.7	5.6	5.5	...	6.6	...	...	5.4	5.5
1985-1990	5.4	5.7	5.6	5.2	...	6.4	...	...	5.2	5.5
1990-2000	5.5	5.8	5.5	5.9	...	6.2	...	...	5.8	5.6
				As percentages of the gross domestic product						
				Historical evolution, 1950-1976						
1950	100.0	24.8	76.2	22.3	8.8	23.2	7.8	0.2	24.6	108.8
1960	100.0	20.9	77.1	22.9	4.5	20.8	4.8	-1.3	22.2	104.5
1970	100.0	20.4	77.2	19.0	0.0	16.6	3.2	1.0	19.4	100.0
1976	100.0	23.0	81.2	14.9	6.4	19.1	1.4	-0.6	23.6	106.4
				Projections, 1980-2000						
1980	100.0	23.5	82.0	14.7	6.1	20.3	1.7	1.2	22.3	106.1
1985	100.0	23.9	82.8	14.8	6.7	21.5	1.5	1.5	22.4	106.7
1990	100.0	24.3	83.6	14.7	7.3	22.5	1.5	2.1	22.2	107.3
2000	100.0	25.0	83.9	15.2	8.7	24.1	1.8	2.1	22.9	108.7

Source: CEPAL, on the basis of official data.
a/ Comprising Chile, Colombia, Peru and Venezuela.
b/ Including net private transfer payments.

Table 8

LATIN AMERICA (SMALL COUNTRIES)[a/]: GROWTH AND DISTRIBUTION OF THE GROSS DOMESTIC PRODUCT AND EVOLUTION OF THE EXTERNAL SECTOR

Hypothesis: Continuation of past GDP growth trends

(Percentages)

Period	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effect	Imports of goods and services	Net payments of profits and interest	Net external financing b/	Gross national savings	Gross domestic income
				Annual growth rates						
				Historical evolution, 1950-1976						
1950-1960	3.6	3.8	3.9	2.8	...	4.3	...	...	-0.3	5.2
1960-1965	4.3	5.4	4.0	6.8	...	6.0	...	...	6.6	4.3
1965-1974	5.3	9.5	4.8	6.7	...	7.5	...	...	8.6	5.4
1974-1976	4.7	3.8	3.8	4.3	...	0.6	...	...	8.0	4.2
				Projections, 1980-2000						
1976-1980	5.3	1.4	5.9	8.3	...	7.0	...	...	0.2	5.4
1980-1985	5.4	5.7	5.4	6.1	...	6.3	...	...	5.5	5.5
1985-1990	5.5	5.8	5.6	6.0	...	6.2	...	...	5.6	5.6
1990-2000	5.7	5.9	5.7	6.1	...	6.2	...	...	5.7	5.7
				As percentages of the gross domestic product						
				Historical evolution, 1950-1976						
1950	100.0	12.9	86.6	18.6	4.3	18.2	2.6	-2.0	14.9	104.3
1960	100.0	13.1	89.0	17.2	0.1	19.3	0.9	3.0	10.1	100.1
1970	100.0	16.7	86.3	19.8	0.0	22.8	1.8	4.3	12.4	100.0
1976	100.0	19.2	82.6	21.6	-0.2	23.4	2.5	3.4	15.8	99.8
				Projections, 1980-2000						
1980	100.0	16.5	84.3	24.1	-0.0	24.9	3.0	3.5	13.0	100.0
1985	100.0	16.7	84.3	24.9	0.1	25.9	2.9	3.7	13.0	100.1
1990	100.0	16.9	84.4	25.4	0.2	26.7	2.9	3.9	13.1	100.2
2000	100.0	17.3	84.3	26.3	0.5	27.9	3.3	4.3	13.0	100.5

Source: CEPAL, on the basis of official data.

a/ Comprising 12 countries: Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay and Uruguay.

b/ Including net private transfer payments.

/Examination of

Examination of the accumulation requirements in this scenario based on past trends shows that, in most cases, the capacity to absorb investment will not be an obstacle to economic growth. Almost without exception the countries can point to periods when accumulation exceeded the levels adopted here.

In order to achieve these ratios, investment should grow at about 6.5% a year for the region: nearly 7% for the large countries and somewhat less than 6% for the medium-sized and small countries.

In these circumstances it does not seem difficult either for investment to be financed domestically. The domestic saving potential has proved fairly high in many countries of the region, and it would be easy to reduce the historical values of external financing. Since, however, it is known that external resources will be needed because of balance-of-payments problems, the concern is reversed, and the task is that of ensuring that the ratio between national saving and the domestic product is not markedly reduced. Performance in the past decade permits values of about or more than 20% for most of the large and medium-sized countries. Nevertheless, for the small countries the levels of domestic saving fall well short of 20%, and in many countries do not even reach 15%.

One may thus observe clear differences in the manner of financing accumulation. On the one hand, the larger countries align their domestic saving structures with the accumulation requirements, even when they are growing at high rates. On the other hand, a group of small countries, because of balance-of-payments problems, do not succeed in making proper use of their domestic saving potential.

Annual average growth of about 6.4% would be achieved with growth of 3.5% in agriculture, 7.2% in industry (manufacturing would grow at 7.4%) and 6.2% in the services sector (see table 9).

Table 9

LATIN AMERICA (19 COUNTRIES): GROWTH AND STRUCTURE OF GROSS DOMESTIC PRODUCT AND
EMPLOYMENT, BY SECTOR OF ECOMIC ACTIVITY

Hypothesis: Continuation of past GDP growth trends

	Annual growth rates					Percentage of the total			
	1950-1960	1960-1970	1970-1980	1980-1990	1990-2000	1970	1980	1990	2000
Total gross domestic product a/	5.1	5.5	6.0	6.3	6.4	100.0	100.5	100.0	100.0
Agriculture	3.5	3.3	3.3	3.5	3.5	13.3	10.3	7.9	6.0
Industry	6.2	6.2	6.5	7.2	7.2	34.1	35.7	38.7	41.7
Manufacturing	6.5	6.9	7.0	7.3	7.4	24.5	26.7	29.5	32.3
Other b/	5.6	4.6	5.4	6.6	6.7	9.6	9.0	9.2	9.4
Services	5.0	5.7	6.3	6.2	6.2	52.6	54.0	53.4	52.3
Basic c/	5.1	6.4	7.3	7.1	7.1	8.0	9.1	9.8	10.4
Other d/	5.0	5.5	6.1	6.0	6.0	44.6	44.9	43.6	41.9
Gross domestic product per employed person a/	2.9	3.4 e/	3.4	3.6	3.7	100.0	100.0	100.0	100.0
Agriculture	2.3	3.0	2.5	2.7	2.9	32.5	29.7	27.2	25.2
Industry	3.8	2.8	3.2	4.0	4.1	158.4	154.6	159.9	166.4
Manufacturing	4.2	3.7	3.8	4.3	4.5	162.3	168.4	180.4	193.9
Other b/	3.0	0.7	1.6	3.0	3.2	149.1	124.2	117.4	111.9
Services	1.5	2.1	2.5	2.4	2.6	140.5	128.0	114.0	101.9
Basic c/	1.3	3.6	3.4	3.6	3.8	158.9	157.7	156.7	158.5
Other d/	1.6	1.3	2.3	2.2	2.3	137.6	123.3	107.4	93.6
Employment	2.2 e/	2.1 e/	2.5	2.6	2.6	100.0	100.0	100.0	100.0
Agriculture	1.3	0.3	0.8	0.7	0.5	41.1	34.8	28.9	23.6
Industry	2.3	3.4	3.3	3.1	3.0	21.5	23.1	24.2	25.1
Manufacturing	2.3	3.2	3.0	2.9	2.8	15.1	15.9	16.3	16.7
Other b/	2.5	4.0	3.7	3.5	3.3	6.4	7.2	7.8	8.4
Services	3.5	3.6	3.7	3.7	3.6	37.4	42.1	46.9	51.3
Basic c/	3.9	2.8	3.8	3.4	3.1	5.1	5.8	6.2	6.6
Other d/	3.4	3.8	3.7	3.7	3.6	32.4	36.3	40.6	44.8

Source: CEPAL, on the basis of official data.

a/ On the basis of values at 1970 prices, at the exchange rate for imports.
b/ Mining and quarrying and construction.
c/ Electricity, gas, water and sanitation; transport and communications.
d/ Commerce and finance; ownership of dwellings; general government; defence and miscellaneous services.
e/ Excluding Dominican Republic, Haiti and Uruguay.

/This growth

This growth would imply a considerable drop in the relative contribution
of agriculture to the product, from about 8% in 1990 to about 6% in the
year 2000, whereas the degree of industrialization would rise markedly, and
manufacturing would represent 29% in 1990 and 32% in the year 2000. If
the remainder of the output of non-agricultural goods (mining and quarrying
and construction) is added to manufacturing, the figures would be 36% in
1990 and 42% in the year 2000. The contribution of services would remain
at about 53%. The marginal changes which may be observed are due to a rise
of 8-10% in basic services 7/ and a fall in other services (from 45 to 42%)
(see table 9).

These figures show that towards the year 2000 the Latin American
economy will irreversibly become an urban economy. Although the role of
the agricultural sector will continue to be important in economic, social
and nutritional terms, it will lose relative importance in the structures
of production and employment.

Of course, these overall figures conceal substantial disparities.
In order to give a more precise picture, it will be necessary to deal with
various groups of countries at the same time. In its desire to provide a
general picture, the present report has opted for a classification into
large, medium-sized and small countries which, though it still conceals
some differences, is one of the types of grouping which best illustrates
the regional heterogeneity.

In the economically and demographically largest countries 8/ the
overall growth rate will be somewhat higher, reaching 6.7% a year. The
agricultural sector will maintain the rate of the region as a whole (3.5%)
and the principal engine of growth will be manufacturing, which will grow
at the rate of 7.6% (see table 10).

7/   Electricity, gas, water, sanitation, transport and communications.

8/   Argentina, Brazil and Mexico.

