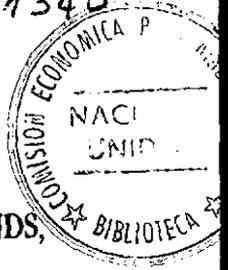


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THE ECONOMY OF LATIN AMERICA  
AND THE CARIBBEAN IN 1983: MAIN TRENDS,  
THE IMPACT OF THE CRISIS AND  
THE ADJUSTMENT PROCESSES

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DE LA  CEPAL

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SANTIAGO, CHILE, 1985

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March 1985

This study, which was taken from the *Economic Survey of Latin America, 1983*, was prepared by the ECLAC Economic Development Division.

#### Notes and explanation of symbols

The following symbols have been used in the tables in this Survey:

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

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

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise indicated.

A full stop (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1970.

Use of a hyphen (-) between years, e.g., 1960-1970, signifies an annual average for the calendar years involved, including the beginning and the end years.

References to "tons" mean metric tons, and to "dollars" United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual growth rates or rates of variation mean cumulative annual rates.

Figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

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## Part One

### THE PERFORMANCE OF THE LATIN AMERICAN ECONOMY

#### I. ECONOMIC ACTIVITY, INFLATION AND THE EXTERNAL IMBALANCE

##### A. MAIN TRENDS

Three salient facts basically characterized the economic evolution of Latin America in 1983. The first was the worsening of the crisis which had begun in 1981 and which by 1982 had attained dimensions unrecorded since the Great Depression of the 1930s. The second was the remarkable adjustment effort made by many economies of the region in order to reduce the radical imbalances generated in the external sector in preceding years. Lastly, the third was the exceptional contraction undergone for the second year in succession by the net inflow of capital and the similarly exceptional scale on which, in consequence, Latin America had to transfer resources abroad.

##### 1. The decline in internal economic activity and the increase in inflation

In 1983, just as in 1982, the crisis affected almost all the countries of the region and was reflected in the deterioration of the main internal economic indicators. Thus, during the year the gross domestic product decreased, the employment situation went from bad to worse, and there was a marked speeding-up of the rate of inflation.

It is estimated that Latin America's total gross domestic product was reduced by 2.9% in 1983, after having fallen by 1% in 1982 and increased by barely 1.5% in 1981. As a result of this further decline in economic activity and of population growth, the per capita product dropped by somewhat more than 5% in the region as a whole, decreasing in 16 of the 20 Latin American countries.

This downturn, together with those registered in the two preceding years, meant that in 1983 the per capita product was 9% lower than in 1980 and was equivalent to that recorded in 1977 (see table 1). In effect, the retrogression in the real level of living was even greater, since per capita national income plummeted during the last three years by almost 13%, in consequence of the continuous and marked deterioration undergone in that period by the terms of trade and the considerable increase in net remittances of interest and profits.

The decline in economic activity was accompanied, moreover, by rising trends in rates of urban unemployment and decreases in real wages in the majority of the countries for which relatively reliable data are available.

Nevertheless, inflation spiralled rapidly, as had already happened in the three preceding years, and reached unprecedented levels. Thus, in the region as a whole the simple average rate of increase of consumer prices rose from 48% in 1982 to 76% in 1983, and the rate weighted by the population shot up still more steeply, from 86% in 1982 to 131% in 1983. Although these upward movements reflected a more or less widespread trend, they were preponderantly influenced by the particularly high rates of inflation recorded in some countries. Thus, in the course of 1983, price levels increased above fivefold in Argentina, were easily quadrupled in Bolivia, trebled in Brazil, more than doubled in Peru, jumped by 80% in Mexico and went up by over 50% both in Ecuador and in Uruguay.

Table 1  
LATIN AMERICA: MAIN ECONOMIC INDICATORS<sup>a</sup>

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 <sup>b</sup>
<b>Basic economic indicators</b>											
Gross domestic product at market prices (billions of dollars at 1970 prices)	237	253	263	278	292	305	325	344	349	346	336
Population (millions of inhabitants)	288	295	302	310	318	326	334	342	350	358	367
Per capita gross domestic product (dollars at 1970 prices)	824	858	868	895	917	937	974	1 007	998	965	916
Per capita gross national income (dollars at 1970 prices)	821	871	868	896	919	930	923	1 010	985	935	880
<b>Growth rates</b>											
<b>Short-term economic indicator</b>											
Gross domestic product	8.3	6.9	3.7	5.7	5.0	4.6	6.6	5.9	1.5	-1.0	-2.9
Per capita gross domestic product	5.6	4.2	1.2	3.1	2.4	2.1	4.0	3.4	-0.9	-3.3	-5.2
Per capita gross national income	6.6	6.0	-0.3	3.3	2.5	1.2	4.6	3.8	-2.4	-5.2	-5.8
Urban unemployment rate <sup>c</sup>	...	6.9	7.2	7.7	7.4	6.8	6.0	5.8	5.7	6.9	8.9
								6.0 <sup>e</sup>	6.3 <sup>e</sup>	6.8 <sup>e</sup>	7.8 <sup>e</sup>
<b>Consumer prices<sup>d</sup></b>											
Terms of trade (goods and services)	36.2	40.1	57.8	62.2	40.0	39.0	54.1	52.8	60.8	85.8	131.4
Current value of exports of goods and services	1.7	24.1	-11.9	3.1	3.0	-7.7	5.1	4.2	-6.4	-9.1	-8.6
Current value of imports of goods and services	40.8	50.6	-5.7	15.1	18.1	9.9	33.7	29.0	7.9	-10.1	-2.5
	30.0	63.7	7.8	4.5	15.3	16.7	26.4	31.5	9.3	-16.8	-29.2
<b>Billions of dollars</b>											
<b>External sector</b>											
Exports of goods and services	28.9	43.6	41.1	47.3	55.9	61.4	82.0	105.8	114.1	102.6	100.0
Imports of goods and services	28.2	46.1	49.7	51.9	59.8	69.8	88.2	115.9	126.6	105.4	74.6
Trade balance (goods and services)	0.8	-2.5	-8.6	-4.6	-4.0	-8.5	-6.2	-10.1	-12.5	-2.8	25.4
Net payments of profits and interest	-4.2	-5.0	-5.5	-6.8	-8.2	-10.2	-13.6	-18.0	-27.7	-36.9	-34.7
Balance on current account	-3.2	-7.4	-14.0	-11.0	-11.8	-18.3	-19.5	-28.1	-40.5	-40.4	-9.3
Net inflow of capital	7.8	11.4	14.2	18.2	17.0	26.1	28.6	30.0	37.7	20.3	8.0
Balance-of-payments position	4.6	4.0	0.2	7.2	5.2	7.7	9.1	1.7	-2.8	-20.2	-1.3
Official international reserves <sup>e</sup>	14.0	20.4	21.2	23.9	29.4	38.2	51.2	53.4	46.5	34.3	29.8
<b>Balance of disbursed external debt</b>											
Total gross external debt	...	...	76.2	99.7	118.8	150.9	182.0	221.1	275.4	308.3	332.3
Total net external debt <sup>h</sup>	...	...	55.0	75.8	89.4	112.7	130.8	167.7	228.9	274.0	302.5

Source: ECLAC, on the basis of official figures.

<sup>a</sup>All figures relate to the 20 countries appearing in table 13, except Cuba.

<sup>b</sup>Provisional figures.

<sup>c</sup>Percentages.

<sup>d</sup>Weighted average rate for Buenos Aires, Córdoba, Mendoza, Rosario, Bogotá, Barranquilla, Medellín, Cali; México City, Guadalajara, Monterrey, San José, Costa Rica, Santiago, Chile; Lima, Perú; Montevideo, Uruguay.

<sup>e</sup>Weighted average rate for the cities mentioned in footnote <sup>d</sup> plus Rio de Janeiro, São Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife.

<sup>f</sup>Variation from December to December.

<sup>g</sup>Plus monetary gold valued at London fine ounce prices, minus use of International Monetary Fund Credit.

<sup>h</sup>Total gross external debt minus official international reserves.

## 2. Reduction of the external imbalance

The falling-off in most of the indicators for the domestic economy coincided, however, with a significant although very costly reduction of the external imbalance. Indeed, partly on account of the marked contraction in domestic levels of production and expenditure —which curtailed demand for imports and released goods for export— and partly owing to the adjustment policies applied in many countries during 1983, Latin America achieved an unprecedented surplus in its external merchandise trade. In 1983 this trade, which up to 1981 had regularly shown deficits, but by 1982 had closed with a positive balance of over US\$ 8.4 billion, generated a surplus of nearly US\$ 30 billion.

This surplus was exclusively attributable, however, to a further spectacular drop in imports, whose value sank by 30%, after having decreased by 20% in 1982. This extraordinary reduction in the total value of external purchases of goods was accompanied, as in 1982, by an almost equally marked diminution of their volume, which was at once an effect and a cause of the decline in domestic economic activity. In turn, despite the fact that the volume of exports of goods expanded by about 8%, their values fell by nearly 2% in 1983, mainly as a result of the considerable increases in real exchange rates in a number of countries and, in many of them, the significant contraction undergone by domestic demand.

On the other hand, the aforesaid decline in internal economic activity and the reduction of nominal interest rates in the leading international financial markets helped to bring down net payments of profits and interest in 1983, thus modifying the dizzy pace at which they had risen during the preceding years. In fact, the amount of remittances under these heads, which between 1977 and 1982 had more than quadrupled, soaring from US\$ 8.2 to US\$ 36.9 billion, fell to a little under 35 billion in 1983.

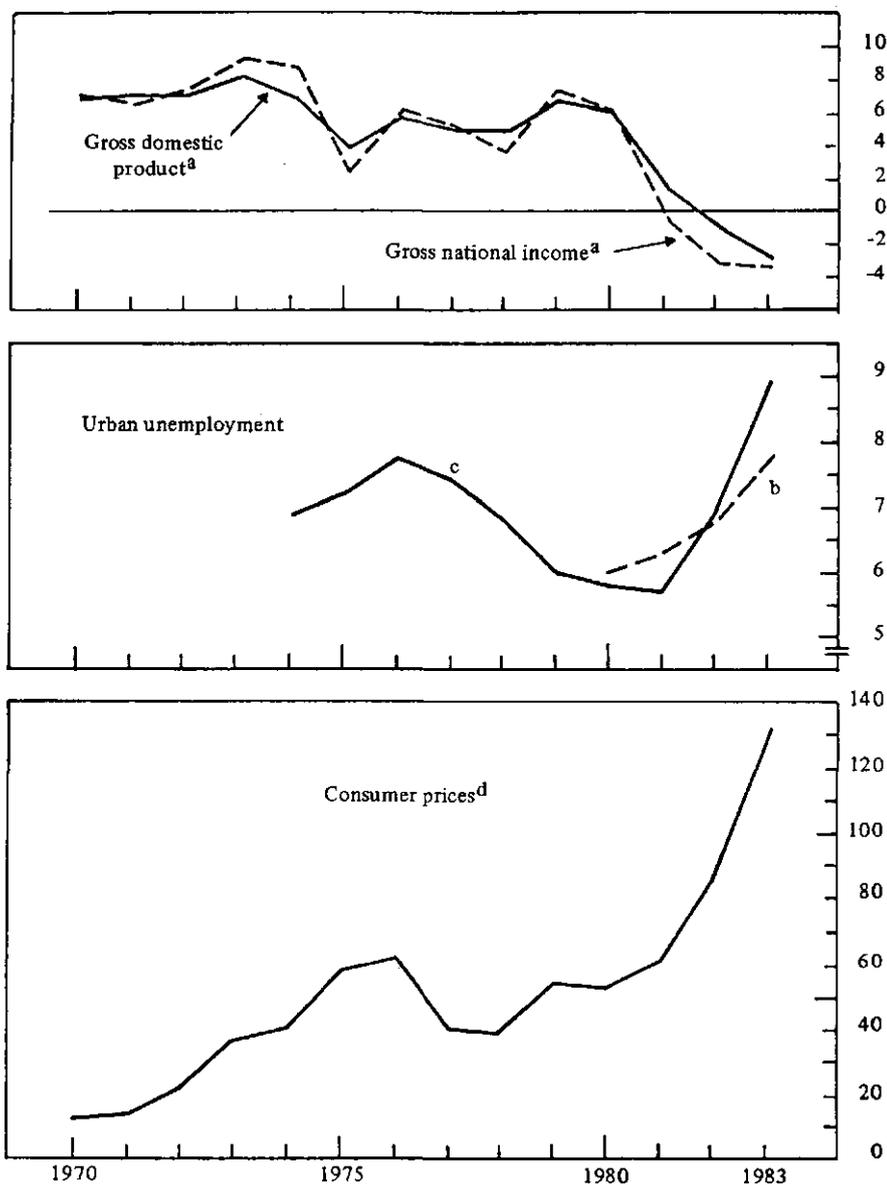
As a result of the sizeable surplus obtained in merchandise trade, the decrease in remittances of profits and interest and the considerable reduction also undergone by net service payments, the deficit on current account abruptly sank from rather more than US\$ 40 billion in 1982 to under 9.3 billion in 1983. This was the lowest figure recorded since 1974 (see figure 1).

The steep drop in the deficit on current account coincided with and was largely caused by a no less drastic contraction of the net inflow of capital. This inflow, which had already shrunk by 46% in 1982, after having swelled to an all-time maximum of almost US\$ 38 billion in 1981, diminished once again, but even more sharply, in 1983, when it barely amounted to US\$ 8 billion.

In these circumstances, and notwithstanding that the deficit on current account was so much smaller, the balance of payments closed with a deficit of US\$ 1.25 billion. Although this was much lower than that of 20 billion recorded in 1982, it signified a further decrease in Latin America's international reserves.

Likewise as a result of the decline in the net inflow of capital, the growth rate of the external debt slowed down for the second year in succession. Latin America's total external debt increased by 8% in 1983, a rate a good deal lower than that of 12% corresponding to 1982 and far below the average of 24% recorded between 1978 and 1981. Even so, owing to the fall in the value of exports of goods and services and the real decrease in the gross domestic product, both the debt/exports coefficient and the debt/product ratio reached

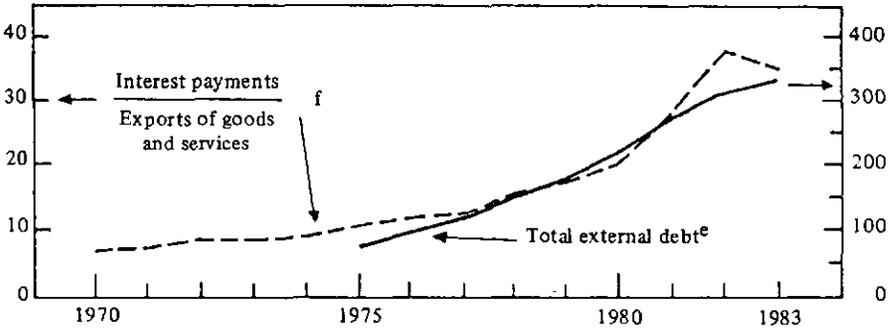
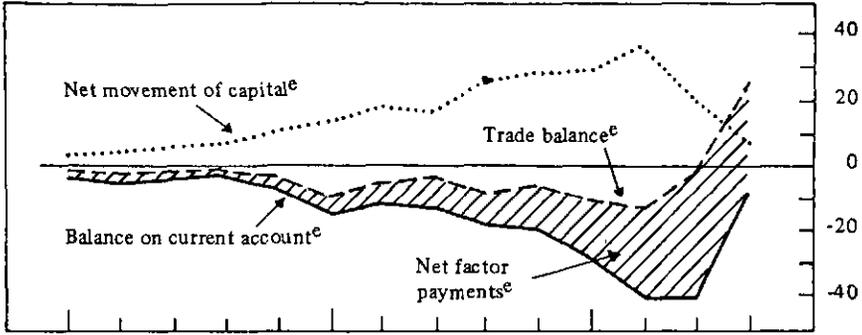
Figure 1  
LATIN AMERICA: MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

<sup>a</sup>Annual growth rate. <sup>b</sup>Weighted annual average for cities mentioned in table 8. <sup>c</sup>Weighted average annual rate for cities referred to in <sup>b</sup>, excluding cities in Brazil. <sup>d</sup>Weighted percentage variation from December to December.

Figure 1 (Concluded)



<sup>e</sup>Billions of dollars. <sup>f</sup>Percentages. Excluding Panama.

unprecedented figures in 1983. Although in 1983 the proportion of the value of exports of goods and services absorbed by interest payments slightly decreased, it remained very high (34.5%) in comparison with its levels in the past (see figure 1.)

### 3. The contraction in the capital inflow and the real transfer of resources<sup>1</sup>

As mentioned above, in 1983 the net inflow of capital contracted sharply for the second year running. Its reduction was in fact so marked that in the end the amount it represented fell short of that of net payments of interest and profits. Accordingly, as in 1982, Latin America, instead of receiving a net transfer of resources *from* abroad, transferred resources *to* the rest of the world.

Moreover, this transfer amounted to very considerable sums: US\$ 17 billion in 1982 and almost 27 billion in 1983, i.e., figures equivalent to 16% and 24%, respectively, of the value of exports of goods and services. Looked at from yet another angle, the reversal of the direction of net financial payments which took place between 1981 and 1983 was equivalent to a deterioration of

<sup>1</sup>This topic is more fully analysed in Section II of Part One of this survey.

approximately 36% in the terms of trade. In the first of those years the *positive* difference between the net inflow of capital and payments of profits and interest *added* to the region's capacity to import by the equivalent of almost 9% of the value of exports of goods and services. In 1983, on the contrary, the *negative* difference between these two financial flows *subtracted* from the capacity to import the equivalent of 27% of external sales of goods and services.

For an adequate assessment of what this figure means, suffice it to recall that the effective deterioration of the terms of trade during that period was about 16%. Consequently, in relation to the capacity to import, the negative impact of the decline in the net inflow of capital and the increase in payments of interest and profits more than doubled the effects of the deterioration in the terms of trade.

Thus the spectacular change in the direction of net financial flows was a decisive cause of the almost universal contraction in economic activity in Latin America and the difficulties encountered by some countries in the servicing of their external debt. Up to 1981 the region had received capital of which the gross amount substantially exceeded the sum total of amortization payments, investment abroad and remittances of interest and profits. During the period 1973-1981 this transfer of resources was equivalent on an average to 16% of the value of exports, which, in its turn, increased during the same space of time at an annual rate of about 20%. In these circumstances, Latin America was able to pay amortization and interest payments on its external debt and the profits accruing on foreign capital by means of the new loans and investment received year by year.

As from 1979, however, the size of this net transfer of resources began to diminish, since the increases in the net inflow of capital were more than offset by the still greater increases in payments of interest and profits. This trend sharpened in the period 1982-1983, during which the slump in the net inflow of capital aggravated the negative effects of the international recession and forced a number of countries of the region to apply much more drastic adjustment policies than would have been necessary to cope with the effects of the recession alone. Thus, in 1983, owing to the procyclical behaviour pattern of the capital flows, Latin America had to settle most of its payments of interest and profits with resources deriving from the trade surplus or from the international reserves previously built up. Nevertheless, as has already been explained, because of the unfavourable external context, the trade surplus was not achieved by an increase in the value of exports—which would have had an expansionist effect on the economy—but had its origin in an extremely severe contraction of the volume of imports, which was the main cause of the decline in economic activity.

## B. PRODUCTION

### 1. The rate and structure of economic growth

As already pointed out, in 1983 there was a sharp accentuation of the loss of dynamism that the Latin American economy had been showing during the two preceding years. After increasing by barely 1.5% in 1981—the lowest growth

Table 2

## LATIN AMERICA: EVOLUTION OF TOTAL GROSS DOMESTIC PRODUCT

(Annual growth rates)

	1970- 1974	1975- 1978	1979- 1980	1981	1982	1983 <sup>a</sup>	1981- 1983 <sup>ab</sup>
Latin America <sup>c</sup>	7.1	4.8	6.2	1.5	-1.0	-2.9	-2.4
Argentina	4.0	0.5	3.7	-6.2	-5.3	2.8	-8.7
Bolivia	5.6	5.1	1.2	-0.9	-8.7	-7.6	-16.5
Brazil	11.1	6.4	7.3	-1.9	1.1	-3.3	-4.1
Colombia	6.6	4.9	4.7	2.3	0.9	0.8	4.1
Costa Rica	7.1	5.7	2.8	-2.3	-9.1	0.8	-10.4
Cuba <sup>d</sup>	8.7 <sup>e</sup>	6.0 <sup>f</sup>	2.9	15.6	2.6	5.2	24.8
Chile	0.9	1.7	8.0	5.7	-14.3	-0.8	-10.2
Ecuador	11.5	7.0	5.1	4.5	1.4	-3.3	2.5
El Salvador	4.9	-5.5	-5.3	-8.3	-5.6	-	-13.5
Guatemala	6.4	5.5	4.2	0.9	-3.5	-2.0	-4.6
Haiti	4.5	3.7	7.5	-2.8	-2.5	1.3	-4.0
Honduras	3.9	5.8	4.7	1.2	-1.8	-0.7	-1.3
Mexico	6.8	5.3	8.8	7.9	-0.5	-4.7	2.3
Nicaragua	5.4	1.2	-10.0	5.3	-1.2	5.3	9.6
Panama	5.8	3.5	9.7	4.2	5.5	0.2	10.1
Paraguay	6.4	9.2	11.0	8.5	-2.0	-3.7	2.3
Peru	4.8	1.5	4.0	3.9	0.4	-11.8	-8.0
Dominican Republic	10.1	4.7	5.4	4.1	1.6	3.9	9.9
Uruguay	1.3	4.1	6.1	1.9	-9.7	-4.7	-12.3
Venezuela	5.4	5.9	-0.5	-0.3	0.7	-3.0	-2.6

Source: ECLAC, on the basis of official figures.

<sup>a</sup>Provisional figures.<sup>b</sup>Cumulative variations in the period.<sup>c</sup>Average, excluding Cuba.<sup>d</sup>Refers to total social

product.

<sup>e</sup>Refers to period 1971-1974. These data are not comparable with those for 1976-1983, for methodological reasons.<sup>f</sup>Refers to 1976-1978.

rate on record since 1940— and decreasing by 1% in 1982, the region's gross domestic product went down by nearly 3% in 1983 (see table 2 and figure 2).

In consequence of this unprecedented decline in economic activity, the per capita product was reduced for the third consecutive year, but by a proportion (-5.2%) much higher than those recorded in 1981 (-0.9%) and 1982 (-3.3%). It was therefore 9% lower in 1983 than in 1980.

The exceptional intensity of the retrogression in economic activity in the last three years was also reflected in the enormous decreases in the per capita product of many Latin American countries. During the period in question, it fell by 23% in Bolivia and 21% in El Salvador; 17% in Costa Rica; over 14% in Chile, Peru and Uruguay; between 12% and 13% in Argentina and Guatemala; and almost 11% in Brazil, Haiti, Honduras and Venezuela (see table 3).

As in 1982, the falling-off in economic activity was, moreover, quite widespread. The gross domestic product dropped in 11 of the 19 countries for which comparable data are available, remained virtually static in El Salvador and Panama and increased very slightly in Colombia, Costa Rica and Haiti. Thus, only in Argentina, Nicaragua and the Dominican Republic did the growth rate of global economic activity exceed that of the population. In addition, in Cuba the global social product rose by about 5%<sup>2</sup> (see table 2).

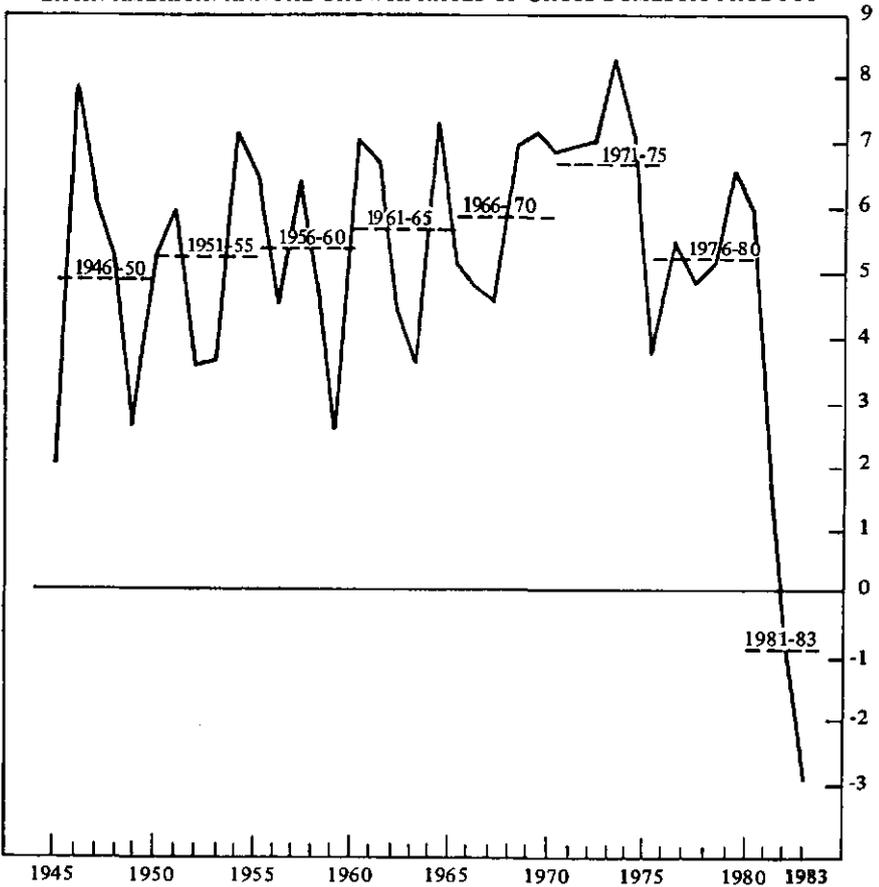
<sup>2</sup>The concept of global social product used in Cuban statistics represents the sum total of gross production in the agricultural, industrial, mining, energy, transport, communication and business sectors.

In contrast with what happened in 1982, however, the fall of the product in the region as a whole during 1983 was especially due to the very unfavourable evolution of productive activity in Brazil and Mexico, by far the two largest Latin American economies.

In Mexico, the global gross domestic product, which had already slightly decreased in 1982, fell by 4.7%, while industrial production declined by more than 7% and construction was reduced by nearly 14.5%. The chief causes of this sharp drop in economic activity were the drastic contractions in domestic demand and in the volume of imports, resulting from the restrictive policy applied by the government with a view to strengthening the balance of payments and bridling the galloping inflation which had begun to escape control

Figure 2

LATIN AMERICA: ANNUAL GROWTH RATES OF GROSS DOMESTIC PRODUCT



Source: ECLAC, on the basis of official data.

Table 3

**LATIN AMERICA: EVOLUTION OF PER CAPITA  
GROSS DOMESTIC PRODUCT**

	Dollars at 1970 prices				Annual growth rates						
	1980	1981	1982	1983 <sup>e</sup>	1970-1974	1975-1978	1979-1980	1981	1982	1983 <sup>e</sup>	1981-1983 <sup>ab</sup>
Latin america <sup>f</sup>	1 007	998	965	916	4.4	2.2	3.7	-0.9	-3.3	-5.2	-9.1
Argentina	1 334	1 231	1 147	1 161	2.3	-1.2	2.0	-7.7	-6.8	1.2	-13.0
Bolivia	382	368	327	295	3.0	2.4	-1.4	-3.5	-11.1	-10.0	-22.9
Brazil	958	919	908	859	8.4	3.9	4.8	-4.1	-1.2	-5.4	-10.4
Colombia	824	825	815	804	4.2	2.7	2.5	0.1	-1.2	-1.4	-2.5
Costa Rica	974	926	820	805	4.4	2.6	-0.1	-4.9	-11.5	-1.8	-17.3
Cuba <sup>g</sup>	...	...	...	...	7.9 <sup>f</sup>	5.3 <sup>f</sup>	2.2	14.8	2.0	4.6	22.6
Chile	1 045	1 087	917	895	-0.9	0.2	6.5	4.1	-15.7	-2.4	-14.3
Ecuador	723	734	723	680	8.2	3.9	2.1	1.6	-1.5	-6.0	-6.0
El Salvador	433	386	354	344	1.9	2.5	-8.0	-10.9	-8.3	-2.9	-20.7
Guatemala	589	578	542	516	3.5	2.6	1.4	-1.9	-6.2	-4.7	-12.3
Haiti	114	108	102	101	2.2	1.3	4.9	-5.2	-4.9	-1.2	-10.9
Honduras	356	348	331	317	0.8	2.2	1.1	-2.3	-5.1	-4.0	-11.0
Mexico	1 366	1 436	1 391	1 292	3.4	2.3	5.8	5.1	-3.1	-7.1	-5.5
Nicaragua	337	344	329	335	2.0	-1.6	-12.6	2.0	-4.4	1.8	-0.7
Panama	1 174	1 197	1 236	1 211	2.9	0.9	6.2	1.9	3.2	-2.0	3.2
Paraguay	633	665	632	590	3.2	5.6	7.5	5.1	-5.0	-6.6	-6.7
Peru	690	698	683	587	1.9	-1.2	1.2	1.2	-2.2	-14.1	-15.0
Dominican Republic	601	611	606	615	7.0	2.2	2.9	1.7	-0.7	1.5	2.4
Uruguay	1 426	1 444	1 295	1 226	1.1	3.6	5.4	1.2	-10.3	-5.3	-14.1
Venezuela	1 310	1 267	1 239	1 169	1.6	2.2	-3.6	-3.3	-2.2	-5.7	-10.8

Source: ECLAC, on the basis of official figures.

<sup>a</sup>Provisional figures.

<sup>b</sup>Cumulative variations in the period

<sup>c</sup>Average, excluding Cuba.

<sup>d</sup>Refers to total social

product.

<sup>e</sup>Refers to 1971-1974. These data are not comparable with those for 1976-1983, for methodological reasons.

<sup>f</sup>Refers

to 1976-1978.

in the preceding year. Although this policy succeeded in halving the swollen public-sector deficit recorded in 1982 and helped to generate an impressive trade surplus, it also brought about considerable reductions in fiscal expenditure, private investment and wages, with the consequent negative effects on domestic spending and on the level of activity.

In Brazil, in its turn—a country which by itself generates about one-third of the region's total domestic product—global economic activity declined by over 3%, after having marginally increased in 1982. As in Mexico, the decreases were very marked in manufacturing industry (-6%) and, above all, in construction (-19%), both of which sectors had remained at a standstill in 1982 and had undergone a contraction in 1981 (see table 4). This slump in economic activity, unprecedented in the country's evolution during the last half century, was decisively influenced by a further drastic reduction in the volume of imports and the severe cuts introduced in the public sector's investment programmes, as also by the growing uncertainty consequent upon the acceleration of the rate of inflation and the prolonged and toilsome negotiations conducted by the economic authorities with a view to rescheduling the external debt and signing a stand-by agreement with the International Monetary Fund.

The decreases in the product were even bigger in Bolivia (-7.6%) and especially in Peru (-11.8%), two countries which in 1983 had suffered an

unwonted combination of natural disasters, characterized by torrential rains and floods in certain regions and severe and long-drawn-out droughts in others. These catastrophes inflicted particularly severe damage on agricultural production, which was reduced by over 11% in Peru and 22% in Bolivia. To these were added, in the case of Peru, a change in the ocean currents, by reason of which the results obtained in the fishing sector plummeted. In addition, economic activity was affected in both countries by exceptionally severe inflation and, in Peru, by the drastic contraction in the volume of imports.

The situation was similar, although less serious, in Ecuador and Paraguay. In the former country, the domestic product declined by 3.3%, inasmuch as fishing, agriculture and industry in the coastal belt suffered the destructive effects of torrential rains, floods and tidal waves, and also because of the abrupt curtailment of the quantum of imports (-35%).

In Paraguay, in its turn, economic activity decreased by 3.7%, so that the downward trend which had made its appearance in the preceding year was sharpened. This further falling-off was decisively influenced by the contraction of almost 5% in agricultural production—which still carries a very great deal of weight in the economy as a whole—due to the heaviest rainfall and worst floods recorded in the country's recent history. The negative effects deriving from the evolution of agriculture were accentuated, in addition, by a 20% drop in the volume of exports and an even greater reduction in the quantum of imports.

Trends in economic activity continued to be very unfavourable in Uruguay. After raising its level by 2% in 1981 and falling by almost 10% in 1982, the gross domestic product diminished by 4.7% in 1983. As in the preceding year, particularly powerful determinants of this new decline were the adverse evolution of industrial production and construction—which decreased by 7% and 27%, respectively, after having undergone reductions of 17% and 14% in 1982—and the violent contraction once again occurring in the quantum of imports, which shrank by 26%, after having done so by 30% in 1982 and 14% in 1981.

During 1983 the level of economic activity also fell in Venezuela, whose gross domestic product decreased by 3%—an all-time low for the period since the war. As the GDP had remained almost entirely at a standstill since 1978, the per capita product declined for the fifth year in succession, while the rate or urban unemployment rose, likewise for the fifth year running, and attained an unprecedented level of nearly 10%. As in other countries, two important causes of the decline in economic activity were the drastic contraction of imports—the volume of which was reduced by about 56%—and the increased uncertainty generated by the devaluation of the bolívar and the radical changes introduced in the exchange system, after a long spell during which a fixed exchange rate had been in force and complete freedom in exchange operations had prevailed.

In Chile, in contrast, the headlong downward trend in economic activity which had started in mid-1981 and in 1982 had led to a drastic reduction of the gross domestic product by over 14% and to an equally spectacular rise in unemployment was to some extent attenuated in the course of 1983. Although activity continued to decrease during the first half of 1983, it subsequently showed signs of recovering slowly, through the operation of three factors: the expansion of public expenditure, the fall in real interest rates, and the greater

degree of protection for activities competing with imports which was signified by the maintenance of a higher real exchange rate, the raising of the general tariff from 10% to 20%, and the establishment of higher special tariffs on imports of certain agricultural and industrial goods. Nevertheless, this recovery was not sufficient to offset the effects of the decline in economic activity during the first half of the year, and, consequently, the gross domestic product diminished by nearly 1% in the year as a whole.

The recovery of economic activity was much more marked in Argentina. In this country, the product increased by 2.8%, thanks in particular to a rise of about 10% in industrial production. But as in the two preceding years global economic activity had declined by 11%, while the output of the manufacturing sector had fallen by almost 23% between 1979 and 1982, both the former and the latter were far from regaining their 1977 levels in 1983.

In Colombia, on the other hand, the gross domestic product increased only very slightly (by 0.8%) so that its growth rate slackened for the fifth year in succession. The main cause of the economy's loss of dynamism was the stagnation of industrial production. This was affected by the meagre expansion of domestic demand and by the decrease in exports to Venezuela and Ecuador, countries in which Colombian manufactures lost competitive capacity after the devaluations of the bolívar and the sucre. As a result of the decline in industrial production, and notwithstanding the moderate increase in construction, the unemployment rate went up for the second year running in the main cities of Colombia, reaching an annual average of almost 12%, the peak figure for the last nine years.

Trends in economic activity were likewise unsatisfactory in most of the countries of Central America, although as a general rule they were less unfavourable than in preceding years. Thus, the gross domestic product increased slightly in Costa Rica, after declining considerably for two years. The downward movement of economic activity was also interrupted in El Salvador, where the domestic product, which since 1979 had continuously and sharply decreased, was stabilized in 1983. In Panama, too, economic activity stagnated, after having expanded persistently and fairly rapidly since 1978. In Guatemala, as in Honduras, the product fell for the second year in succession, although in those countries the contractions in economic activity were slighter than in 1982. In contrast, the activity in question rose by over 5% in Nicaragua, thus more than offsetting its modest decline in the preceding year. This growth was particularly influenced by the marked increment in agricultural production shown for the third year in a row, and by the recovery of construction and of manufacturing industry.

Lastly, in 1983 economic activity increased by nearly 4% in the Dominican Republic and by somewhat more than 5% in Cuba. In the former country, the growth of the product was based on the 30% boom in mining—which thus almost offset its steep decline in the preceding year—, on an upswing of almost 15% in construction—mainly due to the expansion of housing plans—and on the steady increase in agricultural production, which rose by about 4% for the third year in succession (see table 4).

The 5% growth rate of the social product in Cuba, in its turn, stemmed mainly from a rise of almost 11% in construction, a 7% increase in business

Table 4  
**LATIN AMERICA: EVOLUTION OF GROSS DOMESTIC PRODUCT BY BRANCH OF ECONOMIC ACTIVITY**

(Growth rates)

	Agriculture			Mining and quarrying			Manufacturing			Construction			Subtotal goods			Basic services			Other services		
	1981	1982	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>
Latin America	4.8	-0.3	0.7	5.7	3.1	-0.4	-2.3	-2.5	-4.6	1.1	-5.4	-13.6	0.4	-1.9	-4.0	3.5	1.4	0.7	3.0	-0.6	-2.0
Argentina	2.4	6.4	0.8	0.6	-0.7	2.2	-16.0	-4.7	9.9	-13.8	-19.8	-6.8	-9.8	-3.1	4.5	-3.1	-1.5	4.2	-3.1	-9.2	0.2
Bolivia	7.0	-2.2	-22.0	1.6	-9.4	-0.4	-3.8	-15.3	-7.5	-34.9	-40.0	-	-1.4	-10.1	-13.4	0.8	-6.5	-4.3	-1.3	-8.4	-3.8
Brazil	6.9	-2.5	2.2	0.2	8.3	14.5	-6.4	0.1	-6.3	-4.3	-0.4	-19.0	-3.7	-0.4	-6.1	0.8	4.8	2.6	-0.1	1.1	-1.0
Colombia	3.3	-1.9	2.1	5.3	3.8	10.1	-1.2	-3.9	-0.2	-8.1	6.5	3.1	2.0	-1.7	1.6	5.5	3.2	0.8	4.2	8.1	1.6
Costa Rica	5.1	-4.9	4.4	...	...	...	0.5 <sup>b</sup>	-14.9 <sup>b</sup>	-1.8 <sup>b</sup>	-21.7	-32.6	-6.0	-1.6	-12.7	0.9	1.4	-0.2	5.7	-3.5	-6.0	-
Cuba <sup>c</sup>	13.0	-2.3	1.4	10.4 <sup>d</sup>	2.0 <sup>d</sup>	9.6 <sup>d</sup>	17.8 <sup>e</sup>	3.4 <sup>e</sup>	4.7 <sup>e</sup>	20.0	0.2	10.7	16.6	1.5	4.7	16.2	-2.0	3.6	12.5 <sup>f</sup>	5.8 <sup>f</sup>	-6.9 <sup>f</sup>
Chile	5.3	-2.3	-1.0	8.0	5.7	-2.0	2.6	-21.6	3.0	21.1	-29.0	0.2	6.0	-12.5	0.6	1.4	-7.5	-1.2	5.7	-10.8	-9.2
Ecuador	5.7	2.0	-14.9	3.9	-0.9	12.7	6.1	4.0	-9.4	1.4	-0.7	-15.4	5.3	2.4	-9.3	5.4	5.6	-0.7	4.4	3.0	...
El Salvador	-6.4	-4.7	-2.8	-2.6	-	-	-10.5	-8.4	0.8	-15.3	-2.1	4.3	-8.4	-5.7	-1.1	-8.4	-5.6	2.5	-7.0	-4.6	0.5
Guatemala	1.4	-2.0	-2.5	-36.4	5.2	2.2	-2.5	-5.2	-2.1	16.0	-11.7	-10.7	1.1	-4.0	-3.1	-0.4	-4.9	-1.4	1.7	-2.2	-0.8
Haiti	-1.4	-4.2	3.3	-14.5	23.7	-99.3	-11.6	1.3	2.5	-1.0	-5.6	5.8	-4.9	-2.2	0.7	-0.9	-3.0	7.6	-0.2	-2.0	1.3
Honduras	0.9	1.1	2.6	5.1	-4.8	-	1.7	-1.3	-1.0	-7.8	-4.2	-2.9	0.4	-0.4	0.8	-0.7	-2.6	-1.4	1.0	-0.6	-1.2
Mexico	6.1	0.6	3.4	15.3	9.2	-2.2	7.0	-2.9	-7.3	11.8	-5.0	-14.3	8.0	-1.3	-5.4	10.4	-2.2	-3.2	7.0	1.4	-3.8
Nicaragua	10.1	2.9	9.5	5.9	-7.1	-9.3	2.8	-1.7	4.6	10.4	-25.5	7.6	6.9	-0.4	7.3	-0.1	-2.0	1.0	4.9	-0.5	4.5
Panama	8.3	0.3	3.1	22.6	7.9	7.3	-3.3	2.4	-2.3	3.2	24.0	-27.8	2.7	7.5	-8.4	5.6	10.9	7.4	5.0	3.2	0.6
Paraguay	6.7	-3.0	-4.9	15.0	2.0	-9.8	8.0	-4.5	-4.2	16.7	-6.0	-5.4	8.7	-3.9	-4.8	3.9	9.6	-2.1	9.2	-1.2	-1.0
Peru	10.7	2.1	-11.4	-3.1	6.5	-6.6	-0.2	-2.5	-17.2	11.0	2.3	-21.4	3.1	0.8	-14.0	6.2	0.7	...	4.2	0.4	...
Dominican Republic	5.5	3.6	3.8	7.1	-28.1	29.9	2.7	5.2	1.7	0.6	-4.9	14.5	3.9	-0.5	6.6	5.9	2.1	1.5	3.9	3.1	2.3
Uruguay	5.5	-11.4	2.6	...	...	...	-9.4 <sup>b</sup>	-16.9 <sup>b</sup>	-7.0 <sup>b</sup>	3.0	-13.6	-26.5	-3.6	-14.8	-7.6	0.2	-8.7	-3.5	7.3	-6.8	3.8
Venezuela	-1.9	3.6	0.7	-2.5	-10.2	-5.6	-2.5	4.1	-1.8	-2.1	-8.4	-10.8	-2.3	-1.0	-3.5	5.5	5.0	...	0.4	-1.5	...

