

UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL



GENERAL

E/CEPAL/1027

3 March 1977

ENGLISH

ORIGINAL: SPANISH

C E P A L

Economic Commission for Latin America
Seventeenth session

Guatemala City, Guatemala, 25 April - 5 May 1977

LONG-TERM TRENDS AND PROJECTIONS OF LATIN AMERICAN
ECONOMIC DEVELOPMENT

BIBLIOTECA NACIONES UNIDAS MEXICO

- iii -

CONTENTS

	<u>Page</u>
Introduction	v
Chapter I SALIENT FEATURES OF ECONOMIC AND SOCIAL DEVELOPMENT IN THE PAST 25 YEARS	1
1. Summarized overall appraisal	1
2. Social change	19
3. Economic dynamism and change	26
Chapter II NATIONAL DEVELOPMENT PLANS IN THE 1970s	57
1. Global and sectoral economic growth: objectives and targets	58
2. Some main orientations of economic policy	66
Chapter III PRELIMINARY LONG-TERM PROJECTIONS ON POPULATION AND ECONOMIC GROWTH	87
1. Population trends and projections	92
2. Overall macroeconomic projections for the non-oil-exporting countries	120
3. Some comments on the projections of sectoral and employment trends	129
Annex: Research Project	

Introduction

The CEPAL secretariat is working on a research project entitled "Latin American Development: Appraisal and Long-Term Prospects". The central concerns about Latin American development which guided the definition of the nature and scope of this project were:

- (a) the appraisal of the economic and social process in the post-war period;
- (b) the study of the potential and limits of economic growth;
- (c) the preparation of projections and the study of the prospects of economic growth in the long term in national and regional plans, on the basis of different scenarios for the next decade, with a longer frame of reference extending to the year 2000.

The work programme prepared early last year, which appears in the annex, contains an ambitious research programme which attempts to link up the retrospective and prospective aspects of the Latin American development process.

The retrospective study covers the nature of the economic and social processes which the countries of the region have been undergoing, and of the external relations of Latin America in the context of the changes occurring at the world level. The aim is in this way to shed more light on the precise nature of the institutional and policy changes, and the magnitude of the economic and social transformations implied by the scenarios under consideration. This will facilitate a more intelligent and enlightening discussion in the determination of future scenarios and their implications for institutions, strategies and policies. There is another very important reason why it is desirable to review past developments in relation to prospects. The current discussions about a new international economic order can by no means be divorced from the study of the strategies, policies and institutions and the organization of national societies; i.e., from the consideration of a new national economic order.

/The prospective

The prospective study attempts to present scenarios serving to illustrate the main problems facing Latin American economic and social development. These scenarios are designed to articulate projections which reflect the outlook in such important areas as population growth, increasing urbanization, economic growth and its social consequences, trade and external financing, the transformation of production and its pressure on resources, and the outlook for productive occupation and unemployment. Particular attention is paid to economic co-operation and the growth of trade among Latin American countries and with other non-traditional areas.

This study is linked, as is natural, with the provisions of the General Assembly resolutions on a new international economic order (3201 (S-VI) and 3362 (S-VIII)) and in particular with resolution 3508 (XXX) on trends and projections of regional development, which establishes the responsibilities falling to the regional economic commissions in their contribution to the corresponding studies and proposals. It should also be recalled that consideration is now being given to the co-ordination of this research project with the "Project 2000: The State of the World Economy: Problems and Prospects" being prepared at Headquarters.

CEPAL has been engaged over the last year in the preparation and execution of this project. Chapter I of the present document provides an initial synthesis of the main features of Latin American economic and social development in the last 25 years. The overview is based on a group of global and sectoral studies being prepared in the framework of the work programme. Work has also begun on the prospective studies, although naturally these are at a preliminary stage. Currently, a set of interrelated submodels is being prepared with a view to constructing, when the progress of work so justifies, an integrated model which can be used to analyse with suitable cohesion the scenarios which have been proposed, and any other approaches considered desirable.

Chapter II presents a summary of the content of the development plans formulated by the Latin American countries in the 1970s. The main objectives, goals and guiding principles of the economic policy contained in the plans are reviewed there, and criteria that will help to clarify the objectives and guiding principles which the Latin American Governments propose to establish for their development policies, at least for the short and the medium term, are also included.

Despite the inevitably provisional nature of the present projections, it is felt that it might be useful to anticipate, even if only in a global manner, some conclusions stemming from part of the programme of work under way, in order to illustrate the discussion on questions of the utmost importance in the development process. Chapter III presents quite detailed demographic projections, and global macroeconomic projections for the non-oil-exporting countries, on a preliminary basis. Finally, there are some brief comments on employment and the rate of economic growth.

Chapter I

SALIENT FEATURES OF ECONOMIC AND SOCIAL DEVELOPMENT IN THE PAST 25 YEARS *

1. Summarized overall appraisal

(a) Dynamism and social change: image of development in the 1950s and the actual changes

An appraisal of Latin America's economic and social development in the post-war period shows that the global conception of the interrelationship between economic dynamism and social change prevailing two decades ago was invalidated by events in an unexpected way. Economic dynamism reached levels considered then to be highly ambitious and was closely associated with social changes which fell far short of the greater degree of consensus and more equitable goals assumed by the development ideologies of the beginning of the period to be inherent in the high rates of economic growth.

By the early 1950s, a concept of development compatible with the conditions then prevailing had been evolved. It conveyed an image of continuous progress based on industrial development which, combined with certain economic and social reforms, would lead to a higher degree of social consensus. The upholding of this image by the governments and predominating social groups was explained by the attempts to form national societies which would avoid a repetition of certain traumatic experiences that had affected their economic and social structures. At the same time, the successful results which the industrial development policies were having in many countries underscored the image of a replica of the industrial countries' models. Side by side with the boom and social stability of the central economies in the 1950s, the effects of the Marshall Plan and United States hegemony in the cold war period gave strength to the idea that growth was associated with well-being.

A/ This chapter, which also appears as chapter I in document E/CEPAL/1024 of 15 March 1977, presents a summary of the retrospective appraisal of the Latin American economic and social process carried out in line with Part I of the secretariat research project which is included in the annex. In addition, this document on long-term economic and social development trends and projections has been submitted to the United Nations Department of Economic and Social Affairs in connexion with the tasks allotted in General Assembly resolution 3508 (XXX).

The development process ^{1/} has shown a persistent situation where a relatively high economic growth rate has been accompanied by a distribution of income and property which failed to develop favourably for the less privileged groups representing at least half the population. This persistent feature over so long a period has shown itself to be a characteristic of the prevailing style of development. Any attempt to give priority to redistribution objectives or merely to equate them with other aims has led to crises that have seriously affected the system's operation.

On the other hand, the Latin American economies have shown great powers of adaptation to changing conditions created by the actual process of transformation of production and by external variables.

In its economic aspects, the system has been adapted to the needs of relatively advanced stages of industrial development and to an external context which has from time to time altered the trends of trade and financing. On the political side, it absorbed a large proportion of the middle strata that emerged as a result of urbanization, the educational system and the industrial development process. The absorption of these groups widened the political base of the system, which lost its pre-war character of a system with an extremely minority base.

(b) Extent and depth of the production changes

Vigorous economic growth radically changed the production structure. The region almost quadrupled its product between 1950 and 1975; it increased its manufacturing output five-fold, its production of cement six-fold, of energy eight-fold, of machinery and equipment nine-fold and its steel output fifteen-fold. These important changes in scale were linked with substantial modifications in the structure of supply.

The region became industrialized and was able, with an increasing degree of independence, to supply the transport, communications and construction sectors and a structure of consumption comprising non-durable manufactured goods and important lines of durables. Certain sectors of basic inputs such as steel and petrochemical products, symbols of the first stages of heavy industry, are already operating in many countries of the region.

^{1/} The review contained in this chapter refers to the economic style prevailing in Latin America, not in Cuba which of course adopted a different economic and social system from that of the rest of the countries in the region.

Consumer expectations, however, exacerbated by modern information media, are reaching extensive population groups. The capital formation required to satisfy this demand lies far beyond the region's capacity. Accordingly, if the industrial structure is considered in relation to the sophisticated levels of demand aspired to by the high- and middle-income groups and by those other social strata which are endeavouring to attain them, it will be realized that the terms of the imbalance between expectations and actual possibilities which have so influenced the political attitude of the middle-income groups and the growth of demand are still fully valid.

At the same time, the volume of production, which in absolute terms is appreciable, loses some of its value compared with the volume that would be necessary to solve the problems of critical poverty affecting large sectors of the population. Hence, while the progress achieved is magnified if considered in the context of the population in the modern sectors, it diminishes in relation to the whole population.

The production changes also altered the scale, composition and relative importance of foreign trade. Growth in the first 15 years was essentially based on import substitution at the national level, so that the region played no part in the world's dynamic trade in manufactures. It also lost ground in world trade in important agricultural and mining products. The combination of these two factors brought the region's share in world trade down from 9 per cent in 1950 to 5 per cent in 1970. It should be noted, however, that now in the 1970s the Latin American countries are striving to open their economies to foreign trade and diversify their exports, placing the industrial development process in a wider context than the domestic market.

The composition and volume of imports also changes as a result of the changes in domestic production. The region became an important buyer of industrial intermediate and capital goods from many countries. This represents a negotiating potential of which the region has not yet made full use, while it also creates a potential of the utmost importance for substitution and expansion in intra-regional trade.

/Whatever the

Whatever the context in which the situation is analysed, there is no doubt that the State and the transnational corporation were the most dynamic production agents and showed a capacity for mobilizing resources in large-scale activities and projects which should be noted as one of the most significant developments in the period. In particular, governments and public enterprises in key infrastructure and basic resources sectors achieved impressive results. State management capacity today is far superior to what it has been in the past. A technocracy capable of directing policies that mobilize high proportions of the economy's resources has gradually been formed. The biggest public enterprises in some countries attained a scale which makes them competitive at a world level.

(c) Inflexibility and change in the distribution of property and income

The growth and transformation of production have been permanently accompanied by the process of unequal income distribution. This situation has persisted both in boom periods when any solution has been deferred pending the benefits deriving from growth, and in periods of recession when a large part of the burden of the adjustments has fallen on the groups with least economic and political power.

The unequal distribution of benefits is found not only in the distribution of the ownership of the means of production but also in the concentration of technical progress in modernization characterizing the various production sectors.

The unequal distribution of the ownership of natural resources existing at the beginning of the 1950s was a matter of great political concern, but in practice it was not substantially altered in favour of the under-privileged sectors. It was the agricultural sector in the early 1950s where it seemed possible to achieve a fairer distribution of property and where the economies of scale did not seem to entail properties of too large a size. It also seemed suitable for experiments in co-operative forms of production

/or property.

or property. Available figures for the end of the 1960s show that in those respects neither agrarian reform nor any other type of measure attempted in this sense achieved any significant progress. Quite the contrary, it seems to have increased the number of rural wage-earners without access to the ownership or use of land, even of the limited size required for family subsistence.

Simultaneously with these changes, another very important process was taking place. This was the formation of a new class of rural entrepreneur who, taking full advantage of the technical and infrastructure services instituted by the government, responded with considerable dynamism to the stimulus of demand. The development of the modern agricultural enterprise undoubtedly has an important impact in terms of increasing production and incorporating technological progress, but it is also a factor of the expulsion of agricultural manpower, and if presented as a solution to the problems of agricultural supply it actually discourages agrarian reform decisions and the implementation of programmes in this field.

In the mining and energy resources sector the natural trend towards concentration owing to the technical nature of production activities has been confirmed by increasing ownership by public enterprises. When for political reasons these and other public enterprises have increased employment beyond strictly necessary limits or have reduced the prices of products consumed by the mass of the population, this has had a redistributive effect at least in the medium and short term both for the groups obtaining employment and for the consumers.

Manufacturing has grown more vigorously than any other sector, even though in most countries it started from relatively low levels, so that a large part of its structure has been created in the past 25 years. In many sectors the economies of scale require large-scale plants which, added to their monopolistic character, leads to a strong concentration of ownership. In many countries the transnational corporations and the public enterprise were the most important agents in the more dynamic sectors and industrial ownership was increasingly concentrated in their hands.

The trend towards concentration seems to have extended even to sectors which were traditionally spread out, such as the retail trade. It is also significant that foreign capital is not only concentrated in dynamic and technologically complex sectors of industry but it also reaches sectors like commerce where its volume is necessarily of lesser or scant importance to the countries concerned.

The concentration of ownership in economic activities has favoured the expansion of middle- and high-income groups. The increasing size of the middle strata which generally originated in the lower-income groups and worked in sectors with lower levels of productivity is in itself a sign of the positive effect of the expansion of this form of ownership. The implications for urban wage-earners in these sectors were on the whole also positive. For the marginal groups, however, the relative situation meant that the highly inequitable distribution of income prevailing at the beginning of the period was maintained for more than half the population. Of course, even in this group some sub-groups may be identified which enjoyed some not insignificant absolute improvements; however, compared with the consumer expectations encouraged by the system itself, these appear totally inadequate.

To palliate the inadequate distribution of income, in the first two decades the State implemented a public expenditure policy aimed at covering minimum needs, particularly in the services sector. State action in the fields of education and health were the most successful forms of action. The marked decline in illiteracy and the increasing percentages of the population which had access to primary, secondary and university education undoubtedly represent inestimable forms of redistribution of services; however, they have not always benefited those most seriously affected by the distribution of income, and the relevance of their content in satisfying development needs left much to be desired. The increase in the population largely achieved by the decline in mortality rates speaks for itself of the successful results achieved in the health sector.

/If the

If the indicators of the social groups are considered in relative terms, however, once again the impressive improvements of some strata leave the marginal groups in an even worse situation. Thus the middle groups' successful efforts to gain access to secondary and higher education, health services and other benefits deriving from State action push the indexes of the most neglected groups, particularly the rural poor, even farther from the countries' average values than they were in the past.

The redistributive effects of these policies gradually lost some of their importance as the demands of economic growth led to a shift in emphasis in public expenditure to investment in material production sectors at the expense of those services.

Available figures for 1960 and 1970 show that the distribution of income did not change significantly during the decade. In both those years the poorer half of the population obtained about 14 per cent of total income, the next 20 per cent about the same proportion, and the top 30 per cent received the remaining 72 per cent.

The figures in table 1, besides reflecting the persistence of the unsatisfactory distribution of income, show the vigorous growth of demand of the middle- and high-income groups. These groups, in obtaining the lion's share of income, in fact mainly oriented the structure of supply and created a market of attractive dimensions for the large-scale enterprise, particularly the transnational corporation.

The figures available for a group of countries at the beginning of the 1970s show that, although unequal income distribution is a feature common to all of them, it has certain shades both between the countries themselves and between the urban and the rural area. It is clear from these figures than in some countries the situation of the poorest 20 per cent is extremely serious and appears to be concentrated in the rural sector (see table 2).

Table I

LATIN AMERICA: PER CAPITA INCOME IN 1960 DOLLARS AND CHANGES IN THE SHARE OF THE VARIOUS SOCIO-ECONOMIC STRATA IN THE TOTAL INCOME OF THE REGION

Socio-economic strata	Share of each stratum in the total income		Per capita income in 1960 dollars a/		Increase in per capita income		Total increase per stratum (millions of 1960 dollars)	Percentage of the total increase represented by the increase in each stratum
	1960	1970	1960	1970	Per-centage	1960 dollars		
	20% poorest	3.1	2.5	53	55	3.8			2	107.6	0.4
30% following	10.3	11.4	118	167	41.5	49	3 919	15.4
50% poorest	13.4	13.9	92	122	32.6	30	4 025	15.8
20% following	34.1	33.9	243	306	25.9	63	3 359	13.2
20% before the highest 10%	24.6	28.0	424	616	45.3	192	10 237	40.3
10% highest	47.9	44.2	1 643	1 945	17.7	292	7 785	30.7
5% highest	33.4	29.9	2 305	2 630	14.1	325	4 392	17.1
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>345</u>	<u>440</u>	<u>27.5</u>	<u>95</u>	<u>25 406</u>	<u>100.0</u>

Source: CEPAL estimates, on the basis of national surveys.

Note: The average distribution in Latin America in 1970 has been estimated on the basis of information provided by Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Honduras and Venezuela.

a/ Corresponds to the concept of personal per capita income.

Table 2

LATIN AMERICA: INCOME DISTRIBUTION IN CERTAIN COUNTRIES

(Percentage of total income represented by each stratum of the population)

Socio-Economic Strata	Individual recipients										Households	
	Argentina	Brazil	Colombia	Costa Rica	Chile	Ecuador	Panama	Peru	Uruguay	Venezuela	Honduras	Mexico
	Metro-politen Area	National total	National total a/	Urban non-agricultural a/	National non-agricultural a/	National urban	National total	National urban	Metro-politen area	National non-agricultural a/	National total	National total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
20% poorest	5.3	1.9	2.8	4.3	3.7	2.5	1.6	2.6	2.9	3.6	2.3	3.4
30% following	17.7	9.0	12.3	15.1	14.8	11.3	10.1	11.5	13.3	15.8	8.5	12.3
50% poorest	23.0	10.9	15.1	19.4	18.5	13.8	11.7	14.1	16.2	19.4	10.8	15.7
20% following	18.0	12.2	15.0	15.6	15.8	13.5	16.5	16.3	18.3	17.1	10.9	14.8
20% before the 10% highest	27.8	24.2	25.2	24.4	26.4	25.7	28.7	25.6	29.8	27.1	28.3	27.5
10% highest	31.3 _{b/}	52.8 _{b/}	44.6 _{b/}	40.6	39.2 _{b/}	46.8	43.1	44.0	35.7 _{b/}	36.4	50.0	42.1 _{b/}
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Coefficient of Gini concentration	0.40 _{b/}	0.63 _{b/}	0.53 _{b/}	0.48	0.49 _{b/}	0.56	0.56	0.54	0.49	0.47	0.62	0.53 _{b/}

Sources: (1) National Institute of Statistics and Census, Survey on employment and unemployment, 1970.

(2) IBGE (Brazilian Institute of Geography and Statistics): Incomes Survey, HNAD (National households survey by sampling) - 2, 4th quarter 1972.

(3) DANE (National administrative department of statistics), Households Survey 1970.

(4) Central Office of Census, 7th Households Survey 1971, Urban Areas.

(5) Central Office of Census, Continual survey of labour, November 1967, -February 1968.

(6) National Institute of Planning and Co-ordination, Households survey in the urban area, 1968.

(7) Statistics and Census Office, Special survey on incomes through households, 1970.

(8) Central Office of Employment, Households Survey, 1970.

(9) University of the Republic, The distribution of income in Uruguay, 1967.

(10) Central Office of Statistics and National Census, Households Survey, 1971.

(11) Central Office of Statistics and Census, Survey on family income and expenditure, 1967-1968.

(12) Bank of Mexico, Survey on family income and expenditure, 1968.

a/ Active recipients.

b/ In the adjustments made by underestimation the Gini coefficients and the share of the last decile in income were, respectively, the following: Argentina (0.44 and 34.6%); Brazil (0.66 and 57.1%); Chile (0.53 and 44.1%); Colombia (0.56 and 47.5%); Uruguay (43.3%) and Mexico (0.56 and 45.3%).

(d) The structural problem of employment

The productive system has clearly shown that it cannot generate sufficient productive employment for the increasing labour force of the region, and particularly for the big contingents of urban manpower.

Progress in the internal mobilization of productive resources and the growth of investment have been insufficient in comparison with the supply of labour swollen by the high population growth-rate. The agricultural sector has been losing labour through migration from rural to urban areas. In addition, investment has mainly been devoted to the development of highly capital-intensive industrial and infrastructure activities, so that its effect on employment has been partially eliminated. These factors, among others, directly affect the problems of open unemployment faced by the countries of the region. Open unemployment in a group of 17 countries of the region was estimated at roughly 5.8 per cent of the economically active population towards 1970, i.e., approximately 4 million persons.^{2/}

Open unemployment, however, is neither the only employment problem in Latin America, nor even the main one in quantitative terms.

Studies on the subject indicate that "the predominant form in which labour force under-utilization occurs in the less developed countries is underemployment, and particularly invisible underemployment".^{3/} While the definition and measurement of the different forms of underemployment is a subject of much discussion, it is nonetheless an easily verified fact that much of the urban and rural population of Latin America is employed in activities of very low productivity, or their working potential is sporadically

^{2/} See PREALC (ILO): The employment problem in Latin America and the Caribbean: facts, outlooks and policies - Santiago, November 1975, table I-2.

^{3/} Ibid., Chapter I.

devoted to temporary work or, ultimately, remunerated at income levels which are openly below subsistence levels, if the latter are defined according to any social criterion. Estimates made by PREALC to establish the order of magnitude of the employment problem appear in table 3. They indicate that for a group of countries of the region which account for about 75 per cent of the population of Latin America and the Caribbean, the total under-employment of labour, including open unemployment, and agricultural and non-agricultural underemployment, represented in 1970 the equivalent of 28 per cent of the labour force; i.e., the productive potential of one in every 4 active persons was not used. Almost 20 per cent of the total underemployment of labour would be accounted for by open unemployment, the remaining 80 per cent being attributable equally to forms of rural and urban underemployment. It is also noted that generalizations about these orders of magnitude of the situation cannot be made for all the countries considered nor for all the forms of underemployment of labour.

This vast underemployment of labour is linked with a number of features of the productive structure of the Latin American economy and, in particular, with the marked differences in the technological level of the productive units within the different branches of production. As a counterpart to the high concentration of capital, a dominant feature of the majority of productive units of the economy is a chronic shortage of capital and backward technologies corresponding to incipient stages of development.

The productive processes are thus highly heterogeneous, which results in very uneven productivity and incomes. It is estimated that towards 1970, for the region as a whole, the "modern" sector mainly based in manufacturing industries and mining, and to a lesser extent agriculture, absorbed only 12 per cent of the labour force while accounting for 50 per cent of the production of goods; while the "primitive" sector, heavily agricultural, absorbed one-third of employment and contributed only 5 per cent of the product, the remainder of employment and the product being distributed among the intermediate sectors. (See table 4.)

Table 3
LATIN AMERICA: TOTAL UNDER-UTILIZATION OF LABOUR IN AROUND 1970

Country	Economically active population			Open unemployment		Equivalent unemployment in agriculture ^{b/}		Non agricultural under-employment ^{c/}		Equivalent non agricultural employment		Total under-utilization of labour	
	Total	Agricul- tural	Non agri- cultural	Thou- sands	Rate a/	Thou- sands	Rate a/	Thou- sands	Rate a/	Thou- sands	Rate a/	Thou- sands	Rate a/
Argentina	8 823	1 318	7 505	168	1.9	132	10	2 086	27.8	901	12.0	1 201	13.6
Brazil	28 044	11 965	16 079	1 935	6.9	4 188	35	6 221	82.5	3 505	22.8	9 628	34.3
Colombia	6 395	2 686	3 709	473	7.4	672	25	1 454	39.2	749	20.2	1 894	29.6
Chile	2 721	665	2 056	130	5.0	133	20	779	37.9	356	17.3	619	22.8
Mexico	12 473	5 299	7 180	474	3.8	2 322	40	2 005	27.2	847	11.8	3 643	29.2
Venezuela	3 015	714	2 301	187	6.2	136	19	967	42.9	472	20.5	795	24.2
All the countries listed	61 471	22 641	38 830	3 367	5.5	7 583	34	14 303	36.8	6 090	17.6	17 780	28.4
Percentage of under-utilization				18.9		42.7				38.4		100.0	

Source: PREALC (ILO) - The problem of employment in Latin America and the Caribbean: situation, prospects and policies. Santiago, November 1975.

For the sources and methodology of the calculation see tables I-1 to I-8 of the study mentioned.

a/ The rates refer to the relevant economically active population.

b/ The total under-utilization has been calculated on the basis of the percentage difference between supply and demand of labour, thus including open unemployment. The methodologies used are not always the same, partly because of local features, so that the figures should not be taken at their absolute value: they only serve to estimate orders of magnitude.

c/ Estimates based on official figures from research on family incomes.

Table 4
ESTIMATE OF THE COMPOSITION OF EMPLOYMENT AND THE PRODUCT IN LATIN AMERICA
BY TECHNOLOGICAL STRATA AT THE END OF THE 1960s

	Latin America				Central America				Argentina			
	Current	Inter- mediate	Former	Total	Current	Inter- mediate	Former	Total	Current	Inter- mediate	Former	Total
Total product												
Employment	12.4	47.7	34.3	100	8.1	29.6	55.0	100	21.3	65.8	5.3	100
Product	52.3	41.6	5.1	100	42.6	48.0	9.4	100	58.6	40.5	0.9	100
Agriculture												
Employment	6.8	27.7	65.5	100	5.0	15.0	80.0	100	25.0	57.0	18.0	100
Product	47.5	23.2	19.3	100	43.9	30.6	25.5	100	65.1	32.3	2.6	100
Manufactures												
Employment	17.5	64.9	17.6	100	14.0	57.4	28.6	100	25.6	70.6	3.8	100
Product	62.5	36.0	1.5	100	63.6	30.4	3.3	100	62.1	37.5	0.4	100
Mining												
Employment	32.0	34.2	27.8	100	20.0	60.0	20.0	100	50.0	40.0	10.0	100
Product	91.5	7.5	1.0	100	57.2	40.0	2.8	100	77.8	21.6	0.6	100

Source: CEPAL, The labour force and economic development of Latin America in recent years, E/CN.12/L.1.

The significance of the primitive sector from the standpoint of employment would certainly increase if the vast services sector were taken into account. The primitive sector of production thus holds a large proportion of the working population in conditions of low productivity and very low incomes which constitutes the main source of the underemployment of labour. As may be seen in table 4, the technological differences vary among branches and among countries. To illustrate these differences, the table shows the extreme cases in the region.

Unemployment and underemployment of labour, combined with distributive problems, are responsible for the fact that large sectors of the Latin American population currently live in conditions of extreme poverty. The extent of this poverty can be seen from recent estimates which are summarized in tables 5 and 6. Table 5 is taken from an ILO study,^{4/} and indicates that about 43 per cent of the Latin American population in 1972 live in conditions of "serious poverty", i.e., more than 110 million persons, of whom 70 million (i.e., 27 per cent of the population) may be said to be "destitute". Table 6 summarizes the information for various countries of the region on the basis of a minimum balanced diet according to national nutritional patterns. It establishes a proportion of the population of each country with incomes below the cost of that diet; it appears that the incomes of about 35 per cent of the total population of these countries are below the cost of that diet, although with great differences in the situation of each country. Overlooking the difficulties inherent in the delimitation and measurement of the "poverty line" and the definition of the problem itself, it is clear that widespread poverty is a serious problem facing the region, which is in clear contrast with the potential which could be derived from the expansion of production and the rates of economic growth.

^{4/} ILO: Employment, growth and basic needs, Geneva, 1976.

Table 5
EXTENT OF POVERTY IN DEVELOPING COUNTRIES, 1972

Region	Total population (millions)	In state of "extreme poverty" ^{a/}		"Indigent" ^{b/}	
		Millions	Percentage	Millions	Percentage
Asia	1 196	853	71	499	42
Africa	345	239	69	134	39
Latin America	274	118	43	73	27
<u>Total c/</u>	<u>1 815</u>	<u>1 210</u>	<u>67</u>	<u>706</u>	<u>39</u>

Source: ILO, Employment, growth and essential needs, Geneva 1976, p. 23.

a/ The state of "extreme poverty" arises in the case of annual incomes of less than US\$500 for Western Europe; US\$180 for Latin America; US\$115 for Africa and US\$100 for Asia.

b/ The state of "indigence" arises in the case of incomes of less than US\$250 in Western Europe; US\$90 in Latin America; US\$59 in Africa and US\$50 in Asia.

c/ Excluding the developing countries of Europe and Oceania with populations of 25 million inhabitants and over.

Table 6
THE SIZE OF THE STRATUM OF EXTREME POVERTY IN SOME
LATIN AMERICAN COUNTRIES IN 1970 - ESTIMATES

	Annual per capita cost of the mini- mum balanced diet according to national food standards (1960 dollars) <u>a/</u>	Population with incomes below the cost of the minimum balanced diet (percentages)
Argentina	245	11
Brazil	125	42
Colombia	150	43
Guile	225	29
Ecuador	135	35
Honduras	95	49
Mexico	220	31
Peru	160	45
Venezuela	180	22
<u>Total of countries mentioned b/</u>		<u>32</u>

Source: Raoul Nelson.

a/ Cost of food calculated on the basis of the most recent income and expenditure surveys of each country. As is shown by some national alimentary patterns which reveal an excess in the consumption of articles of low nutritional value and a deficit of others of high value, the annual cost of the average balanced diet could be lower if the food habits and taboos observable in the various countries of the area were changed.

b/ The countries mentioned account for just over 85% of the total population of Latin America.

(e) Changes in productive, commercial and financial relations with the exterior

The relations between the changes in the economic and social process and the evolution of the international context are further significant features of developments over the last 25 years.

In production, the links with the exterior changed significantly. Direct foreign investment was directed to different sectors than in the past. Investment in natural resources lost ground in comparison with investment in the more dynamic branches of the industrial sector. The nationalization of mines and petroleum heightened this trend over the last 5 years.

Foreign investment in agriculture and mining was, in general, of little significance, except in the case of oil in Venezuela in the 1950s. Likewise, investment in mining was occasionally important during relatively short periods in medium and small countries, but this investment is of little consequence for the region as a whole.

On the contrary, and particularly in the late 1960s, direct foreign investment rose considerably in the more dynamic branches of industry, and for large countries like Brazil and Mexico it became a dominant economic force in key products in such sectors as metal-working and chemicals. Furthermore, the foreign companies became transnational, and thus their operations became more complex. Thus, for example, their relations with their mother companies had important effects on the balance of payments, since the flows of imports and exports were determined by the interests of the corporations rather than by clear national policies. Again, these companies' ownership of technological innovations, access to private and public international credit, attraction of domestic credit and use of national and imported basic inputs, make it difficult for the countries to work out suitable control or orientation policies.