Table 10

LATIN AMERICA (LARGE COUNTRIES)[a/]: GROWTH AND STRUCTURE OF GROSS DOMESTIC PRODUCT AND EMPLOYMENT, BY SECTOR OF ECONOMIC ACTIVITY

Hypothesis: Continuation of past GDP growth trends

	Annual growth rates					Percentage of the total			
	1950-1960	1960-1970	1970-1980	1980-1990	1990-2000	1970	1980	1990	2000
Total gross domestic product b/	5.3	5.8	6.5	6.6	6.7	100.0	100.0	100.0	100.0
Agriculture	3.7	3.1	3.3	3.5	3.5	11.4	8.4	6.2	4.6
Industry	6.3	6.8	7.3	7.5	7.5	35.0	37.7	41.0	44.1
Manufacturing	6.6	7.1	7.4	7.6	7.6	27.1	29.5	32.2	34.8
Other c/	5.4	5.6	7.1	7.4	7.3	7.9	8.2	8.9	9.3
Services	4.8	6.2	6.6	6.4	6.4	53.6	53.9	52.8	51.3
Basic d/	5.1	6.3	7.4	7.3	7.3	7.7	8.4	8.9	9.4
Other e/	5.2	5.8	6.4	6.2	6.2	45.9	45.5	43.8	41.9
Gross domestic product per employed person b/	2.9	3.6	3.8	3.9	3.9	100.0	100.0	100.0	100.0
Agriculture	2.1	3.0	2.8	3.1	3.3	29.6	26.9	25.0	23.7
Industry	3.8	3.1	3.7	4.2	4.3	158.4	157.5	163.2	170.1
Manufacturing	4.2	3.9	3.9	4.4	4.5	178.1	179.8	190.2	202.9
Other c/	2.6	1.0	3.3	3.7	3.7	114.8	109.2	107.8	106.0
Services	1.7	2.1	2.5	2.5	2.6	135.3	120.0	105.7	93.8
Basic d/	1.1	4.6	3.3	3.7	3.9	152.9	146.4	144.3	144.7
Other e/	1.8	1.7	2.4	2.3	2.4	133.3	116.2	100.2	87.0
Employment	2.4	2.1	2.6	2.7	2.8	100.0	100.0	100.0	100.0
Agriculture	1.6	0.1	0.5	0.4	0.2	38.4	31.1	24.9	19.4
Industry	2.5	3.5	3.5	3.2	3.1	22.1	24.0	25.2	25.9
Manufacturing	2.3	3.1	3.4	3.0	2.9	15.2	16.4	16.9	17.1
Other c/	2.7	4.5	3.6	3.6	3.4	6.9	7.6	8.2	8.8
Services	3.4	3.7	4.0	3.8	3.7	39.5	44.9	49.9	54.7
Basic d/	3.0	1.7	4.0	3.5	3.3	5.0	5.7	6.2	6.5
Other e/	3.4	4.0	4.0	3.8	3.7	34.5	39.2	43.8	48.2

Source: CEPAL, on the basis of official data.

a/ Comprising Argentina, Brazil and Mexico.
b/ On the basis of values at 1970 prices, at the exchange rate for imports.
c/ Mining and quarrying and construction.
d/ Electricity, gas, water and sanitation; transport and communications.
e/ Commerce and finance; ownership of dwellings; general government; defence and miscellaneous services.

Dynamism in the medium-sized 9/ and small countries will be markedly lower, reaching only 5.5% and 5.6% respectively. The agricultural and manufacturing sectors of the small countries will grow at distinctly higher rates than those in the medium-sized countries (3.8% and 6.8%, as against 3.2% and 6.5% respectively), with growth in services in the medium-sized countries acting as the factor which balances the overall rates (tables 11 and 12).

These growth rates will mean that these three groups of countries will have rather different structures by the year 2000.

Thus, for the large countries agriculture will contribute 6% in 1990 and only 4.6% in the year 2000. Their degree of industrialization will reach 32% in 1990 and 35% in the year 2000, with services, in contrast, declining to only 51% in the year 2000 compared with 54% in 1980. Implicit in these figures is the clear trend towards the continued vigorous incorporation of new industrial branches and the very clear strengthening of services associated with production, including the modernization of commercial and financial systems and finally the consolidation in some countries of a preponderantly urban economy (see table 10).

In the medium-sized countries the situation will be different. The combination of a drop in the contribution of agriculture and a relatively low degree of industrialization will lead to the rapid expansion of services. Thus, when the contribution of agriculture sinks to 8% in the year 2000, the degree of industrialization will still be only 25%. For a similar contribution from the agricultural sector the large countries would have a degree of industrialization of 30%. In these circumstances, services will represent 57% of the product of the medium-sized countries by the year 2000. There is no doubt that the difficulties which these countries have already encountered or are encountering in achieving greater expansion of certain industrial branches will if not resolved, lead to a distortion of the services sector (see table 11).

9/   Chile, Colombia, Peru and Venezuela.

Table 11

LATIN AMERICA (MEDIUM-SIZED COUNTRIES)[a/] : GROWTH AND STRUCTURE OF GROSS DOMESTIC PRODUCT AND EMPLOYMENT,
BY SECTOR OF ECONOMIC ACTIVITY

Hypothesis: Continuation of past GDP growth trends

	Annual growth rates					Percentage of the total			
	1950-1960	1960-1970	1970-1980	1980-1990	1990-2000	1970	1980	1990	2000
Total gross domestic product b/	5.2	5.0	4.7	5.4	5.5	100.0	100.0	100.0	100.0
Agriculture	3.9	3.5	2.9	3.2	3.2	14.2	11.9	9.7	7.8
Industry	6.4	4.8	3.6	5.8	6.0	36.0	32.4	33.5	35.0
Manufacturing	6.6	6.2	5.2	6.4	6.6	19.6	20.6	22.6	25.0
Other c/	6.1	3.3	1.3	4.6	4.6	16.3	11.8	10.9	10.0
Services	4.8	5.5	5.9	5.6	5.6	49.8	55.7	56.8	57.2
Basic d/	5.2	7.0	7.4	6.6	6.7	9.2	11.8	13.2	14.8
Other e/	4.7	5.2	5.5	5.4	5.2	40.7	43.9	43.7	42.5
Gross domestic product per employed person b/	3.1	2.8	2.6	2.9	3.1	100.0	100.0	100.0	100.0
Agriculture	3.3	2.8	2.0	2.3	2.6	37.5	35.5	33.3	31.6
Industry	4.2	1.5	1.4	3.1	3.4	154.9	137.3	139.7	143.7
Manufacturing	4.2	2.4	3.1	3.9	4.1	119.5	125.1	136.7	149.5
Other c/	4.3	1.0	-1.2	1.7	2.0	240.3	165.8	146.5	131.1
Services	1.3	1.9	2.8	2.2	2.4	127.7	129.9	120.8	112.2
Basic d/	1.6	0.7	3.5	3.3	3.8	138.0	150.5	160.0	166.5
Other e/	1.2	2.1	2.6	1.9	2.0	125.6	125.3	113.1	100.8
Employment	1.8	2.3	2.1	2.4	2.3	100.0	100.0	100.0	100.0
Agriculture	0.6	0.7	0.9	0.9	0.7	37.7	33.6	29.0	24.6
Industry	2.1	3.3	2.2	2.6	2.5	23.2	23.6	23.9	24.3
Manufacturing	2.3	3.8	2.1	2.5	2.4	16.4	16.5	16.5	16.7
Other c/	1.7	2.3	2.5	2.9	2.6	6.8	7.1	7.4	7.6
Services	3.4	3.6	3.0	3.4	3.1	39.1	42.8	47.1	51.0
Basic d/	3.6	6.3	3.8	3.2	2.8	6.7	7.8	8.5	8.9
Other e/	3.4	3.1	2.9	3.4	3.2	32.4	35.0	38.6	42.2

Source: CEPAL, on the basis of official data.

a/ Comprising Chile, Colombia, Peru and Venezuela.
b/ On the basis of values at 1970 prices, at the exchange rate for imports.
c/ Minning and quarrying and construction.
d/ Electricity, gas, water and sanitation; transport and comunications.
e/ Commerce and finance; ownership of dwellings; general government; defence and miscellaneous services.

Table 12

LATIN AMERICA (SMALL COUNTRIES)a/: GROWTH AND STRUCTURE OF GROSS DOMESTIC PRODUCT
AND EMPLOYMENT, BY SECTOR OF ECONOMIC ACTIVITY

Hypothesis: Continuation of past GDP growth trends

	Annual growth rates					Percentage of the total			
	1950-1960	1960-1970	1970-1980	1980-1990	1990-2000	1970	1980	1990	2000
Total gross domestic product b/	3.9	4.6	5.4	5.5	5.7	100.0	100.0	100.0	100.0
Agriculture	2.6	3.5	3.9	3.7	3.6	25.6	22.2	18.6	15.2
Industry	4.1	5.6	7.1	6.5	6.8	22.8	26.9	29.8	32.8
Manufacturing	4.4	5.8	6.3	6.7	7.0	16.9	18.5	20.8	23.4
Other c/	3.3	5.1	9.3	6.1	6.2	5.9	8.5	9.0	9.4
Services	4.7	4.7	5.2	5.7	5.8	51.6	50.9	51.6	52.0
Basic d/	4.7	5.6	6.7	6.8	6.8	8.0	8.9	10.0	11.1
Other e/	4.6	4.5	5.0	5.4	5.5	43.6	42.0	41.6	40.9
Gross domestic product per employed person b/	2.1 f/	3.7 f/	2.9	3.0	3.2	100.0	100.0	100.0	100.0
Agriculture	1.7	3.1	2.3	2.3	2.4	46.0	43.7	40.7	37.6
Industry	1.6	4.8	3.3	3.2	3.5	133.1	141.4	144.1	147.7
Manufacturing	2.9	5.4	3.4	3.7	3.9	131.5	141.1	151.1	162.1
Other c/	-1.3	3.0	3.1	2.1	2.4	138.1	141.9	130.2	120.8
Services	0.8	2.2	1.9	2.0	2.2	190.1	168.7	153.7	139.6
Basic d/	2.6	2.9	3.1	3.2	3.4	238.9	246.6	251.5	256.0
Other e/	0.6	2.0	1.6	1.8	2.0	183.4	158.1	140.5	124.3
Employment	1.8 f/	1.9 f/	2.4	2.4	2.4	100.0	100.0	100.0	100.0
Agriculture	1.0	0.9	1.5	1.4	1.2	55.7	50.8	45.8	40.6
Industry	2.1	2.8	3.7	3.3	3.2	17.2	19.0	20.6	22.2
Manufacturing	1.8	2.4	2.8	2.9	2.9	12.9	13.1	13.7	14.4
Other c/	3.2	4.0	6.0	3.9	3.7	4.3	7.0	6.9	7.8
Services	4.1	3.6	3.3	3.6	3.5	27.1	30.2	33.6	37.2
Basic d/	3.8	4.3	3.4	3.5	3.3	3.3	3.6	4.0	4.3
Other e/	4.2	3.5	3.3	3.6	3.5	23.8	26.6	29.6	32.9

Source: CEPAL, on the basis of official data.

a/ Comprising Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay and Uruguay.
b/ On the basis of values at 1970 prices, at the exchange rate for imports.
c/ Mining and quarrying and construction.
d/ Electricity, gas, water and sanitation; transport and communications.
e/ Commerce and finance; ownership of dwellings; general government; defence and miscellaneous services.
f/ Excluding Dominican Republic, Haiti and Uruguay.