Source: ECLAC, on the basis of official figures.

<sup>a</sup>Provisional figures.

<sup>b</sup>Including mining and quarrying.

<sup>c</sup>Referring to the social product concept.

<sup>d</sup>Including mining and metalworking.

<sup>e</sup>Excluding metalworking.

<sup>f</sup>Referring to business and other productive activities in the non-material sphere of the social product.

activity and communications and an increment of approximately 5% in industrial production. The expansion of productive activity was facilitated by a relatively satisfactory supply of imports —of which the quantum rapidly mounted for the fourth year running— and by the progress made in global economic management and the greater autonomy granted to the units of production.

## 2. Total supply and demand and domestic supplies of goods

As in the preceding year, but to an even more pronounced extent, the economic crisis was reflected in 1983 in highly unfavourable trends in the total supply of goods and services, which, after decreasing by about 3% in 1982, was reduced by over 5% in 1983, as the result of a 2.9% decline in the gross domestic product and a spectacular contraction —of nearly 30%— in the volume of imports of goods and services (see table 5). Owing to this exceptional curtailment of external purchases (on top of that recorded in 1982) the import coefficient dropped from 12% in 1981 to barely 7.4% in 1983 —the lowest proportion on record in the region since the war— while their volume fell below the level attained in 1974 (see table 6 and figure 3).

Since in 1983 the slump in the volume of imports was accompanied by an almost 7% expansion of the quantum of exports, the decline in domestic supplies of goods was much greater than the decrease in the product. These supplies were reduced by 6.5% in 1983, after having contracted by about 3% in 1982. Thus, in the course of the last two years alone, the per capita internal supply of goods and services —which is, in the last resort, the determinant of the current and future level of living of the population— fell by over 13%.

As was to be expected, and as can be clearly seen in figure 3, this decline had a particularly intensive impact on capital formation, which had enjoyed a period of thriving growth between 1970 and 1980, but, after increasing very little in 1981 and falling by 11% in 1982, dropped by over 19% in 1983. In consequence of these considerable decreases, the investment coefficient, which had been a little over 22% in 1981, was barely 16.5% in 1983. As in the case of imports, this coefficient too was the lowest in the last 40 years.

Furthermore, during 1983 there was a break in the sharply rising trend which net external factor payments had been showing. After increasing rapidly in the second half of the 1970s and almost doubling between 1980 and 1982 alone, these payments decreased by nearly 4% in 1983. Nevertheless, since at the same time the gross domestic product also declined, they went on absorbing the same very high proportion of the product (3.4%) as in the preceding year. The heavy burden imposed on the economy by the exceptional increase in payments on foreign capital during the preceding years was likewise reflected in the fact that the proportion of the product which they represented in the two-year period 1982-1983 was almost three times as big as had been customary in the mid-1970s (see table 6).

Lastly, just as in the two preceding years, the negative effects on national income produced by the massive net external factor payments were aggravated by the deterioration in the terms of trade. In these circumstances (as can be seen in table 6), the existing gap between the domestic product and national income continued to widen.

Table 5

LATIN AMERICA: EVOLUTION OF TOTAL SUPPLY, DOMESTIC DEMAND AND GROSS NATIONAL INCOME<sup>a</sup>

	Millions of dollars at 1970 prices				Annual growth rates						
	1978	1981	1982	1983 <sup>b</sup>	1970-1974	1975-1978	1979-1980	1981	1982	1983	1981-1983 <sup>bc</sup>
1. Total supply (2 + 3)	384 905	391 057	380 630	360 443	7.5	4.7	6.8	1.6	-2.7	-5.3	-6.4
2. Gross domestic product at market prices	344 212	349 330	345 910	335 808	7.1	4.8	6.2	1.5	-1.0	-2.9	-2.4
3. Imports of goods and services	40 693	41 727	34 720	24 635	11.4	4.3	12.0	2.5	-16.8	-29.0	-39.5
4. Exports of goods and services	31 186	33 700	33 321	35 598	4.2	6.3	9.2	8.1	-1.1	6.8	14.1
5. Available domestic supplies of goods and services (2 + 3 - 4) = domestic demand (6 + 7)	353 719	357 357	347 309	324 845	7.7	4.6	6.6	1.0	-2.8	-6.5	-8.2
6. Total final consumer expenditure <sup>d</sup>	276 919	279 964	278 582	269 338	7.5	4.1	6.8	1.1	-0.5	-3.3	-2.7
7. Gross fixed capital formation	76 800	77 393	68 727	55 507	8.8	6.3	5.8	0.8	-11.2	-19.2	-27.7
8. Terms-of-trade effect	6 776	4 128	619	-1 982	...	...	...	...	...	...	...
9. Factor payments to rest of world	6 161	8 884	11 745	11 286	4.5	10.2	16.6	44.2	32.2	-3.9	83.2
10. Real gross national income (2 + 8 - 9)	344 827	344 574	334 783	322 540	7.7	4.2	6.7	-0.1	-2.8	-3.7	-6.5

Source: ECLAC, on the basis of official statistics.

<sup>a</sup>Nineteen countries. Of the Caribbean countries, only Haiti and the Dominican Republic are included.

<sup>b</sup>Provisional figures.

<sup>c</sup>Refers to the cumulative variation in the period.

<sup>d</sup>Includes variation in stocks.

Table 6

**LATIN AMERICA: RELATIVE SHARES OF COMPONENTS OF GROSS  
DOMESTIC PRODUCT AND OF GROSS NATIONAL INCOME<sup>a</sup>**

(GDP = 100)

	Final consumer expend- iture	Gross capital formation	Domestic demand	Exports of goods and services	Imports of goods and services	Gross domestic product	Terms-of- trade effect	Net factor payments to rest of world	Real gross national income
1970	80.6	19.6	100.2	8.9	9.1	100.0	-	1.4	98.6
1971	80.7	19.8	100.5	8.5	9.0	100.0	-0.2	1.4	98.4
1972	80.5	20.0	100.5	8.5	9.0	100.0	-	1.2	98.8
1973	80.3	20.5	100.8	8.6	9.4	100.0	1.1	1.4	99.7
1974	81.5	21.2	102.7	8.2	10.9	100.0	2.6	1.2	101.4
1975	80.3	22.4	102.7	7.7	10.4	100.0	1.0	1.1	99.9
1976	79.3	22.7	102.0	7.8	9.8	100.0	1.2	1.2	100.0
1977	79.7	22.4	102.1	8.1	10.2	100.0	1.4	1.3	100.1
1978	79.6	22.5	102.1	8.6	10.7	100.0	0.7	1.5	99.2
1979	79.9	22.2	102.1	9.0	11.1	100.0	1.4	1.6	99.8
1980	80.5	22.3	102.8	9.1	11.9	100.0	2.0	1.8	100.2
1981	80.1	22.2	102.3	9.7	12.0	100.0	1.2	2.5	98.7
1982	80.5	19.9	100.4	9.7	10.1	100.0	0.2	3.4	96.8
1983 <sup>c</sup>	80.2	16.5	96.7	10.7	7.4	100.0	-0.6	3.4	96.0

Source: ECLAC, on the basis of official figures.

<sup>a</sup>Nineteen countries. Of the Caribbean countries, only Haiti and the Dominican Republic are included.

<sup>b</sup>Includes variation in stocks. <sup>c</sup>Provisional figures.

## C. EMPLOYMENT AND UNEMPLOYMENT

Trends in the employment situation in 1983 evidenced the exacerbation of the crisis which the economies of the region had been suffering since 1981, and to which was superadded the impact of the adjustment policies applied to cope with it. Thus almost all the countries witnessed a decline in their levels of employment. In some of them it resulted in further increases in open unemployment rates, while in others the already high levels of unemployment recorded in 1982 persisted.

### 1. Employment in industry

As was to be expected, trends in employment in manufacturing industry largely reflected the variation in that sector's level of activity in 1983. In most of the countries there were simultaneous decreases in the levels of production and employment; employment in industry showed a rising trend solely in Argentina and Chile, the only countries in the group under consideration that experienced a recovery in the manufacturing sector in 1983.<sup>3</sup>

Even in these two countries, however, the recrudescence of employment in industry was very slight, and did not suffice to offset the notable reductions

<sup>3</sup>Of the nine countries for which long and homogeneous statistical series on employment in manufacturing industry are available —Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Peru and Venezuela— only Argentina and Chile showed increases in the industrial product (10% and 3%, respectively). In contrast, manufacturing activity slightly declined in Colombia, fell by 2% in Costa Rica and Venezuela, and dropped sharply in the other countries (-17% in Peru, -9% in Ecuador, -7% in Mexico and -6% in Brazil).

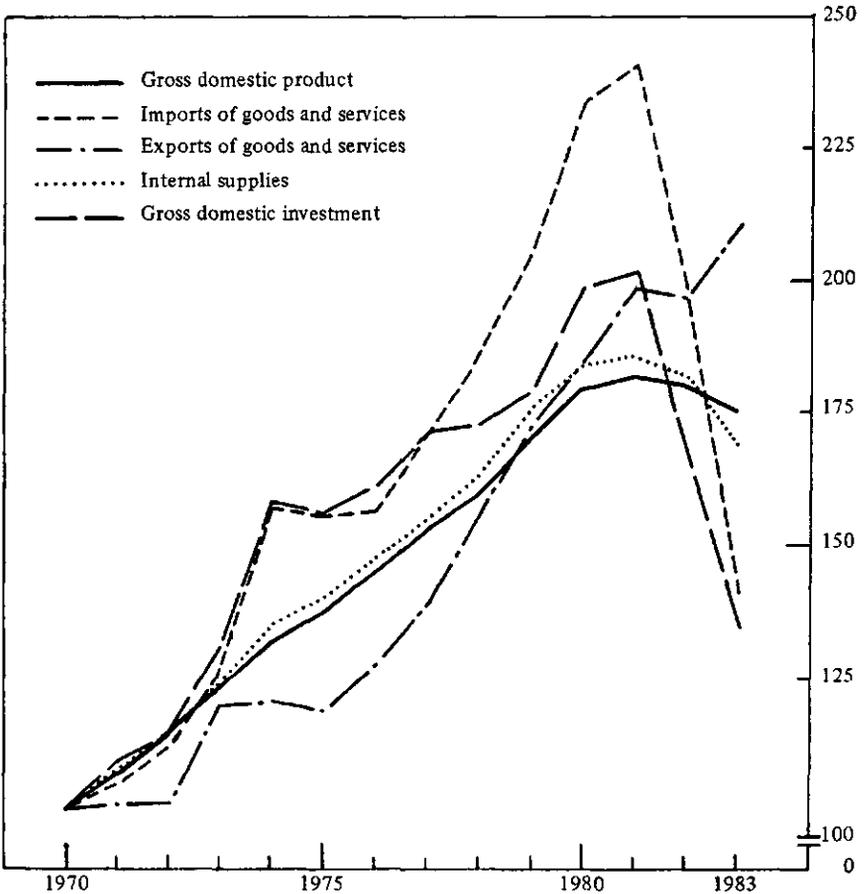
recorded in the preceding years. Thus, the number of persons employed in the manufacturing sector in Argentina, which had fallen by about 22% in 1981 and over 5% in 1982, rose by barely 3% in 1983. This meant that employment in the sector was still 30% below its 1977 level (see table 7).

Although the average level of employment in industry declined by 2.6% in Chile, the number of workers employed in this sector began to increase as from the second half of 1983 and by the end of the year reached a level almost 14% higher than that attained twelve months before. Nevertheless, owing mainly to the drastic reduction of almost 21% which occurred in 1982, employment in the manufacturing sector in 1983 was more than 20% lower than it had been at the beginning of the decade.

Figure 3

**LATIN AMERICA: INDEXES OF GROSS DOMESTIC PRODUCT,  
INTERNAL SUPPLIES OF GOODS AND SERVICES,  
INVESTMENT, IMPORTS AND EXPORTS**

(1970 = 100)



Source: ECLAC, on the basis of official data.

Table 7

## LATIN AMERICA: EMPLOYMENT IN MANUFACTURING

(1980 = 100)

	1977	1978	1979	1980	1981	1982	1983 <sup>a</sup>	1982				1983			
								I	II	III	IV	I	II	III	IV
								Argentina <sup>b</sup>	109.7	99.3	97.2	100.0	78.4	74.2	76.7
Brazil <sup>b</sup>	91.8	93.7	96.9	100.0	92.6	86.5	80.1	86.4	87.4	86.5	85.5	82.4	81.3	79.0	77.7
Colombia <sup>b</sup>	96.9	98.6	100.8	100.0	95.5	90.7	85.1	91.9	91.2	90.1	89.5	85.5	84.4	...	...
Costa Rica <sup>c</sup>	98.7	99.2	99.5	100.0	100.4	102.1	101.8	103.9	...	98.4	104.0	101.8	...	...	...
Chile <sup>c</sup>	91.4	92.7	93.1	100.0	102.2	80.9	78.8	90.9	86.7	74.9	70.4	75.4	75.8	82.7	81.1
Ecuador <sup>b</sup>	89.2	94.5	97.3	100.0	107.1	109.6	104.0	107.4	108.1	115.8	108.9	103.8	104.2	...	...
Mexico <sup>b</sup>	82.5	86.6	93.2	100.0	105.6	103.0	94.4	105.9	105.7	101.7	97.9	97.3	96.0	93.2	91.2
Peru <sup>b</sup>	98.6	97.9	97.9	100.0	101.1	94.7	94.3	100.0	100.0	99.2	99.4	97.8	95.6	93.1	91.2
Venezuela <sup>c</sup>	91.7	99.6	99.1	100.0	101.8	100.8	94.5	...	100.6	...	100.9	...	94.5	...	...
Percentage variation <sup>d</sup>															
Argentina <sup>b</sup>	-6.2	-9.7	-2.1	2.9	-21.6	-5.4	3.3	-6.9	-11.0	-5.2	-1.7	0.6	5.3	3.6	3.8
Brazil <sup>b</sup>	1.0	2.1	3.4	3.2	-7.4	-6.7	-7.4	-12.6	-7.9	-3.6	-1.9	-4.6	-7.0	-8.6	-9.1
Colombia <sup>b</sup>	1.5	1.8	2.2	-0.8	-4.5	-5.0	-7.2	-4.8	-5.2	-4.9	-5.1	-7.0	-7.4	...	...
Costa Rica <sup>c</sup>	7.0	0.5	0.4	0.5	0.4	1.7	-2.0	3.5	...	4.1	-2.1	-2.0	...	...	...
Chile <sup>c</sup>	2.2	1.4	0.5	7.4	2.2	-20.8	-2.6	-7.0	-15.4	-28.8	-31.1	-17.0	-12.6	10.5	13.8
Ecuador <sup>b</sup>	6.0	6.0	2.9	2.8	7.1	2.3	-3.4	5.9	-1.3	8.5	-2.9	-3.4	-3.6	...	...
Mexico <sup>b</sup>	-0.9	4.9	7.6	7.3	5.6	-2.4	-8.3	2.5	-0.2	-5.0	-7.7	-8.2	-9.2	-8.4	-6.9
Peru <sup>b</sup>	0.7	-0.7	-	2.1	1.1	-1.4	-3.4	-1.3	-1.1	-1.6	-1.4	-2.2	-4.4	-6.1	-8.3
Venezuela <sup>c</sup>	6.2	8.6	-0.5	1.0	1.8	-1.0	-6.1	...	-0.1	...	-1.4	...	-6.1	...	...

Source: ECLAC, on the basis of official figures.

<sup>a</sup>Provisional figures.<sup>b</sup>Personnel employed in manufacturing, according to periodic sample surveys of enterprises.<sup>c</sup>Personnel

employed in manufacturing, according to household surveys.

<sup>d</sup>In relation to the same period in the preceding year.

According to the partial data available, employment in industry decreased moderately in Costa Rica (-2%) and Ecuador (-3.5%).<sup>4</sup> But since these downward movements were the first to take place in the last eight years, in both countries employment in industry exceeded the levels reached in 1980.

In the other countries the decreases in employment in industry were much more marked. The biggest occurred in Mexico, where employment in manufacturing contracted by over 8%, after having declined by almost 2.5% in 1982. However, thanks to substantial increases between 1976 and 1981—in which period the average annual growth rate of employment in industry was over 6%—the number of workers employed in the manufacturing sector was still a little higher than it had been in 1979.

Employment in industry followed a similar trend during the last two years in Venezuela, where it fell by 1% in 1982 and by 6% in the first half of 1983. But since its expansion during the three preceding years had been very slight, its level was 5% lower in 1983 than in 1978.

The decline in industrial employment was also considerable (-5.5%) in Peru. For this reason, and because of its unfavourable evolution in the preceding years, its level in 1983 was barely higher than in 1975.

Employment in the manufacturing sector dropped even more sharply in Brazil and Colombia, in which two countries it decreased by over 7% in 1982. As this downward movement succeeded others of considerable significance that had occurred in the two preceding years, employment in industry both in Brazil and in Colombia sank to its lowest levels in the last ten years (see table 7).

<sup>4</sup>Data for March in the case of Costa Rica, and for the first two quarters in that of Ecuador.

## 2. Unemployment

Largely as a result of these unfavourable trends in employment in the manufacturing sector, and also in consequence of the sharp drop in employment in construction, a further rise took place in the level of open urban unemployment, which had been soaring since 1981. In some countries, unemployment rates reached record levels, while the slight downturns of about one percentage point which occurred in Argentina, Costa Rica and Nicaragua were not sufficient to offset the increases in the rate of unemployment in previous years. Consequently, in all the countries there was a good deal more urban unemployment in 1983 than before the start of the current recession (see table 8).

In five countries —Bolivia, Chile, Colombia, Uruguay and Venezuela— open unemployment reached its highest levels in the last nine years (see figure 4). As in the preceding year, the peak rates were recorded in Chile, Nicaragua and Uruguay (22, 17.5 and 16.5%, respectively).

What happened in Chile was mainly that the already very high level of urban unemployment noted during the preceding year was maintained.<sup>3</sup> The rate remained especially high in manufacturing industry (26%) and, above all, in construction (49%). Even so, in the course of 1980 the rate of unemployment

Table 8

### LATIN AMERICA: EVOLUTION OF THE URBAN UNEMPLOYMENT RATE

Country	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Argentina <sup>o</sup>	...	4.2	3.7	4.9	3.3	3.3	2.5	2.6	4.7	5.3	4.6
Bolivia <sup>b</sup>	...	...	...	...	7.9	4.5	7.6	7.5	9.7	9.4	13.3
Brazil <sup>c</sup>	...	...	...	...	...	6.8	6.4	6.2	7.9	6.3	6.8
Colombia <sup>d</sup>	...	12.7	11.0	10.6	9.0	9.0	8.9	9.7	8.2	9.3	11.8
Costa Rica <sup>e</sup>	...	...	...	5.4	5.1	5.8	5.3	6.0	9.1	9.9	8.5
Chile <sup>f</sup>	4.6	9.7	16.2	16.8	13.2	14.0	13.6	11.8	11.1	22.1	22.2
Mexico <sup>g</sup>	7.5	7.4	7.2	6.8	8.3	6.9	5.7	4.5	4.2	4.2	6.7
Nicaragua <sup>h</sup>	...	...	...	...	...	...	21.4	18.3	15.9	18.5	17.5
Panama <sup>i</sup>	...	7.5	8.6	9.0	...	9.6	11.6	9.8	11.8	10.3	11.2
Paraguay <sup>j</sup>	...	...	...	6.7	5.4	4.1	5.9	3.9	2.2	5.6	8.4
Peru <sup>k</sup>	5.0	4.1	7.5	6.9	8.7	8.0	6.5	7.1	6.8	7.0	8.8
Uruguay <sup>l</sup>	8.9	8.1	...	12.7	11.8	10.1	8.3	7.4	6.7	11.9	15.5
Venezuela <sup>m</sup>	...	7.6	8.3	6.8	5.5	5.1	5.8	6.6	6.8	7.8	9.8

Source: ECLAC, on the basis of official figures.

<sup>o</sup>National urban rate. Average for April-October.

<sup>b</sup>La Paz, 1978, second semester; 1979, annual average; 1980, May-October; 1981, national urban average; 1982 and 1983, average for June-December.

<sup>c</sup>Metropolitan areas of Rio de Janeiro, Sao Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife. Average for 12 months; 1980, average for June-December.

<sup>d</sup>Bogotá, Barranquilla, Cali and Medellín.

<sup>e</sup>National urban rate. Average for March, July and November.

<sup>f</sup>Greater Santiago. Average for March, June, September and December.

<sup>g</sup>Metropolitan areas of Mexico City, Guadalajara and Monterrey. Average for four quarters.

<sup>h</sup>National urban rate for non-agricultural activities.

<sup>i</sup>National urban rate. August of each year, except the years 1974 to 1976, where the reference is to non-agricultural unemployment; 1980, according to data from the National Census taken in February, 1981, official estimates.

<sup>j</sup>Asunción, Fernando de la Mura, Lambaré and urban areas of Luque and San Lorenzo. 1981, first semester; 1982, first quarter; 1983, four quarters.

<sup>k</sup>Metropolitan Lima. 1978, average for July-August; 1979, August-September; 1980, April; 1981, June; 1982 and 1983, official estimates.

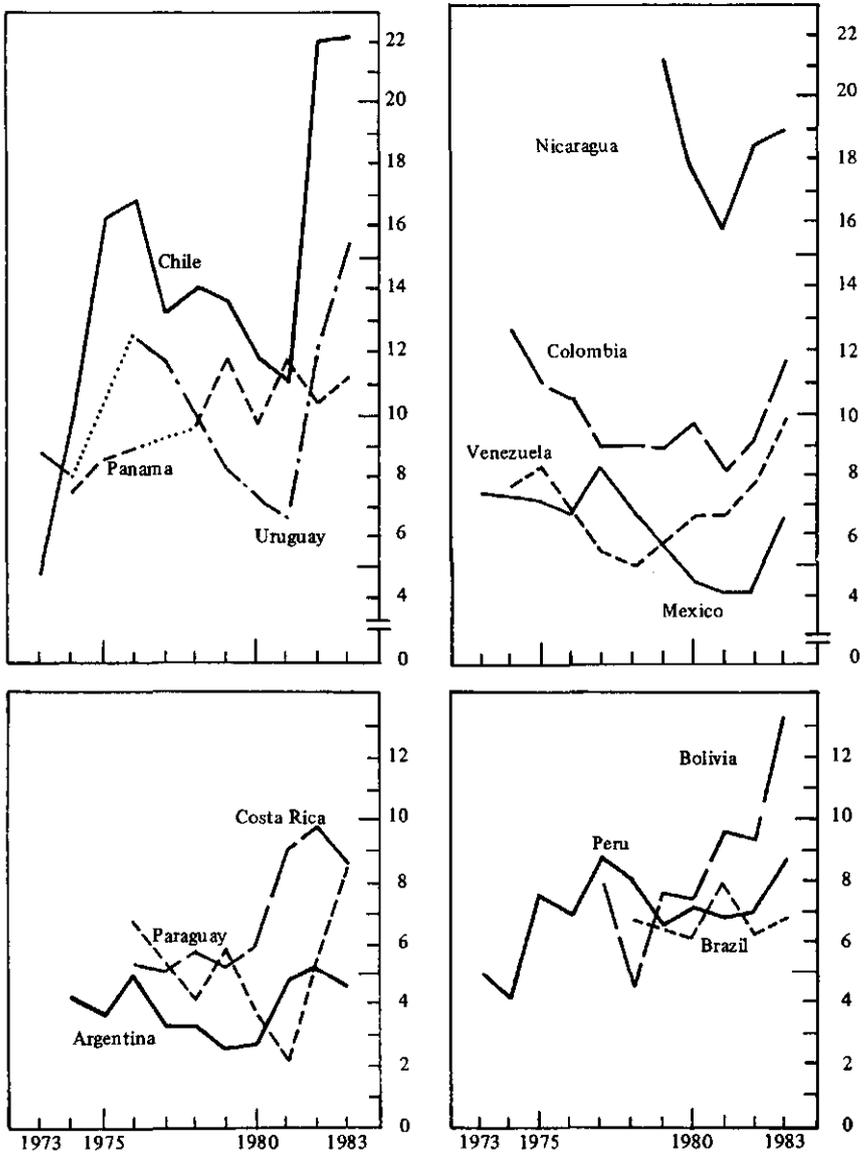
<sup>l</sup>Montevideo, average for two semesters.

<sup>m</sup>National urban rate. Average for two semesters.

<sup>3</sup>According to data from the Department of Economics of the Universidad de Chile. The figures presented by the Instituto Nacional de Estadísticas, for their part, show a decline in the average annual rate from 20% to 19% between 1982 and 1983. But this decrease can be partly attributed to the change in the geographical base of the survey, which, as from the second half of 1983, was extended from Greater Santiago to the whole of the metropolitan region, thus including some rural areas where open unemployment is usually on a smaller scale. It may also have been influenced by the raising of the lower age limit for the labour force from 12 to 15 years.

Figure 4

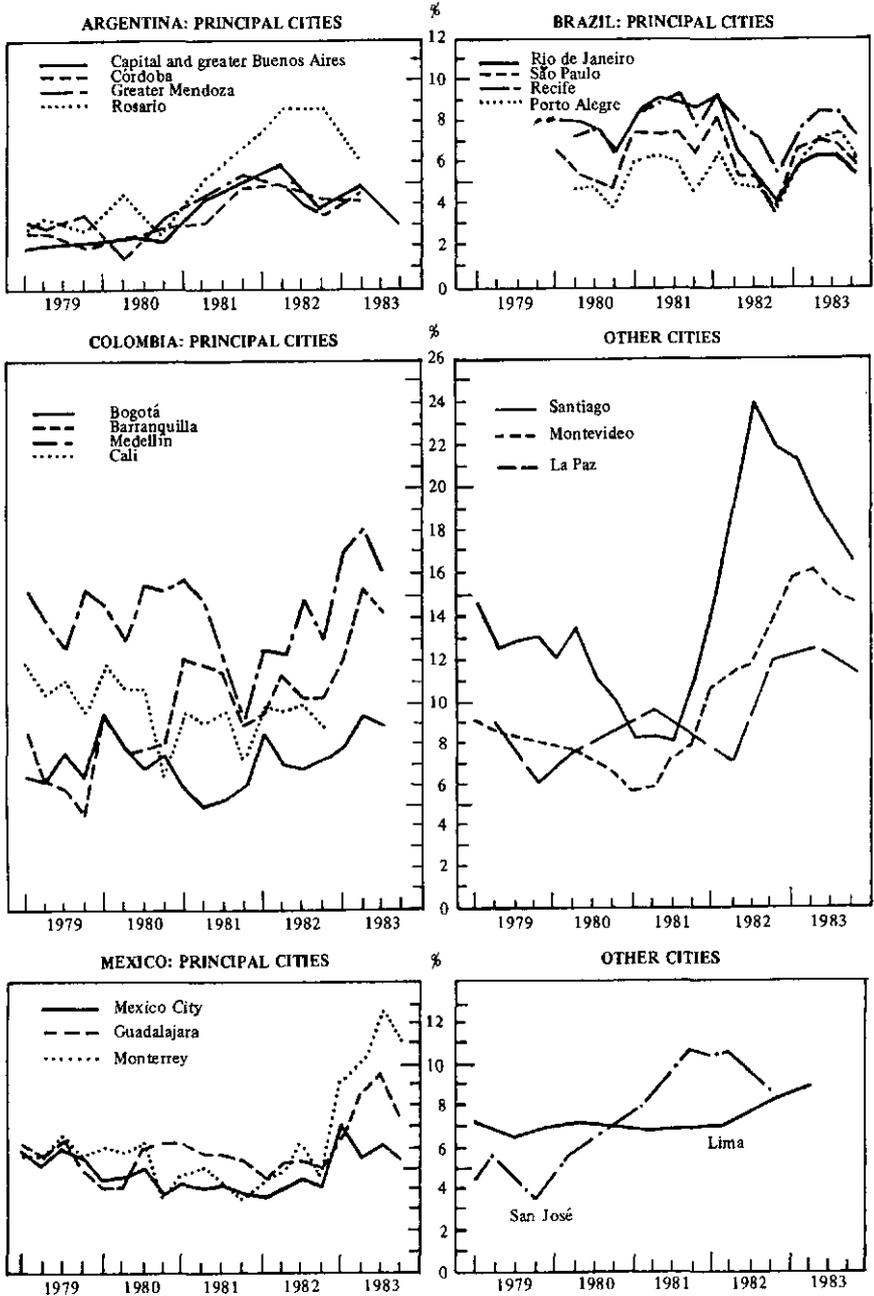
LATIN AMERICA: EVOLUTION OF URBAN UNEMPLOYMENT



Source: ECLAC, on the basis of official data.

Figure 5

LATIN AMERICA: EVOLUTION OF UNEMPLOYMENT IN SOME PRINCIPAL CITIES



Source: ECLAC, on the basis of official data. See also table 9.

Table 9

**LATIN AMERICA: EVOLUTION OF UNEMPLOYMENT RATE  
IN LARGEST CITIES**

	1978	1979	1980	1981	1982	1983	1982				1983			
							I	II	III	IV	I	II	III	IV
<b>Argentina<sup>a</sup></b>														
<b>Capital and Greater</b>														
Buenos Aires	2.8	2.0	2.3	4.5	4.7	4.0	...	5.7	...	3.7	...	4.9	...	3.1
Córdoba	3.9	2.2	2.4	3.8	4.4	5.0	...	4.8	...	3.9	...	4.3	...	5.6
Greater Mendoza	3.2	3.1	2.3	4.8	4.1	4.5	...	4.8	...	3.3	...	4.5	...	4.5
Rosario	3.9	2.9	3.4	5.8	8.4	...	...	8.3	...	8.1	...	6.3	...	...
<b>Brazil<sup>b</sup></b>														
Rio de Janeiro	...	...	7.5	8.6	6.6	6.2	9.3	6.8	5.6	4.5	6.0	6.5	6.5	6.2
Sao Paulo	...	...	5.7	7.3	6.0	6.8	8.3	5.7	5.6	4.3	6.7	7.2	7.0	6.6
Recife	...	...	6.9	8.6	7.5	6.7	9.1	7.9	7.3	5.7	7.5	8.5	8.5	7.5
Porto Alegre	...	...	4.5	5.8	5.3	8.0	6.4	5.3	5.2	4.1	6.1	7.1	7.4	6.3
<b>Colombia<sup>c</sup></b>														
Bogotá	7.3	6.6	7.9	5.5	7.4	9.4	8.5	7.0	6.8	7.1	7.9	9.4	8.9	11.3
Barranquilla	7.4	6.3	8.1	11.1	10.4	13.8	9.6	11.3	10.3	11.8	14.8	14.4	14.3	...
Medellín	12.7	14.3	14.7	13.1	13.3	17.0	12.6	12.4	15.0	13.1	17.1	18.2	16.1	16.7
Cali	9.8	10.7	10.0	9.0	9.6	11.6	9.7	9.6	9.9	9.0	11.6	11.8	11.8	11.3
<b>Mexico<sup>b</sup></b>														
México City	6.9	5.7	4.3	3.9	4.0	6.0	3.5	3.9	4.4	4.1	7.0	5.5	6.2	5.4
Guadalajara	6.0	...	5.7	5.0	5.8	5.0	8.0	4.4	5.2	5.3	5.1	6.4	8.6	9.5
Monterrey	7.6	5.9	5.2	4.2	4.9	10.7	4.3	4.7	6.2	4.5	9.0	10.2	12.5	11.1
<b>Asunción (Paraguay)<sup>d</sup></b>														
Asunción	4.1	5.9	3.9	2.2	5.6	8.4	5.6	...	...	...	...	...	...	8.4
<b>La Paz (Bolivia)<sup>e</sup></b>														
La Paz	4.5	7.6	7.5	...	9.4	13.3	...	7.0	...	11.8	...	12.7	...	13.8
<b>San José (Costa Rica)<sup>f</sup></b>														
San José	5.8	4.5	5.6	8.8	10.0	8.0	10.4	10.6	...	8.9	9.5	8.7	...	5.9
<b>Santiago (Chile)<sup>g</sup></b>														
Santiago	14.0	13.6	11.8	11.1	22.1	22.2	19.1	23.2	24.8	21.3	23.9	22.7	21.9	20.4
<b>Lima (Peru)<sup>h</sup></b>														
Lima	8.0	6.5	7.1	6.8	7.0	8.8	...	7.0	...	...	...	8.8	...	...
<b>Montevideo (Uruguay)<sup>i</sup></b>														
Montevideo	10.1	8.4	7.4	6.6	11.9	15.5	10.7	11.3	11.7	13.8	15.9	16.1	15.2	14.6

Source: ECLAC, on the basis of official data.

<sup>a</sup>Figures for April and October.

<sup>b</sup>Quarterly averages.

<sup>c</sup>Figures for March, June, September and December.

<sup>d</sup>Including

Fernando de la Mora, Lamaré and the urban areas of Luque and San Lorenzo.

<sup>e</sup>1978, second semester; 1979, average for two semesters;

1980, May-October; 1982 and 1983, June and December.

<sup>f</sup>Figures for March, July and November.

<sup>g</sup>Figures for March, June,

September and December.

<sup>h</sup>1978, average for July-August; 1979, September; 1980, April; 1981, June; 1982 and 1983, official estimates.

<sup>i</sup>Six-monthly averages for 1978, 1979 and 1980. Quarterly averages for 1981, 1982 and 1983.

decreased slightly but steadily, reflecting the above-mentioned recovery in industrial employment (see figure 5). This decline was also influenced by the enormous expansion of government employment programmes, which managed to provide temporary jobs for 13% of the active population of the metropolitan region of Santiago in 1983. Despite these factors, the rate of unemployment at the end of the year remained above 20%, i.e., at double the figure recorded three years before (see table 9).

The employment situation deteriorated to a more marked extent in Uruguay, where unemployment had been shooting up since the third quarter of 1981 and continued to increase until mid-1983. Despite its slight decline in the following months, the average unemployment rate of almost 16% in Montevideo was the highest recorded since the relevant statistical series had been started in 1968. As in Chile, manufacturing and construction were the activities with the highest unemployment levels (17%). The rate of unemployment in the business sector, although lower in absolute terms (13%), almost doubled within the space of barely a year (see table 10).

In Bolivia, too, there was a pronounced increase in unemployment. The rate of open unemployment in the city of La Paz, which in 1982 had already

exceeded 9%, continued to rise in 1983, until by the end of the year it reached an unprecedented level of nearly 14%. Although no precise figures are available for underemployment, it may be assumed to have increased substantially at the same time, having shown a sharply rising trend during the past five years (see table 11).<sup>6</sup>

The increase in urban unemployment was equally striking in Colombia. The average rate of unemployment in the principal Colombian cities rose for the second year in succession, reaching almost 12%, the highest figure recorded in the last nine years. As in previous years, Medellín was the urban centre worst affected, with a rate that ranged from 16 to 18% in the course of the year. As for Bogotá —where almost half the country's urban labour force is concentrated—, during the last quarter of the year it showed an unprecedented unemployment rate of 11%. In contrast, average underemployment in the four principal cities slightly decreased, and in March 1983 was not even as much as 11% (see tables 9 and 11).

The contraction in economic activity also caused an increase in urban unemployment in Panama. Mainly as a result of the 2% fall in the manufacturing product and the 28% drop in that of construction, the unemployment rate went up from 10% to 11% between 1982 and 1983. In the same period, rural unemployment although on a smaller scale in absolute values, showed a proportionally bigger increase, rising from 6% to 7%, largely in consequence of smaller sugar-cane harvests and of the drought which affected production of basic grains.

The rate attained by unemployment in Venezuela —almost 10%— also represented an all-time high. Although the deterioration in the employment situation was apparent in all branches of economic activity, it made itself especially felt in construction, a sector in which the proportion of unemployed went up from 13% in 1982 to 21% in 1983.

Table 10

LATIN AMERICA (SELECTED COUNTRIES): EVOLUTION OF URBAN UNEMPLOYMENT IN SOME SECTORS OF ECONOMIC ACTIVITY

(Average annual rates)

	Business				Manufacturing				Construction			
	1980	1981	1982	1983 <sup>a</sup>	1980	1981	1982	1983 <sup>a</sup>	1980	1981	1982	1983 <sup>a</sup>
Costa Rica <sup>b</sup>	3.4	5.1	8.8	7.9	5.2	7.1	10.0	7.3	5.6	11.7	15.0	14.6
Chile <sup>c</sup>	6.4	5.9	14.5	16.0	11.9	11.8	26.7	25.9	16.5	16.4	49.4	49.0
Peru <sup>d</sup>	4.1	3.6	2.7	...	5.4	7.3	5.2	...	8.7	3.0	5.3	...
Uruguay <sup>e</sup>	...	5.9	7.7	13.3	...	7.0	13.0	16.6	...	5.7	9.7	16.6
Venezuela <sup>f</sup>	4.6	4.8	5.6	7.4	7.9	7.8	8.0	12.4	11.7	11.8	12.9	20.8

Source: ECLAC, on the basis of official data.

