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LATIN AMERICAN DEVELOPMENT PROJECTIONS FOR THE 1980S

CONTENTS

/Introduction

Introduction

The CEPAL Secretariat has prepared a set of projections to provide a quantitative basis for the prospective studies connected with the formulation of the International Development Strategy for the 1980s and the Latin American plan of action to implement the Strategy.

At its eighteenth session, held at La Paz in April 1979, the Commission adopted resolution 386 (XVIII) on preparations and contributions by CEPAL for the formulation of the New International Development Strategy. In its operative part, the resolution in question requested the Secretariat to co-operate with Latin American governments in carrying out the tasks of the Preparatory Committee for the New IDS and to prepare a regional plan of action to implement the Strategy to be adopted by the Assembly. In implementation of that mandate the Secretariat prepared documents and notes for the group of permanent representatives of the Latin American countries at United Nations Headquarters in New York (GRULA), in connexion with the participation of the Latin American governments in the Preparatory Committee's activities. Following the Strategy's adoption in December 1980, the Secretariat prepared the document "Latin American Development in the 1980s" (E/CEPAL/1150) for the meetings of the Committee of High-Level Government Experts (CEGAN) (Quito, March 1981) and the nineteenth session of CEPAL (Montevideo, May 1981).

The nature of the projections is determined by the problems identified as being most important during consideration of the question of Latin American development. The international Strategy and the programme of action for Latin America were in fact designed to deal with these central problems, and the quantitative work was therefore focused on consideration of objectives, goals and policies that will make it possible to overcome the current situation. In order to understand the approach adopted in producing the projections put forward here it is therefore essential to bear in mind the main conclusions reached in the analysis. In the document "Latin American development in the 1980s" the Secretariat stresses three fundamental aspects of the situation with regard to the socio-economic process and its evolution.

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These aspects are: firstly, the structure of extremely inequitable societies, which is produced structurally by the current socio-economic process; secondly, the decline or low level of the economic growth rates recorded in the majority of the Latin American countries, whose recovery appears to be influenced by such factors as the instability and uncertainty that to a great extent surround the growth of the world economy; and thirdly, the continuing asymmetry in the pattern of foreign relations as regards the nature of the flows of exported and imported goods, deterioration of the terms of trade and growth of the external debt.

The nature, scope and variety of the problems identified determined the type of projections that had to be prepared. Treating economic and social problems simultaneously made it necessary, on one hand, to establish a comprehensive list of variables and, on the other hand, to seek methodologies that could ensure their coherence. Thus, projections relating to population, productivity and employment, sectoral structure and economic dynamism, foreign trade, external financing and indebtedness were established. Two growth scenarios were established in order to give the projections qualitative coherence. In their chief aspects, these scenarios correspond, in the first case, to a continuation of the domestic and external growth trends currently observable in Latin America and in the international economy; and in the second case, to a major change in domestic plicy and in the international economic order.

For analytical reasons four groups of projections were prepared, which were then linked with each other in order to form a basis for the growth scenarios.

Population aspects were considered first of all in order to establish population growth prospects, the urban and rural distribution of such growth, age structure, the economically active population and the labour force.

Consideration was then given to labour productivity by economic sectors, the labour force, creation of new jobs and the employment balance.

Thirdly, the sectoral structure and the levels of capital formation and external financing demanded by the proposed economic growth were considered.

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Finally, the structure of foreign trade was analysed both from the point of view of types of goods and places of destination, particular importance being assigned to the relationship between primary commodities and manufactured products and between the regional and extra-regional character of foreign trade.

Coherence between these various aspects of the development process in quantitative terms was secured through the level of the gross domestic products: each growth rate corresponded in quantitative terms to what had been established in qualitative terms in the scenarios. Thus, for example, the potential for economic growth is lower in the scenario forecasting the continuation of current trends (the "trend scenario") than in that forecasting major domestic and external economic change (the "normative scenario").

The same applies in the case of rates of expansion of foreign trade, levels of external financing, growth in productivity and many other aspects that reflect the principal hypotheses used in the projection excercises.

In this document a brief description of the scenarios will be given first of all, and in the following chapters the main sets of projections forming the quantitative basis of the scenarios in question will be considered: population and the labour force, sectoral structure and internal effort, productivity and employment, and external economic relations.

I. THE SCENARIOS

The Latin American development projections have been established on the basis of two scenarios. The basic difference between these scenarios is that the first one is based on the hypothesis that the trends corresponding to the current internal structure of the countries and the current pattern of the world economy will continue, whereas the second scenario is based on the hypothesis that internal structural reform will take place and that a new international economic order will be established. The changes assumed are in line with the principles set forth in the Third International Development Strategy adopted at the end of 1980 by the United Nations General Assembly.

The first so-called growth-trend scenario approaches the prospects for the development process on the assumption that the behaviour of the domestic and external factors that have the most impact on economic growth will continue to be similar to that observed in recent decades and that the economic changes currently underway will actually be completed.

In accordance with what the Secretariat has established in its medium and long-term studies, the hypothesis of the scenario in question is that, although the rate of economic growth will be relatively high, it will be too low to remedy employment problems and external imbalances. Therefore, it will not be possible to deal adequately with social problems and there will be no significant change in the asymmetrical pattern of external relations, in spite of policies implemented with a view to attenuating such problems.

During the 1970s the growth rate was somewhat below 6%. During the first four years of that decade the economic growth rate accelerated to an annual rate of over 7%, but subsequently, from 1976 onwards, the main features of the economic process were its marked instability and arduous overall recovery, resulting in a considerable drop in the economic growth rate.

It is clear that the evolution of the external sector affected the course taken by the economies of the Latin American countries, to varying extents and both adversely and positively, even though it must be recognized that domestic policy has been the other important factor in accelerating or slowing economic growth. In actual fact, the situations engendered from the middle of the

1970s onwards generally led to the expansion of external indebtedness, which had subsequent repercussions, particularly as regards the impact on the balance of payments of the cost of servicing the external debt, and a new area of external vulnerability thus came into being.

In these circumstances, a growth rate has been set for this trend scenario that - taking specific domestic conditions into account - is in general closer to long-term trends than was the case in the first four years of the 1970s. However, it must be stressed that in the case of this growth rate based on recent past trends it is assumed that the policy efforts made by governments in recent years will be maintained, thus making it possible, at least partly, to compensate for the slow-down in growth observed in the period 1975-1980. Thus, for the region as a whole, the trend-based growth assumptions gave an annual average rate of 6%. The small increase over the historical long-term rate is basically attributable to the great weight in the regional product of the countries that are larger from the economic and demographic point of view and that at the same time have higher than average growth rates.

The employment imbalances that, in the current development style, result from inadequate economic growth arise to a great extent from social problems. The available information also indicates considerable disparities in the level of the product per person employed, both at the level of production sectors and within each sector. These factors, together with concentration of the means of production and land tenure, give rise to an extremely inequitable distribution of income. This process is further exacerbated by the high rates of expansion of the labour force. In order to assess the likely evolution of these social aspects in the trend scenario, hypotheses permitting consideration of employment prospects and the evolution of the disparities in the level of the product were made. The population and labour force projections do not involve any major changes in the short-term evolution, particularly with regard to the level of employment of women in the labour force. As far as the growth rates in the product per person employed are concerned, such rates are slightly higher than those of the 1970s owing to

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the acceleration that this variable has shown over recent decades. Thus, if it is assumed that there will be no major changes in the current development style, the social situation will continue to be strongly influenced by the evolution of the disparities in the level of productivity, employment and underemployment, and these latter variables will depend to a great extent on economic growth and sectoral productivity increases.

The external imbalance, which is a traditional feature of most Latin American economies, took on new dimensions in the 1970s, and particularly in the second half of that decade. Major trade deficits and the deterioration in the terms of trade experienced by a number of countries caused the level of external debt to rise considerably, making it necessary in many cases to reverse to a considerable extent the trend towards strong growth in imports that had been apparent early in the decade. In spite of the considerable effort made by many countries, however, neither the reduction in the rate of growth of imports nor the big increase achieved in the rate of growth of exports could close the gap in the region's current account balance, and the level of external debt has continued to grow. In this scenario the working hypothesis has been that governments will continue to endeavour to achieve an equilibrium in their balances of payments and that, with a reduction in the deficits as a result of a levelling off in the growth of imports, particularly fuels, and an effort in the area of exports, the relative level of net external financing will fall to levels regarded as acceptable in the long term. This would make it possible to lower the levels of external debt to some extent and gradually reduce the burden of servicing such debt. In any event, since the nature of international and intraregional relations does not change substantially in this scenario, the necessary rise in exports will call for an increasing effort with regard to policies to deal with the developed countries' protectionism.

The second scenario broadly corresponds to the principles set forth in the International Development Strategy for the 1980s. It is therefore a normative scenario and does not constitute an extrapolation of current trends. The assumption is that there will be institutional and structural changes in

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the international economic order, in intraregional relations and at the national level. There is no doubt that this scenario is an extraordinary challenge in terms of available knowledge and experience in the field of economic and social policy. Moreover, bringing such a scenario into being is a tricky political task.

The need to accelerate economic growth is one of the scenario's main features, in the context of a comprehensive strategy calling for equitable distribution of income and increased well-being for the entire population. In fact, economic growth is essential owing, inter alia, to the magnitude and seriousness of the social problems involved, which will become even greater, as already indicated in the trend scenario.

In view of the pressing social needs and the possibilities that a major reform of the world and regional economies would open up on the one hand, and the difficulties currently being faced on the other, it was decided to select a moderately fast growth rate of somewhat over 7% per annum, that would make it possible to double the gross domestic product for the region as a whole by the end of the 1980s. However, owing to the prevailing situations the growth rate could be somewhat lower than that average early in the decade and somewhat higher in the second half.

The population and labour force projections would be similar to those of the preceding scenario, but more rapid economic growth would bring with it an increase in the rate of growth of the product per person employed, which would mean that the level of employment would rise at a slower rate than the economic growth rate. It would, however, be sufficient to absorb the growth of the labour force and to prevent the current levels of underemployment from increasing. A higher rate of economic growth should enable governments to implement deliberate redistributive policies with a wider scope than the current ones; such policies, together with the reductions in the employment imbalances, would establish a more solid basis for mitigating social problems. It will, at the same time, be necessary to promote growth of capital formation in order to raise production capacity and increase the effectiveness of economic measures. In this context, the assumption is that, although there

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will be a variety of policies, they will all ultimately result in curbing or reducing consumption on the part of high-income groups in which a high proportion of income is concentrated, thus leaving room for an increase in the domestic savings effort.

The scenario's external variables are based on the restructuring of the international order and expansion of regional co-operation. Growth in imports would reach an annual rate of 8%, which requires an elasticity greater than unity. Although lower than that of the 1970s, such elasticity is considerable, if account is taken of the fact that fuel imports will grow with an elasticity of less than one. Growth would thus be achieved with a growing ratio of imports to product: a hypothesis that is compatible with an increase in trade and a determined effort to achieve greater economic efficiency.

At the same time, it is assumed that net external financing will regain the average levels for the decade and that debt servicing will therefore fall to percentages of exports similar to those of the early 1970s. Under these circumstances, the purchasing power of exports should rise to a level of approximately 8%. The basis for attaining such growth is diversification of products and of the places of destination of exports. Diversification of products calls for a big increase in the proportion of manufactured goods, while a change in places of destination would involve a new role for intraregional trade, whose current share of total trade would virtually double. All these changes would considerably reduce the external imbalance and would make the region's external economic relations more symmetrical.

/II. POPULATION

II. POPULATION TRENDS IN LATIN AMERICA

1. Position of Latin America in the world demographic picture

In some demographic aspects Latin America is similar to other developing regions, but in others its position is midway between the developed and the less developed regions. Its crude birth rate is lower than those of Africa and Southern Asia but over twice as high as those of North America and Europe (see table 1). On the other hand, its death rate is slightly lower than those of the latter two regions and almost half that of Africa. Thus, its growth rate is among the highest in the world. The drop in death rates has not been matched by a similar decline in birth rates, thus maintaining the high population growth rates observed. Although it is likely that birth rates will go down in coming decades, even so the population growth rate will remain quite high and well above those of the developed countries.[1/]

During the period 1950-1980, Latin America was in fact the region which grew most (see table 2). Its share in total world population grew from 6.5% in 1950 to 8.2% in 1980 (see table 3).

This growth was not distributed evenly: on the contrary, there were changes in the geographical distribution of the population. The share of Argentina, Chile, Uruguay, Cuba, Haiti and the English-speaking Caribbean countries decreased, while among the remaining countries, Venezuela, Mexico and Brazil were those whose share increased the most (see table 4).

Latin America will probably continue increasing its share in world population up to the year 2000, by which time it will represent 9.2% of the total (see table 3). The geographic distribution of its population is also expected to change. The share of the Atlantic and Caribbean areas in total population may go down, while the population of the rest of Central America, whose rate of demographic growth is the highest in all of Latin America, will probably increase the most, as may be observed from table 4.

1/ Migratory movements are not taken into consideration.

Table 1

LATIN AMERICA AND OTHER REGIONS OF THE WORLD:
SELECTED DEMOGRAPHIC INDICATORS

Region	Crude birth rate (per thousand) (1975-1980)	Crude death rate (per thousand) (1975-1980)	Life expectancy (years) (1970-1975)
World total	28.9	11.3	55.2
Africa	46.0	17.1	45.0
Latin America a/	33.9	8.9	60.5
North America	15.3	9.0	71.4
Eastern Asia	21.7	8.6	62.5
Southern Asia	38.9	14.1	48.5
Europe	14.5	10.6	71.2
Oceania	21.6	9.0	65.8
Soviet Union	18.3	8.9	70.4

Source: United Nations, World Population Trends and Prospects by Country, 1950-2000. Summary Report of the 1978 Assessment. ST/ESA/SER.R/33.

a/ CELADE estimates, Boletín Demográfico No. 27, January 1981 (does not include the English-speaking Caribbean countries).

/Table 2
/Table 2

Table 2

RELATIVE GROWTH OF WORLD POPULATION BY REGIONS

(1950 = 100)

Region	1975	1980
World Total	160	176
Africa	185	214
Latin America	196	221 a/
North America	142	148
Eastern Asia	157	169
Southern Asia	177	201
Europe	121	123
Oceania	167	180
Soviet Union	141	148

Sources: United Nations, World Population Trends and Prospects by Country, 1950-2000. Summary Report of the 1978 Assessment, ST/ESA/SER.R/33.

a/ CELADE, Boletín Demográfico No. 27, January 1981.

/Table 3

2. The demographic development of Latin America

Over the past 30 years (1950-1980) the annual average population growth rate for Latin America was 2.7%, and the population more than doubled. This rate was not uniform: it was at its highest in the first five years of the 1960s (2.8%), dropping subsequently (see table 5). This was the culmination of a temporary but significant increase in the rates of natural growth, which had already began to become observable in the 1940s, and this growth was accompanied by changes in demographic trends.

After the crude mortality rates had dropped, birth rates began to decline too, but only slowly and with a time-lag. The drop in both rates has the earmarks of a "demographic transition" similar to that already experienced by the countries which are now developed, although it should be borne in mind that in them the phenomenon occurred with lower rates of total population growth. Existing data for different periods and countries do not, however, make it possible to trace the phenomenon in terms of a precise and strict pattern. Moreover, the pattern within Latin America varies considerably although it has general characteristics by which it may be described. It is not possible to speak of a gradual and uniform process for all the countries as their development progresses, especially since some factors which have a bearing on the demographic phenomenon affect them almost simultaneously regardless of their economic situation.

