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SOME ASPECTS OF THE LATIN AMERICAN  
ECONOMIC SITUATION IN 1962

Note: Many of the figures in this study are provisional and the document is subject to revision in both substance and style before final publication.



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• *Staphylococcus aureus* is a common cause of skin infections, such as abscesses and cellulitis.

• *Streptococcus pyogenes* is another common cause of skin infections, including strep throat and impetigo.

• *Streptococcus pneumoniae* is a common cause of pneumonia and meningitis.

• *Streptococcus pneumoniae* is also a common cause of skin infections, such as cellulitis.

• *Streptococcus pneumoniae* is also a common cause of ear infections.

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• *Streptococcus pneumoniae* is also a common cause of sinusitis.

• *Streptococcus pneumoniae* is also a common cause of meningitis.

• *Streptococcus pneumoniae* is also a common cause of sepsis.

• *Streptococcus pneumoniae* is also a common cause of osteomyelitis.

• *Streptococcus pneumoniae* is also a common cause of endocarditis.

NOTE BY THE SECRETARIAT

In document E/CN.12/659 the secretariat presents a comprehensive and detailed study of Latin America's economic development in the post-war period, and also brings out the part played by the evolution of the external sector in determining the trends pursued and the weak rate of growth recorded for the per capita product in the latter part of the period.

It is considered of fundamental importance to ascertain whether the same evolution and flagging growth rate persisted in the last two years, or whether a fairly radical change took place. Hence, the time seemed ripe for the present document, which is intended at the same time to outline some aspects of Latin America's economic evolution in 1962. The secretariat is submitting this outline despite the fact that most of the official statistics and information required were unobtainable when it was first drafted. In fact the material used barely covers the whole year and is often merely the result of estimates based on partial data and indices. Nevertheless, and even with the obvious omission of salient aspects, the study should give a bird's-eye view of the situation and thus fulfil the twofold purpose mentioned above.

/INTRODUCTION



## INTRODUCTION

In 1962, Latin America's over-all rate of growth flagged slightly, judged on the usual criterion of how much per capita gross income increased. Apart from being less than in 1961, the increase fell far short of the 2.5 per cent established as the target for joint international efforts to expedite the region's economic and social progress.

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

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

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

/With respect

With respect to the external sector, international demand for Latin American export items remained, with few exceptions, at the same low levels as in previous years. However, a fresh upswing took place in the total volume exported, although external purchasing power was in any case too little to pay for the imports acquired. This was due to the fact that the terms of trade (based on 1955) had deteriorated considerably. To put it another way, in comparison with the benchmark year Latin America's effort in 1962 to increase its export trade was largely absorbed by the external losses it suffered as a result of the deterioration in its terms of trade. Since what was left of the export drive was insufficient to cover the servicing of and arrears in external payments, the fragmentary statistics available indicate that imports had to be reduced to relieve the pressure on the balance of payments. In several countries the retrenchment went so far as to affect capital goods.

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

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



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

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

Whatever the reason, there were very few instances in which the secondary expansion of money by commercial banks proved easily adaptable to the real requirements of the economy, whereas the primary supply was brought into line with the requirements of the public sector. The disrupting effects of the monetary supply were due precisely to the elasticity with which it responded as a whole to the claims of the public and private sectors. The former competed with the latter through bank financing of its deficit. In other words, the economy was under pressure by monetary demand from two sources at once. If the Treasury's financial difficulties had been settled through an increase in tax revenue - which

/involves more

involves more control over tax evasion and changes in the tax system - monetary policy might have gone further than it did in providing credit backing for the private sector, thereby lessening the pressures making for disequilibrium and helping the banking system to become more liquid. It is an accepted fact that bank credit in Latin America exerts an extraordinary influence not only on the level of activity but on the level of investment as well.

There were many more cases in which the financing of the public sector by the central bank coincided with the application of credit controls vis-a-vis the private sector. In practice, the expansion of the primary money supply deriving from coverage of the fiscal deficit went to swell the cash holdings of commercial banks. The capacity for credit expansion thereby conferred upon these banks was largely invalidated by the recognized instruments of monetary policy. It should be made clear that this was accomplished through the limitation of bank credit for the private sector. What most mattered were the attempts to ease the acute tensions from which the balances of payments were suffering. The avoidance - even if only the accidental avoidance - of a rise in prices was of subsidiary importance. So much so that on several occasions severe currency devaluations were decreed. Relative balance-of-payments stability was partly achieved, as has already been pointed out, by limiting the supply of credit for private activities, with the expected repercussions on the level of those activities, on income, and on employment. Here again it is apparent that monetary policy was subordinated to fiscal requirements.