In international trade, the countries greatly changed the composition of exports and imports. Exports tended to become diversified, both through the growth of the commodities characteristic of each country, and through the increasing incorporation of

/semimanufactured and

semimanufactured and manufactured products. This caused many countries to cease to be dependent on the foreign market for a single product, which represents an appreciable step forward for the management of the balance of payments.

Imports changed in line with the process of internal transformation of production and, particularly, the progress of industrialization. The structure of imports today is more complex, and specialized intermediate inputs have increasingly taken the place of consumer goods, which has caused greater rigidity at the qualitative level. There are no striking differences between the import/product ratio at the beginning and the end of the period, but today the goods imported are certainly of greater technological complexity than in the past, as befits a new stage in Latin American development.

The adjustment of the structure and amount of external financing to the new conditions in international financial markets in the second half of the 1960s is another important change in the last ten years. During much of the 1950s and particularly in the middle of the 1960s the region received small amounts of external financing, and most loans came from official sources. Subsequently, this situation changed significantly. Funds became abundant and an increasing amount of the financing tended to stem from private international banks. The region's capacity to tap this financing, and its role in economic growth, became fundamental features of recent years. In particular, the large countries became closely linked with the international financial market, establishing a system of relations which is radically different from past practice. The flexibility and rapidity of operations, the criteria for loan analysis, the shorter loans and higher interest rates differ from the conditions of official loans. The governments have had to develop a new system of relations and negotiation which is in many respects intimately linked with the transnational corporations.

The region's indebtedness as a result of this system of financing creates a different balance-of-payments position than at the beginning of the period, since the amount of debt service absorbs much of current export earnings. The region must therefore strongly promote exports, once again adjust the productive structure to reduce imports, and thus find new openings in world trade and in the world economy. Trade of manufactures with the developed countries and within the region is presently at the take-off stage and will represent a new stage in the foreign relations of the region.

2. Social change

(a) The persistence of distributive problems

As indicated at the outset, economic growth was accompanied by serious problems and contradictions. These are related to the basic social and political structure, and therefore an overall appraisal must include a study of the social transformation which accompanied economic growth.

Social change was in many respects greater than, but did not conform to, the forecasts stemming from the concept of development. It was thought that unless socio-economic reforms were carried out and capital formation efforts supported by external assistance, it would be difficult to maintain simultaneously stable governments and democratic values. The wretched plight of large groups of the population gave grounds for believing that social and political tensions would increase dangerously, particularly in the case of the great agricultural masses: hence the acceptance by some leadership groups of reform plans which could lead to a national society based on greater social consensus. During the last 25 years no substantial changes have occurred, in most countries, in access to property or to income on the part of the mass of the population; nor have fundamental changes occurred which would give the underprivileged groups a significantly more equalitarian share.

/(b) Population

(b) Population trends and urbanization

Social change was strong influenced by two unrelenting and quantitatively highly important phenomena: population growth and migration from the countryside to urban areas.

During the period the average rate of population growth was 2.8 per cent, and the region's population grew from 160 to 315 million persons between 1950 and 1975. The population of cities with less than 20,000 inhabitants represented three-quarters of the population in 1950, and about half in 1975. This striking change caused the population explosion in the large cities. In 1950 Latin America had 6 or 7 cities with over one million inhabitants; in 1980 it will have 25. At present it already has one city with over 10 million inhabitants (Mexico City) and three more which are close to that mark (Buenos Aires, Rio de Janeiro and São Paulo).

The countries continue to differ greatly in population patterns and trends. Four countries with approximately 15 per cent of the population of the region have already undergone the demographic transition to moderate growth rates. In three of these countries, 60 per cent or more of the population was urban in 1970, the rural population was constant and its contribution to urban growth will be moderate. Five large or medium-sized countries with about 68 per cent of the regional population have rates as high as or higher than the Latin American average. They all have reasonable expectations that these rates will begin to fall at the end of the 1970s. They also have high rates of urbanization and the rural population growth rate is relatively low (about 1.5 per cent annually). The remaining countries - which account for approximately 16 per cent of the population - are in general small and rural, with high population growth rates which will not fall in the short-run since they still have high mortality rates which can be brought down. Rural growth rates continue to be high, between 2 and 3 per cent annually.

/(c) Occupational

(c) Occupational structure. Growth of the middle strata

The great urban expansion brought with it heavy demands on society, as was foreseen in the post-war period. It was then supposed that industrialization and the expansion of services would provide the occupational answer to rural/urban migration. Urban planning would enable these explosive urban settlements to be controlled and organized.

Judged in absolute terms the occupational achievements of industrialization and the public services may be considered satisfactory. Against a 5 per cent growth of the urban population, however, they are inadequate. The job deficits were made good by the activities of the so-called informal sectors. These succeeded in becoming stable and adapted to the urban societies, and have come to form a system which generates its own forms of supply and demand.

In the context of the functioning of the modern and informal sectors new population strata were generated. The groups in the so-called "higher" or "middle" occupation 5/ have increased their share in the occupation strata, which shows the urban economy's capacity to promote the formation of high and middle-level social strata (see table 7). Contrary to what was supposed in the 1960s, low-skilled jobs in the tertiary sector, 6/ did not increase unduly, and the percentages tended to remain much the same. Naturally, the absolute number of jobs of this kind rose considerably, with a great impact on the distributive problem. In sum, the occupational structure did not create great problems of open employment.

5/ In general, non-manual occupations ranging from employers and professionals to salaried employees and sales persons.

6/ Salaried employees in services or own account workers and unpaid family members employed in services.

Table 7

OCCUPATIONAL STRATA, 1960-1970

Costa Rica		Chile		Ecuador		Panama		Paraguay		Uruguay		Venezuela	
1963	1970	1960	1970	1962	1968	1960	1970	1962	1972	1963	1970	1960	1973
<u>13.6</u>	<u>46.2</u>	<u>20.3</u>	<u>27.8</u>	<u>25.0</u>	<u>32.8</u>	<u>16.4</u>	<u>21.8</u>	<u>11.3</u>	<u>13.9</u>	<u>50.9</u>	<u>45.8</u>	<u>23.9</u>	<u>26.8</u>
3.3	6.0	1.5	2.4	1.7	4.1	1.3	1.0	1.2	1.4	8.4	5.6	1.8	3.6
4.4	3.1	3.7	4.9	9.1	12.1	0.9	1.3	2.7	3.1	3.0	3.8	5.4	7.0
0.5	0.3	0.6	0.6	0.7	1.3	0.3	0.3	0.6	0.6	2.5	1.5	0.4	0.6
9.4	11.0	4.0	6.2	5.3	7.2	4.3	5.4	2.6	3.1	7.5	7.3	4.8	8.2
1.9	3.4	1.4	1.2	0.4	1.1	1.7	2.4	0.3	0.4	1.3	0.8	1.0	1.3
4.4	22.4	9.2	12.5	7.8	14.0	7.9	11.3	4.4	5.3	28.2	26.8	10.5	16.1
<u>2.4</u>	<u>21.3</u>	<u>32.4</u>	<u>31.9</u>	<u>28.2</u>	<u>34.7</u>	<u>16.6</u>	<u>23.7</u>	<u>21.3</u>	<u>23.5</u>	<u>30.1</u>	<u>36.1</u>	<u>26.0</u>	<u>30.2</u>
5.1	26.1	26.1	25.2	19.2	22.5	12.5	18.4	11.2	13.0	25.0	29.5	19.2	22.5
7.3	5.2	6.3	6.1	19.3	12.2	4.1	5.3	10.1	10.5	5.1	6.6	6.7	7.7
<u>6.5</u>	<u>15.7</u>	<u>13.4</u>	<u>12.0</u>	<u>14.8</u>	<u>17.7</u>	<u>10.9</u>	<u>12.7</u>	<u>7.8</u>	<u>7.7</u>	<u>14.3</u>	<u>14.3</u>	<u>11.4</u>	<u>12.6</u>
5.2	15.0	12.3	10.9	12.4	13.9	9.5	10.7	7.2	6.8	13.9	12.7	10.0	10.7
1.3	0.7	1.1	1.1	2.4	3.9	1.4	2.0	0.6	0.9	1.0	1.6	1.4	1.9
<u>1.3</u>	<u>1.1</u>	<u>0.5</u>	<u>0.8</u>	<u>1.2</u>	<u>1.0</u>	<u>0.6</u>	<u>0.2</u>	<u>1.3</u>	<u>0.5</u>	<u>0.3</u>	<u>0.6</u>	<u>0.9</u>	<u>1.0</u>
1.3	1.1	0.5	0.8	1.2	1.3	0.6	0.2	1.3	0.6	0.3	0.6	0.9	1.0
<u>2.6</u>	<u>4.8</u>	<u>29.2</u>	<u>24.4</u>	<u>18.9</u>	<u>6.1</u>	<u>43.5</u>	<u>36.9</u>	<u>51.0</u>	<u>48.9</u>	<u>0.5</u>	<u>1.4</u>	<u>32.7</u>	<u>19.1</u>
8.3	3.9	21.7	16.5	10.6	3.9	6.3	6.8	11.0	9.3	0.4	0.5	11.6	7.1
4.3	0.9	8.2	7.9	8.3	2.2	37.2	33.1	40.3	39.6	0.1	0.9	21.1	12.3
<u>3.6</u>	<u>0.9</u>	<u>3.2</u>	<u>3.7</u>	<u>1.9</u>	<u>0.7</u>	<u>12.0</u>	<u>4.7</u>	<u>6.8</u>	<u>5.4</u>	<u>3.3</u>	<u>1.8</u>	<u>5.1</u>	<u>0.3</u>
10.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

, sample from national census; 1972, sampling surveys of six regions. There may be a sampling error in strata in the primary sector; Costa Rica: 1963 and 1970, sampling surveys covering urban areas; Chile: 1960, 1962 and 1968, sampling surveys covering urban areas; Panama: 1960 and 1970, samples from national census; Paraguay: 1963, census sample; 1970, sampling surveys. Montevideo only in both cases; Venezuela: 1960,

On the other hand, it established a clear difference between these strata which managed to incorporate themselves in the more dynamic and "modern" production and service sectors and those which remained outside them.

(d) Economic and political problems of urbanization

These problems were unquestionably too great for the capacity of urban planning to deal with them. The response of the State to the challenges of urban growth was concentrated in housing policy. It was the middle strata, however, which had the greatest access to the benefits of government action, thus incidentally showing their capacity for political mobilization.

Government urban policy was unable to avert a growing split within the large cities. On the one hand, there were the modern districts, far from the centres, based on the widespread use of automobiles, and on the other, there remained the unsatisfactory human settlements spontaneously created by rural-urban migration. Government policy on these settlements ended up as State assistance in view of the amount of resources necessary for a modern housing or urbanization programme.

The issue of political tension originating in these large urban groups has come to occupy a central position. The problem is to avoid a social and economic breakdown in an urban economy with unfair income distribution and access to employment and services and with obvious contrasts in consumption levels and life-styles. It seems that the combination of a small but effective percentage of real opportunities, moderate increases in consumption, hopes of progress, minimum welfare policies and authoritarian régimes has kept the situation under control.

(e) Rigidity and changes in the rural sector

The rural situation today continues to be worse than the urban situation. The absolute poverty of large strata and the bad distribution of property and power were and still are characteristic of rural areas. In the 1950s and at the beginning of the 1960s it was thought that agricultural reform was not only a solution to rural problems but also a measure which was in step with the process of industrialization. It was assumed that the State, the industrial entrepreneurs, the middle classes and urban wage-earners and the rural masses had common interests in a policy which would lead to a more efficient use of the land and rural labour, and higher production and incomes which would furnish new markets for manufactured goods and open the way for rural democracy and the organization of groups which would break the power of the landowning sectors opposed to development.

The high costs of agricultural reform, its slow maturation and above all the evident fact that the groups involved could reach most of their goals at the expense of the rural masses whose political pressure was weaker than had been supposed, took the wind out of the sails of reform, leaving a high percentage of the potential beneficiaries in an under-privileged situation.

The slow or tortuous progress of agrarian reform led to a large number of proposals usually suggested as complementary but which were in fact alternatives. The most important were colonization and the relocation of poor rural groups through the expansion of the agricultural frontier, agricultural extension in the form of supplying rural areas with public services, the creation of agricultural unions and basic organizations and "community development" policies designed to co-ordinate and unify the other initiatives.

As a result of the economic development of the system and the slight impact of most of these policies, the problems of the past have tended to persist to a large extent in rural areas. At the same time, however, there are a number of important changes. In the first place, a modern commercial agricultural economy has emerged primarily among the large and medium-scale landowners who have made better use than any other group of the State infrastructure projects and of agricultural extension in the form of technology. Secondly, agrarian reform did free some of the beneficiary groups from extreme poverty. Others managed to enter the commercial economy or acquire non-agricultural sources of income in transport, trade and artisanal or other activities. These successful groups widened the gap between themselves and those left behind, in the eyes of the latter. These became a scattered, landless wage-earning mass depending on seasonal labour and without political power. Finally, important progress was made in education and health; however, as in so many other areas the rural/urban gap tended to remain or even increase, so that such successes are once again relative. These transformations improved the situation of some groups and also created in the rural sector a more complex stratification than in the 1950s, in which the more underprivileged groups were unable to improve their relative position or solve their more serious problems.

3. Economic dynamism and change

(a) The development strategies and external conditions. Stages of the growth process

The rate of economic growth and the orientation of the changes in production were determined by the combination of internal development policies and potential and external factors at the national level.

The influence of the external factors was particularly marked in the fluctuations of the rate of growth. The size of the economies and, in general, the internal development conditions largely determined the trends and orientation of the changes in production.

The various forms which these factors took gave rise to marked differences between countries and different stages in the economic growth of the last 25 years. The evolution of the external variables, in relation to exports and financing for example, was similar for many countries. However the disparity in the supply of natural resources, the size of internal markets, salary levels, the socio-political organization and the capacity of defining and implementing development policies led to economic processes with varying dynamism and structure.

Two stages can be distinguished, in this long-term analysis of the economic development of the region, if the evolution of these internal and external factors is considered in the countries which have the highest percentages of population. The first covers the decade of the 1950s and the first five years of the 1960s. The second covers the rest of the decade of the 1960s and the 1970s. This division into two stages in the middle of the last decade naturally constitutes an analytic simplification. It does not necessarily have precise application for each of the countries because of the particular features already mentioned, and the selection of the year 1965 as a dividing line mainly serves the purposes of statistical simplification. Nevertheless, significant and characteristic features prevail in each period which justify this global approach.

/The first

The first stage (1950-1965) is characterized by an external situation which after the boom in Korea developed unfavourably for the region. After an initial period in which the prices in the international market rose rapidly and the volumes exported increased, there was a slackening in the external markets which lasted until the mid-1960s. Exports grew slowly and the terms of trade deteriorated. At the same time the borrowing capacity and availability of external financing were relatively low. Substitutive industrialization was accentuated and imports grew slowly in many large and medium-sized countries. The imports coefficient fell, and this phenomenon reached significant proportions in some countries and particularly in Brazil. It should be stressed, however, that the external situation was not unfavourable for all the countries, particularly for most of the Central American countries.

The slackening in the rate of the capacity of external buying already described stimulated in most countries, although to varying degrees, the trends towards the substitutive industrialization of imports which had emerged during the 1930s and after the Second World War. The countries in which the imports capacity suffered the greatest restrictions, such as the countries of the southern cone, Brazil and in some years Mexico, had to make major internal efforts to implement their industrialization strategy. These countries experienced a decline in the speed of the process at the end of the 1950s and the beginning of the 1960s, of varying intensity and fluctuations in the different cases. Through their greater efforts these countries, particularly Brazil and Mexico, advanced more rapidly in the stages of industrialization, but the restrictions of imports led them to force the substitutive process to levels which were not always compatible with the desirable requirements of efficiency and which passed on the excessive costs to the consumers and other production sectors.

Other countries of lesser economic and demographic size, such as the Central American countries, did not suffer similar restrictions in their external conditions and towards the end of the period a first

/and fruitful

and fruitful stage of subregional integration began to materialize. This enabled them to secure an advance in industrialization which would not have been easy to attain in restrictive external conditions because of the small size of the markets.

The second stage, which lasted from the middle of the 1960s up to the 1970s, is characterized by a gradual improvement in the external conditions which reached a peak in the biennium 1972-1973.

Exports increased in dynamism and diversification and the ratios of the terms of trade tended to improve, as well as the availability of external financing, particularly during the 1970s.

At this second stage there were marked disparities in the capacity of the countries to adapt to the new international context. The differing conditions of the Latin American countries for securing external financing, embarking on new targets of change in internal production and diversifying exports created marked diversity in dynamism and the national economic processes.

The countries which took greatest advantage of the external situation were those which combined an active policy of internal change with dynamic incorporation into the external commercial and financial market.

In general the Latin American economies carried out major changes in the institutional structure of their economies. The governments gradually progressed in planning their activities in both the long and the short term. Although they did not always succeed in including the action within the framework of a formal plan, public activity in practice gained in coherence and clarity of objectives. The increasing level of training of the public technocracies and bureaucracies contributed greatly to this improvement. In many countries they showed a capacity to carry out major investments, both in infrastructure and in industrial sectors, and to smoothly operate economic policies which made it possible to carry out long-term strategies and adapt to the changing external conditions.

Progress was also made, although more unevenly, in tax, administrative and agrarian reforms. These reforms naturally provoked

/greater reactions

greater reactions than the rest of the public action and, particularly in the agrarian sphere, the advances are far from satisfactory in most cases.

The financial markets were organized by promoting major processes of accumulation and a greater incorporation into the international framework. Inflationary adjustments were progressively introduced into these markets so that the distortions registered in the capital and investment markets were eliminated.

The improved institutional organization of the public sector made it possible to carry out an economic policy which, while in general maintaining the objectives of industrialization, adapted the instruments to the new conditions.

The economic policy incorporated the growing concern about inflation in an organic way. Inflation, which in the first stage was limited to a few countries, ended up by becoming a widespread phenomenon during the 1970s in the context of the world inflationary process and because of the varied action of external and internal factors in the countries of the region, as is explained in chapter IV. The efforts to harmonize growth, inflation and employment show that many countries are introducing more elaborate forms of economic policy.

The new international conditions and the rigidity created in many countries by imports substitution determined or facilitated changes in economic policy. In general, the countries tried to insert their industrialization process in broader markets so as to be able to realize new stages and remedy some of the distortions of the past. For this they combined a policy of export promotion with greater liberalization of imports through measures affecting tariffs, exchange rates and tax subsidies.

The requirements of the accumulation process, together with the concern to maintain a reasonable degree of autonomy in the operation of key sectors, also led to a reconsideration of the attitude towards foreign capital. In respect of natural resources there was a widespread attitude in favour of their nationalization which enabled the countries to maintain or recover control of their mining and

/energy activities.

energy activities. In the other sectors of the economy, however, an attitude more favourable to foreign capital prevailed which in many cases was reflected in a major influence of transnational enterprises in the more dynamic sectors of demand.

Accelerated economic dynamism and major changes in production developed under the new external conditions, encouraged by the national policies. In these circumstances the most favoured countries were those of large market size and other small countries which began to exploit resources with good international prices which proved to have an appreciable marginal effect on the economy. Among the first group, the countries which were particularly favoured were those which, relying on the industrial base already created by the mid-1960s, offered attractive political and salary conditions for foreign capital, secured appreciable proportions of the financing and technology and carried out a decisive industrialization strategy. Among the second, those which gained most were those which, taking advantage of the balance-of-payments situation created by the expansion of exports, secured external financing and on this basis embarked on the first stages of industrialization.

On the other hand, there were the medium-sized and small countries which had already carried out the first stage of the substitutive process or which did not have adequate natural resources to substantially increase the income of their exports. These countries were faced with a double problem: they neither possessed a market with capacity to advance in the industrial process and secure external financing, nor were capable of satisfying a more sophisticated demand by means of external trade. The subregional integration schemes then appeared as a suitable solution for a major group of countries.

In many countries the improvement in the purchasing power of exports and the abundant external financing reversed the trend of the previous period towards decline in the imports coefficient. The economies functioned during the period with a greater availability of imports. Although the flexibility of supply deriving from this

/circumstance should

circumstance should be noted as one of the factors which made possible a high level of dynamism, it is equally true that the system functioned with increasing foreign borrowing which became accentuated from 1974 onwards when the external conditions deteriorated because of the effects and repercussions of economic recession in the industrial countries and the deterioration of the terms of trade aggravated by the rise in petroleum prices for the importer countries. The external debt services and repayments of direct foreign investment steadily increased in magnitude and towards the end of the period constituted one of the major causes of the deficit in the balance of payments on the current account. Furthermore, a considerable proportion of the debt had been contracted with the private foreign bank which operated with more onerous and risky time limits, interest and conditions than those prevailing in multilateral official financing.

The serious external bottleneck which is revealed by the high deficits on the current account of the balance of payments in the non-petroleum exporting countries, which began in 1974, affected the drastic fall in the rate of economic growth in 1975 and this problem prevails in spite of a certain improvement recorded last year.

A new stage in the economic development of the Latin American countries, offering varying prospects according to the particular conditions which affect them, finally seems to be emerging. The petroleum-exporting countries, and especially Venezuela, have favourable prospects for accelerating their development and can appreciably influence the economic dynamism of other countries of the region if reciprocal trade is expanded and economic and financial co-operation strengthened. The other countries, however, will have to confront the solution of their acute problems of external payments in an international situation which will be less favourable than in the years before the recession, particularly if the recovery of the growth rate in the industrial countries continues to be delayed.

For this second group of countries the development of their internal markets, a new stage of industrialization in intermediate essential products and capital goods, which will undoubtedly vary in

/nature and

nature and dynamism from one country to another, and also the broadening and diversification of regional trade and trade with other non-traditional areas will be the decisive factors, in some more urgent aspects than in recent years, in promoting their subsequent economic development.

(b) Acceleration and differentiation of economic growth between countries

Throughout this period the rate of economic growth of the region as a whole tended to accelerate. The average annual growth rate rose from around 5 per cent during the 1950s to about 5.5 per cent in the 1960s and 6.3 per cent in the first half of the 1970s. Over the twenty-five years this is equivalent to an average of 5.5 per cent a year, which exceeds the rate of the developed countries with market economies by nearly one per cent. This did not occur in the case of the per capita product because while demographic growth reached rates of nearly 3 per cent, the region did not succeed in doubling its per capita product or in improving its relative position in relation to the developed countries. (See tables 8 and 9.)

The greater dynamism covered the great majority of countries despite the differences in rhythm which can be distinguished between them. During the 1950s only three countries exceeded 6 per cent, while in the first half of the 1970s seven attained that rate, including Brazil and Mexico which account for about 50 per cent of the population. Similarly in the 1950s seven countries did not attain 4 per cent, while in the first half of the 1970s only four failed to reach this rate.

As has already been pointed out, the differences between countries in respect of the size of national markets, conditions, and internal potential and policies, in the end led to differences in the rate and structure of their growth, especially in the last stage considered. The less favoured countries were those which encountered difficulties or limitations in pursuing their industrialization process

Table 8

LATEX AND/OR RUBBER EXPORT VALUES OF THE GREAT LAKES REGION

(Continued)

1.0 to 1.9	2.0 to 2.9	3.0 to 3.9	4.0 to 4.9	5.0 to 5.9	6.0 to 6.9	7.0 and over
Uruguay (1.1)	Bolivia (3.5) Argentina (3.5) Chile (3.9)	Belgium (4.2) Paraguay (4.2)	Colombia (5.1) Guatemala (5.1) Zambia (5.2) El Salvador (5.3) Peru (5.3) Tanzania Uruguay (5.3) Nicaragua (5.3) Cuba (5.3)	Tanzania (6.2) Bolivia (6.3) Brazil (6.7) Cuba (6.9) Paraguay (6.9)		
			1955-1956			
Bolivia (1.0) Uruguay (1.9) Bolivia (3.5)	Argentina (3.3) Paraguay (3.4) Belgium (3.8)	Chile (4.3) Bolivia (4.6) Guatemala (4.6) Zambia (4.7)	Belgium (5.1) Paraguay (5.1) El Salvador (5.4) Peru (5.5) Cuba (5.5)	Nicaragua (5.4) Bolivia (6.2) Brazil (6.3) Paraguay (6.3) Cuba (6.8)		Venezuela (7.1)
			1965-1972			
Uruguay (1.9)	Chile (3.0) Belgium (3.6) Bolivia (3.9)	El Salvador (4.1) Paraguay (4.2) Venezuela (4.6) Argentina (4.9)	Paraguay (5.1) Peru (5.2) Chile (5.4)	Paraguay (6.0) Bolivia (6.1) Belgium (6.4) Paraguay (6.4) Cuba (6.8)		Cuba (7.1) Paraguay (7.1) Belgium (7.1) Bolivia (7.1) Brazil (7.1)

Notes continue on next page

The most favoured, on the other hand, were those which were able to add to the level and dynamism of internal and external demand a balance of payments capable of sustaining the flow of imported goods involved in changes in production.

On the basis of these differences, it is possible to distinguish three groups of countries:

(a) Those which because of their greater market size and capacity of securing external financing obtained high growth and clear advance in industrial sectors by incorporating consumer durable goods and improving the technical efficiency of the industrial infrastructure with adequate scales in steel, petroleum refining, energy generation, etc., and which advanced in the first stages of the capital goods industry and the chemical industries. These countries grew and secured a better articulated industrial structure and created markets which are now attractive in many sectors at the world level.

(b) The small countries and some medium-sized countries which progressed in the first stages of industrial development.

(c) The countries which grew less, as is the case of the countries of the southern cone which, after pioneering the process of changes in production, subsequently, because of various factors, encountered difficulties in attaining growth rates similar to the regional averages, thus losing influence in their share in the generation of the regional project, although the marked differences among them of an economic and industrial nature are obvious.

(c) Progress in industrialization. Transformation of the sectoral structure

The process of industrialization in the last 25 years profoundly changed the productive structure of the region. (See table 10.)

The share of manufacturing industry rose from 18 per cent in 1950 to 25 per cent in 1975. The countries of greater economic and demographic weight already had a high degree of industrialization in 1950, which they maintained throughout the period (20.4 per cent in 1950 and 26.6 per cent in 1975). The medium and small countries had lower levels in 1950 and made considerably less progress, passing from 14.4 per cent to 17.7 per cent in 1975. These quantitative differences

Table 10

LATIN AMERICA: SHARE OF THE AGRICULTURAL AND MANUFACTURING SECTOR IN THE PRODUCT

(Percentages of the gross domestic product at 1970 prices)

Country	Agricultural sector ^{a/}				Manufacturing industry			
	1950	1960	1970	1975	1950	1960	1970	1975
Argentina	16.7	15.6	13.1	12.0	23.2	26.3	30.2	32.2
Bolivia	25.4	24.4	16.9	15.8	12.4	11.6	12.9	13.6
Brazil	20.6	16.5	14.3	12.2	17.9	22.3	24.8	25.6
Colombia	30.2	33.0	28.6	26.8	19.7	16.4	17.5	18.8
Costa Rica ^{b/}	38.4	29.3	25.0	23.2	11.5	12.4	15.1	17.2
Cuba	-	-	-	-	-	-	-	-
Chile	11.2	9.8	7.9	8.3	23.1	24.9	27.2	23.8
Ecuador	40.3	38.1	29.2	22.1	17.1	17.0	19.0	20.3
El Salvador	41.0	35.7	30.6	28.1	12.9	13.8	17.6	18.1
Guatemala	35.3	32.6	30.1	30.1	10.7	11.7	14.6	14.5
Haiti	52.8	48.8	30.8	45.2	8.3	8.8	9.8	11.7
Honduras	45.2	32.7	34.6	31.7	9.2	15.2	14.0	16.0
Mexico	18.2	16.1	11.8	9.7	18.6	19.2	23.4	24.1
Nicaragua	33.1	26.4	25.3	26.9	10.0	11.9	17.5	17.8
Panama	31.5	25.7	20.7	18.8	7.9	11.6	15.8	13.9
Paraguay	45.8	39.5	34.3	33.0	17.8	15.2	17.3	17.5
Peru	25.3	24.6	22.8	15.3	10.9	13.3	16.8	18.7
Dominican Republic	37.7	33.8	25.8	19.1	12.5	14.6	16.7	17.5
Uruguay ^{b/}	15.4	11.0	12.6	11.6	23.0	24.3	24.2	25.4
Venezuela	7.7	7.3	7.5	7.4	6.9	9.2	11.4	13.4
Latin America (19 countries)	20.1	18.2	14.9	13.2	17.9	20.3	23.0	23.9

^{a/} Comprises: Agriculture, forestry, hunting and fishing.

^{b/} The manufacturing industry includes mines and quarries.

/reflect, particularly

reflect, particularly in more recent years, the varying capacity of countries to cover more advanced rubrics of the industrial process. The larger countries are advancing in the substitution of intermediate and capital goods while the others are already encountering difficulties in some consumer durable lines. Chile and Uruguay, which made an early start in industrialization, are good examples of these difficulties, since although they have a high degree of industrialization they were unable to advance at the same rate as the larger countries during the period.

In the agricultural sector the opposite occurred. While it is true that with a rising income level there is normally a displacement of demand, in many Latin American countries the decline in the share of agriculture has gone further than the structure of demand would suggest.

The adjustment mechanism between demand and production has been the external sector. Particularly in more recent years (1970-1974) imports have grown at a significantly higher rate than exports (10 per cent and one per cent respectively). The share of the agricultural product in the product of the region has declined from about 20 per cent in 1950 to 13 per cent in 1975. In 1950 this proportion was above 30 per cent in eleven countries, in 1975 only in three. In 1975 the three economically and demographically larger countries had ratios below this average. Chile and Venezuela continue, as in 1950, to be the countries with the smallest share of agriculture in the product (about 7 per cent). The rate of growth of production has been falling in the sector, from 3.7 per cent in the 1950s to 3.2 in the 1960s and below 3 per cent in the 1970s.