Various factors, for example, had an influence on the decline in mortality, including improvements in the effectiveness of sanitation techniques and an increase in levels of nutrition and the productivity of manpower. Without any doubt, there is a relationship between the application of certain technologies and a rise in levels of nutrition on the one hand and the economic development of the countries applying them, on the other, but at the same time the increasingly wide spread diffusion of new methods of sanitation made it possible to extend them gradually to countries with lower levels of development and different economic characteristics from those of the countries which first adopted them. A drop in mortality rates is thus not so closely related to the level of development of the countries in which it occurs as it once was. In addition, it should be noted that the impact produced by the introduction

/Table 5

Table 3

WORLD POPULATION BY REGIONS AND PROJECTIONS 1950-2000

Region	1950		1975		1980		1990		2000	
	Thousands	Percentage of total	Thousands	Percentage of total	Thousands	Percentage of total	Thousands	Percentage of total	Thousands	Percentage of total
Total population	2 513 478	100.0	4 032 420	100.0	4 409 640	100.0	5 255 251	100.0	6 155 081	100.0
Africa	218 992	8.7	405 847	10.1	469 361	10.6	630 373	12.0	828 052	13.4
Latin America a/	164 086	6.5	321 829	8.0	363 394	8.2	458 364	8.7	564 570	9.2
North America	166 048	6.6	236 379	5.9	246 350	5.6	270 469	5.0	289 546	4.7
Eastern Asia	673 243	26.8	1 063 449	26.4	1 135 850	25.8	1 274 490	24.3	1 405 916	22.8
Southern Asia	706 408	28.1	1 255 192	31.0	1 421 712	32.2	1 802 590	34.3	2 205 337	35.8
Europe	391 978	15.6	474 172	11.8	483 532	11.0	501 170	9.5	520 223	8.5
Oceania	12 648	0.5	21 159	0.5	22 775	0.5	26 161	0.5	29 620	0.5
Soviet Union	180 075	7.2	254 393	6.3	266 666	6.1	291 637	5.6	311 817	5.1

Sources: United Nations, World Population Trends and Prospects by Country, 1950-2000, ST/ESA/SER.R/33.

a/ CELADE, Boletín Demográfico No. 27, January 1981.

Table 4

LATIN AMERICA: POPULATION DISTRIBUTION AND GROWTH BY AREAS AND COUNTRIES

Region	1950		1980		2000		Annual growth rate, per cent	
	Thousands	Percentage of total	Thousands	Percentage of total	Thousands	Percentage of total	1950-1980	1980-2000
Total region	164 086	100.0	363 394	100.0	564 570	100.0	2.69	2.23
Andean area	36 888	22.5	83 734	23.1	135 163	23.9	2.93	2.42
Bolivia	2 706	1.6	5 570	1.5	9 724	1.7	2.19	2.82
Colombia	11 597	7.2	25 794	7.1	37 999	6.7	2.43	1.96
Chile	6 091	3.7	11 104	3.1	14 934	2.6	1.82	1.49
Ecuador	3 307	2.0	8 021	2.2	14 596	2.6	2.69	3.04
Peru	7 988	4.9	17 625	4.9	30 703	5.5	2.40	2.81
Venezuela	5 139	3.1	15 620	4.3	27 207	4.8	3.39	2.81
Atlantic area	73 557	44.8	155 448	42.8	229 569	40.7	2.52	1.97
Argentina	17 150	10.5	27 036	7.4	33 222	5.9	1.37	1.03
Brazil	52 842	32.2	122 320	33.7	187 494	33.2	2.55	2.16
Paraguay	1 371	0.8	3 168	0.9	5 405	1.0	2.54	2.70
Uruguay	2 194	1.3	2 924	0.8	3 448	0.6	0.90	0.82
Central America	9 095	5.5	22 592	6.2	39 779	7.0	3.08	2.87
Costa Rica	858	0.5	2 213	0.6	3 377	0.6	2.88	3.14
El Salvador	1 940	1.2	4 797	1.3	8 708	1.5	2.75	3.02
Guatemala	2 962	1.7	7 262	2.0	12 739	2.3	2.73	2.85
Honduras	1 401	0.9	3 691	1.0	6 978	1.2	2.95	3.23
Nicaragua	1 109	0.7	2 733	0.8	5 154	0.9	2.74	3.22
Panama	825	0.5	1 896	0.5	2 823	0.5	2.81	2.01
Mexico and the Caribbean	38 202	23.3	91 240	25.1	146 566	26.0	2.94	2.40
Cuba	5 858	3.6	9 732	2.9	11 718	2.1	1.53	0.93
Haiti	3 097	1.9	5 809	1.6	9 860	1.7	1.90	2.63
Mexico	26 886	16.3	69 752	19.1	115 659	20.5	2.90	2.56
Dominican Republic	2 361	1.5	5 947	1.6	9 329	1.7	3.10	2.28
English-speaking Caribbean countries	6 344	3.9	10 380	2.9	13 493	2.4	1.65	1.30

Source: CELADE, Boletín Demográfico No. 27, January 1981.

Table 5

LATIN AMERICA:a/ GROWTH RATE OF TOTAL POPULATION

(Per thousand)

Period	Natural growth	Migration	Total growth
1960-65	28.81	-0.59	28.21
1965-70	27.66	-0.65	27.01
1970-75	26.13	-0.54	25.58
1975-80	24.92	-0.40	24.52
1980-85	24.26	-0.40	23.86

Source: CELADE, Boletín Demográfico N° 27, Santiago, Chile, January 1981.

a/ Excluding the English-speaking Caribbean countries.

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of those technologies and innovations differs, depending on the demographic characteristics of the recipient country. Thus, the relationships between the mortality patterns of the less developed countries of the region and their level of development cannot be assimilated with those which occurred in developing countries which are now economically in the lead or in the present industrialized countries.

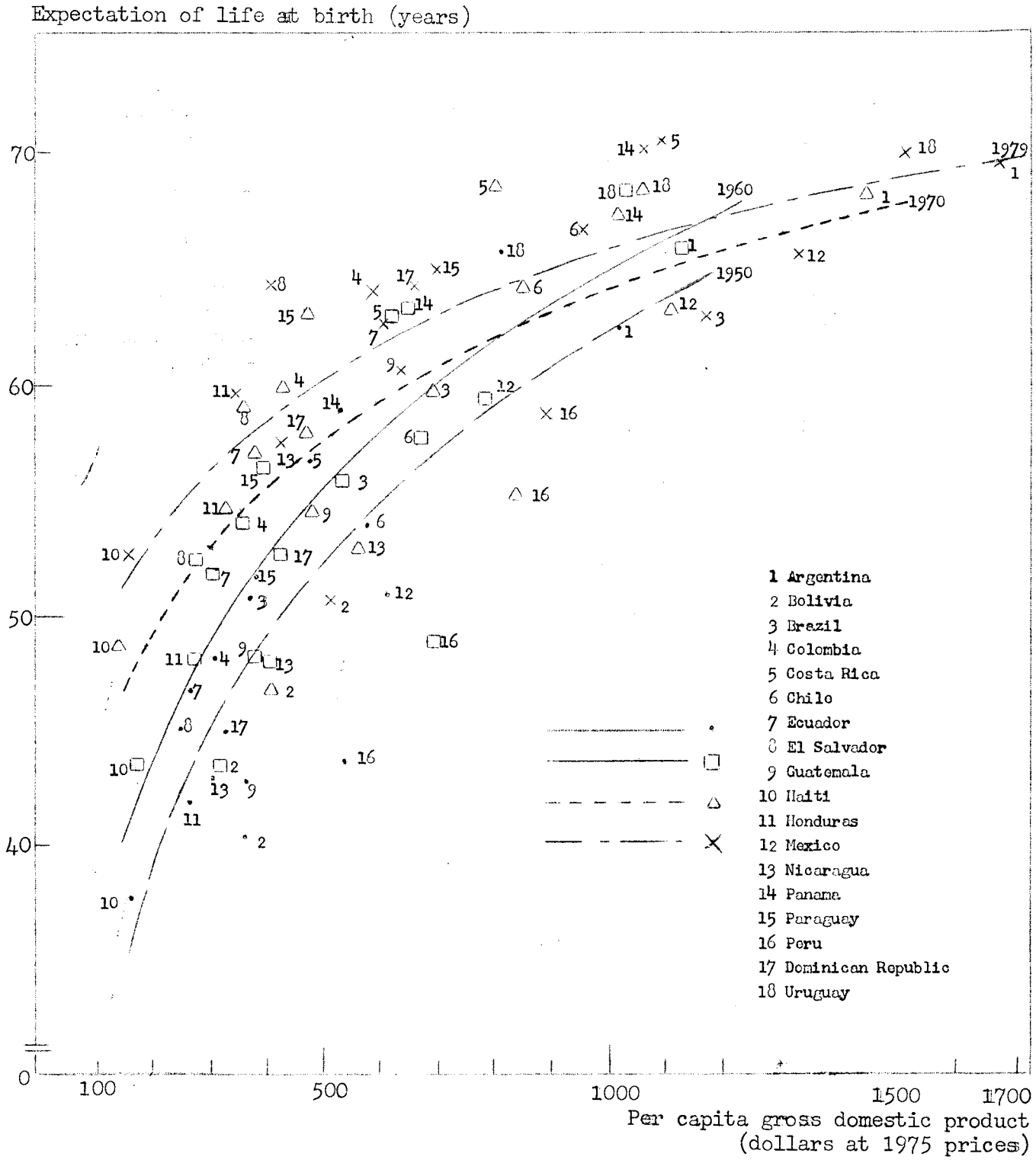
Figure 1 shows how the ratio between per capita GDP and life expectancy has evolved for each country (life expectancy is considered to reflect a country's mortality conditions at a given time). In general terms, and for a given period, a relationship may be observed between both indicators in that as the level of per capita GDP rises, the rate of increase in life expectancy slows down. This is because it becomes increasingly difficult and expensive to introduce life-prolonging technologies as income levels rise. For lower income countries, on the other hand, more significant results can be achieved through the mere introduction of mass measures such as vaccines, antibiotics and safe drinking water. The displacement of the curve representing the relationship between the two variables at different periods of time means that the rise in life expectancy does not depend solely on the increase in the per capita GDP. For a given level of per capita GDP, the less developed countries now achieve higher levels of life expectancy than did their predecessors.

Displacements also occur in the curve illustrating the relationship between the levels of per capita GDP and crude birth rates, indicating that at equivalent levels of development the demographic behaviour of the Latin American countries differs with time (see figure 2). The social mechanism which causes the drop in birth rates is more complex, however. The desire to prolong life is, with very few exceptions, a uniformly prevalent attitude all over the world and therefore offers little scope for variation. This is not true of birth-related attitudes, however. The influence of the different culture patterns associated with human groups and the individuals in them is likewise reflected in a wide variety of attitudes and a slower reaction to changing circumstances, although in the last analysis the experience acquired seems to indicate that the birth rate is also subject to the general tendency to decline observed in processes of "demographic transition". The possibility of a more rapid change

/Figure 1

Figure 1

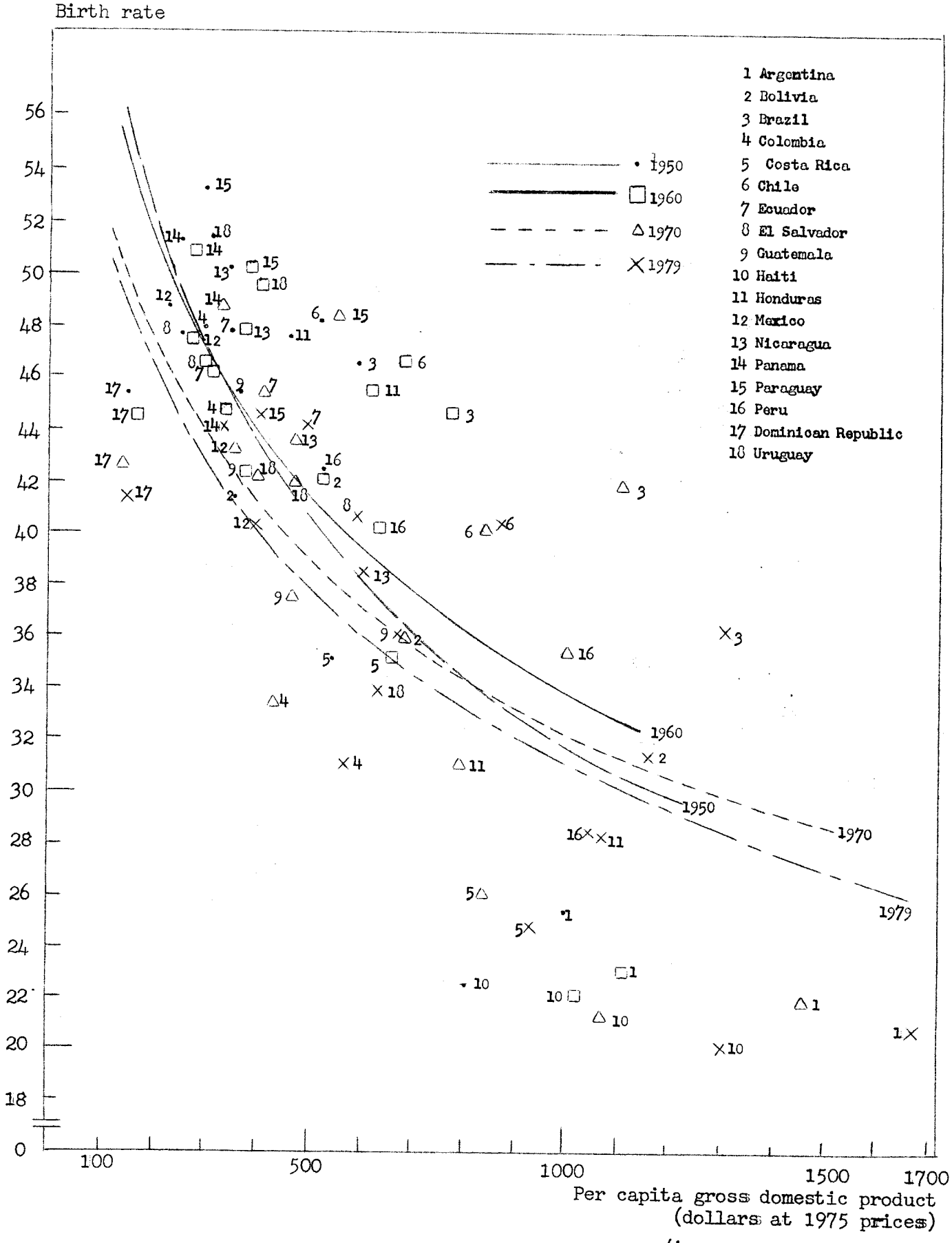
EXPECTATION OF LIFE AT BIRTH AND PER CAPITA GROSS DOMESTIC PRODUCT IN 1950, 1960, 1979, 1979



/Figure 2

Figure 2

CRUDE BIRTH RATE AND PER CAPITA GROSS DOMESTIC PRODUCT IN 1950, 1960, 1970 AND 1979



/in traditional

in traditional attitudes than has been known so far should not, however, be discounted, since new experiments are being conducted with this in mind, including, for example, the dissemination of birth control practices now being carried out in some countries.

Nor can the other dynamic elements which affect the demographic situation be reduced to uniform behaviour patterns: take, for example, the majority of Latin American countries grouped in accordance with their homogeneity as regards one of the components of demographic dynamic - in this case, the mortality rate as expressed through the life-expectancy-at-birth indicator (see table 6).

The behaviour of the countries with the longest life-expectancy at birth (Argentina, Costa Rica, Panama and Uruguay) is very different. Naturally, the highest crude birth rates correspond to those countries with the youngest population (Costa Rica and Panama). Those are the countries which show the highest rate of population growth because at present there is a big difference between their birth and death rates. As regards per capita GDP, two levels may be observed: that of Argentina, which is close to US$ 1 700, and that of the other countries, which are around US$ 1 000 (with Uruguay in the middle position).[2/]

In the next group of countries (Brazil, Chile, Colombia, Mexico, Paraguay, Venezuela and El Salvador), Chile has the largest share of population in the over-65 category. It differs from the corresponding country in the preceding group, however, in that its crude mortality rate is not the highest, being lower than that of Colombia, Brazil and El Salvador.

The birth rate in this group of countries as a whole shows that there is some heterogeneity among them in the transition process in that whereas some of them (Paraguay, Mexico and Venezuela) have low mortality rates accompanied by birth rates which are still high, this is not true of the others.