<sup>a</sup>Provisional figures.

<sup>b</sup>Valle Central. Data for March in each year.

<sup>c</sup>Greater Santiago. Average for March, June, September and

December. Data supplied by the Department of Economics of the Universidad de Chile.

<sup>d</sup>Metropolitan Lima. 1980, April, 1981 and

1983, June.

<sup>e</sup>Montevideo. Average for four quarters.

<sup>f</sup>National total. Average for two semesters.

<sup>6</sup> According to official estimates, barely 80% of industrial production capacity was in use in 1983, while the percentage of urban employment in low-productivity informal activities significantly increased. Reflecting the growth of employment in these latter, the proportion of the total number of employed persons represented by wage-earners dropped from 60% at the beginning of 1983 to barely 57% at the end of the year.

Table 11

**LATIN AMERICA (SELECTED COUNTRIES): NON-VOLUNTARY  
URBAN UNDEREMPLOYMENT<sup>d</sup>**

(Average annual rates)

	1976	1977	1978	1979	1980	1981	1982	1983 <sup>b</sup>
Argentina <sup>c</sup>	6.5	4.1	5.2	4.0	5.6	6.4	6.8	4.8
Bolivia <sup>d</sup>	...	...	43.9	46.1	48.5	50.9	53.5	...
Colombia <sup>e</sup>	16.3	14.0	14.3	14.0	16.0	11.4	11.0	10.6
Costa Rica <sup>f</sup>	9.3	8.1	10.0	13.8	15.6	19.3	24.2	17.7
Peru <sup>g</sup>	32.7	39.2	43.7	44.1	41.4	40.3	43.9	46.3

Source: ECLAC, on the basis of official figures.

<sup>a</sup>Percentage of the labour force whose working day is shorter than they would be willing for. <sup>b</sup>Provisional figures. <sup>c</sup>Greater Buenos Aires. Average for April-October. <sup>d</sup>National total. <sup>e</sup>Bogotá, Barranquilla, Cali and Medellín. Average for March, June, September and December, 1983, March. <sup>f</sup>Urban national total. Average for March, July and November, 1983, March. <sup>g</sup>National total. Non-agricultural activities.

Table 12

**LATIN AMERICA (SELECTED COUNTRIES): TOTAL  
PARTICIPATION RATES<sup>a</sup>**

(Average annual rates)

Country	1970	1976	1980	1981	1982	1983 <sup>b</sup>
Bolivia <sup>c</sup>	47.3 <sup>d</sup>	48.1	55.8	...	...	49.9
Colombia <sup>e</sup>	...	49.8	54.4	52.3	53.0	54.6
Costa Rica <sup>f</sup>	44.9 <sup>d</sup>	50.2	50.2	49.3	50.9	48.7
Chile <sup>g</sup>	51.8	50.3	50.7	51.8	51.7	52.2
Mexico <sup>h</sup>	...	50.9	50.1	50.1	49.5	46.8
Uruguay <sup>i</sup>	48.5	52.8	56.4	54.6	56.6	56.9
Venezuela <sup>j</sup>	43.4	...	50.2	50.4	50.0	49.7

Source: ECLAC, on the basis of PREALC data and official figures.

<sup>a</sup>Economically active population as a percentage of population of working age, according to household survey data. The lower age limit varies slightly from one country to another (see the corresponding footnotes). <sup>b</sup>Preliminary figures. <sup>c</sup>National total. Lower age limit 10 years, upper 64 years. Average annual estimate. <sup>d</sup>According to data from the corresponding national census. <sup>e</sup>Barranquilla, Bogotá, Cali, and Medellín. Lower age limit 12 years. Average for March, June, September and December. <sup>f</sup>National total. Lower age limit 12 years. March of each year. <sup>g</sup>Greater Santiago. Lower age limit 14 years. Average for March, June, September and December. <sup>h</sup>Metropolitan areas of México City, Guadalajara and Monterrey. Lower age limit 12 years. Average for four quarters. <sup>i</sup>National total. Lower age limit 14 years. Average for four quarters. <sup>j</sup>National total. Lower age limit 15 years. First semester of each year.

In Peru, too, the employment situation grew worse. As a result of the almost 12% slump in global economic activity, open unemployment in Lima climbed from 7% in 1982 to nearly 9% in 1983, while urban underemployment reached the unprecedented level of over 46%.

Although lower in absolute values, unemployment rates also rose significantly in Mexico and Paraguay. In the latter country, urban unemployment rose from 5.6% in March 1982 to more than 8% in December 1983.

In the principal cities of Mexico, in their turn, open unemployment went up from 4% in 1982 to almost 7% in 1983. The city hardest hit was Monterrey, where the rate of unemployment more than doubled, attaining a record average level of about 11%. The deterioration in the urban employment situation was also reflected in the above-mentioned drop in industrial employment, in the decline of the rate of participation (see table 12), and in the transfer of a considerable number of workers from the modern sector to the so-called informal activities. However, open unemployment in the three principal cities

decreased slightly in the last quarter of the year, partly thanks to emergency employment programmes.<sup>7</sup>

In the case of Brazil, the methodological changes introduced in 1982 preclude comparisons with preceding years. However, the quarterly evolution since that date shows a relative increase in urban unemployment, especially in the city of Recife. In Sao Paulo and Rio de Janeiro unemployment continued to hover between 6% and 7% throughout the year, which is surprising, since these are cities in which employment in industry carries a great deal of weight, and, given the marked contraction in this sector, a rise in unemployment rates might have been expected (see tables 7 and 9).

Argentina, Costa Rica and Nicaragua, for their part, showed slight downward movements in 1983 in their respective rates of open unemployment, mainly in consequence of the recovery of economic activity in all these countries. Nevertheless, unemployment rates remained very high in Costa Rica and, particularly, in Nicaragua, where although the rate of urban unemployment fell by one percentage point between 1982 and 1983 it was the second highest in Latin America (see table 8). This modest decrease was essentially due to the increase of more than 5% in the gross domestic product, and was also a consequence of the substantial rise in public employment and the expansion of urban informal activities.

Urban unemployment also declined in Costa Rica, from an annual average of 10% in 1982 to one of 8% in 1983. In San José unemployment remained high during the first half of the year, fluctuating around 9%, but fell to 6% in November. The most marked decrease occurred in manufacturing industry, where the unemployment rate dropped between 1982 and 1983 from 10% to 7%. In contrast, the proportion of unemployed workers was barely reduced at all in construction, and went down only a very little in the business sector. Another sign of improvement in the employment situation was a considerable decrease in urban underemployment, from 24% in March 1982 to 18% in March 1983 (see tables 10 and 11). These changes in the employment situation reflected a slight recrudescence of economic activity, after two years of sharp reduction.

Lastly, during the second half of 1983 the reactivation of the economy also caused a decline in urban unemployment in Argentina. The most notable decrease took place in Greater Buenos Aires, where not only unemployment but also underemployment dropped steeply. According to provisional data,<sup>8</sup> both the 3% unemployment rate recorded in October 1983 in the capital and the rate of underemployment were the lowest observable since 1980. In contrast, in the other principal cities, the reduction in unemployment by the end of the year barely succeeded in offsetting the increases that had occurred in the first semester. The situation was particularly unfavourable in Córdoba, where unemployment continued to rise throughout the year and reached its highest level since 1977 (see figure 5). As a result of these changes, the average rate of urban unemployment fell from 5.3% in 1982 to 4.6% in 1983. This figure, while considerably higher than those prevailing during 1977-1980, was by far the lowest in Latin America in 1983.

<sup>7</sup>The Mexican Government put into practice several programmes of this type, both in urban and in rural areas. The aim was to provide training (in particular for persons looking for work for the first time) or temporary employment in various public or social utility projects (drinking-water, sewerage, housing, highways, etc.).

<sup>8</sup>Representing only 50% of the sample customarily used.

Table 13

## LATIN AMERICA: EVOLUTION OF CONSUMER PRICES

(Variations from December to December)

	1975	1976	1977	1978	1979	1980	1981	1982	1983
Latin America <sup>a</sup>	57.8	62.2	40.0	39.0	54.1	52.8	60.8	85.8	131.4
<b>Countries with traditionally high inflation</b>	<b>68.9</b>	<b>74.5</b>	<b>47.1</b>	<b>45.7</b>	<b>61.9</b>	<b>61.5</b>	<b>71.7</b>	<b>102.8</b>	<b>156.6</b>
Argentina	334.9	347.5	150.4	169.8	139.7	87.6	131.2	209.7	433.7
Bolivia	6.6	5.5	10.5	13.5	45.5	23.9	25.2	296.5	328.5
Brazil	31.2	44.8	43.1	38.1	76.0	86.3	100.6	101.8	177.9
Colombia <sup>b</sup>	17.9	25.9	29.3	17.8	29.8	26.5	27.5	24.1	16.5
Chile	340.7	174.3	63.5	30.3	38.9	31.2	9.5	20.7	23.6
Mexico	11.5	27.2	20.7	16.2	20.0	29.8	28.7	98.8	80.8
Peru	24.0	44.7	32.4	73.7	66.7	59.7	72.7	72.9	125.1
Uruguay	66.8	39.9	57.3	46.0	83.1	42.8	29.4	20.5	51.5
<b>Countries with traditionally moderate inflation</b>	<b>8.7</b>	<b>7.9</b>	<b>8.8</b>	<b>9.8</b>	<b>20.1</b>	<b>15.4</b>	<b>14.1</b>	<b>12.6</b>	<b>15.8</b>
Costa Rica	20.5	4.4	5.3	8.1	13.2	17.8	65.1	81.7	10.7
Ecuador <sup>c</sup>	13.2	13.1	9.8	11.8	9.0	14.5	17.9	24.3	52.5
El Salvador	15.1	5.2	14.9	14.6	14.8	18.6	11.6	13.8	15.5
Guatemala	0.8	18.9	7.4	9.1	13.7	9.1	8.7	-2.0	8.1 <sup>d</sup>
Haiti	-0.1	-1.4	5.5	5.5	15.4	15.3	16.4	8.0 <sup>e</sup>	7.1 <sup>f</sup>
Honduras	7.8	5.6	7.7	5.4	18.9	15.0	9.2	9.4	10.2
Nicaragua	1.9	6.2	10.2	4.3	70.3	24.8	23.2	22.2	37.3 <sup>g</sup>
Panama	1.4	4.8	4.8	5.0	10.0	14.4	4.8	3.7	2.0
Paraguay	8.7	3.4	9.4	16.8	35.7	8.9	8.1	8.9	14.1
Dominican Republic	16.5	7.0	8.5	1.8	26.2	4.2	7.4	7.1	6.0
Venezuela	8.0	6.9	8.1	7.1	20.5	19.6	10.8	7.9	7.0

Source: International Monetary Fund, *International Financial Statistics*, and ECLAC, on the basis of official data.<sup>a</sup>The totals for Latin America and the partial figures for groups of countries correspond to the countries' price variations weighted by each year's population.<sup>b</sup>Up to 1980, represents the variation in the workers' consumer price index; from 1981 onwards, the variation in the national total, which includes workers and employees.<sup>c</sup>Up to 1982, represents the variation in the consumer price index in the city of Quito; in 1983, the variation in the national total.<sup>d</sup>Represents the variation between October 1983 and October 1982.<sup>e</sup>Represents the variation between September 1982 and September 1981.<sup>f</sup>Represents the variation between September 1983 and September 1982.<sup>g</sup>Represents the variation between November 1983 and November 1982.

## D. PRICES AND WAGES

## 1. Prices

Although economic activity declined and unemployment increased, and notwithstanding the weakening of external inflationary pressures, the rate of increase of prices continued to rise in most of the Latin American economies, and in the region as a whole reached a new all-time high in 1983. The simple average rate of increase of consumer prices went up from 48% in 1982 to 66% in 1983, and the rate weighted by the population soared from a little less than 86% in 1982 to 131% in 1983.

Inflation speeded up particularly fast in Argentina, Bolivia, Brazil, Peru, Ecuador and Uruguay; in Mexico, prices continued to increase at a very rapid rate. Inflation also worsened in most of the Central American economies, but particularly in Nicaragua and Guatemala. In contrast, it was spectacularly reduced in Costa Rica, underwent a moderate but steady decline in Colombia, and was very low in Panama (see table 13).

Consumer prices continued to shoot up in Argentina, attaining a rate of over 430%, which more than doubled that of the preceding year and easily

exceeded the very high rates recorded in 1975 and 1976. This phenomena was linked, as in previous years, to the existence of a very considerable fiscal deficit and to the spread of more and more unfavourable expectations as to the future course of price levels. To the incidence of these factors was superadded the effect of the frequent wage and salary adjustments, which reached very considerable magnitudes, especially in the second half of the year, and helped to push up real wages.

Inflation figures were likewise unprecedented in Bolivia, where consumer prices soared by almost 330%, on top of having already trebled in 1982. As can be seen in figure 6, the acceleration of inflation was particularly marked as from November, in which month the exchange rate was adjusted by 150% —after a year in which it had been pegged by the authorities— and when a rise of more than 70% in minimum wages was decreed.

There was also a very marked intensification of inflation in Brazil. As a result of the massive public-sector deficit, of the maxidevaluation of the cruzeiro decreed in February and the continuous subsequent increases in the exchange rate, of the deterioration of the outlook and of the complex and generalized indexing system in force, consumer prices, which in 1981 and 1982 had risen at a rate of about 100%, went up by over 180% in 1983, while the overall price index was more than trebled.

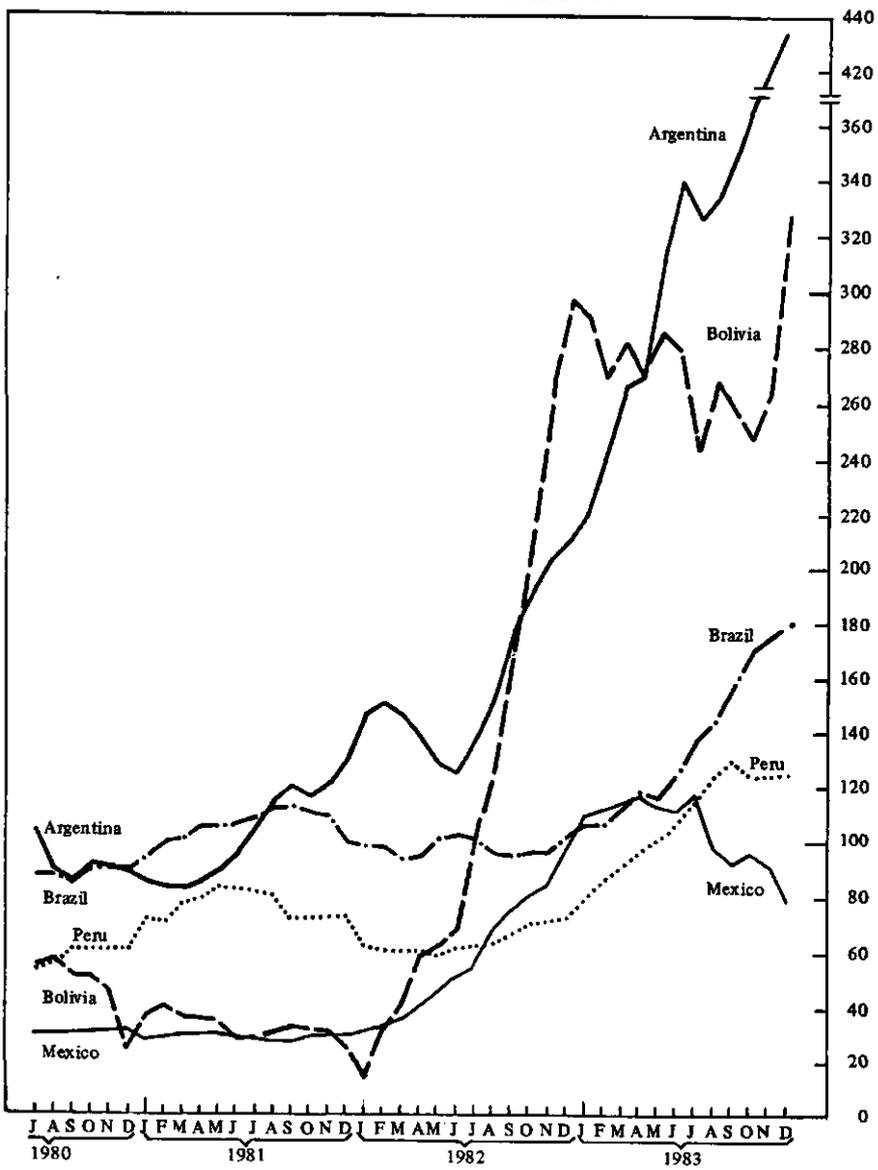
Galloping inflation was also the order of the day in Peru, where the annual rate of increase of consumer prices, after fluctuating around 70% in 1981 and 1982, jumped to 125% in 1983. Special determinants of this notable increase were the policy of more rapid devaluation of the sol applied by the economic authorities until August, and also the sharp increases in food prices due to the poorer harvests caused by drought and floods.

Although a great deal lower in absolute terms than in the four preceding countries, in relative terms the increase in inflation in Ecuador was greater; from 24% in 1982 it rose to 52% in 1983. As in other countries, this acceleration of inflation was influenced by the devaluations of the sucre decreed as from 1982, after a long period of exchange stability; but another decisive factor was the reduction in supplies of agricultural products which was caused by floods, and which brought in its train unaccustomed increases in food prices. Towards the end of the year, however, the supply of these products became more normal, with the result that the consumer price index showed small decreases in November and December and the rising trend of the rate of inflation was abruptly reversed (see figure 7).

The course followed by inflation was very similar in Uruguay, where the rate of price increases, after following a systematic downward trend between the beginning of 1960 and November 1982, shot up again after the devaluation of the peso at the end of that month. Thus, the rate of inflation rose steadily and steeply during most of 1983, but was greatly reduced in December. Even so, the 51% increase in consumer prices in 1983 more than doubled the corresponding figure for 1982.

In Mexico, too, inflation remained very high during 1983, although its rates slowed down as from the middle of the year. As shown in figure 6, the annual rate of increase of consumer prices reached an all-time peak of almost 120% in July, but subsequently declined almost continually, falling to 81% in

Figure 6  
**LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTH VARIATIONS IN CONSUMER PRICE INDEX**



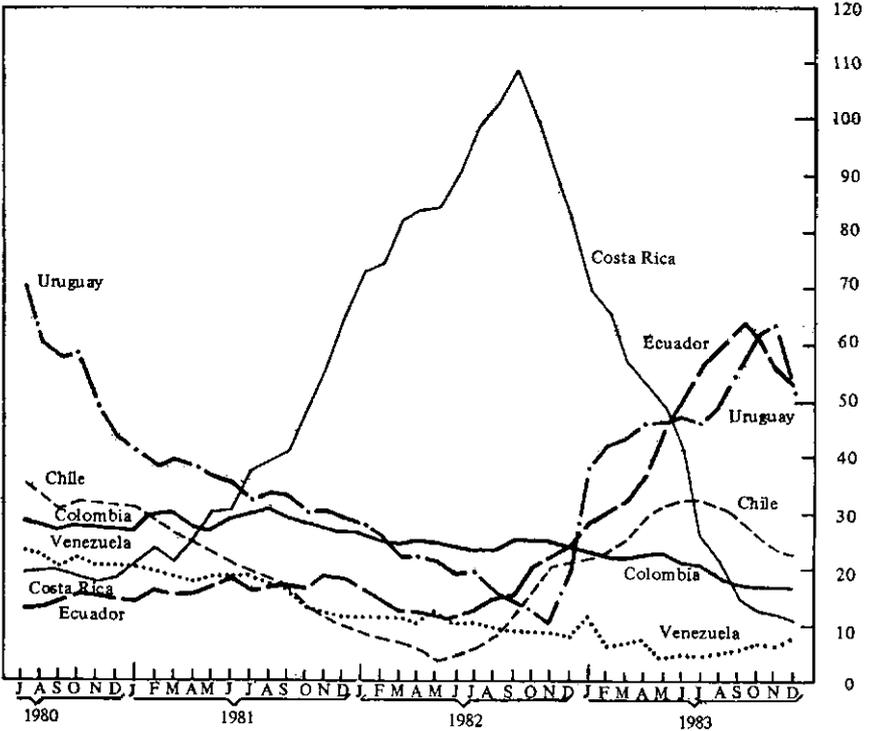
Source: ECLAC, on the basis of official data.

December. This break in the inflationary trend was mainly attributable to the notable reduction of the fiscal deficit and the very restrictive wage policy applied by the economic authorities.

The reversal of the inflationary trend was much more definite and spectacular in Costa Rica, a country where, as in Mexico, the rate of price increases had soared rapidly in 1982. As can be seen in figure 7, the rate of increase of consumer prices, after reaching an unprecedented level of close to 110% in September 1982, declined exceptionally fast and persistently in the subsequent months, and by the end of 1983 has dropped below 11%. In fact, mainly as a result of the fixing of the exchange rate, of the restrictive wage policy applied and of a considerable expansion of the volume of imports, as from the middle of the year consumer prices were almost completely stabilized.

The course followed by inflation during 1983 was more complex in Chile. Between June 1982—the month in which the authorities decided to devalue the peso after almost three years of exchange stability—and June 1983, the annual rate of increase of consumer prices climbed steadily from 4% to

Figure 7  
LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTH VARIATIONS IN CONSUMER PRICE INDEX



Source: ECLAC, on the basis of official data.

somewhat more than 32%. But the effects on the costs of tradeable goods produced by the abrupt upward movements of the exchange rate in the second half of 1982 gradually petered out and real wages and salaries went on decreasing; consequently, the pace of inflation began little by little to slacken as from August 1983, and fell below 23% by the end of the year.

During 1983 inflation went on declining gradually but continuously in Colombia, the Latin American country in which the rate of increase of prices has been most stable in the last ten years. This slowdown of inflation took place despite the fact that, with a view to strengthening the balance of payments, the authorities speeded up the mini-devaluations of the peso. But the greater inflationary pressure that this might have caused was neutralized by the sluggishness of domestic demand.

In Venezuela, likewise, the rate of increase of consumer prices was slightly reduced in 1983. They rose, in fact, by only 7%, notwithstanding the sharp devaluation of the bolívar at the end of February. The effects of this latter on consumer prices were mitigated by the maintenance of a preferential exchange rate for imports of essential goods, strict price controls in respect of these, reduction of previous years' stockpiles, a slump in domestic demand and a downward trend in wages. The impact of the raising of the exchange rate on costs was reflected, however, in the evolution of the wholesale price index, in which internationally tradeable products carried greater weight. Indeed, wholesale prices, which in 1982 had gone up only 6%, rose by over 10% in 1983 and showed an upward trend which became particularly marked at the end of the second quarter of that year.

In Paraguay, on the other hand, inflation notably accelerated its pace. After increasing by barely 4% in 1982, consumer prices rose by 14% in 1983. As in other countries, the increase in the rate of inflation was influenced by the raising of the exchange rate. The effects of the devaluation were combined with those of the abrupt reduction of the supply of agricultural products caused by adverse weather conditions —which stepped up food prices to a marked extent— and with the impact of the over-25% expansion of the means of payment generated by the significant increase in the credit granted to the central government.

Lastly, price trends differed widely among the countries of Central America and the Caribbean, which have traditionally had moderate inflationary processes tending as a general rule to follow the variations in international inflation. Thus the rate of inflation increased to a marked extent in Nicaragua — from an average of 23% in 1980-1982 to 37% in 1983— and in Guatemala, where consumer prices rose by 8% after having decreased by 2% in 1982. In contrast, the rate of inflation did not vary very much in El Salvador and Honduras; it was spectacularly reduced, as has already been shown, in Costa Rica; it was very low in Panama; and it declined slightly for the third year running both in Haiti and in the Dominican Republic (see table 13).

## 2. Wages and salaries

As in previous years, the evolution of real wages and salaries was very unequal in Latin America, in accordance with the likewise widely differing paths followed by the countries of the region in respect of growth, employment, inflation and

wage policy. Of the countries for which relatively reliable statistical data are available, a majority (Brazil, Chile, Paraguay, Peru and Uruguay) recorded substantial decreases both in average wages and salaries and in the minimum wages, mainly as a result of the contraction in internal economic activity and the acceleration of inflation. Similarly, in Ecuador and Mexico, countries for which statistical data are available only with respect to minimum wages, these suffered a marked reduction. In contrast, real salaries and wages continued to follow a moderate upward trend in Colombia, while they showed notable increases in Costa Rica and, above all, in Argentina (see tables 14 and 15 and figure 8).

The most spectacular decreases —of about 20% for average wages and salaries and over 10% for minimum wages— occurred in Brazil and Uruguay. The deterioration in real wages and salaries began to make itself apparent on an unusually large scale in Uruguay as from the second half of 1982 and continued throughout the following year. This unfavourable trend was due in the first place to the abrupt drop in the gross domestic product, the negative effects of which were strengthened in 1983 by the impact of the marked acceleration of inflation. It was also influenced by the wage policy which formed part of the overall adjustment programme, and by virtue of which the salaries of public employees were frozen, compulsory adjustments in the private sector were suppressed and increases in the national minimum wage were made more moderate. This last, despite the intensive rate of inflation, was adjusted only twice in 1983 (by 15% in January and 33.5% in September). Moreover, these increases failed to match the rate of inflation, which meant that the real minimum wage fell by 10% in 1983. The nominal rise in average wages and salaries was considerably lower, so that their purchasing power was lessened by 21%. Since for several years both

Table 14

LATIN AMERICA: EVOLUTION OF REAL AVERAGE  
WAGES AND SALARIES

(1976 = 100)

Country	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 <sup>a</sup>
Argentina <sup>b</sup>	138.3	131.5	139.7	157.7	148.6	100.0	98.5	96.7	111.1	124.2	111.0	99.2	128.3
Brazil <sup>c</sup>	78.1	85.7	86.4	88.3	96.8	100.0	104.6	112.7	116.3	122.5	129.4	140.0	113.0
Colombia <sup>d</sup>	117.4	98.3	105.2	99.6	97.8	100.0	94.4	105.3	112.2	113.0	114.4	118.3	124.2
Costa Rica <sup>e</sup>	102.5	99.4	97.1	91.6	88.3	100.0	109.4	119.0	124.7	125.7	110.9	89.1	97.7
Chile <sup>f</sup>	189.4	171.7	113.3	102.9	98.6	100.0	112.9	120.2	130.2	141.9	154.8	154.2	137.8
Paraguay <sup>g</sup>	108.2	102.9	99.4	95.0	94.9	100.0	95.4	98.8	92.4	93.0	98.0	95.4	88.6
Peru <sup>h</sup>	...	...	110.1	108.4	92.2	100.0	84.4	76.0	73.6	80.8	78.7	80.5	67.5
Uruguay <sup>i</sup>	144.2	118.5	115.0	116.5	106.2	100.0	88.1	84.9	78.0	77.8	83.6	83.3	66.0
<b>Percentage variation</b>													
Argentina <sup>b</sup>	3.4	-4.9	6.2	12.9	-5.9	-32.7	-1.5	-1.8	14.9	11.8	-10.6	-10.4	29.3
Brazil <sup>c</sup>	4.2	8.9	0.8	2.2	9.6	3.3	4.6	7.7	3.2	5.3	5.6	8.2	-19.3
Colombia <sup>d</sup>	-3.8	-16.5	7.0	-5.3	-1.8	2.2	-5.6	11.5	6.5	0.8	1.4	3.7	5.0
Costa Rica <sup>e</sup>	10.9	-3.0	-2.3	-5.6	-3.7	-13.2	9.4	8.8	4.8	0.8	-11.8	-19.7	9.7
Chile <sup>f</sup>	19.3	-9.3	-34.0	-9.1	-4.2	1.4	12.9	6.5	8.3	9.0	9.1	-0.4	-10.6
Paraguay <sup>g</sup>	-1.1	-4.9	-3.4	-4.4	-0.1	5.3	-4.6	3.6	-6.5	0.7	5.3	-2.7	-7.1
Peru <sup>h</sup>	...	...	...	-1.5	-14.9	8.5	-15.6	-9.9	-3.2	9.9	-2.0	2.2	-16.1
Uruguay <sup>i</sup>	5.1	-17.1	-3.8	1.3	-8.8	-5.8	-11.9	-3.6	-8.1	-0.4	7.5	-0.3	-20.7

Source: ECLAC, on the basis of official data.

<sup>a</sup>Provisional figures.

<sup>b</sup>Wages in manufacturing industry in the metropolitan area.

<sup>c</sup>Average wages in industry in general.

<sup>d</sup>Wages in manufacturing industry.

<sup>e</sup>Wages or salaries declared by affiliates of the social security system.

<sup>f</sup>Wages and salaries of workers and employees in the non-agricultural sectors, excluding large-scale copper mining and pulp and paper industries.

<sup>g</sup>Wages in general for Asunción.

<sup>h</sup>Wages in the private sector in the metropolitan area of Lima.

<sup>i</sup>Wages and salaries in the private and public sectors in Montevideo and the interior.

Table 15

## LATIN AMERICA: EVOLUTION OF VALUE URBAN REAL MINIMUM WAGE

(1980 = 100)

Country	1976	1977	1978	1979	1980	1981	1982	1983 <sup>e</sup>
Argentina <sup>b</sup>	104.0	99.7	81.0	92.1	100.0	105.6	105.5	166.6
Brazil <sup>c</sup>	...	...	97.7	97.5	100.0	98.7	99.1	87.8
Colombia <sup>d</sup>	75.1	77.9	89.5	97.5	100.0	98.9	103.2	107.6
Costa Rica <sup>b</sup>	79.5	86.2	96.0	98.5	100.0	90.5	85.7	99.3
Chile <sup>c</sup>	67.5	120.9	100.7	99.8	100.0	99.2	97.2	78.3
Ecuador <sup>f</sup>	60.5	53.8	48.1	60.4	100.0	89.6	80.8	72.0
Mexico <sup>g</sup>	113.5	112.5	108.6	107.2	100.0	97.6	93.4	71.9
Paraguay <sup>h</sup>	100.6	92.0	94.8	92.4	100.0	103.2	101.1	93.6
Peru <sup>i</sup>	107.3	94.2	72.3	80.8	100.0	84.7	80.0	79.7
Uruguay <sup>j</sup>	171.5	114.7	113.6	104.8	100.0	103.4	104.6	94.0
<b>Percentage variation</b>								
Argentina	-48.2	-4.1	-18.8	13.7	8.6	5.6	-0.1	57.9
Brazil	...	...	...	-0.2	2.6	-1.3	0.4	-11.4
Colombia	-6.2	3.7	13.1	10.7	2.5	-1.1	4.4	4.3
Costa Rica	14.8	8.4	11.4	2.6	1.6	-9.5	-5.3	15.9
Chile	...	17.9	26.5	-0.9	0.2	-0.8	-2.0	-19.5
Ecuador	...	-11.2	-10.6	25.7	65.5	-10.4	-9.9	-10.7
Mexico	11.6	-0.9	-3.4	-1.3	-6.7	-2.4	-4.3	-23.0
Paraguay	...	-8.3	3.1	-2.5	8.2	3.2	-2.0	-7.5
Peru	...	-12.2	-23.2	11.7	23.8	-15.3	-5.4	-0.4
Uruguay	-3.1	-33.5	-0.5	-7.7	-4.6	3.4	1.2	-10.2

Source: ECLAC, on the basis of official figures.

<sup>a</sup> Provisional figures.<sup>b</sup> National minimum wage.<sup>c</sup> Minimum wage for upper urban sectors.<sup>d</sup> Minimum wage for upper urban sectors.<sup>e</sup> Minimum overall wage, calculated on the basis of annual minimum wages and legal supplementary benefits.<sup>f</sup> National average minimum wage.<sup>g</sup> Minimum wage in Lima for non-agricultural activities.<sup>h</sup> Minimum wage in Asunción.<sup>i</sup> National minimum wage for workers over 18 years of age.

real minimum wages and real average wages and salaries had been showing a persistent downward trend, the levels recorded in 1983 were the lowest in the last 15 years.

In contrast, the slump in real wages and salaries in Brazil occurred in a very different context, as they had been increasing uninterruptedly up to 1982 (see figure 8). The decreases recorded in 1983 were equally spectacular, however, since average wages and salaries contracted by over 19%, while the minimum wage in Rio de Janeiro fell by 11%.

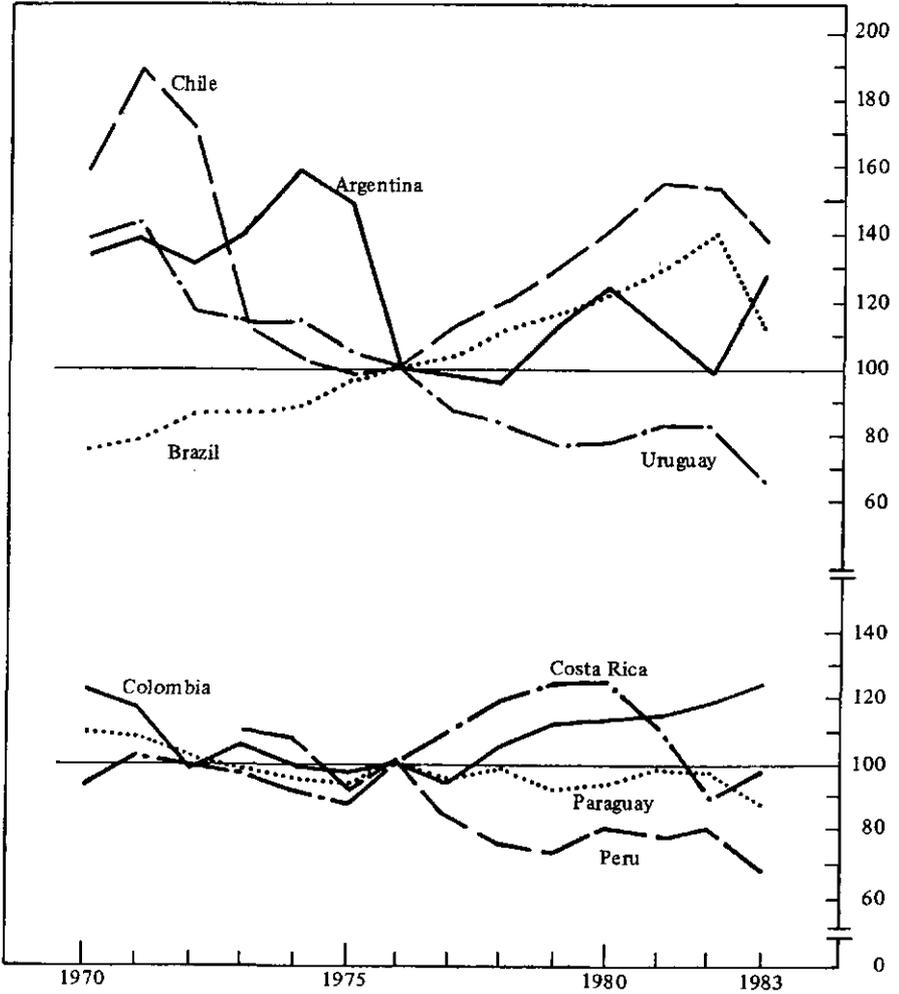
As in the case of Uruguay, these reductions were particularly influenced by the speeding-up of inflation, which in 1983 reached rates never recorded in the country before. Other determinants were the changes in wage legislation, which was modified for the first time in January 1983 and again, after a long period of uncertainty and difficult internal negotiations, in November 1983.<sup>9</sup> These reforms were aimed at bringing down the percentage levels of the six-monthly adjustment applicable to the different wage and salary steps. Thus, for wages and salaries amounting to less than three minimum wages, the percentage was reduced from 110 to 100% of the variation in the national consumer price index

<sup>9</sup>The wage legislation in force since 1979 establishes a system of compulsory six-monthly adjustments, scaled in accordance with the ratio between the pay received and the minimum wage. It also provides for an additional increase if productivity rises. The latter, however, is largely determined by direct negotiations.

Figure 8

LATIN AMERICA: EVOLUTION OF AVERAGE REAL WAGES AND SALARIES

(Indexes 1976 = 100)



Source: Table 14.

in January 1983.<sup>10</sup> In turn, the adjustment percentages applied to wages and salaries exceeding three minimum wages were fixed at the beginning of the year at a level lower than the rate of inflation and were further reduced in November. The second reform in wage legislation consisted in the establishment of a ceiling for the increase under the head of productivity, in accordance with the variation in national per capita income in the preceding year. Since the ceiling was fixed at zero for 1982, in 1983 there was no increase on this account.

As a result of these modifications, the rising trend that average real wages and salaries had been showing since the beginning of the 1970s was abruptly reversed, and as from June 1983 they began to fall steeply. Thus, by the end of the year their level was barely equivalent to that recorded in 1980. As for the salaries of public employees, which are not regulated by wage legislation, they were accorded nominal increases considerably lower than the rate of inflation, whereby they dropped 20% in real terms.

Furthermore, with a view to gradually establishing a single minimum wage for the whole country, in May the number of different areas considered was further reduced, so that thenceforward only two levels were differentiated.<sup>11</sup> The policy of granting two six-monthly adjustments (in May and November) equivalent to the variation in the national consumer price index was maintained. But since the increase in prices in the principal Brazilian cities was proportionally higher, in all those urban centres the real minimum wage decreased. The sharpest drops occurred in the Federal District (-16%) and Recife (-17%), the two urban areas where the rates of inflation were highest.

The notable acceleration of inflation in 1983 also contributed to the 16% decrease in average wages and salaries in Peru, which brought these down to their lowest level in the last 10 years. The worst deteriorations (-29% and -28%, respectively) corresponded to the construction and business sectors, which were especially affected by the slump in economic activity. In manufacturing industry, too, real wages declined to a marked extent (-21%). The reductions were smaller, although substantial, in the other sectors, ranging from 13% in the banking sector to 8% in non-government services.

Average wages and salaries, however, did not follow the same behaviour pattern throughout the year. They were reduced by 21% during the first half of the year, but in the last quarter rose by 3%. This was due partly to the slowing-down of the rate of inflation in the last months of the year, and partly to the granting of a blanket wage increase of 15%, which had not been originally programmed.