This being so, the fact that none of the central banks seem to have much power to withstand the demands for resources made upon them by the public sector indicates that it is impossible to frame a truly independent monetary policy directed primarily towards development until a reasonable solution has been found to the problem of fiscal deficits. This would entail a thorough overhauling of fiscal policy to reorganize public spending, and a tax reform that would provide additional revenue for the system while making it more progressive and flexible. Otherwise, restrictions on assistance to the private sector with the consequent depressive effects on income and employment would continue to be superimposed on the financing

of the deficit. The preservation of balance-of-payments equilibrium and the prevention of price rises would then be simply temporary measures to be discarded - as so often in the past - when income and employment cuts had created so much social tension as to become unbearable.

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

## I. EVOLUTION OF THE EXTERNAL SECTOR

### 1. World market for primary commodities

Generally speaking, the evolution of the world market for primary commodities showed the same signs of sluggishness in 1962 as in previous years. The relative stabilization of external prices in the last four years kept the over-all level down, but some staple products were affected by a further decline in prices. Those untouched in this way continued to evolve within the same range as before, which, in most cases, means at the lowest levels recorded in the last ten years, as shown in previous annual reports (see table 1).

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

Thanks to the behaviour of export prices and the relative steadiness of import prices in general, the terms of trade remained at much the same

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

Commodity	Market	Unit	1960	1961	1962	1962			
						I	II	III	IV
Sugar <u>a/</u>	New York	Unit cents per lb	5.35	5.36	5.56	5.51	5.56	5.57	5.61
Sugar <u>b/</u>	" "	" " " "	3.10	2.91	2.97	2.44	2.64	3.11	3.71
Coffee <u>c/</u>	" "	" " " "	36.60	36.00	34.00	34.10	34.40	34.00	33.30
Coffee <u>d/</u>	" "	" " " "	44.90	43.60	40.80	42.50	40.40	40.20	39.90
Cacao <u>e/</u>	" "	" " " "	26.60	22.40	21.20	21.30	20.90	21.20	22.10
Cotton <u>f/</u>	Liverpool	" " " "	29.40	30.20	29.30	29.70	29.60	28.70	28.60
Cotton <u>g/</u>	"	" " " "	26.30	28.00	26.70	27.90	26.60	25.70	26.20
Cotton <u>h/</u>	"	" " " "	46.20	42.70	40.00	41.80	40.00	38.60	...
Meat <u>i/</u>	London	Pence per lb	29.00	27.40	28.50	29.70	28.60	30.30	26.70
Wheat <u>j/</u>	"	" " "	24.70	25.80	25.90	25.80	26.20	26.10	25.50
Maize <u>k/</u>	"	" " "	21.60	21.10	20.80	21.00	21.00	20.30	21.10
Copper	"	£ per long ton	246.00	230.00	234.00	233.00	234.00	234.00	234.00
Tin	"	" " " "	797.00	888.00	897.00	954.00	915.00	856.00	863.00
Lead	"	" " " "	72.10	64.20	56.30	59.50	59.30	52.20	54.20
Zinc	"	" " " "	89.30	77.80	67.50	69.50	68.30	64.90	67.10
Silver	New York	Cents per ounce	31.40	92.40	107.80	102.70	101.80	106.70	119.90
Wool <u>l/</u>	Boston	Dollars per lb	0.80	0.77	0.66	0.72	0.67	0.63	0.64
Wool <u>m/</u>	"	" " "	0.95	0.88	0.97	0.90	0.98	1.00	1.00
Oil <u>n/</u>	Venezuela	Dollars per barrel	2.80	2.80	2.80	2.80	2.80	2.80	2.80

Source: United Nations, Monthly Bulletin of Statistics.