The transformation of the productive structure has led to a substantial change in the level and quality of supply. The industrial sector has greatly increased the supply of consumer goods, covering almost all demand in many countries. Production of intermediate goods has also increased, particularly in some basic intermediate industries such as steel and petroleum refining. In recent years the chemical and petro-chemical industry has tended to grow, but these branches are

/unevenly distributed

unevenly distributed among the countries. Capital goods have progressed least, but the serious balance of payments problems are strengthening the trend towards a substitution policy in these branches, particularly in countries like Brazil and Mexico. Hence, looking at the region as a whole, it may be said that the structure of industrial supply is tending to become more complete.

Looking at what happened in the different countries, it may be seen that the medium and small countries easily advance in the more traditional branches, but run into increasing difficulties as they attempt to advance into the intermediate and capital goods sectors, where bigger production scales are necessary. Thus the trends to continue the transformation of production are uneven. On the one hand, the large countries are in a position to progress and join in world trade. On the other, the medium and small countries must make a much greater effort to continue their transformation of production. Thus the growth of regional trade and the success of the integration schemes will certainly be important factors for transformation to continue, and their failure would represent a blow to the strengthening of the regional economy.

(d) The degree of exploitation of natural resources in relation to external conditions

Prior to industrialization, endowment with natural resources was an important factor in the development of the Latin American countries.

The development which has taken place in the last 25 years has called for the use of considerable and increasing quantities of natural resources. The region as a whole has abundant natural resources, but their exploitation often involves solving institutional problems or carrying out significant investments which are not easily divisible into small units. On the other hand, exports of natural resources continue to be a key element in the growth of the capacity to import, even if they are no longer the dynamic factor in demand as in the past.

Over the last 25 years the region has not increased the exploitation of its resources in the proportions called for by the

/growth of

growth of domestic and external demand. To fill the gap it resorted to foreign trade, particularly in the more favourable years in the period 1965-1973. By means of this expedient it was able to avoid more radical reforms in such sectors as agriculture or large-scale investment in the energy and mining sectors.

In the case of agriculture, many factors combined to cause production to grow at a lower rate than demand. On the internal side, the structure of land ownership, the unattractive level of domestic and external prices, and the high amounts of investment and technology needed for qualitative progress in the sector; on the external side, supply was often accompanied by extremely attractive financial conditions which made it easier for the developed countries to place their surpluses in the region. Thus the pressure on the sector for a better use of its resources was not strong in this period. Naturally, there were countries where this was not the case, particularly when the harvested area could not easily be extended without high cost and the balance-of-payments situation was not favourable.

The pressure of demand on mining resources was likewise not strong during this period. External demand continued to dominate in this sector, and during the 25-year period the importing industrial countries opted for a policy of diversification of their supplies. Although exports of some minerals such as iron ore, where the region's participation was very low, increased greatly, in others, where its participation was high, there was a big drop. Foreign capital directed to mining was displaced to other regions of the world. It was only in recent years that the strong industrial development of the larger countries of the region caused internal demand to emerge as a potential growth factor in the sector, and in some cases increased the pressure on resources.

The influence of the external sector in the pressure on resources can be seen most clearly in the case of energy resources. While the region continues to be a net exporter of energy resources, production grew in the period at lower rates than consumption because the price of petroleum was relatively low, particularly in the 1960s. The deficit

/countries substituted

countries substituted abundant imports from the Middle East for investment efforts in exploring and adding new energy resources to their reserves and production. The higher price of petroleum in 1973 was once again felt in the balance of payments and this will naturally continue to be a strategic field in the next few years.

Unquestionably, to maintain high rates of economic growth in the future will demand more intense exploitation of the region's natural resources; investment and technological needs will grow considerably and there will be a greater need for different forms of co-operation and growth of trade among countries of the area.

(e) The importance and progress of the public sector and the transnational enterprises as agents of growth

The growth of the economies, the inclusion in demand of more sophisticated products, the need to achieve bigger production scales and the attempts to include industrial products in the pattern of exports created organizational, technological and financial needs in the 1960s which were very different from those of the 1950s.

The growth of production was linked with the evolution of a consumption structure which followed the patterns of the developed countries. This trend was stimulated and made possible by foreign capital, which in many cases came to exploit the domestic market of the Latin American countries, particularly those of greater economic and demographic size. The technology available for the production of the goods included in the new consumption structure was created in the developed countries for large markets; to a large extent this restricted to the larger countries the inflow of capital to produce goods with these technological characteristics. In addition, in many cases this type of industrial development requires an infrastructure of transport, energy and basic inputs which can only be justified for large markets.

The national private sector, which played an important role in the first stage of the industrial process, lost ground to the public sector and foreign capital, the latter in the form of the transnational corporation. In general, the public sector undertook

/infrastructure projects,

infrastructure projects, the exploitation of mining and energy resources and projects in some industrial sectors such as steel and oil-refining. The transnational corporations participated in a great variety of sectors, but their greatest weight was in the more dynamic or influential branches of industry, such as the motor-vehicle industry.

This trend towards the concentration of ownership in the hands of a small number of public and private enterprises brought the social and political changes and led further and further away from the competitive model proclaimed in the development ideology of the post-war period.

(f) The region's capital formation and savings capacity

The acceleration of the region's economic growth was possible thanks to the high levels reached by capital formation. Investment, which had grown at an average annual rate of 5.7 per cent in the period 1950-1965 stage, has reached rates of around 8.5 per cent since the mid-1960s (see table 11). An analysis of the situation by countries reveals some cases where the rate of capital formation accelerated greatly. Brazil, whose rates were already high, achieved an average rate of 11.5 per cent. Those countries which initiated the exploitation of new natural resources such as Ecuador and the Dominican Republic reached very high rates, i.e., 16.7 and 22.7 per cent, respectively. In Brazil, the high rate attained coincided with an improvement in the capital-output ratio, which shows how efficient the process was. On the whole, there was a close relationship between the rates attained by the product and investment. Investment played the dual role of increasing the supply capacity and at the same time of constituting an important dynamic factor of demand. In contrast, there are the cases of Chile and Uruguay, where in the period 1950-1973 investment rates increased moderately in keeping with the slow growth of the product.

Table II.
LATIN AMERICA: EVOLUTION OF DOMESTIC INVESTMENT

Country	Gross domestic investment as a percentage of the gross domestic product ^{a/}				Growth rate of gross domestic investment (annual rates)	
	1950-	1964-	1971-	1974-	1950-	1965-
	1952	1966	1973	1975	1965	1973
Argentina	15.1	17.6	21.5	20.5	6.1	6.0
Bolivia	10.2	15.6	15.2	20.3	6.6	6.1
Brazil	23.2	19.5	23.4	26.2	6.0	11.5
Colombia	22.9	21.0	19.9	21.6	3.3	4.1
Costa Rica	14.8	17.4	22.3	24.1	10.5	7.8
Cuba	...	...	...	...	...	...
Chile	14.6	15.4	12.6	12.6	4.6	0.1
Ecuador	10.0	11.3	23.9	27.4	6.0	16.7
El Salvador	11.3	17.5	24.2	15.4	8.9	2.5
Guatemala	10.8	12.6	12.4	12.6	5.0	5.1
Haiti	7.1	5.8	8.0	8.8	0.8	7.0
Honduras	15.8	15.5	16.4	21.2	5.1	6.3
Mexico	18.8	20.1	21.3	25.0	7.5	8.2
Nicaragua	12.3	19.2	17.0	22.2	11.9	5.7
Panama	13.3	19.0	29.0	22.6	7.0	13.7
Paraguay	6.3	14.3	17.3	22.3	9.6	9.4
Peru	18.3	16.3	13.6	17.2	6.1	2.7
Dominican Republic	16.5	13.7	22.2	26.6	2.3	22.6
Uruguay	18.4	9.3	11.6	10.1	-2.6	3.1
Venezuela	42.7	25.7	30.0	31.0	4.2	7.1
<u>Latin America</u>	<u>19.6</u>	<u>18.2</u>	<u>21.5</u>	<u>23.7</u>	<u>5.7</u>	<u>8.3</u>

^{a/} On the basis of average values at 1970 prices.

/Figures for

Figures for the region as a whole show a high capacity for the mobilization of investment resources. The investment-product coefficients which had declined at the beginning of the 1960s compared with the beginning of the 1950s (19 and 20 per cent, respectively) more than regained their former levels in the period 1971-1973 (about 21.5 per cent) and reached an exceptionally high level in the years 1974-1975 (23.7 per cent). An analysis of the countries shows that the situation is somewhat uneven. In the first place there is a group of countries which in the last 25 years have maintained levels close to or higher than 20 per cent of the product. These are generally large or medium-sized countries: Brazil, Colombia, Mexico and Venezuela. In the second group are the countries which have increased their levels from values of between 10 and 15 per cent at the beginning of the period (1950-1952) to levels equal to or higher than 20 per cent for the majority of them in the 1970s: Argentina, Bolivia, Costa Rica, Honduras, Nicaragua, Ecuador, Panama, Paraguay and the Dominican Republic. Finally, the rest of the countries have not exceeded 15 per cent in the 1970s and in many cases the rate has slowed to very low levels. Special importance should be given to what occurred in the period 1974-1975 when, although the region was affected by the recession in the developed countries and the growth rate of the product declined, in many cases investment maintained its momentum, thus showing the force of the trend towards long-term growth and the independent attitude adopted by agents such as the State and transnational corporations to short-term fluctuations.

The dynamic performance of investment was accompanied by a vigorous expansion of domestic saving. The region, which for long periods had recorded levels of domestic saving of about 18 per cent of the product (18.5 per cent in 1950-1952 and 18.2 per cent in 1964-1966) saw its coefficient increase to 19.5 per cent in 1971-1973 and easily exceed 20 per cent in 1974-1975 (21.3 per cent). The countries with consistently high investment coefficients also had high and relatively stable savings coefficients. In the rest of the countries they fluctuated widely around lower levels. With the

/exception of

exception of the oil-exporting countries and Argentina, Paraguay and the Dominican Republic, the trends are not towards an increase. It is especially noteworthy that the coefficients of six countries (Chile, El Salvador, Guatemala, Haiti, Peru and Uruguay) should fluctuate around 10 per cent for the 1970s, which is an exceptionally low level (see table 12).

The proportion of investment financed with domestic saving differs considerably in the different countries. On the whole, this proportion has followed a less favourable course than investment. For the countries with high and stable investment levels, domestic saving has represented values of between 90 and 100 per cent of investment. Countries such as Argentina and Venezuela stand out in this respect, having in many periods financed the whole of the amount invested and even obtaining a surplus, Venezuela's performance is especially notable, owing to the rise in the price of petroleum. On the other hand, the countries with lower levels of investment generally finance lower percentages with domestic saving, in proportions of less than 90 per cent. It should be noted, however, that there are some periods in which a decline in these proportions has its origin in recurring balance-of-payments problems which compel the country to contract external loans and which, for one reason or another, could lead to a drop in the domestic saving coefficient of the period concerned, according to the conventional definitions.

(g) Changes in the external sector and their relationship with economic growth

The external sector has had great influence on the rate of growth of the Latin American economies. For the past 25 years, although the nature and volume of external indebtedness have changed, the region's external links have continued to hold down or accelerate the rate of growth. The role of relations such as those which exist between external demand and economic dynamism, between imports and import substitution processes, and between foreign capital and the financing of imports or investment has changed substantially and these relations are associated with domestic growth in widely differing ways (see tables 13 and 14).

/Table 12

Table 12
LATIN AMERICA: EVOLUTION OF NATIONAL SAVINGS

Country	Gross national savings as a percentage of the gross domestic product ^{a/}				Gross national savings as a percentage of gross total investment ^{a/}		
	1950-	1964-	1971-	1974-	1950-	1964-	1971-
	1952	1966	1973	1975	1952	1966	1973
Argentina	13.1	18.4	21.4	19.4	88	105	100
Bolivia	9.9	10.6	11.7	17.6	97	68	76
Brazil	20.3	19.8	21.0	21.2	86	101	90
Colombia	23.1	13.0	16.7	21.0	101	86	85
Costa Rica	14.4	9.8	13.5	13.9	99	58	61
Cuba	...	...	...	...	...	...	...
Chile	14.1	13.8	8.5	9.4	97	90	66
Ecuador	12.4	9.3	17.6	24.8	126	82	74
El Salvador	14.0	13.5	12.9	9.2	133	77	91
Guatemala	11.2	9.9	11.6	10.8	105	79	94
Haiti	6.7	2.5	6.5	5.7	94	43	82
Honduras	13.8	11.8	13.5	11.4	89	76	83
Mexico	17.9	18.4	18.8	20.1	95	91	88
Nicaragua	13.7	13.8	13.4	8.8	112	72	80
Panama	5.9	13.2	21.4	12.0	42	70	74
Paraguay	8.0	11.3	14.8	19.2	123	77	85
Peru	16.6	13.7	12.2	8.0	91	83	90
Dominican Republic	18.4	8.8	18.2	22.6	116	65	81
Uruguay	17.2	11.0	11.0	6.5	94	119	96
Venezuela	14.3	26.9	31.5	52.9	104	104	105
<u>Latin America</u>	<u>18.5</u>	<u>16.2</u>	<u>19.5</u>	<u>21.3</u>	<u>93</u>	<u>96</u>	<u>91</u>

^{a/} On the basis of average values at 1970 prices.

Table 13
 LATIN AMERICA: GROWTH RATE OF EXPORTS AND OF THE GROSS DOMESTIC PRODUCT
 (Annual rates)

Country	1950-1965			1965-1973		
	GDP	Exports		GDP	Exports	
		Volume	Purchasing power		Volume	Purchasing power
Argentina	3.44	2.91	2.48	4.03	2.42	5.69
Bolivia	1.78	-1.2	2.22	5.77	8.97	7.05
Brazil	6.03	2.91	-0.3	8.83	11.2	12.71
Colombia	4.66	4.04	1.84	6.18	5.50	6.45
Costa Rica	6.93	4.50	3.35	7.25	12.35	10.31
Cuba	-	-	-	-	-	-
Chile	4.31	2.86	3.38	2.88	1.44	2.29
Ecuador	4.97	7.22	3.47	6.15	11.00	11.74
El Salvador	5.38	7.09	5.62	4.55	4.07	3.91
Guatemala	4.28	7.00	4.28	6.06	8.18	5.01
Haiti	1.06	.62	-1.2	2.95	2.42	1.96
Honduras	4.08	4.54	3.55	4.17	5.63	3.33
Mexico	8.27	4.35	2.56	6.60	6.13	7.24
Nicaragua	6.90	5.00	8.42	4.14	6.35	5.20
Panama	5.96	6.45	5.38	7.51	7.74	6.87
Paraguay	3.58	3.34	2.88	4.79	4.15	6.02
Peru	5.69	7.95	6.59	4.90	~.27	3.51
Dominican Republic	4.67	2.88	1.23	9.00	10.19	12.84
Uruguay	1.70	1.24	-2.0	.97	-3.96	2.53
Venezuela	7.50	6.07	1.99	4.31	0.80	3.50
<u>Latin America</u>	<u>5.21</u>	<u>4.26</u>	<u>2.00</u>	<u>6.24</u>	<u>5.00</u>	<u>6.60</u>

Table 14

LATIN AMERICA: EVOLUTION OF THE EXTERNAL SECTOR
 COEFFICIENTS IN RESPECT OF THE GROSS DOMESTIC PRODUCT AT 1970 PRICES

(Percentages)

Country	1950-1952					1964-1966					1971-1973					1974-1975				
	m	yx ^a	e	g	f	m	yx ^a	e	g	f	m	yx ^a	e	g	f	m	yx ^a	e	g	f
Argentina	12.0	0.3	3.4	1.9	2.0	8.7	0.8	9.1	1.1	-0.7	8.1	1.1	7.5	1.6	0.1	8.7	1.0	6.8	1.8	1.1
Bolivia	19.5	-0.9	27.1	-8.8	0.3	23.3	0.2	19.8	-1.3	5.0	21.2	1.4	22.9	-3.8	3.5	27.2	1.9	20.4	6.0	2.7
Brazil	15.6	1.6	9.1	5.2	2.9	4.8	0.8	6.0	-0.1	-0.3	8.2	1.0	6.9	-	2.3	10.1	1.4	6.9	-0.4	5.0
Colombia	19.5	1.7	16.3	5.1	-0.2	15.9	1.7	14.3	0.4	2.9	14.9	2.0	14.0	-0.1	3.0	13.1	1.5	14.2	-0.1	0.5
Costa Rica	26.2	8.5	26.9	7.5	0.3	29.1	1.4	21.2	1.7	7.6	33.7	1.9	29.4	-2.6	8.8	32.7	1.9	28.6	-4.2	10.2
Cuba																				
Chile	11.0	2.8	20.4	-6.3	0.5	12.1	2.3	16.9	-4.0	1.5	14.1	1.3	14.6	-3.4	4.2	14.2	2.2	17.6	-4.4	3.2
Ecuador	12.4	2.2	11.8	5.2	-2.4	14.8	1.8	15.1	-0.4	1.9	20.9	2.6	19.1	-1.8	6.2	20.9	3.8	19.1	9.1	2.5
El Salvador	25.3	0.8	20.2	9.4	-3.5	31.9	-0.1	26.9	1.0	3.9	28.2	-0.1	26.8	0.1	1.2	32.3	0.5	27.6	-1.0	6.2
Guatemala	17.2	-0.2	10.7	6.6	-0.3	21.0	0.7	17.1	1.9	2.7	16.8	0.5	18.9	-2.5	0.9	17.5	-0.1	20.7	-5.1	1.8
Haiti	16.0	2.2	12.6	5.2	0.4	15.6	-0.5	11.8	-0.1	3.4	15.6	-2.5	12.4	-0.7	1.4	13.3	-1.3	10.2	-1.3	3.1
Honduras	24.0	9.5	23.1	3.4	2.0	29.9	2.4	23.9	4.8	3.6	27.8	2.9	28.0	-0.1	2.8	32.3	1.0	27.0	-3.5	9.8
Mexico	14.4	1.6	11.5	3.5	1.0	9.2	1.8	9.5	-0.4	1.9	9.7	2.1	9.1	0.1	2.6	11.2	2.8	8.2	0.8	5.0
Nicaragua	22.8	3.6	18.4	9.5	-1.5	33.3	1.5	25.3	3.1	5.4	30.3	2.3	28.6	0.4	3.6	36.1	3.1	27.8	-2.1	13.5
Panama	33.2	9.5	30.4	4.9	7.4	36.2	4.0	33.4	1.1	5.7	39.0	3.0	34.7	-0.2	7.5	36.1	6.3	37.0	-5.1	10.5
Paraguay	15.1	0.6	13.8	3.5	-1.6	17.4	0.6	12.8	1.7	3.5	16.6	1.1	13.5	1.6	2.6	17.5	0.9	12.7	2.6	3.1
Peru	16.0	1.0	15.7	-0.5	1.8	18.5	2.2	21.7	-3.7	2.7	15.0	1.7	16.3	-1.0	1.4	21.2	1.7	12.0	1.7	9.2
Dominican Republic	18.8	5.5	26.0	0.2	-1.9	20.3	0.8	17.2	-1.0	4.9	22.9	0.2	19.1	-	4.0	24.9	1.5	15.3	7.2	3.9
Uruguay	17.7	0.6	12.4	4.6	1.3	9.2	0.9	12.6	-0.7	-1.8	11.6	0.9	10.1	1.7	0.7	11.7	1.4	11.8	-2.4	3.7
Venezuela	43.8	21.6	34.0	33.0	-1.6	21.0	10.3	27.5	4.8	-1.0	20.4	5.6	21.5	5.4	-0.9	24.9	1.8	16.2	28.7	-18.2
Latin America (19 countries)	16.7	2.7	13.4	4.7	1.3	10.9	2.0	12.0	0.1	0.8	11.6	1.7	10.9	0.4	2.0	13.3	1.8	10.1	2.3	2.7

Note: The symbols mean:

m : imports of goods and services.

yx : net payments of profits and interest to the exterior.

e : exports of goods and services.

g : effect of the share of external trade.

f : net external financing.

a/ Includes net private donations.

In the first stage covering the period 1950-1965, the region's exports grew at a lower rate than the product, and the terms of trade deteriorated. As a result, the purchasing power of exports increased substantially less than the product (2 per cent and 5.2 per cent, respectively). This situation mainly affected the large and medium-sized countries. In contrast, the small countries, such as those of Central America, increased the purchasing power of exports at rates similar to those of the product, and in some cases even higher. The biggest differences were recorded by Brazil whose export purchasing power fell 0.3 per cent, while the product grew by 6 per cent.

These drops in the purchasing power of exports were not compensated for by external financing and many countries found it impossible to maintain rates for the supply of imports similar to those of previous periods. Fairly radical changes took place between 1950 and 1965. Imports as a percentage of the product fell from 16.7 per cent in the period 1950-1952 to 10.9 per cent in 1964-1966. The effects of the deterioration in the terms of trade were significant in the case of many countries, added to which in some the relative importance of net external financing diminished. For the region as a whole, expressed in terms of percentages of the product, trade gains - at 1970 prices - were 4.7 per cent in 1950-1952 and only 0.1 per cent in 1964-1966, while net external financing was 1.3 per cent and 0.8 per cent in the same periods.

At the level of the individual countries, Brazil recorded the most spectacular changes in that it reduced its import coefficient from 15.6 to 4.8 per cent, and its external financing coefficient from 2.9 to 0.3 per cent, between 1950-1952 and 1964-1966. Similar but not such pronounced changes were recorded in Argentina, Colombia, Mexico, Uruguay and Venezuela (this last country radically reduced its import coefficient - from 43.8 per cent to 21 per cent - but it still remained at fairly high levels).

The Central American countries, on the other hand, managed to increase both coefficients and thus in most cases were able to maintain their supply of imports at levels of around 30 per cent of the product.

/At this

At this stage, the countries most seriously affected by external restrictions made more progress in import substitution industrialization than the countries which were able to maintain their supply of external goods. By 1965, however, they had reached import levels which could hardly be further compressed. Such levels were not compatible with new stages of industrial development which required quantities and types of capital and intermediate goods that could not be produced locally or in which it was not feasible to invest under the prevailing conditions. The persistence of the foreign trade trend conflicted with long-term growth. In the mid-1960s the countries initiated a new stage, introducing gradual adjustments in their external relations policies.

The new stages which began in the mid-1960s was characterized by a reactivation of the external markets. Between 1965 and 1973 the purchasing power of exports for the whole region grew at a higher rate than the product (6.6 per cent and 6.2 per cent, respectively). This situation prevailed in most of the countries of Latin America. The countries also had increasing access to external credit which enhanced their import possibilities. A case worth noting is that of Brazil whose import-product coefficient increased from 4.8 per cent in 1964-1966 to 8.2 per cent in 1971-1973. On the whole, most of the countries maintained their coefficients, halting the decline recorded in the previous period. On the other hand, some Central American countries which, as noted earlier, had fairly high import coefficients, reduced them somewhat although they remained at high absolute levels. In broad terms, it may be noted that the import coefficients of the large countries are below 10 per cent, those of the medium-sized countries are around 15 per cent and those of the remaining countries are over 20 per cent.

The trend towards a more open economy was accentuated in the years 1973 and 1974. On the one hand, the major countries like Brazil and Mexico obtained large volumes of external financing which made their domestic supply even more flexible. On the other hand, the oil-exporting countries were able to increase their imports substantially thanks to their considerable export earnings.

/The expansion

The expansion of imports was accompanied by changes in their composition. This presents considerable differences between the countries of the region, mainly determined by their domestic production structure and supply of natural resources.

Import substitution attained its fullest scope in non-durable consumer goods and the process has been spreading, in different periods and degrees, to many countries of the region, so that the share of this type of goods in total imports has declined. On a lesser scale, the same situation is true of durable consumer goods, although limited to the countries of largest economic size. The share of consumer goods in Latin America's imports continued to decline in the last decade, from an average of 15.7 per cent in the 1960s (calculated on the basis of current values) to 12.1 per cent in 1974, mainly because of the drop recorded by the countries with high coefficients. In 1974, however, nine countries presented coefficients of over 20 per cent. In contrast, countries like Argentina and Brazil which had made most progress in industrial development and were to a high degree self-supporting in agricultural products, maintained a low and unchanging proportion (between 6 and 8 per cent) during those years, which is indicative of the limits they had reached in this respect. In others, such as Mexico and Colombia, the share of consumer goods in total imports, mainly agricultural products, has increased in the last few years (see table 15).

In the major countries of the region, industry has made progress in the substitution of a wide range of capital goods. This has been one of the factors accompanying the sharp decline in the share of imported capital goods in total investment (see table 16). In 1950 these goods represented about 28 per cent of investment in Latin America, the proportion dropping sharply to just over 15 per cent in 1965. Since then it has remained at around that level, declining to 14.7 per cent in 1971. This trend is mainly attributable to the developments in the major countries of the region and, to a lesser extent, in some of the medium-sized countries. In Argentina and Brazil the coefficient declined from nearly 24 per cent to a little over 10 per cent and 4 per cent, respectively, between 1950 and 1965,

Table 15
LATIN AMERICA: STRUCTURE OF IMPORTS OF GOODS
(Percentages of total imports of goods, in current dollars)

Country	Consumer goods			Fuels and lubricants			Raw materials, construction products and materials			Capital goods					
	1961-1970 average	1970	1973	1974	1961-1970 average	1970	1973	1974	1961-1970 average	1970	1973	1974			
Argentina	6.2	6.9	4.9	5.4	7.7	4.7	7.5	14.5	51.4	59.7	63.1	62.8	28.6	24.4	17.3
Bolivia	24.8	20.4	19.7	22.9	1.3	0.7	0.9	1.2	39.0	42.7	38.1	38.9	37.5	40.4	35.7
Brazil	7.6	7.9	8.1	5.5	16.2	15.1	15.0	23.7	45.0	42.8	41.4	47.4	31.0	35.0	22.7
Colombia	9.0	10.7	12.9	15.0	0.9	0.4	0.3	0.2	45.4	44.0	55.1	59.8	45.3	31.6	24.7
Costa Rica	27.6	28.1	26.3	23.2	4.7	3.6	4.5	3.4	45.1	44.6	42.9	45.5	22.4	25.3	27.6
Cuba	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Chile	14.6	13.5	14.6	11.9	5.9	6.0	7.2	14.2	42.4	40.7	41.4	51.2	36.8	36.5	22.5
Ecuador	17.0	15.6	17.1	15.0	6.0	6.0	2.8	1.5	43.5	44.9	43.8	43.2	32.3	36.3	42.0
El Salvador	32.1	32.2	26.0	28.7	1.7	1.0	0.5	4.9	47.8	49.6	54.5	47.8	18.2	18.9	17.6
Guatemala	27.2	27.2	25.4	22.8	3.1	1.4	2.2	15.4	47.3	50.5	48.5	42.8	22.4	23.0	18.6
Haiti	71.8	64.4	65.0	63.1	6.3	6.9	9.0	17.0	6.8	6.4	6.3	5.9	13.7	11.0	10.3
Honduras	30.0	30.6	27.4	26.0	6.4	6.3	9.0	15.7	39.2	38.0	37.8	35.2	23.8	24.9	22.0
Mexico	12.4	14.0	15.1	17.6	2.9	3.0	6.7	6.1	43.4	43.0	39.1	43.6	40.9	39.1	31.8
Nicaragua	28.7	29.5	27.9	22.4	2.6	1.8	1.9	1.5	43.7	44.5	47.0	55.1	23.7	22.7	20.4
Panama	33.9	32.3	25.0	21.6	19.1	18.5	20.9	35.0	29.2	27.5	32.7	28.0	17.8	20.0	14.8
Paraguay	17.8	24.1	16.5	13.3	9.2	9.7	6.5	24.4	33.3	26.5	28.6	23.1	33.3	44.0	35.6
Peru	17.7	14.2	15.2	10.8	3.0	2.0	5.6	7.8	42.5	49.9	42.2	47.2	36.1	35.3	33.9
Dominican Republic	31.2	28.7	29.0	25.4	7.4	5.8	6.5	15.0	36.7	36.0	40.0	36.4	24.5	24.4	22.2
Uruguay	9.5	7.0	10.4	8.4	15.1	14.5	23.5	33.0	46.5	47.6	49.8	45.4	28.1	15.7	12.6
Venezuela	25.2	21.4	21.5	16.1	0.8	1.2	0.8	0.4	40.0	41.2	40.5	51.3	32.7	36.4	32.0
Latin America	15.7	15.1	14.3	12.1	6.5	6.1	6.3	13.7	43.7	44.5	43.7	48.1	33.5	33.1	25.4

Table 16

LATIN AMERICA: IMPORTS OF CAPITAL GOODS AND THEIR RELATION TO GNP PRODUCT AND INVESTMENT

Country	Imported capital goods in relation to the gross domestic product (percentage)			Imported capital goods in relation to total investment (percentage)		
	1950	1965	1972	1950	1965	1972
Argentina	5.0	7.3	1.4	23.9	20.6	6.8
Bolivia	3.7	8.7	6.7 ^{a/}	39.1	52.9	40.6 ^{a/}
Brazil	5.0	0.1	2.6	23.8	4.4	21.4
Colombia	6.9	3.7	5.7	28.9	23.8	21.8
Costa Rica	4.2	7.1	7.6 ^{a/}	32.2	34.1	32.7 ^{a/}
Cuba	-	-	-	-	-	-
Chile	4.2	3.8	5.5	28.1	24.0	42.6
Ecuador	3.3	4.2	7.3	26.8	37.4	29.7
El Salvador	4.1	6.5	3.2 ^{a/}	39.4	39.3	15.1 ^{a/}
Guatemala	3.9	4.6	3.8 ^{a/}	32.6	36.4	24.2 ^{a/}
Haiti	-	-	-	-	-	-
Honduras	4.4	6.2	6.2 ^{a/}	33.6	41.3	37.5 ^{a/}
Mexico	3.8	5.7	2.6 ^{a/}	27.8	15.1	12.6 ^{a/}
Nicaragua	5.4	0.5	4.9 ^{b/}	56.6	43.5	39.9 ^{b/}
Panama	3.6	3.6	7.1 ^{b/}	23.3	32.0	25.5 ^{b/}
Paraguay	-	-	-	-	-	-
Peru	4.9	5.3	3.7 ^{b/}	32.7	33.7	26.8 ^{b/}
Dominican Republic	-	-	-	-	-	-
Uruguay	-	-	-	-	-	-
Venezuela	32.2	6.4	6.9 ^{b/}	36.4	24.7	23.0 ^{b/}
<u>Latin America</u>	5.0	3.0	3.1 ^{a/}	28.2	15.3	14.7 ^{a/}

a/ 1971.

b/ 1972.