/The structure

The structure of the small countries differs from the previous two groups. The drop in the contribution of agriculture will be smaller, and agriculture will still contribute 16% in the year 2000. Industry could well increase its contribution to 23%, on the assumption that these countries, having begun to industrialize late, will still have more room to progress, while their marginal situation in many markets will assist their exporting position. Consequently, the services sector will represent only 52% by the year 2000 (see table 12).

Comparison of absolute values, in turn, shows that the projects which are necessary if the trends described are to be followed are of extremely different magnitudes in the three types of countries. In addition, there is no doubt that the trend-based analysis already to some extent reflects the effect that the larger countries are beginning to have on the remainder and in some way maintains the possibility of industrial growth, especially in the smallest countries.

The productive transformations and the rates of dynamism described above will to a large extent be based on substantial technological change. The decades since the war have registered high and increasing growth rates for the product per employed person (2.8% a year in the 1950s and 1960s and about 3.5% in the present decade). Projections of the product per employed person have been made by economic sectors, using a cross-cut of the 1950s, 1960s and 1970s for the Latin American countries and a selected group of developed market economy countries.

In the agricultural sector continued growth may be observed over time in the elasticity of the product per employed person vis-à-vis the per capita product of the economy as a whole. This phenomenon reflects, on the one hand, the growing importance in agricultural output of modern capitalist enterprises at the expense of peasant agriculture. Moreover, the introduction of mechanization or the use of fertilizers and other modern techniques in the peasant economy - even on a small scale - leads to substantial increases in productivity, since the initial levels are so low.

In this first scenario, the product per employed person in the
agricultural sector will grow by 2.9% per year in the next two decades.
This growth will be more intensive in the large countries, where it will
reach 3.2% while it will be only about 2.5% in the medium-sized and small
countries.

As a consequence of the levels of agricultural dynamism and productivity,
employment in the sector will grow slowly, by only slightly over 0.5%.
The differences between countries will be sharper in this case, since
employment will grow by 0.3% a year in the large countries and by 0.8% in
the medium-sized countries, while it will still be an appreciable source
of absorption in the small countries, growing by 1.3% (see tables 9, 10,
11 and 12).

In manufacturing, the growth of the product per person employed has
been substantial in recent decades, and has reached an annual average rate
of over 4% in the present decade. If one examines the values of the
product per employed person in the various Latin American countries and
compares them with the corresponding per capita incomes, one sees that
the curve representing the ratio between the two variables retains almost
the same shape between the years 1950, 1960 and 1970. For the same value
of per capita income one finds increasing values of the product per employed
person in the manufacturing sector as time passes. Thus, a country which
manages to achieve a certain level of income ten years after another will
nor be able to generate similar levels of employment, or in order to do so
it will have to accumulate more capital and grow faster. This technical
progress factor has reduced, and will reduce in the future, the rates of
growth in employment which might have been achieved if the present productivity
per capita income curves had been maintained.

Growth in industrial employment varies substantially in such
circumstances, both between countries and over time. For example, if the
present industrial growth rate is maintained, the rate of growth of
employment will be lower in the 1990s than in the 1980s.

In these circumstances, productivity in manufacturing will increase
by 4.3% a year in the 1980s, while that of the entire sector producing
non-agricultural goods will rise by 4% a year (see tables 9, 10, 11 and 12).

/The rates

The rates of dynamism and degrees of industrialization assumed in this scenario based on past trends will imply rates of increase in manufacturing employment for the 1980s ranging from near-stagnation in some countries to rates of about 4% for others. The lowest values will correspond to the three countries in the Southern Cone (Argentina, Chile and Uruguay), and the two economically and demographically largest countries will have rates of about 3.5% a year. If the groups of countries are analysed by size it will be the medium-sized countries which will generate the lowest growth rates of employment, with an annual rate of 2.5%. For the region as a whole employment in manufacturing will grow by 2.9% per year, while employment in the entire sector producing non-agricultural goods will increase at the rate of 3.1%.

Employment in the services sector has been estimated on the assumption that the present proportion of underemployment will be maintained and that productivity will expand in line with a similar trend to that described for manufacturing, though naturally at lower levels. For basic services 10/ at the regional level, a rate of growth in the product per employed person of 3.5% a year can be expected, while the figure for the rest of the sector will be 2.2% a year. Employment will grow at 3.7% per year - a high rate and one which brings with it a strengthening of the role of services in the occupational structure.

On the assumptions set forth above, total employment in Latin America will expand at about 2.6% a year in the next two decades. This figure shows that, even if the present situation of underemployment is not changed, there will still be a marked imbalance between the growth in the labour force of 2.8% a year and the capacity of the production system to increase employment by only 2.6% a year. This discrepancy in rates would alone increase the rates of open unemployment by 5% between 1980 and the year 2000. Thus, if open unemployment is 7% in the year 1980, it will reach 12% in the year 2000.

This increase in open unemployment, which is serious enough in itself, also conceals two interrelated phenomena which have considerable impact on the distribution of income and situations of poverty: underemployment and differences in productivity - both within and between sectors.

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10/   Electricity, gas, water and sanitation, and transport and communications.

Underemployment is a phenomenon which fundamentally affects the agricultural sector and a group of urban services. As was explained when projecting the productivity of services, this productivity was estimated in line with historical trends, which implies the maintenance of the percentages of underemployment in this sector. Thus this fact alone means that if we add to the figures for open unemployment the figures representing the equivalent unemployment disguised by underemployment, a level of under-utilization of the labour force of well over 30% is obtained.11/ With the changes in the occupational structure which will occur by the end of the century, agricultural employment will have been reduced from the present 35% to 24% and the services sector will remain the major absorber of employment, increasing its share from the present 49% to 51%. In other words, since the sectors producing non-agricultural goods will be incapable of employing all of the labour force released by the agricultural sector, it will be impossible to reduce underemployment in urban services (see tables 9, 10, 11 and 12).

Sectoral productivity trends will also tend to differ to an increasing extent. The product per person employed in manufacturing was 40% higher than the average for the economy as a whole in 1950, 60% higher in 1970 and, under the assumptions used, will be almost double that average in the year 2000. On the other hand, the evolution of this indicator for the agricultural sector shows an opposite trend. It was 37% of the average in 1950, 33% in 1970 and will be 25% in the year 2000. Lastly, the product per employed person in the services sector will decline from 40% above the average in 1970 to a level almost equal to it in the year 2000. Thus in the agricultural and services sectors, in which there is more evident under-employment at present, productivity will grow less than the average, which incidentally reflects the maintenance of past trends.

In these circumstances, unless considerable institutional changes are introduced, the structure of employment and productivity will tend to further accentuate the problems of income distribution. Hence, this first

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11/ According to estimates by PREALC on the basis of a sample carried out in 1970 covering about 75% of the population of Latin America, unemployment and underemployment together affected about 28% of the labour force.

/scenario bears

scenario bears out the inadequate nature of the growth rates proposed to deal with the economic and social problems shown by the retrospective analysis.

(ii) The second scenario. This envisages an annual growth of Latin America's gross domestic product of 7.4% during the next two decades. This expansion would be based on an annual growth of 4.2% for the agricultural sector, 8.6% for manufacturing and 7.1% for services.

From the standpoint of accumulation, this means rasing investment requirements from 22% of the gross domestic product, according to the trend-based scenario, to 25.4% by the end of the century (see table 13). Of this coefficient, 23% would be financed by domestic saving and the balance (2.3%) by external resources. Thus, the acceleration of growth places the domestic effort at a level somewhere below that attained in the five-year period 1973-1977 (24.3%) and the external contribution at a similar proportion (2.3%). Although these proportions have only been achieved in recent years and, therefore, the stability of these trends cannot be relied on, the indicators mentioned illustrate the region's accumulation and saving potential.

In the countries of largest economic size,12/ investment requirements in the next two decades amount to 25.1% of the product, while their corresponding domestic saving and external financing needs amount to 23.1% and 2.0%, respectively, all these values being similar to those attained in the past decade (see table 14).

The position of the countries of medium economic size 13/ is quite different. The investment requirements under this scenario represent a distinct break with the historical trend, as regards both domestic saving and external financing. In particular, the domestic savings effort would be enormous and would increase to an average of approximately 26.6% of the product, while external financing would reach 2.2% (see table 15). In this context it may be affirmed that with the exception of Venezuela all the other countries would have to make great efforts although of varying intensity, to regain and increase their levels of investment, whose relative magnitude has declined appreciably in the last few years.

12/   Argentina, Brazil and Mexico.

13/   Chile, Colombia, Peru and Venezuela.

Table 13

LATIN AMERICA[a/]: GROWTH AND DISTRIBUTION OF THE GROSS DOMESTIC PRODUCT AND EVOLUTION OF THE EXTERNAL SECTOR

Hypothesis: Moderate acceleration of the GDP growth rate

(Percentages)

Period	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effect	Imports of goods and services	Net payments of profits and interest	Net external financing[b/]	Gross national savings	Gross domestic income
					Annual growth rates					
					Historical trends, 1950-1976					
1950-1960	5.2	6.1	4.9	4.0	...	3.5	...	...	4.7	4.8
1960-1965	5.3	5.3	4.7	4.6	...	3.6	...	...	6.6	5.0
1965-1974	6.7	10.4	6.3	4.6	...	9.4	...	...	9.8	7.0
1974-1976	4.0	3.1	3.6	1.4	...	-2.2	...	...	1.9	3.3
					Projections, 1980-2000					
1976-1980	5.8	4.5	6.1	7.6	...	6.2	...	...	4.9	5.9
1980-1985	7.3	7.4	7.4	7.4	...	8.3	...	...	7.2	7.4
1985-1990	7.4	7.4	7.5	7.3	...	8.0	...	...	7.1	7.4
1990-2000	7.4	7.5	7.4	7.9	...	7.7	...	...	7.5	7.4
					As percentages of the gross domestic product					
					Historical trends, 1950-1976					
1950	100.0	18.3	83.4	14.0	5.3	15.7	2.7	-0.8	19.1	105.3
1960	100.0	19.9	81.0	12.5	1.3	13.4	1.9	1.6	18.3	101.3
1970	100.0	21.5	78.7	11.3	-	11.5	1.8	1.9	19.6	100.0
1976	100.0	26.6	75.4	9.7	1.5	11.7	1.9	2.3	24.3	101.5
					Projections, 1980-2000					
1980	100.0	25.3	76.2	10.3	1.8	11.9	2.1	1.9	23.5	101.8
1985	100.0	25.4	76.7	10.4	2.0	12.4	2.0	2.0	23.3	102.0
1990	100.0	25.4	77.0	10.4	2.1	18.8	2.0	2.3	23.1	102.1
2000	100.0	25.5	76.8	10.8	2.3	13.1	2.3	2.3	23.1	102.3

Source: CEPAL, on the basis of official data.

a/ Comprises 19 countries, excluding Cuba and the English-speaking Caribbean countries.
b/ Including net private transfer payments.