In contrast, the purchasing power of the average minimum wage scarcely varied at all in 1983. Thanks to the special 60% bonus granted in March, it considerably increased in real terms during the second quarter of the year (see figure 9). The three subsequent adjustments,<sup>12</sup> however, did not suffice to offset

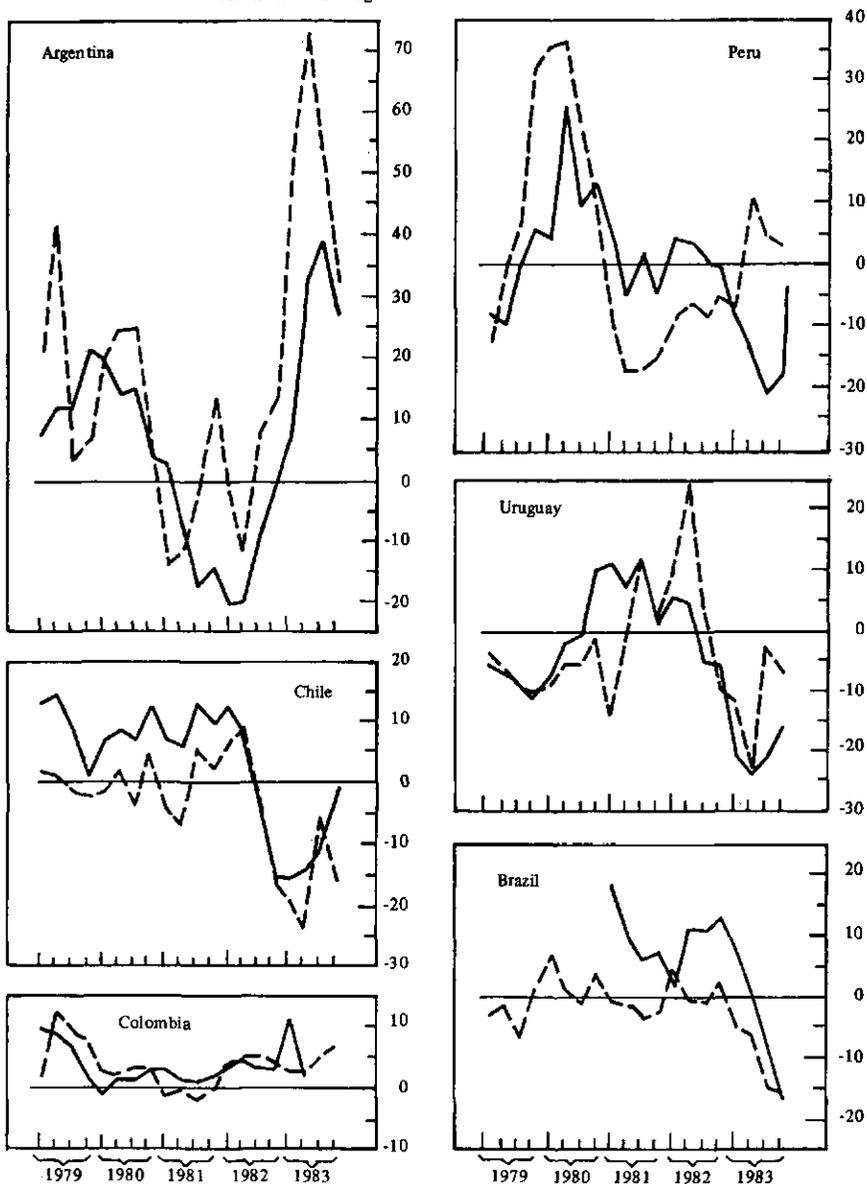
<sup>10</sup> This index also serves as a basis for the entire indexing system applied in Brazil. It should be noted that during 1983 the government, in calculating the variation in this index, excluded price increases attributable to the incidence of factors considered as exceptional or accidental (for example, those caused by the shortage of agricultural supplies due to floods in the south of the country). Naturally, this procedure reduced the size of automatic wage adjustments.

<sup>11</sup> Up to May 1983, for the purpose of fixing minimum wages, three areas had been differentiated: firstly, the south and south-east region plus the Federal District; secondly, the states of Bahia, Pernambuco, and the rest of the central zone; and lastly, the remainder of the north-east. The legal minimum wage for these last two areas was unified as from May 1983.

<sup>12</sup> Nineteen per cent in July, 10% in September and 8% in November.

Figure 9  
**LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTH VARIATION IN REAL WAGE AND SALARIES**

— Average wage in manufacturing sector  
 - - - Minimum urban wage



Source: ECLAC, on the basis of table 15 and official data.

the effect of inflation, so that during the following months the purchasing power of the minimum wage gradually declined.

In Chile, too, the decrease in real salaries and wages was very marked, inasmuch as average wages were reduced by 10%, and minimum income by almost 20% (see tables 14 and 15). This unfavourable trend was due, in the first place, to the sharp contraction in the gross domestic product which took place in 1982, and which, together with the restrictive wage policy, meant that as from the second half of 1982 real salaries and wages dropped steeply. This deterioration, however, was to some extent slowed down by the subsequent moderation of the rate of inflation, by the modest recrudescence of domestic economic activity during the second half of 1983 and by a slight relaxation of wage policy during the same period. From April onwards, public employees received several special bonuses.<sup>13</sup> Then, in July, a nominal adjustment of 5% in their salaries was decreed, as well as in those of other workers not subject to collective renegotiation. Lastly, in December a Christmas box equivalent to 15% of the corresponding salary was paid. Thus the index of average wages and salaries declined more gently, and even rose a little in the last months of the year. Thus, at the end of 1983 its level was almost the same as that recorded twelve months before (see figure 9.)

The biggest drop in average wages and salaries occurred in the manufacturing sector, where they fell by over 17%. Employees in the service sector, for their part, suffered an 8% reduction of their salaries, and at the same time real wages in mining declined by 6%.

The minimum wage, in its turn, decreased by nearly 20%, since its nominal amount was frozen for two whole years (from July 1981 to July 1983) and subsequently benefited only by an increase of 5% in nominal terms.

In Paraguay both average wages and salaries and minimum wages fell by over 7%. In the case of the former, this downward movement was mainly attributable to the acceleration of inflation, since, in general, higher nominal increases were granted than in the preceding year. Thanks in part to these increments, the real wages of agricultural day-labourers actually rose slightly (by 1%) and the reduction in real wages in the basic services sector was only 1%. In other activities, however, wages and salaries deteriorated a good deal. This happened particularly in the manufacturing and construction sectors, which were those hardest hit by the recession, and in which average real wages and salaries fell by 8% and 12%, respectively. Although no precise data are available on average salaries and wages of public employees, it may be assumed that they declined still more sharply, since no adjustments were granted in 1983.

The same restrictive wage policy that had frozen the minimum wage from May 1981 was maintained until August 1983. At that time a nominal increase of 10% was granted, which was equivalent to barely half the cumulative rate of inflation during that period. Consequently, this adjustment did not suffice to offset the loss of purchasing power completely, and the average minimum wage dropped by 7% in 1983 in relation to the preceding year.

Where Ecuador and Mexico are concerned, the statistical data available only make it possible to show the very considerable deterioration undergone in

<sup>13</sup> In April they were granted a special bonus of 30%, to be paid in the months of April, September and November. In practice, half the bonus corresponding to the month of November was paid in advance in October.

both countries by real minimum wages. But because of the impact of the recession in the two economies, and considering the usual backwash of the evolution of the legal minimum wage on the other wages, it may be assumed that average wages and salaries also dropped sharply in those countries in 1983.

In Mexico the decline in the real minimum wage was of unwonted magnitude (-23%), bringing it down to the equivalent of barely three-quarters of its level ten years before. This decrease reflected at one and the same time the application of a restrictive wage policy and the persistence of a high rate of inflation. In practice, the 25% and 16% increases granted in January and June failed to counterbalance the deterioration undergone by the real minimum wage and were quickly absorbed by higher price increases than had initially been foreseen.

In Ecuador, in turn, the rate of inflation more than doubled in 1983 and rapidly eroded the effect of the minimum wage adjustment which had been granted in November 1982. Neither did the further increase accorded in July 1983 suffice to compensate the loss of purchasing power. Consequently, in 1983 a reduction of the average minimum wage by nearly 11% in real terms was superadded to the decreases of similar proportions recorded in the two preceding years. Thus the minimum wage dropped by more than one-third in the space of barely three years, so that most of the substantial increase (65%) it had enjoyed in 1980 was cancelled out (see table 15).

In contrast, real wages and salaries rose in 1983 in Argentina, Colombia and Costa Rica.

Although in Colombia the increases were moderate in comparison with those shown by the other two countries, the 5% rise in the real wages of workers in the manufacturing sector appreciably speeded up their growth rate. As in the preceding year, the increase in the salaries of industrial employees was somewhat smaller, although not insignificant (4%). The daily wage of agricultural workers was raised on an average by about 1%, the biggest increments appearing in temperate-zone agricultural activities. In contrast, the purchasing power of wages and salaries paid in the business sector remained completely static. Lastly, real minimum wages increased by 4%, thanks to the nominal adjustment of 25%—equivalent to the rise in consumer prices during 1982—granted in January, and to the slowing-down of the rate of inflation in 1983.

The upward trend of wages and salaries was more marked in Costa Rica, where average wages increased by almost 10% and the minimum wage by 16%. A contributing factor, in addition to the modest growth of the gross domestic product by 1%, was the notable decrease in the average rate of inflation, which dropped from 90% to 33%. By virtue of this slackening of the pace of inflation, average wages and salaries, which rose by 50% in nominal values, increased in real terms by 10%, the highest rate since 1971. However, owing to the substantial reductions they had undergone in the two preceding years (-12% and -19%, respectively) their purchasing power was barely as much as 78% of what it had been in 1980. In contrast, the urban minimum wage, which went up by nearly 16% in real terms, regained its 1980 level.

Nevertheless, the most spectacular increases in real wages and salaries were recorded in Argentina. Average wages in the manufacturing sector shot up

by over 29%, so that the downward movements that had occurred in the two preceding years were easily counterbalanced and the level reached was the highest since 1976 (see table 14). Consequently the participation of wage-earners in the gross domestic product at factor cost rose from 32.5% in 1982 to 40% in 1983.

Furthermore, the recovery in real wages and salaries was widespread throughout all the economic sectors. Workers in public enterprises, whose wages had been frozen since the beginning of 1982, enjoyed the biggest increase (42%). Wages and salaries in the rest of the public sector went up by 11%, while salaries in the business sector rose by 23%.

This evolution of real wages reflected, in the first place, the effect of an expansionary wage policy, to which were added the repercussions of the recrudescence of economic activity. The policy in question was expressed, on the one hand, in regular increases in negotiated basic wages. Up to September the adjustments were granted quarterly and fluctuated around 11%. During the fourth quarter, the acceleration of inflation, together with stronger trade-union pressure, led to the granting of at once more frequent and more considerable increases (18% in October, 16% in November and a fixed sum of 1 200 pesos in December).

Moreover, an attempt was made to appreciably improve the lowest level of income, to which end a much more expansionary policy was pursued with regard to family allowances and minimum wages. The latter were favoured with nominal increases of a much larger proportion than was accorded to other incomes,<sup>14</sup> with the result that they rose on an average by 58% in real terms and attained the highest level they had reached in the previous decade (see table 15).

## E. THE EXTERNAL SECTOR

In 1983 Latin America made an enormous effort to reduce the imbalances which had been piling up in the external sector since the end of the 1970s. Thus, in 1983 the rises in exchange rates to which many countries resorted in 1982 were reinforced by further devaluations, various other measures to restrict imports and encourage exports, and stringent fiscal, monetary and wage policies, directed towards reducing domestic expenditure.

As a result of these adjustment policies, and not withstanding the unfavourable evolution of world trade, in 1983 the region obtained an enormous surplus on trade in goods, very significantly lessened the negative balance on current account, and reduced, likewise considerably, the size of the balance-of-payments deficit.

### 1. Foreign trade

However, as already noted, the surplus of almost US\$ 30 billion obtained in 1983 on trade in goods was due exclusively to a new and drastic curtailment of imports, of which the total value fell by 30%, after having decreased by 19% in 1982. On the other hand, the value of exports, which in that year had dropped by 8.5%, declined by about 2% in 1983.

<sup>14</sup> Respectively, 25% in January, 40% in April, 57% in July, 45% in September, 12.5% in October and 55% in December.

a) *Exports of goods*

As in 1982, the reduction in the value of external sales occurred in spite of an increase in the volume exported. The latter, which had expanded at an exceptionally high and sustained annual rate of approximately 9% between 1976 and 1981, and which, notwithstanding the international recession, had increased by just under 2% in 1982, rose by nearly 8% in 1983 (see table 16).

Table 16  
LATIN AMERICA: VARIATION IN EXPORTS AND IMPORTS OF GOODS

(Growth rates)

	Exports			Imports		
	Value	Volume	Unit value	Value	Volume	Unit value
	<b>Latin America</b>					
1970	9.2	1.0	8.1	14.2	9.2	4.5
1971	3.0	1.1	1.9	10.1	6.1	4.7
1972	16.4	6.6	9.2	14.8	7.1	6.3
1973	44.3	8.5	33.0	32.8	13.2	17.3
1974	54.7	-1.8	57.5	71.8	26.4	36.0
1975	-7.8	-2.1	-5.8	6.5	-2.3	8.9
1976	16.4	7.6	8.2	3.8	0.4	3.5
1977	19.3	7.7	10.9	15.0	10.1	4.5
1978	7.5	11.6	-3.7	13.9	5.7	7.7
1979	34.6	11.1	21.1	25.8	8.0	16.4
1980	29.3	6.4	21.6	32.4	12.2	17.7
1981	7.3	11.6	-3.8	7.8	2.0	5.6
1982	-8.5	1.7	-10.1	-19.2	-17.9	-1.6
1983 <sup>a</sup>	-1.7	7.7	-8.7	-29.6	-28.4	-1.7
	<b>Oil-exporting countries<sup>b</sup></b>					
1970	8.9	5.4	3.3	7.8	2.7	4.9
1971	16.4	-1.2	17.8	11.9	7.8	3.8
1972	4.4	-0.2	4.6	13.3	5.7	7.2
1973	51.4	9.3	38.5	21.0	10.6	9.3
1974	131.2	-10.0	156.8	57.8	37.5	14.7
1975	-19.9	-21.5	2.1	36.7	21.7	12.4
1976	9.2	2.9	6.2	7.4	3.0	4.3
1977	12.3	6.0	5.9	18.8	11.8	6.2
1978	8.4	15.0	-5.8	16.7	8.1	8.0
1979	53.8	14.5	34.4	16.1	3.8	11.9
1980	42.2	5.8	34.3	32.4	15.3	14.9
1981	9.6	8.0	1.4	20.3	11.6	7.8
1982	-5.7	11.8	-15.6	-20.0	-20.9	0.0
1983 <sup>a</sup>	-6.1	6.2	-11.6	-45.0	-42.6	-4.2
	<b>Non-oil-exporting countries<sup>c</sup></b>					
1970	9.2	-0.2	9.5	15.5	10.6	4.6
1971	-0.8	1.7	-2.5	10.9	5.8	4.9
1972	20.4	8.5	11.1	13.9	7.3	6.1
1973	42.2	8.3	31.3	35.2	13.8	18.8
1974	31.0	0.3	30.6	74.3	24.2	40.3
1975	-1.2	2.4	-3.6	1.7	-7.3	9.6
1976	21.9	9.6	11.2	1.4	-2.0	3.5
1977	24.2	8.4	14.6	12.5	8.6	3.6
1978	7.0	10.2	-3.0	11.8	3.5	8.1
1979	22.3	9.7	11.5	33.2	12.0	18.7
1980	19.2	6.6	11.8	32.3	9.9	20.4
1981	5.2	13.1	-7.0	-0.7	-7.1	6.8
1982	-11.3	-2.4	-9.1	-18.7	-15.5	-3.7
1983 <sup>a</sup>	2.8	8.3	-5.1	-17.2	-12.9	-4.9

Source: ECLAC, on the basis of official data.

<sup>a</sup> Provisional figures.

<sup>b</sup> Up to 1975, Bolivia, Ecuador and Venezuela are included; from 1976 onwards, Mexico and Peru are added.

<sup>c</sup> As from 1976, Mexico and Peru are excluded.

Table 17

## LATIN AMERICA: EXPORTS OF GOODS

(Indexes: 1970 = 100, and growth rates)

	Value				Unit value				Quantum			
	Index		Growth rates		Index		Growth rates		Index		Growth rates	
	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>
Latin America	619	7.3	-8.5	-1.7	295	-3.8	-10.1	-8.7	210	11.6	1.7	7.
<b>Oil-exporting countries</b>												
Bolivia	397	-3.5	-9.0	8.6	411	-3.3	-3.5	2.2	97	-0.2	5.7	-10.
Ecuador	1 007	-	-7.9	0.9	452	-4.0	-7.7	-7.8	223	4.2	-0.2	9.
Mexico	1 587	24.1	6.5	0.8	348	4.5	-13.0	-10.5	456	18.8	22.4	12.
Peru	287	-16.7	-0.6	-8.1	291	-11.2	-10.4	3.6	99	-6.2	11.0	-11.
Venezuela	530	4.8	-18.2	-15.5	1 149	10.8	-5.1	-12.0	46	-5.4	-13.8	-4.
<b>Non-oil exporting countries</b>												
Argentina	435	14.0	-16.9	1.5	243	-2.4	-12.0	-7.4	179	16.8	-5.6	9.
Brazil	800	15.6	-13.3	8.6	224	-7.5	-7.2	-5.9	357	25.0	-6.6	15.
Colombia	383	-20.8	10.3	-15.0	289	-17.7	8.9	-4.0	133	-3.8	1.2	-11.
Costa Rica	368	0.2	-13.1	-2.3	243	-10.0	-5.5	-2.2	-152	11.3	-8.1	-0.
Chile	344	-18.5	-3.4	3.3	134	-15.3	-16.7	-0.1	256	-3.8	16.0	3.
El Salvador	310	-25.8	-11.8	4.0	276	-8.3	4.8	-5.5	112	-19.1	-15.8	10.
Guatemala	367	-14.5	-7.6	-9.1	256	-4.0	-6.6	2.4	143	-11.0	-1.1	-11.
Haiti	484	-30.3	15.5	9.0	261	-6.4	1.0	-4.1	186	-25.5	14.4	13.
Honduras	395	-7.8	-13.7	4.1	267	-8.0	-4.0	-2.0	148	-0.2	-10.0	6.
Nicaragua	230	11.0	-18.4	0.9	190	-8.0	-6.0	-9.6	121	20.6	-13.2	11.
Panama	243	-8.3	0.4	-8.1	248	2.7	-15.1	0.6	98	-10.7	18.3	-8.
Paraguay	523	-0.4	-0.6	-13.8	255	7.9	-12.7	-9.3	205	-7.7	15.9	-4.
Dominican Republic	366	23.5	-35.4	2.0	249	7.4	-30.0	6.9	147	15.0	-7.7	-4.
Uruguay	502	-16.2	-2.2	-10.4	233	-2.1	-6.5	-7.3	216	18.7	9.3	-3.

Source: ECLAC, on the basis of official figures.

<sup>a</sup>Provisional figures.

This increment, like those in preceding years, easily exceeded the increase in the volume of world trade and reflected, in essence, the considerable adjustment effort that had been made in 1983 by many Latin American economies through measures designed to reduce domestic expenditure and modify the relative prices of tradeable and non-tradeable goods.

However, the significant increment in the quantum of exports did not derive from a region-wide trend. In fact, in 1983 the number of countries in which the volume of exports contracted was the same as that in which it expanded. Outstanding among the latter instances were the considerable increases in the export quantum achieved by the three biggest Latin American economies —Brazil (15%), Mexico (12.5%) and Argentina (9.5%)— as well as those recorded by Haiti, Nicaragua, El Salvador and Ecuador. In contrast, the volume of exports showed considerable decreases, of about 11%, in Colombia, Peru, Guatemala and Bolivia (see table 17).

In the region as a whole, however, the effect of the expansion of the export quantum was more than counteracted by the impact of the decline in their unit value. As can be seen in table 16, this latter dropped sharply for the third year in succession, so that the cumulative reduction in the last three-year period amounted to 20%. Although the further decrease in the unit value of exports in 1983 was decisively influenced by the fall in petroleum international prices,

allowance must also be made for the effect of lower international quotations for products of great importance among the region's exports, such as coffee, wheat, wool, iron, bauxite and other minerals. Moreover, the substantial increases in the international prices of bananas, cocoa, maize, fish meal, soya, cotton and copper in 1983 were far from offsetting, except in the case of the first of these products, the enormous reductions they had suffered in preceding years (see table 18).

In these circumstances, the total value of exports of goods fell by almost 2% in Latin America as a whole and 6% in the oil-exporting countries. On the contrary, in the group formed by the other economies of the region the value of external sales went up by nearly 3%. But this increase—entirely attributable to the vigorous expansion of the volume of exports—only partly compensated for the decline of more than 11% undergone by the value of exports in 1982. Furthermore, the increase in question derived mainly from the considerable upswing (8.5%) in Brazil's external sales in 1983. In the remaining economies of the region, with the sole exception of Haiti, the value of exports rose only moderately or very sharply decreased (see table 17).

Table 18

LATIN AMERICA: PRICES OF MAIN EXPORT PRODUCTS

	Annual averages in dollars				Growth rates			
	1970-1980	1981	1982	1983	1980	1981	1982	1983
Unrefined sugar <sup>a</sup>	12.8	16.9	8.4	8.5	95.9	-41.1	-50.3	1.2
Coffee (mild) <sup>a</sup>	121.8	145.3	148.6	141.6	-2.5	-18.7	2.3	-4.7
Cocoa <sup>a</sup>	86.3	94.2	79.0	96.1	21.0	-20.2	-16.1	21.6
Bananas <sup>a</sup>	11.8	19.2	18.4	20.4	21.2	1.6	-4.2	10.9
Wheat <sup>b</sup>	125.1	178.5	163.0	160.0	7.9	0.6	-8.7	-1.8
Maize <sup>b</sup>	127.5	181.0	137.4	162.2	35.9	-13.9	-24.1	18.0
Beef <sup>a</sup>	82.2	112.2	108.4	110.7	-3.8	-10.9	3.4	2.1
Fish meal <sup>b</sup>	354.7	468.0	353.0	453.0	27.6	-7.1	-24.6	28.3
Soya beans <sup>b</sup>	232.4	288.0	245.0	282.0	-0.7	-2.7	-14.9	15.1
Cotton <sup>a</sup>	61.2	85.3	72.8	84.8	21.7	-9.5	-14.7	16.5
Wool <sup>a</sup>	131.5	178.2	154.6	144.0	2.1	-8.4	-13.2	-6.9
Copper <sup>a</sup>	69.6	79.0	67.2	72.2	9.6	-19.9	-14.9	7.4
Tin <sup>c</sup>	3.9	6.4	5.8	5.9	8.6	-15.8	-9.4	1.7
Iron ore <sup>b</sup>	18.3	25.9	27.1	25.2	20.4	-10.4	4.6	-7.0
Lead <sup>a</sup>	25.3	33.0	24.8	19.3	24.7	-19.7	-24.8	-22.2
Zinc <sup>a</sup>	29.7	38.4	33.8	34.7	3.0	11.0	-12.0	2.7
Bauxite <sup>b</sup>	103.5	216.3	208.3	179.5	39.3	1.8	-3.7	-13.8
Crude oil <sup>d</sup>								
Saudi Arabia	10.0	32.5	33.5	29.3	68.8	13.2	3.1	-12.5
Venezuela	10.1	32.0	32.0	28.1	64.3	15.9	0.0	-12.2

Source: UNCTAD, *Monthly Bulletin of Commodity Prices*, Supplement 1960-1980 and June 1984. International Monetary Fund, *International Financial Statistics*, Yearbook 1981 and June 1984.

Note: Unrefined sugar FOB Caribbean ports, for export to the free market. Coffee, Columbian mild arabica, *ex-dock* New York. Cocoa beans, average daily price (*futures*), New York/London. Central American bananas, CIF Hamburg. Cotton, Mexican M 1-3/32". CIF, Northern Europe. Wool, clean, combed, 50's quality, United Kingdom. Beef, frozen, boneless, all sources, United States ports. Fish meal, all sources, 64-65% protein, CIF Hamburg. Wheat, United States, No 2, Hard Red Winter, FOB. Maize, Argentina, CIF, North Sea ports. Soya beans, United States, No 2, yellow, in bulk, CIF Rotterdam. Copper, Tin, lead and zinc, cash quotations on the London Metal Exchange. Iron ore, Canada, c 64% Fe, CIF, North Sea ports. Bauxite, Guyana, (Baltimore). Oil, Venezuela (Tia Juana).

<sup>a</sup>U.S. cents per pound. <sup>b</sup>Dollars per ton. <sup>c</sup>Dollars per pound. <sup>d</sup>Dollars per barrel.

Table 19

## LATIN AMERICA: IMPORTS OF GOODS

(Index: 1970 = 100 and growth rates)

	Value				Unit value				Quantum			
	Index		Growth rates		Index		Growth rates		Index		Growth rates	
	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>
Latin America	426	7.8	-19.2	-29.6	315	5.6	-1.6	-1.7	135	2.0	-17.9	-28.4
<b>Oil-exporting countries</b>												
Bolivia	376	20.3	-20.0	-45.0	263	7.8	-	-4.2	143	11.6	-20.0	-42.6
Ecuador	356	-	-37.0	12.4	297	1.9	-2.6	-3.3	120	-1.9	-35.3	16.2
Mexico	564	5.3	-7.6	-35.4	244	6.7	-	-1.0	231	-1.3	-7.6	-34.8
Peru	345	27.2	-38.9	-46.5	270	5.5	6.1	-7.3	128	20.5	-43.4	-42.3
Venezuela	382	24.1	-0.4	-29.5	308	7.8	2.0	3.3	124	15.1	-2.3	-31.8
	387	11.5	12.0	-51.1	243	11.9	-5.7	-5.3	160	-0.4	18.8	-48.4
<b>Non-oil-exporting countries</b>												
Argentina	459	-0.7	-18.7	-17.2	352	6.8	-3.7	-4.9	130	-7.1	-15.5	-12.9
Brazil	274	-10.2	-42.2	-15.9	307	2.4	-5.1	-4.4	89	-12.4	-39.1	-12.0
Colombia	615	-3.8	-12.2	-20.5	421	10.9	-3.6	-6.0	146	-13.2	-8.9	-15.4
Costa Rica	581	10.8	25.3	-21.9	254	6.2	-4.4	-6.3	229	4.3	31.0	-16.7
Chile	311	-20.7	-28.4	14.6	354	5.0	5.3	2.8	88	-24.5	-32.0	11.5
El Salvador	325	19.1	-44.1	-22.7	368	7.5	-7.7	-7.9	8.8	10.8	-39.4	-16.0
Guatemala	412	0.2	-8.1	-2.8	334	4.9	5.7	1.7	124	-4.5	-13.0	-4.4
Haiti	405	4.6	-16.6	-15.9	347	4.6	6.3	3.3	117	-	-21.6	-18.6
Honduras	656	12.3	-17.4	5.8	331	3.2	6.9	2.4	198	8.8	-22.7	3.4
Nicaragua	359	-5.8	-24.2	7.4	312	5.8	1.0	-1.0	115	-10.9	-25.0	8.5
Panama	426	14.9	-21.6	5.2	353	3.8	5.3	3.1	121	10.7	-25.5	2.0
Paraguay	376	9.4	-	-13.5	434	2.9	4.9	1.6	87	6.4	-4.6	-14.9
Dominican Republic	914	14.4	-7.9	-1.6	320	3.2	3.7	-3.9	285	10.8	-11.2	2.4
Uruguay	466	-4.5	-13.4	3.2	319	3.6	2.2	-1.7	146	-7.8	-15.3	4.9
	348	-4.6	-34.8	-32.0	325	10.9	-7.1	-8.4	107	-13.9	-29.8	-25.8

Source: ECLAC, on the basis of official data.

<sup>a</sup>Provisional figuresb) *Imports*

As in 1982, the fall in the value of imports was much more marked than the decline in that of exports. As already noted, the value of external purchases, which in 1982 had been radically reduced by more than 19%, was lowered in 1983 in the even higher proportion of almost 30%. Thus, the total value of imports of goods, which had climbed vigorously and uninterruptedly between 1970 and 1981, dropped by over 43% in the course of the last two years. Furthermore, since both in 1982 and 1983 the unit value of imports declined only slightly, the decreases in the quantum of imports were almost as drastic as those in their total value. Such, in fact, was the scale of this contraction that in 1983 the volume of imports was not only much lower than in any of the eight preceding years, but scarcely exceeded that recorded in 1974.

Besides being precipitous, the drop in the quantum of imports was very widespread, which meant that there was a recurrence of the situation that had occurred in 1982. The volume of external purchases shrank in 1983 by over 25% in five countries, and between 12% and 20% in another six, it expanded only in Bolivia, Costa Rica, the Dominican Republic, Haiti, Honduras, Nicaragua and Paraguay. Even in this last group of countries, however, the increase in the volume of imports was not enough to make up for the big reductions it had undergone in 1982 (see table 19).

But the contraction in imports was particularly severe in the oil-exporting countries. Thus their quantum diminished by almost 50% in Venezuela, more

than 40% for the second year running in Mexico and about 33% in Ecuador and Peru. The decrease was also very substantial in Uruguay—where the volume of imports, which had already declined by over 40% in the two preceding years, dropped by 26% in 1983—and in Brazil, Chile and Guatemala, countries where imports fell between 15% and 19% in real terms, after having dwindled considerably in the two preceding years.

c) *The terms of trade and the purchasing power of exports*

Albeit in 1983 the unit value of imports decreased for the second year in succession, their downward movement (-2%) was much less than the fall in average export prices (-9%). Latin America's terms of trade therefore declined by 7%, after reductions of about 9% both in 1981 and in 1982 (see table 20). As in 1982, the deterioration in the terms of trade was more pronounced in the oil-exporting countries than in the group formed by the remaining economies of the region. But as in the latter the terms of trade had seriously worsened in the five preceding years, the index was not only 29% lower in 1983 than in 1978, but was also the lowest in the last half century. In 1980-1983 it averaged considerably less than in 1931-1933, years which represented the most critical phase of the Great Depression.

On the contrary, among the oil-exporting countries the deterioration of the terms of trade during the last three years did not completely counteract the notable progress they had made in the two-year period 1979-1980 as a result of the second series of increases in international oil prices. Thus, in all these economies except that of Peru, the terms-of-trade index was still much higher than in any of the non-oil-exporting countries, and the average level of the terms of trade in the group as a whole almost trebled the average index for the non-oil-exporters in 1983 (see table 21).

Table 20

LATIN AMERICA: TERMS OF TRADE (GOODS)

(1970 = 100)

Year	Latin America		Oil-exporting countries <sup>a</sup>		Non-oil-exporting countries <sup>b</sup>	
	Index	Variation	Index	Variation	Index	Variation
1970	100.0	3.4	100.0	-1.6	100.0	4.8
1971	97.3	-2.7	113.5	13.5	92.9	-7.1
1972	100.0	2.8	110.7	-2.5	97.3	4.7
1973	113.4	13.4	140.2	26.6	107.6	10.6
1974	131.3	15.8	313.8	123.8	100.1	-7.0
1975	113.6	-13.5	285.1	-9.1	88.1	-12.0
1976	118.8	4.6	290.4	1.9	94.6	7.4
1977	126.0	6.1	289.6	-0.3	104.7	10.7
1978	112.6	-10.6	252.9	-12.7	94.0	-10.2
1979	117.2	4.1	303.8	20.1	88.2	-6.2
1980	121.1	3.3	355.5	17.0	82.0	-7.0
1981	110.3	-8.9	335.5	-5.6	71.3	-13.0
1982	100.8	-8.6	283.1	-15.6	67.3	-5.6
1983 <sup>c</sup>	93.6	-7.1	261.2	-7.7	67.2	-0.1

Source: ECLAC, on the basis of official data.

<sup>a</sup>From 1970 to 1975, includes Bolivia, Ecuador and Venezuela; as from 1976, Mexico and Peru are added.

and Peru are excluded.

<sup>c</sup>Provisional figures.

<sup>b</sup>From 1976 onwards, Mexico

Table 21

## LATIN AMERICA: TERMS OF TRADE (GOODS)

(Indexes: 1970 = 100 and growth rates)

	Indexes					Growth rates				1979/ 1983 <sup>ab</sup>
	1975	1977	1979	1981	1983 <sup>a</sup>	1980	1981	1982	1983 <sup>a</sup>	
Latin America	114	126	117	110	94	3.3	-8.9	-8.6	-7.1	-17
<b>Oil-exporting countries</b>	189	192	202	222	173	17.0	-5.9	-15.6	-7.7	3
Bolivia	111	120	118	132	138	17.7	-5.0	-1.0	5.6	15
Ecuador	162	199	214	215	185	11.9	-10.0	-7.7	-6.8	6
Mexico	106	123	133	162	129	23.7	-1.0	-18.0	-3.5	8
Peru	104	102	117	107	95	11.4	-17.6	-12.1	0.2	9
Venezuela	340	348	406	506	473	26.0	-1.0	0.6	-7.1	52
<b>Non-oil-exporting countries</b>	82	98	82	66	63	-7.1	-13.1	-5.6	-0.2	-29
Argentina	99	86	80	88	79	16.3	-4.7	-7.2	-3.2	0
Brazil	85	100	79	55	53	-15.7	-17.0	-3.8	0.0	-39
Colombia	82	190	130	98	114	-3.1	-22.5	13.9	2.4	-24
Costa Rica	77	121	97	80	69	-3.8	-14.3	-10.2	-4.9	-30
Chile	52	51	52	37	36	-9.9	-21.2	-9.7	8.3	-26
El Salvador	87	180	121	91	84	-15.4	-12.7	-0.8	-7.1	-38
Guatemala	69	121	96	85	74	-3.7	-8.2	-12.3	-0.8	-35
Haiti	93	124	97	89	79	1.4	-9.4	-5.5	-6.4	-30
Honduras	91	113	103	91	86	1.8	-13.0	-5.0	-1.0	-24
Nicaragua	79	112	81	69	54	-4.3	-11.3	-10.7	-12.4	-44
Panama	108	80	73	72	57	-1.3	-0.1	-19.0	-1.0	-22
Paraguay	104	139	109	100	80	-12.4	4.6	-15.8	-5.7	-35
Dominican Republic	148	89	86	105	78	17.4	3.5	-31.4	8.6	-8
Uruguay	74	80	89	70	72	-10.7	-11.7	0.6	1.1	-15

Source: ECLAC, on the basis of official figures.

<sup>a</sup>Provisional figures. <sup>b</sup>Cumulative percentage variations in the period.

On the other hand, the further deterioration in the terms of trade nullified most of the positive effect that could have been expected from the considerable efforts made by Latin America in 1983 to expand the volume of its exports. Although, as already mentioned, this volume grew by about 8%, the purchasing power of exports rose only insignificantly in 1983 (see table 22 and figure 10). This increment, besides being insufficient to offset the decline undergone by the purchasing power of external sales in the two preceding years, benefited only half the Latin American countries. As can be seen in table 23, the purchasing power of exports increased meaningfully only in Brazil (owing exclusively to the large-scale expansion of the volume exported), Chile (in consequence both of the improvement in its terms of trade and of the real growth of exports) and Mexico (despite the deterioration in its terms of trade).

## 2. The balance of payments

### a) *The current account*

Since the reduction in the value of imports was much bigger than the decrease in the value of exports, the balance of trade in goods underwent a new and significant change in 1983. On top of the *volte face* which occurred in 1982 (when a surplus of US\$ 8.45 billion replaced the preceding year's US\$ 2 billion

deficit), the year 1983 witnessed an exceptional increase of the trade surplus, which amounted to almost US\$ 30 billion, and far more than trebled that of the preceding year.

To this result the principal contributions were made by the very substantial increments in the trade surpluses obtained by Mexico, Brazil and Venezuela, and the considerable changes that took place in the merchandise trade of Argentina, Chile, Peru, Ecuador and Uruguay (see table 24).

In Venezuela the 1983 trade surplus of about US\$ 7.2 billion almost trebled that shown in 1982, even though, as in that year, the value of exports appreciably decreased.

On the other hand, in Brazil —where the merchandise trade surplus increased by a factor of eight between 1982 and 1983, rising from US\$ 780 million to US\$ 6.5 billion— the improvement was due both to an increase in exports and to a contraction of imports. In its turn, Mexico, which in 1982 had already succeeded in converting its 1981 deficit of US\$ 4.1 billion into a surplus of nearly US\$ 6.8 billion, boosted its positive trade balance to US\$ 13.7 billion, thanks to a new and massive curtailment of the total value of its imports — which in 1983 was equivalent to barely one-third of the figure for 1981— and to a slight increase in the value of its external sales.

The trade balance evolved similarly to Mexico's in Chile and Uruguay, although, of course, in absolute terms the changes were much smaller. Thus, Chile, after showing a deficit of close on US\$ 2.7 billion in 1981 and achieving a small surplus in 1982, in 1983 obtained a surplus of US\$ 1 billion, deriving essentially from a new and significant decline in the total value of imports and a moderate increase in the value of exports. Uruguay, in the same lapse of time, converted a deficit of US\$ 360 million into a surplus of US\$ 430 million. In this country, however, the exclusive cause of the reversal of the trade balance was the

Table 22

LATIN AMERICA: PURCHASING POWER OF EXPORTS OF GOODS

(1970 = 100)

Year	Latin America		Oil-exporting countries <sup>a</sup>		Non-oil exporting countries <sup>b</sup>	
	Index	Variation	Index	Variation	Index	Variation
1970	100.0	4.4	100.0	3.8	100.0	4.6
1971	98.0	-2.0	112.1	12.1	94.5	-5.5
1972	107.3	9.5	109.1	-2.7	107.4	13.7
1973	133.6	24.5	151.1	38.5	128.6	19.7
1974	161.2	20.7	304.4	101.5	120.0	-6.7
1975	131.6	-18.4	217.1	-28.7	108.2	-9.8
1976	145.2	10.3	224.4	3.4	127.0	17.4
1977	162.9	12.2	235.1	4.8	150.6	18.6
1978	161.9	-0.6	235.8	0.3	148.7	-1.3
1979	193.2	19.3	327.8	39.0	154.4	3.8
1980	217.0	12.3	408.4	24.5	153.3	-0.7
1981	215.0	-0.9	412.3	1.0	147.9	-3.5
1982	199.6	-7.2	385.7	-6.5	155.8	-8.2
1983 <sup>c</sup>	200.1	0.2	380.9	-1.2	145.0	6.8

Source: ECLAC, on the basis of official data.

<sup>a</sup>From 1970 to 1975, Bolivia, Ecuador and Venezuela are included, as from 1976, Mexico, and Peru are added.