/and the

and the same trend was observable in Mexico (from nearly 28 per cent to 15 per cent). It dropped to a lesser extent in Venezuela and Chile between those years. In the rest of the countries, imported capital goods represented over 30 per cent of total investment in the whole period, a proportion which was even increasing in several small countries. Since the mid-1960s when investment expanded rapidly, the coefficient has declined in most countries except Brazil and Chile, where it has risen significantly. In 1973 the three major countries of the region had coefficients of less than 13 per cent, while of the 12 remaining countries for which data are available, half of them had coefficients of 30 per cent and over. Other factors also influenced this process. Those countries which faced a more severe and prolonged restriction of external resources were forced to give preference to investment involving lesser requirements in terms of imported capital goods, and also in the short term to sacrifice some of their imports of these goods in order to ensure the supply of those on which the maintenance of the level of domestic economic activity depended to a critical extent, such as raw materials and intermediate goods for industry. In the few countries like Brazil where the severe restrictions on their import capacity were followed by a substantial improvement in their external purchasing power and the rapid growth of external investment, it was possible to increase the absorption of capital goods at an even faster rate than the rapid growth of investment, as has actually occurred in recent years.

Generally speaking, raw materials and capital goods have accounted for the highest percentage of imports. The relation between the share of these two items reflects the balance of the different branches of industry. For example, Argentina, which is more advanced in the engineering industries than in those producing basic industrial inputs, records proportions of over 55 per cent of its imports for this last item. For the average countries, intermediate goods represent the most important group in their imports (see table 15).

The supply of energy resources is another of the domestic variables influencing the composition of the value of imports. In

/the last

the last 15 years this item has represented the largest share in Brazil, Panama and Uruguay, where it has been consistently above 15 per cent of total imports. The sharp increases in the price of fuels since 1973 significantly altered the proportions, which are calculated on the basis of current values. In those countries which are not self-sufficient in petroleum the proportion of their external expenditure on these products increased significantly. In 1974, 10 countries spent over 15 per cent of the value of their imports on fuels. The extreme cases were Panama, Uruguay, Paraguay and Brazil, which spent 35, 33, 25 and 24 per cent, respectively, of the value of their imports on this item.

The composition of Latin America's exports has also changed, in line with the development of its production structure and external relations. The general trend has been a greater diversification of the products exported, although this has not succeeded in essentially changing the heavy concentration on a few primary products. In 1955, exports of agricultural products, non-ferrous minerals, fuels and related products represented 97 per cent of the total exported (in terms of dollars at 1970 prices), while in 1973 they represented a little over 82 per cent.

As will be seen in table 17, the relative decrease was a general one covering the various items, except fertilizers and crude minerals, being somewhat more pronounced in the case of agricultural raw materials. On the other hand, exports of chemicals and iron and steel products, which together accounted for only 1.3 per cent of the total exported in 1955, increased their share to nearly 5 per cent in 1973. A more significant change was observable in the proportion of machinery, transport equipment and other manufactured products, which rose from nearly 2 per cent in 1955 to nearly 13 per cent in 1973. The changes in the structure of Latin American exports have been more significant since 1963, in particular the expansion of exports of manufactured products which has been accentuated in recent years.

Table 17

LATIN AMERICAN AND CARIBBEAN COUNTRIES: EVOLUTION OF EXPORTS BY GROUPS OF GOODS

(Billions of dollars at 1970 prices)

Groups of goods in accordance with the SITC nomenclature	1955		1965		1973	
	Value	Per- cent age	Value	Per- cent age	Value	Per- cent age
Food (0+1+22+4)	4 434	46.1	6 015	43.3	7 318	38.9
Primary goods of agricultural origin (2-22-27-28)	826	8.6	1 117	8.0	640	3.4
<u>Subtotal</u>	<u>5 260</u>	<u>54.7</u>	<u>7 132</u>	<u>51.4</u>	<u>7 958</u>	<u>42.3</u>
Crude fertilizers and crude minerals, metalliferous ores and metal scrap (27+28)	542	5.6	1 033	7.4	1 839	9.8
Mineral fuels, lubricants and related materials (3)	2 727	28.3	3 934	28.3	4 419	23.5
Non-ferrous metals (68)	786	8.2	1 053	7.6	1 287	6.8
<u>Subtotal</u>	<u>4 056</u>	<u>42.2</u>	<u>6 020</u>	<u>43.4</u>	<u>7 549</u>	<u>40.1</u>
Chemicals (5)	81	0.8	192	1.4	659	3.5
Iron and steel (67)	43	0.4	129	0.9	270	1.4
<u>Subtotal</u>	<u>124</u>	<u>1.3</u>	<u>321</u>	<u>2.3</u>	<u>929</u>	<u>4.9</u>
Machinery and transport equipment (7)	21	0.2	81	0.6	801	4.3
Miscellaneous manufactured articles (6+8-67-68)	162	1.7	330	2.4	1 579	8.4
<u>Subtotal</u>	<u>183</u>	<u>1.9</u>	<u>411</u>	<u>3.0</u>	<u>2 380</u>	<u>12.7</u>
<u>Total</u>	<u>9 622</u>	<u>100.0</u>	<u>13 083</u>	<u>100.0</u>	<u>18 811</u>	<u>100.0</u>

Source: CEPAL.

Chapter II

NATIONAL DEVELOPMENT PLANS IN THE 1970s

Introduction

This chapter deals with the main economic policy goals, targets and orientations of national development plans in the 1970s. This summary is not intended to assess the contents and performance of the plans, but rather to present their characteristics as schematically as possible and furnish background information to shed light on the objectives and orientations which Latin American governments have set for their development policy, at least in the short and medium-term. A study of this kind also provides valuable technical data and a variety of information on government positions and attitudes which may be very useful in the preparation and assessment of projections of the long-term economic development of the countries of the region.

For this purpose the plans of 10 countries have been considered: Argentina, Bolivia, Brazil, Costa Rica, Ecuador, El Salvador, Nicaragua, Peru, Uruguay and Venezuela. These 10 countries provide a representative sample of the various situations and trends to be found in Latin America in the political, social, economic and geographic fields. They include large, medium and small countries with different endowments of natural resources and population. However, it should be stressed that the group does not include Cuba, a country which deserves to be the subject of a special study because it has an economic and social system which is different from that of the other countries considered.

As far as possible plans which are still in force have been chosen. Nevertheless, in some cases the latest plan could be included because it was published too recently. In other cases the plans have been completed but nevertheless constitute a useful source of information for the purposes of this document.

The generalizations made on these bases are, of course, somewhat risky, not only because of the possible special features of the countries not taken into consideration, but also because of the variety of objectives and policies in the plans of the ten countries examined, as will be seen. Nevertheless, it has been possible to draw some significant conclusions from this analysis with regard to technical and conceptual factors and to identify the main trends and orientations of the countries in tackling their development problems.

1. Global and sectoral economic growth:
objectives and targets

(a) The relatively high growth targets assumed by the plans

In the 1970s national plans show a new attitude on the part of the countries towards their economic development potential. The 2.5 per cent annual growth rate of the per capita product established at the Punta del Este Conference (Uruguay 1961) is now considered conservative, and apparently even the 3.5 per cent target of the IDS for the developing countries as a whole is considered inadequate to solve the main economic and social problems of the region within a reasonable time.

This new attitude has led to global growth targets substantially higher than the rates achieved in the past and than the 6 per cent target established in the IDS.^{1/} In general terms, annual growth rates of the order of 6 to 10 per cent are postulated, and these are very high bearing in mind the fact that in the 1960s only five countries of the region surpassed 6 per cent.

In all the countries there is evidence of a clear decision to speed up the process of industrialization. Thus, annual growth-rate targets are over 8 per cent, which is in line with the IDS recommendations and considerably above the regional average of 6.9 per cent achieved in the past decade.

^{1/} The quantitative analysis contained in this section is based on the tables summarizing the plans which appear at the end of the chapter.

Even more drastic changes in comparison with past trends are proposed in the agricultural sector. All the countries fix annual growth-rate targets above the 4 per cent recommended by the IDS. Some countries whose growth potential has changed substantially, such as Brazil,^{2/} Ecuador ^{3/} and Venezuela ^{4/} set annual rates of around 6 per cent. The significance of these figures may be grasped from the fact that in the past decade the average annual growth of agricultural production in the region was 3.6 per cent, which furthermore was due to the relatively higher growth of a few countries. Of nineteen countries recorded, only seven surpassed the annual rate of 4 per cent, and of these only Brazil and Venezuela are of real importance in the regional product.

In the mining sector (including fuels) targets vary greatly from country to country for reasons which may be easily explained by the particular situation of each country. Countries which are beginning intense exploitation of their resources, such as Ecuador and the Dominican Republic with petroleum and nickel, set annual rates of 41 and 28 per cent respectively for five-year periods; on the other hand, Venezuela, which already has high production levels and has decided on a resource conservation policy, has fixed an annual growth rate of 3.2 per cent in its fourth plan (1970-1974) and zero growth in its fifth plan (1975-1980). In the remaining countries the targets fixed are in general relatively high, particularly in countries whose plans include fuel prospecting and exploitation projects.

The approach in the construction sector is similar to that in manufacturing. The targets are appreciably higher than past trends, and very often annual rates of growth are above 8 per cent. In this connexion, naturally, the projected increase in housing construction and the provision of basic services is of particular importance.

^{2/} Second National Development Plan (1975-1979).

^{3/} Integrated Plan for Transformation and Development (1973-1977).

^{4/} Fifth National Plan (1976-1980).

(b) Transformation of the productive system

The different levels of growth planned for the different sectors of activity point towards a change in the intersectoral structure. The aim is, on the one hand, to obtain a higher degree of industrialization by means of closer links with the agricultural sector, so that while the latter's share in the generation of the product declines, its productive structure is modernized to reach a sufficiently high level to satisfy the raw material needs of industry, domestic consumption and exports. In addition, the goal is to modify the structure of services, attaching particular importance to basic services (transportation, electricity, gas and water) and education, health and housing services, while reducing the relative importance of central government expenditure, particularly in administration and defence.

These targets result in growth elasticities of the agricultural product with respect to the total product ranging from a minimum of 0.6 up to unity for the five-year periods covered by the plans. This represents a substantial increase in relation to the average ratio of 0.5 for the region as a whole in the period 1965-1970. In the manufacturing sector the difference between such elasticities in national plans and in practice is smaller, particularly in those countries which set themselves high global growth rates, such as Brazil ^{5/} and Ecuador.^{6/} However, there is a clear trend towards fixing target ratios which are higher than the regional average of 1.2 recorded in the past decade, and this reflects the decision to advance more rapidly in the process of industrial development. The same may be said of the construction sector.

The implicit elasticity for the basic services sector is generally greater than unity but less than the rate recorded in the 1960s. The opposite is true of "other services", where elasticity is less than unity, particularly in the case of Government services.

^{5/} Second National Development Plan, 1975-1979.

^{6/} Integrated Plan for Transformation and Development, 1973-1977.

Given the short period covered by the plans (no more than 5 years) the changes planned in the shares of the different sectors in the formation of the product are relatively small. The general trend is towards a bigger share for manufacturing and construction, and in some cases mining when short-term prospects suggest a significant increase in production, as in the case of petroleum and nickel in Ecuador and the Dominican Republic respectively. On the other hand, there is a systematic drop in the relative share of the agricultural sector in all the plans, and also in the share of the services sector, although to a less marked degree.

The size of the changes in the intra-sectoral productive structure depends on the degree of development of the countries. In their plans the industrially more developed countries include programmes which attach special importance to more rapid growth of basic industries (fuel, petro-chemicals, basic electronics, etc.) and a significant growth of production of capital goods; on the other hand, the less developed countries with smaller populations aim at a better degree of agro-industrial integration and progress in the production of intermediate and metal-working and engineering products. To attain the proposed objective, however, it is considered essential in all cases to diversify the production of manufactures, increase exports and replace imports.

In the case of agriculture a consensus exists on attaching priority to the production of food in order to improve domestic supply and replace imports. In addition, particularly in the less developed countries, there is particular concern to increase production for export.

In mining and energy, the objective is better integration with industrial development, which implies among other things the inclusion of a higher degree of processing in export products and faster development of hydro-electric power. In Argentina 7/ and Brazil 8/ the plans provide for relatively important nuclear energy programmes.

7/ Three-Year Plan 1974-1977.

8/ Second National Development Plan, 1975-1979.

(c) Higher coefficients of investment

The coefficient of investment with respect to the gross domestic product varies significantly from country to country. From 1970, the first year of many of the plans, the coefficients fluctuate between 13 per cent and 23 per cent according to the country; however, by 1975 this difference falls to approximately 20 to 25 per cent, with the exception of El Salvador 9/ which sets a target of 18 per cent by 1977. This represents an upward trend in the investment coefficients, rising more rapidly in the countries where the coefficients were lower.

The relation between gross national savings and investment also differs appreciably among the countries. In some a clear trend is observable towards a high proportion of internal financing by around 1975, as in the case of Argentina, 10/ Uruguay 11/ and Venezuela, 12/ which aim at approximate coefficients averaging about 95 per cent; in the other countries, however, the coefficients are around 80 per cent. These magnitudes apparently reflect not only the prospects of the external sector, as in the case of Venezuela, but also possible policy decisions which fix certain limits for the contribution of external financing.

(d) Export expansion goals and projections of imports

The expansion of exports at high growth rates seems in most cases to constitute ~~a fundamental base for attaining the quantitative goals~~ formulated in the plans. With the exception of Venezuela the countries envisage annual growth rates of their exports of goods and services fluctuating between 7 and 16 per cent. This suggests a clear decision

9/ Economic and Social Development Plan 1973-1977.

10/ Three-Year Plan 1974-1977.

11/ National Development Plan 1973-1977.

12/ Fifth National Plan 1976-1980.

on the part of the countries to expand outwards as a means of accelerating their internal dynamism. What is also clear is that all the plans project a substantial increase in exports of manufactures. In this respect the largest countries set the most ambitious goals, such as the case of Brazil which hopes by 1980 to include around 60 per cent of manufactured and semimanufactured products in its exports of goods. The growth rate envisaged for imports shows a wide variation between the different countries. Annual rates ranging between 3 per cent and 11 per cent are envisaged, most frequently exceeding 7 per cent (rates of less than 5.5 per cent are envisaged only by Venezuela in its Fourth and Fifth Plans and by the Dominican Republic in its 1970-1974 Development Plan). No well-defined trends are observable in the relation of imports to the gross domestic product. In some countries, for example, elasticity is less than unity, but in most of them this relation is around unity (varying from 0.9 to 1.1). By way of illustration it may be noted that during the past decade the region attained an average elasticity coefficient of 0.75, which rose to 1.29 in the period 1970-1975. If these trends are compared with the degree of elasticity implicit in the plans, it can be affirmed that in general terms these presuppose a moderate growth of imports.

(e) Net external financing

Net external financing in absolute and relative terms has in the past varied greatly among the countries, and fluctuated markedly in each of them. In the first half of this decade net external financing rose considerably. For the region as a whole, the coefficient measuring its relation to imports rose from 16 per cent in the past decade to 24 per cent in the five-year period 1971-1975; this rise was largely due to the increase in flows of financing to Brazil and Mexico.

In the national plans which contain this type of information, the coefficients of net external financing with respect to imports of goods also show a broad range of variation. However, all of them except that of Costa Rica 13/ display in their final years a coefficient which

13/ National Development Plan 1974-1978.

exceeds that recorded by the same countries in the middle of the past decade. In the final years of the plans, falling between 1974 and 1980, the coefficient in question ranges between 6 per cent and 35 per cent, depending on the country. It may be added that Brazil's plan 14/ sets a limit on net external financing equivalent to 20 per cent of gross domestic investment, in order "to keep the balance of payments current account deficit under control".

(f) The improvement of income distribution

All the plans refer to the need to promote a better distribution of income. However, quantitative goals are set only for the global share proposed for the wage-earning sector in income distribution.

There is unanimous agreement on the existence of great income gaps between the different social strata in respect of both the functional and the spatial distribution of income: in the latter context the urban-rural relation is a subject of special concern.

Various trends regarding the method of improving income distribution are to be found in the plans. All of them consider it essential to increase productivity, economic growth and thus total income; however, while some rely almost entirely on income distribution policy for this purpose, others consider that a redistribution policy linked with structural reforms should be pursued. Within the context of these two main trends there are also variations as regards policies and instruments, and particularly relating to State intervention.

In the plans which mention macroeconomic figures in respect of the share of wages in total income, it is estimated that a proportion of around 53 per cent by the end of the decade would contribute to a substantial improvement in the distribution of the fruits of economic growth.

14/ Second National Development Plan 1975-1979.

(g) "Critical poverty"

It is recognized that "critical poverty" is a problem of first priority, but in general no information is given in the plans on the dimensions of the population affected by it. This phenomenon is naturally linked with income distribution, but the intention of approaching it in a more direct way is stated. In general the proposals made refer to providing this stratum of the population with a minimum income which would enable them to meet their basic vital and cultural needs. In this respect, the plan of Venezuela ^{15/} formulates a specific proposal to the effect that "the poor masses should enjoy income levels well above the amounts considered as a minimum for subsistence.

(h) Employment objectives

The expansion of employment at higher rates than those of the growth of the labour force, in order to reduce unemployment and underemployment and to provide more remunerative wages, constitutes the common denominator of the employment objectives formulated in the plans. This aspect is considered as the most suitable and dignified way of sharing income more equitably.

Although concern is shown over unlimited rural-urban migration and its effects on employment, the projections regarding the structure of employment are oriented in all the plans towards a reduction in the proportion of agricultural employment. The size of this relative reduction is linked with the projections of the agricultural product but, in some cases, could also reflect the different policies for retaining the labour force in the countryside. In this respect, for example, countries such as Argentina and Uruguay which have slow population growth and the lowest coefficients of participation of agriculture in total employment, with an average of 18 per cent around 1975, project a moderate reduction of this participation (2 per cent in five years) despite the

15/ Fifth National Plan 1976-1980.

fact that Argentina 16/ postulates an annual growth rate of the agricultural product of over 4 per cent. Ecuador, by contrast, with a population growth rate more than double that of the two countries mentioned, also proposes over a five-year period to lower the participation of agricultural employment (which is one of the highest in the region) from an average of 54 per cent to 49 per cent, with annual growth rates of the agricultural product of the order of 6 per cent. The greatest employment opportunities are contemplated in industry and construction. In industry the increases envisaged in the share of employment are small and in relative terms they are lower than those of the construction sector. The share of industry and construction in total employment in the countries considered varies from 20 to 30 per cent, i.e., considerably less than that of agriculture which would be of the order of 17 per cent to 50 per cent by 1975.

Employment in the services sector is scheduled to rise moderately in the countries with the highest income levels and at a higher rate in the less advanced countries; the general trend in the plans, however, seems to point towards a restructuring of this sector to generate more employment in the areas linked mainly to human development, such as education, health and housing. As a source of employment, the weighting of the services sector appears to be closely linked to the income levels of the countries. Thus, those of highest per capita income employ around 50 per cent of their working population in this activity, while in those of lesser development the proportion is around 30 per cent.

2. Some main orientations of economic policy

(a) Public and private participation in the economy

In the context of the economic and social framework of the national plans, the degree of participation of public activity has a relevant, though often not clearly explained, place. A common feature observed in this context aims to define the role of the public sector

16/ National Plan 1971-1975 and Three-Year Plan 1974-1977.

as a regulatory element of the market forces within a framework of increasing participation. All the countries envisage increasing the contribution of public investment to total investment in their plans.

The size of the increase in the participation of public investment is not strictly related to the levels of activity proposed, but rather to global policy measures linked with particular investment projects.

In this area there is a wide range of positions ranging from the concept of a State which limits itself exclusively to playing a complementary role to private investment, to a State which operates as a producer in strategic sectors. Among the first it is laid down as a principle, for example, that "the State exercises its activity only in a complementary and subsidiary way to the individual and the intermediate social organizations" (Argentina) 17/ and that the role of the State as a producing agent must be restricted so as to avoid "the presence of an interventionist State" (Uruguay);18/ among the second, however, an intermediate position is taken that the State "should participate directly in the implementation and operation of projects in strategic and services sectors ...; it will also participate partially or totally in some projects of the production sectors which go beyond the scope of private capacity" (Bolivia).19/ Lastly, from a position which proposes greater State intervention, it is declared that the maintenance of the trend towards the increase of public investment in the total "is directed mainly towards strengthening the role of the State as a producer of basic goods for development" and that "support action should be intensified for the promotion, development and interlinking of basic social organizations in order to ensure their progressive participation in the exercise of power" (Peru).20/

17/ Programme of Recovery, Rehabilitation and Expansion (April 1976).

18/ National Development Plan 1973-1977.

19/ Economic and Social Development Plan 1976-1980.

20/ National Development Plan 1975-1980.

These different positions with respect to the role of the State are obviously reflected, to a greater or lesser degree, in changes in the share of public investment in total investment. In this respect, the countries which favour the biggest increase in this share are Ecuador,^{21/} Peru and Venezuela,^{22/} where the limits of variation over five-year periods extend from around 30 per cent of the investment to just over 50 per cent. In contrast, countries where the share of public investment in total investment is fairly small, such as Costa Rica ^{23/} and El Salvador,^{24/} plan only small increases, keeping the proportion at around 30 per cent over a similar period. The rest of the countries also envisage increases of varying magnitude in the share of public investment, falling somewhere between the two extremes mentioned.

Of course, all the countries envisage the development of public and private activity within a planned context. Thus, planning is regarded as a key instrument for attaining the proposed objectives. The philosophy underlying the planning exercise has varying shades according to the country; however, it is possible to identify some common features which define its general orientation. Firstly, planning is compulsory for the public sector and serves as a guide to the private sector. Secondly, planning conceived as an economic policy instrument is considered as a continuing and permanent process which covers all spheres of national activity and is expressed in terms of co-ordination between public bodies and the various private groups. In this area, however, there is an evident tendency to advocate the strengthening of public administration machinery directly linked with planning activities, as an indispensable step towards effectively consolidating a planning system capable of really implementing economic policy.

^{21/} Integrated Change and Development Plan 1976-1980.

^{22/} Fifth National Plan 1976-1980.

^{23/} National Development Plan 1974-1978.

^{24/} Economic and Social Development Plan 1973-1977.

(b) The participation of foreign capital

With the exception of Peru,^{25/} which advocates "social ownership of the means of production as a basic system", all the countries assign a predominant role to the participation of national private enterprise and a supplementary role to foreign investment. There is a more varied approach to the participation of the latter. Thus "the direct participation of foreign capital is considered necessary ... as long as the country is affected by a shortage of investment capital ... " (Argentina);^{26/} "to obtain a larger volume of external capital through direct private investment" (Bolivia);^{27/} "to strengthen the national enterprise" as a means of establishing a balance with the foreign enterprise, which necessitates "merging and incorporation", among other measures, in order to form competitive large-scale enterprises, (Brazil);^{28/} "to regulate foreign investment" (El Salvador);^{29/} to encourage "higher levels of foreign investment" (Nicaragua);^{30/} "the traditional position ... of not discriminating between national and foreign capital is reaffirmed" (Uruguay);^{31/} and, lastly, Ecuador ^{32/} and Venezuela ^{33/} proposed to abide by Decision 24 of the Cartagena Agreement, which contains specific clauses on the treatment of foreign capital.

^{25/} National Development Plan 1975-1978.

^{26/} Programme of Recovery, Rehabilitation and Expansion (April 1976).

^{27/} Economic and Social Development Plan 1976-1980.

^{28/} National Development Plan 1975-1979.

^{29/} Fifth National Plan 1976-1980.

^{30/} National Reconstruction and Development Plan 1975-1979.

^{31/} National Development Plan 1973-1977.

^{32/} Integrated Change and Development Plan 1973-1977.

^{33/} Fifth National Plan 1976-1980.

(c) Public administration reforms

The plans of the majority of the countries include public administration reforms aimed at strengthening the planning systems. It is recognized, in practice, that planning bodies have generally been superimposed on an administrative structure which has not been adapted to the requirements involved in the implementation of a planned development policy. Thus, several countries have set up organization and methods offices or commissions which they have entrusted with the task of administrative reform. The extent of this reform in each country not only depends on the shortcomings observed in the past, but basically on the new objectives and goals established in the respective plans.

Regional planning has also met with serious obstacles deriving from the inadequate administrative organization, such as the incompatibility between political jurisdiction and economic regionalization. In many cases it is found that regions which could be considered as a basis for planning are made up of different political divisions, each with its own interests, and the action of provincial, state or local pressure groups has prevented progress towards common objectives. Brazil, because of its size, is perhaps the country facing the most complex problems; its plan therefore, stresses the "strengthening of the ... general government departments, providing them with ... planning units ...", and "the operation of the national planning system so as to permit joint action by federal and state bodies, metropolitan areas and the principal municipalities". From a different standpoint, another illustrative case is that of Venezuela,^{34/} whose plan states that "in the field of administrative regionalization the Gobernaciones of Zulia and Cojedes have been chosen as pilot centres, to which end they have been provided with continuing advisory assistance and training facilities for their staff in accordance with the studies and plans in process".

^{34/} Fifth National Plan 1976-1980.

(d) Decentralization and regional development

In connexion with decentralization and regional development, but still linked with the above-mentioned question, the common points which may be noted relate to the reduction of regional disequilibria as the best way of achieving national integration and preserving the countries' sovereignty. This involves aims such as the need "to reorganize physical space" seeking "national unity" at the physical, economic, social, political and institutional level (Argentina);^{35/} "to organize physical space efficiently in terms of its potentialities" and "to integrate the national territory organically", which are both questions closely linked with the solution to the problem of being a land-locked country (Bolivia);^{36/} to implement a "national integration strategy" (Brazil),^{37/} which among other objectives covers the development of the North-east region, Amazonia and the west central region of Brazil both considered as a whole and as regards their links with the south central region. In addition, Brazil assigns priority to reducing the concentration in the south-east and avoiding further growth of São Paulo and Rio de Janeiro. Brazil also seeks the strengthening of other areas, the setting up of centres of growth in the interior, and urban promotion in recently populated but not yet consolidated areas, including the geoeconomic region of Brasilia.

The rest of the countries define their decentralization and regional development policies within the general context of the above examples, but naturally with their own particular features as regards the geoeconomic system and the spatial distribution of the population. In addition, Argentina, Peru ^{38/} and Venezuela ^{39/} place emphasis on the development of border areas.

^{35/} Three-Year Plan 1974-1977.

^{36/} Economic and Social Development Plan 1976-1980.

^{37/} Second National Development Plan 1975-1979.

^{38/} National Development Plan 1975-1978.

^{39/} Fifth National Plan 1976-1980.

(e) Structural reforms

In addition to the aforementioned reform of the public administration, nearly all the plans propose fiscal reforms, and five of them include agrarian reform.

The general purpose of fiscal reform is to improve tax revenue and adapt its structure to development aims and the objectives of the plan.

Agrarian reform, for its part, has different aims and modalities. It is seldom a nation-wide reform; in most cases it covers certain regions, particularly those defined as critical areas, and aims at the distribution of land or the management and adaptation of property to comply with ecological and social characteristics and the objectives of the plan as regards production, rural welfare and rural development.

(f) Export policy

The explicit or implicit attitude of the plans to the external sector of the majority of the countries is based on the premise that the implementation of the economic policy formulated in those plans is heavily dependent upon the evolution of external trade and financial operations.

There is consensus regarding the need to step up the growth of exports to higher rates than those reached in the past, with the sole exception of Venezuela, which in its Fifth Plan (1975-1980) proposes not to increase hydrocarbon exports and to expand its exports of goods and services at an annual rate of only 2.2 per cent, in view of its high foreign exchange earnings and its resources conservation policy.

There is also a widespread desire to diversify exports. A notable factor in this field is the importance attached to exports of industrial origin, and in the case of Peru 40/ to its eventual position as an oil-exporting country.

40/ National Development Plan 1976-1978.

In the relatively less developed and less densely populated countries, export agro-industry occupies a leading place as an element of diversification away from the predominant agricultural or mining export commodities. On the other hand, in most of the more developed countries like Brazil,^{41/} the aim is to include manufactured products not only with a high value added but also with a considerable technological content. In both cases, however, the idea underlying the expansion and diversification of exports and export markets is to achieve a greater measure of independence in external relations.

(g) Import policy

In connexion with the foregoing, it may be observed that with the exception of El Salvador ^{42/} and Uruguay,^{43/} which envisage higher growth rates for imports than for exports, the rest of the countries aim on the one hand to reduce their trade deficit by increasing their exports faster than their imports, and on the other hand to stabilize or reduce their import coefficient with respect to their gross domestic product, which may be considered as a global indicator of an import substitution policy.

With a few exceptions, the size of the import coefficient has some relation to the size of the economies themselves: thus, in the countries with a larger volume of production this coefficient tends to be around 10 per cent, while in the smaller economies it is around 30 per cent. Among the exceptions, the most notable case is that of Uruguay,^{44/} whose plan proposes to use "a growth model based on a dynamic export sector" and thus provides for a 15 per cent annual increase in meat exports and a 10 per cent increase in total exports, so that the share of meat in the total for goods is planned to rise from 38 per cent in 1970 to 50 per cent in 1977, while the share of

^{41/} Second National Development Plan 1976-1979.