- a/ Raw sugar, f.o.b. price for exports to the United States.
- b/ Raw sugar, f.o.b. price for exports to the free world market.
- c/ Santos No 4.
- d/ Manizales.
- e/ Bahia.
- f/ Mexican cotton, Matamoros SM 1-1/16.
- g/ Brazilian cotton, Sao Paulo type 5.
- h/ Peruvian cotton, Pima No 1.
- i/ Chilled Argentine meat.
- j/ Up-river Argentine wheat, c.i.f. price.
- k/ La Plata Argentine maize, c.i.f. price.
- l/ Argentine wool, 40-36's, washed.
- m/ Uruguayan wool, 58-60's, washed.
- n/ Crude, 35.0-35.9, API gravity, f.o.b. price.

/level as

level as in 1962, although this was far lower than in 1955 - a point which should be stressed. An expansion in Latin America's exports, indicated by the improvement in the quantum of its external sales over their 1955 level, was largely nullified by the behaviour of the terms of trade.

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

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

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

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

Under the new agreement, the discriminatory treatment applied to imports of tropical commodities from Latin America will begin to take effect sooner than was originally envisaged in the Treaty of Rome and its protocols. This raises a new question as to what the immediate future holds for Latin American countries exporting to EEC.

(a) Coffee

The price of coffee on the New York market fell in both 1961 and 1962, although less sharply than in the three preceding years. As a result of the successive decline, however, the average annual price of Brazilian coffee in 1962 was 37 per cent below the annual average for 1950-53 and 30 per cent below that of 1958. Although world exports and consumption in the producing countries have increased in recent years, the growth of production has been still greater, pushing stockpiles up to exceptional heights (see table 2). The high level of stocks has drawn the sting from the short-lived decreases in world production that occurred in 1960/61 (when the level sank 17 per cent below that of 1959/60) and are expected for 1962/63. In actual fact, despite the probable reduction in world coffee output during the latter period, the downward movement of international market prices gathered fresh speed in the last quarter of 1962.

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

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

Table 2

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

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

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

Source: United States Department of Agriculture, Foreign Agriculture Circular, FCOF 4-62, December 1962.

a/ Provisional estimates.

b/ Reduced by 3 million bags destroyed in Brazil.

/Coffee demand



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

(b) Cacao

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

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

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

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

Table 3

COFFEE BEANS: WORLD IMPORTS, TOTAL AND BY SELECTED COUNTRIES

(Millions of 60 kilogramme bags)

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

Source: G. Gordon Paton, Complete Coffee Coverage. New York, 1962.

a/ Provisional estimates.

b/ Including other importing countries.

Table 4

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

(Trade years, July/June)

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

Source: Cocoa Market Report, Gill & Duffus, London, 4 February 1963.

a/ Estimates.

(c) Sugar

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

In 1962 quotations for sugar imports on the United States market were slightly better than in the previous year, although there was some temporary pressure of demand during the last few months of the year in view of export prospects and the need to stockpile before the longshoremen went out on strike. Provisional estimates indicate that total United States imports were 5 per cent more than in 1961, most of the increment consisting of purchases from the Latin American countries excluding Cuba.

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

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

Table 5.

CENTRIFUGAL SUGAR: WORLD PRODUCTION, BY MAIN AREAS  
(Thousands of tons raw sugar by trade  
years, July/June)

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

Source: United States Department of Agriculture, Foreign Crops and Markets, World Summaries, 29 November 1962.

a/ Provisional estimates.

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

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

(d) Cotton

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

The behaviour of world consumption has not been very encouraging, since the level remained practically unchanged between 1959/60 and 1961/62. However, within this international picture the position of Latin America has improved, as regards both production and exports. As to the former, the most significant fact is the full restoration of production in Brazil, and the successive increases recorded in Colombia, El Salvador and Guatemala. In Latin America as a whole, production increased more rapidly than the world total (see table 7). But even more significant is the increase in Latin American exports in the last two seasons, partly due to the recovery in Brazilian production and exports, and partly a reflection of the progress achieved by the Central American countries, as well as by Argentina and Colombia (see table 8).

Table 6

COTTON: WORLD INVENTORIES, PRODUCTION AND CONSUMPTION

(Trade years, August/July)

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

Source: International Cotton Advisory Committee, Quarterly Bulletin, January 1963.

a/ Preliminary figures.

Table 7

COTTON: PRODUCTION OF LATIN AMERICAN COUNTRIES AND WORLD TOTAL

(Trade years, August/July)

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

Source: International Cotton Advisory Committee, Quarterly Bulletin,  
January 1963.

a/ Preliminary estimates.