If Venezuela, whose per capita GDP is over US$ 2 000, is left out of the reckoning, it may be said that the countries in the group vary considerably as regards development level. The two largest countries, Brazil and Mexico, whose per capita GDP stands at around US$ 1 100, have considerably different rates of natural increase: 24.1 per thousand and 30.8 per thousand, respectively. Chile,

2/ The figures referred to correspond to per capita GDP for 1979 expressed in 1975 dollars.

/ whose per

whose per capita GDP of US$ 949 is lower than that of Brazil and Mexico, is outstanding in that it has the lowest rate of natural increase of the group. The level of development of the three remaining countries (Paraguay, Colombia and El Salvador) is lower and their rates of natural increase higher, although there is considerable variety among them.

The third group (the Dominican Republic, Ecuador, Guatemala, Honduras, Nicaragua and Peru) is much more homogeneous than the preceding groups in terms of both birth and death rates. As may be seen, Honduras and Nicaragua, the countries with the lowest per capita GDP, have relatively high birth rates: indeed, their rates of natural growth are the highest in Latin America. None of the other countries in the group had such high rates of population growth at equivalent levels of development.

The last group includes Haiti and Bolivia, which have the lowest life expectancies. They differ greatly as regards development level, and both of them differ from the countries in the preceding group in their relatively high mortality rates. Their present growth rates are similar to the lowest rates in the preceding group.

3. Structure of population by age

The different patterns of past demographic behaviour described above have given each of the Latin American countries its present distinct population dynamics, whose socio-economic repercussions differ not only in themselves but also according to the development level of the country in which they occur. The population structure by age is one of the main components of this population dynamics, especially in view of the importance of using manpower resources more effectively and the impact which an appropriate level of employment may have on income distribution and poverty relief. For example, a bigger share of the population in the younger age groups imposses greater education requirements, whereas if there is a larger share in the working age group, it is necessary for more jobs to be available if social tension is to relax. When population structure by age is examined, the picture that emerges is very diverse at the country level, especially when their different development levels are taken into account. Although the dependency indexes 3/ for the majority of the countries in the period 1975-1980 are over 80%, the variability of the structural share of population in the active age group is large, as may be seen from table 6, especially if the level of per capita GDP of each country is taken into consideration.

3/ The dependency index is the relation between the population from 0 to 14 years plus the population 65 years and over and the population from 15 to 64 years of age.

/Table 6

In Argentina and Uruguay, where demographic growth is slow and the population is relatively old, the dependency indexes are the lowest in the region (57.5% and 59.6%) (see table 6). The other country in which this index is significantly lower than in the rest of Latin America is Chile, where it stands at 64.3% but is accompanied by a per capita GDP, which is considerably lower than those of the two countries mentioned above. Brazil and Mexico which are large countries each with about the same level of per capita GDP (and higher than that of Chile), are significantly different in that the dependency rate of the former is under 80% while that of the latter is 95%. Countries at a lower level of development than Mexico, such as El Salvador, the Dominican Republic and Ecuador, have indicators similar to those of Mexico, but because they have smaller populations, the integration of available manpower in production poses very different problems due, among other things, to their small markets.

Honduras and Nicaragua are in a special position, with per capita GDP at around US$ 400 and a population of economically active age which is in the minority.

4. Urbanization

Another significant change observed in the population trends of Latin America which is bound to continue having an impact on them is the accelerating process of urbanization which is closely interrelated with the signs of "demographic transition" shown by the various countries.

On the basis of data for the 1950s it is estimated that during that period the number of people who emigrated from the country to the city amounted to half the increase in the rural population. In spite of its rapid urbanization, however, Latin America is still only at an intermediate stage in this process with respect to the situation in other countries in the world. In 1980, 64.4% of its total population lived in urban areas (see table 7), whereas in 1970 that figure was 57.5%. In this decade it is estimated that 86.7% of the total population increase settled in the towns.

This migration did not take place in a similar manner in the different countries, and this is reflected in the present situation. Some countries, including Argentina, Uruguay, Chile and Venezuela, have already reached a high

/Table 6

Table 6

LATIN AMERICA: CLASSIFICATION OF COUNTRIES BY LIFE EXPECTANCY

(1975-1980)

Classification of countries by life expectancy	Life expectancy (years)	Global fertility rate (per thousand)	Crude birth rate (per thousand)	Crude death rate (per thousand)	Natural growth rate (per thousand)	Population aged 65 and over as a percentage of total population	Dependency index (percentage)	Per capita gross domestic product in 1979 (dollars at 1975 prices)
A. Over 69 years								
Costa Rica	69.7	4.6	29.0	5.3	23.8	3.5	76.56	1 077
Panama	69.7	4.1	31.3	6.0	25.4	4.0	81.23	1 058
Uruguay	69.5	2.9	20.3	10.1	10.2	9.9	59.63	1 309
Argentina	69.2	2.9	21.2	8.9	12.4	8.4	57.51	1 679
B. 61 to 66 years								
Chile	65.7	3.1	25.4	8.1	17.4	5.6	64.34	949
Venezuela	66.2	4.7	36.9	6.2	30.8	2.7	84.12	2 350
Mexico	64.4	5.4	38.3	7.8	30.5	3.5	95.11	1 319
Paraguay	64.1	5.2	36.7	7.7	29.1	3.4	87.71	680
Colombia	62.2	4.3	32.1	8.2	23.8	3.3	79.46	585
Brazil	61.8	4.5	33.3	9.3	24.1	3.9	78.58	1 157
El Salvador	62.2	6.0	42.1	9.4	32.6	3.4	95.30	402
C. 55 to 60 years								
Dominican Republic	60.3	5.0	36.7	9.0	27.7	2.7	95.70	647
Ecuador	60.0	6.3	41.6	10.4	31.2	3.6	93.11	601
Guatemala	57.8	5.7	41.1	10.9	30.2	2.8	89.97	616
Peru	57.6	5.5	38.6	11.6	27.0	3.4	86.07	878
Honduras	57.1	7.1	47.0	11.8	35.2	2.7	102.40	347
Nicaragua	55.2	6.6	46.6	12.2	34.5	2.4	102.42	418
D. Less than 55 years								
Haiti	50.7	5.9	41.8	15.7	26.1	3.6	89.06	158
Bolivia	48.6	6.4	44.8	17.5	27.4	3.3	87.27	502

Source: CEPAL, on the basis of data from CELADE, Boletín Demográfico N° 27, Santiago, Chile, January 1981.

Table 7

LATIN AMERICA (19 COUNTRIES): URBAN POPULATION
AS A PERCENTAGE OF TOTAL POPULATION

(1970 and 1980)

	1970			1980		
	Urban	Rural	Total	Urban	Rural	Total
Large countries						
Argentina	78.5	21.5	100.0	82.7	17.3	100.0
Brazil	55.8	44.2	100.0	64.1	35.9	100.0
Mexico	58.9	41.1	100.0	66.4	33.6	100.0
Medium-sized countries						
Colombia	59.2	40.8	100.0	67.6	32.4	100.0
Chile	75.2	24.8	100.0	81.1	18.9	100.0
Peru	58.0	48.0	100.0	65.5	34.5	100.0
Venezuela	72.0	28.0	100.0	78.9	21.1	100.0
Small countries I						
Bolivia	34.9	65.1	100.0	40.2	59.8	100.0
Ecuador	39.5	60.5	100.0	44.3	55.7	100.0
Paraguay	37.2	62.8	100.0	42.1	57.9	100.0
Uruguay	80.8	19.2	100.0	84.8	15.2	100.0
Small countries II						
Costa Rica	38.8	61.2	100.0	45.8	54.2	100.0
El Salvador	39.5	60.5	100.0	44.4	55.6	100.0
Guatemala	33.7	66.3	100.0	38.4	61.6	100.0
Honduras	33.2	66.8	100.0	40.2	50.8	100.0
Nicaragua	47.0	53.0	100.0	54.3	45.7	100.0
Panama	47.8	52.2	100.0	54.4	45.6	100.0
Small countries III						
Haiti	19.8	81.2	100.0	25.0	75.0	100.0
Dominican Republic	39.4	60.6	100.0	47.2	52.8	100.0
LATIN AMERICA (19 countries)	57.5	42.5	100.0	64.4	35.6	100.0

Source: CELADE, Boletín Demográfico N° 23, January 1979.

/level of

level of urbanization (above 75%). The countries with the largest population (Brazil and Mexico) further behind in this process, with urban populations which have in the neighbourhood of 65%. Colombia and Peru, with intermediate levels of population, are in the same situation. The rest of the countries have lower levels of urbanization, as may be seen from table 7.

5. Prospects for population growth in Latin America

As has been pointed out above, variety among countries is a characteristic of the "demographic transition" process in Latin America. The mechanisms expressing the relationship between demographic behaviour and development level are not yet very clear, but it is accepted that in the long term such an interrelationship exists, together with mutual influence. Population evolution, at least in the course of periods which are not long enough for demographic behaviour to react to changes in the economic situation or to other factors which may affect it, displays some inertia, which is also related to the slowness with which changes in the different demographic variables act on the trends which they determine. For that reason, it may be considered that for all practical purposes the population trends for the next two decades are already determined, and if changes occur, they will not be very significant unless unusual events which are impossible to forecast occur or, because of lack of sufficient knowledge, inadequate consideration has been given to the impact of intensive population policies now being carried out.

It must be borne in mind that often it is not easy to detect changes in demographic behaviour as rapidly as is necessary. The basic data, most of which are taken from periodic censuses, is usually difficult to collect, and its processing takes a long time. Thus, there are delays in making the results available, which has a bearing on the timeliness of the estimates and therefore on the correctness of the relevant future trends. The effects of programmes, activities and investments with direct or indicrect impact on the demographic behaviour of various sectors of the population (such as family planning programmes) are slow to manifest themselves, but once they have evolved their impact spreads gradually. It is very difficult to consider their impact until an appropriate evaluation has been made, based on up-to-date knowledge which it takes some time

/to assemble.

to assemble. It is therefore possible that in some countries significant modifications may occur in the projections adopted because factors which are already having an impact on the demographic process but have still not been appropriately weighted will have to be taken into account later on.

The following analysis of the projections will be made in the light of the geographic and economic size of the countries, for which purpose they will be grouped according to whether they are large, medium-sized or small, and those groups will be used later in the projections. It may not be an orthodox classification from the demographic point of view, but economic size and per capita income are useful in order to bring out the relations between given demographic variables. The prospects for future development are related to the availability of exploitable natural resources and to the feasibility of introducing, adapting and developing various technologies, among other factors, and the consideration of population growth then acquires special significance in accordance with the characteristics of the country concerned.

The rate of growth of the Latin American population will probably steadily decrease over the coming two decades, from 24.2% in the first decade to 21.3% in the second (see table 8). The probable overall average growth rate will be 22.8 per thousand. The highest rate of growth will be in the small countries: the countries in group I will grow at a rate of 26.4 per thousand, while those in group II will grow at a rate of 28.7 per thousand. The large countries will maintain the lowest growth rate (21.7 per thousand). There will be a declining rate in all groups, and the few countries which are an exception to this, namely, Bolivia, Uruguay and Haiti, will have little impact on the overall rate.

The population situation of the large countries will display great disparity in the next two decades (see table 9). The drop in the growth rate of the country with the highest per capita income, Argentina, will probably continue, falling by 30% in the period between 1975-1980 and 1995-2000, owing to the combination of a drop in the birth rate and increased mortality, the latter resulting from the population's aging process.

Much higher rates will be maintained in the other two countries (Brazil

/Table 8

Table 8

LATIN AMERICA (19 COUNTRIES): TOTAL POPULATION, 1980-2000
(In thousands at mid-year)

	1980	1990	2000	Annual growth rate (per thousand) 1980-1990	1990-2000	1980-2000
Large countries						
Argentina	27 036	30 277	33 222	11,4	9,3	10,4
Brazil	122 320	153 171	187 494	22,7	20,4	21,6
Mexico	69 752	91 976	115 659	28,0	23,2	25,6
Total	219 108	275 424	336 375	23,1	20,2	21,7
Medium-sized countries						
Colombia	25 794	31 820	37 999	21,2	17,9	19,6
Chile	11 104	13 061	14 934	16,4	13,5	14,9
Peru	17 625	23 355	30 703	28,5	27,7	28,1
Venezuela	15 620	21 284	27 207	31,4	24,9	28,1
Total	70 143	89 520	110 843	24,7	21,4	23,1
Small countries I						
Bolivia	5 570	7 314	9 724	27,6	28,9	28,3
Ecuador	8 021	10 949	14 596	31,6	29,2	30,4
Paraguay	3 168	4 231	5 405	29,4	24,8	27,1
Uruguay	2 924	3 166	3 448	8,0	8,6	8,3
Total	19 683	25 660	33 173	26,9	26,0	26,4
Small countries II						
Costa Rica	2 213	2 776	3 377	22,9	19,8	21,4
El Salvador	4 797	6 484	8 708	30,6	29,9	30,3
Guatemala	7 262	9 676	12 739	29,1	27,9	28,5
Honduras	3 691	5 105	6 978	3,0	31,7	32,4
Nicaragua	2 733	3 778	5 154	32,9	31,5	32,2
Panama	1 896	2 346	2 823	21,5	18,7	20,1
Total	22 592	30 165	39 779	29,3	28,1	28,7
Small countries III						
Haiti	5 809	7 509	9 860	26,0	27,6	26,8
Dominican Republic	5 947	7 534	9 329	23,9	21,6	22,8
Total	11 756	15 043	19 189	25,0	24,6	24,8
LATIN AMERICA (19 countries)	343 282	435 812	539 359	24,2	21,3	22,8

Source: CEPAL, on the basis of data from CELADE, Boletín Demográfico N° 27, January 1981.

/and Mexico),

and Mexico), particularly in the case of Mexico, whose growth rate fluctuated around 3% at the beginning of the period. However, as a result of a sharp drop in the birth rate (almost 30%) Mexico's growth rate is likely to fall to annual levels of just over 2%, which would be very close to those that Brazil will reach by the year 2000.

The medium-sized countries also display a wide range of situations within the transition that they are passing through. There is some similarity between the behaviour of Chile and Colombia. Chile, with an intermediate GDP level, now has the lower population growth rate, which will drop a further 25% in the last five years of the period. There will be a slightly lower reduction in Colombia's growth rate, in spite of a greater drop in the birth rate, attributable to a lower reduction in mortality as well. It should be pointed out that, as a result of the aging of its population, Chile's mortality rate will fall very slowly and will rise again from the period 1995-2000 onwards.

The case of Venezuela, which has the highest per capita GDP in the whole of Latin America owing to its petroleum production, is very special. Its high growth rate is influenced by a migratory flow whose decline could be accompanied by a reduction of over 25% in the birth rate. The drop in its growth is likely to be the largest in the entire group.

Peru is the only country in which there will probably be no decline in the overall growth rate, which will remain at approximately 27.0 per thousand, although it might rise gradually until reaching a maximum in the period 1985-1990.

In group I of the small countries, Uruguay, which has the highest per capita product, stands out from the rest owing to its low growth rate (5.7 per thousand), and although its growth rate will probably rise in the last five years of the period it will remain far below that of other countries. There will probably be an extremely marked drop in Paraguay's population growth rate, which will fall by almost 30% between the five-year periods 1975-1980 and 1995-2000. The drop in Ecuador will be much less marked, while Bolivia's growth rate will probably rise owing to a sharp drop in the mortality rate.