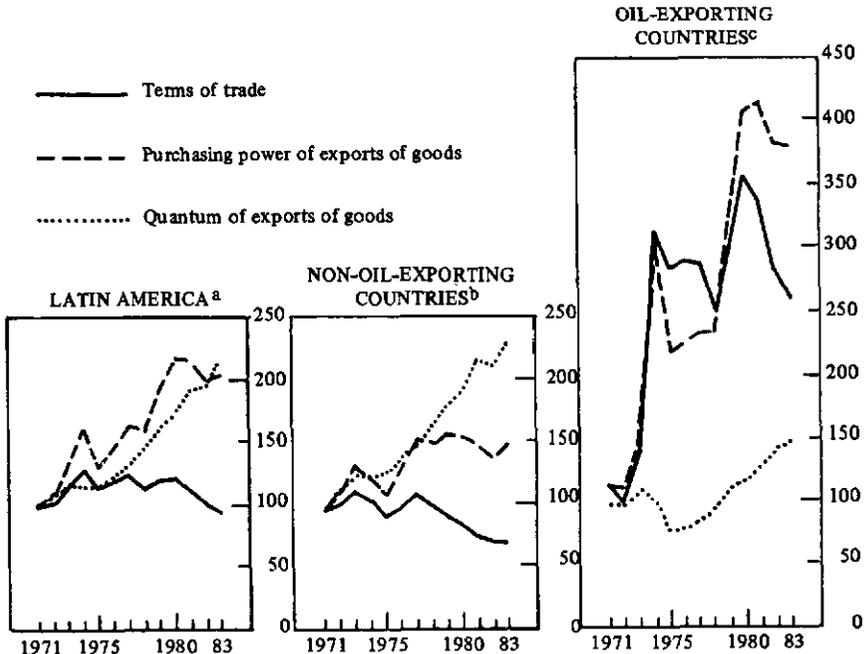
<sup>b</sup>As from 1976, Mexico and Peru are excluded.

<sup>c</sup>Provisional figures.

Figure 10

LATIN AMERICA: EVOLUTION OF SELECTED FOREIGN TRADE INDICATORS

(Indexes: 1970 = 100)



Source: ECLAC, on the basis of official data.

<sup>a</sup>Nineteen countries. <sup>b</sup>From 1970 to 1975 includes 16 countries. As from 1976 Mexico and Peru are excluded. <sup>c</sup>From 1970 to 1975 includes Bolivia, Ecuador and Venezuela; as from 1976 Mexico and Peru are added.

radical reduction in the value of imports, which between 1981 and 1983 decreased by 56%.

A drastic contraction in imports was also the main cause of the new increase in the trade surplus obtained by Argentina; of the multiplication of Ecuador's trade surplus by a factor of six; and, in Peru, of the substitution of a surplus of US\$ 300 million in 1983 for the deficit of US\$ 560 million recorded in the preceding year.

In contrast with what happened in 1982, when the effect on the current account of the reversal of the trade balance was almost entirely neutralized by the sharp rise in payments of interest and profits, in 1983 the contribution of the bigger trade surplus to the reduction of the imbalance on current account was reinforced by a decline in financial remittances.

The total value of these latter, which in the past five years had more than quadrupled, rising from US\$ 8.2 billion in 1977 to almost US\$ 37 billion in 1982, fell to a little under US\$ 35 billion in 1983. This result was influenced both by the

decrease in remittances of profits resulting from the sharp contraction in domestic economic activity and by the reduction of interest payments on account of the drop in nominal interest rates in the international financial markets.

In these circumstances, the deficit on current account — which had slightly exceeded US\$ 40 billion in the two preceding years — was drastically reduced to less than US\$ 9.3 billion in 1983 (see table 25). Almost all the countries of the region contributed to this result, either through a substantial decrease in their deficits on current account, or, as in Mexico and Venezuela, through their replacement by very large surpluses. The sole exceptions to this overall trend were to be found in Argentina, Bolivia, Costa Rica, Nicaragua and Paraguay, which showed bigger deficits than in the preceding year.

The magnitude of the adjustment effort made by the economies of the region in order to reduce their external imbalance was also clearly reflected in the notable decline in the relation between the deficit on current account and the value of exports of goods and services. This coefficient, which in 1982 had reached the unheard-of proportion of nearly 40%, dwindled in 1983, to scarcely more than 9%, the lowest figure on record in the last 12 years (see table 26).

However, the exceptionally low level of this regional average was largely due to the massive surpluses on current account obtained in 1983 by Mexico and Venezuela. It therefore reflects the situation of many of the Latin American

Table 23  
LATIN AMERICA: PURCHASING POWER OF EXPORTS OF GOODS

(Indexes: 1970 = 100 and growth rates)

	Indexes					Growth rates				1979/ 1983 <sup>ab</sup>
	1975	1977	1979	1981	1983 <sup>a</sup>	1980	1981	1982	1983 <sup>a</sup>	
<b>Latin America</b>	132	163	193	215	204	12.3	-0.9	-7.2	0.2	20
<b>Oil-exporting countries</b>	166	180	250	315	291	24.6	1.0	-6.5	-1.3	62
Bolivia	133	164	150	155	135	10.4	-6.3	-7.6	-5.7	-8
Ecuador	280	347	441	435	409	5.6	-6.6	-7.8	2.0	13
Mexico	127	181	299	538	586	53.2	17.3	0.6	8.4	157
Peru	74	88	141	108	94	-0.8	-22.9	-2.5	-10.7	9
Venezuela	214	201	258	282	216	16.4	-6.2	-13.8	-11.1	21
<b>Non-oil-exporting countries</b>	110	152	156	149	146	-0.7	-3.5	-8.2	6.8	-3
Argentina	78	135	137	154	142	1.5	10.6	-12.9	6.0	4
Brazil	135	173	173	186	193	5.4	3.2	-10.2	15.3	14
Colombia	124	177	201	145	150	-3.5	-25.5	14.8	-9.6	-23
Costa Rica	107	173	155	135	106	-8.5	-5.3	-17.3	-4.6	-30
Chile	67	82	109	83	95	-	-24.1	3.9	11.2	12
El Salvador	121	209	194	110	94	-19.5	-29.3	-16.5	2.5	-40
Guatemala	101	195	163	140	108	5.5	-18.7	-12.9	-11.6	-38
Haiti	99	166	139	129	150	38.8	-33.2	8.8	7.2	-11
Honduras	94	135	171	142	128	-4.0	-13.2	-14.6	5.1	-16
Nicaragua	113	174	133	87	66	-38.8	6.5	-22.3	-2.5	-59
Panama	118	92	89	68	60	-12.8	-11.9	-3.8	-9.2	-35
Paraguay	139	237	228	194	166	-11.0	-4.4	-4.0	-10.7	-34
Dominican Republic	224	176	164	177	116	-8.5	18.1	-36.7	3.6	-17
Uruguay	83	127	131	147	156	6.9	4.9	8.7	-2.6	11

Source: ECLAC, on the basis of official figures.

<sup>a</sup>Provisional figures.

<sup>b</sup>Cumulative percentage variations in the period.

Table 24

## LATIN AMERICA: TRADE BALANCE

*(Millions of dollars)*

	Exports of goods FOB			Imports of goods FOB			Merchandise trade balance			Net service payments <sup>a</sup>			Trade balance		
	1981	1982	1983	1981	1980	1983	1981	1982	1983	1981	1982	1983	1981	1982	1983
<b>Latin America</b> (19 countries)	93 768	85 787	84 290	95 768	77 333	54 454	-2 001	8 451	29 836	11 422	12 082	4 943	-13 422	-3 631	24 894
<b>Oil-exporting countries</b>	46 603	43 963	41 291	43 004	34 418	18 917	3 599	9 546	22 374	6 135	7 475	1 611	-2 535	2 071	20 763
Bolivia	909	828	757	680	429	482	229	399	275	215	122	142	15	277	133
Ecuador	2 544	2 343	2 365	2 362	2 181	1 408	183	162	957	487	530	367	-304	-368	590
Mexico	19 938	21 230	21 399	24 038	14 437	7 721	-4 100	6 793	13 678	1 192	1 785	-492	-5 292	5 008	14 170
Peru	3 249	3 230	2 970	3 801	3 787	2 670	-553	-556	300	237	213	249	-790	-769	51
Venezuela	19 963	16 332	13 800	12 123	13 584	6 636	7 840	2 748	7 164	4 004	4 825	1 345	3 836	-2 077	5 819
<b>Non-oil exporting countries</b>	47 165	41 824	42 999	52 764	42 915	35 537	-5 600	-1 095	7 462	5 287	4 607	3 332	-10 887	-5 702	4 131
Argentina	9 142	7 598	7 710	8 432	4 873	4 100	710	2 725	3 610	1 702	478	799	-992	2 246	2 811
Brazil	23 275	20 172	21 899	22 091	19 395	15 429	1 184	777	6 470	2 862	3 589	2 449	-1 678	-2 812	4 021
Colombia	3 219	3 549	3 017	4 763	5 967	4 658	-1 544	-2 418	-1 641	169	94	-63	-1 712	-2 512	-1 578
Costa Rica	1 002	871	851	1 091	780	894	-88	90	-43	44	-20	-5	-132	111	-38
Chile	3 836	3 706	3 827	6 513	3 643	2 818	-2 677	63	1 009	712	561	577	-3 389	-498	432
El Salvador	798	704	732	898	826	803	-100	-122	-71	110	72	32	-211	-194	-103
Guatemala	1 299	1 200	1 091	1 540	1 284	1 080	-241	-85	11	312	231	172	-553	-316	-161
Haiti	150	174	189	358	296	314	-208	-122	-124	69	73	68	-277	-195	-192
Honduras	784	677	704	899	681	731	-115	-4	-27	62	52	41	-177	-56	-68
Nicaragua	500	408	411	922	723	761	-423	-316	-350	69	65	81	-492	-381	-430
Panama	343	345	317	1 441	1 441	1 246	-1 098	-1 096	-929	-879	-849	-886	-219	-247	-43
Paraguay	399	396	342	772	711	700	-374	-315	-359	-22	92	63	-352	-407	-422
Dominican Republic	1 188	768	783	1 452	1 257	1 297	-264	-490	-514	42	-97	-164	-306	-393	-350
Uruguay	1 230	1 256	1 126	1 592	1 038	706	-362	218	420	35	266	168	-397	-48	252

Source: ECLAC, on the basis of official data.

<sup>a</sup>Excluding net payments of profits and interest.

Table 25  
LATIN AMERICA: BALANCE OF PAYMENTS

(Millions of dollars)

	Trade balance			Net payment of profits and interest <sup>d</sup>			Balance on current account <sup>b</sup>			Balance on capital account <sup>c</sup>			Total balance <sup>d</sup>		
	1981	1982	1983	1981	1982	1983	1981	1982	1983	1981	1982	1983	1981	1982	1983
<b>Latin America</b> (19 countries)	-13 422	-3 631	24 894	28 533	37 785	35 201	-40 502	-40 457	-9 257	37 733	20 259	8 000	-2 769	-20 199	-1 257
<b>Oil-exporting countries</b>	-2 535	2 071	20 763	11 042	14 703	13 302	-13 197	-12 697	7 371	12 841	1 282	-3 363	-357	-11 415	4 008
Bolivia	15	277	133	343	418	428	-312	-121	-252	319	153	237	6	32	-15
Ecuador	-304	-368	590	722	847	718	-1 027	-1 215	-128	656	875	274	-370	-340	146
Mexico	-5 292	5 008	14 170	9 531	10 855	8 980	-14 074	-5 316	5 320	14 775	2 431	-2 059	700	-2 885	3 261
Peru	-790	-769	51	1 020	1 053	1 152	-1 810	-1 823	-1 101	1 138	1 753	1 051	-672	-70	-50
Venezuela	3 836	-2 077	5 819	-574	1 530	2 024	4 026	-4 222	3 532	-4 047	-3 930	-2 866	-21	-8 152	666
<b>Non-oil-exporting countries</b>	-10 887	-5 702	4 131	17 491	23 082	21 899	-27 305	-27 760	-16 628	24 892	18 977	11 363	-2 412	-8 784	-5 265
Argentina	-992	2 246	2 811	3 932	5 107	5 861	-4 712	-2 477	-2 571	1 519	1 809	1 570	-3 193	-668	-1 001
Brazil	-1 678	-2 812	4 021	10 274	13 509	11 701	-11 760	-16 314	-7 560	12 381	11 119	5 446	621	-5 195	-2 114
Colombia	-1 712	-2 512	-1 578	404	878	683	-1 895	-3 196	-2 152	2 328	2 222	340	433	-974	-1 812
Costa Rica	-132	111	-38	308	348	417	-407	-206	-383	358	331	401	-50	125	18
Chile	-3 389	-498	432	1 595	2 035	1 809	-4 817	-2 378	-1 222	4 952	1 038	693	136	-1 340	-529
El Salvador	-211	-194	-103	74	105	148	-272	-271	-239	223	242	418	-49	-29	179
Guatemala	-553	-316	-161	86	115	108	-567	-376	-238	265	338	327	-301	-38	89
Haiti	-277	-195	-192	13	14	15	-225	-160	-157	168	115	134	-57	-45	-23
Honduras	-177	-56	-68	153	202	145	-321	-249	-204	249	203	187	-72	-46	-17
Nicaragua	-492	-381	-430	93	140	91	571	-512	-521	657	578	591	86	66	70
Panama	-219	-247	-43	223	231	300	-496	-538	-409	423	524	440	-74	-14	31
Paraguay	-352	-407	-422	-31	-53	4	-378	-391	-463	421	329	429	44	-63	-34
Dominican Republic	-306	-393	-350	293	254	299	-416	-457	-454	454	311	276	38	-146	-178
Uruguay	-397	-48	252	74	197	318	-468	-235	-55	494	-182	111	26	-417	56

Source: ECLAC, on the basis of official data.

<sup>a</sup>Including labour and ownership.

<sup>b</sup>Including net private unilateral transfers.

<sup>c</sup>Including long and short-term capital, official unilateral transfers and errors and omissions.

<sup>d</sup>Variation in international reserves, including counterpart entries.

Table 26

**LATIN AMERICA: RELATION BETWEEN THE BALANCE-OF-PAYMENTS  
DEFICIT ON CURRENT ACCOUNT AND THE VALUE OF  
EXPORTS OF GOODS AND SERVICES<sup>a</sup>**

(Percentages)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 <sup>b</sup>
<b>Latin America</b>	11.1	17.0	34.2	23.3	21.1	29.8	23.7	26.6	35.5	39.4	9.3
<b>Oil-exporting countries</b>	7.1	-10.9	20.4	22.0	29.0	40.6	14.9	8.6	22.8	24.2	-15.1
Bolivia	-0.7	-21.3	28.8	10.3	18.8	50.2	46.6	15.9	30.8	13.3	29.5
Ecuador	1.9	-1.7	21.5	2.1	23.7	42.9	27.1	23.4	35.2	45.2	4.9
Mexico	30.9	47.8	67.1	50.2	24.0	30.3	36.7	35.4	48.7	19.5	-19.8
Peru	22.4	40.8	93.2	71.5	45.8	10.2	-16.2	1.6	44.6	44.9	29.7
Venezuela	-17.5	-50.1	-23.5	-3.3	30.8	58.1	-2.5	-23.8	-19.2	24.0	-23.7
<b>Non-oil exporting countries</b>	13.9	43.9	45.6	24.2	15.9	22.3	31.4	43.9	48.5	55.4	32.6
Argentina	-18.9	-2.6	36.8	-14.2	-17.1	-24.5	5.8	48.3	43.4	27.5	27.4
Brazil	32.5	87.5	74.3	60.4	39.3	51.5	62.7	58.8	46.1	74.3	32.0
Colombia	5.0	20.6	5.9	-6.9	-12.8	-7.4	-10.8	3.0	44.2	65.3	52.3
Costa Rica	26.9	49.9	36.5	28.9	23.6	36.1	50.5	54.9	34.6	19.3	37.3
Chile	19.7	12.9	27.1	-5.5	21.8	37.8	26.1	33.9	96.2	51.2	26.6
El Salvador	11.5	26.3	16.0	-2.2	-2.0	31.6	-1.2	-	29.4	33.0	26.0
Guatemala	-1.6	14.5	8.3	8.1	2.8	20.9	14.2	9.5	39.0	28.8	20.3
Haiti	13.2	36.3	38.1	37.1	40.2	39.8	45.5	45.8	93.8	59.3	53.6
Honduras	12.9	37.0	36.3	25.3	23.9	24.7	24.4	35.1	36.3	32.5	25.4
Nicaragua	30.3	61.7	44.2	7.7	26.7	4.8	-13.4	101.2	104.8	114.3	116.8
Panama	29.7	37.2	25.1	27.8	20.4	25.6	32.1	24.1	30.9	33.6	25.9
Paraguay	13.0	26.4	38.3	29.7	15.2	27.2	40.9	50.1	66.7	63.4	97.7
Dominican Republic	19.2	33.3	7.8	15.8	14.2	38.1	31.7	53.0	27.5	40.0	37.2
Uruguay	-4.4	27.3	35.9	11.8	21.2	14.5	30.4	46.9	27.5	15.3	4.0

Source: ECLAC, on the basis of official figures.

<sup>a</sup>Negative figures indicate a surplus on the balance-of-payments current account.

<sup>b</sup>Provisional figures.

economies to a lesser degree than in the past. Thus, apart from Ecuador and Uruguay —where the deficit/export ratio was below 5%— in the great majority of the countries of the region the ratio in question ranged from 25% to 40%. Moreover, the deficit on current account was equivalent to over half the exports of goods and services in Colombia and Haiti, to almost 100% of these in Paraguay and to close on 120% of them in Nicaragua.

### b) *The capital account*

As was mentioned earlier, in 1983 the net inflow of capital decreased for the second year in succession. After amounting to the unprecedented sum of about US\$ 38 billion in 1981 and falling in 1982 to a little over US\$ 20 billion, in 1983 it dropped to barely 8 billion.

Just as in the preceding year, this new contraction of the net flow of loans and investment chiefly affected Mexico and most of the larger economies of South America. On the contrary, the net capital inflow was kept going and even increased in most of the Central American countries, among which Nicaragua and El Salvador had considerable external financing at their disposal.

In contrast, the decline in procurement of external resource was very marked in Brazil —which, after receiving over US\$ 11 billion in net loans and

investment in 1982, obtained less than 5.5 billion in 1983— and in Colombia, where the net capital inflow of US\$ 340 million recorded in 1983 was equivalent to barely 15% of the previous year's supply (see table 25).

During 1983 the external financing received by Peru was also sharply reduced, the amount procured by Chile—which had drastically diminished in 1982— continued to decline, and that obtained by Argentina decreased to a moderate extent.

In Mexico, in turn, there was a new and spectacular change in the external financing situation. After dropping from US\$ 14.8 billion in 1981 to barely 2.4 billion in 1982, in 1983 the movement of loans and investment showed a net outflow of a little more than US\$ 2 billion, mainly as a result of the deficit of over US\$ 5 billion on the short-term capital account.

Contrary to what had happened in the preceding year, in 1983 the reduction in the net inflow of capital received by Latin America was much smaller than that of the deficit on current account. Consequently, the balance-of-payments deficit, which in 1982 had reached the record figure of US\$ 20 billion, was reduced in 1983 to a little over 1.25 billion.

This considerable drop in Latin America's balance-of-payments deficit reflected both the smaller negative balances recorded in 1983 in many countries of the region and the *volte face* which took place in others, where the global deficits shown in 1982 were replaced by positive balances in 1983.

Outstandingly significant in this connection were the changes that occurred in Mexico and Venezuela. Mexico's balance of payments, which had closed in 1982 with a deficit of nearly US\$ 2.9 billion, showed a surplus of close on US\$ 3.3 billion in 1983. For its part, Venezuela, whose deficit of US\$ 8.15 billion in 1982 had been the highest in the whole of Latin America, obtained a surplus of nearly US\$ 700 million in 1983.

Significant balance-of-payments surpluses were also achieved in 1983 by Ecuador and Uruguay—which had recorded very large deficits in 1982—and also by El Salvador, Guatemala and Panama, whose external operations had shown small negative balances in the preceding year.

Among the countries that succeeded in reducing their balance-of-payments deficits, special mention should be made of Brazil—which brought down its negative balance from US\$ 5.2 billion in 1982 to 2.1 billion in 1983—and Chile, where between those years the deficit dropped from US\$ 1.34 billion to US\$ 530 million.

On the contrary, during 1983 the balance-of-payments deficit slightly increased in the Dominican Republic, rose significantly in Argentina and almost doubled in Colombia, where it thus became the second largest in the whole of Latin America (see table 25).

### c) *International reserves*

In 1983, Latin America's international reserves decreased for the third year in a row, although the reduction was not as big as in the two preceding years. As a result of these successive contractions, the total value of reserves was 44% lower at the end of 1983 than at the close of 1980 (see table 27).

However, as in 1983 imports contracted even more sharply, the ratio between reserves and the value of imports of goods and services rose to a

Table 27

LATIN AMERICA: EVOLUTION OF OFFICIAL INTERNATIONAL RESERVES<sup>a</sup>

(Millions of dollars)

	End-of-December balances					Growth rates			
	1979	1980	1981	1982	1983	1980	1981	1982	1983
<b>Latin America</b>	51 151	53 366	46 563	34 264	29 832	4.3	-12.7	-26.4	-12.9
<b>Oil-exporting countries</b>	18 309	21 703	20 429	15 476	18 445	18.5	-5.9	-24.2	19.2
Bolivia	469	478	369	466	403	1.9	-22.8	26.3	-13.5
Ecuador	910	1 259	802	488	592	38.4	-36.3	-39.2	21.3
Mexico	2 839	4 187	4 999	1 530	3 548	47.5	19.4	-69.4	131.9
Peru	1 556	2 357	1 395	1 319	1 835	51.5	-40.8	-5.4	39.1
Venezuela	12 535	13 422	12 864	11 673	12 067	7.1	-4.2	-9.3	3.4
<b>Non-oil-exporting countries</b>	32 842	31 663	26 134	18 788	11 387	-3.6	-17.5	-28.1	-39.4
Argentina	11 378	9 320	5 061	4 449	1 697	-18.1	-45.7	-12.1	-61.9
Brazil	9 740	6 887	7 506	3 445	1 920	-23.3	9.0	-54.1	-44.3
Colombia	4 898	6 489	6 181	5 558	3 541	32.5	-4.7	-10.1	-36.3
Costa Rica	101	141	40	156	153	39.6	-71.6	290.0	-1.9
Chile	2 453	4 014	3 862	2 570	2 024	63.6	-3.8	-33.4	-21.2
El Salvador	371	378	240	231	224	1.9	-36.5	-3.8	-3.0
Guatemala	934	756	253	239	273	-19.1	-66.5	-5.5	14.2
Haiti	55	5	-6	-35	-60	-91.0	-	-	-
Honduras	215	145	70	15	-27	-32.6	-51.7	-78.6	-
Nicaragua	...	...	...	...	...	...	...	...	...
Panama	77	94	26	17	14	22.1	-72.3	-34.6	-17.6
Paraguay	625	783	820	755	694	25.3	4.7	-7.9	-8.1
Dominican Republic	166	231	260	98	-45	39.2	12.6	-62.3	-
Uruguay	1 829	2 420	1 821	1 290	979	32.3	-24.8	-29.2	-24.1

Source: International Monetary Fund, *International Financial Statistics*.<sup>a</sup>Foreign exchange plus monetary gold valued at London fine ounce prices minus use of IMF credit.

moderate degree, after having steadily and rapidly decreased in the three preceding years (see table 28).

In contrast to what happened in 1982, when reserves declined in much the same proportions in the oil-exporting countries as in the other economies of the region, in 1983 the reduction was concentrated almost exclusively in the latter. On the contrary, in the oil-exporting countries there was a marked increase in reserves, except in Bolivia.

The growth of reserves was especially intensive (132%) in Mexico, where they had fallen precipitously (-70%) in 1982. Consequently, despite their recovery, at the end of 1983 they were still considerably lower than in 1980-1981. But as in the last two years the total value of imports dropped by over 60%, reserves were equivalent to a much higher proportion of the value of external sales in 1983 than in any of the six preceding years.

Reserves also increased significantly —although much less than in Mexico— in Peru (39%) and Ecuador (21%). However, owing to the severe reductions they had undergone in both these countries during the two preceding years, they totalled much less, especially in Ecuador, than at the end of 1980.

On the other hand, the relative increment in reserves was very small (3.5%) in Venezuela. But as they had declined only moderately in the two preceding years, their total value in 1983 fell only 10% short of the unprecedented level they had reached in 1980. Furthermore, Venezuela's reserves were far the highest in the region—in fact, they represented 40% of the total for Latin America—and were also equivalent to an exceptionally large proportion (133%) of the annual value of imports. However, the unwonted magnitude of this figure primarily reflected the effects of the spectacular (54%) reduction of the value of external purchases of goods and services which took place in 1983.

Thus, among the oil-exporting countries, the only one in which reserves decreased was Bolivia, where they fell by 13.5%. Despite this decline, they still represented the equivalent of almost seven months' imports, i.e., one of the highest coefficients in the region. But as a very substantial proportion of reserves consisted of gold—whose immediate use presents more difficulty than that of foreign currencies—the economic authorities' room for manoeuvre in respect of financing temporary deficits on the trade balance was in practice decidedly limited.

In contrast, in the non-oil-exporting countries the drop in reserves was sharper in 1983 than in the two preceding years. In these circumstances, the end-

Table 28

LATIN AMERICA: RELATION BETWEEN OFFICIAL INTERNATIONAL RESERVES AND IMPORTS OF GOODS AND SERVICES

(Percentages)

	1973	1975	1977	1979	1980	1981	1982	1983*
<b>Latin America</b>	51	40	46	58	46	37	33	40
<b>Oil-exporting countries</b>	49	65	50	49	45	34	31	66
Bolivia	27	31	39	43	50	37	74	56
Ecuador	49	24	38	34	42	25	20	29
Mexico	31	23	18	17	16	15	7	28
Peru	41	19	11	62	61	29	27	50
Venezuela	90	144	72	88	89	75	59	133
<b>Non-oil-exporting countries</b>	51	23	43	64	47	39	34	25
Argentina	51	15	70	130	71	44	69	28
Brazil	83	29	50	45	25	28	14	10
Colombia	39	32	73	125	119	103	75	62
Costa Rica	11	3	16	7	9	3	16	14
Chile	10	-6	9	47	57	47	51	50
El Salvador	20	24	26	30	32	21	22	21
Guatemala	46	42	52	52	39	13	15	20
Haiti	18	-1	5	17	1	-1	-8	-12
Honduras	14	17	27	23	13	7	2	-3
Nicaragua	26	18	18	...	...	...	...	...
Panama	7	1	2	6	6	1	1	1
Paraguay	36	41	62	85	93	84	71	74
Dominican Republic	16	13	14	11	12	14	6	-3
Uruguay	108	78	78	122	113	87	81	87

Source: ECLAC, on the basis of table 27 and official data.

\*Provisional figures.

of-year value of reserves was equivalent to only just over one-third of that recorded at the end of 1979. Moreover, since the relative decrease in reserves was once again greater than the contraction of imports, the ratio between the total amount of the former and the value of the latter also declined for the fourth consecutive year (see tables 27 and 28).

The biggest reduction of reserves occurred in Argentina, where they went down by 62%, thus falling to a level equivalent to barely 15% of that reached at the end of 1979. This new and enormous decrease in reserves signified a severe constraint on the management of the balance of payments, which was further accentuated by the fact that a high proportion of them consisted in holdings of monetary gold.

In Brazil, too, reserves dropped very abruptly for the third time in the last four years. Thus, at the end of 1983 they amounted to only 20% of their value in 1979 and were equivalent to scarcely more than one month's imports — an exceptionally low ratio which was above only those recorded in Haiti and Honduras.

The decline in reserves was also considerable (-36%) in Colombia. However, as they had amounted to very large sums in 1980 and reductions in the two following years had been relatively small, they were still equivalent to over seven months' imports, a proportion exceeded in the region only by Venezuela.

Lastly, in 1983 decreases of more than 20% occurred in the international reserves of Chile and Uruguay, both of them countries in which reserves had already steeply declined in the two preceding years. Even so, since imports had also fallen abruptly, reserves were still equivalent to very high proportions of external purchases. In the case of Uruguay, however, the exceptional magnitude of the reserves/imports coefficient (87%) makes for an overestimate of the economic authorities' room for manoeuvre, since a very large proportion of the reserves consisted of monetary gold stocks.

## II. FINANCIAL CONSTRAINTS, TRANSFER OF RESOURCES AND RENEGOTIATION OF THE EXTERNAL DEBT

The evolution of Latin America's external financing and indebtedness during 1983 was characterized by two main features. The first was the accentuation of the constraints under which the region had been labouring since mid-1982 in respect of its access to international financial markets; the second was the initiation of a second round of renegotiations of the external debt, in which the debtor countries obtained, in general, somewhat more favourable terms and conditions than in the first.

### A. FINANCIAL CONSTRAINT

Table 29 shows, through the figures for the movement of financial resources between the region and the rest of the world, the magnitude of the financial constraint with which Latin America had to cope.

As already noted, during the 1970s there was a net transfer of resources to Latin America from abroad, i.e., what happened was what normally should in the

case of a developing region. A transfer of this kind, besides contributing external saving and thus giving an additional impulse to internal development or adjustment efforts, facilitates debt servicing, inasmuch as the inflow of new resources under the head of net loans and investment exceeds net remittances of interest and profits.

Furthermore, during the 1970s the transfer of resources to Latin America took place on a very large scale: by the middle of the decade it totalled more than 20% of the value of exports of goods and services, which, in their turn, were expanding at a very high average rate. In these circumstances, the region's capacity to import increased at high speed, as can be seen in figure 11.

By the end of the decade, however, a marked and progressive decline had begun both in the absolute value of resources transferred and in their ratio to the value of exports. In consequence of this trend, the direction of the financial flow was reversed in 1982, and a massive negative balance resulted. In that year the net transfer of resources abroad amounted to about US\$ 17 billion, and the process was intensified in 1983, in which year it is estimated that the resources transferred abroad represented a sum of approximately US\$ 87 billion.<sup>15</sup>

Thus, just as during the preceding year, in 1983 Latin America had to face a combination of highly unfavourable events: precisely when the net inflow of resources was converted into an enormous net outflow, the international recession and the increase in protectionism limited the possibilities of stepping up export earnings. In consequence of these two phenomena, the region's capacity to import suffered a new and drastic contraction (see figure 11).

Table 29

LATIN AMERICA: NET INFLOW OF CAPITAL AND TRANSFER OF RESOURCES

(Billions of dollars and percentages)

	Effective net inflow of capital <sup>a</sup>	Unregistered transactions <sup>b</sup>	Net inflow of capital (1 + 2)	2/1	Net payments of profits and interest	Transfer of resources		Exports of goods and services	6/8	7/8	Variation in terms of trade
						(1 - 5)	(3 - 5)				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1970	3.8	0.1	3.9	2.6	2.8	1.0	1.1	17.0	5.9	6.5	3.4
1971	4.5	-0.2	4.7	-4.4	3.0	1.5	1.7	17.7	8.5	9.6	-2.7
1972	6.0	1.0	7.0	16.7	3.1	2.9	3.9	20.5	14.1	19.0	2.8
1973	8.5	-0.7	7.8	-8.2	4.2	4.3	3.6	28.9	14.9	12.5	13.4
1974	12.7	-1.3	11.4	-10.2	5.0	7.7	6.4	43.6	17.7	14.7	15.8
1975	16.0	-1.8	14.2	-11.3	5.5	10.5	8.7	41.1	25.5	21.2	-13.5
1976	18.9	-0.7	18.2	-3.7	6.8	12.1	11.4	47.3	25.6	24.1	4.6
1977	15.4	1.6	17.0	10.4	8.2	7.2	8.8	55.9	12.9	15.7	6.1
1978	24.4	1.7	26.1	7.0	10.2	14.2	15.9	61.4	23.1	25.9	-10.6
1979	26.9	1.7	28.6	6.3	13.6	13.3	15.0	82.0	16.2	18.3	4.1
1980	35.5	-5.5	30.0	-15.5	18.0	17.5	12.0	105.8	16.5	11.3	3.3
1981	48.3	-10.6	37.7	-21.9	27.7	20.6	10.0	114.1	18.1	8.8	-8.9
1982	28.1	-7.8	20.3	-27.8	36.9	-8.8	-16.6	102.6	-8.6	-16.2	-8.6
1983 <sup>c</sup>	12.5	-4.5	8.0	-36.0	34.7	-22.2	-26.7	100.0	-22.2	-26.7	-7.1

Source: 1970-1982: International Monetary Fund, *Balance of Payments Yearbook*, 1983; ECLAC, on the basis of official data.

<sup>a</sup>Equivalent to net inflow of capital minus unregistered transactions.

<sup>b</sup>Corresponds to balance-of-payments item "errors and omissions".

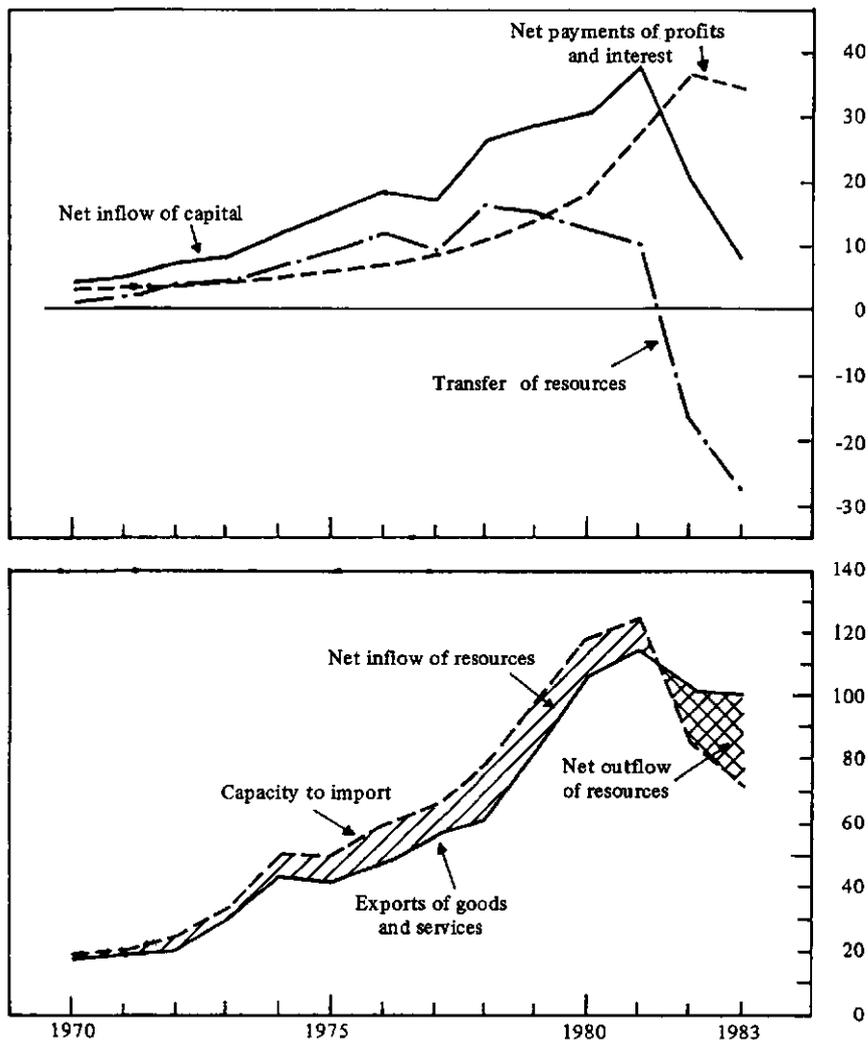
<sup>c</sup>Provisional estimates.

<sup>15</sup> As can be seen in table 29, the absolute value of the transfer of resources abroad is smaller if account is taken of the errors and omissions item in the balance of payments, which probably was constituted in the main, especially in 1982, by unregistered capital outflows. But if this procedure is followed, the magnitude of the *volte face* in the transfer of resources which was produced between 1981 and 1983 turns out to be even greater.

Figure 11

LATIN AMERICA: NET INFLOW OF CAPITAL AND TRANSFER OF RESOURCES

(Billions of dollars)



Source: ECLAC, on the basis of data from the International Monetary Fund and official information.

The financial constraint occurred, moreover, at a time when the region's real capacity to import had been decreasing on account of the continuous and rapid deterioration of the terms of trade. Thus, in addition to the US\$ 20 billion reduction of the capacity to import brought about in 1982-1983 by this deterioration, a drop of about US\$ 43 billion resulted from the draining-off of financial resources.

In these circumstances, the countries of the region had to adapt their economies by means of a radical contraction of their imports, which, as already mentioned, was the main cause of the decline in domestic levels of production and employment.

Thus, the emergence of these substantial net transfers of financial resources from Latin America to the creditor banks and countries had highly unfavourable consequences. Economic development is a long-term process in which a stable net inflow of external resources usually fills an essential role in the financing of investment. Accordingly, a diminution of this inflow and, above all, its replacement by a net outflow directly affects both the rate and the social cost of the development process. Furthermore, such a reversal of the direction of resource transfers proves particularly serious when it occurs during the downturn of the economic cycle, since in that event it reinforces the negative effects of the conjunctural fall in the volume and prices of exports. Lastly, the net transfer of resources abroad may promote a major crisis, both for the developing countries and for the international financial system, in so far as the payments problems which it helps to generate may affect large-scale debtors in such a way as to call in question, or even imperil, the solvency of the creditor financial institutions.

The immediate causes of this adverse trend in financial movements were two in number: the rise in the cost of external credit, and the abrupt decrease in the net capital inflow.

### **1. The increase in the cost of external credit**

A very important factor behind the net outflow of financial resources from Latin America was the heavy and sustained increase in the servicing of foreign capital, in the form of remittances of interest and profits. Between 1977 and 1982 net payments under this head grew at an average annual rate of 34%, a figure whose significance in real terms can be more clearly assessed if it is borne in mind that during that period domestic prices in the industrialized countries rose at an average rate of 9%, and, above all, if it is recalled that Latin America's terms of trade deteriorated at an average annual rate of about 3%. Although in 1983 payments of interest and profits slightly declined in consequence of the fall in international interest rates and the contraction of economic activity in Latin America, they still amounted to nearly US\$ 35 billion, i.e., more than three times as much as in 1978 (see table 29).