/Table 8



Table 8

COTTON: EXPORTS OF LATIN AMERICAN COUNTRIES AND WORLD TOTAL

(Trade years, August/July)

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

Source: International Cotton Advisory Committee, Quarterly Bulletin,  
January 1963.

a/ Preliminary figures.

b/ Exports for 1956-57.

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

/Although none

Although none of the Latin American countries are parties to the Geneva Cotton Textile Agreement, which entered into force in October 1962 for a period of five years,<sup>6/</sup> there is no doubt that this is an important instrument for the regulation of trade in a branch of the manufacturing industry widely developed in Latin America, in which the possibility of expanding exports of manufactured goods should be explored, especially in the light of the increase in the production of cotton fibre in the Latin American countries.

(e) Wool

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

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

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

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<sup>6/</sup> See United Nations, Commission on International Commodity Trade, Recent Commodity Developments, Memorandum N° 44.

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

<sup>8/</sup> See United Nations, Commission on International Commodity Trade, Recent Commodity Developments, Memorandum N° 45.

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

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

(f) Wheat

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

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

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

The improvement noted in the world wheat market was not maintained, however, in recent months. North American exports in the second half of

Table 9

## WOOL: EXPORTS OF THE PRINCIPAL WORLD PRODUCERS

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

Source: Wool Intelligence, London, January 1963.

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

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

/Table 10

Table 10

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

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

Source: United States Department of Agriculture, Wheat Situation,  
February 1963.

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

<sup>b/</sup> Preliminary figures.

Table 11

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

(Trade years, July/June)

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

Source: United States Department of Agriculture, Wheat Situation,  
February 1963.

/1962 were

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

(g) Maize

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

(h) Meat

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

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

Table 12

MAIZE: EXPORTS FROM SOME COUNTRIES AND TOTAL WORLD EXPORTS

(Commercial years, July/June)

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

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



Table 13

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

Country	Thousands of tons 1958	Indices: 1958 = 100		
		1960	1961	1962 <sup>b/</sup>
Argentina	369.5	75.8	76.6	106.4
Brazil	33.3	18.0	44.1	60.0
Uruguay	19.1	273.3	223.5	366.0
Denmark	71.7	98.9	69.3	99.6
France	4.5	1 391.1	2 297.8	4 444.0
Ireland	26.6	180.0	280.8	188.0
Netherlands	22.3	167.7	107.6	134.5
Yugoslavia	10.0	161.0	297.0	400.0
Australia	166.3	88.9	95.1	120.3
New Zealand	117.6	85.2	82.2	85.0
<u>World total</u>	<u>955.0</u>	<u>97.1</u>	<u>103.9</u>	...

Source: FAO, Monthly Bulletin of Agricultural Economics and Statistics.

a/ Includes fresh, chilled and frozen beef.

b/ Preliminary estimates.

/In broad

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

(i) Copper

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

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

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

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

Table 14

## COPPER: WORLD PRODUCTION, DELIVERIES TO MANUFACTURERS, AND STOCKS

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

Source: American Metal Market, New York, 18 February 1963.

<sup>a/</sup> Preliminary figures.

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

/significant fact

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

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

(j) Oil

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

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

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

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

Table 15

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

Country	Thousands of tons 1958	Indices: 1958 = 100		
		1960	1961	1962 <sup>a/</sup>
<u>Exporters</u>				
Chile	425.7	120.5	127.3	130.9
Mexico				
Peru	48.3	330.6	363.8	306.4
<u>Importers</u>				
Belgium	181.6	151.1	152.6	182.3
France	212.0	97.5	105.0	103.9
Federal Republic of Germany	329.7	130.5	142.2	125.2
Italy	95.2	186.1	195.2	235.9
United Kingdom	466.0	119.4	115.1	114.5
United States	443.8	106.6	92.9	96.9
<u>Total 6 countries</u>	<u>1 728.3</u>	<u>122.6</u>	<u>121.7</u>	<u>124.5</u>

Source: British Department of Non-Ferrous Metal Statistics, World Non-ferrous Metal Statistics, vol. 15, N° 11.

<sup>a/</sup> Preliminary figures.

Table 16

CRUDE OIL: WORLD PRODUCTION, BY COUNTRIES AND REPRESENTATIVE AREAS

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

Source: Petroleum Press Service, London, February 1963.

a/ Preliminary figures.