Table 14

LATIN AMERICA (LARGE COUNTRIES)[a/]: GROWTH AND DISTRIBUTION OF THE GROSS DOMESTIC PRODUCT AND EVOLUTION OF THE EXTERNAL SECTOR

Hypothesis: Moderate acceleration of the GDP growth rate

(Percentages)

Period	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effect	Imports of goods and services	Net payment of profits and interest	Net external financing[b/]	Gross national savings	Gross domestic income
				Annual growth rates						
				Historical trends, 1950-1976						
1950-1960	5.4	7.4	4.9	3.1	...	2.8	...	...	5.5	5.0
1960-1965	5.3	5.1	4.6	4.2	...	·2.3	...	...	7.7	5.2
1965-1974	7.5	11.8	6.8	6.2	...	12.2	...	...	10.0	7.6
1974-1976	4.2	3.0	3.5	1.8	...	-6.2	...	...	4.7	4.0
				Projections, 1980-2000						
1976-1980	5.8	2.7	6.8	8.7	...	5.0	...	...	3.8	6.1
1980-1985	7.6	7.6	7.7	7.8	...	8.9	...	...	7.5	7.6
1985-1990	7.6	7.6	7.7	7.8	...	8.5	...	...	7.4	7.6
1990-2000	7.7	7.7	7.6	8.4	...	8.1	...	...	7.7	7.7
				As percentages of the gross domestic product						
				Historical trends, 1950-1976						
1950	100.0	17.1	85.3	10.4	4.4	12.8	1.0	-1.0	18.1	104.4
1960	100.0	20.6	81.1	8.3	0.4	10.0	1.0	2.4	18.2	100.4
1970	100.0	22.5	78.1	7.7	0.0	8.3	1.3	1.8	20.7	100.0
1976	100.0	28.4	73.0	6.8	0.4	8.2	1.9	2.9	25.5	100.4
				Projections, 1980-2000						
1980	100.0	25.1	75.3	7.5	0.9	7.9	2.1	1.7	23.5	100.9
1985	100.0	25.1	75.7	7.6	1.0	8.4	2.0	1.8	23.4	101.0
1990	100.0	25.1	76.0	7.7	1.2	8.8	2.0	2.0	23.2	101.2
2000	100.0	25.1	75.7	8.2	1.2	9.1	2.2	1.9	23.2	101.2

Source: CEPAL, on the basis of official data.

a/ Comprises Argentina, Brazil and Mexico.

b/ Including net private transfer payments.

Table 15

LATIN AMERICA (MEDIUM-SIZED COUNTRIES)[a/]: GROWTH AND DISTRIBUTION OF THE GROSS DOMESTIC PRODUCT AND EVOLUTION OF THE EXTERNAL SECTOR

Hypothesis: Moderate acceleration of the GDP growth rate

(Percentages)

Period	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effect	Exports of goods and services	Net payment of profits and interest	net external financing [b/]	Gross national product	Gross domestic income
				Annual growth rates						
				Historical trends, 1950-1976						
1950-1960	5.4	3.6	5.5	5.7	...	4.3	...	...	4.4	5.0
1960-1965	6.0	5.9	5.3	4.3	...	1.2	...	...	3.8	4.9
1965-1974	4.7	5.9	5.5	1.6	...	6.3	...	...	9.5	6.1
1974-1976	2.9	3.0	3.8	-1.1	...	3.5	...	...	-8.8	0.1
				Projections, 1980-2000						
1976-1980	5.4	11.0	4.2	5.0	...	7.2	...	...	8.8	5.3
1980-1985	6.6	6.8	6.8	6.8	...	7.9	...	...	6.5	6.7
1985-1990	6.6	6.8	6.9	6.4	...	7.6	...	...	6.3	6.7
1990-2000	6.7	6.9	6.7	7.1	...	7.3	...	...	6.8	6.8
				As percentages of the gross domestic product						
				Historical trends, 1950-1976						
1950	100.0	24.8	76.2	22.3	8.8	23.2	7.8	0.2	24.6	108.8
1960	100.0	20.9	77.1	22.9	4.5	20.8	4.8	-1.3	22.2	104.5
1970	100.0	20.4	77.2	19.0	0.0	16.6	3.2	1.0	19.4	100.0
1976	100.0	23.0	1.2	14.9	6.4	19.1	1.4	-0.6	23.6	106.4
				Projections, 1980-2000						
1980	100.0	28.2	77.5	14.7	6.1	20.5	1.7	1.4	26.8	106.1
1985	100.0	28.5	78.4	14.9	6.6	21.8	1.5	1.9	26.6	106.6
1990	100.0	28.8	79.2	14.7	7.1	22.7	1.5	2.6	26.2	107.1
2000	100.0	29.4	79.5	15.3	8.2	24.2	2.0	2.7	26.7	108.2

Source: CEPAL, on the basis of official data.

a/ Comprises Chile, Colombia, Peru and Venezuela.
b/ Including net private transfer payments.

The countries of small economic size 14/ require an investment coefficient (20.3%) which, if examined from a global point of view, involves no significant change with respect to the trend recorded in the 1970s (see table 16). It is useful to note, however, that their external financing needs would rise to 5.7% of the product in the year 2000. This is fairly high, but it should not constitute an insurmountable obstacle in view of their more open growth model.

To sum up, in order to attain the annual growth rate of 7.4% proposed for the region, the total investment in the next two decades should increase by 7.6% annually in the countries of largest economic size, by 6.9% in those of medium size and by 7.0% in those of small economic size, these rates being similar to those formulated for the growth of the product for the respective groups of countries. With the exception of the second group, the required growth rates of investment were easily exceeded in the period 1965-1974 (see tables 13, 14, 15 and 16).

Manufacturing would continue to be the motive force of growth in this scenario. Its annual rate of expansion for the whole region in the next two decades would rise from 7.4% in the trend-based scenario to 8.6%, and this would be basically attained as a result of the performance of the countries of largest economic size (8.7%). The countries of medium and small economic size for their part, would grow by about 8% and 8.6%, respectively (see tables 17, 18, 19 and 20).

Agriculture and services would grow at lower rates than the average. The fastest agricultural growth would take place in the small countries (annual rates of around 4.4%), while the rates for the medium-sized and large countries would be 3.9% and 4.2%, respectively.

In the services sector, the highest annual growth rate would be attained by the countries of largest economic size (7.3%), followed by the small and medium-sized countries (7.1% and 6.8%, respectively).

14/ The remaining 11 Spanish-speaking countries (except Cuba) and Haiti.

Table 16

LATIN AFERICA (SMALL COUNTRIES)[a/]: GROWTH AND DISTRIBUTION OF THE GROSS DOMESTIC PRODUCT AND EVOLUTION OF THE EXTERNAL SECTOR

Hypothesis: Moderate acceleration of the GDP growth rate

(Percentages)

Period	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effect	Imports of goods and services	Net payment of profits and interest	Net external financing[b/]	Gross national product	Gross domestic income
				Annual growth rates						
				Historical trends, 1950-1976						
1950-1960	3.6	3.8	3.9	2.8	...	4.3	...	...	-0.3	3.2
1960-1965	4.3	5.4	4.0	6.8	...	6.0	...	...	6.6	4.3
1965-1974	5.3	9.5	4.8	6.7	...	7.5	...	...	8.6	5.4
1974-1976	4.7	3.8	3.8	4.3	...	0.6	...	...	8.0	4.2
				Projections, 1980-2000						
1976-1980	5.3	6.8	4.9	8.3	...	7.8	...	...	5.6	5.4
1980-1985	6.8	6.9	6.9	7.4	...	7.6	...	...	6.3	6.8
1985-1990	6.8	6.9	6.9	7.3	...	7.4	...	...	6.5	6.9
1990-2000	6.9	7.0	6.9	7.2	...	7.3	...	...	6.6	6.9
				As percentages of the gross domestic product						
				Historical trends, 1950-1976						
1950	100.0	12.9	86.6	18.6	4.3	18.2	2.6	-2.0	14.9	104.3
1960	100.0	13.1	89.0	17.2	0.1	19.3	0.9	3.0	10.1	100.0
1970	100.0	16.7	86.3	19.8	0.0	22.8	1.8	4.3	12.4	100.0
1976	100.0	19.2	82.6	21.6	-0.2	23.4	2.5	3.4	15.8	99.8
				Projections, 1980-2000						
1980	100.0	20.3	81.3	24.1	-0.1	25.6	3.0	4.3	16.0	99.9
1985	100.0	20.3	81.5	24.8	0.0	26.6	3.1	4.8	15.6	100.0
1990	100.0	20.4	81.7	25.3	0.2	27.4	3.3	5.1	15.3	100.2
2000	100.0	20.6	81.7	26.1	0.5	28.3	4.0	5.7	14.9	100.5

Source: CEPAL, on the basis of official data.

a/ Comprises 12 countries: Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay and Uruguay.

b/ Including net private transfer payments.

Table 17

LATIN AMERICA (19 COUNTRIES)[a]: GROWTH AND STRUCTURE OF THE GROSS DOMESTIC PRODUCT AND
EMPLOYMENT, BY SECTORS OF ECONOMIC ACTIVITY

Hypothesis: Moderate acceleration of the GDP growth rate

	Annual growth rates					Percentage of the total			
	1950-1960	1960-1970	1970-1980	1980-1990	1990-2000	1970	1980	1990	2000
Total gross domestic product b/	5.1	5.5	6.0	7.4	7.4	100.0	100.0	100.0	100.0
Agriculture	3.5	3.3	3.3	4.2	4.2	13.3	10.3	7.6	5.6
Industry	6.2	6.2	6.5	8.4	8.4	34.1	35.7	39.3	42.8
Manufacturing	6.5	6.9	7.0	8.6	8.6	24.5	26.7	30.2	33.5
Other c/	5.6	4.6	5.4	7.6	7.6	9.6	9.0	9.1	9.3
Services	5.0	5.7	6.3	7.2	7.1	52.6	54.0	53.1	51.6
Basic d/	5.1	6.4	7.3	8.1	8.0	8.0	9.1	9.7	10.3
Other e/	5.0	5.5	6.1	7.0	6.9	44.6	44.9	43.4	41.3
Gross domestic product per person employed b/	2.9[e]	3.4[e]	3.4	4.4	4.4	100.0	100.0	100.0	100.0
Agriculture	2.3	3.0	2.5	3.6	3.8	32.5	29.7	27.4	26.0
Industry	3.8	2.8	3.2	4.6	4.7	158.4	154.6	156.5	162.1
Manufacturing	4.2	3.7	3.8	5.0	5.0	162.3	168.4	176.3	198.0
Other c/	3.0	0.7	1.6	3.6	3.8	149.1	124.2	114.2	108.4
Services	1.5	2.1	2.5	3.1	3.1	140.5	128.0	112.7	99.2
Basic d/	1.3	3.6	3.4	4.2	4.4	158.9	157.7	153.1	155.5
Other e/	1.6	1.3	2.3	2.9	2.8	137.6	123.3	106.4	91.2
Employment	2.2[e]	2.1[e]	2.5	2.8	2.9	100.0	100.0	100.0	100.0
Agriculture	1.3	0.3	0.8	0.5	0.4	41.1	34.8	27.8	21.6
Industry	2.3	3.4	3.3	3.6	3.5	21.5	23.1	25.1	26.4
Manufacturing	2.3	3.2	3.1	3.5	3.4	15.1	15.9	17.1	17.8
Other c/	2.5	4.0	3.7	3.8	3.7	6.4	7.2	8.0	8.6
Services	3.0	3.6	3.7	3.9	4.0	37.4	42.1	47.1	52.0
Basic d/	3.9	2.8	3.9	3.8	3.5	5.1	5.8	6.4	6.7
Other e/	3.4	3.8	3.7	4.0	4.0	32.4	36.3	40.7	45.3

Source: CEPAL, on the basis of official data.

a/ Excluding Dominican Republic, Haiti and Uruguay.
b/ On the basis of values at 1970 prices, at the exchange rate for imports.
c/ Mining and quarrying, and construction.
d/ Electricity, gas, water and sanitation, and transport and communications.
e/ Commerce and finance, ownership of dwellings, general government, defence and miscellaneous services.