The most important component of this phenomenal expansion of payments on foreign capital was constituted by net interest payments. These represented 83% of the outflows recorded under this head between 1978 and 1983, a period in which, moreover, they continued to soar, and were ultimately quadrupled. In turn, this evolution of interest payments had its origin in the

Table 30

LATIN AMERICA: TOTAL GROSS DISBURSED EXTERNAL DEBT<sup>a</sup>

	End-of-year balances in millions of dollars						Growth rates		
	1978	1979	1980	1981	1982	1983 <sup>b</sup>	1979-1981	1982	1983
<b>Latin America</b>	150 893	181 978	221 059	275 422	308 336	332 279	22.2	12.0	7.8
<b>Oil-exporting countries</b>	64 390	77 585	92 324	118 963	128 657	137 387	22.7	8.1	6.8
Bolivia <sup>c</sup>	1 762	1 941	2 220	2 450	2 373	2 780	11.6	-3.1	17.2
Ecuador	2 975	3 554	4 652	5 868	6 187	6 689	25.4	5.4	8.1
Mexico	33 946	39 685	49 349	72 007	78 000	82 000	28.5	8.3	13.9
Peru	9 324	9 334	9 594	9 638	11 097	12 418	3.4	15.1	11.9
Venezuela <sup>d</sup>	16 383	23 071	26 509	29 000	31 000	33 500	21.0	6.9	8.1
<b>Non-oil-exporting countries</b>	86 503	104 393	128 735	156 459	179 679	194 892	21.8	14.8	8.5
Argentina	12 496	19 034	27 162	35 671	43 634	45 500	41.9	22.3	4.3
Brazil <sup>e</sup>	52 285	58 907	68 354	78 580	87 580	96 500	14.5	11.5	10.2
Colombia	4 247	5 117	6 277	7 930	9 421	10 740	23.1	18.8	14.0
Costa Rica	1 870	2 333	3 183	3 360	3 497	3 848	21.6	4.1	10.0
Chile	6 664	8 484	11 084	15 542	17 153	17 454	32.6	10.4	1.8
El Salvador	986	939	1 176	1 471	1 683	2 000	14.3	14.4	18.8
Guatemala	821	934	1 053	1 409	1 504	1 766	19.7	6.7	17.4
Haiti <sup>f</sup>	210	248	290	372	410	446	21.0	10.2	8.8
Honduras	971	1 280	1 510	1 708	1 800	2 000	20.7	5.4	11.1
Nicaragua <sup>g</sup>	961	1 131	1 579	2 163	2 797	3 385	31.1	29.3	21.0
Panama <sup>h</sup>	1 774	2 009	2 211	2 338	2 820	3 275	9.6	20.6	16.1
Paraguay	669	733	861	949	1 204	1 469	12.4	26.9	22.0
Dominican Republic	1 309	1 565	1 839	1 837	1 921	2 000	12.0	4.6	4.1
Uruguay	1 240	1 679	2 156	3 129	4 255	4 509	36.1	36.0	6.0

Source: ECLAC, on the basis of official data. Brazil and Venezuela: ECLAC, on the basis of data from the Bank for International Settlements.  
<sup>a</sup>Provisional figures. <sup>b</sup>Total public and private external debt. <sup>c</sup>Corresponds to public debt. <sup>d</sup>Including public debt, plus unguaranteed long and short-term debt with financial institutions supplying data to the Bank for International Settlements. <sup>e</sup>Including total medium and long-term debt plus short-term debt with financial institutions supplying data to the Bank for International Settlements.

rapid growth of the external debt and the considerable increases in international interest rates.

During the past decade many countries of the region took advantage of the then easy access to the Eurocurrency market to pursue a development strategy based on liberal use of external credit.<sup>16</sup> Thus, the region's external debt shot up at a very high rate, which between 1978 and 1981 averaged about 22% per annum (see table 30). Although this growth rate fell to 12% in 1982 and to less than 8% in 1983, it still far exceeded that of other main macroeconomic variables. For this reason, by the end of 1983 the external debt was equivalent to proportions of the gross domestic product and of exports which not only were very high—42% and 333%, respectively—but topped all those recorded in earlier years (see tables 31 and 32). In these circumstances, a steadily increasing proportion of Latin America's national income had to be diverted from domestic consumption and investment to debt servicing.<sup>17</sup>

<sup>16</sup>For more background information on this subject, see CEPAL, *Adjustment policies and renegotiation of the external debt* (E/CEPAL/SES.20/G.17), Santiago, Chile, February 1984.

<sup>17</sup>The burden of indebtedness is obviously heavier in relation to exports than to the product. Whereas the debt/product coefficient is not much higher in Latin America than in some Asian countries whose creditworthiness is still well-seen in the credit markets, the ratio of more than three to one existing between debt and exports trebles that of the large debtor countries in Asia.

Of course, as always happens, these regional averages conceal widely differing situations in the various countries. Thus, in 1983 the debt/export coefficient was especially high in Nicaragua (759%), Argentina (485%) and Brazil (408%), and, on the other hand, fluctuated around 150% in Guatemala, Haiti and the Dominican Republic. The debt/product ratio, in its turn, reached more than 80% in Costa Rica and over 135% in Nicaragua, but was only 20% in Colombia and Guatemala.

Apart from the intensive growth of the total debt during the 1970s, there was a striking change in the sources of external credit, which caused a considerable increase in the average rate of interest. In the course of that decade private banks took the place of official credit institutions (bilateral and multilateral) as the region's main creditors. Thus, the share of the commercial banks in Latin America's total external debt has climbed from very modest levels at the beginning of the 1970s to approximately 80% at the present time. This structural change has implied a rise in the average cost of credit, since, as a general rule, commercial banks charge an interest rate about 50% higher than that charged by public international financing institutions, such as IDB and the World Bank.

In practice, however, the chief cause of the rapid increase in interest payments lay in the variability of the interest rates at which private bank loans were contracted. Since in recent years the economic policies applied in some of

Table 31

**LATIN AMERICA: RELATION BETWEEN TOTAL GROSS DISBURSED EXTERNAL DEBT AND GROSS DOMESTIC PRODUCT\***

(Percentages)

	1978	1979	1980	1981	1982	1983*
<b>Latin America</b>	30	31	33	37	39	42
<b>Oil-exporting countries</b>	33	34	35	39	40	43
Bolivia	52	51	53	54	54	66
Ecuador	34	36	41	45	44	47
Mexico	26	25	27	33	34	36
Peru	51	45	41	36	39	48
Venezuela	50	64	69	69	69	74
<b>Non-oil exporting countries</b>	28	29	31	35	39	41
Argentina	22	28	37	47	58	56
Brazil	32	31	30	32	34	37
Colombia	13	14	15	17	19	21
Costa Rica	54	59	73	73	78	82
Chile	41	44	49	59	72	71
El Salvador	26	23	29	36	41	47
Guatemala	13	13	13	16	17	19
Haiti	22	23	22	27	29	30
Honduras	49	56	59	60	61	65
Nicaragua	51	74	86	99	123	136
Panama	56	56	50	47	51	56
Paraguay	25	23	22	20	25	30
Dominican Republic	26	28	28	25	24	23
Uruguay	20	24	27	35	49	53

Source: ECLAC, on the basis of official data.

\*Provisional figures.

Table 32

**LATIN AMERICA: RELATION BETWEEN TOTAL GROSS DISBURSED EXTERNAL DEBT AND EXPORTS OF GOODS AND SERVICES**

(Percentages)

	1978	1979	1980	1981	1982	1983 <sup>a</sup>
<b>Latin America</b>	246	222	210	242	301	332
<b>Oil-exporting countries</b>	254	207	177	208	245	281
Bolivia	251	227	213	242	260	326
Ecuador	175	147	162	201	230	255
Mexico	316	262	210	249	286	305
Peru	388	228	206	238	273	335
Venezuela	167	154	133	139	177	225
<b>Non-oil-exporting countries</b>	241	234	241	276	359	382
Argentina	167	207	275	329	484	485
Brazil	383	353	313	308	399	408
Colombia	107	113	118	185	192	261
Costa Rica	186	213	266	286	327	374
Chile	227	184	186	310	370	379
El Salvador	107	74	97	159	204	217
Guatemala	63	63	61	97	115	151
Haiti	100	116	95	149	155	152
Honduras	141	153	160	193	235	249
Nicaragua	133	168	319	397	624	759
Panama	189	178	147	145	176	208
Paraguay	154	143	152	167	195	310
Dominican Republic	158	138	145	121	168	164
Uruguay	136	141	141	184	277	326

Source: ECLAC, on the basis of official data.

<sup>a</sup>Provisional figures.

the main industrial centres led to an unprecedented rise in bank interest rates, the effective rate of interest that had to be paid by the Latin American countries also went up unusually fast. In 1978 the nominal level of LIBOR and the United States PRIME rate was already over 9%, and they reached maximum average values of 16.5% and 18.9%, respectively, in 1981. Although in the two following years they showed a downward trend, their levels in 1983—10% for LIBOR and 11% for PRIME—were still very high in comparison with past periods (see table 33).

Moreover, to the cost represented by the basic rates must be added the spread, which since 1982 has risen steeply, with the result that some countries have had to pay an average spread fluctuating between 1.5% and 2.0%. Lastly, the increase in the rate of interest was also spectacular in real terms: as can be seen in figure 12, after registering negative values in 1974-1977, LIBOR and PRIME swung over to the positive side, attaining values of 6% and 8%, respectively, in 1981. Although in the next two years they declined, their level in 1983 was still more than twice that of about 2% recorded in the past.<sup>18</sup> The heavy financial burden represented for the Latin American countries by the rise in interest rates is highlighted in tables 34 and 35.

<sup>18</sup>In the first half of 1984 this downward trend was reversed, so that the two rates rose to 11% and 12%, respectively.

The first of these shows that in 1983 net interest payments absorbed 31% of the value of exports of goods and services. This figure, although slightly lower than in 1982, was equivalent to two and a half times the coefficient of 12% noted in 1978 and 1979.<sup>19</sup>

In several countries, of course, the problem was of even greater dimensions than are indicated by the regional average. For example, in 1983 the proportion of exports represented by interest was 53% in Argentina, 47% in Bolivia, 40% in Brazil and 39% in Costa Rica. Since 1978 the growth of this coefficient had been exceptionally intensive in Argentina, where it increased by a factor of ten, and in Costa Rica, where it was quintupled (see table 34).

Although the main causes of the spectacular rise in the net interest/export ratio between 1981 and 1983 were the high interest rates and the increase in the external debt, another influencing factor was the serious depletion of the region's international reserves. Through its deposits in the international financial markets, Latin America traditionally received a substantial amount of resources, which helped partly to counterbalance interest payments. Of course, as international reserves decreased, interest earnings were reduced as well.

Table 33

LATIN AMERICA: NOMINAL AND REAL INTERNATIONAL INTEREST RATES

	Nominal LIBOR <sup>a</sup>	Nominal Prime Rate <sup>b</sup>	CPI of industrialized countries	Real LIBOR <sup>c</sup>	Real Prime Rate <sup>c</sup>
1972	5.41	5.25	4.7	0.7	0.5
1973	9.31	8.03	7.7	1.5	0.3
1974	11.20	10.81	13.3	-1.9	-2.2
1975	7.61	7.86	11.1	-3.1	-2.9
1976	6.12	6.84	8.3	-2.0	-1.3
1977	6.42	6.83	8.4	-1.8	-1.4
1978	8.33	9.06	7.2	1.1	1.7
1979	11.99	12.67	9.2	2.6	3.2
1980	14.15	15.27	11.9	2.0	3.0
1981	16.52	18.85	9.9	6.0	8.1
1982	13.25	14.77	7.5	5.3	6.8
1983	9.79	10.81	5.0	4.6	5.5
1981					
I	16.58	19.05	10.1	5.9	8.1
II	16.46	18.65	9.8	6.1	8.1
1982					
I	15.14	16.29	8.3	6.3	7.4
II	11.35	13.25	6.7	4.4	6.1
1983					
I	9.47	10.73	5.3	4.0	5.2
II	10.11	10.89	4.7	5.2	5.9
1984					
I <sup>d</sup>	11.10	11.80	5.3	5.5	6.2

Source: ECLAC, on the basis of data from the Morgan Guaranty Trust, *World Financial Markets*, and from *Economic Report of the President*, Washington, February 1984.

<sup>a</sup> Corresponding to the interest rate on 180-day Eurodollar deposits in London.

<sup>b</sup> Preferential rate granted by United States banks to their best clients.

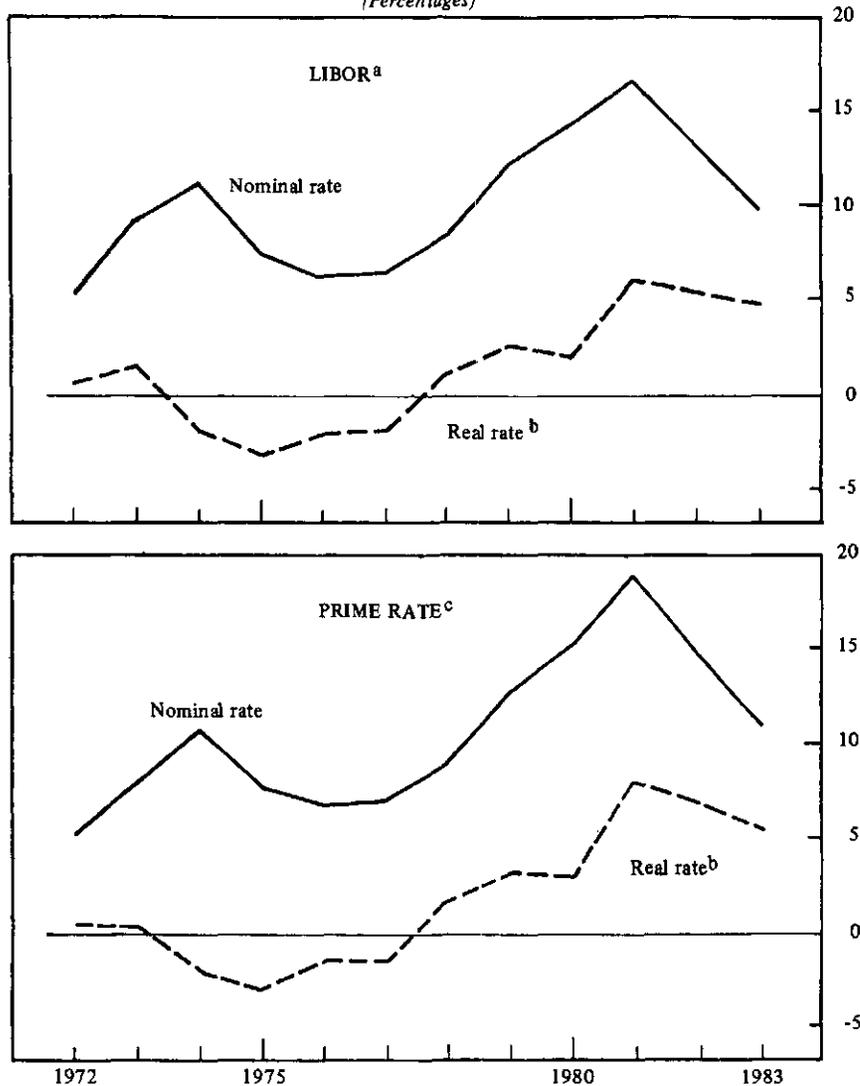
<sup>c</sup> Nominal rate deflated by the consumer price index of the industrialized countries.

<sup>d</sup> Provisional estimates.

<sup>19</sup>To appreciate the gravity of the situation, it is useful to recall that an interest/export coefficient of 20% is already considered to constitute an unduly onerous financial burden.

Figure 12  
**NOMINAL AND REAL INTERNATIONAL INTEREST RATES**

(Percentages)



Source: ECLAC, on the basis of data from Morgan Guaranty Trust, *World Financial Markets*, and from *Economic Report of the President*, Washington, D.C., February 1984.

<sup>a</sup>Rate of interest on deposits in Eurodollars (180 days) in London. <sup>b</sup>Nominal rate deflated by the consumer price index of the industrialized countries. <sup>c</sup>Preferential rate granted by the United States banks to their best clients.

Lastly, the rise in the interest/export coefficient was also due to a decline in the value of exports during the last three years.

There was also a rapid increase in the proportion of the region's gross domestic product represented by interest payments. The coefficient for the region as a whole rose from only 1.5% in 1978 to 4.0% in 1982-1983 and was much higher in 1983 in Bolivia (9.5%), Costa Rica (8.7%), Chile (6.6%) and Argentina (6.1%). While in the first three countries the net interest/product ratio was already a good deal higher than the regional average in 1978, in Argentina its increase was really spectacular, inasmuch as in that year the country in question had had one of the lowest coefficients in Latin America (0.7%) (see table 35).

## 2. The decline in the net inflow of capital

The other fundamental cause of the negative transfer of resources that Latin America had to make in the last two years was the striking reduction of the net inflow of capital. As previously noted, the net amount of this inflow notably decreased both in 1982 and 1983. In effect, its values —US\$ 20 billion in 1982 and US\$ 8 billion in 1983— were equivalent, respectively, to only 20% and 8%

Table 34

### LATIN AMERICA: RELATION BETWEEN NET INTEREST PAYMENTS AND EXPORTS OF GOODS AND SERVICES

(Percentages)

	1978	1979	1980	1981	1982	1983 <sup>a</sup>
<b>Latin America</b>	12	12	14	21	32	31
<b>Oil-exporting countries</b>	13	11	12	17	24	26
Bolivia	14	18	23	31	43	47
Ecuador	8	11	15	21	29	24
Mexico	20	20	19	24	35	33
Peru	21	13	12	19	22	29
Venezuela	3	2	3	4	6	12
<b>Non-oil-exporting countries</b>	12	13	17	26	39	36
Argentina	5	5	10	27	49	53
Brazil	20	25	29	36	52	40
Colombia	5	5	3	7	15	15
Costa Rica	8	12	17	26	31	39
Chile	16	14	14	26	39	35
El Salvador	4	3	4	6	10	13
Guatemala	1	2	1	4	6	5
Haiti	3	3	2	2	2	5
Honduras	6	6	8	12	20	16
Nicaragua	8	9	16	16	31	12
Paraguay	4	2	1	2	5	9
Dominican Republic	11	12	11	19	22	25
Uruguay	8	5	7	4	11	23

Source: BCLAC, on the basis of data from official sources and from the International Monetary Fund.

<sup>a</sup>Provisional figures.

Table 35

**LATIN AMERICA: RELATION BETWEEN NET INTEREST PAYMENTS AND  
GROSS DOMESTIC PRODUCT<sup>a</sup>**

(Percentages)

	1978	1979	1980	1981	1982	1983 <sup>b</sup>
<b>Latin America</b>	1.5	1.8	2.3	3.3	4.1	4.0
<b>Oil-exporting countries</b>	1.7	1.9	2.4	3.2	4.0	4.0
Bolivia	2.8	4.0	5.8	6.9	9.0	9.5
Ecuador	1.6	2.6	3.7	4.7	5.4	4.4
Mexico	1.6	1.9	2.4	3.2	4.2	3.8
Peru	2.7	2.7	2.3	2.9	3.2	4.1
Venezuela	1.0	0.9	1.7	2.2	2.5	3.8
<b>Non-oil-exporting countries</b>	1.4	1.7	2.2	3.3	4.2	3.8
Argentina	0.7	0.7	1.3	3.9	5.8	6.1
Brazil	1.6	2.1	2.8	3.8	4.4	3.6
Colombia	0.6	0.6	0.4	0.7	1.4	1.2
Costa Rica	2.4	3.3	4.6	6.7	7.5	8.7
Chile	2.8	3.3	3.7	5.0	7.5	6.6
El Salvador	0.9	0.8	1.3	1.5	2.1	2.7
Guatemala	0.1	0.5	0.2	0.6	0.9	0.7
Haiti	0.6	0.5	0.5	0.4	0.4	0.9
Honduras	1.9	2.3	3.0	3.9	5.3	4.2
Nicaragua	3.1	3.8	4.3	3.9	6.0	2.2
Paraguay	0.7	0.3	0.1	0.3	0.6	0.9
Dominican Republic	1.9	2.3	2.2	4.0	3.2	3.5
Uruguay	1.3	0.8	1.2	0.8	1.9	3.7

Source: ECLAC, on the basis of data from official sources and from the International Monetary Fund.  
<sup>a</sup>Interest payments include those corresponding to the short-term debt. <sup>b</sup>Provisional figures.

of the region's total exports, which were figures far below the averages of about 33% recorded during the period 1978-1981.<sup>20</sup>

This falling-off in net capital inflows had its origin in two factors: the procyclical behaviour of the international private banks and the flight of capital from Latin America to the outside world.

a) *The procyclical behaviour of the international private banks*

The slump in credit activity was related, in the first place, with the behaviour of the private banks, Latin America's principal creditors. These institutions are guided by a private and commercial perception of risk, which is highly sensitive and therefore imparts a high degree of variability to the loans they are prepared to grant.

It is common knowledge that the banks' image of Latin America's creditworthiness began to deteriorate as from 1982, a circumstance which was

<sup>20</sup>The exceptional magnitude of the decline in net inflows of capital is clearly evidenced in column 3 of table 29. These figures, however, include the effect of inflows and outflows under the head of unregistered transactions, those termed "errors and omissions" in the balance of payments. Accordingly, so that a more exact picture of annual credit activity may be formed, column 1 of the same table presents an estimate of the effective net capital inflow, correcting the figures in column 3 by those financial operations which are not included in the economic authorities' accounts. Although, as was said before, when this operation is performed the absolute amount of the net inflow of capital works out to be larger in each of the last four years, the decline in the net inflow of loans and investment between 1981 and 1983 is also greater.

partly due to the overwhelming increase in debt servicing. As can be seen in table 36, the sum to which this amounted in absolute terms was more than doubled between 1978 and 1982. Up to 1981, however, this upswing did not create major difficulties, inasmuch as exports also expanded at a very rapid rate. Thus, despite the ever-increasing commitments under the head of amortization and interest payments, the debt service coefficient—the creditworthiness indicator in commonest use among creditors—remained relatively stable, fluctuating between 42 and 49%.

But in 1982, mainly as a result of the international recession, Latin America's total exports contracted by 10%, whereas debt servicing rose by almost 16%. Thus, the ratio between amortization and interest payments and the value of exports jumped from 49% in 1981 to 61% in 1982. Moreover, if short-term debt maturities—which amounted to approximately US\$ 69

Table 36

LATIN AMERICA: EXTERNAL DEBT INDICATOR

	1978	1979	1980	1981	1982	1983 <sup>a</sup>
<b>Billions of dollars</b>						
<b>Medium and long-term disbursements</b>	38.4	46.0	43.0	59.5	43.6	...
Oil-exporting countries	13.3	17.2	14.5	18.8	15.5	...
Non-oil-exporting countries	25.1	28.8	28.5	40.6	28.0	...
<b>Debt service</b>	26.7	37.0	43.3	53.8	62.2	...
Oil-exporting countries	9.7	15.2	15.9	20.2	23.2	...
Non-oil-exporting countries	17.0	21.8	26.4	33.6	39.0	...
<b>Total interest payments</b>	9.5	14.2	21.0	31.4	39.2	35.7
Oil-exporting countries	4.1	5.8	8.6	13.1	16.8	16.2
Non-oil-exporting countries	5.4	8.4	12.4	18.4	22.4	19.5
<b>Medium-term amortizations</b>	17.2	22.8	21.3	22.3	22.9	...
Oil-exporting countries	5.6	9.4	7.3	7.1	6.4	...
Non-oil-exporting countries	11.6	13.4	14.0	15.2	16.6	...
<b>Percentages</b>						
<b>Debt coefficients<sup>b</sup></b>						
<b>DS/DIS</b>	72	84	103	94	142	...
Oil-exporting countries	73	89	110	105	150	...
Non-oil-exporting countries	71	81	101	78	140	...
<b>DS/X</b>	45	47	42	49	61	...
Oil-exporting countries	38	41	31	35	43	...
Non-oil-exporting countries	50	52	54	64	81	...
<b>I/X</b>	16	17	20	28	38	35
Oil-exporting countries	16	16	17	23	31	32
Non-oil-exporting countries	15	19	23	32	46	38
<b>TGD/X</b>	247	223	211	243	301	332
Oil-exporting countries	254	207	177	208	245	281
Non-oil-exporting countries	242	237	243	278	359	382
<b>TGD/GDP</b>	30	31	33	37	39	42
Oil-exporting countries	33	34	35	39	40	43
Non-oil-exporting countries	28	30	32	36	39	41

Source: ECLAC, on the basis of official data.

<sup>a</sup> Provisional estimates.

<sup>b</sup> The following are the symbols used: DS: debt services; DIS: medium- and long-term loan disbursements; X: exports of goods and services; I: gross interest payments on the short- and medium-term debt; TGD: total gross external debt disbursed; GDP: gross domestic product.

billion—<sup>21</sup> were taken into account, Latin America's debt service coefficient would have been about 120% in 1982, a manifestly untenable situation.

It was in these circumstances that the region's creditors radically changed their view of its creditworthiness and decided to restrict their loans severely. The rapid deterioration of Latin America's capacity to serve its debt and the considerable magnitude of the loans already granted by banks in the region were among the reasons why these latter saw a much higher degree of risk in their financial operations in Latin America.

Their first reaction to this situation was to harden amortization terms, a step which, in turn, had the effect of directly reducing the net inflow of capital. In the 1970s the maturities of loans granted to the countries of the region had often ranged from seven to ten years; but such amortization periods became increasingly less frequent at the beginning of the present decade. What is more, a common practice among banks when they feel their risk to be greater is to meet the borrowers' demand for refinancing by means of a steadily growing proportion of short-term credits, i.e., those extended for less than one year. This attitude was reflected in the increase of the relative importance of short-term credit in Latin America's total debt, the proportion it represented rising from 15% in 1975 to an average of 23% in 1980-1982.<sup>22</sup>

The accumulation of these short-term liabilities reflected the severe pressures existing within the financial system. Credits of this type are usually granted for trade purposes, and it is estimated that they should represent the equivalent of about three months' imports. In 1982, however, this proportion was exceeded three times over. In 1983, the short-term debt was reduced to the equivalent of seven months' imports, largely owing to the constraint imposed on these credit lines by the creditors during the crisis.

One effect of these changes was that the rate of amortization —i.e., amortization payments as a percentage of the debt— on the bank debt rose steadily throughout the second half of the last decade, reaching more than 40% in the two-year period 1981-1982.<sup>23</sup> This, of course, also pushed up the rate of amortization on the total debt, which climbed from about 23% in 1975 to over 30% in 1982.<sup>24</sup>

The increase in the amortization rate threw into relief the countries' growing vulnerability, since it compelled them to intensify their "debtor activity", i.e., that directed towards obtaining new loans to cover amortization payments and thus avoid a net outflow of capital. Faced with an intensive increase in the demand for credit for the sole purpose of refinancing amortization payments, the banks had to meet a growing number of applications for credit just when the amount of their commitments in the countries of the region forced them to give more weight to considerations of prudence.

The unwillingness of the banks to continue increasing their loans in Latin America became more patent still when they began to have doubts as to the

<sup>21</sup> See Inter-American Development Bank, *La deuda externa y el desarrollo económico en América Latina. Antecedentes y perspectivas*, Washington D.C., 1984.

<sup>22</sup> See IDB, *op.cit.*, table 7.

<sup>23</sup> See R. Ffrench-Davis, 'El problema de la deuda externa en América Latina', CIEPLAN, Santiago, Chile, December 1983, p. 14.

<sup>24</sup> Estimated on the basis of data in IDB, *op.cit.*, tables 1 and 3.

capacity of Argentina —the third among the largest debtors in the region— to serve its debt, on account of the South Atlantic conflict in March 1982, and was made yet more acute by the payments crisis in Mexico in the middle of the same year. As this country was the second largest debtor in the Third World, its difficulties created a sensation of panic in the financial market, which had a negative impact on the volume and terms of the credit available for other countries in the region. Thus, from August 1982 onwards the banks' normal credit activity was brought to a virtual standstill.

The magnitude of the constraint imposed by the banks can be appreciated in table 37, where the medium-term bank credits reported in the Eurocurrency market are presented. Before 1982 this type of credit was increasing at an average annual rate of 34% at the world level and 21% in the case of developing countries; those granted to Latin America exceeded this average, rising at an annual rate of 32%. For reasons already indicated, as from 1982 there was a sharp contraction of the new credits granted, and this trend persisted in 1983. For Latin America, the amount of new credits was reduced by 11% in 1982 and 43% in 1983, these decreases being a good deal larger than those corresponding to the developing countries as a whole. Furthermore, part of the credits granted to Latin America in 1982 and practically all those recorded in 1983 were not market operations, but non-voluntary loans which formed part of the debt refinancing programme organized under the sponsorship of the International Monetary Fund.<sup>25</sup>

This drastic reduction in new credits to Latin America, which would have led to a net outflow of capital had it not been for the large-scale rescheduling of maturities carried out by the creditor banks, accounts for most of the spectacular decline in inflows of capital during 1982 and 1983.

Such scanty loans as Latin America was able to secure in the last two years were obtained, moreover, on very burdensome terms. Over and above the extremely high rates of interest, the non-voluntary credits granted by the banks

Table 37

MEDIUM-TERM BANK CREDITS DECLARED ON THE EUROCURRENCY MARKET

	Billions of dollars							Growth rates		
	1977	1978	1979	1980	1981	1982	1983	1978-1981	1982	1983
<b>Total</b>	41.8	70.2	82.8	77.4	133.4	84.9	73.9	33.7	-36.4	-13.0
Industrialized countries	17.2	29.0	27.2	39.1	86.0	42.5	38.4	49.5	-50.6	-9.7
Countries with centrally planned economies	3.4	3.8	7.3	2.8	1.8	0.7	1.2	-14.7	-61.0	-71.4
Developing countries	21.0	37.3	48.0	35.0	45.3	41.5	33.0	21.2	-8.4	-20.5
Latin America	9.9	21.3	28.1	24.1	30.1	26.7	15.3	32.1	-11.3	-42.7
Asia	4.3	7.9	10.6	7.1	10.3	8.4	8.8	24.4	-18.5	4.8
Africa and the Middle East	6.8	8.1	9.3	3.8	4.8	6.4	8.9	-8.3	33.3	39.1
Others	0.2	0.1	0.3	0.5	0.3	0.2	1.3	10.7	-33.3	...

Source: Morgan Guaranty Trust, *World Financial Markets*, January 1984.

<sup>25</sup> For more detailed analysis of the role of the Fund and of non-voluntary loans granted by private banks, see CEPAL, *Economic Survey of Latin America, 1982*, Part Two (E/CEPAL/L.286); and *Adjustment Policies and Renegotiation of the External Debt* (E/CEPAL/SES.20/G.17), Santiago, Chile, February 1984, chapter III.

Table 38

## MEDIUM-TERM BANK CREDITS: SPREADS OVER BASIC INTEREST RATE\*

	1981		1982				1983		
	First semester	Second semester	I	II	III	IV	I	II	July-October
OECD	0.49	0.46	0.57	0.47	0.50	0.55	0.66	0.57	0.63
OPEC	0.97	0.92	0.85	0.80	0.87	0.95	0.87	0.85	1.39
Other developing countries			0.83	1.05	1.08	1.47	2.02	1.77	1.80
Overall average	0.74	0.69	0.75	0.78	0.69	0.93	1.53	0.96	1.17

Source: OECD, *Financial Market Trends*, Paris, November 1982 and November 1983.

\*Weighted average of spreads for credits of over US\$ 50 million and with maturities of more than three years.

included very large spreads; some idea of the magnitude of the change can be formed from the figures in table 38, which show that the average surcharge on loans to developing countries increased from 0.95% in 1981 to 1.47% at the end of 1982 and 1.80% by mid-1983. Thus, the difference between the spreads on basic rates paid by the industrialized countries and by the developing countries rose from 0.48% in 1981 to 1.17% in July-October 1983. And, as will be seen later, the deterioration was a good deal worse for Latin America than for the developing countries as a whole.

#### b) *The flight of capital*

The second determinant of the massive transfer of resources abroad was the abundant outflow of private capital from the region. Thus, from the standpoint of their effects on the balance of payments, a considerable part of the new loans contracted by some Latin American governments was counteracted by the outflow of resources from the private sector. In these conditions, the increase in public indebtedness partly originated—especially at the beginning of 1982—in the need to cover the flight of private capital to the exterior.

It is of course difficult to estimate the magnitude of the phenomenon. In the first place, there are no records of this type of capital movement, either because of the existence of a free foreign exchange market in the countries concerned, or owing to evasion of exchange controls by means of such procedures as under-invoicing of exports and over-invoicing of imports. Secondly, the coverage of indirect methods of estimating the flight of capital may be insufficient—which would lead to underestimating the flow—or their scope may be excessively broad, incorporating other factors conducive to an overestimate.

A traditional indirect indicator of the flight of capital is the balance-of-payments item "errors and omissions", which appears in the second column of table 29. According to these figures, between 1980 and 1983 Latin America could have experienced a cumulative net outflow of capital of about US\$ 28 billion—a sum equivalent to almost 7% of the value of exports of goods and services during that period and to approximately 8.5% of the cumulative external debt at the end of 1983. As is likewise evident from the figures in the same table, this outflow absorbed a significant proportion (25%) of the net inflow of capital between 1980 and 1983.

There are signs, however, that the "errors and omissions" item underestimates the effective capital outflow. Another indirect method of estimating the flight of capital is to compare the growth of the external debt and the net annual inflow of capital recorded in the balance of payments. The difference between the two figures will represent the unregistered outflow of financial resources. Since the coverage of the data on external indebtedness for the years preceding 1980 is less wide, it seems prudent to confine the analysis to the three-year period 1981-1983. The corresponding calculation suggests that there could have been an unregistered financial outflow of about US\$ 45 billion in that triennium, i.e., a much larger sum than the US\$ 28 billion estimated on the basis of the "errors and omissions" item in the balance of payments. These US\$ 45 billion are equivalent to nearly 14% of the external debt existing at the end of 1983.<sup>26</sup>

Nevertheless, these figures must be handled with a good deal of caution, since it is highly probable that they overestimate the unregistered capital outflow. In the first place, estimates of indebtedness relating to more recent years have a broader coverage than those of earlier date and therefore tend to overestimate the growth of the debt. Secondly, the figures on net movements of capital, which also enter into the calculation made, are affected by outflows which do not, strictly speaking, constitute a flight of capital, such as contraband and traffic in drugs.

The flight of capital tends, of course, to occur or to be accentuated during periods of economic crisis and when the private sector loses confidence in the economic policies applied. In these circumstances, some of the holders of assets look for a haven abroad where the value of their capital may be conserved. Another factor that influences the process, and was probably important in Mexico, Venezuela and Argentina, is the non-existence of exchange controls. Even when such controls are susceptible of evasion, their existence increases the cost of transactions of this type and therefore to some extent discourages the transfer of capital to the exterior.

Lastly, it should be noted that although the flight of capital aggravated the crisis, it also signifies a potential, since, in principle, the resources concerned could be repatriated and thus give an impulse to investment and to the reactivation of the economy. For this to happen, however, economic policies would have to offer the holders of such assets prospects of security and an attractive rate of return.

## B. RENEGOTIATION OF THE EXTERNAL DEBT

The abrupt drop in Latin America's net external financing in the two-year period 1982-1983 interrupted the process of "credit renewal" —i.e., the contracting of new loans to cover debt servicing— which had made the servicing of external commitments relatively easy during the 1970s. For most Latin American countries the change made the debt burden impossible to carry, and this in its turn caused many countries of the region to embark upon negotiations for the rescheduling of the external debt.

<sup>26</sup>During the period analysed, the flight of capital was apparently concentrated in three countries: Venezuela, Mexico and Argentina. Uruguay also seems to have witnessed an outflow of appreciable magnitude in relation to the size of its economy.

## 1. The first round of reschedulings

The first round of reschedulings, which was initiated in August 1982, was analysed in depth in the *Economic Survey of Latin America, 1982*. The data on this process published there are updated in tables 39, 40 and 41.

In 1982 fourteen of the twenty countries of the region opened debt rescheduling negotiations; Colombia was the only country with a relatively large debt to the international private banks which did not do so. Generally speaking, debt restructuration operations combined two essential components: the rescheduling of one or two years' amortizations and the procurement of new "non-voluntary" credits from the private banks in order to refinance that part of interest payments which the countries were not in a position to cover with resources of their own.<sup>27</sup> Another characteristic element in the negotiations was the insistence of the banks that before a rescheduling agreement was concluded the country concerned should have agreed with IMF upon an adjustment programme.<sup>28</sup> Lastly, also as part of the rescheduling processes, the Bank for International Settlements and the United States Treasury granted very short-term bridge credits to some countries to finance them temporarily during their negotiations with IMF.

Tables 40 and 41 summarize the terms of the first rescheduling. It may be noted that they were exceptionally burdensome and represented a grave deterioration of debt conditions, both as regards the elements of indebtedness subject to negotiation (the spread in excess of LIBOR, amortization periods and commissions), and with respect to the financial cost. The data in column 7 of table 41 reveal that in some cases the terms of the debt deteriorated spectacularly —between 175% and 240%— because of its rescheduling. Column 10 in the same table shows that very substantial increases —of 20% or over— also occurred in the real financial cost of indebtedness in an appreciable number of cases.

## 2. The second round of reschedulings

Almost immediately after the first round of rescheduling a second began, originating in the operation of several factors (see table 42). In the first place, some countries had renegotiated only the payment of maturities falling due in 1983, with the addition, in some instances, of the arrears accumulated in 1982. As the external sector remained sluggish, these countries opted for requesting the rescheduling of amortization payments that were due to be made in 1984. Secondly, there were some countries which, despite having initiated negotiations to reschedule their debt during the first round, for one reason or another did not reach the point of signing a final agreement. Lastly, as already mentioned, the private banks agreed to grant new credits, with which a part of the interest payments on the bank debt was refinanced under an arrangement which covered only one year's payment. Thus, both the countries that rescheduled their 1983-1984 maturities and those that requested a year's

<sup>27</sup>In 1983 this proportion was about 50%.

<sup>28</sup>The only exceptions to this rule occurred in the reschedulings of the external debt of Cuba and Nicaragua.

Table 39  
**LATIN AMERICA (SELECTED COUNTRIES): RENEGOTIATION OF  
 EXTERNAL DEBT WITH PRIVATE BANKS  
 (FIRST ROUND OF RENEGOTIATIONS 1982/1983)<sup>a</sup>**

(Billions of dollars)

Country	Gross bank debt <sup>b</sup> at end of		Renegotiation of debt with private banks					Loans approved during 1982 and 1983			
	1982	1983	Start of negotiations	Amount			Maturities of re-scheduled amortizations	IMF	BIS <sup>d</sup>	United States <sup>e</sup>	New credits <sup>f</sup>
				Total	Public	Private					
Argentina	22.2	23.4	Sep 1982	13.00 <sup>g</sup>	6.00	7.00	Sep 1982-1983	2.20	0.50	-	1.10 <sup>h</sup> , 1.50 <sup>i</sup>
Brazil	56.0	57.5	Dec 1982	4.80 <sup>b</sup>	...	...	1983	6.00	1.20	1.50	4.40
Costa Rica	0.7	0.7	Sep 1981	0.62 <sup>j</sup>	0.62	-	1982-1984	0.10	-	-	0.23
Cuba	1.0	0.9	Sep 1982	0.14 <sup>k</sup>	0.14	-	Sep 1982-1983	-	-	-	-
Chile	10.4	11.0	Jan 1983	3.46 <sup>k</sup>	1.00	2.46	1983-1984	0.88	0.30	-	1.30
Ecuador	4.1	4.2	Oct 1982	2.20 <sup>l</sup>	1.20	1.00	Nov 1982-1983	0.17	-	-	0.43
Honduras	0.2	0.2	Jul 1982	0.12 <sup>m</sup>	0.12	-	1982-1984	0.11	-	-	-
Mexico	59.0	62.9	Aug 1982	23.00 <sup>n</sup>	23.00	-	Aug 1982-1984	3.97	1.85	1.60	5.00
Nicaragua	0.6	0.5	... 1982	0.55 <sup>o</sup>	0.55	-	1982-1984	-	-	-	-
Panama	...	1.6	... 1983	0.18	...	...	1983	0.26	-	-	0.10
Peru	5.2	4.5	Mar 1983	0.38 <sup>p</sup>	0.38	-	1983	0.94	-	-	0.45
Dominican Republic	1.0	1.0	Dec 1982	0.57 <sup>q</sup>	0.15	0.42	1982-1983	0.46	-	-	-
Uruguay	1.2	1.5	Feb 1983	0.63 <sup>r</sup>	0.63	-	1983-1984	0.46	-	-	0.24

Source: ECLAC, on the basis of official data from the countries and from various national and international sources.