/The most

The most important factor from the viewpoint of the external market is the evolution of Venezuela's production and exports. Its production in 1962 increased (6.5 per cent) in comparison with that of 1961. Exports of crude oil and derivatives registered an increase of 8 per cent between the two years cited (see table 17). The result may be described as favourable if prevailing world market conditions are taken into consideration. Actually, import restrictions on crude oil and derivatives in the United States - which absorbs a large proportion of Venezuela's exports - have put a stop to the expansion of sales to that country, if not in absolute terms, at least as regards its percentage share in the consumption increment. In this respect, the controls on United States imports put into effect for 1963 tend to restrict it even further, by modifying the formula previously in use for fixing import quotas. From 1963 onwards, these quotas are established at the equivalent of 12.2 per cent of domestic production of crude oil and natural gas, but imports from Canada and Mexico, which are not subject to controls, are added to the sum of controlled imports for the purpose of calculating the above percentage. Thus, theoretically at least, the possibility exists that Canada and Mexico will supply a gradually increasing proportion of imports, thereby decreasing the quotas available for imports from Venezuela.<sup>11/</sup>

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

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

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

Table 17

VENEZUELA: EXPORTS OF CRUDE OIL AND OIL DERIVATIVES

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

Source: Banco Central de Venezuela, Boletines Mensuales, 1962.

a/ Preliminary figures.



## 2. Exports

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

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

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

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

Table 18

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

Groups of countries	1959	1960	1961	First nine months of	
				1961 <u>a/</u>	1962 <u>a/</u>
	<u>Millions of dollars</u>				
<u>Latin America</u>	<u>7 609.6 b/</u>	<u>8 007.9 b/</u>	<u>8 062.5 b/</u>	<u>5 981.4 c/</u>	<u>6 274.6 c/</u>
<u>Group A</u>					
Argentina, Bolivia, Chile, Paraguay, Uruguay	1 711.0	1 764.1	1 749.6	1 198.0 <u>d/</u>	1 351.8 <u>d/</u>
<u>Group B</u>					
Colombia, Ecuador, Peru	878.6	1 001.1	1 026.9	720.9	799.8
<u>Group C</u>					
Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama	617.0	674.0	644.3	489.0	531.0
<u>Group D</u>					
Brazil, Mexico, Venezuela	4 403.0	4 568.7	4 641.7	3 573.5	3 592.0
	<u>Percentage increase or decrease in relation to preceding year</u>				
<u>Latin America</u>	-	+5.2	+0.7	-	+4.9
<u>Group A</u>	-	+3.1	-0.8	-	+12.8
<u>Group B</u>	-	+13.9	+2.6	-	+10.9
<u>Group C</u>	-	+9.2	-4.4	-	+8.6
<u>Group D</u>	-	+3.8	+1.6	-	+0.5

Sources: ECLA, on the basis of official foreign trade statistics.

a/ The figures for 1961 and 1962 are provisional and subject to alteration.

b/ Excluding Cuba.

c/ Excluding Cuba and Bolivia.

d/ Excluding Bolivia. Six months of the year in the case of Chile.

/The countries

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

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

### 3. Terms of trade and purchasing power of exports

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

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

This deterioration in the terms of trade wiped out 40 per cent of the improvement which the increase in the quantum of exports would otherwise have implied in respect of the external purchasing capacity deriving from Latin America's aggregate export trade. The data available for 1962 appear to suggest that the quantum of exports in that year was probably

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

Table 19

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

Item	1959	1960	1961	First nine months of	
				1961 <sup>a/</sup>	1962 <sup>a/</sup>
	<u>1955 = 100</u>				
Export prices	85.0	86.0	85.0	85.0	84.9
Import prices	97.3	96.8	96.7	96.8	96.7
Terms of trade	87.4	88.8	87.9	87.8	87.7
Purchasing power of exports	107.5	112.0	112.3	112.6	116.9
	<u>Percentage increase or decrease in relation to preceding year</u>				
Export prices	-	+1.2	-1.2	-	-0.1
Import prices	-	-0.5	-0.1	-	-0.1
Terms of trade	-	+1.6	-1.0	-	-0.1
Purchasing power of exports	-	+4.2	+0.3	-	+3.8

Source: ECLA, on the basis of official foreign trade statistics.