/Table 9

Table 9

LATIN AMERICA: POPULATION GROWTH RATES, 1975-1980 AND 1995-2000

	Per capita gross domestic product in 1979 (1975 dollars)	Global fertility rate		Crude birth rate (per thousand)		Crude mortality rate (per thousand)		Migration rate (per thousand)		Total growth rate (per thousand)	
		75-80	95-2000	75-80	95-2000	75-80	95-2000	75-80	95-2000	75-80	95-2000
Total Latin America	1 096	4.62	3.39	33.87	27.34	8.95	6.78	-0.40	-0.17	24.52	20.40
Large countries											
Argentina	1 679	2.87	2.46	21.24	18.13	8.85	9.51	0.27	0.22	12.65	8.84
Brazil	1 319	4.50	3.28	33.26	26.92	9.13	7.23	-	-	24.13	19.69
Mexico	1 157	5.40	3.25	38.26	27.29	7.76	5.25	-0.77	-0.46	29.72	21.59
Medium-sized countries											
Colombia	585	4.31	3.00	32.06	24.32	8.23	6.86	-2.45	-0.69	21.38	16.78
Chile	949	3.10	2.50	25.41	20.05	8.05	7.15	-0.31	-0.23	17.05	12.67
Peru	878	5.49	4.60	38.56	34.36	11.56	7.53	-	-	27.00	26.83
Venezuela	2 350	4.74	3.27	36.93	27.04	6.17	4.83	4.18	0.97	34.94	23.19
Small countries I											
Bolivia	502	6.39	5.50	44.84	39.56	17.48	9.76	-1.53	-0.88	25.83	28.72
Ecuador	601	6.29	4.72	41.60	33.46	10.43	5.59	-0.86	-0.16	30.31	27.72
Paraguay	680	5.20	3.75	36.75	29.50	7.67	6.11	3.76	-	32.83	23.40
Uruguay	1 309	2.89	2.55	20.29	18.80	10.11	9.95	-4.51	-0.36	5.67	8.49
Small countries II											
Costa Rica	1 077	3.57	2.87	29.05	23.79	5.27	5.05	-	-	23.79	18.74
El Salvador	402	6.01	4.45	42.06	34.22	9.44	5.23	-3.36	-	29.27	28.99
Guatemala	616	5.68	4.31	41.11	33.62	10.91	6.28	-	-	30.21	27.34
Honduras	347	7.14	5.00	48.60	37.99	11.81	6.26	-	-	35.24	31.73
Nicaragua	418	6.57	5.04	46.64	38.05	12.18	6.62	-1.66	-0.88	32.80	30.55
Panama	1 058	4.12	2.85	31.35	23.86	5.96	5.50	-0.92	-0.61	24.47	17.75
Small countries III											
Haiti	158	5.92	5.15	41.84	39.13	15.70	10.31	-2.37	-1.41	23.77	27.41
Dominican Republic	647	5.00	3.20	36.66	27.92	9.00	5.98	-2.08	-1.31	25.59	20.63

Source: CEPAL, on the basis of data from CELADE, Boletín Demográfico No. 27, January 1981.

Of the small Central American countries (belonging to group II), those with the highest per capita product (Costa Rica and Panama) are also those which will display the lowest population growth rate. Their low mortality rates will be maintained and their birth rates will continue to drop, thus enabling them to reduce their growth rate still further. In the remaining countries an inverse relationship may be observed between the level of per capita GDP and their population growth rates. Apart from that, their behaviour will be more or less similar. A reduction of over 40% in birth rates for the entire period will be accompanied by a smaller reduction of approximately 20% in mortality, thus moderating the fall in the growth rate. The reduction in emigration means that El Salvador will virtually maintain its growth rate (which will change from 29.3 per thousand in 1975-1980 to around 29.0 per thousand in 1995-2000); the biggest reductions will therefore occur in Guatemala and Honduras, where the growth rate will probably drop by around 10%.

It is important to note that in general there will be a downward trend in population growth in most countries and in the population of Latin America as a whole, accompanied by a smaller drop in the rate of growth of the population of economically active age. This will result in an increase in the proportion of that population group in the structure of the overall population and will bring about a decrease in the dependency indicator.

6. Growth of the population of economically active age

Because of the initial increase in Latin American growth rates (even although they are now falling in most countries), the process of population transition that Latin America is undergoing has continued in recent years to have repercussions in connection with the relative increase in the population of economically active age (PEAA), resulting in an increase in the supply of labour. In spite of high economic growth rates it has been noted that underemployment has persisted and has even worsened. Therefore, in spite of the fact that the problem makes itself felt to varying extents from country to country, in general it may be noted that the rate of economic growth is too low and of an inappropriate nature, with the result that this growing mass of manpower cannot be absorbed. In turn, this situation has unquestionably been one of the important factors in the continued existence of situations of poverty and indigence.

/ The continuing

Table 10

LATIN AMERICA: TOTAL POPULATION AND AGE STRUCTURE

	1980		2000		Increase 1980-2000		1980-2000 (annual growth rate, per cent)
	Thousands	Percentage of total	Thousands	Percentage of total	Thousands	Percentage of total	
Total	353 014	100.0	551 076	100.0	198 061	100.0	2.3
0-14 years	140 849	40.0	192 107	34.9	51 257	25.9	1.6
15-64 years	196 864	55.8	332 017	60.2	134 792	68.0	2.6
65 years and over	14 941	4.2	26 952	4.9	12 011	6.1	3.0

Source: CELADE, Boletín Demográfico No. 27, January 1981.

and in view of the fact that these countries would account for 80.5% of the overall increase in the Latin American population, their importance with regard to the question of future employment is obvious (see table 11). In the small countries the anticipated population changes in the period 1980-2000 are different, since the PEAA would account for only approximately 60%. On the other hand, the increase in the section of the population aged up to 14 years is much higher, relatively speaking, which means that in these countries the aspects relating to the younger population segments, such as education, will take on greater importance than in the large and medium-sized ones.

If the PEAA is considered at the country level, it can be seen that its demographic impact on population structure is uneven. There are few countries (Argentina, Bolivia and Uruguay) in which the share of the PEAA will drop (see table 12).

In case of the large countries, behaviour varies from country to country (see tables 11 and 12). In Argentina there will be a small reduction in the share of the PEAA, in line with that country's low growth rate and the age of its population. This will not be the case in Brazil and Mexico, however, where, apart from there being a higher growth rate, the share of the PEAA will rise significantly. In the first case it will rise from approximately 56.0% to approximately 60.6% between the five-year periods 1975-1980 and 1995-2000, whereas in the case of the latter country it will rise from approximately 51.2% to approximately 58.8%. Taken together, these three countries will account for over 60% of the Latin American population increase in the age groups in question (see table 13).

/ Behaviour also

Behaviour also varies from country to country in the case of the medium-sized countries, the increase in the share of the PEAA being highest in Colombia and Venezuela. In Colombia, whose current population growth rate is about average (21.4 per thousand), the share in the population structure of the lower age groups will fall from 40.9% in 1975-1980 to 33.6% in 1995-2000 owing, above all, to the drop in the birth rate. On the other hand, in Peru a more stable age structure of the population will be observed (see table 12). In this group, Peru is the country in which the youngest population segments (0-14 years) will account for the highest share of total population in the year 2000, namely, over 40%.

The small countries belonging to Group I, taken as a whole, will also display greater stability in the age structure of their population. Whereas in Uruguay and Bolivia there will be a very slight drop in the share of the PEAA, in Ecuador and Paraguay there will be a relative increase. In the small countries belonging to Group II, which is made up of the Central American countries, the increases in the share of the PEAA will be greater, and in some cases there will be a significant increase, as in the case of Panama, where the share of the PEAA will probably rise from approximately 55.2% to approximately 62.6% (see table 12).

In the two countries belonging to Group III, the population structure will remain stable in Haiti, whereas in the Dominican Republic the share of the PEAA will rise by almost 18%.

The interrelationship between the two types of variables (economic/social and demographic), will be different according to the form of development adopted As mentioned earlier, however in view of their character it does not seem possible for any radical change to take place in the

/Table 11

Table 11

LATIN AMERICA: POPULATION GROWTH BETWEEN 1980 AND 2000
(thousands)

Countries	Age (years) 0-14	15-64	65 and over	Total	Percentage of total for Latin America	Percentage of total for each country 0-14	15-64	65 and over
Large countries								
Argentina	910 603	4 079 634	1 195 132	6 185 369	3.2	14.72	65.96	19.32
Brazil	15 658 769	44 957 594	4 557 444	65 173 807	33.1	24.03	68.98	6.99
Mexico	10 822 582	33 112 196	1 972 206	45 906 984	23.1	23.57	72.13	4.30
Total	27 391 954	82 149 424	7 724 782	117 266 160	59.8	23.36	70.05	6.59
Medium-sized countries								
Colombia	2 245 541	9 149 409	809 899	12 204 849	6.2	18.40	74.96	6.64
Chile	573 266	2 859 584	396 551	3 829 401	1.9	14.97	74.67	10.36
Peru	4 960 646	7 625 027	492 170	13 077 843	6.7	37.93	58.31	3.76
Venezuela	3 132 947	7 763 082	691 467	11 587 496	5.9	27.04	67.00	5.96
Total	10 912 400	27 397 102	2 390 087	40 699 589	20.7	26.81	67.32	5.87
Small countries I								
Bolivia	1 813 656	2 209 568	130 909	4 154 133	2.1	43.66	53.19	3.15
Ecuador	2 462 452	3 878 995	233 205	6 574 652	3.4	37.45	59.00	3.55
Paraguay	685 193	1 458 167	93 437	2 236 797	1.1	30.65	65.17	4.18
Uruguay	104 021	305 167	114 794	523 982	0.3	19.85	38.24	21.91
Total	5 065 322	7 851 897	572 345	13 489 564	6.9	37.55	58.20	4.25

/Table 11 (Concl.)

Table 11 (concl.)

Countries	Age (years)			Total	Percentage of total for Latin America	Percentage of total for each country		
	0-14	15-64	65 and over			0-14	15-64	65 and over
Small countries II								
Costa Rica	233 239	841 738	89 114	1 164 091	0.6	20.04	72.31	7.65
El Salvador	1 372 104	2 320 148	218 900	3 911 152	2.0	35.08	59.32	5.60
Guatemala	1 829 975	3 364 174	282 164	5 476 313	2.8	33.42	61.43	5.15
Honduras	1 187 306	1 971 003	128 915	3 287 224	1.7	36.12	59.96	3.92
Nicaragua	958 831	1 404 038	58 258	2 421 127	1.2	39.60	58.00	2.41
Panama	134 315	719 120	73 175	926 610	0.5	14.49	77.61	7.90
Total	5 715 770	10 620 221	850 526	17 186 517	8.8	33.26	61.79	4.95
Small countries III								
Haiti	1 747 692	2 202 545	101 052	4 051 289	2.1	43.14	54.37	2.49
Dominican Republic	647 849	2 551 979	182 792	3 382 620	1.7	19.15	75.45	5.40
Total	2 395 541	4 754 524	283 844	7 433 909	3.8	32.22	63.96	3.82
LATIN AMERICA (19 countries)	51 480 987	132 773 168	11 821 584	196 075 739	100.0	26.26	67.71	6.03

Source: CEPAL, on the basis of data from CELADE, Boletín Demográfico N°. 27, January 1981.

Table 12

LATIN AMERICA (19 COUNTRIES): POPULATION STRUCTURE AND INCREMENTS, BY AGE, 1980-2000
(Percentages of total for each country)

Countries	1975-1980			1995-2000			Increment 1980-2000		
	0-14 years	15-64 years	65 and over	0-14 years	15-64 years	65 and over	0-14 years	15-64 years	65 and over
Large countries									
Argentina	23.13	68.49	8.38	25.87	63.56	10.57	14.72	65.96	19.32
Brazil	40.11	56.00	3.89	34.45	60.59	4.97	24.03	68.98	6.99
Mexico	45.24	51.25	3.51	37.48	58.81	3.71	23.57	72.13	4.30
Medium-sized countries									
Colombia	40.93	55.72	3.35	33.64	61.97	4.39	18.40	74.96	6.64
Chile	33.83	60.85	5.32	28.76	64.69	6.55	14.97	74.67	10.36
Peru	42.81	53.74	3.45	40.75	55.78	3.47	37.93	58.31	3.76
Venezuela	42.98	54.31	2.70	36.81	59.56	3.63	27.04	67.00	5.96
Small countries I									
Bolivia	43.31	53.40	3.29	43.68	53.10	3.23	43.66	53.19	3.15
Ecuador	44.61	51.79	3.61	42.05	54.45	3.50	37.45	59.00	3.55
Paraguay	43.28	53.27	3.44	38.58	57.68	3.74	30.65	65.17	4.18
Uruguay	27.48	62.64	9.88	26.23	61.80	11.97	19.85	58.24	21.91
Small countries II									
Costa Rica	39.83	56.64	3.53	32.35	62.81	4.84	20.04	72.31	7.65
El Salvador	45.42	51.20	3.38	41.29	54.96	3.76	35.08	59.32	5.60
Guatemala	44.53	52.64	2.83	39.93	56.34	3.72	33.42	61.43	5.15
Honduras	47.92	49.41	2.67	42.80	53.95	3.25	36.12	59.96	3.92
Nicaragua	48.18	49.40	2.42	44.68	52.91	2.41	39.60	58.00	2.41
Panama	40.81	55.18	4.01	32.16	62.60	5.24	14.49	77.61	7.90
Small countries III									
Haiti	43.49	52.91	3.60	43.48	53.36	3.16	43.14	54.37	2.49
Dominican Republic	46.15	51.10	2.75	36.27	60.12	3.61	19.15	75.45	5.40

Source: CEPAL, on the basis of data from CELADE, Boletín Demográfico N°27, January 1981

Table 13

LATIN AMERICA (19 COUNTRIES): AGE STRUCTURE OF POPULATION GROWTH IN THE PERIOD 1980-2000

(Percentages of Latin American total)

	Age (years)			
	0-14	15-64	65 and over	Total
Large countries	53.2	61.9	65.3	59.8
Medium-sized countries	21.2	20.6	20.2	20.8
Small countries I	9.8	5.9	4.8	6.9
Small countries II	11.1	8.0	7.2	8.8
Small countries III	4.7	3.6	2.5	3.8
Total	100.0	100.0	100.0	100.0

Source: CEPAL on the basis of data from CELADE, Boletín Demográfico No. 27, January 1981.

demographic variables. Although the situation varies from country to country, there are few countries that can be excluded from the general principles set forth above.

In any event, it is necessary to take into account the wide range of situations existing in each individual country when considering the extent to which the manpower supply is likely to be changed, the expected incidence of the other population groups, and, ultimately, the differing repercussions of these situations with respect to the development strategy adopted in each individual country.

III. ECONOMIC GROWTH, THE DOMESTIC EFFORT, THE SECTORAL STRUCTURE AND EMPLOYMENT

1. General considerations

The difficult situation facing the Latin American countries today imposes certain conditions on the economic prospects for the 1980s which will affect the two scenarios reviewed here. It is useful to stress common aspects connected with the domestic effort and with energy.

During the last five years the Latin American countries have made a noteworthy policy effort to ensure that the international economic situation does not lead to a period of recession in the countries of the region. This effort is expressed, inter alia, in the maintenance of a relatively high level of investment, the raising of the level of national saving, efforts aimed at controlling the growth of imports (particularly of fuels) and an exceptional growth of exports. Therefore, although both scenarios, presuppose very different world economic conditions, in both cases the recovery or speeding up of economic growth will involve continuing these lines of policy. Thus, the growth rates proposed in both scenarios imply saving and investment efforts which differ in intensity and nature but are in any case greater than in the past. Continued trend growth assumes a return to the economic growth shown in the first half of the last decade (6.3% annually in 1970-1975 and 5.1% in 1975-1980), but under conditions which are much less favourable, as will be seen below. Thus, the annual growth rate of 6% postulated for this decade in the trend scenario may rightly be termed a dynamic prognosis, in the sense that it will require a greater effort than in the past, but within the prevailing style of development.

/On the

On the other hand, the growth of the product proposed in the normative scenario, with the gradual speeding up of growth to reach 6.8% annually during the period 1979-1985 and 7.5% in 1985-1990, although implying the introduction of new external conditions, will require an appreciably greater domestic effort than in past decades.