<sup>a</sup>Including countries which during 1982 and 1983 signed definitive or provisional external debt renegotiation agreements with the private banks, excluding the English-speaking Caribbean countries.

<sup>b</sup>Refers exclusively to each country's short-, medium- and long-term public and private debt with the private commercial banks that supply information to the Bank for International Settlements. The debt to governments and official agencies is not therefore included, nor the debt with suppliers, nor the debt with those commercial banks which do not transmit information to BIS. In some countries, this last item is significant. In the case of the Dominican Republic, the data correspond to official information.

<sup>c</sup>Bank for International Settlements. Short-term bridge credits.

<sup>d</sup>Credits granted by the international banks as part of the process of renegotiation of the external debt.

<sup>e</sup>Corresponds to public external debt maturities falling within the period September 1982 to December 1983 (US\$ 6 billion); to those maturities of the private external debt, protected by Central Bank exchange insurance, which fell due as from November 1982 (US\$ 5.5 billion); and to maturities of swaps (US\$ 1.5 billion). It should be noted that Argentina did not sign any final agreement on renegotiation of its public external debt during the year 1983. In December 1983 the new government notified its intention to renegotiate a new agreement.

<sup>f</sup>The international banks are waiting to disburse US\$ 1 billion until an agreement with IMF is reached.

<sup>g</sup>At the end of 1982 an application was submitted to the financing banks requesting them to grant: 1) new loans to the amount of US\$ 4.4 billion; 2) refinancing of public and private debt amortizations to the amount of US\$ 4.8 billion; 3) maintenance of the short-term loans of US\$ 9.6 billion for the financing of foreign trade operations; and 4) re-establishment of the inter-bank credit lines at the levels reached on 30 June 1982 (US\$ 10 billion). Points 1 and 2 were accepted in February 1983 and point 3 later; point 4 was never settled.

<sup>h</sup>In September 1983 an agreement was signed providing for the renegotiation of US\$ 370 million of arrears and of amortization payments amounting to US\$ 250 million which would fall due during 1983 and 1984. A trade credit equivalent to 50% of the interest payments disbursed in 1983 was also granted. The banks also agreed to maintain short-term revolving credits to an amount of US\$ 215 million, with a spread of 1 3/4 % over LIBOR.

<sup>i</sup>In August 1982 a request was submitted for deferment of the external debt service payments which were due to be made between September 1982 and December 1983. The Banks also agreed to maintain the short-term credit lines with a spread of 1 1/4 % over LIBOR.

<sup>j</sup>Includes amortization of credits due to be disbursed during 1983 and 1984 (US\$ 2 158 million) and the restructuring of short-term financial credits (US\$ 1.3 billion). In February 1983 the international banks authorized a moratorium up to April 1983 and then, by successive rollovers, up to January 1984. In the latter month and in February 1984 the definitive debt renegotiation agreements were signed. The maintenance of the short-term loans for the financing of foreign trade operations (US\$ 1.7 billion) was also obtained, with a spread of 1 1/2 % over LIBOR.

<sup>k</sup>In September 1983 decrees were signed authorizing the signature of contracts for the refinancing of public and private debt amortizations to the amount of US\$ 2.2 billion in the period November 1982 to December 1983. The agreement includes the maintenance of short-term credit lines totalling US\$ 700 million with a spread of 1 5/8 % over LIBOR. Between October 1982 and January 1983, by common accord with the creditors, no payments were made against the public debt.

<sup>l</sup>A note of understanding between the government and the creditor banks committee was signed in February 1983, but this agreement did not come into force because the banks refused to contribute new financing equivalent to double the half-yearly interest payments falling due. Until the end of 1983 the government kept up to date with interest payments; the same was not the case with amortization payments on capital.

<sup>m</sup>In August 1982 the international banks authorized a moratorium on public external debt amortization payments for three months, which was subsequently extended until March 1983 and later to August 1983. In the latter month and in September 1983 contracts were signed for the refinancing of public external debt amortization payments totalling US\$ 19.83 billion. Later on the amount restructured under the agreement reached US\$ 23 billion.

<sup>n</sup>During 1982 a renegotiation agreement for this amount was concluded. The terms of the renegotiation are similar to those originally contracted in a debt rescheduling agreement the government obtained in 1980.

<sup>o</sup>In addition short-term credit lines totalling US\$ 2 billion were renewed, with a spread of 1.5 % over LIBOR.

<sup>p</sup>In September 1983 an agreement was concluded on the refinancing of US\$ 465 million of short-term debt and US\$ 100 million of medium- and long-term debt.

<sup>q</sup>Corresponds to 90% of amortization payments on short- and medium-term credits due to be made during 1983 and 1984. In addition, short-term credit lines amounting to US\$ 81 million were maintained. At the beginning of March 1983 payments had been deferred for 90 days by agreement with the creditor banks. In July 1983 an agreement was signed with 80 creditor banks.

Table 40

**LATIN AMERICA (SELECTED COUNTRIES): TERMS OF RESCHEDULING  
OF EXTERNAL DEBT TO PRIVATE BANKS  
(FIRST ROUND OF RESCHEDULINGS: 1982/1983)<sup>a</sup>**

Country	Spread over LIBOR (percentage)		Total period (years)		Grace period (years)		Commissions <sup>b</sup>	
	R	AC	R	AC	R	AC	R	AC
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Argentina <sup>c</sup>	2.13	2.50	7.0	5.0	3.0	3.0	1.25	1.25
Brazil	2.50	2.13	8.0	8.0	2.5	2.5	1.50	1.50
Chile	2.13	2.25	8.0	7.0	4.0	4.0	1.25	1.25
Costa Rica <sup>d</sup>	2.25	-	8.5	-	4.0	-	1.38	-
Cuba	2.25	-	8.0	-	3.0	-	1.25	-
Ecuador	2.25	2.38	7.0	6.0	1.0	1.5	1.25	1.25
Honduras	2.38	-	7.0	-	3.0	-	1.38	-
Mexico	1.88	2.25	8.0	6.0	4.0	3.0	1.00	1.25
Nicaragua <sup>e</sup>	-	-	12.0	-	5.0	-	-	-
Panama	2.25	2.25	6.0	6.0	2.0	2.0	1.50	1.50
Peru	2.25	2.25	8.0	8.0	3.0	3.0	1.25	1.25
Dominican Republic	2.25	-	6.0	-	2.0	-	1.25	-
Uruguay	2.25	2.25	6.0	6.0	2.0	2.0	1.38	1.38

Source: ECLAC, on the basis of official figures and data from various national and international sources.

<sup>a</sup>Column R refers to rescheduled maturities and column AC to terms for additional credits.

<sup>b</sup>Calculated as a percentage of the total amount of the transaction and paid once only at the time of signing the loan contracts. It should be noted that evidence has been found that some commissions were not declared, and consequently the figures could underestimate payments under this head.

<sup>c</sup>At the end of 1983 the new Government of Argentina notified its intention to negotiate another debt rescheduling agreement, the terms of which would be better than those included in the present table.

<sup>d</sup>During 1983 the renewal of short-term trade credits was granted with a spread of 1.75% over LIBOR and for a term of three years.

<sup>e</sup>Nicaragua is continuing the rescheduling of its bank debt on the terms established in an agreement signed in 1980.

<sup>f</sup>Nicaragua pays a maximum rate of 7%; the difference between the interest rate in force and the 7% ceiling will be capitalized.

restructuration had to return to the negotiating table to fix the amounts and terms of the new credits that they needed to cover their financing requirements in 1984.

a) *The reduction of the banks' new commitments*

In 1984 the banks continued to pursue their policy of granting new loans to refinance a part of interest payments. However, there was a marked decline in this contribution. For example, in 1984 Mexico has received new credits amounting to US\$ 3.8 billion (a sum which represents a 6% expansion of the banks' commitments) in comparison with the US\$ 5 billion obtained in 1983 (equivalent to an increase of approximately 8% in the said commitments). In 1984 the new credits obtained by Chile were reduced to US\$ 780 million as compared with US\$ 1.3 billion in the preceding year, which implied that the growth rate of the banks' commitments fell from 11% to 7%. Similarly, there was a reduction of the credits granted to Ecuador and, up to mid-1984, Peru had received no new credits, after having been granted US\$ 450 million in 1983 (see table 42). The only countries that obtained more credits in 1984 than in 1983 were Brazil—which received US\$ 6.5 billion in 1984, as against US\$ 4.4 billion in 1983—and Nicaragua, which apparently had the opportunity of organizing a new loan for US\$ 200 million, after several years in which it had no access to new credit from the commercial banks. It must be stressed, however, that the increase

in the financing obtained by Brazil was due to the fact that during the first round it was impossible to maintain the inter-bank credit lines to that country at the established levels. Accordingly, in the second round it was decided to substitute new medium-term credits for the short-term lines.

Several factors account for the decrease in the banks' new commitments. On the one hand, the private banks want to restrict the extent of their commitments in the Latin American countries, and are therefore seeking gradually to reduce the amount of new credits linked to each successive round of debt renegotiation. On the other hand, the countries of the region, faced both with the unwillingness of the banks to grant new resources and with the strict IMF targets designed to reduce financing requirements, have spectacularly compressed their imports, whereby they have succeeded in radically reducing the deficit on current account and, consequently, the need for new loans. Another factor of some importance is that certain countries are hoping to replace part of the bank financing with new disbursements by the official international credit institutions, such as IDB and the World Bank.

Table 41

LATIN AMERICA (SELECTED COUNTRIES): DETERIORATION OF TERMS OF INDEBTEDNESS WITH PRIVATE BANKS (FIRST ROUND OF RENEGOTIATIONS, 1982/1983)<sup>a</sup>

Country	Spread over LIBOR (percentage)		Total period (years)		Commissions		Deterioration of terms <sup>b</sup> (percentage)	Real cost of credit <sup>c</sup>		
	1980/1981	R*AC	1980/1981	R*AC	1980/1981	R*AC		1980/1981	R*AC	Increase
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Argentina <sup>d</sup>	0.67	2.16	7.5	6.8	1.09	1.25	217	5.82	7.34	26.1
Brazil	1.62	2.32	8.5	8.0	2.01	1.50	44	6.86	7.50	9.3
Chile	0.91	2.16	7.6	7.7	0.81	1.25	125	6.02	7.32	21.6
Costa Rica	1.13	2.25	6.0	8.5	1.23	1.38	28	6.34	7.41	16.9
Cuba	1.00	2.25	5.0	8.0	0.88	1.25	28	6.18	7.41	19.9
Ecuador	0.74	2.28	8.0	6.7	0.97	1.25	242	5.86	7.47	27.5
Honduras	...	2.38	...	7.0	...	1.38	...	...	7.58	...
Mexico	0.65	1.95	7.6	7.6	0.70	1.05	181	5.74	7.09	23.5
Panama	1.09	2.25	8.0	6.0	1.00	1.50	174	6.22	7.50	20.6
Peru	1.12	2.25	8.2	8.0	1.07	1.25	97	6.25	7.46	18.6
Dominican Republic	1.30	2.25	8.1	6.0	0.91	1.25	135	6.41	7.46	16.4
Uruguay	0.98	2.25	9.1	6.0	0.90	1.38	249	6.08	7.48	23.0

Source: ECLAC, on the basis of official data and information from various national and international sources.

<sup>a</sup>The symbol R\*AC represents a weighted average of the rescheduled credits and additional credits.

<sup>b</sup>Based on an index of the cost-of-credit components which are subject to negotiation. The following is the formula used:

$$\frac{C_1}{P_1} + \frac{S_1}{P_1} - \left[ \frac{C_0}{P_0} + \frac{S_0}{P_0} \right] = I$$

in which: C= Commissions; P= Period; S= Spread over LIBOR, and in which subindex 1 refers to the conditions existing in 1983 and subindex 0 to average terms in 1980-1981. All components of the formula are weighted by the amount of the loan. It should be noted that the deterioration is not in itself an indicator of the quality of a country's negotiation, since it is strongly influenced by the borrower's initial position.

<sup>c</sup>A real annual LIBOR of 5% is assumed and C/P + S are added.

<sup>d</sup>At the end of 1983 the new Government of Argentina notified its intention to negotiate a new external debt rescheduling agreement.

Table 42

**LATIN AMERICA (SELECTED COUNTRIES): RENEGOTIATION OF THE  
EXTERNAL DEBT WITH PRIVATE BANKS  
(SECOND ROUND OF RENEGOTIATIONS: 1983/1984)<sup>a</sup>**

(Billions of dollars)

Country	Gross bank debt <sup>b</sup> at end of 1983	Start of negotiations	Renegotiation of the debt with the private banks			Maturities to be re-scheduled	New credits approved in 1984 <sup>c</sup>
			Amount				
			Total	Public	Private		
Argentina	23.4	Dec 1983	22.00 <sup>d</sup>	22.00	-	Sep 1982-1984	0.5 <sup>e</sup>
Bolivia	1.2	Oct 1982	0.64 <sup>f</sup>	0.64	...	1983-1985	-
Brazil	57.5	Jun 1983	5.40 <sup>g</sup>	...	...	1984	6.4
Chile	11.0	Jan 1984	-	-	-	-	0.8
Ecuador	4.2	Nov 1983	1.50	...	...	1984	0.4 <sup>h</sup>
Mexico	62.9	Mar 1983	11.60	-	11.60	Aug 1982-1984	3.8
Nicaragua	0.5	Jun 1983	...	...	...	Jun 1983-Jun 1984	0.2 <sup>a</sup>
Peru	4.5	Dec 1983	1.50 <sup>i</sup>	1.56	-	1984- July 1985	-
Venezuela	28.5	Oct 1982	24.00 <sup>j</sup>	...	...	1983-1984	-

Source: ECLAC, on the basis of official data from countries and information from various national and international sources.

<sup>a</sup> These data are provisional and subject to revision. The countries included are those that during 1983 did not conclude any formal external debt rescheduling agreement with private banks; others that during 1983 signed definitive or provisional agreements relating only to that year's maturities, and for those of 1984 began a second round of renegotiations, and countries that applied for new credits to refinance interest payments in 1984.

<sup>b</sup> Refers exclusively to each country's short-, medium- and long-term public and private debt with the private commercial banks that transmit information to the Bank for International Settlements. Accordingly, neither the debt with governments of official institutions is included, nor the debt with suppliers, nor the debt with commercial banks that do not transmit information to BIS. In some countries this last item is significant, and the figures could therefore underestimate the share of the banks in total external debt.

<sup>c</sup> Refers to credits granted by the international banks as part of the renegotiation process.

<sup>d</sup> Refers to US\$ 14 billion corresponding to amortization payments on the public debt due in 1982-1984; interest payments to the amount of US\$ 6 billion; and bridge credits for a sum of US\$ 2 billion (estimate prepared in May 1984). The total amount includes the renegotiated public external debt mentioned in table 39, since the authorities never concluded a definitive agreement with the private banks. In mid-December 1983 the new Government of Argentina asked the international banks for a moratorium on all amortization and interest payments up to 30 June 1984.

<sup>e</sup> At the end of March 1984 the Governments of Brazil, Colombia, Mexico, Venezuela and the United States announced a package financing of US\$ 500 million for the payment of interest on Argentina's external debt, of which US\$ 300 million were provided by the above-mentioned countries, US\$ 100 million by the commercial banks and US\$ 100 million by the beneficiary government. The loans from the latin American countries are short-term bridge credits and will be replaced by a loan from the United States Treasury once Argentina reaches an agreement with IMF.

<sup>f</sup> Includes maturities amounting to US\$ 416 million and corresponding to the debt rescheduled by the banks in 1981, and US\$ 225 million in amortization payments due within the period 1983-1985. In principle, the government reached an agreement with the foreign banks in mid-1983, but it was conditional upon the approval of an agreement with IMF which up to May 1984 had not been signed. At the end of 1983, it was agreed that 50% of interest would be paid. In June 1984 the government notified its intention of temporarily deferring its amortization and interest payments.

<sup>g</sup> In November 1983 a final agreement was reached on financing which includes US\$ 6.5 billion provided by the commercial banks, US\$ 3.5 billion in the shape of refinancing by the Paris Club and US\$ 2.5 billion in financing from State entities in the industrialized countries. Still in force, moreover, are short-term commercial credit lines to an amount of US\$ 10.3 billion and short-term inter-bank credit lines amounting to US\$ 6 billion.

<sup>h</sup> As from June 1983 Nicaragua for the first time stopped interest payments on the bank debt. In December an agreement was reached to refinance interest payments in arrears, which provides for capitalization of 100% of interest payments, amortization to begin as from the second semester of 1984.

<sup>i</sup> Including the refinancing of US\$ 610 million corresponding to the medium- and long-term debt and US\$ 950 million corresponding to the short-term debt.

<sup>j</sup> Estimate on the basis of official data.

<sup>k</sup> At the end of March 1983 the international banks authorized a three months' moratorium on payments which was subsequently extended on four occasions. In April 1984 a sixth moratorium up to July 1984 was requested. In June 1984 the Government pledged itself to settle part of the cumulative interest payments corresponding to the public and private sectors.

### b) *Reduction of the negotiated price of credits*

As mentioned above, the first round of reschedulings was characterized by the abrupt deterioration of borrowing conditions. In the second round, on the other hand, the countries succeeded in obtaining somewhat more favourable terms. In table 43 it can be seen that for all countries both the spreads over LIBOR and the commissions were smaller, and that maturities were longer in the second round of renegotiation than in the first. Although the new debt terms were still burdensome in comparison with those prevailing in the credit market in 1980-

Table 43

**LATIN AMERICA (SELECTED COUNTRIES): TERMS OF RESCHEDULING  
OF THE EXTERNAL DEBT WITH THE PRIVATE BANKS  
(SECOND ROUND OF RENEGOTIATION: 1983/1984)<sup>a</sup>**

Country	Spread over LIBOR (percentage)		Total period (years)		Period of grace (years)		Commissions <sup>b</sup>	
	R	AC	R	AC	R	AC	R	AC
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Brazil	2.00	2.00	9.0	9.0	5.0	5.0	1.00	1.00
Chile	-	1.75	-	9.0	-	5.5	-	0.63
Ecuador	1.75	...	9.0	...	4.0	...	0.88	...
Mexico	...	1.50	...	10.0	...	5.0	...	0.63
Peru	1.75	-	9.0	-	5.0	-	...	-

Source: ECLAC, on the basis of official data and information from various national and international sources.

<sup>a</sup>These data are provisional and subject to revision. Column R relates to rescheduled maturities and column AC to terms for additional credits.

<sup>b</sup>Calculated as a percentage of the total amount of the transaction and paid once only on signing the loan contracts. It should be noted that evidence has been found that some commissions were not declared and the figures could therefore underestimate payments under this head.

Table 44

**LATIN AMERICA (SELECTED COUNTRIES): DETERIORATION OF  
TERMS OF INDEBTEDNESS WITH THE PRIVATE BANKS  
(SECOND ROUND OF RENEGOTIATIONS: 1983/1984)<sup>a</sup>**

Country	Spread over LIBOR (percentage)		Total period (years)		Commissions		Deterioration of terms <sup>b</sup> (percentage)	Real cost of credit <sup>c</sup>		
	1980/1981	R*AC	1980/1981	R*AC	1980/1981	R*AC		1980/1981	R*AC	Increase
	(1)	(2)	(3)	(4)	(5)	(6)		(7)	(8)	(9)
Argentina	0.67	...	7.5	...	1.09	...	...	5.82	...	...
Brazil	1.62	2.00	8.5	9.0	2.01	1.00	7	6.86	7.11	3.6
Chile	0.91	1.75	7.6	9.0	0.81	0.63	51	6.02	6.82	13.3
Ecuador	0.74	1.75	8.0	9.0	0.97	0.88	91	5.86	6.85	16.9
Mexico	0.65	1.50	7.6	10.0	0.70	0.63	60	5.74	6.56	14.3
Peru	1.12	1.75	8.2	9.0	1.07	...	...	6.25	7.46	18.6

Source: ECLAC, on the basis of official data and information from various national and international sources.

<sup>a</sup>The symbol R\*AC represents a weighted average of rescheduled credits and additional credits.

<sup>b</sup>Based on an index of the cost-of-credit components that are subject to negotiation. The following is the formula used:

$$\frac{\frac{C_1}{P_1} + S_1}{\frac{C_0}{P_0} + S_0} - 1$$

in which: C= Commissions; P= Period; S= Spread over LIBOR and in which subindex 1 refers to terms existing in 1983-1984 and subindex 0 to average terms in 1980-1981. All components of the formula are weighted by the amount of the loan. It should be noted that the deterioration in itself is not an indicator of the quality of a country's negotiation, since it is strongly influenced by the borrower's initial position.

<sup>c</sup>A real annual LIBOR of 5% is assumed and C/P + S are added.

1981, the relative deterioration in the conditions negotiated, as well as the financial cost, was much more moderate than in the first phase of the renegotiations (see columns 7 and 10 in table 44).

But the relief provided to the Latin American countries by the decrease in the negotiated price of credit was largely neutralized by the appreciable rise which occurred after December 1983 in LIBOR, the basic interest rate over which debtors and creditors have no control. In fact, while the countries obtained a reduction of approximately half a percentage point in the spread over LIBOR during the second round of renegotiations, LIBOR itself increased two points between December 1983 and May 1984, more than counteracting the benefits of the improvement in the negotiated price of credit.<sup>29</sup>

It is interesting to note that it was the countries which decided to reprogramme only one year's maturity (1983) that were able to take most advantage of the new situation, since the softer conditions were applied not only to new credits obtained in 1984 but also to the rescheduled 1984 maturities. On the contrary, the debtor countries that rescheduled the latter in advance during the first round of renegotiations had to comply with the more burdensome conditions negotiated on that occasion.

<sup>29</sup>It is estimated that if this increase in LIBOR persists for one year, it will signify additional payments on Latin America's external debt of at least US\$ 5 billion, a sum equivalent to 6% of the value of the region's exports of goods in 1983.



## Part Two

### EVOLUTION OF THE CARIBBEAN ECONOMIES

#### I. STRUCTURAL CHARACTERISTICS AND MAIN TRENDS

Whether judged by area, population or value of output, the fifteen Caribbean countries covered by this survey must all be regarded as exceedingly small. Historical associations with colonizing metropolitan countries have bequeathed them a variety of languages, ethnic types and independent political systems, with no fewer than nine different currencies and parities with the US dollar, the common intervention currency. They rely heavily on merchandise imports for their supplies and on the export of commodities and services for their income, and in many cases their fiscal systems are tied to the indirect taxation of trade in goods and services. In order to establish a point of reference, the following structural data may be given for 1980 (see table 45).

In most Caribbean countries historical factors combine with heightened expectations and democratic institutions to make the public sector a key economic actor. Not only does the State perform its traditional functions but it is also directly involved in providing social and economic infrastructure as well as economic production. The result of these forces is to maintain high growth of public sector expenditure on both current and capital account, and since this growth in expenditure outstrips the growth in revenue this generates fiscal deficits and rising public debt (see table 46). During 1983, these tendencies became increasingly pronounced, raising serious problems for those entrusted with the tasks of public management.

By and large, in 1983 the countries of the region experienced little real growth. Performance varied from moderate, in the case of Dominica, St. Lucia, Suriname and Jamaica, to poor in the case of Guyana and Trinidad and Tobago. If the growth in population is taken into account, there were hardly any real per capita gains (see table 47).

Such a modest economic performance derived from a combination of international and domestic economic factors. The recovery in the industrial countries, while clearly serving to arrest the downward slide, has only a lagged impact, and at any rate was of only moderate strength. Its principal short-term effect was to shore up the tourist trade, cause the downturn in bauxite output to bottom out, and give rise to a recovery in the price of primary agricultural products. However, on account of the strengthening of the dollar against European currencies much of this enhanced price effect was lost. Perhaps,

Table 45

## CARIBBEAN COUNTRIES: STRUCTURAL CHARACTERISTICS, 1980

	Area (km <sup>2</sup> )	Population (millions)	Currency (units per US dollar)	(GDP millions of national currency units)
Antigua and Barbuda	440	0.07	EC\$ (2.7)	223
Dominica	750	0.08	EC\$ (2.7)	148
Grenada	340	0.11	EC\$ (2.7)	195
Montserrat	100	0.01	EC\$ (2.7)	28
St. Christopher/Nevis	270	0.04	EC\$ (2.7)	96
St. Lucia	620	0.12	EC\$ (2.7)	261
St. Vincent	340	0.10	EC\$ (2.7)	127
<b>OECS Group<sup>e</sup></b>				
Bahamas <sup>b</sup>	13 940	0.21	Bhs\$ (1.0)	1 080
Barbados	430	0.25	Bds\$ (2.0)	1 520
Belize	22 960	0.15	Bze\$ (2.0)	280
Guyana	214 970	0.79	G\$ (2.55)	1 336
Jamaica	10 990	2.19	J\$ (1.78)	4 738
Trinidad and Tobago	5 130	1.20	TT\$ (2.4)	15 327
<b>CARICOM Group<sup>f</sup></b>				
Netherlands Antilles <sup>b</sup>	993	0.25	NAF (1.79)	2 291
Suriname	163 270	0.39	Sf (1.78)	3 044

Source: Various country reports.

<sup>a</sup>Organization of East Caribbean States.<sup>b</sup>Data relate to 1979 - full data for 1980 not available.<sup>c</sup>Caribbean Community and

Common Market includes OECS States. Bahamas a member of Community only.

Table 46

## CARIBBEAN COUNTRIES: PUBLIC FINANCES

	Growth rates (per cent)							
	Current revenue		Current expenditure		Fiscal deficit <sup>a</sup>		Public debt <sup>b</sup>	
	1982	1983 <sup>c</sup>	1982	1983 <sup>c</sup>	1982	1983	1982	1983 <sup>c</sup>
Antigua	16.3	16.2	2.7	41.8	0.7 <sup>d</sup>	21.1	...	...
Bahamas	-2.8	5.8	7.4	12.2	9.3	7.6	447	526
Barbados	8.7	12.3	4.5	5.2	15.8	10.0	760	861
Belize <sup>e</sup>	2.4	...	17.0	...	15.4	...	...	...
Dominica <sup>f</sup>	1.8	16.5	-0.5	9.1	28.5	25.0	...	...
Grenada	20.4	...	3.6	...	61.6	...	134	...
Guyana	-2.0	2.8	1.9	7.2	63.8	49.9	...	3 000
Jamaica <sup>f</sup>	-0.2	11.9	-12.2	29.6	50.1	36.1	3 424 <sup>g</sup>	4 257 <sup>g</sup>
							1 425	1 643 <sup>h</sup>
Montserrat	10.0	18.7	18.5	26.4	5.9 <sup>d</sup>	-	...	...
Netherlands Antilles	...	...	...	...	...	...	...	...
St. Christopher/Nevis	-14.7	17.9	-0.4	17.8	37.4	31.7	...	...
St. Lucia <sup>f</sup>	58.3	...	41.9	...	15.5	...	...	...
St. Vincent	13.2	...	13.2	...	...	...	...	...
Suriname	5.6	-16.1	15.5	25.4	13.9	48.8	172	481
Trinidad and Tobago	1.2	-7.1	68.6	7.4	24.9	29.1	2 095	2 869

Source: Various country reports.

<sup>a</sup>As a percentage of total government expenditure.<sup>b</sup>Millions of national currency units.<sup>c</sup>Preliminary

figures.

<sup>d</sup>Indicates a surplus.<sup>e</sup>Fiscal year April-March.<sup>f</sup>Fiscal year July-June.<sup>g</sup>Net internal debt J\$

million.

<sup>h</sup>Net external debt (US\$ million).

Table 47

**CARIBBEAN COUNTRIES: GROWTH RATE IN REAL GDP  
AND POPULATION**

	Real GDP			Population	
	1981	1982	1983 <sup>a</sup>	1982	1983 <sup>a</sup>
Antigua and Barbuda	4.0	2.7	1.1	1.3	1.3
Bahamas <sup>b</sup>	...	...	...	...	...
Barbados <sup>c</sup>	11.6	5.3	6.1	0.4	0.4
Belize	2.6	-0.3	...	...	...
Dominica	8.2	3.2	4.0	3.7	...
Grenada	3.0	5.5	...	-	...
Guyana	-0.5	-10.4	-9.6	0.1	0.1
Jamaica	3.3	0.2	1.7	1.5	2.1
Montserrat	2.0	1.2	-1.2	1.2	-1.2
Netherlands Antilles <sup>b</sup>	...	...	...	...	...
St. Christopher/Nevis	6.6	1.6	...	...	...
St. Lucia	...	2.5	2.0	1.6	1.6
St. Vincent	12.5	0.8	...	1.8	...
Suriname	5.6	2.0	2.0	2.5	2.7
Trinidad and Tobago	7.3	3.5	-3.8	1.6	1.7

Source: Various country reports.

<sup>a</sup>Preliminary figures. <sup>b</sup>The latest data on GDP are for 1979.

<sup>c</sup>Growth rate of GDP at current prices.

however, the more pervasive cause of the poor performance was the continuing inability of the Caribbean economies to produce adequate quantities of goods to take advantage of available export markets. While in some cases this may have been due to shortages of key supplies, consequent on foreign exchange restrictions, in others it would appear to derive from basic inefficiencies.

With continued sluggish export performance, and in view of the high inelasticity of demand for imports, foreign exchange was everywhere a problem. This had the effect of dampening considerably the fledgling import substitution manufacturing sector and with it regional trade. The general slowdown also caused the construction sector to decline rapidly.

During 1983 the price of crude oil fell sharply, with a consequent negative impact on the Trinidad and Tobago economy, where crude oil output also declined. The reduced cost of energy showed itself positively in the payments position of most countries. However, the most pervasive favourable influence on most Caribbean economies was the slowing down of international inflation, which was reflected almost everywhere in lower rates of domestic inflation.

During 1983 the Caribbean countries without exception continued to show evidence of deep-seated structural problems, as indicated by large current account payments deficits, increasing external debt, widespread fiscal deficits and structural unemployment. The nature of these problems caused the authorities in 1983 to turn their attention seriously to structural adjustment programmes intended to cure these defects in the medium to long term.

Because of the concentration of productive resources in exports and the primacy of this sector as a motive force in the economy, short-term economic performance in Caribbean countries may be accurately gauged by their export performance. Both on account of their small size and their passive incorporation into the world economy Caribbean countries are price takers and can usually sell, under various commodity agreements, all the staples they can produce. In the

classic staple hypothesis it is usual to distinguish a number of typologies. Thus, despite efforts to develop tourism and light manufactures, St. Christopher remains an old sugar economy, while Belize exemplifies the new plantation economy producing sugar, bananas and citrus fruits. Trinidad and Tobago is a typical mineral exporter in course of transition from oil to natural gas, which must be embodied in exportables such as fertilizers, steel or petrochemicals. While nearly all the countries of the region attempt to capitalize on their proximity to the large North American markets for services, tourism dominates in the Bahamas, Antigua and Montserrat. Peasant agricultural systems in the Windward Islands have resulted in their being organized for producing bananas and such minor staples as cocoa, spices, and arrowroot, and for cottage tourism. Jamaica, with its sugar plantations, bauxite mines, small coffee and banana farms, sizeable tourist sector and fledgling light export manufacturing, seems to defy categorization.

Export agriculture is still critical to the foreign exchange earning potential of Belize, St. Christopher and the Windward Islands, and in addition to the social economy of Trinidad and Tobago, Jamaica, Guyana and Suriname because of its employment effects. Only two commodities —sugar and bananas— are of region-wide importance. However, a variety are of significance to individual countries: rice, forest products and shrimp to Guyana and Suriname; citrus to Belize, Jamaica and Dominica; crawfish to Belize and Bahamas; coffee, cocoa and spices to Jamaica and the Windward Islands; and oil palm to Suriname.

Sugar was by far the most important agricultural commodity, and with the cessation of exports from Suriname it is now marketed under the Lomé Agreement in EEC countries and by quotas in the United States under the GSP by six Caribbean countries. The only countries to record increased output in 1983 were Belize (7.4%) and Jamaica (1.5%), and while Barbados and Trinidad and Tobago seemed to have avoided further dramatic reductions in output, Guyana (-12.3%) and St. Christopher/Nevis (-22.2%) performed poorly, mainly on account of organizational and managerial problems.

Table 48  
CARIBBEAN COUNTRIES: MAJOR EXPORT STAPLES

(Thousands of tons)

	Sugar output			Banana exports	
	1981	1982	1983 <sup>a</sup>	1982	1983 <sup>a</sup>
Barbados	94	89	86	...	...
Belize	99	108	116	10	...
Guyana	307	292	256	...	...
Jamaica	206	196	199	22	23
St. Christopher/Nevis	32	36	28	...	...
Suriname <sup>b</sup>	8	...	...	38	32
Trinidad and Tobago	93	79	77	...	...
Windward Islands:					
Dominica				27	29
Grenada				10	...
St. Lucia				44	55
St. Vincent				31	...

Source: Various country reports.

<sup>a</sup>Preliminary figures.

<sup>b</sup>Suriname no longer exports sugar.

Table 49

## CARIBBEAN COUNTRIES: BAUXITE AND ALUMINA PRODUCTION

*(Thousands of tons)*

	1981	1982	1983 <sup>a</sup>
<b>Guyana</b>			
Dried bauxite	971	764	734
Calcined bauxite	513	392	315
Alumina	170	73	
<b>Jamaica</b>			
Bauxite	11 606	8 447	7 725
Alumina	2 556	1 761	1 854
<b>Suriname</b>			
Bauxite	4 125	3 120	2 832
Calcined bauxite	...	156	145
Alumina	1 248	1 156	1 172
Aluminium	...	43	34

Source: Various country reports.

<sup>a</sup>Preliminary figures.

Banana exports from the region in 1983 are believed to have been sustained at the same level as 1982. Most exporters were able to maintain their shipments, and the decline in Suriname (-16%) seems to have been more than compensated by the strong growth in St. Lucia (25%), now the largest producer in the region. The enhanced performance of St. Lucia derives in part from the relatively new process of field-packing the fruit, which has substantially reduced spoilage (see table 48).

Earnings from staple agricultural exports were not matched by output performance. Whereas unit prices increased somewhat —bananas by 4% and sugar by about 8%— because most sales were to the EEC countries, the appreciation of the US dollar, to which most Caribbean currencies are linked, eroded most of these gains.

The precipitous decline in the output of bauxite and in related activities which occurred between 1981 and 1982, especially in Jamaica, seems to have been arrested in 1983. While growth was not recorded, the bottoming out of the world economy brought a measure of balance between supply and demand with consequent reduction in stocks. The full impact of world economic recovery was not felt in 1983 but the effect was sufficient to cause an increase in alumina production in both Jamaica (5%) and Suriname (1%), laying the basis in some measure for the overall growth recorded by these two countries (see table 49).

While the petroleum industry continued to be the backbone of the Trinidad and Tobago economy its further weakening in 1983 was the root cause of the decline recorded there. Crude oil output fell by 10% in 1983 following an 11% decline in 1982 and exports were down by a similar margin. More dramatically, however, in 1983 Trinidad and Tobago ceased to be an offshore oil refining centre as no crude oil was imported for processing. Declining

production and prices had a pervasive negative impact, as foreign exchange income and government revenue both fell. There was a 4% increase in natural gas output but the full international monetary benefits from this resource have yet to be achieved.

With the upturn in the economies of the OECD countries most Caribbean tourism destinations received a boost, the Bahamas, Jamaica, Barbados and St. Lucia being outstanding in this respect. The partial dependence of the Netherlands Antilles tourism on Venezuela made 1983 a difficult year for the first-named country. There also appears to be a structural shift in the cruise ship business which now tends to favour shorter trips. As a consequence a number of the more distant destinations experienced reductions in that aspect of their trade. Because of the appreciation of the US dollar there was a negative price effect on the European market and greater dependence on the North American market. It is also evident that visitors are becoming increasingly sensitive to price differentials, thereby forcing the Caribbean industry to pay attention to pricing. Overall the contribution of tourism to the foreign exchange earnings of the region was enhanced in 1983 (see table 50).

Apart from tourism the principal offshore services provided by Caribbean countries to the large mainland markets of North America have been oil transshipment and refining, ship repair and registration, and offshore banking, financing and insurance. The change in United States energy policy in the recent past has dealt a severe blow to the offshore oil business, which in 1983 virtually came to an end in Trinidad and Tobago. The evolving United States policy on the treatment of tax havens, of which the Bahamas and Netherlands Antilles are outstanding examples, seems certain to have a negative impact on offshore financial centres.

Table 50

CARIBBEAN COUNTRIES: INDICATORS OF TOURIST ACTIVITY

	Visitor arrivals (thousands)			Estimated expenditure (millions of US dollars)		
	1981	1982	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>
Antigua	209	164	166	...	...	...
Bahamas	1 745	1 942	2 218	639	654	724
Barbados	488	414	431	131	125	125
Belize	62	60	...	8	8	...
Dominica	23	23	28	3	4	...
Grenada	103	85	...	17	17	...
Guyana	...	...	...	...	...	...
Jamaica	551	670	782	284	336	409
Montserrat	21	25	19	5	6	6
Netherlands Antilles	897	...	...	366	...	...
St. Christopher/Nevis	46	45	53	...	...	...
St. Lucia	90	106	113	38	41	42
St. Vincent	83	80	...	...	26	...
Suriname	...	...	...	...	...	...
Trinidad and Tobago	...	...	...	...	...	...

Source: Various country reports.

<sup>a</sup> Preliminary figures.

## II. OUTPUT

### 1. Agriculture

With the possible exception of the Netherlands Antilles, where deficient rainfall and rocky terrain inhibit agriculture, the production of food crops, livestock and fish for domestic consumption is of tremendous importance to the social economy everywhere in the Caribbean. In Jamaica, the Windward Islands, Suriname and Guyana domestic food production is considerable, and some countries have set targets of self-sufficiency. The potential for linkage to the tourist sector is also attractive.

After the somewhat uneven performance of the agricultural sector in 1982, most countries reported very positive results in 1983. In the Bahamas, where in recent years considerable policy emphasis has been placed on its improvement, domestic agriculture grew strongly, with the value of farm output an estimated 17% above 1982 and the volume of fish products 8% higher. Barbados recorded a 16% increase in root crops, increased vegetables output and a 90% increase in fish. In Antigua and St. Lucia, output of both root crops and vegetables increased in 1983, but production of fruits fell, while in Dominica there was a general increase in food production and a 25% increase in fish. After the very poor performance in 1982, when the output of domestic agricultural commodities fell 12%, Jamaica recorded a 12% increase in root crop production and 15% in vegetable production in 1983, while in Guyana there was increased root crop production, a 20% increase in maize output and a 14% increase in fish.

### 2. Manufacturing

With the exception of enclave industry in the Bahamas, Netherlands Antilles and to a certain extent Jamaica and Barbados, and the recent Trinidad and Tobago attempt at heavy industry (fertilizers, iron and steel, methanol) Caribbean industrialization strategy has aimed at import substitution for regional markets in CARICOM. The weak economic position in 1983 of most countries of the region and the continued shortage of foreign exchange impacted negatively on this activity. Intra-Caribbean trade in manufactures was severely reduced as a number of countries restricted entry to their markets. Payments arrangements became difficult when at the beginning of the year, on attaining its credit limit, the CARICOM Multilateral Clearance Facility (CMCF) was ended. Apart from tiny Montserrat, the only country in which manufacturing performed at a substantially higher level than in 1982 was Trinidad and Tobago. Here assembly industries for the home market, the refurbished cement industry and the coming into full production of some petrochemical plants made the largest contributions (see table 51).