^{42/} Economic and Social Development Plan, 1973-1977.

^{43/} National Development Plan, 1973-1977.

^{44/} National Development Plan, 1973-1977.

wool is scheduled to drop from 34 per cent to 18 per cent. Such expansion would enable imports to be increased by 15 per cent annually, thus leading in its turn to an increase in the import coefficient from 11 per cent in 1970 (the level of a large country) to 18 per cent in 1977.

(h) The share of external financing

The external financing needs and the policies adopted in this respect are linked with the forecast of the evolution of trade and financial transactions with the exterior. Thus, if the balance of payments current account deficit is defined as the net external financing, we observe marked optimism among those responsible for formulating the plans, since when such financing is compared with the gross domestic investment a clear tendency to plan for a considerable reduction in the external contribution to the financing of investment is to be observed. By the end of the decade, the ratio of external financing to domestic investment is expected to be less than 20 per cent in all the countries, whereas in 1975 only seven of the 19 countries were in such a position. Although Brazil cannot be taken as a model, because of its untypical nature, it is worth noting that in the development plan of that country ^{45/} it is considered that the upper limit for keeping the balance of payments current account deficit under control is precisely this same figure of 20 per cent of gross domestic investment.

The decline in this coefficient in the majority of the countries is due to the planned relative reduction in the trade deficit, and to a lesser extent to more moderate handling of payments of interest, profits and amortization on foreign capital.

^{45/} Second National Development Plan, 1975-1979.

Table II-1
GOALS OF NATIONAL DEVELOPMENT PLANS
ARGENTINA

	Evolution 1960-1970	National Plan 1971-1975	Effective evolution ^{a/} 1970-1975	Three-year Plan 1973-1977
<u>A. Rates of expansion (per cent per year)</u>				
<u>Global GDP</u>	<u>3.6</u>	<u>7.0</u>	<u>3.2</u>	<u>7.5</u>
Agriculture	2.2	4.4	0.6	6.5
Mining				7.5
Manufacturing	4.3	8.6	4.5	10.1
Construction	5.0	7.1	-0.8	14.8
Basic services b/	6.1 ?	8.5	3.0	7.3
General government	1.2	0.3	3.7	0.0
Commerce and other services	3.0	6.7	3.9	6.7
<u>Per capita GDP</u>	<u>2.1</u>	<u>5.5</u>	<u>1.8</u>	<u>6.0</u>
Global consumption	3.3	5.9	4.1	4.8
Per capita consumption	1.8 ?	4.4 ?	2.8	3.3
Private consumption	3.5	6.4	4.2	5.6
Per capita private consumption	2.0	4.8	2.8	4.1
Government consumption	1.0	0.6	3.6	0.3
Exports of real goods and services	5.3	9.6	-4.2	19.5
Imports of real goods and services	2.5	10.5	3.2	13.1
<u>B. Per capita GDP (US\$ at 1970 prices)</u>				
	1970		1 208	
	1975		1 320	
	1977			

Source: Argentina, Plan Nacional de Desarrollo y Seguridad, 1971-1975 and Plan Trienal para la reconstrucción y la liberación nacional, 1974-1977.

a/ CEPAL, on the basis of official figures.

b/ Transport, electricity, gas and water.

Table II-2
GOALS OF NATIONAL DEVELOPMENT PLANS

BRAZIL

	Evolution 1965-1969	First Plan 1972-1974	Effective evolutions ^{a/} 1970-1975	Second Plan 1975-1979
<u>A. Rates of expansion (per cent per year)</u>				
<u>Global GDP</u>	<u>7.4</u>	<u>9.0</u>	<u>9.3</u>	<u>10.0</u>
Agriculture	4.4	7.5	6.2	7.0
Mining	}	8.7	11.0	10.2
Manufacturing					}	11.5	12.2
Construction	10.9	8.5	10.3	
Basic services	9.3	10.0	11.1	
Other services	7.5	8.0	9.9	
<u>Per capita GDP</u>		<u>6.0</u>	<u>6.6</u>	<u>7.0</u>
Global consumption		8.0	8.3	
Per capita consumption		5.1	5.2	
Private consumption			8.2	9.2
Per capita private consumption			5.1	6.6
Exports of goods and services			10.2	20.3
<u>B. Per capita GIP (US\$ at 1970 prices)</u>				
	1970		445	546(1973 prices)
	1974	598 (1972 prices)	605	748(1973 prices)
	1975		612	
	1980			1 121(1973 prices)

Source: Brazil, First and Second National Development Plans (summaries).

a/ CEPAL, on the basis of official figures.

Table II-3
GOALS OF NATIONAL DEVELOPMENT PLANS

COSTA RICA

	Evolution 1967-1973	Effective evolution ^{a/} 1972-1975	National Develop- ment Plan 1972-1978
A. Rates of expansion (per cent per year)			
<u>Global GDP</u>	<u>6.4</u>	<u>4.8</u>	<u>7.5</u>
Agriculture	5.0	2.1	4.7
Mining	} 7.4	7.0	{ 11.3
Manufacturing			
Construction			
Basic services <u>b/</u>	10.4	3.2	10.1
Government		4.3	5.2
Other services		3.7	6.9
		<u>1966-1972</u>	
<u>Per capita GDP</u>	<u>3.1</u>	<u>2.0</u>	<u>4.6</u>
Global consumption	5.5	3.0	6.2
Per capita consumption	2.2	0.2	3.3
Private consumption	4.5	2.6	6.4
Per capita private consumption	1.3	-0.3	3.5
Government consumption	10.1	5.3	5.4
Exports of goods and services	10.7	2.3	9.6
Imports of goods and services	12.8	3.0	7.8
B. Per capita GDP (US\$ at 1970 prices)			
	1967	585	
	1973	755	
	1978		

Source: Costa Rica, Presidencia de la República, Oficina de Planificación: Plan Nacional de Desarrollo, 1974-1978.

a/ CEPAL, on the basis of official figures.

b/ Electricity, gas and water, and transport and communications.

Table II-4

GOALS OF NATIONAL DEVELOPMENT PLANS

ECUADOR

	Evolution 1960-1970 ^{a/}	Effective evolution ^{a/} 1970-1975	Integrated Plan for transformation and Development 1972-1977
<u>A. Rates of expansion (per cent per year)</u>			
<u>Global GDP</u>	<u>5.2</u>	<u>8.0</u>	<u>9.9</u>
Agriculture	2.6	2.2	5.3
Fishery			9.6
Petroleum, mining and quarrying	2.2	51.1	41.3
Manufacturing	6.4	9.6	9.9
Construction	11.3	8.8	11.2
Public sector	8.7	8.8	9.5
Electricity	5.6	4.3	12.8
Other services	6.0	7.4	8.3
<u>Per capita GDP</u>	<u>1.9</u>	<u>4.6</u>	<u>6.3</u>
Global consumption	4.6	6.7	8.5
Per capita consumption	1.4	3.3	4.9
Private consumption	4.3	6.3	8.4
Per capita private consumption	1.1	2.9	4.8
Government consumption	6.2	8.9	9.5
Exports of goods and services	5.0	13.0	16.4
Exports of petroleum			(37.2)
Imports of goods and services	7.4	14.1	8.6
<u>B. Per capita GDP (US\$ at 1970 prices)</u>			
	1960	297	
	1970	357	
	1972	378	
	1977		

Source: Ecuador, Plan Integral de Transformación y Desarrollo, 1973-1977

^{a/} CEPAL, on the basis of official figures.

Table II-5
GOALS OF NATIONAL DEVELOPMENT PLANS

EL SALVADOR

	Evolution 1967-1972	Effective evolution ^{a/} 1972-1975	Economic and Social Development Plan 1972-1977
<u>A. Rates of expansion (per cent per year)</u>			
<u>Global GDP</u>	<u>3.9</u>	<u>4.5</u>	<u>6.7</u>
Agriculture	3.7	3.2	4.8
Mining	4.6	-1.5	7.2
Manufacturing	3.8	5.4	10.2
Construction	3.0	3.8	10.7
Public administration	5.6	4.2	4.8
Other services		5.3	6.2
<u>Per capita GDP</u>	<u>0.5</u>	<u>1.4</u>	<u>3.0</u>
Global consumption	4.0	6.1	6.2
Per capita consumption	0.6	2.9	2.5
Private consumption	3.6	6.3	6.2
Per capita private consumption	0.2	3.1	2.5
Public consumption	7.2	5.0	6.0
Exports of goods and services	1.9	3.4	7.0
Imports of goods and services	2.8	10.2	7.6
<u>B. Per capita GDP (US\$ at 1970 prices)</u>			
	1967	400	
	1972	403	
	1977		

Source: El Salvador, CONAPLAN, Plan de Desarrollo Económico y Social, 1973-1977.

a/ CEPAL, on the basis of official figures.

Table II-6
GOALS OF NATIONAL DEVELOPMENT PLANS

NICARAGUA

	Evolution 1955-1972	Effective evolution ^{a/} 1970-1975	National Reconstruction and Development Plan 1974-1979
<u>A. Rates of expansion (per cent per year)</u>			
<u>Global GDP</u>	<u>4.4</u>	<u>4.3</u>	<u>6.7</u>
Agriculture	3.2	2.0	6.2
Mining	-4.3	-0.6	9.1
Manufacturing	7.4	8.0	9.6
Construction	5.6	5.0	13.5
Services	4.0	4.0	5.2
(government)	(3.3)	(3.3)	(5.7)
<u>Per capita (GDP)</u>	<u>1.4</u>	<u>1.0</u>	<u>3.2</u>
Global consumption	4.0	4.8	4.3
Per capita consumption	1.0	1.5	0.9
Private consumption	4.1	4.9	4.0
Per capita private consumption	1.1	1.7	0.6
Public consumption	3.6	4.1	7.0
Exports of goods and services	5.5	6.0	9.1
Imports of goods and services	0.9	7.5	5.9
<u>B. Per capita GDP (US\$ at 1970 prices)</u>			
	1965	410	
	1972	437	
	1974		
	1979		

Source: Nicaragua, Oficina Nacional de Planificación, Plan Nacional de Reconstrucción y Desarrollo, 1975-1979.

a/ CEPAL, on the basis of official figures.

Table II-7

GOALS OF NATIONAL DEVELOPMENT PLANS

PERU

	Evolution 1960-1970 ^{a/}	Peruvian Plan 1970-1975	Effective evolution ^{a/} 1970-1975	National Develop- ment Plan 1975-1978
<u>A. Rates of expansion (per cent per year)</u>				
<u>Global GDP</u>	<u>5.4</u>	<u>7.5</u>	<u>5.7</u>	<u>6.5</u>
Agriculture	}	{ 4.2 }	-0.1	
Fishing				
Mining				
Manufacturing	7.4	12.4	7.5	
Other	5.8	6.6	6.7	
<u>Per capita GDP</u>	<u>2.0</u>	<u>4.3</u>	<u>2.2</u>	<u>3.3</u>
Global consumption	6.5	6.0	7.9	4.7
Per capita consumption	3.6	2.8	4.8	1.6
Private consumption (non-public)	6.5		8.1	4.7
Per capita private consumption	3.5		5.0	1.6
Public consumption	6.8		6.8	4.5
Exports of goods and services	3.8	4.1	-5.5	15.6
Imports of goods and services	7.1		12.7	5.6
<u>B. Per capita GDP (US\$ at 1970 prices)</u>				
	1970	526		
	1975	601		
	1978			

Source: Peru, Plan del Perú, 1971-1975, and Plan Nacional de Desarrollo, 1975-1978.

^{a/} CEPAL, on the basis of official figures.

Table II-8
GOALS OF NATIONAL DEVELOPMENT PLANS
DOMINICAN REPUBLIC

	Evolution 1962-1969	First National Development Plan 1969-1974	Effective evolution ^{a/} 1969-1974
<u>A. Rates of expansion (per cent per year)</u>			
<u>Global GDP</u>	<u>3.3</u>	<u>6.7</u>	<u>10.6</u>
Agriculture (including sugar)	0.2	5.4	3.7
Mining, energy, fuels and lubricants	5.1	28.0	41.6
Manufacturing	4.6	7.7	13.3
Construction	10.2	7.9	20.5
Government	3.0	-0.1	1.7
Other services	3.4	6.8	11.3
<u>Per capita GDP</u>	<u>0.0</u>	<u>3.7</u>	<u>7.2</u>
Global consumption	3.6	4.5	9.0
Per capita consumption	0.3	1.6	5.6
Private consumption	4.0	5.1	10.2
Per capita private consumption	0.7	2.1	6.8
Public consumption	2.5	0.9	0.0
Exports of goods and services	-0.6	12.8	10.6
Imports of goods and services	4.9	2.9	13.1
<u>B. Per capita GDP (US\$ at 1970 prices)</u>			
	1962		315
	1969		328
	1970		351
	1974		463

Source: Dominican Republic, Oficina Nacional de Planificación, Primer Plan Nacional de Desarrollo (macroeconomic and public sector projections).

a/ CEPAL, on the basis of official figures.

Table II-9
GOALS OF NATIONAL DEVELOPMENT PLANS
URUGUAY

	Evolution 1960-1970 ^{a/}	National Economic and Social Develop- ment Plan 1963-1974	Effective evolution ^{a/} 1970-1975	National develop- ment Plan 1972-1977
<u>A. Rates of expansion (per cent per year)</u>				
<u>Global GDP</u>	<u>3.0</u>	<u>4.8</u>	<u>0.4</u>	<u>3.8</u>
Agriculture (including hunting and fishing)	3.0	4.1	-1.2	
Manufacturing (including mining and quarrying)	1.6	6.0	1.4	5.0
Construction	-2.0	9.4	2.5	
Basic services ^{b/}	0.9	6.4	1.2	
Government	3.0	1.5	-1.6	
Other services	1.7	4.6	0.2	
<u>Per capita GDP</u>		<u>3.5</u>	<u>-0.6</u>	<u>2.6</u>
Global consumption		3.7	0.4	3.1
Per capita consumption		2.4	-0.6	1.9
Private consumption		4.1	0.8	
Per capita private consumption		2.8	-0.2	
Government consumption		0.7	-1.6	
Total exports		8.1	0.8	10.1
Total imports		6.6	-1.5	14.9
<u>B. Per capita GDP (US\$ at 1970 prices)</u>				
	1963		850	
	1970		906	
	1972		849	
	1974		855	
	1977			

Source: Uruguay (CIDE), Plan Nacional de Desarrollo Económico y Social, 1965-1974
(Compendio, Montevideo, 1966) and (Cámara de Representantes), Plan Nacional de
Desarrollo, 1973-1977 (Anexos I y III al Repartido Nº 471, May 1973)

^{a/} CEPAL, on the basis of official figures.

^{b/} Electricity, gas and water, and transport and communications.

Table II-1C

GOALS OF NATIONAL DEVELOPMENT PLANS

VENEZUELA

	Evolution 1960-1970	Fourth National Plan 1970-1974	Effective evolution ^{a/} 1970-1975	Fifth National Plan 1975-1980
<u>A. Rates of expansion (per cent per year)</u>				
<u>Global GDP</u>	<u>5.0</u>	<u>6.3</u>	<u>4.7</u>	<u>8.2</u>
Agriculture	4.6	6.2	4.7	9.6
Mining and hydrocarbons	2.5	3.2	-6.4	0.0
Manufacturing	8.5	9.6	8.4	13.0
Construction	5.5	8.4	11.0	14.0
Basic services <u>b/</u>	7.9	7.9	9.4	8.9
Government	4.4	4.1	8.2	} 6.3
Commerce and other services	4.4	6.0	6.5	
<u>Per capita GDP</u>	<u>1.4</u>	<u>2.5</u>	<u>1.7</u>	<u>4.3</u>
Global consumption		5.8	8.0	7.4
Per capita consumption		2.0	4.9	3.6
Private consumption	(excl. Gov.)	6.0	7.7	7.7
Per capita private consumption		2.2	4.8	3.9
Public consumption	(Gov.)	4.3	9.0	6.4
Exports of goods and services		4.1	-6.5	2.2
Imports of goods and services		3.5	9.4	2.2
<u>3. Per capita GDP (US\$ at 1970 prices)</u>				
	1970		1 175	
	1974		1 233	
	1980			

Source: Venezuela, IV y V Plan de la Nación, 1970-1974 and 1976-1980.

a/ CEPAL, on the basis of official figures.

b/ Energy, transport and communications.

Table II-11
TARGETS OF NATIONAL DEVELOPMENT PLANS

		Elasticities of growth in relation to the GIP (Relationship between annual growth rates)				Investment as a percentage of GDP						Final
		Agriculture	Mining	Manufac- turing	con- struc- tion	1970	1971	1972	1973	1974	1975	year of plan
<u>Argentina</u>												
Effective evolution <u>a/</u>	(1970-1975)	0.188 <u>b/</u>	...	1.406	-0.250	20.4	21.4	22.1	20.9	21.7	19.3	
Plan	(1970-1975)	0.629 <u>b/</u>	...	1.229	1.014	22.6	22.9	...	24.3	26.0	26.5	26.5
<u>Bolivia</u>												
Effective evolution	(1968-1974)	0.222	0.315	1.037	0.556	15.6	14.9	13.9	16.8	18.8	21.8	
Plan	(1975-1980)	0.948	1.117	1.273	1.052	18.0	16.0	18.0	19.0	23.0	23.0	28.0
<u>Brazil</u>												
Effective evolution <u>a/</u>	(1970-1975)	0.667	...	1.097 <u>b/</u>	1.108	21.0 <u>c/</u>	-	-	-	26.0 <u>c/</u>	26.5 <u>c/</u>	
Plan 1972-1974	(1970-1974)	0.833	...	1.222 <u>b/</u>	0.944	17.0 <u>c/</u>	...	...	...	19.0 <u>c/</u>	...	19.0
II Plan	(1975-1979)											25.0
<u>Costa Rica</u>												
Effective evolution <u>a/</u>	(1972-1975)	0.438	...	1.458 <u>b/</u>	1.125	20.5	24.1	20.2	22.5	23.4	24.9	
Plan	(1972-1978)	0.627	1.507	1.413	1.453	...	...	26.7	...	...	...	28.7
<u>Ecuador</u>												
Effective evolution <u>a/</u>	(1970-1975)	0.275	6.388 <u>d/</u>	1.200	1.100	20.3	26.2	21.9	23.6	26.4	28.4	
Plan	(1972-1977)	(0.535)(0.970) <u>e/</u>	4.172	1.000	1.131			<u>f/</u>				22.7 <u>g/</u>
<u>El Salvador</u>												
Effective evolution <u>a/</u>	(1972-1975)	0.711	-0.333	1.200	0.844	13.2	15.5	12.8	14.3	16.6	14.3	
Plan	(1972-1977)	0.716	1.075	1.522	1.597	...	...	14.7	...	...	...	17.6
<u>Nicaragua</u>												
Effective evolution <u>a/</u>	(1970-1975)	0.465	-0.140	1.860	1.163	17.3	16.9	12.5	21.5	26.6	17.9	
Plan	(1974-1979)	0.925	1.358	1.433	2.015	...	...	...	...	21.3	...	25.8
<u>Peru</u>												
Effective evolution <u>a/</u>	(1970-1975)	-0.018	-0.246	1.316	...	12.2	14.0	13.2	13.5	16.3	18.1	
Plan	(1970-1975)	(0.560)(0.480) <u>e/</u>	0.760	1.653	...	12.8	...	...	...	...	21.3	21.3
<u>Dominican Republic</u>												
Effective evolution <u>a/</u>	(1969-1974)	0.349	3.925	1.255	1.934	19.1	20.1	22.6	24.0	26.5	26.7	
Plan	(1969-1974)	0.806	4.179	1.149	1.179	23.3	...	...	...	17.6	...	17.6
<u>Uruguay</u>												
Effective evolution <u>a/</u>	(1970-1975)	-3.000	...	3.500 <u>b/</u>	6.250	11.4	12.9	11.2	10.7	10.3	9.9	
Plan	(1972-1977)	...	...	1.316	...	14.8 <u>h/</u>	...	...	...	20.6	...	-
<u>Venezuela</u>												
Effective evolution <u>a/</u>	(1970-1975)	1.000	-1.362 <u>d/</u>	1.787	2.340	27.7	27.9	30.0	32.0	29.8	32.1	
Plan	(1970-1974)	0.984	0.508	1.524	1.333	18.9	...	...	...	19.9	...	19.9

a/ CEPAL, on the basis of official data. b/ Including mining. c/ Coefficient of gross fixed investment. d/ Including petroleum.
e/ Fisheries. f/ The plan does not include annual targets. g/ Average for the period covered by the plan.

Chapter III

PRELIMINARY LONG-TERM PROJECTIONS ON POPULATION AND ECONOMIC GROWTH

Introduction

In 1976, the secretariat of CEPAL initiated studies in connexion with the analysis of Latin America's long-term economic development prospects referred to in Part II of the research project entitled "Latin American Development: Its Appraisal and Long-Term Prospects". The objectives and programme of work of this project may be found in the annex to this document.

These activities are being carried out in the context of the General Assembly resolutions on a new international economic order (3201 (S-VI) and 3362 (S-VII)) and, in particular, in accordance with resolution 3508 (XXX) on regional development trends and projections.

Preliminary research is currently being carried out on economic projections for the individual countries in the next decade and the year 2000, on the basis of a set of interrelated sub-models, with a view to constructing, when the progress of work so justifies, an integrated model which can be used to analyse with suitable cohesion the scenarios that have been proposed, and any other approaches considered desirable.

These sub-models concern specific aspects of the development process and cover the fields of population, global macroeconomics, sectoral macroeconomics, international trade, development styles and employment. In each case the aim is to determine orders of magnitude for objectives, resources, problems and factors influencing the corresponding field of development. The purpose of obtaining these global preliminary results is to possess more information in order

/to design

to design the research programme in greater detail and promote discussion with governments to learn their points of view in connexion with our work.

Despite the inevitably provisional nature of the present projections, it is felt that it might be useful to anticipate, even if only in a global manner, some conclusions stemming from part of the programme of work under way, in order to illustrate the discussion on questions of the utmost importance in the development process. Chapter III presents quite detailed demographic projections, and global macroeconomic projections for the non-oil-exporting countries, on a preliminary basis. Finally, there are some brief comments on employment and the rate of economic growth.

The demographic projections show the growth of the population for the period 1975-2000 and its effects on the active population and the labour force according to a "medium hypothesis" recommended by CELADE. They show that the growth rate will continue to be high in the remainder of this century, and that the decline which will become more pronounced after 1980 will only reduce the present rate of 2.8 per cent to 2.4 per cent by the period 1995-2000.^{a/} Thus, in the next 25 years the population of Latin America will double once again. The demographic map of the region will continue to change, with the share of the countries of the "southern cone" and Cuba continuing to fall, while two countries (Brazil and Mexico) will alone have more than half the total population. Rural-urban migration will continue, especially in the many countries where the percentage of rural population is still high, and the pressure on the services and physical space of the urban agglomerations will be intensified.

The break-down of the population by age will change, with an appreciable increase in the proportion of persons of active age. The average annual growth rate between 1975 and 2000 is estimated at

^{a/} According to the "low hypothesis", the annual rate of population growth would be 1.9 per cent by the end of the century.

2.9 per cent, a higher figure than that of total population.^{b/} This represents a population explosion in those age groups which will immediately affect the labour force. Furthermore, with a rise in the rates of participation, particularly of women, the total economically active population would grow still further, at an average of about 3 per cent per year according to one of the hypothesis considered.

The global macroeconomic projections presented in this chapter correspond to the non-oil-exporting countries. The study of each of these countries is of particular interest, above all because of the heavy external debt they have accumulated in recent years, whose service seriously threatens their balance of payments for a long period, not to mention the remittances of profits of foreign private investment. The situation and outlook vary significantly from country to country, with most of the debt and balance-of-payments deficits concentrated in a few large and also some medium-size countries. Taken together these quantitative results are of general application to shed light on the nature and size of the external problems in the acceleration of the economic growth of the non-oil-exporting countries.

The projections show that if those countries proposed to reduce, over the next fifteen years, the ratio between net external financing and the gross domestic product, which was exceptionally high in 1975 at 4.6 per cent, they would have to expand and diversify greatly their exports, if they attempt to accelerate and even maintain a certain rate of economic growth, avoiding the adoption of internal policies which would worsen the problems of unemployment and the bad distribution of income, with a high social cost. In the most favourable hypothesis, that the terms of trade remain at 1976 levels (lower than in 1970), until 1990, the exports of these countries as a whole would have to grow at a higher rate than imports and even than the gross domestic product.

^{b/} According to the "low hypothesis", the increase would be 2.8 per cent.

The chances of reaching this objective, even in part, depend on the swift recovery of the growth rate of the industrial countries which account for three-quarters of Latin American exports, and greater access to their markets for commodities and particularly manufactures and semimanufactures. At the same time, it will particularly depend on the growth of trade among Latin American countries and with other non-traditional areas, to such an extent that the various forms of economic integration and co-operation and the regional level will have to play a more important role than in the past.

Furthermore, it should be borne in mind that in the large countries and some medium-sized countries there is a relatively wide margin for progress in a new phase of substitution of imports of essential intermediate products and capital goods. This could now be done more efficiently because of the bigger size and diversification of the domestic markets of the Latin American economies, which will become even greater if their economic and social growth can be accelerated.

The CEPAL work programme attaches particular importance to the study of long-term projections of sectoral growth, productivity and employment. The aim is, firstly, to determine the rates and changes which will occur, according to different hypotheses, in the development of the economic sectors and in the structure of global production. Secondly, the objective is to appraise the prospects of the modernization process, changes in factor endowment in economic activities and the incorporation of technological progress, so as ultimately to establish projections on the growth of sectoral and global productivity. Thus the analysis will go on to determine the needs and demands for labour stemming from the different growth hypotheses so as to draw the corresponding comparisons with the economically active population and the underemployment situation.

Although this work is still in a preliminary stage, some conclusions can be anticipated which are of fundamental importance for the styles and strategies of development. It may be said that it will not be easy to increase the demand for employment and occupation, even in the long term considered (1975-2000), to the necessary extent to absorb the

/potential labour

potential labour force stemming from the high population rates described above. This stems from the trends of increasing productivity at the sectoral level and in the economy as a whole, which will tend to grow stronger with the acceleration of the growth rate, particularly if the economic and technological structure follows the patterns of the more advanced industrial countries.

These projections show that if the economic growth rate trends are maintained, in the above-mentioned context, the problems of open unemployment, underemployment, unequal income distribution and situations of critical poverty will grow worse. Broadly speaking, it would appear that the achievement of an employment demand target equal to or greater than the growth of the labour force in the long term will depend on strong economic growth which, according to the projections, could be quantified at a target growth of about 8 per cent, again in the context of the economic and technological process characterized by the prevailing trends of Latin American development.

In every case, these projections correspond to specific hypotheses and extremely simplified models whose conclusions are formulated in global terms for groups of countries which have different situations and prospects for the future. However, despite these and other shortcomings, it is clear that these overall assessments shed light on the internal and external factors which the future Latin American development strategy will have to take into account, as well as the institutional and structural changes linked with the necessary transformation of the prevailing style of development to orient the process towards the human and social development targets and goals set forth in the International Development Strategy. Indeed, to deepen the discussion and analysis of future Latin American development in relation to the problems which have just been outlined and other economic and social questions is the main concern of the on-going CEPAL work programme.

1. Population trends and projections

(a) Latin America, the region with the fastest population growth

Latin America considered as a region presents demographic characteristics which distinguish it from both developing and developed areas. Demographic indicators place it in an intermediate position, which is in any case its rightful place in the systematic ordering of regional economic and social indexes.

The total fertility rate ^{1/} is 5.3, which is higher than that of the developed areas but lower than that recorded in Africa and southern Asia. Life expectancy at birth (62 years) is far greater than that of the developing areas, but is still 10 years less than in the United States and Europe. The rate of natural population growth (2.8 per cent) is one of the highest in the world: three times that of the developed areas and even higher than that of Africa, where the population growth has accelerated in the last few years (see table 1).

Since 1950, in a period of only 25 years, the population of Latin America doubled, while the world population increased by about 60 per cent and that of the developed regions by only about 30 per cent (see table 2). Thus, Latin America increased its share in the world population from 6.6 per cent in 1950 to 8.2 per cent in 1975.

This rapid population growth which has characterized Latin America's development in comparison with that of the industrial countries has particular implications for the growth of the product and per capita income. While overall economic growth in Latin America is greater than in the developed areas, the same cannot be said for the per capita gross product which generally increases at a lower rate. Thus the income gap between Latin America and the industrial countries is widening. This will be accentuated in the future, particularly if Latin America fails to step up its rate of economic growth and maintain higher rates than those recorded, on average, in the past 25 years.

1/ The total fertility rate for a given year is the average number of children which would be born to a woman by the end of her reproductive life, if during that period - i.e., between 15 and 50 years of age - she were subject to the age-specific fertility rates recorded for that year.

Table III-1

LATIN AMERICA AND OTHER REGIONS: SELECTED DEMOGRAPHIC INDICATORS, 1970-1975

Region	Life expectancy at birth	Total fertility rate	Natural growth rate (per thousand)
World total	55.2	4.4	18.7
More developed regions	71.1	2.3	8.0
Less developed regions	52.2	5.3	23.2
Africa	45.0	6.3	26.5
Latin America	61.4	5.3	27.7
North America	71.4	2.2	7.2
Eastern Asia	62.5	3.6	16.5
Southern Asia	48.5	6.0	25.2
Europe	71.2	2.3	5.7
Oceania	65.8	3.4	15.5
Soviet Union	70.4	2.4	9.9

Source: Selected World Demographic Indicators by Countries, 1950-2000.
(ESA/P/WP. 55, 28 May 1975).