For the trend scenario the recent performance of the world economy, particularly the economies of the OECD countries with which the region maintains its main trade and financial relations, involves a major effort as regards the growth of external trade which most certainly has implications for the rate of accumulation. To achieve the saving-investment balance, accompanied by external financing which does not adversely affect the balance of payments, will require higher growth rates of exports and imports than of the product (see tables 14 to 17). In the circumstances, and taking into account that trade with the OECD countries exceeds 70% of the regional total, one can understand the importance of the economic performance of these countries. To judge by various technical studies, the growth prospects of these countries are not encouraging: the forecast is for slow economic growth, high rates of unemployment and inflation, greater balance-of-payments deficits, exchange-rate instability, and this is spurring the present use of protectionist measures which would further hinder trade flows and international co-operation, and ultimately the domestic accumulation process.

If this situation continues, in order to uphold the prognosis of dynamic growth, Latin America would have to make efforts at the domestic level to increase its exports at a rate similar to that of imports, while the product elasticity of the latter would have to fall in order to improve the balance-of-payments situation and reduce the high percentage of exports (44% in 1979) devoted to

/servicing the

servicing the external debt. In this case, the growth of exports calls for regional solidarity aimed at winning greater access to markets and at increasing trade within the region, while the drop in import elasticity could be brought about by taking better advantage of the margin of substitution, particularly as regards food and fuels which in some countries are very significant items.

For the normative scenario, in which - as has already been said - the gradual introduction of a new international economic order is assumed, the levels of investment, domestic saving and exports are well above those of recent decades and will call for vigorous use of economic policy instruments.

The investment requirements of both scenarios are high. In the trend scenario investment represents about 23% of the gross domestic product, rising to 27.7% in 1985 and 29.3% in the normative scenario (see tables 18 to 21). These percentages are largely determined by the economically larger countries, but represent a narrowing of the wide range of investment coefficients in the Latin American countries.4/ In order to speed up the growth of the region as a whole, investment should be increased during the period 1979-1990 at an annual rate of 8.7%, with rates of 8.5% in the economically larger countries and 9.1% in the other 16 countries. Both the coefficients and the growth rates of investment mentioned seem high, although they have been reached during some periods.

At the beginning of the 1970s the product/capital ratio increased owing to favourable external conditions which permitted a greater openness of the economies and made supply more flexible and demand more dynamic; this in turn considerably stimulated a better use of capital and better advantage being

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4/ While in 1979 these coefficients ranged from 14% to 35%, in 1990 the range would be from 20% to 38%.

/Table 14

Table 14

LATIN AMERICA (19 COUNTRIES) a/: EVOLUTION OF GROSS DOMESTIC PRODUCT AND EXTERNAL SECTOR

Annual growth rates

(Percentages)

Period	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effects	Imports of goods and services	Net payment of profits and interest	Net external financing b/	Gross national saving	Gross domestic income
					Historical evolution					
1950-60	5.3	6.2	4.9	4.7	-	3.4	-	-	4.6	4.7
1960-70	5.4	6.2	5.2	4.1	-	4.0	-	-	6.1	5.4
1970-75	6.3	10.1	6.6	0.7	-	8.7	-	-	8.6	7.0
1975-79	4.9	4.9	4.5	8.8	-	6.1	-	-	6.0	5.1
					Trend scenario					
1979-90	5.9	5.1	6.1	6.3	-	6.2	-	-	5.2	5.9
1990-2000	6.1	6.2	6.0	6.0	-	6.1	-	-	6.2	6.1
					Normative scenario					
1979-90	7.0	8.6	6.5	7.6	-	7.7	-	-	9.0	7.1
1990-2000	7.9	8.0	8.0	8.0	-	8.3	-	-	8.0	8.0

Source: CEPAL, on the basis of official data.

a/ Excluding Cuba and the English-speaking Caribbean countries.
b/ Including net private transfer payments.

Table 15

LATIN AMERICA (LARGE COUNTRIES) a/: EVOLUTION OF GROSS DOMESTIC PRODUCT AND EXTERNAL SECTOR

Annual growth rates

(Percentages)

Period	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effects	Imports of goods and services	Net payment of profits and interest	Net external financing b/	Gross national saving	Gross domestic income
					Historical evolution					
1950-60	5.4	7.4	4.8	2.9	-	2.7	-	-	5.2	4.9
1960-70	5.8	6.8	5.4	5.2	-	4.0	-	-	7.2	5.7
1970-75	7.6	11.2	7.1	4.4	-	10.1	-	-	8.9	7.6
1975-79	5.1	4.5	4.4	13.2	-	5.4	-	-	6.0	5.0
					Trend scenario					
1979-90	6.3	5.5	6.4	7.5	-	6.6	-	-	5.9	6.3
1990-2000	6.4	6.5	6.4	6.4	-	6.0	-	-	6.6	6.4
					Normative scenario					
1979-90	7.3	8.5	6.8	8.5	-	7.7	-	-	9.1	7.3
1990-2000	8.0	8.0	8.0	7.8	-	8.0	-	-	8.0	8.0

Source: CEPAL, on the basis of official data.

a/ Comprises: Argentina, Brasil and Mexico.
b/ Including net private transfer payments.

Table 16

LATIN AMERICA (MEDIUMD-SIZED COUNTRIES) a/: EVOLUTION OF GROSS DOMESTIC PRODUCT AND EXTERNAL SECTOR

Annual growth rates

(Porcentages)

Period	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effects	Imports of goods and services	Net payment of profits and interest	Net external financing b/	Gross national saving	Gross domestic income
					Historical evolution					
1950-60	5.9	3.9	5.6	6.5	-	4.3	-	-	5.8	5.1
1960-70	4.5	4.1	5.0	3.0	-	2.8	-	-	2.9	4.4
1970-75	2.5	6.6	5.6	-4.9	-	7.4	-	-	7.7	5.6
1975-79	4.4	6.5	4.6	4.2	-	7.0	-	-	6.8	5.4
					Trend scenario					
1979-90	4.3	3.3	5.3	3.3	-	5.6	-	-	2.4	4.6
1990-2000	4.6	4.6	4.7	5.0	-	5.6	-	-	4.5	4.7
					Normative scenario					
1979-90	6.5	9.3	6.4	5.7	-	8.4	-	-	8.5	6.7
1990-2000	7.9	8.0	8.1	8.4	-	8.9	-	-	8.0	8.1

Source: CEPAL, on the basis of official data.

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

Table 17

LATIN AMERICA (12 COUNTRIES) a/: EVOLUTION OF GROSS DOMESTIC PRODUCT AND EXTERNAL SECTOR

Annual growth rates

(Percentages)

Period	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effects	Imports of goods and services	Net payment of profits and interest	Net external financing b/	Gross national saving	Gross domestic income
					Historical evolution					
1950-60	3.5	3.9	3.8	3.2	-	4.3	-	-	-0.7	6.1
1960-70	4.6	7.2	4.4	5.6	-	6.5	-	-	7.1	4.7
1970-75	5.6	9.0	4.9	6.7	-	6.7	-	-	8.7	5.5
1975-79	4.6	4.9	5.4	5.3	-	6.7	-	-	3.5	5.1
					Trend scenario					
1979-90	5.0	4.1	4.8	6.7	-	5.4	-	-	5.2	8.2
1990-2000	5.3	5.4	5.4	5.6	-	5.6	-	-	5.4	5.3
					Normative scenario					
1979-90	6.5	8.5	5.5	7.8	-	6.6	-	-	10.4	6.4
1990-2000	7.8	7.8	7.8	8.0	-	8.1	-	-	7.8	7.7

Source: CEPAL, on the basis of official data.

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

b/ Including net private transfer payments.

Table 18

LATIN AMERICA (19 Countries)[a/]: DISTRIBUTION OF GROSS DOMESTIC PRODUCT AND EVOLUTION OF EXTERNAL SECTOR

(Percentages with respect to gross domestic product)

Year	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of trade effects	Imports of goods and services	Net payment of profit and interest	Net external financing b/	Gross national savings	Gross domestic income
					Historical evolution					
1950	100,0	17,9	80,9	19,0	2,3	17,9	2,4	-1,0	18,9	102,3
1960	100,0	19,4	77,6	17,9	-3,1	14,9	1,8	1,8	17,6	96,9
1970	100,0	21,0	76,3	15,9	-3,4	13,1	1,6	2,2	18,8	96,6
1975	100,0	25,1	77,5	12,1	0,0	14,7	1,5	4,1	21,0	100,0
1979	100,0	25,0	76,3	14,0	0,6	15,3	2,4	3,2	21,8	100,6
					Trend scenario					
1990	100,0	23,1	78,1	14,7	0,8	15,8	2,4	2,8	20,3	100,8
2000	100,0	23,3	77,9	14,4	0,8	15,8	2,3	2,7	20,6	100,8
					Normative scenario					
1990	100,0	29,3	72,3	14,7	1,2	16,4	2,2	2,7	26,6	101,2
2000	100,0	29,4	72,8	15,0	1,5	17,0	2,0	2,6	26,8	101,5

Source: CEPAL, on the basis of official data.

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

b/ Including net private transfer payments.

Table 19

LATIN AMERICA (Large Countries)[a/]: DISTRIBUTION OF GROSS DOMESTIC PRODUCT AND EVOLUTION OF EXTERNAL SECTOR

(Percentages with respect to gross domestic product)

Year	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of trade effects	Imports of goods and services	Net payment of profit and interest	Net external financing b/	Gross national savings	Gross domestic income
					Historical evolution					
1950	100,0	16,8	86,0	12,3	5,0	15,2	0,9	-1,2	18,0	105,0
1960	100,0	20,3	81,7	9,6	0,3	11,7	1,0	2,7	17,6	100,3
1970	100,0	22,2	78,6	9,1	-0,2	9,9	1,2	2,2	20,0	99,8
1975	100,0	26,3	77,0	7,8	-	11,1	1,7	5,0	21,3	100,0
1979	100,0	25,7	75,0	10,5	-0,4	11,3	2,5	3,7	22,0	99,6
					Trend scenario					
1990	100,0	23,7	76,0	12,0	-0,4	11,6	2,6	2,7	21,0	99,6
2000	100,0	23,9	75,7	12,0	-0,4	11,6	2,4	2,6	21,3	99,6
					Normative scenario					
1990	100,0	29,0	70,9	11,8	-0,4	11,7	2,4	2,7	26,3	99,6
2000	100,0	29,0	71,1	11,7	-0,3	11,8	2,1	2,5	26,5	99,7

Source: CEPAL, on the basis of official data.
a/ Comprises: Argentina, Brazil and Mexico.
b/ Including net private transfer payments.

Table 20

LATIN AMERICA (Medium-Sized Countries)[a/]: DISTRIBUTION OF GROSS DOMESTIC PRODUCT AND EVOLUTION OF EXTERNAL SECTOR

(Percentages with respect to gross domestic product)

Year	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of trade effects	Imports of goods and services	Net payment of profit and interest	Net external financing b/	Gross national savings	Gross domestic income
					Historical evolution					
1950	100,0	22,8	64,7	35,8	-6,2	23,3	6,5	-0,2	20,1	93,8
1960	100,0	18,9	63,1	38,1	-12,8	20,1	4,1	-1,1	20,0	87,2
1970	100,0	18,2	66,0	32,8	-14,0	17,0	2,8	1,0	17,2	86,0
1975	100,0	22,2	76,7	22,5	-	21,4	1,2	0,1	22,0	100,0
1979	100,0	24,0	77,4	22,3	3,7	23,7	2,3	-0,1	24,1	103,7
					Trend scenario					
1990	100,0	21,6	85,6	20,0	6,6	27,2	1,5	2,0	19,6	106,6
2000	100,0	21,6	86,6	20,8	7,4	30,0	1,4	2,3	19,3	107,4
					Normative scenario					
1990	100,0	31,8	76,5	20,5	7,5	28,8	1,2	2,0	29,8	107,5
2000	100,0	32,1	77,9	21,5	8,8	31,5	1,1	2,3	29,8	108,8

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

Table 2

LATIN AMERICA (12 Countries)[a/]: DISTRIBUTION OF GROSS DOMESTIC PRODUCT AND EVOLUTION OF EXTERNAL SECTOR

(Percentages with respect to gross domestic product)

Year	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of trade effects	Imports of goods and services	Net payment of profit and interest	Net external financing b/	Gross national savings	Gross domestic income
					Historical evolution					
1950	100,0	13,9	85,7	22,3	4,5	21,8	2,7	-2,3	-	104,5
1960	100,0	14,4	87,5	21,6	-0,9	23,5	0,9	3,8	10,7	99,1
1970	100,0	18,5	85,9	23,8	0,6	25,2	1,1	4,9	13,6	99,4
1975	100,0	21,7	83,0	25,0	-	29,7	1,2	5,9	15,7	100,0
1979	100,0	21,9	84,6	25,6	1,9	32,1	2,2	6,8	15,1	101,9
					Trend scenario					
1990	100,0	20,0	83,0	30,7	1,5	33,7	3,0	4,6	15,5	101,5
2000	100,0	20,2	83,4	31,7	1,3	34,8	2,9	4,6	15,5	101,3
					Normative scenario					
1990	100,0	27,0	76,3	29,5	1,6	32,8	2,8	4,5	22,5	101,6
2000	100,0	27,1	76,7	30,1	1,8	33,9	2,4	4,5	22,6	101,8

Source: CEPAL, on the basis of official data.

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

b/ Including net private transfer payments.

taken of installed capacity. However, following the oil crisis, a decline was observed, originating in the new restrictions; while during the period 1970-1974 the region as a whole achieved an annual growth of the product of 7.1%, with an investment coefficient of 25%, in 1975-1979, although this coefficient was maintained the annual increase in the product declined to 4.9%, as a result of the severe limitations generated in the external sector and the persistent deterioration of the terms of trade of the oil-importing countries.5/ The problem thus hinges not only on achieving the volumes of investment mentioned, but also on reaching a suitable combination of external financing and domestic saving, so that excessive pressure is not exerted on the balance of payments while at the same time the process of accumulation is strengthened and greater use is made of installed capacity.

The share of net external financing in total gross investment increased significantly in the oil-deficit countries, from 9.8% in 1970 to 13.8% in 1979, while in the oil-exporting countries it remained at 11.4% and 10.4% respectively. This financing has therefore become an important supplement to the growth of national saving and investment; however, the countries' high level of indebtedness, as reflected in the high proportion of export earnings devoted to servicing it (44% on average for Latin America), has had paradoxical effects. Owing to the inertia of their growth the countries are finding it increasingly difficult to reduce their balance-of-payments deficits, while on the other hand the increases have inevitable repercussions in the form of the greater financial burden of the debt. In the projections for both scenarios, therefore, a gradual reduction of the net external

5/ For Latin American countries (excluding Bolivia, Ecuador, Mexico and Venezuela) the negative effect in 1980 amounted to 8% of their exports of goods and services.

/financing/product

financing/product ratio is proposed so that the average percentage for the decade will be more or less similar to that of the last decade with its ups and downs. For Latin America as a whole, therefore, net external financing would have to drop as a proportion of the product from 3.2% in 1979 to 2.7% in 1990, which implies that the national saving effort must be greater than in the preceding decade. In the normative scenario the regional domestic saving product coefficient should increase from 21.8% in 1979 to 26.6% in 1990; these 4.8 percentage points largely exceed the 2.7% coefficient projected for net external financing in 1990, and to achieve them national saving in the region should grow at an annual rate of 9.1%, or in other words with a product elasticity of 1.28. Although this figure was even exceeded during the 1970s (1.32), it should be borne in mind that in this case a relatively high growth rate of the product is involved, which also requires a high rate of dynamism in imports and exports; on the other hand, the improvement of the growth rate should cover all the countries of the region and not be concentrated as in the past in a small number of countries.

The trends and conditions of the accumulation process in the two scenarios vary considerably from one country to another, and in many of them the speeding up of the growth rate will require relatively greater increases in investment and national saving, and therefore a greater effort than for others. In 1979 only seven countries of the region had a national saving/product coefficient (at 1975 prices) of over 20%, while, for example, in the normative scenario towards the end of the decade in 16 countries it would have to range from 20% to 32%. At the level of groups of countries, in the three economically largest countries this coefficient should increase between 1979 and 1990 from 22.0% to 26.3%, in the four medium-sized countries from 24.1% to 29.8%; and in the twelve smallest countries from 15.1% to 22.5%: in other

/words, even

words, even the last-mentioned countries would reach the goal of 20% laid down in the Third International Development Strategy.