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

29 per cent greater than in 1950, whereas the rise in the real external purchasing power accruing from these exports - with due allowance for the fall in the terms of trade - does not seem to have attained even 17 per cent.<sup>15/</sup>

#### 4. Imports

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

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

In group B, Colombia was the country responsible for the stabilization of aggregate imports, since the restrictions imposed on its external purchases caused a reduction that offset the increase in those of Ecuador and Peru. The decline in the value of imports observable in group D was due to the contraction of Brazil's and the stagnation of Mexico's purchases

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

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

Table 20  
LATIN AMERICA: VALUE OF IMPORTS, BY GROUPS OF COUNTRIES

Groups of countries	1959	1960	1961	First nine months of	
				1961 <u>a/</u>	1962 <u>a/</u>
	<u>Millions of dollars</u>				
<u>Latin America</u>	<u>7 252.3 b/</u>	<u>7 734.4 b/</u>	<u>8 035.1 b/</u>	<u>5 748.5 c/</u>	<u>5 718.2 c/</u>
<u>Group A</u>					
Argentina, Bolivia, Chile, Paraguay, Uruguay	1 715.6	2 101.8	2 375.1	1 480.1 <u>d/</u>	1 447.1 <u>d/</u>
<u>Group B</u>					
Colombia, Ecuador, Peru	821.9	1 017.0	1 126.5	817.9	821.4
<u>Group C</u>					
Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama	753.8	779.0	757.4	525.7	580.3
<u>Group D</u>					
Brazil, Mexico, Venezuela	3 961.0	3 836.6	3 776.1	2 924.8	2 869.4
	<u>Percentage increase or decrease in relation to preceding year</u>				
<u>Latin America</u>	-	+6.6	+3.2	-	-0.5
<u>Group A</u>	-	+22.5	+13.0	-	-2.2
<u>Group B</u>	-	+23.7	+10.8	-	+0.4
<u>Group C</u>	-	+3.3	-2.8	-	+10.4
<u>Group D</u>	-	-3.1	-1.6	-	-1.9

Sources: ECLA, on the basis of official foreign trade statistics.

a/ The figures for 1961 and 1962 are provisional and subject to alteration.

b/ Excluding Cuba.

c/ Excluding Cuba and Bolivia.

d/ Excluding Bolivia. Six months of the year in the case of Chile.

/abroad, which

abroad, which the slight expansion of Venezuela's imports did not suffice to counteract. Lastly, the increase in the imports of group C - the only one, according to the statistics, in which such an expansion took place - was attributable to the increments registered in almost all the component countries. It should be taken into account, however, that the imports of this group had contracted in 1961.

The behaviour pattern of imports in the groups and countries listed corroborates once more the findings of various earlier annual economic surveys. In Latin America an increase in external purchasing power generates an expansion of internal economic activity and rise in gross income. Income-elasticity of demand for imports which is higher than unity immediately results in an increase in such demand proportionally greater than the increment in external purchasing power and income, a situation which, over the longer term - should the purchasing power in question remain stationary or decline - ultimately forces down imports. In 1962 this contraction of imports affected purchases of capital goods in some of the more highly-developed countries of Latin America, where the compressible margin is extremely narrow in the case of consumer goods and the restriction of raw material imports has a depressive effect on current economic activity. Thus, the only way out, over the short term, is to reduce imports of capital goods, even though this may mean postponing to some future date the solution of problems which, as far as the growth of income is concerned, have their origin in the deficiencies - not only cyclical but long-term - of the external sectors of the countries concerned.

#### 5. The balance of payments

For the purposes of analysis, the international accounts of Latin America as a whole are presented in the most simplified terms (see table 21). In the first place, the current account of the balance of payments is included, in which the results of transactions in goods and services are entered, together with net income payments to external factors, such as interest, dividends, royalties, etc. The surplus or deficit registered shows whether foreign exchange earnings exceeded expenditure, or vice versa. In any event, a credit balance - rare in Latin America - would indicate

/Table 21

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

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

Source: International Monetary Fund.

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

b/ Excluding Bolivia and Cuba.

c/ Excluding Bolivia.

d/ Excluding Cuba.