Table III-2

WORLD POPULATION BY REGIONS, AND PROJECTIONS, 1950-2000

(Millions)

Region	1950	1975	1990	2000
World total	2 501	3 968	5 280	6 254
More developed regions	857	1 132	1 277	1 360
Less developed regions	1 644	2 836	4 003	4 894
Africa	219	401	614	814
Latin America	164	324	486	620
North America	166	237	275	296
Eastern Asia	675	1 006	1 233	1 370
Southern Asia	693	1 250	1 836	2 267
Europe	392	473	514	539
Oceania	13	21	28	33
Soviet Union	180	255	294	315

Source: Population by sex and age for regions and countries, 1950-2000, as assessed in 1973; Medium Variant ESA/P/WP.60, 25 February 1976, pp. 1, 2, 3, 4, 60, 95, 98, 107, 143, 175 and 187.

Note: Because the figures have been rounded-off the sum of the regions does not coincide with the world total in some years.

(b) Changes in the demographic map of the region

In the last 25 years, as stated above, the region's total population doubled, rising from 164 to 326 million inhabitants if the Caribbean countries are included.

At the country level, the trend, far from being uniform, presents marked contrasts. The countries in the southern cone of the continent, Cuba and other countries of the Caribbean showed a relatively slow growth, while in many countries the population more than doubled. Among these are Brazil and Mexico, which in 1950 already accounted for the highest proportions of the regional population (see tables 3 and 4). Therefore, considerable changes in the distribution of the regional population have taken place. The three countries in the southern cone today represent 12 per cent of the total population, compared with nearly 16 per cent in 1950. Colombia, which in 1950 had a much smaller population than Argentina, today has 26 million inhabitants, thus exceeding the population of the latter country. Venezuela presents a similar trend in comparison with Chile. Brazil and Mexico already have more than half of the region's population.

These changes in the geographical distribution of the population have also made themselves felt at the economic level. In the past 25 years the countries of the southern cone have recorded a slower economic growth than the other countries considered. The difference is fairly striking if compared with the growth rates of Brazil and Mexico. In this respect, it is interesting to see the following figures for the annual growth of the gross domestic product and the population between 1950 and 1975:

	<u>Gross domestic product</u>	<u>Population</u>	<u>Per capita product</u>
Countries of the southern cone	3.3	1.7	1.6
Brazil and Mexico	6.7	3.1	3.5
Other countries	5.5	3.0	2.4
<u>Total</u>	5.5	2.8	2.6

/Table 3

Table III-3

TOTAL POPULATION OF THE REGION BY COUNTRIES, 1950-2000

(In thousands, at mid year)

Country	1950	1975	1990	2000
Argentina	17 150	25 384	30 189	32 861
Bolivia	3 019	5 410	7 974	10 267
Brazil	52 901	109 730	165 757	212 507
Colombia	11 689	25 890	40 324	51 464
Chile	6 091	10 253	13 553	15 850
Ecuador	3 224	7 090	11 251	14 773
Paraguay	1 371	2 647	4 074	5 274
Peru	7 832	15 689	24 425	32 348
Uruguay	2 194	3 111	3 617	3 945
Venezuela	5 145	12 213	18 706	23 552
Costa Rica	866	1 994	2 954	3 695
Cuba	5 752	9 481	12 855	15 267
El Salvador	1 940	4 143	6 484	8 708
Guatemala	3 054	6 082	9 201	11 991
Haiti	3 380	5 888	8 525	10 742
Honduras	1 390	3 037	4 997	6 881
Mexico	26 606	59 204	97 585	132 244
Nicaragua	1 109	2 328	3 778	5 154
Panama	809	1 676	2 525	3 218
Dominican Republic	2 313	5 118	8 495	11 767
<u>Total twenty countries</u>	<u>157 835</u>	<u>316 358</u>	<u>477 269</u>	<u>612 508</u>
Bahamas	79	204	279	330
Barbados	211	245	269	285
Guyana	423	791	1 080	1 256
Jamaica	1 403	2 029	2 464	2 726
Surinam	215	422	688	904
Trinidad and Tobago	632	1 009	1 172	1 280
Others	3 372	4 724	5 691	6 217
<u>Total other countries and territories</u>	<u>6 335</u>	<u>9 424</u>	<u>11 643</u>	<u>12 998</u>
<u>Regional total</u>	<u>164 170</u>	<u>325 782</u>	<u>488 912</u>	<u>625 506</u>

Source: Boletín Demográfico del CELADE, Año IX, N° 18, Santiago, Chile, July 1976.

/Table 4

Table III-4
 LATIN AMERICA: PERCENTAGE DISTRIBUTION OF POPULATION
 BY COUNTRIES, 1950-2000

Country	1950	1975	2000
Argentina	10.5	7.8	5.3
Bolivia	1.8	1.7	1.6
Brazil	32.2	33.7	34.0
Colombia	7.1	7.9	8.2
Chile	3.7	3.1	2.5
Ecuador	2.0	2.2	2.4
Paraguay	0.8	0.8	0.8
Peru	4.8	4.8	5.2
Uruguay	1.3	1.0	0.6
Venezuela	3.1	3.7	3.8
Costa Rica	0.5	0.6	0.6
Cuba	3.5	2.9	2.4
El Salvador	1.2	1.3	1.4
Guatemala	1.9	1.9	1.9
Haiti	2.1	1.8	1.7
Honduras	0.8	0.9	1.1
Mexico	16.2	18.2	21.2
Nicaragua	0.7	0.7	0.8
Panama	0.5	0.5	0.5
Dominican Republic	1.4	1.6	1.9
Other Caribbean countries and territories	3.9	2.9	2.1
<u>Regional total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: CELADE demographic projections. Recommended medium hipotesis.

(c) Classification of the Latin American countries according to the components of demographic change. Their prospects

The countries of Latin America are at differing stages of the process of demographic change which with some variations has taken place earlier or is currently taking place in other parts of the world. It is a period of transition from situations with high and fairly stable mortality and fertility rates to others with low mortality rates and low but fluctuating fertility rates, where direct human control is exercised over these variables.

This process of transition is known to be interrelated with or accompanied by evident changes in other economic and social variables, as has been happening in Latin America. It is not easy, however, to establish an analytical model with practical aims because of the complex interrelationships existing between the variables.

In order to facilitate the analysis and, in particular, to examine the prospects for growth up to the year 2000, the Latin American countries have been classified according to their fertility and mortality rates in three broad groups.

In adopting this essentially demographic criterion for placing the countries in these three groups, the analysis has been extended in scope, recording economic and social statistical indexes showing the stage of economic development of the various countries and, in particular, the degree of urbanization and levels of education and nutrition. Of course, all these indexes reflect the average levels for each country, with respect to which the internal distribution varies considerably. The following indicators were selected: (i) domestic product, manufacturing product and active population in the agricultural sector; (ii) degree of urbanization; (iii) indexes of education in terms of literacy, primary enrolment and number of teachers; and (iv) nutrition and electric energy consumption.

The relevant information is shown in table 5. The following are the predominant characteristics of each group of countries:

/Group A:

Group A: Argentina, Uruguay, Chile and Cuba

These countries had already experienced a considerable decline in their fertility and mortality before 1950, and in the period 1970-1975 they reached total fertility rates of less than 4 and a life expectancy at birth of more than 68 years.

In 1975, these countries had over 64 per cent of their population living in localities of 20,000 inhabitants and over, and recorded the highest economic, education and nutrition indexes in the region and the lowest proportion of persons engaged in agriculture.

In this group of countries there is still an appreciable margin for the fertility and mortality to decline, especially as far as certain socio-economic groups are concerned. The crude mortality rates will drop slowly, however, and are even likely to increase, as may occur in Argentina and Uruguay because the effect of the increased life expectancy at birth will be offset by the greater ageing of the population.

Consequently, the total population will continue to grow, though increasingly slowly in nearly all the countries of this group. The proportion of the population under 15 years of age will continue to diminish and that of persons of active age will remain at the present high levels or will increase. The course of urbanization may also be expected to continue, but at slower rates than in the past and, lastly, the size of the rural population will probably shrink in Argentina, Chile and Uruguay.

Group B: Brazil, Colombia, Costa Rica, Panama and Venezuela

In these countries, fertility has begun to fall significantly in recent years. With the exception of Colombia, their total fertility rates had already fallen to below 5.3 in the period 1970-1975, and life expectancy at birth is over 60 years.

Urbanization in these countries is more recent than in the group A countries, but it has been very intensive in the past 25 years. The proportion of urban population ranges from 43 to 64 per cent, except in Costa Rica where it is somewhat less. They therefore occupy an intermediate position between group A and group C.

/Except in

Except in Venezuela, the indexes of economic development are generally lower than in the group A countries and in Mexico, which because of its demographic characteristics has been classified in group C. The education indexes also place these countries in an intermediate position, except for the cases shown in table 5.

The decline in fertility recorded by this group of countries in recent years is expected to continue in the future, and its effects on the population growth rate will not be compensated for by the fall in the mortality rate. Thus the rate of natural population growth will decrease substantially by the year 2000, while still remaining at relatively high levels, i.e., 2 to 2.5 per cent, according to the country.

The average age of the population will therefore be higher, but the age structure will continue to be markedly different from that currently found in Argentina and Uruguay. The decrease in the proportion of the population aged less than 15 years and the expansion of the population of active age will, however, be especially significant.

The degree of urbanization of these countries varies considerably and it is estimated that the process will continue more rapidly in those countries which today have the lowest urbanization indexes. By the year 2000 the degree of urbanization may be comparable with and in some countries superior to that recorded by group A in 1975.

The rates of growth of the urban population, which in the last few years have fluctuated around 5 per cent with certain differences between the countries, will gradually slow down, in the same way as the growth rate of the rural population which at present is just under 1.5 per cent.

Group C includes the rest of the Latin American countries, as shown in table 5. So far these countries have shown no significant decline in their fertility rates. The total fertility rates for the past five-year period were over 5.8 or, in the majority of cases,

LATIN AMERICA (TWENTY COUNTRIES) DEVELOPMENT IN EACH GROUP OF COUNTRIES

Indicators	Group C	
	Group C (2) Honduras Guatemala Nicaragua Peru	Group C (3) Bolivia Haiti
Total Fertility Rate (1970-1975) a/	5.9	Haiti (5.8)
Life expectancy at birth (1970-1975) b/	52 to 54 years	46 to 48 years
Per capita Gross Domestic Product (1960)		
Per capita Gross Domestic Product (1975)		
Per capita Gross Domestic Industrial Product (1960)		
Per capita Gross Domestic Industrial Product (1975)		
Percentage of total Economically Active Population in agriculture (1960)		
Percentage of total Economically Active Population in agriculture (1970)		except Mexico (42)
Percentage of the population residing in localities of 20 000 inhabitants or more (1950)		, except Peru (22) and Mexico (24)
Percentage of the population residing in localities of 20 000 inhabitants or more (1975)		it, except Peru (45)
Percentage of the population residing in cities of 100 000 inhabitants or more (1950)		, except Paraguay, Mexico and Ecuador (15)
Percentage of the population residing in cities of 100 000 inhabitants or more (1975)		, except Peru (35)
Consumption of electricity (1960)		ab. except Mexico (295) and Peru (260)
Consumption of electricity (1974)		ab. except Mexico (711) and Peru (477)
Percentage of the total population with electric light		, except Mexico (60)
Daily protein consumption per capita (1971-1974)		except Paraguay (81), Nicaragua (74) and Mexico (66)
Daily calorie consumption per capita (1971-1973)		ies, except Paraguay (2 842), Mexico (2 732) and
Percentage of literate persons in the population aged 15 or more (circa 1960)		
Percentage of children aged between 7 and 13 years in primary education (1960)		Paraguay (90) and the Dominican Republic (86)
Teachers per 10 000 inhabitants aged between 7 and 24		Paraguay (210) and Peru (205)

Sources: The total fertility rate, life expectancy estimates of the Economically Active Population employed in agriculture were taken from 'is in the population aged 15 years or more was taken from Rolando Franco, "Tipología económica and Social Development in Latin America", E/CEPAL/1021, 18 November 1976.

The figures for the Gross Domestic Produ

even over 6. This group may be divided into three sub-groups according to the mortality level: the first would include Mexico, Paraguay, Ecuador, El Salvador and the Dominican Republic, all of which have a life expectancy of over 57 years; the second would comprise Guatemala, Honduras, Nicaragua and Peru, where this index ranges from 52 to 54 years; and the third group would consist of Bolivia and Haiti, which have the highest mortality in the region with a life expectancy at birth of less than 48 years.

Urbanization started later in the countries of this group, although it accelerated over the past 25 years. Except in Peru, the proportion of urban population is less than 40 per cent, or below that recorded in group B.

Their economic indexes are the lowest in the region, with the significant exceptions of Peru and Mexico which in some respects show higher indexes than those recorded by the two previous groups.

The education indexes are also the lowest, although here too there are some exceptions, as may be seen in table 5.

As noted earlier, fertility in this group of countries has not shown any significant decrease. It may therefore be expected that the decline will gain momentum in the next few years and will start first in the first two sub-groups and later in Bolivia and Haiti. Of course, various factors could change this order, at least for some countries, as for example the successful implementation of private and government family planning programmes. In any case, the total fertility rate of these countries will probably fall, by the year 2000, to the levels currently recorded by group B, i.e., somewhere between 4 and 5.

Moreover, the mortality rates are still very high in these countries, particularly in the second and third sub-group. Consequently, there is plenty of margin for a decline. The rate of natural population growth will fall more rapidly in the countries of the first sub-group. Nevertheless, all the countries of group C will have population growth rates of over 2.5 per cent

/annually by

annually by the year 2000. They will also have a fairly young age structure, but in comparison with that existing today it will reflect the results of an incipient process of ageing which will be most striking in the countries of the first sub-group.

To sum up, the classification adopted arranges the countries in three broad groups which have clearly differentiated demographic features, and which at the same time, although with some important exceptions, have similar economic and social characteristics. Group A includes the countries at an advanced stage of demographic transition, and with the highest economic and social indexes in the region; the second group comprises the countries which have recently initiated a clearly-defined stage of transition towards a decline in fertility, and which occupy intermediate positions in relation to the other indicators, and group C includes all the other countries in which fertility has not yet declined appreciably and which at the same time, with the significant exceptions of Peru and Mexico, record the lowest economic and social indexes.

(d) Population will continue to increase at relatively high rates over the next 25 years

Taking the region as a whole, it can be seen that the actual growth rate of the population reached its peak around the beginning of the 1960s and then showed signs of decreasing although the rate of decrease is still very slow. This trend is likely to become sharper towards the end of the century, when the annual rate is expected to be 2.4 per cent. This would mean that on average the growth rate of the Latin American population is likely to be approximately 2.6 per cent per year over the next 25 years.

These are the results of the studies of projections carried out by CELADE in collaboration with government demographers and experts and correspond to the so-called "medium hypothesis". This "medium hypothesis" is the one used by the CEPAL secretariat and is the basis of all the analyses contained in this chapter.

/Latin America

Latin America would, therefore, continue to increase its share of the world population to approximately 10 per cent around the year 2000. Its growth rate will be exceeded towards the next decade by Africa, the continent which is experiencing similar trends to those recorded in Latin America so far (see table 2).

According to this "medium hypothesis" Latin America would have, around the year 2000, more than 600 million inhabitants. Its population would be twice that of the United States and Canada together, and would exceed that of Europe, which in 1975 was considerably larger than that of Latin America.

The population of the region as a whole would again increase over the next 25 years by approximately 94 per cent, an increase slightly smaller than that recorded since 1950. The countries of the southern cone and Cuba would continue to record lower than average growth rates, and would see their share of the region's population fall from 12 per cent in 1975 to less than 9 per cent towards the end of the century. Brazil would have a population of more than 210 million inhabitants, 34 per cent of the population of the region; Mexico one of more than 130 million inhabitants, more than one-fifth of the total population, thus, these two countries alone would account for 55 per cent of the region's population (see tables 3 and 4). The population of Argentina which was 7.8 per cent of the total population in 1975 would continue to fall in relative terms to just over 5 per cent around the year 2000.

These projections assume that for the region as a whole the total fertility rate will fall from 5.32 in 1970-1975 to 3.97 towards the five-year period 1995-2000, a drop of more than 25 per cent, which implies a much sharper contraction than that recorded in the last 25 years. This "medium hypothesis" also assumes that life expectancy at birth will increase from 61 to 70 years.

The effect of these hypotheses on the other demographic variables and the rate of natural increase of the population can be inferred from the following figures which represent the demographic variables for the region as a whole.

	1950-1955	1970-1975	1975-1980	1995-2000
Women of child bearing age (per thousand inhabitants)	235.06	228.82	231.04	224.08
Total fertility rate ^{a/}	5.70	5.32	5.10	3.97
Life expectancy at birth (one year)	52.55	61.49	63.51	70.04
Crude birth rate (per thousand)	41.50	37.41	36.56	30.22
Crude death rate (per thousand)	14.54	9.43	8.50	5.85
Rate of natural increase (per thousand)	26.96	27.98	28.06	24.37

^{a/} According to the "low hypothesis", the rates for the five-year periods 1975-1980 and 1995-2000 would be 4.75 and 3.13, respectively.

Crude birth rates will fall a little less than fertility rates, due to among other factors, the changes which will occur in the population age structure. These changes will lead to an increase of some importance in the proportion of women of child-bearing age, and this will mitigate the effect the drop in the fertility rate might be expected to have on the crude birth rates. Furthermore, the decrease in fertility and birth rates will be offset partly, as in the past, by the continuing reduction in the crude death rates. It is calculated that this will fall from 9.4 to 5.9 per thousand.

For the region as a whole, international migration is of relatively little importance. The region's migratory balances were positive in the 1950s and negative since then. These projections assume a net emigration of approximately 70,000 persons a year for the entire period.

The most significant development which is being observed at present, and one which will no doubt continue in the future, is the increase in migratory movements between neighbouring countries.

/However, no

However, no forecasts were included on this aspect in the national population projections, since it is not easy to formulate reasonable working hypotheses in the conditions which prevail in Latin America.

The hypotheses adopted, and their effect on the demographic variables, for each of the 20 countries studied, are grouped systematically in table 6. The main features of the trends by countries can be summarized as follows.

(i) It is assumed that all the countries would go through a process of transition towards lower fertility rates. Towards the year 2000 there will be no country with a crude birth rate higher than 40 per thousand. The highest rates, between 35 and 40 per thousand, will be those of Bolivia, Peru, Honduras, Nicaragua, Mexico and the Dominican Republic. Approximately half of the countries will have crude birth rates lower than 30 per thousand;

(ii) Total fertility rates will continue to fall, as if tending to converge, towards a level approximating the replacement rate after the year 2000. In the last five-year period of this century no country will have a rate higher than 6, and approximately half of the countries will have rates lower than 4;

(iii) There will be a general tendency towards higher rates of life expectancy at birth; and the lower the present rates, the higher the increases will be. In 8 countries, comprising almost all those with the highest death rates, the expected gains showed in the projections is higher than nine years. In contrast, the 4 countries with the lowest death rates (Argentina, Uruguay, Costa Rica, and Cuba) will experience, as is to be expected, lower increases in rates of life expectancy at birth, and

(iv) These changes in life expectancy will be reflected in a downward trend in crude death rates in the large majority of the countries, and the higher the present death rate the more rapidly will this occur. In Argentina and Uruguay the death rates will increase as a result of the ageing of their populations which will prove a continuing process. This factor is already playing a part in reducing the drop in the death rate in Chile and Cuba and more recently in Venezuela, Costa Rica, and Panama.

Table III-6

LATIN AMERICA (TWENTY COUNTRIES): MAIN DEMOGRAPHIC RATES ACCORDING TO THE RECOMMENDED
MEDIUM HYPOTHESES OF THE CHLAGE PROJECTIONS, 1950-2000

	1950- 1955	1970- 1975	1975- 1980	1995- 2000
Group A				
<u>Argentina</u>				
Women of child-bearing age (per thousand inhabitants)	259.90	246.31	243.43	248.96
Total fertility rate	3.15	2.98	2.91	2.96
Life expectancy at birth	62.72	68.19	69.84	70.71
Crude birth rate	25.38	21.89	21.43	17.40
Crude mortality rate	9.16	8.76	8.89	9.70
Natural rate of growth	16.22	13.04	12.54	7.70
<u>Chile</u>				
Women of child-bearing age (per thousand inhabitants)	250.57	245.09	253.92	260.63
Total fertility rate	4.80	3.65	3.47	2.74
Life expectancy at birth	54.12	62.56	64.40	70.39
Crude birth rate	35.16	27.87	27.64	21.79
Crude mortality rate	3.58	9.16	8.61	6.92
Natural rate of growth	21.58	18.71	19.03	14.87
<u>Cuba</u>				
Women of child-bearing age (per thousand inhabitants)	243.32	225.07	229.85	248.53
Total fertility rate	4.10	4.03	3.80	2.87
Life expectancy at birth	58.81	69.75	70.40	72.95
Crude birth rate	30.26	29.13	27.76	22.75
Crude mortality rate	10.52	6.60	6.74	6.42
Natural rate of growth	19.74	22.53	21.02	16.33
<u>Uruguay</u>				
Women of child-bearing age (per thousand inhabitants)	257.40	241.48	238.36	244.25
Total fertility rate	2.89	2.95	2.85	2.44
Life expectancy at birth	66.29	69.78	70.24	71.97
Crude birth rate	23.16	20.63	20.13	17.99
Crude mortality rate	9.54	9.26	9.49	9.74
Natural rate of growth	13.62	11.37	10.64	8.25
Group B				
<u>Brazil</u>				
Women of child-bearing age (per thousand inhabitants)	235.19	234.02	235.62	247.88
Total fertility rate	5.70	5.15	4.89	3.83
Life expectancy at birth	54.15	61.39	63.64	71.14
Crude birth rate	41.42	37.12	36.04	29.44
Crude mortality rate	12.16	8.77	7.82	5.25
Natural rate of growth	29.26	28.35	28.22	24.19
<u>Colombia</u>				
Women of child-bearing age (per thousand inhabitants)	226.06	223.53	227.83	253.77
Total fertility rate	6.56	5.88	5.36	3.28
Life expectancy at birth	50.21	60.91	63.36	73.21
Crude birth rate	45.44	40.61	38.33	26.87
Crude mortality rate	16.31	8.79	7.49	3.89
Natural rate of growth	30.13	31.82	30.84	22.98
<u>Costa Rica</u>				
Women of child-bearing age (per thousand inhabitants)	222.49	228.68	242.04	258.40
Total fertility rate	6.77	4.65	4.03	3.22
Life expectancy at birth	58.24	68.18	70.23	73.78
Crude birth rate	47.56	33.44	32.38	26.36
Crude mortality rate	11.89	5.89	5.10	4.43
Natural rate of growth	35.67	27.55	27.28	21.93
<u>Panama</u>				
Women of child-bearing age (per thousand inhabitants)	221.02	218.12	223.67	239.79
Total fertility rate	5.61	5.06	4.80	3.78
Life expectancy at birth	58.82	66.53	67.86	72.37
Crude birth rate	40.35	36.08	35.32	29.20
Crude mortality rate	12.49	7.14	6.61	5.19
Natural rate of growth	27.86	28.94	28.71	24.01
<u>Venezuela</u>				
Women of child-bearing age (per thousand inhabitants)	223.87	221.10	230.78	253.47
Total fertility rate	6.54	5.28	4.88	3.28
Life expectancy at birth	54.20	64.74	66.41	72.26
Crude birth rate	46.46	36.06	35.64	26.41
Crude mortality rate	13.38	7.01	6.48	4.86
Natural rate of growth	33.08	29.05	29.16	21.55

Table III-6 (concluded)

	1950- 1955	1970- 1975	1975- 1980	1995- 2000
Group C (1)				
<u>Ecuador</u>				
Women of child-bearing age (per thousand inhabitants)	232.20	219.41	222.56	243.38
Total fertility rate	6.48	6.29	5.85	4.09
Life expectancy at birth	47.23	59.63	62.06	69.36
Crude birth rate	45.96	41.76	39.69	31.25
Crude mortality rate	18.48	9.47	8.17	5.14
Natural rate of growth	27.48	32.29	31.52	26.11
<u>El Salvador</u>				
Women of child-bearing age (per thousand inhabitants)	229.58	215.81	221.74	238.95
Total fertility rate	6.46	6.33	6.01	4.31
Life expectancy at birth	45.26	59.07	62.17	71.29
Crude birth rate	48.51	45.19	42.06	34.22
Crude mortality rate	20.36	11.06	9.44	5.23
Natural rate of growth	28.45	32.13	32.62	28.99
<u>Mexico</u>				
Women of child-bearing age (per thousand inhabitants)	226.60	218.09	220.97	232.98
Total fertility rate	6.88	6.46	6.28	4.88
Life expectancy at birth	51.93	63.22	65.46	70.32
Crude birth rate	46.62	42.00	41.69	35.18
Crude mortality rate	15.40	8.62	7.59	5.23
Natural rate of growth	31.22	33.38	34.10	29.95
<u>Paraguay</u>				
Women of child-bearing age (per thousand inhabitants)	231.16	221.26	224.53	243.22
Total fertility rate	6.62	6.20	5.78	4.10
Life expectancy at birth	51.45	61.09	63.56	69.44
Crude birth rate	45.48	39.79	39.05	31.63
Crude mortality rate	15.78	8.87	8.06	5.60
Natural rate of growth	29.70	30.92	30.99	26.03
<u>Dominican Republic</u>				
Women of child-bearing age (per thousand inhabitants)	220.26	215.52	218.04	232.26
Total fertility rate	7.31	6.92	6.57	5.03
Life expectancy at birth	45.11	57.76	60.17	69.76
Crude birth rate	50.13	45.84	44.72	37.50
Crude mortality rate	20.28	10.96	9.46	4.63
Natural rate of growth	29.85	34.88	35.26	32.87
Group C (2)				
<u>Honduras</u>				
Women of child-bearing age (per thousand inhabitants)	232.27	219.27	216.15	231.49
Total fertility rate	7.48	7.28	6.87	5.23
Life expectancy at birth	36.89	53.49	56.20	67.02
Crude birth rate	54.60	49.26	46.30	38.48
Crude mortality rate	28.49	14.57	12.37	6.93
Natural rate of growth	26.11	34.69	33.63	31.55
<u>Guatemala</u>				
Women of child-bearing age (per thousand inhabitants)	225.83	227.20	229.24	239.98
Total fertility rate	6.75	5.92	5.49	4.31
Life expectancy at birth	42.63	53.76	56.71	67.05
Crude birth rate	49.00	42.11	40.00	33.20
Crude mortality rate	22.87	13.58	11.75	6.83
Natural rate of growth	26.13	28.53	28.25	26.37
<u>Nicaragua</u>				
Women of child-bearing age (per thousand inhabitants)	228.22	219.22	220.66	236.30
Total fertility rate	7.33	6.92	6.57	5.84
Life expectancy at birth	43.00	52.86	55.23	64.72
Crude birth rate	53.38	48.22	46.64	38.05
Crude mortality rate	22.51	13.87	12.18	6.62
Natural rate of growth	30.87	34.45	34.46	31.43
<u>Peru</u>				
Women of child-bearing age (per thousand inhabitants)	225.38	222.97	225.64	237.88
Total fertility rate	7.25	6.61	6.27	4.93
Life expectancy at birth	43.41	54.55	56.53	62.46
Crude birth rate	48.19	43.35	42.07	36.14
Crude mortality rate	23.42	13.95	12.46	8.57
Natural rate of growth	24.77	29.40	29.61	27.57
Group C (3)				
<u>Bolivia</u>				
Women of child-bearing age (per thousand inhabitants)	245.67	231.78	230.30	237.10
Total fertility rate	6.15	6.15	6.15	4.92
Life expectancy at birth	40.75	46.75	48.25	58.25
Crude birth rate	47.13	43.72	43.87	36.25
Crude mortality rate	23.21	17.96	17.00	10.60
Natural rate of growth	23.92	25.76	26.87	25.65
<u>Haiti</u>				
Women of child-bearing age (per thousand inhabitants)	236.55	230.16	231.08	245.77
Total fertility rate	6.16	5.82	5.47	4.10
Life expectancy at birth	37.49	47.46	50.46	59.95
Crude birth rate	45.53	41.98	39.66	31.95
Crude mortality rate	25.63	17.18	14.92	9.43
Natural rate of growth	19.90	24.80	24.74	22.52

(e) Projections on the urban and rural population

The process of urbanization of the population in Latin America was very intense in terms of the large numbers which changed their area of residence, and in comparison with that recorded in other developing areas.

Localities of 20 thousand and more inhabitants saw their populations increase from slightly more than 40 million in 1950 to 142 million in 1975, thereby absorbing 65 per cent of the total population growth of the region during that period. See tables 7,8 and 9.

The annual growth rate of the urban population was higher than 5 per cent in 13 countries. Only in Argentina, Uruguay and Cuba was the urban growth rate relatively low, approximately 3 per cent per year or less. These rates show a downward trend for the region as a whole and for most of the countries, and these trends are likely to continue in the future. Only in a few countries, those which show a relatively low degree of urbanization, are there signs that the growth rate of the urban population is on the increase.

Between 1950 and 1975 the rural population of Latin America increased at an average annual rate of 1.6 per cent. This increase was very high, more than 2.5 per cent per year in Costa Rica, El Salvador, Guatemala and Honduras. In 9 other countries the rate was lower but was more than 1.5 per cent; in the 7 remaining countries the growth rate was markedly low or the absolute levels of the rural population fell as in Argentina, and more recently in Chile and Venezuela. In sum, the general tendency is that this rate tends to fall.

As a result of these trends, the proportion of the population residing in benefits of 20 thousand or more inhabitants has been increasing in all countries. For the region as a whole, the degree of urbanization increased from approximately 26 per cent in 1950 to 45 per cent in 1975. Table 8 shows the wide variety of situations and trends common to the countries under study.