Mention must be made, although briefly, of the problem of energy as an important part of the effort which must be made to tackle the obstacles which, with varying degrees of intensity, have interfered with the growth of the majority of the countries, particularly as regards the supply of hydrocarbons. As is well known, Latin America as a whole possesses abundant resources of the three most important sources of commercial energy:6/ hydrocarbons (oil and natural gas), hydroelectricity and coal. The consumption of hydrocarbons predominates however, in 1979 this fuel accounted for 76% of the generation of commercial energy in Latin America, and 84% if Brazil is excluded. At the country level this share fluctuates between 58% (Brazil) and practically 100% (Barbados, Guyana).

Of the 24 countries of the region, four possess hydrocarbon surpluses which considerably affect their exports,7/ and of these only Mexico and Venezuela generate large volumes in the world context. Another four countries are in a transition stage; Argentina and Peru show an upward trend, in which the former has achieved self-reliance in energy production,8/ while the latter became a net exporter at the end of the 1970s. The opposite is the case of Bolivia and Colombia. In Bolivia, the share of exports of petroleum and petroleum products in total exports of goods dropped from slightly over 30% in 1975 to around 5% in 1979, while Colombia swing from being a net exporter to having to spend nearly US$ 400 million in 1980 on imports of petroleum and petroleum products, equivalent to 9.8% of its imports (CIF).

6/ Excluding vegetable fuels.

7/ Ecuador, Mexico, Trinidad and Tobago and Venezuela.

8/ Although in 1980 imports (CIF) of petroleum and petroleum products accounted for 6.2% of total imports (CIF).

/Among the

Among the importing countries, Barbados, Brazil and Chile produced around 20% of the oil they consumed in 1979, and Guatemala slightly over 5%, while the other twelve countries did not register any output.

The production-consumption balance of petroleum and its products, in addition to being out of kilter at the country level, shows a frank deterioration if the region is analysed as a whole. Between 1970 and 1979 the production consumption ratic declined from 2.80 to 1.66, and if Mexico and Venezuela are excluded, from 0.77 to 0.68 respectively.9/ These latter coefficients show the enormous concentration of oil production in Mexico and Venezuela, whose contribution to the region as a whole (24 countries) amounted to 73% in 1979. They are also estimated to possess around 80% of proven reserves.

Between 1970 and 1980 imports of petroleum and petroleum products in relation to total imports (CIF) of the oil-deficit countries in the region rose from 7% to 26%, which in absolute values represented an increase from US$ 650 to US$ 15 385 million. In other words, while purchases of these fuels increased during 1970-1980 at an annual rate of 42%, total imports increased by 19% at current prices.

In the great majority of the countries the growth elasticity of the consumption of hydrocarbons with respect to the product

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9/ Between 1975 and 1979, production of Mexican crude oil doubled and represented 34% and 68% respectively of Venezuela's output, so that if only Mexico is excluded the drop in this coefficient between 1970 and 1979 is from 3.26 to 1.56.

/dropped over

dropped over the last two decades:of the 24 countries of the region, it increased in only three oil-exporters and Nicaragua (due in this case to the exceptional circumstances). On average, in 19 countries of the region,10/ this coefficient dropped from 1.26 to 1.16 during those decades. This trend, easily explained, suggests that in the future a further decline may be expected; thus in the projections in this study, elasticities of less than one are included. The historical experience of the developed countries also suggest this: the OECD countries showed coefficients of around 1.0 in 1969-1973 and 0.76 in 1975-1978.11/

The achievement of a reduction in the growth elasticity of the consumption of hydrocarbons, without affecting the growth potential of the countries, will be linked to the domestic effort made to implement a global and coherent energy strategy. In this regard an important step will be the implementation of policies aimed at the conservation of resources and the development of alternative energy sources such as hydroelectricity, coal, biogas, alcohol, nuclear energy, and in the longer term, other non-conventional sources such as geothermal energy, wind and masive energy, etc.

In the projections, two hypotheses have been formulated as regards imports of petroleum and petroleum products in the deficit countries. The first is the reduction in the growth elasticity of these imports, in relation to the gross domestic product, of 0.8; and the second is that prices will grow annually with an elasticity of 1.05 with respect to world inflation. Towards the end of the decade, these results indicate that the share of purchases of these fuels in total imports (CIF) of the oil-short countries would remain at around the 26% recorded in 1980; i.e., only through efforts relatively to reduce the rate of consumption

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10/ Excluding the English-speaking countries of the Caribbean.
11/ OECD, Economic Outlook, 25 July 1979.

/of petroleum

of petroleum and its products would it be possible to maintain their dependence unchanged, owing to the increase in prices.

2. Sectoral projections

The growth potential stemming from the economic size of the countries, the degree of integration of their economies, the availability of natural resources and their demographic evolution, with all the social, cultural and technical connotations, have led to great differences in the level of economic and social development of the Latin American countries.

The economically largest countries 12/ have made considerable way in the industrialization process, generating in 1980 a value added in manufacturing amounting to 31% of their total gross domestic product, as against 20% and 18% in the economically medium-sized 13/ and small countries 14/ respectively. Simultaneously, the share of agriculture in the largest countries (10%) is less than half that of the small countries (22.4%). But the performance of the economies of the group of largest countries is characterized not only by these indicators but also by their greater dynamism over the last two decades. During the period 1960-1980 the annual growth rate of their global product was 6.1%, while that of the other 16 countries only amounted to 4.1%.15/

In the projections analysed below, the aim is to explore the implications of the continuation of the long-term trends in the structure of production, and in sectoral productivity and employment, and the requirements for speeding up economic growth,

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12/ Argentina, Brazil and Mexico.

13/ Colombia, Chile, Peru and Venezuela.

14/ Twelve countries, excluding the English-speaking Caribbean countries.

15/ All figures based on values at 1975 prices.

/establishing growth

establishing growth rates at the country level so as to narrow the differences existing among them. The first exercise is connected with the definition of the "dynamic trend" scenario, while the second corresponds to the "normative scenario".

For the purposes of the analysis three main sectors have been established: agriculture, which includes agriculture, stockbreeding, hunting and fishing; industry, subdivided into manufacturing, mining and quarrying, and construction and services, which includes basic services (electricity, gas and water, transport and communications) and other services. In addition, the growth and the sectoral structure of the global product is examined, together with the evolution of the product by person employed, intersectoral productivity relations, and the situation and prospects of employment and its repercussions on open unemployment and underemployment.

In these sectoral projections the projection horizon was extended to the end of the century, in view of the fact that they involve variables such as the economically active population and sectoral structure and productivity, which require relatively long periods in order to appreciate their performance more clearly.

/3. Evolution of

3. Evolution of the structure of the gross domestic product and of employment

(a) 'Dynamic trend' scenario

Over the next two decades, the maintenance of the growth rates of the product by sectors of economic activity in Latin America in the dynamic trend scenario implies, as has already been said, a greater effort than in the last three decades. The process of transforming the structure of production will probably continue to be intensified, but since not all the countries are to be found at a similar level of development, the magnitude of the changes will be different. However, even admitting these different repercussions, there are common elements in all of them. The main dynamic factor of growth in Latin America will continue to be manufacturing, particularly as a result of the introduction of new technologies and products, and of support for the steady intensification of the regional trade in manufactures. Services will probably retain their traditional role as the most dynamic source of absorption of employment, although their contribution to the gross domestic product will remain practically constant. Agriculture will advance considerably towards satisfying the growth of domestic demand, apart from contributing to the formation of exportable surpluses

It may be said that the recovery of certain sectoral growth rates which characterized long-term trends will in itself represent an effort, without forgetting the economic potential for achieving higher growth rates. In this regard it is useful to recall the drop in the annual growth rate of the global product during the last five years, which was around 5%, constrasting with the 6% postulated in this scenario for the long term.

During the next two decades the agricultural sector will continue to reduce its share in the global product (see table 22), but this does not mean that its strategic importance will be less in terms of its function as a supplier of food and raw materials to satisfy domestic demand and maintain exportable surpluses. The annual growth rate of the agricultural product will remain at around 3.6%; so that its contribution to the total product will drop from slightly over 11% in 1980 to 7% towards the end of the century.

/Table 22

Table 22

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

Trend scenario and normative scenario, 1960-2000

	Annual growth rates (per cent)							*Percentage of the total*						
	1950-1960	*1960-1970*	*1970-1980*	*Scenario 1980-1990*	*Trend 1990-2000*	*Scenario 1980-1990*	*Normative 1990-2000*	*1960*	*1970*	*1980*	*Scenario 1990*	*Trend 2000*	*Scenario 1990*	*Normative 2000*
Gross domestic product[a]	*5.3*	*5.4*	*5.6*	*5.9*	*6.0*	*7.3*	*7.9*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Agriculture	3.5	3.4	3.5	3.6	3.6	4.4	4.7	17.0	14.0	11.4	9.1	7.2	8.7	6.4
Industry	6.6	5.9	5.6	6.4	6.5	8.0	8.7	36.5	38.4	38.3	40.0	41.6	41.2	44.0
Manufacturing	6.5	6.9	6.5	6.7	6.7	8.5	9.0	22.2	25.7	27.9	30.1	32.0	31.3	34.4
Other[b]	6.6	4.1	3.6	5.3	5.8	6.6	7.6	14.3	12.7	10.5	10.0	9.6	9.8	9.6
Services	5.1	5.6	6.2	6.1	6.1	7.3	7.8	46.5	47.6	50.2	50.8	51.2	50.1	49.5
Basic[c]	5.1	6.2	7.9	6.6	6.7	8.2	8.8	6.2	6.7	8.3	8.8	9.4	9.0	9.8
Other[d]	5.1	5.5	5.8	5.9	6.0	7.1	7.6	40.3	40.9	41.9	42.0	41.8	41.1	39.7
Employment	*2.1*	*2.0*	*2.6*	*2.5*	*2.5*	*3.0*	*2.9*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Agriculture	0.8	0.2	1.1	0.8	0.4	1.3	0.5	50.2	42.1	36.2	30.7	25.2	30.6	24.2
Industry	2.5	3.4	2.7	2.5	2.4	3.2	3.3	18.2	20.8	20.9	21.0	20.9	21.4	22.5
Manufacturing	2.4	3.0	2.2	2.2	2.1	3.0	3.1	13.3	14.5	14.0	13.6	13.1	14.1	14.4
Other[b]	2.7	4.5	3.6	3.2	3.1	3.6	3.7	4.9	6.3	6.9	7.4	7.8	7.4	8.1
Services	4.3	3.6	4.1	3.7	3.6	4.1	4.0	31.6	37.0	42.9	48.3	53.9	47.9	53.3
Basic[c]	3.7	2.1	3.6	2.9	2.8	3.5	3.7	4.9	4.9	5.4	5.7	5.8	5.7	6.2
Other[d]	4.4	3.9	4.2	3.8	3.7	4.2	4.0	26.7	32.1	37.5	42.7	48.0	42.1	47.1
Gross domestic product per person employed	*3.1*	*3.3*	*2.9*	*3.3*	*3.5*	*4.2*	*4.9*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Agriculture	2.7	3.1	2.4	2.7	3.1	3.1	4.2	33.8	33.2	31.6	29.8	28.6	28.5	26.7
Industry	4.0	2.4	2.9	3.7	3.9	4.7	5.2	200.8	184.2	183.4	190.8	198.6	191.5	195.7
Manufacturing	4.1	3.9	4.1	4.4	4.5	5.3	5.7	167.3	176.8	199.2	221.7	243.6	222.2	238.5
Other[b]	3.8	-0.4	0.0	2.1	2.6	2.9	3.8	290.3	201.2	151.3	133.7	123.0	132.9	118.9
Services	0.7	1.9	1.9	2.2	2.5	3.0	3.7	147.1	128.6	117.0	105.2	95.0	104.7	92.9
Basic[c]	1.3	4.1	4.1	3.6	3.8	4.5	4.9	125.2	135.0	152.0	155.7	160.1	156.8	156.9
Other[d]	0.6	1.6	1.6	2.0	2.2	2.8	3.4	151.1	127.5	111.9	98.5	87.1	97.6	84.4
Total population	*2.9*	*2.8*	*2.6*	*2.4*	*2.2*	*2.4*	*2.2*	–	–	–			–	–
Population of working age	...	*2.8*	*3.0*	*2.8*	*2.6*	*2.8*	*2.6*	–	–	–	–	–	–	–
Economically active population	...	...	*2.9*	*2.8*	*2.5*	*2.8*	*2.5*	–	–	–	–	–	–	–
Rate of open unemployment	...	...	...	...	...	...	...	...	*4.5*	*6.9*	*9.5*	*10.2*	*5.5*	*2.3*

Source: CEPAL, on the basis of official data.

[a]On the basis of values at 1970 prices.

[b]Mining and quarrying, and construction.

[c]Electricity, gas, water and sanitation, and transport and communications.

[d]Commerce and finance, ownership of dwellings, general government, defence and miscellaneous services.

Industry[16/] will have to increase its dynamism in comparison with the previous decade, in which its share of the global product remained stationary. The annual growth rate of 6.5% would enable it to increase its contribution to the total product from around 38% during the 1970s to 41% around the year 2000. The greatest increase in production would come from manufacturing - an annual 6.7% - while construction and mining would significantly exceed the rate recorded in the previous decade (3.6% and 5.3% respectively).

Basic services [17/] will constitute another dynamic element of projected growth. The demand for services involved in the economic and social development process will become more pressing as progress is made in the structural transformation of the economy and an attempt is made to face up to the ensuring social repercussions. However, the annual growth rate of 6.6% would be significantly less than the 7.9% achieved in the previous decade; but even so the increase in the sector's percentage share in the total product would be slightly higher than that of manufacturing.

The importance of non-basic services, whose contribution to the global product will increase gradually with an annual average growth rate of 6.1%, will come both from the modernization of the other sectors and from the role which the sector has traditionally played in the absorption of underemployed manpower.

These figures referring to Latin America as a whole do not reflect the differences which exist among the countries, since the weight of the economically larger countries in the regional economy frequently defines the course of the variables. It is therefore worthwhile breaking down the analysis, at least at the level of groups of countries, in order to observe how each affects the trends indicated above.

The economically largest countries have been characterized by their higher level of industrialization and the lesser importance of the agricultural sector in their economies, compared with the corresponding averages for Latin America. These characteristics will be maintained according to the growth trends described above. The considerable volume of production which they have

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16/ Including manufacturing, mining and quarrying, and construction.

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

/achieved, and

achieved, and their supplies of available resources and bigger markets, among other factors, gives them a genuinely high growth potential, under the present conditions of external relations. They should therefore continue, as in the past twenty years, to have a growth rate higher than that of the average for Latin America in the 1980s, and equalling it by the 1990s. The most dynamic sectors will be manufacturing and basic services, with an annual growth rate for the entire period of 7% in each case. Agriculture, however, will grow at an annual rate almost similar to that projected for the region as a whole (3.7%), thus maintaining the dynamism achieved in the last decade (see table 23). According to these trends the profile of the production structure of these countries would be similar to that of countries which have currently developed more rapidly than others in Latin America.

The economically medium-sized countries grew slowly in the 1970s; they will therefore have to make a greater effort than the other countries. They recorded an annual growth of 3.2% during the decade 1970-1980 which they will have to increase to 4.6% over the next 20 years (see table 24). However, their share in the generation of the region's product will still decline. The most significant effort will have to come from the industrial sector, whose annual growth rate during the period 1970-1980 was a mere 1%, which must rise to 4.5% in the present decade.

In the industrial sector, manufacturing will play the most dynamic role with an annual rate of 5.7%, while the construction and mining subsectors will have very low rates with an annual average of barely 3%, mainly due to the low growth expected in oil production in Venezuela.

Services will grow at an annual rate of 4.9% and their share in the structure of production will grow relatively most by the year 2000; however, this will to some extent reflect the inadequate growth of the other sectors, as some services, especially those with low productivity, would not exist if there were a higher level of employment in the goods-producing sectors.