Table 18

LATIN AMERICA (LARGE COUNTRIES) a/: GROWTH AND STRUCTURE OF THE GROSS DOMESTIC PRODUCT AND EMPLOYMENT, BY SECTORS OF ECONOMIC ACTIVITY

Hypothesis: Moderate acceleration of the GDP growth rate

	Annual growth rates					Percentage of the total			
	1950-1960	1960-1970	1970-1980	1980-1990	1990-2000	1970	1980	1990	2000
Total gross domestic product b/	5.3	5.8	6.5	7.6	7.7	100.0	100.0	100.0	100.0
Agriculture	3.7	3.1	3.3	4.2	4.3	11.4	8.4	6.1	4.4
Industry	6.3	6.8	7.3	8.6	8.6	35.0	37.7	41.5	45.2
Manufacturing	6.6	7.1	7.4	8.7	8.7	27.1	29.5	32.8	36.0
Other c/	5.4	5.6	7.1	8.2	8.2	7.9	8.2	8.8	9.2
Services	4.8	6.2	6.6	7.3	7.3	53.6	53.9	52.4	50.4
Basic d/	5.1	6.3	7.4	8.3	8.1	7.7	8.4	8.9	9.3
Other e/	5.2	5.8	6.4	7.1	7.1	45.9	45.5	43.5	41.1
Gross domestic product per person employed b/	2.9	3.6	3.8	4.6	4.4	100.0	100.0	100.0	100.0
Agriculture	2.1	3.0	2.8	3.9	4.1	29.6	26.9	25.1	24.3
Industry	3.8	3.1	3.7	4.8	4.9	158.4	157.5	160.6	167.3
Manufacturing	4.2	3.9	3.9	5.0	5.1	178.1	179.8	187.0	198.7
Other c/	2.6	1.0	3.3	4.2	4.3	114.8	109.2	105.1	103.4
Services	1.7	2.1	2.5	3.2	3.1	135.3	120.0	104.8	91.8
Basic d/	1.1	4.6	3.3	4.3	4.4	152.9	146.4	141.8	141.5
Other e/	1.8	1.7	2.4	3.0	2.8	133.3	116.2	99.5	85.1
Employment	2.4	2.1	2.6	2.9	3.1	100.0	100.0	100.0	100.0
Agriculture	1.6	0.1	0.5	0.3	0.2	38.4	31.1	24.1	18.1
Industry	2.5	3.5	3.5	3.7	3.5	22.1	24.0	25.9	27.1
Manufacturing	2.3	3.1	3.4	3.6	3.4	15.2	16.4	17.5	18.1
Other c/	2.7	4.5	3.6	3.9	3.8	6.9	7.6	8.4	8.9
Services	3.4	3.7	4.0	4.0	4.1	39.5	44.9	50.0	54.8
Basic d/	4.0	1.7	4.0	3.9	3.5	5.0	5.7	6.3	6.6
Other e/	3.4	4.0	4.0	4.0	4.1	34.5	39.2	43.7	48.3

Source: CEPAL, on the basis of official data.

a/ Comprises Argentina, Brazil and Mexico.
b/ On the basis of values at 1970 prices, at the exchange rate for imports.
c/ Mining and quarrying, and construction.
d/ Electricity, gas, water and sanitation and transport and communications.
e/ Commerce and finance, ownership of dwellings, general government, defence and miscellaneous services.

Table 19

LATIN AMERICA (MEDIUM-SIZED COUNTRIES)[a/] : GROWTH AND STRUCTURE OF THE GROSS DOMESTIC PRODUCT AND EMPLOYMENT, BY SECTORS OF ECONOMIC ACTIVITY

Hypothesis: Moderate acceleration of the GDP growth rate

	Annual growth rates					Percentage of the total			
	1950-1960	1960-1970	1970-1980	1980-1990	1990-2000	1970	1980	1990	2000
Total gross domestic product b/	5.2	5.0	4.7	6.6	6.7	100.0	100.0	110.0	100.0
Agriculture	3.9	3.5	2.9	3.9	4.0	14.2	11.9	9.2	7.1
Industry	6.4	4.8	3.6	7.2	7.3	36.0	32.4	34.3	36.4
Manufacturing	6.6	6.2	5.2	8.1	8.0	19.6	20.6	23.6	26.7
Other c/	6.1	3.3	-1.3	5.6	5.7	16.4	11.8	10.7	9.7
Services	4.8	5.5	5.9	6.8	6.7	49.8	55.7	56.5	56.5
Basic d/	5.2	7.0	7.4	7.5	7.6	9.2	11.8	12.8	13.9
Other e/	4.7	5.2	5.5	6.6	6.4	40.7	43.9	43.7	42.5
Gross domestic product per person employed b/	3.1	2.8	2.6	3.8	4.0	100.0	100.0	100.0	100.0
Agriculture	3.3	2.8	2.0	3.3	3.6	37.5	35.5	33.6	32.4
Industry	4.2	1.5	1.4	3.9	4.3	154.9	137.3	138.5	142.6
Manufacturing	4.2	2.4	3.1	4.7	4.9	119.5	125.1	135.6	147.6
Other c/	4.3	1.0	-1.2	2.5	2.8	240.3	165.8	145.4	130.5
Services	1.3	1.9	2.8	2.9	3.0	127.7	129.9	118.1	107.7
Basic d/	1.6	0.7	3.5	3.8	4.4	138.0	150.5	150.1	156.1
Other e/	1.2	2.1	2.6	2.6	2.6	125.6	125.3	111.1	97.7
Employment	1.8	2.3	2.1	2.7	2.6	100.0	100.0	100.0	100.0
Agriculture	1.8	0.7	0.9	0.6	0.4	37.7	33.6	27.4	22.1
Industry	2.1	3.3	2.2	3.2	2.9	23.2	23.6	24.8	25.5
Manufacturing	2.3	3.8	2.1	3.3	3.0	16.4	16.5	17.4	18.1
Other c/	1.7	2.3	2.5	3.1	2.8	6.8	7.1	7.4	7.5
Services	3.4	3.6	3.0	3.8	3.6	39.1	42.9	47.9	52.4
Basic d/	3.6	6.3	3.8	3.5	3.1	6.7	7.8	8.5	8.9
Other e/	3.4	3.1	2.9	3.9	3.7	32.4	35.0	39.4	43.5

Source: CEPAL, on the basis of official data.

a/ Comprises Chile, Colombia, Peru and Venezuela.
b/ On the basis of values at 1970 prices, at the exchange rate for imports.
c/ Mining and quarrying, and construction.
d/ Electricity, gas, water and sanitation, transport and communications.
e/ Commerce and finance, ownership of dwellings, general government, defence and miscellaneous services.

/Table 20

Table 20

LATIN AMERICA (SMALL COUNTRIES)[a/]: GROWTH AND STRUCTURE OF THE GROSS DOMESTIC PRODUCT AND EMPLOYMENT, BY SECTORS OF ECONOMIC ACTIVITY

Hypothesis: Moderate acceleration of the GDP growth rate

	Annual growth rates					Percentage of the total			
	1950-1960	1960-1970	1970-1980	1980-1990	1990-2000	1970	1980	1990	2000
Total gross domestic product b/	3.9	4.6	5.4	6.9	7.0	100.0	100.0	100.0	100.0
Agriculture	2.6	3.5	3.9	4.4	4.3	25.6	22.2	17.5	13.4
Industry	4.1	5.6	7.1	8.4	8.3	22.8	26.9	30.8	34.6
Manufacturing	4.4	5.8	6.3	8.8	8.6	16.9	18.5	21.9	25.3
Other c/	3.3	5.1	9.3	7.6	7.4	5.9	8.5	9.0	9.3
Services	4.7	4.7	5.2	7.1	7.1	51.6	50.9	51.7	52.0
Basic d/	4.7	5.6	6.7	8.5	8.3	8.0	8.9	10.3	11.5
Other e/	4.6	4.5	5.0	6.8	6.8	43.6	42.0	41.5	40.5
Gross domestic product per person employed b/	2.1[f/]	3.7[f/]	2.9	4.3	4.3	100.0	100.0	100.0	100.0
Agriculture	1.7	3.1	2.3	3.4	3.4	46.0	43.4	39.7	36.5
Industry	1.6	4.8	3.3	4.2	4.3	133.1	139.2	138.6	139.5
Manufacturing	2.9	5.4	3.4	4.9	4.9	131.5	138.3	146.3	155.3
Other c/	-1.3	3.0	3.1	2.8	3.1	138.1	141.3	122.7	109.4
Services	0.8	2.2	1.9	3.1	3.0	190.1	172.1	152.9	135.5
Basic d/	2.6	2.9	3.1	4.3	4.3	238.9	245.1	245.4	246.8
Other e/	0.6	2.0	1.6	2.8	2.7	183.4	161.9	139.8	120.1
Employment	1.8[f/]	1.9[f/]	2.4	2.6	2.6	100.0	100.0	100.0	100.0
Agriculture	1.0	0.9	1.5	1.0	0.9	55.7	51.1	43.9	36.9
Industry	2.1	2.8	3.7	4.0	3.8	17.2	19.4	22.2	24.7
Manufacturing	1.8	2.4	2.8	3.7	3.5	12.9	13.4	14.9	16.2
Other c/	3.2	4.0	6.0	4.6	4.2	4.3	6.0	7.3	8.5
Services	4.1	3.6	3.3	4.0	4.0	27.1	29.5	33.9	38.4
Basic d/	3.8	4.3	3.4	4.0	3.8	3.3	3.6	4.2	4.7
Other e/	4.2	3.5	3.3	3.9	4.0	23.8	25.9	29.7	33.7

Source: CEPAL, on the basis of official data.

a/ Comprises Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay and Uruguay.

b/ On the basis of values at 1970 prices, at the exchange rate for imports.

c/ Mining, and quarrying, and construction.

d/ Electricity, gas, water and sanitation, transport and communications.

e/ Commerce and finance, ownership of dwellings, general government, defence and miscellaneous services

f/ Excluding Haiti, Dominican Republic and Uruguay.