/Table 7

Table III-7

LATIN AMERICA (TWENTY COUNTRIES): ESTIMATES OF TOTAL, URBAN^{a/}
AND RURAL POPULATION, 1950 AND 1975

(In thousands)

Country	Year	Total population	Rural population	Total	Urban population		Most populated city
					20 000- 99 999	100 000 or more	
Argentina	1950	17 150	8 163	8 987	1 438	7 549	5 491
	1975	25 384	7 666	17 718	3 012	14 706	9 391
Bolivia	1950	3 019	2 433	586	287	299	299
	1975	5 410	3 819	1 591	286	1 305	842
Brazil	1950	52 901	42 162	10 739	3 694	7 045	4 353 ^{b/}
	1975	109 730	60 351	49 379	13 777	35 602	11 247 ^{b/}
Colombia	1950	11 689	9 106	2 583	870	1 713	695
	1975	25 890	13 515	12 375	2 760	9 615	3 453
Chile	1950	6 091	3 600	2 491	815	1 676	1 345
	1975	10 253	3 476	6 777	1 972	4 805	3 422
Ecuador	1950	3 224	2 650	574	105	469	469 ^{a/}
	1975	7 090	4 545	2 545	873	1 672	1 555 ^{a/}
Paraguay	1950	1 371	1 163	208		208	208
	1975	2 647	2 033	614	179	435	435
Peru	1950	7 832	6 140	1 692	633	1 059	936
	1975	15 689	8 632	6 997	1 434	5 563	3 666
Uruguay	1950	2 194	1 029	1 165	280	885	885
	1975	3 111	1 098	2 013	628	1 385	1 385
Venezuela	1950	5 145	3 550	1 595	740	855	506
	1975	12 213	4 433	7 780	2 116	5 664	1 105
Costa Rica	1950	866	713	153		153	153
	1975	1 994	1 444	550	163	387	387
Cuba	1950	5 752	3 727	2 025	686	1 339	1 073
	1975	9 481	5 167	4 314	1 087	3 227	1 997
El Salvador	1950	1 940	1 688	252	82	170	170
	1975	4 143	3 248	895	519	376	376
Guatemala	1950	3 054	2 712	342	30	312	312
	1975	6 082	5 091	991	163	828	828
Haiti	1950	3 380	3 208	172	26	146	146
	1975	5 888	5 034	854	168	686	686
Honduras	1950	1 390	1 295	95	95		72
	1975	3 037	2 396	641	145	496	319
Mexico	1950	26 606	20 327	6 279	2 242	4 037	2 953
	1975	59 204	36 292	22 912	7 401	15 511	11 039
Nicaragua	1950	1 109	940	169	54	115	115
	1975	2 318	1 502	816	263	553	553
Panamá	1950	809	628	181	52	129	129
	1975	1 676	957	719	165	554	554
Dominican Republic	1950	2 313	2 056	257	61	196	196
	1975	5 118	3 229	1 889	555	1 334	948
Total (twenty countries)	1950	157 835	117 290	40 545	12 190	28 355	30 506
	1975	316 358	173 988	142 370	37 666	104 704	54 188

a/ The urban population is defined as that of agglomerations with 20 000 inhabitants or more.

b/ Rio de Janeiro plus São Paulo.

c/ Quito plus Guayaquil.

Table III-8

LATIN AMERICA (TWENTY COUNTRIES): INDICES OF URBANIZATION AND URBAN CONCENTRATION, 1950 AND 1975

Country	Year	Percentage of the total population residing in different categories of urban areas			Percentage of the urban population residing in different categories of urban areas	
		20 000 inhabitants or more	100 000 inhabitants or more	Most populated city	100 000 inhabitants or more	Most populated city
		Argentina	1950	52.4	44.0	32.0	84.0	61.1
	1975	69.8	57.9	37.0	83.0	53.0
Bolivia	1950	19.4	9.9	9.9	51.0	51.0
	1975	29.4	24.1	15.6	82.0	52.9
Brazil	1950	20.3	13.3	8.2a/	65.6	40.5a/
	1975	45.0	32.5	10.3a/	72.1	22.8a/
Colombia	1950	22.1	14.7	6.0	66.3	26.9
	1975	47.8	37.1	13.3	77.7	27.9
Chile	1950	40.9	27.5	22.1	67.3	54.0
	1975	66.1	46.9	33.4	70.9	50.5
Ecuador	1950	17.8	14.6	14.6b/	81.7	81.7b/
	1975	35.9	23.6	21.9b/	65.7	61.1b/
Paraguay	1950	15.2	15.2	15.2	100.0	100.0
	1975	23.2	16.4	16.4	70.9	70.8
Peru	1950	21.6	13.5	12.0	62.6	55.3
	1975	44.6	35.5	23.4	79.5	52.4
Uruguay	1950	55.1	40.3	40.3	76.0	76.0
	1975	64.7	44.5	44.5	68.8	68.8
Venezuela	1950	31.0	16.6	9.8	53.6	31.7
	1975	63.7	46.4	9.1	72.8	14.2
Costa Rica	1950	17.7	17.7	17.7	100.0	100.0
	1975	27.6	19.4	19.4	70.4	70.4
Cuba	1950	35.2	23.3	18.7	66.1	53.0
	1975	45.5	34.0	21.1	74.8	46.3
El Salvador	1950	13.0	8.8	8.8	67.5	67.5
	1975	21.6	9.1	9.1	42.0	42.0
Guatemala	1950	11.2	10.2	10.2	91.2	91.2
	1975	16.3	13.6	13.6	83.6	83.6
Haiti	1950	5.1	4.5	4.3	84.9	84.9
	1975	14.5	11.7	11.7	80.3	80.3
Honduras	1950	6.8	-	5.2	-	75.8
	1975	21.1	16.3	10.5	77.4	49.8
Mexico	1950	23.6	15.2	11.1	64.3	47.0
	1975	36.7	26.2	18.7	67.7	48.2
Nicaragua	1950	15.2	10.4	10.4	68.1	68.1
	1975	35.2	23.3	23.9	67.8	67.8
Panama	1950	22.4	16.0	16.0	71.3	71.3
	1975	42.9	33.1	33.1	77.1	77.1
Dominican Republic	1950	11.1	8.5	8.5	76.2	76.2
	1975	36.9	26.1	18.5	70.6	50.2
Total (twenty countries)	1950	25.7	18.0	13.0	69.9	50.6
	1975	45.0	33.1	17.1	73.6	38.1

Source: Table III-7.

a/ Rio de Janeiro plus São Paulo.

b/ Quito plus Guayaquil.

Table III-9
 LATIN AMERICA (TWENTY COUNTRIES): GROWTH RATES OF TOTAL,
 URBAN AND RURAL POPULATION
 (Percentages)

Country	Population	Periods			
		1950- 1960	1960- 1970	1970- 1975	1950- 1975
Argentina	Total	1.9	1.4	1.4	1.6
	Urban	3.1	2.6	2.4	2.8
	Rural	0.3	-0.5	-0.4	-0.3
Bolivia	Total	2.3	2.4	2.5	2.4
	Urban	4.0	4.2	4.1	4.1
	Rural	1.8	1.8	1.9	1.8
Brazil	Total	3.1	2.9	2.9	3.0
	Urban	6.5	6.4	5.6	6.3
	Rural	2.0	1.2	0.9	1.4
Colombia	Total	3.1	3.3	3.2	3.2
	Urban	7.2	6.2	5.5	6.5
	Rural	1.7	1.6	1.4	1.6
Chile	Total	2.2	2.1	1.8	2.1
	Urban	4.4	4.0	3.6	4.1
	Rural	0.4	-0.2	-1.2	0.1
Ecuador	Total	3.0	3.4	3.3	3.2
	Urban	6.9	5.8	5.2	6.1
	Rural	1.9	2.4	2.3	2.2
Paraguay	Total	2.6	2.7	2.8	2.7
	Urban	3.0	5.3	5.5	4.4
	Rural	2.5	2.1	2.1	2.3
Peru	Total	2.6	2.9	3.0	2.8
	Urban	5.4	6.3	5.7	5.8
	Rural	1.7	1.2	1.1	1.4
Uruguay	Total	1.8	1.2	1.0	1.4
	Urban	2.9	1.8	1.5	2.2
	Rural	0.3	0.2	0.3	0.3
Venezuela	Total	4.0	3.3	3.8	3.5
	Urban	8.2	5.7	4.9	6.5
	Rural	1.5	0.8	-0.1	0.9
Costa Rica	Total	3.7	3.3	2.8	3.4
	Urban	6.5	4.7	3.8	5.3
	Rural	3.0	2.9	2.4	2.9
Cuba	Total	2.0	2.0	2.1	2.0
	Urban	3.0	3.1	3.0	3.1
	Rural	1.4	1.2	1.3	1.3
El Salvador	Total	2.9	3.4	3.0	3.1
	Urban	5.9	5.0	4.2	5.2
	Rural	2.3	3.8	2.6	2.7
Guatemala	Total	2.7	2.8	2.9	2.8
	Urban	5.2	4.0	3.4	4.3
	Rural	2.9	2.6	2.8	2.6
Haiti	Total	2.0	2.4	2.5	2.2
	Urban	6.0	7.5	6.1	6.6
	Rural	1.7	1.8	2.0	1.8
Honduras	Total	3.0	3.1	3.5	3.2
	Urban	8.2	8.0	7.2	7.9
	Rural	2.5	2.4	2.7	2.5
Mexico	Total	3.2	3.3	3.3	3.3
	Urban	5.3	5.4	5.3	5.3
	Rural	2.4	2.3	2.2	2.3
Nicaragua	Total	2.9	3.0	3.3	3.0
	Urban	6.3	6.7	6.5	6.5
	Rural	2.1	1.7	1.8	1.9
Panama	Total	3.0	3.0	2.8	3.0
	Urban	7.1	4.8	4.6	5.7
	Rural	1.4	2.0	1.6	1.7
Dominican Republic	Total	3.2	3.2	3.3	3.2
	Urban	8.7	8.3	7.6	8.3
	Rural	2.3	1.7	1.3	1.8
Latin America (Twenty countries)	Total	2.8	2.7	2.8	2.8
	Urban	5.3	5.1	4.8	5.1
	Rural	1.9	1.5	1.3	1.6

Source: Table III-7.

In all Latin American countries cities of 100 thousand or more inhabitants have grown rapidly, and a growing proportion of the total population is concentrated in them. It is estimated that in 1975, 14 countries had more than 20 per cent of their population residing in such urban agglomerations and that in 9 of them that proportion was higher than 30 per cent. Moreover, in most countries, between 70 and 80 per cent of the urban population resides in such cities.

It is not easy to formulate projections on trends in the urban and rural population in Latin American countries. The necessary information is lacking. Knowledge on the interrelations among demographic and socio-economic variables is scarce and the interrelations are much too complex to be translated into working hypotheses for establishing meaningful and reasonable assumptions. Nevertheless, in order to satisfy the main aim of providing a few approximations on the distribution of the population and migratory flows several projections were made. Table 10 groups the preliminary results of one of those projections which it seemed worthwhile to prepare in advance for the limited purposes mentioned above.

In these analyses the definition of the urban population adopted is the one most frequently used for censuses in the countries. In general terms this definition corresponds to localities of 2,000 or more inhabitants.

According to these projections, for the twenty countries studied as a whole, the urban population would increase from 194 million inhabitants in 1975 to more than 460 million around the year 2000. At the same time, the rural population is expected to increase very little, by approximately 25 per cent. Therefore, the urban areas would absorb approximately 90 per cent of the total growth of the population.

Migration flows would play a very important role in this process. During the next 25 years about 86 million persons of rural origin are likely to become urban residents and, if their children are also counted, the total effect of rural migration could be estimated at some 120 million people.

Table III-10

LATIN AMERICA (TWENTY COUNTRIES): PROJECTIONS OF URBAN AND RURAL POPULATION BY COUNTRIES, 1975 AND 2000

(Thousands)

Country	1975	2000
<u>Argentina</u>		
Total	25 346	32 584
Urban	20 470	28 976
Rural	4 876	3 608
Urban percentage	80.8	88.9
<u>Bolivia</u>		
Total	5 439	10 510
Urban	2 148	5 400
Rural	3 291	5 110
Urban percentage	39.2	51.5
<u>Brazil</u>		
Total	109 730	212 505
Urban	65 983	162 501
Rural	43 747	50 004
Urban percentage	60.1	76.5
<u>Colombia</u>		
Total	25 890	51 463
Urban	16 410	40 811
Rural	9 480	10 652
Urban percentage	63.4	79.3
<u>Chile</u>		
Total	10 289	15 931
Urban	8 052	14 179
Rural	2 237	1 752
Urban percentage	78.3	89.0
<u>Ecuador</u>		
Total	7 090	14 772
Urban	2 995	8 054
Rural	4 095	6 718
Urban percentage	42.2	54.5
<u>Paraguay</u>		
Total	2 690	5 623
Urban	1 095	3 080
Rural	1 595	2 543
Urban percentage	40.7	54.8
<u>Peru</u>		
Total	15 688	32 348
Urban	9 704	24 812
Rural	5 984	7 536
Urban percentage	61.9	76.7
<u>Uruguay</u>		
Total	3 129	3 983
Urban	2 665	3 665
Rural	464	318
Urban percentage	85.2	92.0
<u>Venezuela</u>		
Total	12 213	23 552
Urban	9 235	20 688
Rural	2 978	2 864
Urban percentage	75.6	87.8
<u>Costa Rica</u>		
Total	1 994	3 695
Urban	846	2 101
Rural	1 148	1 594
Urban percentage	42.4	56.9
<u>Cuba</u>		
Total	9 590	15 428
Urban	5 866	11 410
Rural	3 724	4 018
Urban percentage	62.5	74.0
<u>El Salvador</u>		
Total	4 210	9 062
Urban	1 821	5 210
Rural	2 389	3 852
Urban percentage	43.2	57.5
<u>Guatemala</u>		
Total	6 081	11 997
Urban	2 221	5 774
Rural	3 860	6 217
Urban percentage	36.5	48.2

/Table 10 (concluded)

Table III-10 (concluded)

Country	1975	2000
<u>Haiti</u>		
Total	5 888	10 742
Urban	1 331	3 799
Rural	4 557	6 943
Urban percentage	22.6	35.4
<u>Honduras</u>		
Total	3 037	6 881
Urban	1 117	3 607
Rural	1 920	3 274
Urban percentage	36.8	52.4
<u>Mexico</u>		
Total	59 483	134 863
Urban	37 405	105 544
Rural	22 078	29 319
Urban percentage	62.9	78.3
<u>Nicaragua</u>		
Total	2 342	5 343
Urban	1 205	3 665
Rural	1 137	1 678
Urban percentage	51.4	68.6
<u>Panama</u>		
Total	3 685	3 312
Urban	2 866	2 199
Rural	819	1 113
Urban percentage	52.5	66.4
<u>Dominican Republic</u>		
Total	5 175	12 205
Urban	2 268	7 534
Rural	2 907	4 671
Urban percentage	43.8	61.7
<u>Total (twenty countries)</u>		
Total	316 989	616 793
Urban	133 833	463 009
Rural	183 156	153 784
Urban percentage	61.1	75.1

Note 1: The urban population is the population so defined in each country. Broadly speaking, the results are very similar to those which would be obtained by defining the urban population as comprising the residents of localities of 2 000 inhabitants or more.

Note 2: The figures in this table differ slightly from those of total population in table 3 because here international migration was assumed to be nil after 1970. They also differ slightly from the projections of urban and rural population in the Boletín Demográfico del CELADE, año IX, N° 18, because, in addition to the assumption of no international migration, they were produced by the components method, with hypothesis about levels and rates of urban and rural fertility and rural-urban migration which led to results similar to those of the projections in the Boletín N° 18.

This intense process of urbanization would operate in all the countries, along with a declining trend in the rates of rural growth. In this respect it should be noted that the absolute levels of rural population are already falling in Argentina, Chile and Uruguay and that the same will occur in Venezuela towards the end of the next decade and in Colombia before the end of the century.

(f) The extraordinary increase in the population of active age

As a result of the high rates of fertility and the rapid decline in mortality the proportion of the population aged under 15 was tending to rise by 1970, and at the same time the proportion of the population of between 15 and 64 years of age was declining to some extent. The latter group represented 56 per cent of the total population in 1950, and now constitutes 54 per cent.

These trends will change markedly over the next 25 years; the population of active age will increase, and the proportion of young people will decline. The first group will increase from 54 per cent to 58 per cent of the total by the end of the century, and the under-15 age group will decline from 42.1 per cent in 1975 to 38 per cent at the end of the same period.

These changes in the age structure of the population will be recorded in nearly all the countries as is shown by the figures in table 11; this will have immediate consequences in the form of an extraordinary increase in the population of active age.

For the group of 20 countries considered the population of active age groups will increase from 171 million to over 353 million inhabitants during the next 25 years. This means that it will increase at an average rate of 2.9 per cent a year, with greater dynamism than in the past and also greater intensity than the total population.

This demographic explosion in the active age groups depends mainly on the age structure of the current population and the fall in the rate of mortality, and to a lesser extent on the changes which may occur in the hypotheses on the decline of fertility which have been used in these studies.

/Table 11

Table III-11

LATIN AMERICA (TWENTY COUNTRIES): POPULATION STRUCTURE BY AGE GROUPS

(Percentage distribution)

Country	Age groups	Percentage		
		1950	1975	2000
Argentina	0 - 14	30.5	28.5	25.0
	15 - 64	65.3	63.6	64.5
	65 and over	4.2	7.9	10.5
Bolivia	0 - 14	42.0	43.0	40.5
	15 - 64	55.0	54.1	56.0
	65 and over	3.0	2.9	3.5
Brazil	0 - 14	42.5	42.0	37.3
	15 - 64	55.1	54.8	58.2
	65 and over	2.4	3.2	4.5
Colombia	0 - 14	43.5	45.7	36.4
	15 - 64	52.9	51.5	59.9
	65 and over	3.6	2.8	3.7
Chile	0 - 14	38.2	35.7	30.1
	15 - 64	57.8	59.2	63.6
	65 and over	4.0	5.1	6.3
Ecuador	0 - 14	45.3	46.0	39.5
	15 - 64	53.2	51.2	57.2
	65 and over	3.5	2.8	3.3
Paraguay	0 - 14	42.3	45.1	39.7
	15 - 64	53.9	51.5	56.5
	65 and over	3.8	3.4	3.8
Peru	0 - 14	43.1	44.2	41.3
	15 - 64	53.8	52.1	55.2
	65 and over	3.1	3.7	3.5
Uruguay	0 - 14	28.0	28.2	25.5
	15 - 64	65.2	62.4	63.0
	65 and over	6.8	9.4	11.5
Venezuela	0 - 14	42.4	44.4	35.9
	15 - 64	54.2	52.5	59.7
	65 and over	3.4	3.1	4.4
Costa Rica	0 - 14	44.1	42.2	34.1
	15 - 64	52.4	54.5	61.5
	65 and over	3.5	3.3	4.4
Cuba	0 - 14	37.1	38.0	31.3
	15 - 64	58.9	55.8	61.8
	65 and over	4.0	6.2	6.9
El Salvador	0 - 14	42.2	45.7	40.7
	15 - 64	54.9	51.0	55.5
	65 and over	2.9	3.3	3.8
Guatemala	0 - 14	43.0	43.6	39.1
	15 - 64	54.0	53.3	56.8
	65 and over	3.0	3.1	4.1
Haiti	0 - 14	41.5	42.9	38.3
	15 - 64	55.9	54.1	58.2
	65 and over	2.6	3.0	3.5
Honduras	0 - 14	44.6	46.9	43.2
	15 - 64	52.7	50.3	53.4
	65 and over	2.7	2.8	3.4
Mexico	0 - 14	42.8	45.9	42.3
	15 - 64	53.9	50.6	54.3
	65 and over	3.3	3.5	3.4
Nicaragua	0 - 14	44.1	48.4	44.1
	15 - 64	52.9	49.2	53.5
	65 and over	3.0	2.4	2.4
Panama	0 - 14	41.1	42.8	37.2
	15 - 64	53.1	53.4	58.1
	65 and over	5.8	3.8	4.7
Dominican Republic	0 - 14	44.1	48.0	44.4
	15 - 64	52.7	49.4	53.0
	65 and over	3.2	2.6	2.6
Total (twenty countries)	0 - 14	49.7	42.1	
	15 - 64	56.0	54.1	
	65 and over	3.3	3.8	

Source: CELADE projections; suggested middle hypothesis.

/Various projections

Various projections of the economically active population have been formulated. The rates of participation of the population in economic activity have been established on the basis of information derived from censuses in accordance with various hypotheses. In these the following aspects are noteworthy because of their particular influence on the results of the projection: (i) that the rates of participation of the urban population by age groups were projected in a linear manner assuming that by the year 2020 these rates will reach the corresponding amounts recorded in the United States in 1960 and (ii) that the rates of participation of the rural population in the year 2000 will be similar to those currently recorded in the urban population. Other alternatives have also been used, of course, but we have preferred here to present the projections corresponding to the hypotheses mentioned because they illustrate more clearly the magnitude and nature of the changes which may occur in the economically active population.

According to these projections, which are assembled in tables 12 and 13, the economically active population of the group of 20 countries studied will increase by more than 100 per cent between 1975 and the year 2000, which represents an average rate of more than 3 per cent a year, so that the economically active population would have much greater dynamism than the total population.

The evolution would vary considerably from one country to another. Thus while in Mexico and Nicaragua the economically active population would increase by around 160 per cent, in Argentina and Uruguay it would increase by barely 35 per cent (see table 13).

It should be noted that the assumptions made concerning the increase in the rate of participation by women have a special influence on these results. The projections show that while the male economically active population will increase at an average rate of 2.8 per cent a year in the group of 20 countries studied, the female population would increase at an average rate of approximately 4 per cent.

Table III-12

LATIN AMERICA (TWENTY COUNTRIES): PROJECTIONS OF THE TOTAL, URBAN AND RURAL ECONOMICALLY ACTIVE POPULATION, 1975 AND 2000

(Thousands)

Country	Population	1975			2000		
		Total	Men	Women	Total	Men	Women
Argentina	Total	9 887	7 403	2 484	13 404	9 534	3 870
	Urban	8 062	5 899	2 163	12 018	8 462	3 556
	Rural	1 825	1 504	321	1 386	1 072	314
Bolivia	Total	1 863	1 494	369	3 653	2 763	890
	Urban	746	588	158	1 912	1 394	518
	Rural	1 117	906	211	1 741	1 369	372
Brazil	Total	32 663	25 224	7 439	71 502	50 766	20 736
	Urban	20 285	14 358	5 927	56 570	39 437	17 093
	Rural	12 378	10 866	1 512	14 932	11 329	3 643
Colombia	Total	7 859	5 967	1 862	18 780	13 435	5 345
	Urban	5 013	3 525	1 488	14 939	10 334	4 605
	Rural	2 846	2 442	374	3 841	3 101	740
Chile	Total	3 384	2 584	800	6 115	4 356	1 759
	Urban	2 664	1 938	726	5 481	3 845	1 636
	Rural	720	646	74	634	511	123
Ecuador	Total	2 003	1 655	348	4 861	3 576	1 285
	Urban	848	618	230	2 742	1 908	834
	Rural	1 155	1 037	118	2 119	1 668	451
Paraguay	Total	868	684	184	2 064	1 442	622
	Urban	399	271	128	1 182	806	376
	Rural	469	413	56	882	636	246
Peru	Total	4 497	3 519	978	10 447	7 521	2 926
	Urban	2 891	2 158	733	8 265	5 855	2 410
	Rural	1 606	1 361	245	2 182	1 666	516
Uruguay	Total	1 189	894	295	1 614	1 148	466
	Urban	995	728	267	1 485	1 046	439
	Rural	194	166	28	129	102	27
Venezuela	Total	3 521	2 698	823	8 408	6 016	2 392
	Urban	2 723	1 994	729	7 461	5 263	2 198
	Rural	792	704	88	947	753	194
Costa Rica	Total	649	520	119	1 425	1 022	403
	Urban	293	203	90	834	568	266
	Rural	356	317	29	591	454	137
Cuba	Total	2 888	2 342	546	5 706	4 171	1 535
	Urban	1 804	1 452	352	4 361	3 091	1 270
	Rural	984	890	94	1 345	1 080	265
El Salvador	Total	1 578	1 114	464	3 452	2 334	1 118
	Urban	699	450	249	2 040	1 350	690
	Rural	879	664	215	1 412	984	428
Guatemala	Total	1 887	1 613	274	4 180	3 080	1 100
	Urban	727	639	88	2 113	1 492	621
	Rural	1 150	1 074	76	2 067	1 588	479
Haiti	Total	1 965	1 650	305	3 967	2 948	1 019
	Urban	452	317	135	1 392	942	450
	Rural	1 513	1 333	170	2 575	2 006	569
Honduras	Total	953	772	181	2 332	1 708	625
	Urban	367	264	103	1 220	843	377
	Rural	586	508	78	1 113	865	248
Mexico	Total	16 346	12 973	3 373	42 739	31 108	11 631
	Urban	10 645	7 872	2 773	34 118	24 385	9 733
	Rural	5 701	4 996	700	8 621	6 723	1 898
Nicaragua	Total	638	496	142	1 694	1 174	520
	Urban	335	221	114	1 188	797	391
	Rural	303	275	28	506	377	129
Panama	Total	585	426	159	1 256	846	410
	Urban	322	204	118	844	553	291
	Rural	263	222	41	412	293	119
Dominican Republic	Total	1 682	1 254	428	4 105	2 928	1 177
	Urban	732	512	220	2 541	1 751	790
	Rural	950	742	208	1 564	1 177	387
Total (twenty countries)	Total	96 905	75 332	21 573	211 707	151 875	59 832
	Urban	61 120	44 516	16 604	162 669	114 123	48 546
	Rural	35 785	30 816	4 969	49 038	37 752	11 286

Source: Projections prepared taking into account the total, urban and rural population of table III-10 broken down by age and sex. Rates of participation in economic activity by age and sex were estimated for the urban and rural population in 1970. Urban rates were projected linearly, assuming that in 2000 then would reach the corresponding age and sex rate of the United States in 1960. The rural rates were projected linearly to reach in the year 2000 the levels recorded in urban areas in 1970.

Table III-13

LATIN AMERICA (TWENTY COUNTRIES): RELATIVE GROWTH OF THE TOTAL, URBAN AND RURAL
POPULATION AND ECONOMICALLY ACTIVE POPULATION, 1975-2000

Country	Population			Economically active population				
	Total	Urban	Rural	Total	Urban	Rural	Men	Women
Argentina	28.56	41.56	-26.02	35.58	49.07	-24.02	28.79	55.80
Bolivia	93.25	151.47	58.74	96.12	156.36	55.87	85.02	140.96
Brazil	93.66	146.28	14.30	118.91	178.69	20.95	101.27	178.74
Colombia	98.78	148.70	12.37	138.97	197.99	35.00	124.02	187.11
Chile	54.84	76.09	-21.67	80.67	105.74	-12.09	68.53	119.89
Ecuador	108.36	168.89	64.08	142.68	223.26	83.38	116.05	269.42
Paraguay	109.01	181.35	59.39	137.70	195.52	88.32	110.72	237.91
Peru	106.19	155.69	25.92	132.30	185.88	35.89	113.73	199.13
Uruguay	27.28	37.50	-31.44	35.69	49.21	-33.72	28.45	57.61
Venezuela	92.84	124.02	-3.83	138.86	173.49	19.64	123.03	190.75
Costa Rica	85.34	148.30	38.91	119.40	184.38	65.93	92.67	238.47
Cuba	60.88	90.32	11.77	97.60	129.10	36.65	78.14	181.01
El Salvador	115.27	186.21	61.22	118.76	191.84	60.64	109.53	140.94
Guatemala	97.17	159.95	61.05	121.54	186.74	79.73	90.96	301.64
Haiti	82.43	185.41	52.35	101.87	207.93	70.17	77.54	234.36
Honduras	126.57	222.98	70.49	144.83	232.40	90.01	121.26	245.37
Mexico	126.72	182.17	32.79	161.46	220.51	51.21	139.78	244.87
Nicaragua	128.13	204.24	47.52	165.57	254.86	66.95	136.62	267.05
Panama	96.52	153.85	35.88	114.71	162.50	56.29	98.47	158.32
Dominican Republic	135.84	232.16	60.69	144.01	246.81	64.70	133.40	175.11
<u>Total (twenty countries)</u>	<u>94.58</u>	<u>138.87</u>	<u>24.87</u>	<u>118.47</u>	<u>166.15</u>	<u>37.03</u>	<u>101.61</u>	<u>177.34</u>

Source: Table III-12.

2. Overall macroeconomic projections for the non-oil-exporting countries

(a) Background and objectives of macroeconomic projections

The balance of payments and external indebtedness position recorded by the non-oil-exporting countries in the mid-1970s compelled them to introduce some adjustments in their policies which abruptly slowed the growth rate in 1975 and permitted only a moderate recovery in 1976. The external variables which had stimulated growth at the beginning of the 1970s, and particularly in the two years 1972-1973, once again became a curb on growth. With the purpose of illustrating the relationship between imports, exports and external finance and long-term economic growth, two exercises in projections for the non-oil-exporting countries covering the period 1976-1990 have been prepared.

Statistical figures and projections have been prepared for each of the 13 countries considered.^{2/} Obviously, the situation and prospects differ from country to country, but the majority are affected in differing degrees by similar balance of payments and external indebtedness problems. The results are presented for the whole group of countries in aggregate form in tables 14 and 15. Owing to the difference in economic and demographic size between them, the absolute figures and coefficients are strongly influenced by the larger countries, particularly Brazil.

These projections cannot but give special attention to the present situation, since the effects of cumulative indebtedness will make themselves felt for a long time. It is therefore necessary to examine the balance-of-payments position of these countries in 1975, which is noted for the following features:

^{2/} Argentina, Brazil, Central America, Chile, Colombia, Mexico, Panama, Paraguay and Peru.