The economically smaller countries will have the least variation in their growth rate compared with that recorded in the period 1970-1980. The increase in this rate has been steady and progressive over the last three decades (3.5%, 4.6% and 5.0% respectively) so that in order to maintain the dynamic trend they require an annual growth of 5.3% during the period 1980-2000 (see table 25).

/Table 23

Table 23

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

Trend scenario and normative scenario, 1960-2000

	Annual growth rates (per cent)							*Percentage of the total*						
	1950-1960	*1960-1970*	*1970-1980*	*Scenario 1980-1990*	*Trend 1990-2000*	*Scenario 1980-1990*	*Normative 1990 2000*	*1960*	*1970*	*1980*	*Scenario 1990*	*Trend 2000*	*Scenario 1990*	*Normative 2000*
Gross domestic product[b]	*5.3*	*5.8*	*6.4*	*6.3*	*6.4*	*7.4*	*7.9*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Agriculture	3.8	3.1	3.7	3.7	3.7	4.5	4.8	16.9	13.1	10.0	7.8	6.0	7.6	5.7
Industry	6.4	6.9	7.1	6.8	6.8	8.3	8.7	33.6	37.3	39.8	41.6	43.1	43.1	46.2
Manufacturing	6.6	7.2	6.9	6.9	6.8	8.5	8.8	26.0	29.7	31.0	32.8	34.1	34.2	37.0
Other[c]	5.6	5.9	8.0	6.4	6.7	7.5	8.3	7.6	7.6	8.8	8.8	9.0	8.8	9.1
Services	5.2	5.8	6.5	6.4	6.5	7.2	7.7	49.5	49.6	50.1	50.6	50.9	49.3	48.2
Basic[d]	5.2	6.2	8.3	7.0	7.1	8.1	8.6	6.4	6.6	7.9	8.4	9.0	8.4	9.0
Other[e]	5.2	5.8	6.2	6.3	6.3	7.0	7.5	43.1	43.0	42.2	42.1	41.9	40.9	39.2
Employment	*2.5*	*2.1*	*2.5*	*2.5*	*2.5*	*2.8*	*2.7*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Agriculture	1.0	0.3	0.7	0.5	0.01	1.0	0.1	48.8	40.7	34.0	28.0	21.9	28.5	22.0
Industry	2.8	3.7	2.8	2.6	2.5	3.2	3.2	18.2	21.2	21.8	22.0	22.1	22.5	23.7
Manufacturing	2.6	3.0	2.2	2.2	2.1	2.9	3.0	13.4	14.5	14.2	13.8	13.3	14.3	14.6
Other[c]	3.5	5.5	4.0	3.2	3.2	3.6	3.7	4.8	6.6	7.6	8.2	8.8	8.2	9.0
Services	5.0	3.6	4.0	3.8	3.6	3.9	3.8	33.0	38.2	44.2	50.3	56.0	48.9	54.3
Basic[d]	4.2	1.3	3.9	3.0	2.9	3.5	3.6	5.6	5.1	5.9	6.2	6.4	6.3	6.8
Other[e]	5.1	4.1	4.0	3.9	3.8	4.0	3.8	27.4	33.0	38.1	43.8	49.5	42.7	47.5
Gross domestic product per person employed	*2.8*	*3.6*	*3.8*	*3.7*	*3.8*	*4.5*	*5.1*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Agriculture	2.8	2.8	2.9	3.2	3.7	3.4	4.7	34.6	32.1	29.5	27.9	27.5	26.7	25.8
Industry	3.5	3.1	4.2	4.1	4.2	4.9	5.3	184.7	176.4	182.8	189.0	195.2	191.2	195.0
Manufacturing	3.9	4.1	4.5	4.6	4.6	5.4	5.7	193.9	204.4	219.1	237.2	255.5	239.4	253.2
Other[c]	2.0	0.3	3.8	3.0	3.4	3.7	4.4	158.8	115.1	115.4	107.6	103.4	107.5	100.9
Services	0.3	2.1	2.4	2.5	2.7	3.2	3.8	150.0	129.9	113.5	101.1	90.9	100.8	88.7
Basic[d]	0.9	4.8	4.3	3.9	4.1	4.5	4.9	114.4	128.7	134.2	136.0	139.4	134.6	131.8
Other[e]	0.1	1.6	2.2	2.3	2.5	2.9	3.5	157.3	130.1	111.0	96.2	84.5	95.8	82.5
Total population	*2.9*	*2.8*	*2.6*	*2.3*	*2.0*	*2.3*	*2.0*	–	–	–	–	–	–	–
Population of working age	...	*2.7*	*2.9*	*2.7*	*2.4*	*2.7*	*2.4*	–	–	–	–	–	–	–
Economically active population	...	...	*2.7*	*2.8*	*2.4*	*2.8*	*2.4*	–	–	–	–	–	–	–
Rate of open unemployment	...	...	...	...	...	...	...	...	*2.8*	*4.8*	*7.1*	*6.6*	*4.0*	*1.2*

Source: CEPAL, on the basis of official data.

[a]Comprises Argentina, Brazil and Mexico.

[b]On the basis of values at 1970 prices.

[c]Mining and quarrying, and construction.

[d]Electricity, gas, water and sanitation, and transport and communications.

[e]Commerce and finance, ownership of dwellings, general government, defence and miscellaneous services.

Table 24

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

Trend scenario and normative scenario, 1960-2000

	Annual growth rates (per cent)							*Percentage of the total*						
	1950-1960	*1960-1970*	*1970-1980*	*Scenario 1980-1990*	*Trend 1990-2000*	*Scenario 1980-1990*	*Normative 1990 2000*	*1960*	*1970*	*1980*	*Scenario 1990*	*Trend 2000*	*Scenario 1990*	*Normative 2000*
Gross domestic product[b]	*5.9*	*4.5*	*3.2*	*4.6*	*4.6*	*7.0*	*7.9*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Agriculture	3.4	4.1	3.0	3.4	3.1	4.3	4.4	12.9	12.3	12.1	10.7	9.4	9.3	6.7
Industry	7.3	3.9	1.0	4.5	4.7	7.0	8.4	49.5	46.9	36.7	37.4	37.8	37.7	39.3
Manufacturing	7.5	6.1	4.6	5.8	5.7	8.8	9.7	15.0	17.5	20.0	22.4	24.9	23.7	27.9
Other[c]	7.2	2.9	-1.9	2.8	3.1	4.5	5.7	34.5	29.4	17.7	15.0	12.9	14.1	11.4
Services	5.2	5.4	5.4	4.9	4.8	7.5	8.2	37.6	40.8	50.3	51.9	52.9	52.9	54.0
Basic[d]	5.2	6.5	7.2	5.3	5.1	8.2	9.1	5.5	6.7	9.8	10.4	11.0	11.0	12.0
Other[e]	5.2	5.2	5.0	4.8	4.7	7.3	7.9	32.1	34.1	40.5	41.5	41.9	41.9	41.7
Employment	*1.6*	*1.8*	*3.0*	*2.6*	*2.2*	*3.3*	*2.9*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Agriculture	0.5	-0.1	1.9	1.2	0.4	1.3	0.1	44.4	37.0	33.0	29.0	24.2	27.4	20.6
Industry	1.7	2.5	1.8	2.1	2.0	3.1	3.3	21.2	22.8	20.1	19.3	18.8	20.0	20.6
Manufacturing	2.0	2.8	1.6	1.9	1.7	3.0	3.2	14.4	15.9	13.8	13.0	12.4	13.5	13.9
Other[c]	1.3	1.9	2.1	2.6	2.5	3.4	3.5	6.8	6.9	6.3	6.3	6.4	6.3	6.7
Services	3.1	3.3	4.6	3.6	3.2	4.5	4.1	34.4	40.2	46.9	51.7	57.0	52.7	58.8
Basic[d]	3.2	3.2	3.1	2.5	2.3	3.4	3.9	4.7	5.4	5.4	5.4	5.5	5.5	6.0
Other[e]	3.1	3.4	4.8	3.7	3.4	4.6	4.1	29.7	34.8	41.4	46.3	51.6	47.2	52.7
Gross domestic product per person employed	*4.2*	*2.7*	*0.2*	*2.0*	*2.3*	*3.6*	*4.8*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Agriculture	2.9	4.2	1.1	2.1	2.7	2.9	4.3	29.0	33.3	36.6	37.0	38.7	34.1	32.5
Industry	5.5	1.4	-0.8	2.3	2.7	3.7	4.9	233.8	205.5	187.2	193.4	200.9	190.0	190.7
Manufacturing	5.5	3.2	2.9	3.8	3.9	5.6	6.3	104.6	109.7	144.1	172.1	200.7	174.9	200.4
Other[c]	5.9	1.0	-3.9	0.2	0.6	1.1	2.1	505.6	426.7	282.7	238.1	201.1	216.7	170.5
Services	2.0	2.0	0.7	1.3	1.5	2.9	3.9	109.2	101.5	107.2	100.4	92.8	100.3	91.9
Basic[d]	1.9	3.2	3.9	2.6	2.7	4.7	3.2	118.1	123.7	179.4	192.2	200.7	199.7	204.0
Other[e]	2.0	1.8	0.1	1.1	1.3	2.6	3.6	107.8	98.1	97.7	89.6	81.3	88.7	79.0
Total population	*2.9*	*2.9*	*2.5*	*2.5*	*2.2*	*2.5*	*2.2*							
Population of working age	. .	*3.0*	*3.3*	*2.8*	*2.7*	*2.8*	*2.7*							
Economically active population	. . .	. . .	*3.4*	*2.8*	*2.6*	*2.8*	*2.6*							
Rate of open unemployment	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	*5.8*	*9.3*	*11.4*	*14.2*	*5.2*	*1.8*

Source: CEPAL, on the basis of official data.

[a]Comprises Chile, Colombia, Peru and Venezuela.

[b]On the basis of values at 1970 prices.

[c]Mining and quarrying, and construction.

[d]Electricity, gas, water and sanitation, and transport and communications.

[e]Commerce and finance, ownership of dwellings, general government, defence and miscellaneous services.

Table 25

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

Trend scenario and normative scenario, 1960-2000

	Annual growth rates (per cent)							*Percentage of the total*						
	1950-1960	*1960-1970*	*1970-1980*	*Scenario 1980-1990*	*Trend 1990-2000*	*Scenario 1980-1990*	*Normative 1990 2000*	*1960*	*1970*	*1980*	*Scenario 1990*	*Trend 2000*	*Scenario 1990*	*Normative 2000*
Gross domestic product[b]	*3.5*	*4.6*	*5.0*	*5.2*	*5.3*	*6.9*	*7.8*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Agriculture	2.6	3.4	3.3	3.5	3.5	4.5	4.7	29.4	26.3	22.4	19.0	15.9	17.8	13.3
Industry	4.3	5.7	6.8	6.2	6.3	8.4	9.1	20.4	22.7	26.9	29.7	32.6	30.9	35.0
Manufacturing	3.6	5.8	5.6	6.5	6.6	8.8	9.6	15.4	17.3	18.3	20.7	23.4	21.8	25.7
Other[c]	7.0	5.4	10.0	5.7	5.6	7.5	8.0	5.0	5.4	8.6	9.0	9.2	9.1	9.3
Services	3.8	4.8	4.9	5.4	5.4	7.0	7.9	50.2	51.1	50.7	51.4	51.5	51.3	51.7
Basic[d]	5.0	5.9	6.9	6.5	6.6	8.6	9.4	6.0	6.9	8.2	9.3	10.4	9.6	11.2
Other[e]	3.7	4.6	4.5	5.1	5.1	6.7	7.5	44.1	44.2	42.4	42.1	41.1	41.7	40.6
Employment	*1.3*	*1.7*	*2.6*	*2.5*	*2.5*	*3.1*	*3.3*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Agriculture	0.6	0.3	1.5	1.5	1.5	1.9	1.7	62.3	54.1	48.5	43.9	39.6	42.9	36.4
Industry	2.0	3.4	3.2	2.7	2.6	3.6	3.8	14.8	17.3	18.4	18.7	18.8	19.3	20.2
Manufacturing	2.0	3.2	3.0	2.4	2.3	3.4	3.7	11.3	13.0	13.5	13.4	13.1	13.9	14.4
Other[c]	1.9	3.8	4.0	3.4	3.2	4.1	4.2	3.5	4.3	4.9	5.4	5.7	5.4	5.8
Services	3.3	4.0	4.1	3.8	3.6	4.5	4.7	23.0	28.6	33.0	37.3	41.5	37.8	43.0
Basic[d]	3.0	3.8	3.1	2.9	2.8	3.8	4.1	2.9	3.5	3.7	3.8	3.9	3.9	4.2
Other[e]	3.4	4.0	4.2	3.9	3.7	4.6	4.8	20.1	25.1	29.4	33.5	37.6	33.8	38.8
Gross domestic product per person employed	*2.2*	*2.8*	*2.3*	*2.6*	*2.7*	*3.7*	*4.3*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Agriculture	2.0	3.1	1.8	2.0	2.0	2.6	3.0	47.3	48.5	46.1	43.2	40.2	41.5	36.6
Industry	2.3	2.3	3.4	3.5	3.6	4.6	5.1	138.2	131.3	146.1	158.3	172.9	160.0	172.8
Manufacturing	1.6	2.5	2.5	4.0	4.2	5.2	5.7	136.7	132.8	135.3	154.4	177.8	156.5	178.6
Other[c]	5.0	1.5	5.8	2.2	2.3	3.3	3.6	143.1	126.0	175.9	168.2	161.6	169.4	158.6
Services	0.5	0.7	0.8	1.5	1.7	2.4	3.0	218.5	178.4	153.4	137.5	124.0	135.8	120.2
Basic[d]	1.9	2.0	3.6	3.5	3.7	4.6	5.1	211.8	196.2	223.5	243.8	267.2	244.9	265.6
Other[e]	0.3	0.5	0.3	1.2	1.3	2.0	2.6	219.4	175.9	144.6	125.5	109.1	123.2	104.4
Total population	*2.7*	*2.8*	*2.7*	*2.7*	*2.7*	*2.7*	*2.7*	-	-	-	-	-	-	-
Population of working age	...	*2.6*	*3.0*	*3.0*	*3.0*	*3.0*	*3.0*	-	-	-	-	-	-	-
Economically active population	...	...	*2.9*	*3.0*	*2.8*	*3.0*	*2.8*	-	-	-				-
Rate of open unemployment	...	...	...	...	...	...	...	...	*9.4*	*12.0*	*16.3*	*18.4*	*11.1*	*6.7*

Source: CEPAL, on the basis of official data.

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

[b]On the basis of values at 1970 prices.

[c]Mining and quarrying, and construction.

[d]Electricity, gas, water and sanitation, and transport and communications.

[e]Commerce and finance, ownership of dwellings, general government, defence and miscellaneous services.

Industry and basic services, as in the other groups of countries, will be the most dynamic sectors, while agriculture will decrease its contribution to the global product from 22.4% in 1980 to 15.9% around the year 2000 as a result of an annual growth of only 3.5%. Industry, however, will grow at an annual rate of 6.3% and substantially increase its share from 22.7% in 1970 to 32.6% in the year 2000. Basically in these countries the changes in the shares in generating the product will come from a shift from agriculture to industry, while services will approximately maintain the average for Latin America.

The production structures of the three groups of countries will differ substantially by the year 2000. The large countries will be characterized by their advanced level of industrialization (43.1% of GDP), while the medium-sized countries will achieve around 38%, and the small countries close on 33%. Conversely, agriculture will continue to have a considerable impact on the structure of the small countries, with 15.9%, in contrast with a mere 6% in the large countries. There will be practically no differences among the three groups of countries as regards the share of the service sector, with small variations around the average of 51.2% for the entire region; however, this does not mean that the structure within the sector would tend to be similar. Production in absolute figures will vary enormously among the different countries and groups of countries and will therefore include services of different types in each case.