### 3. Construction

In almost every country of the Caribbean region, construction activity declined in 1983. This development has had serious consequences for the maintenance of employment levels among skilled and unskilled persons. Perhaps the most

dramatic decline took place in St. Lucia, where sector output fell an estimated 40%, while the completion of a number of infrastructure and tourist-related projects in Antigua, Bahamas, Barbados, Dominica, Montserrat and St. Christopher had the effect of depressing sector output by about 5%. In Trinidad and Tobago, the relatively parlous state of the public finances resulted in the end of an eight-year-long construction boom and a 3% decline in sector output.

### III. THE EXTERNAL SECTOR

The external accounts are widely regarded as the most critical element in the national accounts of Caribbean countries. By comparison with 1982, when the external sector of these countries reached its lowest ebb, the year 1983 represents a recovery, though certainly there continued to be every evidence of weak performance. Some countries showed considerable improvement in their commodity exports and most were able to contain import growth in spite of the inelasticity of demand for most imported goods (see table 52).

The performance of merchandise exports is only a partial indication of performance. Most Caribbean countries earn substantial sums on invisible trade, where a positive balance is recorded. Table 53 shows that while the phenomenon of an adverse current account balance remained pervasive in 1983, there were improvements in most cases by comparison with 1982, with Trinidad and Tobago the only substantial exception.

Estimates of foreign debt are not readily available for most Caribbean countries and reasonably reliable data are available for only four of them. While displaying the usual upward trend, however, it would seem that by conventional standards debt burden and debt servicing ratios are moderate for all countries except Jamaica.

Table 51

#### CARIBBEAN COUNTRIES: EVOLUTION OF MANUFACTURING VALUE ADDED

(Percentage)

	1981	1982	1983 <sup>a</sup>
Antigua	...	...	-15.1
Bahamas	...	...	...
Barbados	11.1	-2.3	-1.4
Belize	-1.4	5.0	...
Dominica	17.7	9.6	2.5
Grenada	...	...	...
Guyana	24.1	-12.8	-18.8
Jamaica	1.3	4.2	4.1
Montserrat	12.9	-2.9	5.9
Netherlands Antilles	...	...	...
St. Christopher/Nevis	-13.0	...	...
St. Lucia	-0.5	13.0	6.6
St. Vincent	20.3	12.5	...
Suriname	-44.6	8.4	5.5
Trinidad and Tobago	-2.3	-2.0	7.6

Source: Various country reports.

<sup>a</sup>Preliminary figures.

Table 52

## CARIBBEAN COUNTRIES: TRENDS IN EXPORTS AND IMPORTS

*(Percentage growth rates)*

	Exports		Imports	
	1982	1983 <sup>a</sup>	1982	1983 <sup>a</sup>
Antigua	-31.1	...	-19.6	...
Bahamas	26.1	10.4	-5.7	8.6
Barbados	-8.4	55.5	-8.6	18.1
Belize	-18.9	...	-19.4	...
Dominica	27.4	12.4	-4.4	-5.1
Grenada	-5.7	...	3.0	...
Guyana	-20.4	-18.0	-29.7	-11.3
Jamaica	-25.9	-7.2	-7.6	-6.7
Montserrat	-21.2	55.5	7.6	-1.2
Netherlands Antilles	...	...	...	...
St. Christopher/Nevis	-22.3	...	-6.5	...
St. Lucia	-	14.2	-9.5	-9.6
St. Vincent	-0.4	...	10.0	...
Suriname	-9.9	-14.7	-5.3	-13.3
Trinidad and Tobago	-10.2	-19.5	17.6	-23.4

Source: Various country reports.

<sup>a</sup>Preliminary figures.

Table 53

## CARIBBEAN COUNTRIES: BALANCE ON CURRENT ACCOUNT AND EXTERNAL DEBT

*(Millions of US dollars)*

	Current account balance		External debt	
	1982	1983 <sup>a</sup>	1982	1983 <sup>a</sup>
Antigua	-509	...	...	...
Bahamas	-45	-52	147	...
Barbados	-42	12	144	174
Belize	-14	...	72	...
Dominica	-15	...	33	...
Grenada	-32	...	26	...
Guyana	-142	-134	741	700
Jamaica	-380	-343	2 740	3 274
Montserrat	-8	-9	...	...
Netherlands Antilles	...	...	...	...
St. Christopher/Nevis	-11	-8	...	...
St. Lucia	-44	-10	24	...
St. Vincent	-12	...	17	...
Suriname	-154	-164	...	...
Trinidad and Tobago	-745	-967	558	739

Source: Various country reports.

<sup>a</sup>Preliminary figures.

For most Caribbean countries the merchandise terms of trade turned favourable in 1983 as export prices generally rose and import prices, including the price of oil, were fairly stable or declined. However, Trinidad and Tobago was an exception since its oil exports fetched lower prices. Furthermore, the general improvement in the merchandise terms of trade was dampened somewhat by the appreciation of the US dollar to which all these countries' currencies are tied.

Not unexpectedly, the weak payments position caused a number of countries to have to grapple with the problem of stabilization under the tutelage of the IMF. Belize drew credits under the Compensatory Financing Facility, Grenada entered into a standby agreement, and Guyana held protracted discussions with the Fund. However, it was in Jamaica that the Fund was most active. The Extended Financing Facility which had been in use since 1981 was terminated and negotiations for a new standby agreement were begun in late 1983.

#### IV. INFLATION AND UNEMPLOYMENT

The structural imbalances in the markets for goods, money and labour continue to manifest themselves in rising prices and sizeable unemployment rates. The fact that in most countries the growth in the retail price index in 1983 was moderate and below the 1982 level must be attributed largely to the slowing down of international inflation, which tends to be imported. Double-digit inflation was experienced in Jamaica, where there was monetary expansion, in Guyana on account of supply bottlenecks and monetary expansion, and in Trinidad and Tobago where the relaxation of price controls and the removal of government subsidies brought latent inflationary pressures into the open. However, the return of most Caribbean countries to single-digit inflation in 1983 must be regarded as one of the more favourable developments of that year.

After falling continuously from a peak of some 17% in 1975, the measured rate of unemployment in Trinidad and Tobago increased by one percentage point in 1983, reaching 11%. The slowing-down of construction and mining and the inevitable spread effect were the factors responsible for this. In Barbados, the rise in unemployment resulted mainly from the decline in manufacturing and construction (see table 54).

Table 54

#### CARIBBEAN COUNTRIES: INDICATORS OF INFLATION AND UNEMPLOYMENT

	Consumer price index (percentage variation)			Unemployment (percentage)	
	1981	1982	1983 <sup>a</sup>	1982	1983 <sup>a</sup>
Antigua	11.5	4.6	...	20.0	...
Bahamas	11.1	6.0	4.0	...	...
Barbados	14.6	10.3	5.3	13.7	15.0
Belize	11.4	9.4	...	...	...
Dominica	13.3	4.4	2.7	15.0	...
Grenada	19.6	13.2	...	14.2	...
Guyana	22.2	20.9	15.1	...	...
Jamaica	11.9	6.5	11.3	27.4	26.1
Montserrat	10.6	9.8	4.7	5.6	7.0
Netherlands Antilles	8.6	...	...	...	...
St. Christopher/Nevis	10.3	5.9	2.5	...	...
St. Lucia	15.1	4.6	1.5	...	...
St. Vincent	13.0	7.2	...	...	...
Suriname	8.7	7.3	4.4	...	...
Trinidad and Tobago	14.3	11.4	15.2	10.4	11.1

Source: Various country reports.

<sup>a</sup>Preliminary figures.

Table 55

**CARIBBEAN COUNTRIES: PERCENTAGE GROWTH IN  
MONETARY RESOURCES**

	Money supply		Quasi-money	
	1982	1983 <sup>a</sup>	1982	1983 <sup>a</sup>
Antigua	-7.5	22.8	21.5	-17.0
Bahamas	6.0	12.7	17.9	11.5
Barbados	-1.3	16.2	9.0	4.1
Belize	-0.5	...	...	...
Dominica	-3.8	0.1	29.4	10.0
Grenada	18.4	...	-4.5	...
Guyana	27.4	20.8	29.1	23.2
Jamaica	6.1	21.3	32.4	28.0
Montserrat	-4.7	6.2	6.0	0.7
Netherlands Antilles	20.2	...	...	...
St. Christopher/Nevis	5.9	-3.1	14.2	14.5
St. Lucia	...	...	...	...
St. Vincent	...	...	...	...
Suriname	17.6	8.1	...	...
Trinidad and Tobago	43.9	-8.2	33.4	...

Source: Various country reports.

<sup>a</sup>Preliminary figures.

In general, monetary policy in Caribbean countries aims to maintain balance in the external accounts and to channel resources to stimulate expansion of the productive sectors. Because of the enhanced performance of these economies compared to 1982, monetary resources were allowed to grow at a relatively faster rate. This was especially the case in Barbados and Jamaica. In Trinidad and Tobago, where during 1983 the spectre of fiscal and payments crises became evident, the authorities pursued tight money supply policies, with the effect that the massive expansion of 1982 was arrested (see table 55).



## CUADERNOS DE LA CEPAL

### Nº 1

#### **América Latina: El nuevo escenario regional y mundial**

Exposición del Secretario Ejecutivo de la Comisión Económica para América Latina, señor Enrique V. Iglesias, en el decimosexto período de sesiones de la Comisión.

### Nº 2

#### **Las evaluaciones regionales de la Estrategia Internacional de Desarrollo**

Evaluación de Quito, Resolución 320 (XV) de la CEPAL.

Evaluación de Chaguaramas. Resolución 347 (XVI) de la CEPAL.

### Nº 3

#### **Desarrollo humano, cambio social y crecimiento en América Latina**

Separata de *El desarrollo latinoamericano y la coyuntura económica internacional* (E/CEPAL/981).

### Nº 4

#### **Relaciones comerciales, crisis monetaria e integración económica en América Latina**

Separata de *El desarrollo latinoamericano y la coyuntura económica internacional* (E/CEPAL/981/Add.2).

### Nº 5

#### **Síntesis de la evaluación regional de la Estrategia Internacional de Desarrollo**

Este trabajo se presentó en versión mimeografiada en el decimosexto período de sesiones de la Comisión con la signatura E/CEPAL/1004.

### Nº 6

#### **Dinero de valor constante. Conceptos, problemas y experiencias/ Jorge Rose**

Funcionario de la División de Desarrollo Económico de la CEPAL.

### Nº 7

#### **La coyuntura internacional y el sector externo**

Versión revisada de *El desarrollo latinoamericano y la coyuntura económica internacional*, segunda parte, capítulos I y II (E/CEPAL/981/Add.2).

### Nº 8

#### **La industrialización latinoamericana en los años setenta**

Este trabajo apareció anteriormente en versión mimeografiada con la signatura ST/CEPAL/Conf.51/L.2.

### Nº 9

#### **Dos estudios sobre inflación**

**La inflación en los países centrales.** Este artículo está tomado del capítulo I del *Estudio Económico de América Latina, 1974* (E/CEPAL/982).

**América Latina y la inflación importada, 1972-1974.** Por Héctor Assael y Arturo Núñez del Prado, funcionarios de la División de Desarrollo Económico de la Comisión Económica para América Latina (CEPAL).

Nº 10

**Reactivación del Mercado Común Centroamericano**

Este Cuaderno refunde las partes más relevantes del documento (E/CEPAL/CCE/367/Rev.3), preparado por la Oficina de la CEPAL en México, y del Informe de la Décima Reunión del Comité de Cooperación Económica del Istmo Centroamericano (E/CEPAL/CCE/369/Rev.1).

Nº 11

**Integración y cooperación entre países en desarrollo en el ámbito agrícola/**Gerónimo Salgado Peñaherrera, Consultor de la FAO

Este trabajo se presentó, con la signatura LARC/76/7(a) a la Decimocuarta Conferencia Regional de la FAO para América Latina y a la Conferencia Latinoamericana CEPAL/FAO de la Alimentación que se realizaron en Lima del 21 al 29 de abril de 1976.

Nº 12

**Temas del nuevo orden económico internacional**

Este documento se publicó originalmente con el título "Temas de la UNCTAD IV", E/CEPAL/L.133, el 19 de abril de 1976.

Nº 13

**En torno a las ideas de la CEPAL: desarrollo, industrialización y comercio exterior**

Al reanimarse antiguas discusiones sobre la naturaleza del desarrollo regional y particularmente acerca de las relaciones entre la industrialización y el comercio exterior, se ha creído oportuno reunir en este Cuaderno algunos textos preparados por la CEPAL sobre este tema.

Nº 14

**En torno a las ideas de la CEPAL**

**Problemas de la industrialización**

Este volumen pretende continuar la tarea iniciada en el Cuaderno Nº 13, refiriéndose especialmente a los problemas de la industrialización latinoamericana.

Nº 15

**Los recursos hidráulicos de América Latina**

**Informe regional**

Este trabajo se presentó a la Reunión Regional Preparatoria para América Latina y el Caribe de la Conferencia de las Naciones Unidas sobre el Agua que se realizó en Lima, Perú, del 30 de agosto al 3 de septiembre de 1976.

Nº 16

**Desarrollo y cambio social en América Latina**

Este trabajo preparado como contribución a la tercera evaluación regional de la estrategia internacional de desarrollo, compara los planteamientos políticos de los años cincuenta y siguientes en las áreas del desarrollo urbano, del desarrollo rural, de la educación y del empleo con los cambios reales, señala contradicciones, y formula algunas interrogantes para el futuro.

Nº 17

**Evaluación de Guatemala**

Resolución 362 (XVII) aprobada por la CEPAL en su decimoséptimo período de sesiones, Guatemala, 1977.

## Nº 18

### **Raíces históricas de las estructuras distributivas en América Latina/A. Di Filippo**

Atendiendo a la naturaleza de los distintos regímenes de propiedad, trabajo e intercambio heredados de la fase colonial, se analiza la constitución y desarrollo de las economías exportadoras de América Latina y sus repercusiones en materia de urbanización e industrialización. El objetivo básico de este ensayo es proveer un marco histórico-estructural para el análisis de la distribución del ingreso en las economías latinoamericanas contemporáneas.

## Nº 19

### **Dos estudios sobre endeudamiento externo/Carlos Massad y Roberto Zahler**

El Cuaderno Nº 19 contiene dos estudios. En el primero, "Financiamiento y endeudamiento externo de América Latina y propuestas de acción", se evalúa la magnitud y estructura de la deuda externa latinoamericana, tanto garantizada como no garantizada, y se señalan algunas propuestas de solución frente a este problema.

En el segundo "Inflación mundial y deuda externa: el caso del deflactor impropio", se critica la tendencia generalizada a suponer que la inflación mundial reduce el peso efectivo del servicio de la deuda externa, y se concluye que el tipo de cambio social, y no la inflación externa, es el mejor deflactor para medir esa carga desde el punto de vista del país deudor.

## Nº 20

### **Tendencias y proyecciones a largo plazo del desarrollo económico de América Latina/E/CEPAL/1027**

En este Cuaderno se analizan los principales rasgos del desarrollo económico y social de América Latina en los últimos 25 años, mediante un enfoque crítico de la magnitud y profundidad de la transformación productiva y social, y la identificación de las características generales más relevantes del estilo de desarrollo que prevaleció en ese período; se examinan en forma esquemática los principales objetivos, metas y orientaciones de la política económica formulados por los países de la región en los planes de desarrollo de los años setenta, e incluye proyecciones demográficas hacia el año 2000 y proyecciones macroeconómicas para los países no exportadores de petróleo en el decenio de 1980.

## Nº 21

### **25 años en la agricultura de América Latina: rasgos principales 1950-1975**

Este Cuaderno pasa revista a los rasgos principales de la evolución de la agricultura latinoamericana en el marco de las economías nacionales, a la producción y el abastecimiento agrícolas, al desarrollo de la agricultura en relación con el sector externo, a los problemas planteados en la utilización de los recursos productivos y sus rendimientos, y a los aspectos institucionales básicos de la estructura agraria.

## Nº 22

### **Notas sobre la familia como unidad socioeconómica/Carlos A. Borsotti**

Se analiza el papel de las familias, en cuanto unidades socioeconómicas, en la producción social y en la reproducción cotidiana y generacional de los agentes sociales, destacándose las variaciones en sus estrategias de vida y en sus modelos socio-organizativos, según las situaciones de clase a las que pertenecen.

El objetivo básico es proponer algunas hipótesis conceptuales y metodológicas para vincular a las unidades familiares, como grupos focales y estratégicos de las políticas de desarrollo social, con la estructura de la sociedad y los estilos de desarrollo.

Nº 23

**La organización de la información para la evaluación del desarrollo/Juan Sourrouille**

Este trabajo examina algunos de los problemas vinculados a la forma de organizar la información para evaluar el proceso de desarrollo económico y social. El tema se aborda aquí desde tres perspectivas distintas: el uso de las concepciones sistemáticas como marco de coherencia de los planes estadísticos, la búsqueda de un indicador sintético de los resultados del proceso de desarrollo, y la definición de un conjunto de indicadores que faciliten la evaluación de ese proceso en sus distintas facetas o áreas de interés.

Nº 24

**Contabilidad nacional a precios constantes en América Latina /Alberto Fracchia**

Este trabajo aporta antecedentes relativos a las cuentas nacionales en América Latina y propone un sistema de índices de precios y cantidades adecuado a los países de la región, sobre la base del propuesto por la Oficina de Estadística de las Naciones Unidas.

Nº 25

**Ecuador: Desafíos y logros de la política económica en la fase de expansión petrolera**

En este Cuaderno se examinan los principales rasgos del desarrollo económico y social del Ecuador, durante lo que ha transcurrido del decenio de 1970, especialmente considerando los efectos que se han derivado de la producción y exportación de petróleo del país.

Nº 26

**Las transformaciones rurales de América Latina ¿Desarrollo social o marginación?**

Este Cuaderno, preparado por el Proyecto Interdisciplinario de Desarrollo Social Rural, contiene un diagnóstico e interpretación de las principales transformaciones de la economía y la sociedad rurales en los últimos años en América Latina, un análisis de los posibles escenarios futuros y un examen de los grandes problemas que enfrentan las diversas estrategias para lograr un efectivo avance hacia los objetivos de desarrollo social establecidos por los gobiernos en la Estrategia Internacional del Desarrollo y en las Evaluaciones de Quito, Chaguaramas y Guatemala.

Nº 27

**La dimensión de la pobreza en América Latina/Oscar Altimir**

Este trabajo tuvo su origen en el proyecto sobre Medición y Análisis de la Distribución del Ingreso en América Latina, que realizan conjuntamente la CEPAL y el Banco Mundial. Contiene una reseña de los problemas relacionados con el concepto de pobreza y con la medición de la misma, presenta también un método para el trazado de líneas de pobreza en países de América Latina cuya aplicación permite cuantificar la dimensión de la pobreza en los países de la región.

Nº 28

**Organización institucional para el control y manejo de la deuda externa/Rodolfo Hoffmann**

Este estudio constituye un análisis evaluativo de la organización institucional para la evaluación de la deuda externa de Chile.

Nº 29

**La política monetaria y el ajuste de la balanza de pagos: tres estudios**

En este Cuaderno, el primer estudio, "La demanda de bienes de importación", formula un modelo para identificar las variables económicas que más influyen sobre dicha demanda, y evalúa asimismo su importancia empírica en varios países de la región. El segundo, "Ajuste del balance de pagos, política crediticia y control del endeudamiento externo", identifica las demoras en dicho ajuste en relación con los desequilibrios monetarios. El último estudio, "El enfoque monetario del tipo de cambio", pone de relieve la importancia de las variables monetarias en la determinación del tipo de cambio.

### **América Latina: Las evaluaciones regionales de la Estrategia Internacional del Desarrollo en los años setenta**

Las cuatro evaluaciones de la Estrategia Internacional del Desarrollo en los años setenta, preparadas en Quito, Chaguaramas, Ciudad de Guatemala y La Paz, examinan el proceso de desarrollo económico y social de la región en el marco del concepto integral contenido en dicha estrategia. Expresan con franqueza juicios críticos acerca de la naturaleza de ese proceso, especialmente en lo que respecta a sus limitadas proyecciones sociales. Evalúan además los problemas de las relaciones externas de América Latina en esta etapa de su desarrollo y formulan planteamientos acerca de la posición de los países latinoamericanos en relación con cada uno de los principales temas vinculados a la cooperación internacional. Por último, también se ocupan de la cooperación e integración regionales en América Latina, y de la cooperación con otras regiones en desarrollo.

### **Educación, imágenes y estilos de desarrollo/Germán W. Rama**

El presente trabajo intenta analizar la educación en forma integrada con el proceso de cambio social. El marco conceptual de la indagación es el de los estilos de desarrollo, tema que ha sido analizado en varios estudios de la CEPAL y que en este texto tiene una consideración específica, que agrega una perspectiva complementaria a los análisis anteriores.

### **Movimientos internacionales de capitales/Ricardo H. Arriazu**

El principal objetivo de este estudio consiste en evaluar los avances analíticos en materia de movimientos de capitales y en adaptarlos a las realidades económicas e institucionales de la región, lo que permite identificar los principales factores que influyen sobre los movimientos de capitales de y hacia América Latina. En una primera parte, analiza modelos teóricos y presenta un "modelo combinado simplificado" para las investigaciones empíricas. Seguidamente, se refiere a las principales variables económicas que explican el comportamiento de los movimientos de capitales, presentando los resultados empíricos obtenidos para los países considerados. Por último, destaca las conclusiones de política económica que se derivan del estudio. Contiene además un apéndice estadístico.

### **Informe sobre las inversiones directas extranjeras en América Latina/Alfredo Eric Calcagno**

Este estudio presenta un panorama de la actual situación de las inversiones directas extranjeras en América Latina. Procura determinar cuál es su magnitud y algunas de sus características y tendencias, y establecer cuál es su papel como instrumento para el financiamiento de inversiones en los países latinoamericanos o para la expansión productiva de los países desarrollados inversores. En síntesis: a) se pasa revista al contexto internacional; b) se indican algunos rasgos del contexto nacional; c) se resumen los principales datos cuantitativos sobre las inversiones directas extranjeras en América Latina; d) se muestran algunas características de las empresas que realizan las inversiones, en comparación con las empresas nacionales grandes; e) se plantea el problema de la influencia que en esta materia podrían ejercer las especializaciones productivas en los países desarrollados; f) se reseñan algunas de las líneas de política económica adoptadas recientemente, y g) en una recapitulación final, se mencionan algunas de las evaluaciones e interpretaciones.

### **Las fluctuaciones de la industria manufacturera argentina, 1950-1978/ Daniel Heymann**

Este estudio forma parte del Programa de la Oficina de CEPAL en Buenos Aires sobre "Información y Análisis de Corto Plazo de la Economía Argentina". Examina el ciclo de la industria manufacturera argentina en el período 1950-1978. Para ello ubica los puntos críticos de las fluctuaciones de esa actividad, su longitud, amplitud y forma sobre la base de indicadores trimestrales elaborados para ese propósito. Estos indicadores se refieren a la producción, demanda e inventarios de la industria en su conjunto y de sus principales subsectores.

**Perspectivas de reajuste industrial: la comunidad económica europea y los países en desarrollo/Ben Evers, Gerard de Groot y Willy Wagenmans**

Este estudio forma parte de una serie de investigaciones realizadas por el Instituto de Investigación para el Desarrollo de la Universidad de Tilburg destinadas a analizar las causas y efectos del proceso de creciente penetración de exportaciones industriales provenientes de países en desarrollo en los mercados de los países desarrollados. En este informe se analizan particularmente las futuras relaciones entre la Comunidad Económica Europea (CEE) y los países en desarrollo, partiendo del reconocimiento que las posibilidades de exportación de manufacturas de los países en desarrollo no dependen solamente de sus propias políticas de industrialización y de comercio, sino también —y tal vez en mayor medida aún— de las políticas aplicadas por los países desarrollados. El informe comienza con una visión global del desarrollo económico internacional durante los últimos 30 años y continúa examinando el proceso de transferencia de ciertas actividades productivas hacia países de menores niveles de salarios, para concluir con un análisis más detallado de la naturaleza del proceso de producción y del tipo de relaciones competitivas internacionales, agrupando las actividades industriales en 4 categorías principales: industria elaboradora (tanto liviana como pesada), industrias de productos semielaborados, industrias pesadas de bienes de capital e industrias envasadoras y de armaduría. Finalmente se analiza la posible reacción de la CEE en materia de políticas frente a los cambios en la división internacional del trabajo.

**Un análisis sobre la posibilidad de evaluar la solvencia crediticia de los países en desarrollo/Alvaro Saieh**

Este trabajo presenta un análisis crítico de una serie de indicadores económicos de la "capacidad de pago" o "solvencia crediticia" de los países latinoamericanos no exportadores de petróleo. Define cada indicador, reseñando brevemente sus ventajas y desventajas y hace un análisis de sus valores históricos; luego, por medio del análisis factorial, disminuye su número y determina así un subconjunto de indicadores para explicar mejor la varianza de todas las variables estadísticas. En este trabajo, se pone de relieve la parcialidad de los indicadores individuales, que hace poco aplicable su uso como una forma de obtener conclusiones definitivas sobre la capacidad de pago de un país, y la conveniencia de utilizar un subconjunto de variables seleccionadas estadísticamente, cuyas conclusiones aun así deben manejarse con cautela.

**Hacia los Censos Latinoamericanos de los Años Ochenta**

Este Cuaderno presenta una discusión actualizada y detallada de los principales problemas observados en las prácticas censales de la década del setenta y formula una serie de sugerencias para superar esos problemas en los censos de la década del ochenta. El Cuaderno incluye tres áreas mayores de discusión: i) la organización y administración del operativo censal; ii) los criterios de selección de las características o variables a ser investigadas, así como la validez y confiabilidad de distintos procedimientos de medición de cada variable; iii) los principales factores que deben tomarse en cuenta en la etapa de procesamiento de los datos.

El documento va dirigido a los productores y usuarios de datos censales en los países de América Latina, y en particular a los encargados de los operativos censales, y busca transmitir el conocimiento teórico y la experiencia práctica acumulada en la región por expertos de distintos organismos internacionales.

**El desarrollo regional argentino: la agricultura**

Este trabajo tiene como objeto analizar las particularidades que presenta la estructura y funcionamiento de la agricultura en la Argentina y explicar algunas de las causas determinantes de los bajos niveles de productividad e ingreso medios en áreas rurales de la región norte. Con este

propósito, se diferencian las modalidades de especialización provincial, se examina la importancia de la agricultura en las economías provinciales y la composición de la base productiva. Abarca el 95% del valor bruto de producción agrícola nacional y más del 90% del valor correspondiente a cada provincia, analiza la base productiva y concentra la atención en los productos de exportación provincial. Se examinan las consecuencias de las diversas modalidades de especialización provincial aproximando el análisis al comportamiento de los productores y productos atendiendo la dotación de recursos de distintos tipos de unidades productivas. Ello conduce al examen de la capacidad y de los mecanismos de acumulación de unidades productivas de distinta escala y especialización, con lo que se diferencian los niveles de ingresos entre productores y entre éstos y los asalariados agrícolas. Con base en lo precedente, se plantea una tipología de provincias, atendiendo su grado de diversificación y el tipo de cultivos que las caracterizan en su inserción en la economía nacional. La tesis central del trabajo consiste en que la interacción entre la modalidad de especialización y la heterogeneidad interna permite explicar los bajos niveles de productividad e ingresos de la región norte del país.

#### Nº 39

##### **Estratificación social y movilidad ocupacional en América Latina/Carlos Filgueira y Carlo Geneletti**

En este estudio se describen e interpretan los cambios ocurridos en las estructuras de estratificación ocupacional desde 1950 hasta 1970, sobre la base de la información proporcionada por los censos de población de los países de la región.

En la primera parte se analizan los conceptos básicos relativos a la estratificación y movilidad social, en relación con el desarrollo económico de los países de la región; en la segunda parte se examinan en más detalle la movilidad social estructural y el crecimiento de la clase media, así como los aspectos relativos a la diferenciación interna y el crecimiento. Asimismo, se discuten los aspectos relativos a la movilidad demográfica. Por último, se incluye un apéndice metodológico en que se indica la forma en que se analizó la información.

El estudio señala que durante el período de referencia la región experimentó un proceso de cambio muy dinámico que tuvo consecuencias importantes para la movilidad social. Dichas consecuencias se reflejaron en el grado creciente de incorporación de las personas a los frutos de la modernización y del desarrollo económico. Sin embargo, se indica que la movilidad no ha sido integradora dada la asincronía entre los diversos órdenes de la estructura social que han generado fuertes tensiones estructurales determinadas por el distanciamiento creciente entre las aspiraciones y la posibilidad de satisfacerlas. De esta forma, las modificaciones en la composición sectorial de la fuerza de trabajo, la expansión del sistema educativo y la rigidez de la distribución de los ingresos, plantean serios desafíos y tensiones para la continuidad dinámica del crecimiento de los países de la región.

#### Nº 40

##### **Programa de Acción Regional para América Latina en los Años Ochenta**

En mayo de 1981 los gobiernos latinoamericanos, reunidos en Montevideo en el decimonoveno período de sesiones de la CEPAL, aprobaron un Programa de Acción Regional para América Latina en los Años Ochenta, destinado a instrumentar en el ámbito latinoamericano la Nueva Estrategia Internacional del Desarrollo (EID).

El Programa trata separadamente objetivos y metas, medidas de política y mecanismos de evaluación. Incorpora además una breve síntesis de la situación actual del desarrollo latinoamericano. Naturalmente, el contenido de los capítulos hace hincapié en los aspectos latinoamericanos y muy especialmente en la cooperación regional y en la cooperación con otras regiones en desarrollo.

Los gobiernos destacaron tres problemas centrales del desarrollo latinoamericano: la asimetría que se continúa registrando en las relaciones económicas externas, la declinación del ritmo de crecimiento en la mayoría de los países latinoamericanos y la conformación de sociedades extremadamente inequitativas.

Se enumeraron once objetivos concretos que suponen atacar los problemas estructurales y en especial la confrontación de un orden mundial más equilibrado y sociedades más equitativas.

Finalmente, se proponen medidas de política en materia de desarrollo económico y social nacional, de la cooperación intralatinoamericana, de la cooperación con otras áreas en desarrollo y de la cooperación internacional.

#### Nº 41

### **El desarrollo de América Latina y sus repercusiones en la educación. Alfabetismo y escolaridad básica**

El Cuaderno Nº 41 comprende dos estudios sobre el desarrollo social y la educación. El primero de ellos titulado "Estructura y dinámica del desarrollo de América Latina y el Caribe y sus repercusiones para la educación" fue originalmente concebido como una contribución de la CEPAL a la Conferencia de Ministros de Educación convocada por la UNESCO en México en diciembre de 1979, en el que se presentan las transformaciones económicas, las tendencias y transformaciones demográficas, la distribución del ingreso y la diseminación de la pobreza para luego considerar la estructura del mercado de empleo y situar a partir de estas referentes estructurales, los procesos educativos que se desarrollan en la región y sus efectos en términos de concentración o de equidad social. El estudio asigna la mayor importancia a la situación de los grupos sociales excluidos de la educación o que sólo reciben una parte ínfima de sus beneficios, lo que se complementa con el análisis del segundo texto titulado "Alfabetismo y escolaridad básica de los jóvenes en América Latina".

Este último fue realizado en el marco de las actividades del Proyecto Desarrollo y Educación en América Latina y el Caribe ejecutado conjuntamente por la CEPAL con UNESCO y el PNUD. Utilizando como base de información los censos de América Latina se presenta una documentación exhaustiva sobre la situación de los grupos de edad joven y dentro de ellos identificando quiénes son los analfabetos o titulares de una escolarización mínima, cómo se distribuyen espacialmente y según sexo y a qué inserción social los condena la carencia de educación. El trabajo analiza cuidadosamente el papel de las barreras culturales en la integración social y los efectos de reproducción de la marginalidad y de la pobreza que eventualmente pudieran ser evitados con una efectiva escolarización básica de la totalidad de los integrantes de las generaciones jóvenes.

#### Nº 42

### **América Latina y la economía mundial del café**

En este Cuaderno se examinan diversos aspectos de la actividad cafetera a nivel mundial, tanto en las fases de producción como en las de transformación industrial, comercio y consumo, manteniendo como foco central la formación del precio del producto final y, en estrecha relación con ello, la distribución de ingresos entre los distintos agentes económicos que intervienen en el proceso. Después de un examen de las características generales del mercado mundial, el análisis deriva hacia la profundización del estudio de casos de cinco países productores (Colombia, Guatemala, Costa Rica, Perú y Brasil) y de cuatro países consumidores (República Federal de Alemania, Francia, Reino Unido y Estados Unidos), para finalizar con un análisis de las políticas de regulación internacional del mercado y una serie de fichas relativas a las principales empresas que operan en esta rama a nivel mundial.

#### Nº 43

### **El ciclo ganadero y la economía argentina**

La importancia del ciclo ganadero, que se manifiesta en las fluctuaciones recurrentes de un conjunto de fenómenos asociados entre sí, ha motivado este estudio que se basa en información primaria muy detallada y que ha supuesto resolver previamente algunos problemas de información y metodológicos, para llegar a la descripción del ciclo. En este texto se hace además un primer análisis de las fluctuaciones de las existencias ganaderas, y se adelantan algunas observaciones sobre su crecimiento de largo plazo.

**Las encuestas de hogares en América Latina**

Este Cuaderno reúne tres trabajos referidos a las prácticas de medición en los países de América Latina de variables sociodemográficas importantes a través de encuestas de hogares, así como a los principales problemas que enfrentan tales mediciones.

El primer estudio fue preparado como contribución de la CEPAL a la revisión del Manual de Encuestas de Hogares de las Naciones Unidas y presenta un panorama resumido de las dificultades que encuentra en la región la investigación a través de estas encuestas de variables demográficas, de las migraciones internas, del empleo y de los niveles de vida. Entre las fuentes de tales dificultades, se analiza la calidad de los instrumentos utilizados para la captación de los datos, y las características de las operaciones de campo y del diseño de las muestras.

El segundo estudio resume la experiencia del CELADE en su búsqueda de alternativas a los métodos tradicionales de obtener la información básica para estimar los niveles y la estructura de edad de la mortalidad. A tal efecto, se comparan estimaciones de mortalidad derivadas de encuestas demográficas prospectivas y retrospectivas que se llevaron a cabo en Honduras, Panamá y Perú, con la asistencia técnica del CELADE. El tercer trabajo describe las características de las principales encuestas de hogares en trece países de América Latina, y examina todas las variables pertinentes para la medición del empleo, desempleo y subempleo.

**Las cuentas nacionales en América Latina y el Caribe**

Este Cuaderno, motivado por el permanente interés de la CEPAL en contribuir al avance de las mediciones macroeconómicas en la región, es la continuación de los sucesivos análisis que ha venido produciendo, y que han permitido describir tanto la situación en que se encuentran las cuentas nacionales en América Latina como los obstáculos encontrados en su desarrollo. Aquí se actualizan las reseñas y diagnósticos de los anteriores análisis sobre la disponibilidad de estimaciones de cuentas nacionales y sobre los métodos utilizados por los países para realizarlos. Se pretende, además, promover una amplia discusión sobre las posibilidades de extender la cobertura de dichas estimaciones para incorporar áreas temáticas que se han vuelto indispensables en el análisis de las economías latinoamericanas, mejorar la calidad de las actuales mediciones, y contribuir al consenso entre productores y usuarios acerca de las prioridades y orientaciones que debe regir el desarrollo de las estadísticas económicas básicas en los países de América Latina y el Caribe.

**Demanda de equipos para generación, transmisión y transformación eléctrica en América Latina**

Este trabajo es uno de los estudios realizados en virtud del Proyecto CEPAL/ONUDI sobre la situación y perspectivas de la producción de bienes de capital en América Latina. Incluye información sobre los programas para ampliar la capacidad de generación, transporte y transformación de electricidad en 17 países latinoamericanos y muestra la evolución histórica de la potencia instalada en la región y en otras zonas del mundo. Las cifras que el estudio presenta ponen de relieve que América Latina constituye, en términos absolutos, un mercado considerable para equipos de generación eléctrica de gran tamaño, en especial los destinados al aprovechamiento de recursos hidráulicos. En términos relativos, la región representa una proporción muy significativa (y cada vez mayor de la demanda mundial de tales equipos. Por otra parte, los requerimientos están geográficamente bien distribuidos e incluyen productos de diverso nivel de complejidad, lo cual abre perspectivas de interés para alcanzar acuerdos regionales relativos a la construcción de las centrales y a los equipos pertinentes.

### **La economía de América Latina en 1982: Evolución general, política cambiaria y renegociación de la deuda externa**

En la primera parte de este cuaderno se analizan las características principales de la profunda crisis económica que afectó a América Latina en 1982. En particular se examina la caída del nivel de la actividad económica, el aumento de la desocupación y el subempleo, la aceleración de los procesos inflacionarios y las bajas considerables de las remuneraciones reales que ocurrieron en numerosos países de la región. Además, se consideran las tendencias del comercio exterior, el balance de pagos y la deuda externa. En la segunda parte se examinan la política cambiaria y los procesos de renegociación de la deuda externa. En lo referente a la primera se analizan las relaciones entre la política cambiaria y la inflación en las economías que tradicionalmente han utilizado sistemas con tipos de cambio fijos, devaluación periódica gradual y devaluación preanunciada. El examen comprende, además, un análisis de las características y efectos de las devaluaciones y significativas modificaciones introducidas en los sistemas cambiarios durante 1982 en numerosos países latinoamericanos con miras a reducir el desequilibrio externo. Por último, se describen los mecanismos generales de las reprogramaciones de la deuda externa llevadas a cabo por 16 países latinoamericanos en 1982 y se evalúan sus condiciones y costos.

### **Políticas de ajuste y renegociación de la deuda externa en América Latina**

En este Cuaderno se describe y analiza las políticas aplicadas y los resultados obtenidos en América Latina en materia de ajuste interno y renegociación de la deuda externa. Tales políticas han constituido, en esencia, una primera respuesta inmediata de la política económica al desafío planteado por la profunda y generalizada crisis económica que desde 1981 viene afectando a la región. En la primera parte se examinan con detalle las causas tanto internas como externas de esa crisis económica. En la segunda parte se describen y analizan los procesos de ajuste verificados en los países de la región, se señalan sus logros y limitaciones, y aunque no se proponen fórmulas precisas y de aplicación general para superar las deficiencias observadas en dichos procesos, se hace hincapié en algunos aspectos que se consideran de validez general. En la tercera parte se examina el crecimiento, transformación y crisis del endeudamiento externo, se describen las dos primeras rondas de reprogramaciones de la deuda externa y se presentan los principios subyacentes de la reprogramación ortodoxa. También se hace un planteamiento general para una renegociación más equitativa, y con este fin se proponen diversas soluciones. Finalmente, se reseña en un apéndice aspectos conceptuales de las políticas de ajuste.

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