Table III-14

NON-OIL-EXPORTING COUNTRIES (13 COUNTRIES)^{a/}: GROWTH AND DISTRIBUTION OF GROSS DOMESTIC PRODUCT
AND EVOLUTION OF THE EXTERNAL SECTOR

Hypothesis: Growth trend of the gross domestic product

Year	Gross domestic product	Total gross investment	Total consumption	Exports of goods and services	Imports of goods and services	Terms-of-trade effect	Trade balance	Net payments of profits and interest ^{b/}	Net external financing	Gross national saving	Gross domestic income
<u>Values in millions of dollars at 1970 prices</u>											
1950	46 212	7 718	39 086	5 668	6 260	1 571	979	661	-318	8 036	47 783
1970	132 971	26 584	106 945	13 395	13 953	-	-558	1 866	2 424	24 610	132 971
1975	179 111	41 054	142 237	16 272	20 452	-694	-4 874	3 459	8 333	32 721	178 417
1980	238 024	47 432	191 318	22 131	22 857	-1 208	-1 934	4 979	6 913	40 519	236 816
1990	424 355	85 945	335 311	44 672	41 573	-2 268	831	8 397	7 566	78 378	422 087
<u>Coefficients with respect to the gross domestic product, per cent</u>											
1950	100.0	16.7	84.6	12.3	13.6	3.4	2.1	1.4	-0.7	17.4	103.4
1970	100.0	20.0	80.4	10.1	10.5	-	-0.4	1.4	1.8	18.2	100.0
1975	100.0	22.9	79.4	9.1	11.4	-0.4	-2.7	1.9	4.6	18.3	99.6
1980	100.0	19.9	80.4	9.3	9.6	-0.5	-0.8	2.1	2.9	17.0	99.5
1990	100.0	20.3	79.0	10.5	9.8	-0.5	0.2	2.0	1.8	18.5	99.5
<u>Annual growth rates, per cent</u>											
1950-1970	5.4	6.4	5.2	4.4	4.1	-	-	5.3	-	5.7	5.3
1970-1975	6.1	9.1	6.0	2.5	8.0	-	-	13.1	-	6.3	6.1
1975-1980	5.9	2.9	6.1	6.3	2.3	-	-	7.6	-	4.4	5.8
1980-1990	6.0	6.1	5.8	7.3	6.2	-	-	5.4	-	6.8	5.9
1975-1990	5.9	5.0	5.9	7.0	4.8	-	-	6.1	-	6.0	5.9

Source: CEPAL.

^{a/} Argentina, Brazil, Central America, Chile, Colombia, Mexico, Panama, Paraguay and Peru.

^{b/} Including private transfer payments.

Table III-15

NON-OIL-EXPORTING COUNTRIES (13 COUNTRIES)^{a/}; GROWTH AND DISTRIBUTION OF GROSS DOMESTIC PRODUCT AND EVOLUTION OF THE EXTERNAL SECTORHypothesis: Moderate acceleration of growth of the gross domestic product

Year	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Imports of goods and services	Terms-of-trade effect	Trade balance	Net payments of profits and interest b/	Net external financing	Gross national saving	Gross domestic income
<u>Values in millions of dollars at 1970 prices</u>											
1950	46 212	7 718	39 086	5 668	6 260	1 571	979	661	-318	8 036	47 783
1970	132 972	26 584	106 945	13 395	13 953	-	-558	1 866	2 424	24 160	132 971
1975	179 111	42 054	142 237	16 272	20 452	-694	-4 874	3 459	8 333	32 721	178 417
1980	240 187	52 378	188 536	22 592	23 319	-1 252	-1 980	4 915	6 895	45 483	238 935
1990	504 070	121 374	382 217	50 476	49 997	-3 461	-2 982	9 078	12 060	109 314	500 609
<u>Coefficients with respect to the domestic product</u>											
1950	100.0	16.7	84.6	12.9	13.6	3.4	2.1	1.4	-0.7	17.4	103.4
1970	100.0	20.0	80.4	10.1	10.5	-	-0.4	1.4	1.8	18.2	100.0
1975	100.0	22.9	79.4	9.2	11.4	0.4	-2.7	1.9	4.6	18.3	99.6
1980	100.0	21.8	78.5	9.4	9.7	-0.5	-0.8	2.0	2.9	18.9	99.5
1990	100.0	24.1	75.8	10.0	9.9	-0.7	-0.6	1.8	2.4	21.7	99.3
<u>Annual growth rates, per cent</u>											
1950-1970	5.4	6.4	5.2	4.4	4.1	-	-	5.3	-	5.7	5.3
1970-1975	6.1	9.1	6.0	2.5	8.0	-	-	13.1	-	6.3	6.1
1975-1980	6.0	5.0	5.8	6.8	2.7	-	-	7.3	-	6.8	6.0
1980-1990	7.7	8.8	7.3	8.4	7.9	-	-	6.9	-	9.2	7.7
1975-1990	7.1	7.5	6.8	7.8	5.2	-	-	6.6	-	8.4	7.1

Source: CEPAL.

a/ Argentina, Brazil, Central America, Chile, Colombia, Mexico, Panama, Paraguay and Peru.

b/ Including net private transfer payments.

(i) Indebtedness had reached a high level for most countries, and totalled 67,000 million dollars, which was over 20 per cent of the gross domestic product (both valued in dollars at 1970 prices) and more than doubled the purchasing power of exports. Both these proportions are substantially higher than those recorded in 1970;

(ii) Debt servicing in 1975 absorbed 40 per cent of the purchasing power of exports of goods and services, which is much more than in 1970 (30 per cent) and seriously jeopardized this group of countries' capacity to import.

(iii) The 1970s showed, on average, two trends which gradually affected the long-term stability of the balance of payments. On the one hand, imports showed extraordinary dynamism, increasing at much higher rates than the product (8 per cent and 6.1 per cent, respectively). On the other hand, the volume of exports rose at relatively low rates, except in the years 1972-1973. When the terms of trade deteriorated towards the mid-1970s, the trade balance became distinctly negative, and in 1975 it absorbed about 40 per cent of the value of exports.

(iv) Net external financing needs increased at an accelerated pace as a result of the trade and indebtedness trends. In 1975 these requirements represented 54 per cent of the purchasing power of exports and 4.6 per cent of the product, which can be more fully appreciated if it is recalled that in 1970 the respective proportions had been 18 and 1.8 per cent.

The ultimate consequences of a process of this kind are clear. In the first place, current export earnings will be seriously committed for a long time by service payments on the external debt, and substantial financing will be required to assure certain import levels, quite apart from the fact that in many cases it will also be necessary to raise international monetary reserves. Secondly, such an unhealthy external position may impede the inflow of external financing and make it more difficult to solve the balance-of-payments problem, even though imports may decline and economic growth may be slow, thus dangerously aggravating the social tensions that dominate the Latin American scene.

/It may

It may therefore be asked under what conditions could the non-oil-exporting countries recover their long-term economic dynamism and continue with a fairly open structure in their relations with other countries, while persisting in the course that has characterized their development since the end of the last decade; also what kind of adjustments should they introduce in the medium term to solve their balance-of-payments problems, while at the same time maintaining a certain rate of economic growth. The projects that have been prepared are intended to analyse these aspects and to illustrate alternative or complementary solutions which might be considered in very general terms. It is stressed that the figures for the period 1975-1980 must be considered within the context of the projections exercise and are by no means in the nature of predictions or forecasts.

(b) Basic assumptions and preliminary results

The main characteristics of these projections are resumed below.

In the circumstances described above, it was decided to evaluate, for two hypotheses of growth of the product, what the export requirements would be if it were desired to make a substantial reduction in the relative magnitude of debt servicing and net external financing, in such a way that the situation in this respect in 1990 would be more like that of 1970 than that of 1975.

Goals for the growth of the gross product in relation to the two alternatives were established for each of the countries. In the first it is proposed that the trend recorded over the last 25 years is maintained, which means an average annual rate of 6 per cent for the group of non-petroleum exporting countries. This rate is somewhat higher than the past rate because of the above-average values recorded in various countries, basically in Brazil which has increased and will continue to increase its share in the regional product. In the second alternative a moderate acceleration in the growth rates is established. It is assumed that during the rest of

/the decade

the decade the past growth rate would be recovered, overcoming the decline of 1975 and the slow recovery of 1976. During the 1980s the rate would accelerate to more than 7 per cent. Thus in the period 1975-1990 there would be an average rate of 7.1 per cent a year (see tables 14 and 15).

The projections on the evolution of import prices have been made on the assumption of a certain degree of deceleration in world inflation. In these exercises it is postulated that the average index of import prices will at first rise to 6 per cent a year, and then fall to 5 per cent and 4 per cent. It is also assumed that the terms of trade will remain approximately at the 1976 level, which means that throughout the period they would be below the ratio recorded in 1970. That is why the projections continue to record a negative balance of the terms of trade.

Imports were generally projected as a function of demand, distinguishing between imports of capital goods, which are determined through investment, and other imports, which are made to depend on the product. In some cases adjustments were made, especially for the period 1975-1980, in order to take into account national programmes already decided on or in progress relating to industrialization and imports substitution and other aspects which would justify an alteration in the past ratios. The projections show a reduction in the imports coefficient compared to the gross domestic product of 11.4 per cent in 1975 at values close to 10 per cent in 1990 in the two alternatives of growth, assuming in both cases that the efforts of reduction would materialize during the period 1975-1980. The investment needed if the economic growth postulated is to materialize depends on the increases of the product. The product-capital coefficient has been estimated for each of the countries on the basis of past information on the growth rate of the product and investment coefficient, and a functional relation has been established to determine the capital requirements on the basis of the growth rates postulated.

/The financing

The financing conditions have been fixed taking into account the experience of recent years. The assumptions made mean that approximately 85 per cent of gross inflows of capital will be constituted by loans and 15 per cent by direct investment of foreign capital. The amortization and interest of the loans are adjusted on general lines to the amortization programmes envisaged for the current debt of each country. An amortization term of eight years with 7 per cent annual interest is taken as a rough average. The rate of profit on foreign capital was fixed at 10 per cent.

It was attempted to establish the levels of net external financing so that in both alternatives its coefficient in respect to the product of under 4.6 per cent in 1975 was reduced. In the projection of trends it is reduced to 1.8 per cent in 1990 - i.e., to the 1970 level - and in that of the acceleration of the growth rates to 2.4 per cent.

The ratio for around 1980 is 2.9 per cent in both cases. The smaller reduction suggested in the second case is based on the idea that exaggerated export gross rates should not be used. Accordingly, the relative size of the debt compared with the product at the end of the period under study reflects levels similar to those of 1970, and the ratios of debt servicing to the current value of exports follow a somewhat similar pattern.

On the basis of the hypotheses outlined above a series of results is obtained which show the trend of the main balance-of-payment figures and the need for national action.

Export needs are rather high. In the alternative based on past trends they would have to be expanded at an average annual rate of 7 per cent if the targets set are to be achieved. The moderate upswing in the growth of the product would mean raising this rate to 7.8 per cent. In both cases the growth rate of exports increases gradually and in the 1980s the respective rates are 7.3 and 8.4 per cent per year. (See tables 14 and 15.)

Apart from this, it should be pointed out that these rates could be even higher if the terms of trade were to deteriorate compared with 1976, and were not constant as assumed in both cases.

/The high

The high export needs are explained by the needs to pay for services which stem largely from present debt levels. In these circumstances the relative reduction in net external financing assumed is translated into the need to reduce the deficit in the trade balance. Thus, in the alternative based on past trends the trade deficit is considerably smaller in 1980, and there is a positive balance in 1990. In the other alternative it also falls gradually, but shows no surplus in 1990.

As regards national efforts to finance capital accumulation, the levels required in both exercises seem attainable without too great an effort. In fact, the gross national savings ratio is constant at present levels in the alternative trend. In contrast, in the second alternative it increases from 18.3 per cent in 1975 to 18.9 in 1980 and to 21.7 per cent in 1990.

(c) Some conclusions on the problems of the balance of payments

The evaluation of the balance-of-payments problems and the projection exercises call for some conclusions which must necessarily be general ones in view of the degree of abstraction, for reasons of simplification, of the analysis. Inter alia, attention should be drawn to the following aspects:

(i) The high level of already accumulated external debt and the burden of debt servicing, which will increase considerably, constitute on their own a serious problem on account of their impact on the balance of payments in the short-term and medium-term and long-term, and because of the extremely risky and vulnerable situation in which it places the Latin American countries. There is, therefore, urgent need for international co-operation in finding appropriate solutions. In this connexion several proposals have been made, but they have not yet received the unanimous support of either the developed or the developing countries. The CEPAL secretariat has also formulated some proposals at regional and international level in this connexion. In particular, Latin American countries need to have greater access to international long-term

/financial markets,

financial markets, and to change the composition of their financing, by increasing borrowings from official sources and reducing the share of private lending agencies and banks.

(ii) As explained above, the rapid increase in export income represents a key variable in the management of balance-of-payments problems and in increasing the rate of economic growth. And it is obvious that the countries must make an effort to bring about, as soon as possible, a reduction in the trade-balance deficit, leading towards equilibrium. And this for several reasons: in order to ensure the prompt reduction of the actual levels of net external financing so as to avoid the long-term effect of the debt to increase external purchasing power, to build up adequate monetary reserves and reduce the degree of external vulnerability in order to promote a climate of confidence and facilitate the management of the debt and its servicing.

The short- and medium-term growth of export will depend on the recovery of the economic growth rate of the industrialized countries and the possibilities of access to their markets, as well as, in the final analysis, on the adoption of the policies and measures proposed by the developing countries regarding the various aspects of the trade in and prices of basic commodities. There is particular concern about the trend of the terms of trade, which run the risk of deteriorating still further either because of the continual rise in the prices of imports from the industrialized countries or because of the decline and instability of commodity prices, as is already happening in some cases.

(iii) The high elasticity of imports and their high coefficient with respect to the product will have to be reduced, since the maintenance of the trends observed in the first half of the 1970s would make the balance-of-payments position untenable. This can be achieved by reducing or eliminating imports of items which are not essential for the countries' economic growth or expenditures which are unjustified not only in the light of the balance-of-payments problems but also of the prevailing economic and social conditions.

/Moreover, the

Moreover, the countries - particularly the large ones - have decided to adopt or are already applying industrialization programmes which will permit the substitution of imports in important areas of the intermediate and capital goods sectors.

(iv) This analysis of projections once again brings out the important medium- and long-term role to be played in Latin American development by regional co-operation and the expansion of intra-regional trade. This will facilitate a more flexible growth structure for the national economies and there will tend to be a reduction in the marked dependency on the central countries at present observed as regards supplies of capital goods and basic industrial inputs.

(v) Finally, it is worth noting that the solutions and policies adopted with regard to balance-of-payments problems naturally call for complementary measures of an internal nature which must be in keeping with the economic and social objectives of the national development strategies.

3. Some comments on the projections of sectoral and employment trends

The long-term prospects regarding sectoral trends and economic changes, as well as the evolution of productivity and employment, are being given particular attention in the prospective studies of the CEPAL secretariat.

This field of its research consists mainly in: (i) defining various settings which are not exactly the same as those used in the prospective studies of other aspects of development; (ii) determining the rate of growth and changes in the production structure; (iii) obtaining projections on the evolution of productivity by specific sectors; (iv) determining the employment requirements; (v) making a comparative analysis on the basis of the demographic projections on population of active age and the economically active population; and (vi) evaluating employment prospects at a sectoral and overall level, taking into account unemployment and under-employment in the initial period of the projections.

The functions projecting sectoral growth and the rate of productivity have been determined mainly on the basis of the domestic product and total and per capita income, taking into account the historical statistical data of Latin American countries and of some of the more advanced industrial countries. In other words, in one way or another it is assumed that at different rates of growth the dynamism of the economic and technological structure will develop following the same patterns as those prevailing in Latin America and, with the increase in per capita income, tending to absorb the characteristics of the more developed economies.

In its current work programme the secretariat aims to project over the next 25 years the variables of economic growth and occupation given in table 16, while also, naturally, carrying out the corresponding basic and complementary studies, such as those connected with the distribution of the product and occupation by sectors.

The secretariat is advancing in this project with some difficulty, due to the shortage of data and the need to examine scrupulously the complex interrelations between the variables under consideration. Full information is not yet available. However, some conclusions can be drawn which, although general and provisional, are of great importance in this prospective appraisal of Latin American development.

These conclusions concern two projection exercises corresponding to two working hypotheses. In the first, the growth rate of the product in each of a selected group of countries is assumed to be the same as in the past ten or twenty years, as the case may be; and in the second, a sharp rise in the growth rate is postulated, in order to assess the orders of magnitude of the growth and level of economic activity necessary to meet specific employment objectives. The fundamental assumption which characterizes the two hypotheses is that in both cases the process of economic and technological transformation typifying the Latin American economies will continue, evolving along lines similar to those of the industrial countries as the domestic product and income grow.

Table III-16

LATIN AMERICA (11 COUNTRIES): SECTORAL EVOLUTION OF VALUE ADDED, EMPLOYMENT AND LABOUR PRODUCTIVITY
(Annual growth rates, per cent)

Groups of countries	Value added				Employment				Productivity			
	1950-1960		1960-1970		1950-1960		1960-1970		1950-1960		1960-1970	
	1950-1960	1960-1970	1950-1960	1960-1970	1950-1960	1960-1970	1950-1960	1960-1970	1950-1960	1960-1970	1950-1960	1960-1970
<u>Agriculture</u>												
Non-oil-exporting countries	3.7	3.6	3.6	3.6	1.0	0.4	0.7	2.6	2.6	3.2	2.9	2.9
Group A ^{a/}	3.8	3.7	3.7	3.7	1.3	0.4	0.8	2.5	2.5	3.3	2.9	2.9
Group B ^{b/}	3.4	3.3	3.3	3.3	0.1	0.4	0.2	3.3	3.3	2.9	3.1	3.1
Oil-exporting countries ^{c/}	4.2	3.8	4.0	4.0	1.4	2.3	1.8	2.8	2.8	1.5	2.1	2.1
Latin America (11 countries)	3.7	3.6	3.6	3.6	1.0	0.6	0.8	2.6	2.6	3.0	2.8	2.8
<u>Manufacturing</u>												
Non-oil-exporting countries	6.0	6.8	6.4	6.4	2.9	2.7	2.8	2.8	2.8	4.2	3.5	3.5
Group A	6.2	7.1	6.7	6.7	3.3	2.8	3.0	2.9	2.9	4.2	3.5	3.5
Group B	5.3	5.5	5.4	5.4	1.7	2.2	2.0	3.5	3.5	3.3	3.4	3.4
Oil-exporting countries	7.1	4.3	5.7	5.7	1.3	4.4	2.9	5.7	5.7	-0.1	2.8	2.8
Latin America (11 countries)	6.2	6.5	6.3	6.3	2.8	2.8	2.8	3.3	3.3	3.6	3.4	3.4
<u>Services</u>												
Non-oil-exporting countries	5.0	5.6	5.3	5.3	3.7	4.5	4.1	1.2	1.2	1.0	1.1	1.1
Group A	5.1	5.6	5.4	5.4	3.8	4.4	4.1	1.3	1.3	1.2	1.3	1.3
Group B	4.4	5.3	4.9	4.9	3.7	4.9	4.2	0.7	0.7	0.4	0.5	0.5
Oil-exporting countries	5.0	5.8	5.4	5.4	3.9	4.8	4.3	1.1	1.1	1.0	1.0	1.0
Latin America (11 countries)	5.0	5.6	5.3	5.3	3.8	4.5	4.1	1.2	1.2	1.0	1.1	1.1
<u>Total</u>												
Non-oil-exporting countries	5.1	5.6	5.4	5.4	2.2	2.2	2.2	2.8	2.8	3.3	3.1	3.1
Group A	5.2	5.8	5.5	5.5	2.4	2.3	2.3	2.7	2.7	3.5	3.1	3.1
Group B	4.4	5.0	4.7	4.7	1.4	2.2	1.8	3.0	3.0	2.7	2.8	2.8
Oil-exporting countries	5.7	5.0	5.3	5.3	2.0	3.5	2.8	3.6	3.6	1.4	2.5	2.5
Latin America (11 countries)	5.1	5.6	5.4	5.4	2.2	2.4	2.3	2.9	2.9	3.1	3.0	3.0

^{a/} Argentina, Brazil and Mexico.

^{b/} Chile, Colombia, Panama, Paraguay and Peru.

^{c/} Bolivia, Ecuador and Venezuela.

The projections based on the first hypothesis give a global economic growth rate of 6 per cent for the group of countries considered. This is somewhat higher than the past rate due to the fact that the countries which have grown most vigorously, such as Brazil, will increase in importance and weight in the next 25 years. The results indicate that with this growth target total occupation in this group of countries will rise by about 2.2 per cent annually.

If this rate is compared with that of the economically active population, about 3 per cent annually according to the population projections, it is clear that there would be a worsening of the problems of unemployment, underemployment and income distribution which accompany this scenario.

Consequently, the second analysis scenario was selected with the aim of estimating the amount and rate of economic activity required in order to promote an increase in employment somewhat greater than the growth rate of 3 per cent, so as to absorb the increase in the labour force and reduce the underemployment noted at present, especially in agriculture and in urban services. The projection exercises show that for the countries taken together, in the postulated economic and technological conditions, this global rate would have to be substantially higher than that actually recorded in recent years in Latin America, since it is estimated that it would need to be around 8 per cent per year.

There is no doubt that these exercises of projections confirm and reinforce, this time quite dramatically because of the magnitude of the problems expected, the deep concern felt about the strategies which should orient the future development of Latin America. This concern is all the more intense in the light of the objectives of human development laid down in the International Development Strategy.

It is essential to carry out more detailed study of the processes of economic and technological change in relation to the internal and

/external economic

external economic goals and the essentially social nature which should characterize the development process. It is also necessary to adopt a more direct and clearer approach than up to now to the problems of employment, income distribution and of overcoming the situations of extreme poverty which prevail in the region. This would naturally lead to the need to consider alternative strategies and the institutional and structural changes which have a clear relation to the development styles. In sum these are the central themes which are to be studied in the draft project of the Secretariat.

Annex

Research Project

LATIN AMERICAN DEVELOPMENT: ITS APPRAISAL AND
LONG-TERM PROSPECTS

Preliminary Summary Outline

INTRODUCTION

In recent years, the secretariat has carried out two biennial appraisals of Latin American development in connexion with the application and implementation of the International Development Strategy (IDS) at the regional level. These studies led to the Quito and Chaguaramas Appraisals, which represented a valuable contribution to the work of the United Nations and were of particular importance in shaping a Latin American position covering matters with political connotations, in respect of which it is not easy to reach agreement.

However, when these and other similar studies are considered in the light of the irreluctable responsibilities of ECLA, the evolution of the ideas which the secretariat has been formulating for some time, the transformations and changes which have been taking place in Latin America, and those now developing at the international level, the feeling grows that the time is ripe and there is now a need for the secretariat to devote its efforts to more ambitious studies of greater organic importance. Such studies should be aimed at "rethinking" the realities of the economic and social process in Latin America; highlighting both its common features and the special characteristics shown by the broad panorama of the countries of the region; studying the prospects and options offered for the development of our countries in the long term and within the framework of the new international conditions which the future holds out, and contributing ideas or suggesting strategies and policies which put the institutional and structural changes that need to be promoted in a clearer light.

These objectives have led the secretariat to propose a project which could be drawn up around three central themes, namely:

- (a) The appraisal of the economic and social process during the postwar period;
- (b) The potential and limitations of Latin American economic development, and

/(c) The

- (c) The study of the long-term economic growth prospects at the national, regional and international levels, on the basis of various development scenarios.

The very nature of the preoccupations which underlie the project reveals two of its methodological aspects. On the one hand, it will be concerned with the long term, since the factors influencing the matters of greatest interest only undergo significant change over long periods. On the other, it must cover social, economic and political aspects, so that it will have to adopt an integrated approach. In addition to covering matters of long-standing concern to ECLA, the project offers the opportunity of making progress in directions which fully coincide with the recommendations of the General Assembly.

Last year the General Assembly adopted resolution 3362 (S-VII) on Development and International Economic Co-operation, 3409 (XXX) on the Unified Approach to Development Analysis and Planning, and 3503 (XXX) on the Examination of Long-Term Trends in the Economic Development of the Regions of the World. In these resolutions stress is placed on the tasks which the secretariats of the regional commissions should discharge in the integrated analysis of long-term development, and they reaffirm the responsibilities incumbent on the ECLA secretariat in the execution of studies on development problems.

PRELIMINARY SUMMARY OUTLINE

LATIN AMERICAN DEVELOPMENT: ITS APPRAISAL
AND LONG-TERM PROSPECTS

PART I

Appraisal of the economic and social process
over the period 1950-1975

I. Development and social change

- A. Social stratification. Its evolution since 1950. Emergence of new strata.
- B. Urbanization. Magnitude of the phenomenon. Cultural and consumption patterns.
- C. The rural situation. Systems of exploitation. Agrarian reforms. Migration from rural areas to the cities. Political and social participation.
- D. Distribution of income and of social services. Critical poverty. Evolution of educational systems.
- E. Population growth. Geographical redistribution. Evolution of trends.
- F. Challenges to existing national societies. Tendencies towards social development. Emergence of an alternative model.

II. Growth and economic change

- A. Fundamental changes during the period 1950-1975.
- B. The dynamics of the process. Domestic and external factors.
- C. State participation. The role of public enterprises.
- D. Foreign trade, external financing and transnational corporations.
- E. Income distribution and critical poverty.
- F. Spatial distribution of economic activity. Appraisal of the heterogeneity of countries or groups of countries.

/III. International

III. International economic relations

- A. Latin America in the context of the changes which occurred in the world economy between 1950 and 1975. The main changes which have taken place in the structure of Latin America's foreign trade and external financing.
- B. International trade. Economic development and the balance of payments. Basic commodities. The trade in manufactures and semi-manufactures. The relationship between imports and stages of the development process.
- C. External financing. The elements determining its composition and magnitude. Evolution of external indebtedness.
- D. Latin America's economic relations with other areas. The industrialized market economy countries and the socialist countries.
- E. Co-operation between the developing countries.

IV. The economic integration of Latin America

- A. The establishment of the regional and sub-regional integration schemes. The initial impulse. The present crisis.
- B. Integration and national development. Stages in the integration processes and in the economic growth models of the countries.
- C. Appraisal of trade in the various integration schemes. Latin American trade outside the integration schemes. Relations between the schemes.

V. Sectorial changes

- A. Agricultural development.
 - 1. The agricultural sector in the context of the national economies. Relationship with the external sector.
 - 2. The agrarian economy. Basic institutional aspects.
 - 3. The dynamics of agricultural production. Changes and heterogeneity. Domestic and external demand.
 - 4. Agriculture and the problem of nutrition.

/B. Industrial

B. Industrial development

1. Evolution of the industrial sector. Principal characteristics. Appraisal at the world level. Its role in the development of the countries of the region.
2. Factors in industrial development. Industrial development scenarios and patterns.
3. The role of government in industrialization.

C. Energy

1. The energy sector in the context of the national economies.
2. Appraisal of energy supply and demand in the period 1950-1975.
3. The Latin American energy situation in the world context.

D. Mining

1. The relative importance of the sector at the regional and national level.
2. Evolution of demand and production in the period 1950-1975.
3. The Latin American mining sector in the world context.

E. Transport and communications

1. Sea transport. National merchant fleets. Multinational endeavours. Foreign fleets. New technologies.
2. Land transport.
3. Communications.

PART II

The prospects for Latin American development: Evolution and change in the next 25 years

VI. Basic resources. Availability and the requirements of economic growth

- A. The population and human resources. Demographic prospects and the labour force.
- B. Agricultural resources. Expansion of the agricultural frontier and changes in productivity.
- C. Mineral and energy resources. Reserves, and the technical and economic factors affecting their exploitation.
- D. The capacity of accumulation.

VII. Definition and analysis of various Latin American development scenarios. Quantitative analysis schemes

- A. Scenario based on the projection of the prevailing general trends and features of the Latin American economic and social process. Analysis of the degree of stability, contradictions and problems likely to arise from these trends and lines of development.
 - 1. Economic growth: the significance that the projection of past trends and of the targets of the IDS would have at the national, regional and international levels. Evolution at the end of the present decade and in the longer term. Effects on employment, income distribution, and the solution of the problem of critical poverty.
 - 2. Capital formation. National saving and external financing.
 - 3. Social evolution. Urbanization, education, life styles, social stratification. Outside influences.
 - 4. International economic relations. Foreign trade and external financing. Evolution of dependency on industrialized countries. The role of transnational corporations. The process of regional integration.

/5. Sectorial

5. Sectorial evolution. Production, productivity and employment. Agriculture, nutrition and foreign trade. Industrial production and patterns of industrialization. Energy. Mining.
 6. Heterogeneity and similarity of national development at the regional level. Changes in the relative positions of countries.
- B. Scenario based on the assumption of increasing regional integration changes in the international economic order and acceleration of the rate of growth. Social orientation of development.
1. Economic growth: acceleration of growth and less unequal tendencies in the distribution of production and income at the world and regional levels. Increase in employment. Changes in income distribution and special attention to the problem of critical poverty. Changes in structure of domestic demand.
 2. Capital formation: volume and sectorial allocation. Increase in national saving and share of external financing.
 3. Social evolution. Greater social and political participation. Changes in social stratification in keeping with economic and social changes. Educational policy.
 4. International economic relations. Lower rate of growth of the industrialized market economy countries. New structure of external trade relations. Changes in degree of dependence on industrialized countries. Trade flows and their composition. Terms of trade. External financing. Increase in trade between the developing countries.
 5. Regional integration. Increase in regional and trade and changes in its composition. Relations between the integration schemes. Financial co-operation. Sectorial economic effects of integration, at the national level. Relative evolution of the integration schemes.

6. Sectorial evolution and change. Production, productivity and employment.

Agricultural production: production requirements and availability of basic resources. External trade.

Industrial production: increase in rate of growth; trade between the countries of the region and with other areas; social needs, structure of demand, and patterns of industrialization.

Energy: domestic demand, production and primary sources; structural changes; external supplies and regional balance.

Mining: domestic demand, production and foreign trade.