/an increase



an increase in reserves or in external assets, and, conversely, the debit balance which is the general rule in the region signifies losses of monetary reserves and an increase in foreign liabilities. Such increased liabilities may be financed in two different ways: (a) on the basis of the capital account, i.e., through long-term autonomous movements of public and private capital invested in Latin America (including reinvestment of profits); and (b) by means of compensatory movements of short-term capital, or compensatory accounts, such as foreign bank loans or simply the accumulation of trade debts between exporters and importers, for want of external assets to finance short-term payments. Both capital and compensatory accounts are included in the balance of payments as presented in table 21. Their sum total is of course the same (with the opposite sign) as the balance on current account.

The purely provisional balance-of-payments data available for Latin America as a whole would seem to indicate that a substantial change of pattern took place in 1962. In the first place, the current account shown in table 21 should be noted. The deficit on this account was reduced from an annual average of about 1,000 million dollars to 680 million in 1962. With the exclusion of Venezuela, whose balance-of-payments position is usually quite untypical of Latin America, the magnitude of the figures on current account is affected, but not the trend described for 1962. The annual average of the debit balance in 1960 and 1961 rises to about 1,380 million dollars if Venezuela is excluded, whereas the 1962 data would suggest a smaller deficit.

Whether the total for Latin America is taken as including or excluding Venezuela, the first point to remark is that external financing to cover the deficit on current account decreased in 1962. With the inclusion of Venezuela, the amount of funds available for this purpose was 32 per cent less than in 1961, and with its exclusion, about 28 per cent.

One of the main obstacles to the rapid development of the Latin American countries lies in the low coefficient of savings and, therefore, of investment. Hence, as a supplement to domestic savings, external capital may fulfil the function of adding to investment resources and of making investment possible by enabling more capital goods to be imported.

/The year

The year 1962 witnessed the initiation of a substantial international effort to increase the flow of such external capital until its annual rate is raised, in the course of the next ten years, to about 2 million dollars. It is therefore surprising that concurrently with this international effort, the data available for 1962 - still of course very provisional - indicate a level of external financing far below not only the average mentioned but even the average for the two preceding years. Although the figures for errors and omissions which appear in the balances of payments of the Latin American countries are included in the compensatory account, their imputation to the current account would make no difference to the foregoing conclusions.

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

To revert to the distribution of the negative balance on current account in the groups of countries mentioned above <sup>17/</sup> (excluding Venezuela), another point which should be noted is that the group whose per capita income showed the smallest increase - group A - was the one whose incidence on that deficit was heaviest over the whole period 1960-62. This group absorbed almost 73 per cent of the total cumulative deficit during those years. The group which came next in importance as regards responsibility for the debit balance was group D, although the strongest influence was exerted by Brazil.

Any attempt to analyse the distribution of external financing of the current account between the capital and compensatory accounts with the difficulty of deciding to which should be imputed the "errors and omissions"

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

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

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

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

## II. PRODUCT, INCOME AND INVESTMENT COEFFICIENT

In 1962 the gross product of Latin America as a whole exceeded the 1961 figure by 2,900 million dollars at constant 1950 prices. Yet the increase was smaller than that registered in 1961, in both absolute and relative terms (see table 22). Expansion in 1962 amounted to 4.4 per cent, but in 1961 a more satisfactory figure - 5.4 per cent - had been attained. If these growth rates are expressed in per capita terms, the increment achieved in 1962 was only 1.9 per cent - far short of the annual rate of increase of 2.5 per cent which it is hoped to attain in the next ten years.

A difference can be detected between the annual growth rates of the per capita gross product in 1956-60 (1 per cent) and in 1960-62. In this latter period the average increase was 1.9 per cent. This change, which came about precisely in 1960 and continued, with slight variations, in 1962, is attributable to three main factors connected with the external sector of the economy.

In the first place, from 1959 onwards a more vigorous export effort was observable on the part of Latin America, with the result that its total quantum of exports rose from 7,610 million dollars (1950 prices) in that year to some 8,000 in 1961 and 8,300 million in 1962. Secondly, the steady deterioration of the terms of trade was interrupted in 1960, when they were stabilized at the low level mentioned above. Lastly, again from 1959 onwards, the inflow of foreign long-term capital expanded considerably, from 765 million dollars in 1959 to 993 million in 1960 and 1,113 million in 1961. This foreign capital contribution fell off in 1962, as was previously pointed out.