/The varying

The varying rates of sectoral growth would bring about considerable changes in the production structure. The share of the regional agricultural product in the total could drop from 13.3% in 1970 to 7.6% in 1990 and 5.7% in the year 2000; the share of the manufacturing product would increase from 24.5% in 1970 to 30.1% in 1990 and 33.5% in the year 2000; and that of services would decline from an approximate level of 53% in 1970 and 1990 to 52% in the year 2000 (see table 17).

The regional figures, of course, hide a considerable degree of heterogeneity. In the largest countries, agriculture would only contribute 6.1% in 1990 and 4.4% in the year 2000, while their level of industrialization would increase to 32.8% and 36.0% in those same years. The decline in the share of services would be more significant: from 54% in 1980 to 50% in the year 2000 (see table 18).

In the countries of medium economic size the drop in the contribution of agriculture to 9.2% in 1990 and 7.2% in the year 2000 would be offset by a higher level of industrialization (23.6% and 26.7%), while services would remain at the level of 56.5%. In this context it may be observed that even in this scenario the level of industrialization would still be fairly modest, which would mean maintaining a relatively bloated services sector (see table 19).

The situation of the countries of small economic size is different. There would be a significant reduction in the share of agriculture, although this would remain at higher levels than in the other groups of countries, since from the 25.6% recorded in 1970 it would fall to 17.9% in 1990 and 14.1% in the year 2000. Industrial dynamism, at a rate similar to that of the large countries, would steadily increase the sector's contribution to 21.7% in 1990 and 25.0% in the year 2000.

Thus the combination of these growth trends would permit the services sector to keep its contribution to more moderate levels (51.5% in the year 2000) (see table 20).

In these circumstances, the assumption made in the analysis of the first scenario remains valid: i.e., that the small countries will have more room for progress in their industrialization process in view of their lower initial level and probably better position as regards external relations.

The greater dynamism proposed in this second scenario compared with the first one involves an increase in the annual growth rate of the product per person employed in the region from 3.7% to 4.4% in the next two decades. This increase would derive basically from the expansion proposed for the manufacturing sector, whose productivity would rise from 4.3% to 5.0%. The agricultural and services sector, for their part, would show annual rates of productivity increases of around 3.7% and 3.0%, respectively.

The product per person employed would grow more rapidly in the countries of largest economic size, reaching an annual rate of 4.5% in the period 1980-2000, compared with 3.9% and 4.2% in the medium-sized and small countries, respectively.

In the agricultural sector the countries of largest economic size would also record a higher annual productivity growth rate of 4.0%, in contrast with 3.5% for the medium-sized countries and 3.3% for the small countries. The same applies in the case of the manufacturing sector, where the large countries would set the regional average, with an annual rate of 5.0%. In the services sector the annual rates of productivity are more homogeneous, at around 3%.

The dynamic nature of production changes and population trends would rise to new growth rates and employment structures. Thus, the growth rate of total employment in Latin America would increase to 2.9% in contrast with the 2.6% of the trend scenario, thus making it possible at least to absorb the increase in the labour force. Furthermore, if the two scenarios are compared it will be observed that the structure of employment is radically changed, with percentages of the agricultural labour force being transferred to the manufacturing sector. The annual growth rate of agricultural employment would be maintained with little change, but the growth rate of employment in manufacturing would rise from 2.9% to 3.5% annually, and in services from 3.7% to 3.9%. In essence, the manufacturing sector would contribute most to the increases in employment: a fact of particular importance since it is also the sector with the highest product per person employed (see table 17).

/These global

These global figures once again conceal appreciable differences
between groups of countries. As regards the annual growth rate of
agricultural employment, in the next two decades this would reach only
0.2% in the countries of largest economic size, 0.5% in the medium-sized
countries, and 1.2% in the small countries. It may be noted here that
notwithstanding the accelerated growth of the total product, agricultural
employment would not expand any faster than in the first scenario.

The rate of growth of employment in manufacturing is similar in the
large and small countries and is also the same as the average, amounting
to 3.6% and 3.4% in the 1980s and 1990s, respectively. The medium-sized
countries, as a result of their lesser industrial dynamism, would have a
lower absorption rate (3.3% and 3.1%) in the same periods (see tables 19
and 20).

The services sector would continue to be the most dynamic source of
employment in the three groups of countries considered. It may be noted,
however, that this growth would be accompanied by the lowest rates of
sectoral productivity, which suggests that although the sector would
strengthen its employment position in absolute and relative terms, its
contribution to the solution of the under-employment problem would be very
limited.

In terms of absorption of labour at the regional level, the most
important fact is the shift of the largest relative proportion from
agriculture to services. Thus, agriculture's share would decline from 35%
in 1980 to 22% in the year 2000, while services would increase its own
share from 42% to 52%. Manufacturing would only improve its position as
a source of employment from 16% to 18% over the same years. Thus it may
be said that the high productivity of manufacturing and the technological
changes that have been assumed would be accompanied by a very modest relative
degree of absorption of employment. At the level of groups of countries,
these changes would also follow the same line, though they would, of course,
differ in magnitude. In this context, the employment structures of the
countries of medium and large economic size would become increasingly similar
and would draw closer to the Latin American average, whereas the small
countries would continue to maintain a large proportion of agricultural
workers (39%) up to the end of the century.

/The differences

The differences in sectoral productivity would continue to increase. In particular, manufacturing would systematically record high indexes above the average. For the region as a whole, for example, the product per person employed in the manufacturing sector would be 90% higher than the average for the economy at the end of the century, while that of agriculture would be only 26% of it and that of services would be around the average. These figures suggest that the growth model implicit in this exercise, even with relatively high growth rates, is liable to generate a process which in the absence of new redistributive policies would tend to be of a concentrating nature with undoubted links with the problem of income distribution. Nevertheless, if these results are compared with those obtained in the first scenario, some appreciable improvements will be noted. First, the rate of employment absorption in this scenario is greater and would be sufficient to cover the increase in the labour force, so that open unemployment and under-employment would become less of a problem. Secondly, there would be an increase in employment in manufacturing and a decrease in agriculture, which in view of their respective relative productivity levels would bring net benefits in both senses.

The sectoral productivity indexes at the level of groups of countries present heterogeneous situations. In the countries of largest economic size the differences at the end of the century would be more marked than in the medium-sized and small countries, among other reasons because their level of industrial development is higher and their dynamism would be more concentrated in this sector, while services could not absorb on a remunerative basis the transfer of rural manpower caused by a more rapid growth of agricultural productivity than would occur in the other groups of countries.

(b)   Balance of payments projections

In both scenarios these were prepared on the basis of estimating import requirements, keeping accounts of the external debt and its servicing, establishing financing coefficients and calculating the exports necessary to maintain consistency with the aforementioned assumptions. These export requirements are analysed later in the section on world trade projections.

/Import needs

Import needs were estimated on the assumption that as a result of the plans for the transformation of production and import substitution which are in process in Latin America today it will be possible to reduce the elasticity of imports from the high levels of the period 1965-1974 (about 1.4) to values slightly above 1. The experience of the period 1974-1978 supports this possibility. In those years the region substantially reduced the rate of growth of imports, and some countries achieved relatively high rates of growth of the product with small increases in the absolute level of imports. The development model in force, however, tends to increase the degree of openness of the economies, so that it seems reasonable to work with elasticities of more than 1.

Latin America's imports represented 11.7% of the gross domestic product in 1976. By the year 2000 they will represent 13% of the product in both scenarios. The differences between countries will be maintained, with levels of around 9% for the countries of larger economic and demographic size and slightly less than 30% for the countries of smaller economic and demographic size (see tables 5, 6, 7, 8, 13, 14, 15 and 16).

The level of imports assumed may not materialize in some countries owing to the present level of external indebtedness, inasmuch as high percentages of the purchasing power of exports may be absorbed by service payments on the debt. Naturally, in other countries there is the possibility of increasing the amount of indebtedness. In this respect, a distinction may be drawn between some Latin American countries which already spend high percentages of their exports on debt servicing, and others which still have fairly small debts. For the region as a whole the former situation prevails, particularly as it represents the case of the two countries of largest economic and demographic size. In these circumstances, a limitation on indebtedness has been introduced in the projections, restricting the proportion of the value of exports which service payments could come to represent. Thus the problem of indebtedness takes on a dynamic character, since the rapid expansion of exports also admits of an improvement in the possibilities of obtaining access to new loans.

Net external financing is one of the most important variables because of its dual function of stabilizing the balance of payments and covering the savings needs involved in the accumulation process. The limitation of financing may jeopardize the countries' import capacity, while its growth may limit the utilization of the domestic savings potential and increase debt servicing in coming years.

In the prospective analysis, as a general rule, financing levels equal to the average for the 1970s were adopted.

In countries with large debts, however, financing was limited so as to keep service payments on the external debt down to the aforementioned levels.

For the region as a whole the level of net external financing was established at a value of about 2% of the gross domestic product. This average, however, is fairly representative only of the large and medium-sized countries. The small countries in general have a system of financing whereby exports represent a higher proportion of the product, as also do debts and net external financing. Thus, for the small countries and for the trend-based scenario, external saving would represent percentages of over 3.5% in the 1980s and around 4.0% in the 1990s (see tables 5, 6, 7 and 8). For the moderate growth acceleration scenario the external financing requirements are slightly higher for the medium-sized and small countries, rising to 5.7% of the product in the year 2000 (see tables 13, 14, 15 and 16).

For the analysis of the external sector of both scenarios, other indicators have also been prepared which will permit the establishment of certain orders of magnitude compatible with the countries' real and financial capacity. In particular, an attempt has been made to see that the proportion of export income, at current prices, earmarked for external debt servicing and the payment of profits on foreign capital do not substantially exceed the trend recorded in the last few years, a period which in general shows signs of restriction.

In the first scenario the servicing of the region's external debt in the next two decades would represent about a quarter of the exports of goods and services, which is a relatively high level largely due to the

/fact that

fact that the countries of largest economic size must use one-third of
their export income for this purpose. In contrast, in the medium-sized
and small countries the proportions would only average 14% and 17%,
respectively (see tables 21, 22, 23 and 24).