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

The behaviour of the gross product was not the same in all countries. While a considerable increase was registered in Peru and Venezuela - in the case of the latter country after the stagnation of the preceding years - in Mexico the gross product increased by about 5 per cent, and in Chile it showed a much slower growth rate. Although in Brazil the rate of expansion was still high, it was less so than in 1961. Some degree of stagnation seems to have affected the gross product of Uruguay, whereas a recovery, though not a very

Table 22

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

Item	1959	1960	1961	1962
<u>Millions of dollars at 1950 prices</u>				
1. Gross product	59 797	62 597	65 970	68 872
2. Terms-of-trade effect	-1 863	-1 883	-1 888	-1 906
3. Gross income (1+2)	<u>57 934</u>	<u>60 714</u>	<u>64 082</u>	<u>66 966</u>
4. Imports minus exports	-2 057	-1 913	-1 748	-2 212
5. Available goods and services (1+4)	<u>57 740</u>	<u>60 684</u>	<u>64 222</u>	<u>66 660</u>
<u>Percentage increase or decrease in relation to preceding year</u>				
1. Gross product	-	4.7	5.4	4.4
2. Gross income	-	4.8	5.5	4.5
3. Available goods and services	-	5.1	5.8	3.8

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

marked one, was to be noted in some of the Central American countries. In El Salvador, for example, signs of it became apparent towards the end of the year. Lastly, in Argentina there was a decrease which some unofficial sources estimate at a total figure of 3.5 per cent and about 6 per cent in per capita terms.

Gross income - that is, the product adjusted by the losses or gains deriving from the terms of trade - increased much as in 1961, since the terms of trade were virtually the same. It should be noted, however, that out of the increment of 2,900 million dollars (at 1950 prices) registered in the product, 1,900 million were cancelled out by the deterioration in the terms of trade in relation to 1950.

External transactions in goods and services - imports minus exports - implied the trading of a proportion of domestic production in excess of what was received from abroad. Hence the quantity of goods and services left available for the internal economy after the conclusion of these transactions represented a figure a good deal lower than that of the gross product, the difference amounting to 2,200 million dollars (at 1950 prices), i.e., a little over 3 per cent of the product in question. This was partly because the growth of the capacity to import did not keep parallel with that of exports, and because increasingly high external payments for commercial and financial services, as well as outstanding debts, detracted from import possibilities. It is therefore not surprising that this situation, in conjunction with a decrease in the inflow of foreign capital, made the imposition of import restrictions inevitable. At all events, available goods and services increased in 1962 by 3.8 per cent, an increment which compares very unfavourably with the 1961 figure of 5.8 per cent.

This evolution of available goods and services did not affect their distribution between consumption and investment (see table 23). The coefficients for these two items remained at virtually the same level as in 1961. Consequently, the growth of investment was affected by that of goods and services, and the 3.3 per cent increase registered in 1962 was lower than the 1961 increment of 6 per cent.

Lastly, in the growth of the gross product by sectors, significant variations took place in the course of 1962 (see table 24). Agriculture, whose rate of development is usually slow, had achieved a growth rate

Table 23

LATIN AMERICA: AVAILABLE GOODS AND SERVICES,  
CONSUMPTION AND INVESTMENT

Item	1950	1960	1961 <sup>a/</sup>	1962 <sup>a/</sup>
<u>Millions of dollars at 1950 prices</u>				
1. Available goods and services	57 740	60 684	64 222	66 660
2. Consumption	48 695	51 224	54 202	56 328
3. Investment	9 045	9 460	10 020	10 332
<u>Percentage coefficients</u>				
1. Consumption	84.3	84.4	84.4	84.5
2. Investment	15.7	15.6	15.6	15.5

Sources: As for table 22.

a/ Provisional data subject to revision and alteration.

Table 24  
LATIN AMERICA: ANNUAL VARIATIONS IN THE GROSS PRODUCT, BY SECTORS

(Percentages)

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

Sources: As for table 22.

a/ Provisional data subject to revision and alteration.



of 5.4 per cent in 1961. In 1962 this upward movement weakened, and the figure shown was once again close to the usual trend. In the manufacturing industry, whose annual expansion is usually the highest in the whole group of sectors (9.6 per cent in 1961), the rate of increase was reduced to 7 per cent, which was lower even than that of 1960. Only mining registered a peak figure for recent years, thanks to the increase in the output of Venezuela, Peru, Argentina, etc. In the aggregate, services, which habitually followed a downward trend, showed their lowest value in 1962, probably mainly on account of the figures registered for trade and financial services.