It should be noted that, in spite of the relatively high indebtedness
projected for the countries of largest economic size, the ratio of the
external debt to the gross domestic product (at 1970 prices) would remain
at the same levels as in the previous decade or even lower. The same
is observed if the situation of the medium-sized countries and the region
as a whole is analysed, and only in the small countries would the proportion
rise (from 25% in 1976 to 28% in 1990 and 31% in the year 2000). There
is here, however, a marked difference in the relationship between external
trade and the product compared with the other two groups of countries,
since the more open foreign trade position of the small countries would
enable them to contract relatively greater indebtedness without adversely
affecting their payments capacity.

In the second scenario the above quantities would change significantly
only for the group of economically small countries. The servicing of the
external debt, as a proportion of exports of goods and services, would
increase to 21% in 1990 and 25% in the year 2000 (at current prices),
and the external debt-product coefficient would rise from 33% to 41% (at
1970 prices). However, the first indicator would still be below the Latin
American average, and with regard to the second indicator, the speeded-up
growth implied by this scenario would indicate the need to review external
trade policy to some extent, for in these countries the product elasticity
of imports continues to be relatively high and the growth rates of exports
are lower than the regional average. This is evident if it is noted that
in the first scenario net external financing was equivalent to approximately
15% of exports of goods and services while in the second scenario this
percentage increased to 20%, representing a more drastic change than that
experienced by the other two groups of countries (see tables 25, 26, 27
and 28).

Table 21

LATIN AMERICA (19 COUNTRIES)[a/] : EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR FINANCIAL VARIABLES

Hypothesis: Continuation of past GDP growth trends

(Percentages, on the basis of current prices)

Year	Net payments of profits and interest	Net external financing b/	Proportion of exports of goods and services			Gross inflow of foreign capital	Net inflow of foreign capital c/	Ratio of external debt to gross domestic product d/
			External debt servicing					
			Amortization	Interest	Total			
			Historical trends					
1950	11.8	-4.7	5.6	0.9	6.5	0.9	-16.4	...
1960	12.7	12.2	15.0	2.9	17.9	27.2	-0.4	...
1965	14.8	3.3	21.9	4.1	26.0	25.2	-11.5	...
1970	15.5	16.4	18.7	5.6	24.3	35.0	0.8	...
1976	13.7	20.5	18.1	9.1	27.2	38.6	6.7	16.9
			Projections					
1980	14.5	14.0	16.5	9.7	26.2	30.6	-0.5	15.5
1985	13.5	14.9	14.7	8.7	23.4	29.6	1.5	13.9
1990	13.5	17.1	14.4	8.7	23.1	31.5	3.6	14.0
2000	15.0	16.8	15.4	9.4	24.8	32.3	1.8	15.4

Source: CEPAL, on the basis of official data.

a/ Excluding Cuba and the English-speaking Caribbean countries.

b/ Including net private transfer payments.

c/ Gross inflow of foreign capital, less amortization of the external debt and net payments of profits and interest.

d/ Based on values at 1970 prices. The balance of the debt was deflated using the implicit index of imports of goods and services.

Table 22

LATIN AMERICA (LARGE COUNTRIES)[a/]: EVOLUTION AND PROJECTION OF EXTERNAL SECTOR FINANCIAL VARIABLES

Hypothesis: Continuation of past GDP growth trends

(Percentages, on the basis of current prices)

Year	Net payments of profits and interest	Net external financing b/	External debt servicing			Gross inflow of foreign capital	Net inflow of foreign capital c/	Ratio of external debt to gross domestic product d/
			Amortization	Interest	Total			
			Historical trends					
1950	5.5	-6.9	8.3	1.2	9.5	1.4	-12.5	...
1960	10.8	27.1	18.2	5.1	23.3	45.2	16.2	...
1965	12.2	-0.6	35.1	5.7	40.8	34.5	-12.8	...
1970	16.7	23.3	25.3	7.6	32.9	48.5	6.6	14.6
1976	21.7	40.7	20.2	15.4	35.6	61.0	19.0	15.2
			Projections					
1980	20.9	19.3	21.6	14.3	35.9	40.9	-1.6	14.1
1985	19.3	19.8	18.5	12.5	31.0	38.4	0.5	12.5
1990	19.2	22.1	18.0	12.3	30.3	40.1	2.8	12.4
2000	20.9	21.3	19.1	12.9	32.0	40.4	0.5	13.8

Source: CEPAL, on the basis of official data.

a/ Comprises Argentina, Brazil and Mexico.

b/ Including net private transfer payments.

c/ Gross inflow of foreign capital, less amortization of the external debt and net payments of profits and interest.

d/ Based on values at 1970 prices. The balance of the debt was deflated using the implicit index of imports of goods and services.

Table 23

LATIN AMERICA (MEDIUM-SIZED COUNTRIES)[a/]: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR FINANCIAL VARIABLES

Hypothesis: Continuation of past GDP growth trends

(Percentages on the basis of current prices)

Year	Net payments of profits and interest	Net external financing b/	External debt servicing			Gross inflow of foreign capital	Net inflow of foreign capital c/	Ratio of external debt to gross domestic product d/
			Amortization	Interest	Total			
			Historical trends					
1950	23.0	0.9	1.4	0.6	2.0	2.3	-22.1	...
1960	16.4	-3.9	13.4	1.3	14.7	9.5	-20.3	...
1965	20.6	3.8	10.8	3.1	13.9	14.6	-16.9	...
1970	16.9	5.2	12.1	4.0	16.1	17.3	-11.7	...
1976	5.4	-3.8	15.3	2.9	18.2	11.5	-9.2	16.9
			Projections					
1980	6.9	5.5	11.3	4.5	15.8	16.7	-1.5	15.5
1985	5.8	6.8	10.3	3.9	14.2	17.1	1.0	13.6
1990	5.7	9.4	10.0	3.9	13.9	19.3	3.7	13.9
2000	6.4	8.6	10.2	4.2	14.4	18.9	2.2	15.8

Source: CEPAL, on the basis of official data.

a/ Comprises Chile, Colombia, Peru and Venezuela.
b/ Including net private transfer payments.
c/ Gross inflow of foreign capital, less amortization of the external debt and net payments of profits and interest.
d/ Based on values at 1970 prices. The balance of the debt was deflated using the implicit index of imports of goods and services.

Table 24

LATIN AMERICA (SMALL COUNTRIES)[a/]: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR FINANCIAL VARIABLES

Hypothesis: Continuation of past GDP growth trends

(Percentages on the basis of current prices)

Year	Proportion of exports of goods and services							Ratio of external debt to gross domestic product [d/]
	Net payments of profits and interest	Net external financing [b/]	External debt servicing			Gross inflow of foreign capital	Net inflow of foreign capital [c/]	
			Amortization	Interest	Total			
			Historical trends					
1950	8.7	-8.9	5.2	0.6	5.8	-3.7	-17.6	...
1960	6.3	17.1	10.1	1.2	11.3	27.2	10.8	...
1965	7.4	12.9	13.2	2.5	15.7	26.1	5.6	...
1970	9.1	21.6	14.5	3.3	17.8	36.0	12.4	...
1976	9.3	15.6	10.8	4.5	15.3	26.4	6.3	24.9
			Projections					
1980	10.1	14.5	11.4	5.9	17.3	26.0	4.4	27.7
1985	9.6	14.7	11.1	5.8	16.9	25.8	5.1	27.8
1990	9.4	15.0	11.0	5.8	16.8	26.1	5.6	28.2
2000	10.0	15.8	12.1	6.2	18.3	27.9	5.8	31.4

Source: CEPAL, on the basis of official data.

a/ Comprises 12 countries: Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay and Uruguay.
b/ Including net private transfer payments.
c/ Gross inflow of foreign capital, less amortization of the external debt and net payments of profits and interest.
d/ Based on values at 1970 prices. The balance of the debt was deflated using the implicit index of imports of goods and services.

Table 25

LATIN AMERICA (19 COUNTRIES)a/: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR FINANCIAL VARIABLES

Hypothesis: Moderate acceleration of GDP growth rate

(Percentages, on the basis of current prices)

Year	Net payments of profits and interest	Net external financing b/	Servicing of the external debt			Gross inflow of foreign capital	Net inflow of foreign capital c/	External debt as percentage of gross domestic product d/
			Amortization	Interest	Total			
			Historical evolution					
1950	11.8	-4.7	5.6	0.9	6.5	0.9	-16.4	...
1960	12.7	12.2	15.0	2.9	17.9	27.2	-0.4	...
1965	14.8	3.3	21.9	4.1	26.0	25.2	-11.5	...
1970	15.5	16.4	18.7	5.6	24.3	35.0	0.8	...
1976	13.7	20.5	18.1	9.1	27.2	38.6	6.7	16.9
			Projections					
1980	14.5	15.3	16.5	9.7	26.2	31.8	0.7	15.5
1985	13.3	16.7	14.7	8.8	23.5	31.4	3.3	14.2
1990	13.3	18.8	14.6	8.8	23.4	33.5	5.5	14.5
2000	14.5	18.1	15.7	9.5	25.2	33.8	3.6	16.2

Source: CEPAL, on the basis of official data.

a/ Excluding Cuba and the English-speaking Caribbean countries.
b/ Including net private transfer payments.
c/ Gross inflow of foreign capital less amortization of the external debt and net payment of profits and interest.
d/ Based on values at 1970 prices. The balance of the debt was deflated using the implicit index of imports of goods and services.

Table 26

LATIN AMERICA (LARGE COUNTRIES)[a/]: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR FINANCIAL VARIABLES

Hypothesis: Moderate acceleration of GDP growth rate

(Percentages, on the basis of current prices)

Year	Net payments of profits and interest	Net external financing [b/]	Proportion of exports of goods and services			Gross inflow of foreign capital	Net inflow of foreign capital [c/]	External debt as porcentage of gross domestic product [d/]
			Servicing of the external debt					
			Amortization	Interest	Total			
			Historical evolution					
1950	5.5	-6.9	8.3	1.2	9.5	1.4	-12.5	...
1960	10.8	27.1	18.2	5.1	23.3	45.2	16.2	...
1965	12.2	-0.6	35.1	5.7	40.8	34.5	-12.8	...
1970	16.7	23.3	25.3	7.6	32.9	48.5	6.6	14.6
1976	21.7	40.7	20.2	15.4	35.6	61.0	19.0	15.2
			Projections					
1980	20.9	19.9	21.6	14.3	35.9	41.5	-1.0	14.1
1985	18.8	20.7	18.2	12.3	30.5	38.9	1.9	12.4
1990	18.4	22.5	17.5	11.9	29.4	40.0	4.2	12.3
2000	19.0	20.7	17.9	12.1	30.0	38.7	1.7	13.3

Source: CEPAL, on the basis of official data.

a/ Comprises Argentina, Brazil and Mexico.
b/ Including net private transfer payments.
c/ Gross inflow of foreign capital less amortization of the external debt and net payments of profits and interest.
d/ Based on values at 1970 prices. The balance of the debt was deflated using the implicit index of imports of goods and services.

Table 27

LATIN AMERICA (MEDIUM-SIZED COUNTRIES)a/: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR FINANCIAL VARIABLES

Hypothesis: Moderate acceleration of GDP growth rate

(Percentages, on the basis of current prices)

| Year | Net payments of profits and interest | Net external financing b/ | Proportion of exports of goods and services | | | Gross inflow of foreign capital | Net inflow of foreign capital c/ | External debt as percentage of gross domestic product d/ |
| | | | Servicing of the external debt | | | | | |
			Amortization	Interest	Total			
				Historical evolution				
1950	23.0	0.9	1.4	0.6	2.0	2.3	-22.1	...
1960	16.4	-3.9	13.4	1.3	14.7	9.5	-20.3	...
1965	20.6	3.8	10.8	3.1	13.9	14.6	-16.9	...
1970	16.9	5.2	12.1	4.0	16.1	17.3	-11.7	...
1976	5.4	-3.8	15.3	2.9	18.2	11.5	-9.2	16.9
				Projections				
1980	6.9	6.3	11.3	4.5	15.8	17.6	-0.6	15.7
1985	5.9	8.4	10.3	4.0	14.3	18.7	2.5	14.0
1990	6.0	11.5	10.2	4.2	14.4	21.7	5.5	14.9
2000	7.3	11.2	10.9	4.8	15.7	22.1	3.9	17.8

Source: CEPAL, on the basis of official data.

a/ Comprises Chile, Colombia, Peru and Venezuela.
b/ Gross inflow of external capital less amortization of the external debt and payments of profits and interest.
c/ Including net private transfer payments.
d/ Based on values at 1970 prices. The balance of the debt was deflated using the implicit index of imports of goods and services.

Table 28

LATIN AMERICA (SMALL COUNTRIES)[a/]: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR FINANCIAL VARIABLES

Hypothesis: *Moderate acceleration of GDP growth rate*

(Percentages, on the basis of current prices)

Year	Proportion of exports of goods and services							External debt as percentage of gross domestic product.[d/]
	Net payments of profits and interest	Net external financing [b/]	Servicing of the external debt			Gross inflow of foreign capital	Net inflow of foreign capital [c/]	
			Amortization	Interest	Total			
			Historical evolution					
1950	8.7	-8.9	5.2	0.6	5.8	-3.7	-17.6	...
1960	6.3	17.1	10.1	1.2	11.3	27.2	10.8	...
1965	7.4	12.9	13.2	2.5	15.7	26.1	5.6	...
1970	9.1	21.6	14.5	3.3	17.8	36.0	12.4	...
1976	9.3	15.6	10.8	4.5	15.3	26.4	6.3	24.9
			Projections					
1980	10.1	18.1	11.5	5.9	17.4	29.6	8.0	27.9
1985	10.3	19.4	12.5	6.7	19.2	31.9	9.1	30.5
1990	10.7	20.4	13.7	7.3	21.0	34.1	9.7	33.4
2000	12.3	21.6	16.5	8.8	25.3	38.1	9.3	40.6

Source: CEPAL, Economic Projections Centre.

a/ Comprises 12 countries: Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay and Uruguay.

b/ Gross inflow of foreign capital less amortization of the external debt and net payments of profits and interest.

c/ Including net private transfer payments.

d/ Based on values at 1970 prices. The balance of the debt was deflated using the implicit index of imports of goods and services.

/The export

The export requirements compatible with the assumed levels of imports, external financing and the external debt signify annual average growth rates of 6.3% for the 1980s and 6.8% for the 1990s for the trend-based scenario. In the moderate acceleration scenario the corresponding rates would be 7.4% and 7.9%. These growth rates imply a considerable change compared with developments in previous decades, for over long-term periods, the rate of growth of exports in the region has never exceeded 5%. However, experience during the period 1975-1978, when the region made a notable effort to increase its exports, shows an average annual growth rate of nearly 8%. The possibility of reaching the two figures given above will be examined later in presenting the result of the projections of external trade broken down by types of products. The macroeconomic model used shows that in either of the two scenarios exports will have to grow at rates appreciably higher than those recorded in the past, particularly when it is desired to achieve greater dynamism.

This aggregate analysis enables certain fundamental aspects of Latin American economic development to be highlighted with regard to the external sector:

(a) External financing is particularly important for the achievement of specific rates of economic growth, and even if it were reduced in comparison with the 1975 levels, it would subsequently have to be kept up to the relative level registered prior to 1973, unless export earnings increased very rapidly as a result of an improvement in relative prices or the growth of volumes of exports. It should be borne in mind that the improvement of the balance of payments and the increase in the reserves which is being achieved in some countries is partly the result of an absolute or relative reduction of domestic demand, and that in addition the Latin American countries are practically excluded from concessionary financing;

/(b) It

(b) It is therefore necessary to design a suitable policy for
access to the financial markets and international institutions and
use of private banking sources, as well as for the administration of
the debt and monetary reserves. It is a well-known fact that the
possibilities of continuing to increase external indebtedness depend
predominantly on the course followed by export earnings;

(c) The high rate at which exports must grow, which rises in
keeping with the more ambitious nature of the economic growth goals,
reveals the urgent need to consider four supplementary objectives:

(i) The expansion of the access and volume of exports to the
markets of the industrial countries with which Latin America at present
maintains the larger part of its trade. This will depend on the economic
growth recorded in these countries and the readjustments and policies
finally applied in connexion with the setting up of a New International
Economic Order;

(ii) The expansion of reciprocal trade in the Latin American area.
Some promising progress has been made in this field, although the formal
regional and subregional integration systems are facing serious difficulties.
It is a matter of urgency to carry out a reappraisal of these systems
in order to seek alternative or supplementary formulae for giving renewed
impetus to co-operation at the regional level;

(iii) Trade with the countries with centrally planned economies
must be increased. To date, this trade has been relatively small, except
in the case of Cuba;

(iv) The expansion of trade with other developing countries or
areas will undoubtedly be an essential objective of the New Strategy,
for a new structure of the world economy with a fairer distribution of
production and income will necessarily bring with it a considerable increase
in the share of the developing countries in world trade.

4. External trade projections

The projections of Latin American external trade have been calculated by using a model which expands and breaks down the analyses made on the basis of the macroeconomic model and also provides additional information which enables export requirements to be compared with independent projections of external demand and permits Latin America to be situated in a world trade matrix. The trade flows are classified under six categories based on the SITC: food, live animals, beverages and tobacco; crude materials, inedible fats and oils; mineral fuels, lubricants and related materials; chemicals; manufactured goods; and machinery and transport equipment. The world is divided into five economic regions: developed market economies; centrally planned economies; developing America; the OPEC countries (excluding Ecuador and Venezuela); and other developing countries.

The imports of each of the six categories for each region are determined on the basis of historical econometric functions in relation to the evolution of the regional domestic product. The extra-regional exports of Latin America under each category of goods are projected on the basis of historical econometric functions which determine their share in world imports of the same category, while intra-regional exports are established in relation to the total imports of the region in each category. A similar procedure is followed for the exports of the other regions of the world.

The model therefore makes it possible to study the possibilities of exports by types of products and to link them with such important variables as the growth of the developed countries and the expansion of intra-regional trade.

The possibilities of achieving the external trade requirements estimated through the macroeconomic model for the trend-based and the moderate acceleration scenarios were compared with those calculated on the basis of this external trade model. The following hypotheses were used in this calculation:

(a) The product of the Latin American countries was made to increase at annual rates of 6.4% and 7.4% in order to bring these rates in line with the trend-based and moderate acceleration scenarios.

(b) The product of the developed countries was studied in the light of two growth hypotheses: 3.5 and 4.2%.

In these circumstances, world trade would have an annual growth rate of between 6.8%, for the combination of hypotheses assuming least growth, and 8% for that of greatest dynamism. Latin American exports would grow at annual rates of between 4.3% and 5%.

The relatively slow rate of growth of the region's exports in these projections is due to the performance of exports of primary commodities and of fuels. Fuels alone represented 38% of the value of total exports of goods in 1975. Manufactured goods, in contrast, will grow at a similar rate to the world trade in manufactures (8-9% per year). In these calculations it has been provisionally assumed that Latin America and the Caribbean countries will maintain their share of the world trade in fuels as from the position attained in 1980, thus marking a change from the past tendency of a steady decline in the region's share in this trade. This is an aspect which calls for closer study, since it has a significant incidence on the results of the projections, especially for the oil-exporting countries, which have recently been joined by Mexico as a potentially large exporter. It is interesting to note that projections for primary commodities as a whole indicate higher growth rates than those shown in the last two decades. In short, then, the share of Latin America's total exports in total world trade will continue to go down, from around 5.6% at present to 4% by the year 1990.

These results point to a potential trade deficit of considerable proportions, increasing with the passage of time. By 1990, this deficit will represent between 25% and 40% of the value of exports at constant prices, while by the year 2000 these percentages will rise to between 40% and 80%, depending on the scenario in question. The potential deficit is greater in the case of the scenarios assuming greater growth of the Latin American gross domestic product and lower economic growth of the developed countries.

A number of supplementary strategies have been examined for reducing the potential deficit shown in these projections. For this purpose, some quantitative approaches have been prepared in order to assess the role that might be played by the following supplementary policies:

/(a) To

(a) To increase the rate of expansion, and, therefore, the share of
reciprocal trade in the Latin American area in relation to total
trade. At present, this trade represents less than 20% of total
imports. In some quantitative exercises it has been assumed that
this share could rise to around 25% by 1990 and 35% by the year 2000.
This would imply considerable expansion, varying in magnitude for
the various trade flows;

(b) To increase Latin America's exports of manufactured goods to other
regions at a higher rate than the growth rate of world trade in
these products, and

(c) To explore various options regarding the expansion of the trade in
primary commodities, with particular attention to the projections
of oil exports.

These exercises show under what conditions the supplementary strategies
and policies mentioned could result in an increase in exports which would
satisfy the balance of payments requirements calculated using the macroeconomic
and sectoral model (see tables 5 and 13).

As regards the distribution of Latin American trade by areas, these
quantitative exercises bring out the following points:

(a) Trade with other developing areas and with the socialist countries
must increase significantly, and

(b) Exports to the developed countries must continue increasing faster
than in the past, even if it proves possible to attain ambitious
targets as regards intra-regional trade and trade with other non-
traditional areas.

Latin America's foreign trade, in brief, must be given a more balanced
structure as regards the economic and technological composition of export
and import trade flows, in keeping with a more advanced stage of
industrialization and the objectives of a new international economic order
that would significantly raise the developing countries' share in world
production and trade.