The share of the economically largest countries in the regional gross domestic product will increase from 72.9% in 1980 to 78.4% in the year 2000. In this context the medium-sized countries will drop from 19.1% in 1980 to 14.6% in the year 2000, and the small countries from 8% to 7% in the same year. The prolongation of the long-term trends would consequently accentuate differences among the countries from the standpoint of the production structure.

As regards productivity trends in Latin America, the increase in the growth rate of the product per person employed will be based among other factors on the introduction of technological changes and on the greater possibilities which larger volumes of the production would provide for taking better advantage of economies of scale. The annual growth rate of the product per person employed will amount to 3.4% over the next two decades (see table 22), which involves an appreciable increase compared with that observed in the 1970s (2.9%).

/There is

be inadequate to absorb the growth in the economically active population (EAP) of 2.8% in the first decade, reaching an equal magnitude of 2.5% only in the second decade. The slow rate of growth of employment will contribute to increasing open unemployment, from an initial level of 6.9% in 1980 to 9.5% in 1990 and 10.2% in the year 2000.

The rate of open unemployment, however, will not be the same in all the groups of countries. In the economically larger countries it will increase considerably during the first decade, from 4.8% in 1980 to 7.1% in 1990, but gradually drop in the second decade to reach 6.6% in the year 2000, mainly as a result of the drop in the growth rate of the EAP.

In the medium-sized and small countries the employment situation will be far more pressing. In the former, employment will grow at decreasing annual rates: 2.6% in the first decade and 2.2% in the second, while the EAP will decrease by 2.7% (2.8% in the first decade and 2.6% in the second). As a result, the open unemployment rate will rise from 9.3% in 1980 to 11.4% in 1990 and to 14.2% in the year 2000.

In the small countries the annual growth of the EAP will be even higher, and reach 2.9% in the period 1980-2000, dropping slightly from 3% in the first decade to 2.8% in the second. But with the supply of employment growing at annual rates of less than 2.5% for the entire period, the result will be that unemployment will increase from 12% in 1980 to 16.3% in 1990 and 18.4% towards the end of the century.

It should be noted that the figures on open unemployment used above may include some percentage of underemployment, on account of the difficulties in classifying the quality of employment by sectors of activity using primary data sources.

The increase in unemployment becomes more dramatic if it is taken into account that the above figures do not specifically consider underemployment, which in Latin America has been estimated to be considerable. In any case, the results reveal the inadequacy of the growth postulated in this scenario for solving the problems of unemployment and underemployment.

/(b) Normative

(b) Normative scenario

The appraisal of the Latin American economic and social development process and the consequences implicit in maintaining the growth trends lead to the conviction that it is essential to give a new orientation to development strategies and policies. One of the basic elements of this new orientation, which, as was said earlier, is contained within the New International Development Strategy, is the speeding-up of economic growth. In this regard, country targets were set which result in an annual growth rate of the product for Latin America during the period 1980-1990 of 7.3% - slightly higher than the goal of the new IDS for developing countries as a whole (7%).

As a consequence of the more rapid pace of growth, structural changes would be more profound, both as regards the structure of production and intra-sectoral processes.

The product of the agricultural sector would reach an approximate annual growth rate of 4.4% during the period 1980-1990. This growth would contribute substantially to satisfying the increases in domestic demand stemming from the growth and redistribution of income, and at the same time the need for larger exportable surpluses to implement the external sector strategy. There would be practically no differences in growth rates among the three groups of countries considered.

As in the previous scenario, industry would be the essentially dynamic factor. During the period 1980-2000 its annual growth rate would be 8.3%, with the result that its share in the structure of production would increase significantly, from 38.3% in 1980 to 44% in the year 2000. This increase in its share would be caused by manufacturing since other industrial activities (mining and quarrying and construction) would experience a decline, although slight, in their share in the gross domestic product. In the large countries and in the small countries the growth rate would be higher. In the former the annual growth rate would be 8.3% for the first decade and 8.7% for the second, and in the other 8.4% for the first decade and 9.1% for the second. In the medium-sized countries this dynamic impetus would also be felt, although at a relatively slower annual rate of 7.0% in the first decade and 8.4% in the second.

/The annual

The annual growth of services would be slightly less than that of the global product and would reach 7.3% and 7.8% in each of the next two decades. Thus, the share of this sector in the generation of both the Latin American product and that of the economically largest countries would drop. However, in the medium-sized countries, where the annual rates would reach 7.5% and 8.2% in the two periods, this share would increase from 50.3% in 1980 to 54% in the year 2000.

The speeding-up of Latin American growth would therefore stem to a large extent from the higher growth of manufacturing, since 36% of the rise in the gross domestic product between 1980 and 2000 would be accounted for by this sector. This dynamism would have to be achieved in suitably efficient conditions. The incorporation of new products would require larger investments, both because of the introduction of new techniques and the continued growth of the production of intermediate goods, and because of the conditions of competitiveness in which it must take place in order to ensure a growing share in exports.

The large countries, in view of their combination of high income levels and bigger markets, would be in a better position to absorb a growing volume of investments and to incorporate more complex, high-productivity technologies into their production system. However, in the small countries, whose level of industrialization is lower (the share of the industrial sector in the GDP was 26.9% in 1980), the effect of investment and of the incorporation of new technology on the growth rate would be greater, in view of the present low level.

The increased effort postulated in this scenario would make it possible to raise the annual growth rate of the per capita product from 3.8% - the result of the dynamic trend scenario - to 5.4%, and thus more than double it over a period of 15 years.

The product per person employed would also show a sharp spurt, since its annual growth rate would rise to 4.6% (3.4% in the dynamic trend scenario). The sectors in which productivity would rise fastest would be manufacturing and the basic services, with annual growth rates for the first and second decades of 5.3% and 5.7%, and 4.5% and 4.9%, respectively. It should be stressed that the annual rate of growth of the product per person employed in agriculture would increase from 3.1% during the period 1980-1990 to 4.2% in 1990-2000, in itself a considerable undertaking.

/At the

At the country level, the economically largest countries would have the highest productivity growth rates. The product per person employed in these countries would grow at annual rates of 4.5% and 5.1% in the first and second decades of the projection, while in the medium-sized and small countries these rates would reach only 3.6% and 4.8% and 3.7% and 4.3% respectively.

Economic dynamism together with a deep-seated change in production, would significantly alter the structure of employment, both from the quantitive and qualitive standpoint, in comparison with the dynamic trend scenario. The annual rate of growth of employment would increase from 2.5% in the previous scenario to 3%, which would make it possible not only to absorb the increase in the labour force, but also to reduce over the next two decades part of the underemployment prevailing at the beginning of this decade.

Industry would increase its share in employment from 20.9% in 1980 to 22.5% in the year 2000, despite the increases projected for the product per person employed, which certainly indicates that the materialization of the growth proposed for this sector would be extremely satisfactory.

The rate of growth of employment in the agricultural sector would also be higher than in the dynamic trend scenario (0.6% and 0.9%), but would follow a downward trend which would mean that towards the end of the century employment in the sector would become stable.

The rate of growth of employment in the industrial sectors would be 3.2% in the 1980s and 3.3% in the 1990s. In the large and medium-sized countries these rates would be practically equal to those for the region as a whole, but in the small countries, in view of their low level of industrialization, it would be possible to increase these rates to 3.6% and 3.8% respectively.

The services sector would continue to absorb a large proportion of the region's labour force. Its share would increase from 42.9% in 1980 to 53.3% in the year 2000 -- very similar percentages to those which the large (44.2% and 54.3%) and medium-sized (46.9% and 58.8%) countries would have. In the small countries, however, these percentages would only increase from 33% to 43%.

In Latin America as a whole, the most important fact would be the shift of agricultural labour towards industry and the services, which would no

/doubt take

doubt take place with different levels of intensity depending on the group of countries analysed. While in the large and small countries, therefore, industry would play a relatively dynamic role in the absorption of employment, in the medium-sized countries it would have a less important role and employment would tend rather to shift towards the services sector.

The annual growth rate of 7.3% resulting from this scenario for the 1980s does not succeed in solving the problem of underemployment, although a large proportion of unemployment is absorbed. If the annual growth rate of the global product were speeded—up during the period 1990-2000, unemployment would be substantially reduced in Latin America towards the end of the century. During the first decade, the drop would tend to be a small one, since the proportion of open unemployment, which as has already been said, includes part of the underemployment, would fall from 6.8% in 1980 to 5.5% in 1990, while during the second decade a significant drop would occur to 2.2% in the year 2000. In essence, the fall in the rate of growth of the economically active population would permit a reduction in the rate of unemployment, since the annual growth of employment would practically remain at similar levels to that of the previous decade. In the large countries, the drop in the rate of unemployment would be from 4.8% in 1980 to 4.0% in 1990 and to 1.2% in the year 2000 (the growth rate of the EAP would fall from 2.8% to 2.4%), while in the medium-sized countries, the drop in unemployment would be relatively greater over the two decades (from 9.3% in 1980 it would fall to 5.2% in 1990 and to 1.8% in the year 2000), despite almost constant growth in the economically active population.

In the small countries, the drop in unemployment although sizeable, would not reach the low percentages referred to above. In the first decade drop would be a small one, and in the second, although large, it would only reach 6.7% - obviously a high rate compared with that of the other countries.

It is interesting to stress how the larger volumes of employment and the product which would be generated in the normative scenario compared with the dynamic trend scenario are distributed by sectors of economic activity. Around the year 2000, the services sector would account for 47% of the increase in employment and contribute 45% of the increase in the product. In the

/agricultural sector

agricultural sector the absorption of employment would be even greater in relative terms, since these percentages would be 12.7% and 4.3% respectively. Conversely, these trends are reversed in the industrial sector, the share of which would be of the order of 40.3% for employment and 51% for the product.

The higher economic growth rates in Latin America would lay the bases not only for increasing employment but also for improving its conditions, by cutting down on very low - productivity activities and therefore the underemployment traditionally contained in the services sector. Indeed, the feasibility of increasing employment in services without giving rise to major social tensions will depend on the response found in the goods-producing sectors as regards meeting the demand generated by the higher earnings concomitant with the growth of emplyment in the services sector.

/IV. EXTERNAL

IV. EXTERNAL SECTOR

1. General considerations

During the 1970s, Latin America continued to suffer from a pronounced asymmetry in its external economic relations in terms of the nature of its flows of exports and imports and the deterioration of the terms of trade of the non-oil-exporting countries; this was compounded by mounting external indebtedness, with its real and financial effects on the national income and the balance of payments. Furthermore, these problems have become more acute as deficits on the balance-of-payments current account grow and the external debt reaches very high levels in absolute and relative terms.

Three factors have had a particular impact on this situation. The first is related to the persistent deterioration in the balance of trade throughout the entire decade. This deterioration was brought on in part by the performance of both trade in merchandise and service transactions. The balance of trade in goods, traditionally favourable to the region, went into the red in 1974 as a result of the oil crisis; it was positive again in 1979 although less than early in the decade. Service transactions, excluding those relating to interest and profits, which have systematically resulted in deficits for the region, have shown negative balances of increasing magnitude 1/ throughout the decade. This situation is reflected in divergent

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1/ These deficits have, with the exception of 1973, normally exceeded the surpluses obtained from the trade in goods.

/export and

export and import trends: while imports showed extraordinary dynamism and grew at rates markedly higher than the product (8.3% and 5.7%, respectively)2/ exports grew at relatively low rates (4.5% on average during the decade). Nevertheless, during the last five years, Latin American exports expanded rapidly (on average the annual growth rate is close to 9% for the period between 1975 and 1980).3/

The second factor is world inflation which, in addition to generating speculative movements and uncertainty in many fields of activity, has resulted in further deterioration in the terms of trade.

The other factor which has seriously affected the external position of Latin America is the worsening of the terms of external financing. An important change has occurred in the sources of financing, with resources from private banking and commercial sources growing by leaps and bounds. Thus, while direct investment and loans from official sources, taken together, rose from US$ 2 billion in 1970 to US$ 6 billion in 1979, loans from private sources climbed from less than US$ 1 billion to over US$ 18 billion during the same period. Moreover, world inflation itself has caused an increase in interest rates and a reduction in the amortization periods of new loans which are granted. As a corollary, a given volume of external financing requires a

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2/ Rates for 19 countries. Cuba and the English-speaking Caribbean countries are excluded.

3/ This process was furthered by the growth of industrial or agricultural production capacity, which had begun years previously, and especially by export promotion policies.

/larger amount

larger amount of servicing, and this is compounded by the fact that the servicing is concentrated in the short and medium term. In addition, there is growing concern about the possibilities of this financing system being able to continue owing to factors related to private bank financing and to the management of the debt by the debtor countries.

The end results of a process of this kind are serious. On the one hand, the high level of external debt servicing will make it necessary to find additional sources of resources. If recourse continues to be had to external financing, the process will be cumulative, and payments may eventually tie up extremely high percentages of export earnings. Furthermore, an external situation in which such commitment exists may obstruct the flow of external financing and worsen the corresponding payment periods and interest rates thereby making it more difficult to solve balance-of-payments problems, affecting the economic growth rate (by squeezing imports) and ultimately aggravating the social tensions prevailing in Latin America.

Naturally, the situation and prospects vary from country to country. The majority of them, however, have similar balance-of-payments and external-debt problems, although with different degrees of intensity. Even the oil-exporting countries, which have strengthened their balance of trade, still face foreign debt service payments which absorb a high percentage of export earnings.

2. Assumptions on which the projections are based

The projections of external variables which have been made in the context of the scenarios described above are aimed at quantifying the external changes needed for more symmetrical relations resulting in an acceptable balance-of-payments situation and tolerable external debt levels.

/The assumptions

The assumptions used are described below classed according to the main components of the external situation; imports, magnitude and terms of external financing, terms of trade and inflation and exports.

The import requirements for maintaining the growth rates proposed were estimated on the basis of the relationship between imports, the product and investment, with particular importance attached to external supplies of fuels. In that respect, and as has been stated above in connection with the energy situation, in the case of the oil-short countries the accepted elasticity of imports of petroleum and its derivatives with respect to the gross domestic product is 0.8. This degree of elasticity calls for a considerable effort to contain the consumption of hydrocarbons and to palliate the effect of the costs of such imports on the balance of payments. Nevertheless, because of the continued and growing preponderance of imports of intermediate products and capital goods and because it is hoped to step up regional trade, imports will tend to increase in the case of virtually all the countries and of the region as a whole at a higher rate than that of the gross domestic product.

The terms of external financing were examined separately for each country in the light of the experience of recent years. Assumptions were adopted with regard to the share of loans in the gross inflow of foreign capital, the profit rate on foreign capital and the amortization and interest attached to loans. Amortization and interest are broadly based on the terms on which the present loans of each country were contracted, and more unfavourable terms are admitted in the case of new debts, taking into account inflation and the relative level of indebtedness.

/In the

In the case of net external financing, the general rule adopted was that in 1990 its average ratio to gross domestic product (at 1975 prices) would not exceed that record in the 1970s provided that external debt servicing does not rise above a given level of value of exports, established separately for each country. In calculating averages, the balance of payments for years considered to be atypical was not taken into consideration. These criteria are reflected in a gradual decrease in the coefficient of external financing with respect to the gross domestic product.

For the region as a whole, the level of net external financing reached on the basis of this method amounts to about 2.7% of the gross domestic product. In practice, this average applies to the bigger countries, and the situation is different in the case of the medium-sized and small countries, for which the corresponding averages are generally higher. The higher coefficient for small countries reflects both the difficult situation through which many of them have passed and the fact that their greater external openness may mean that the ratio of debt and financing to the product is higher even if in the case of exports it is lower.

The evolution of import and export prices presupposes some deceleration in world inflation, which is expected to decline gradually from 14% in 1981, so that the average price index should rise by 12% a year on average during the period 1980-1985 and by 10% during the period 1985-1990. It is postulated that the indexes of unit value of imports and exports other than of petroleum and petroleum products will follow the path of the world inflation and that the price of hydrocarbons will increase in real terms, rising faster than the inflation, so that an elasticity of 1.05 has been used.

/This implies

This implies that if petroleum and petroleum products were not taken into consideration, the terms of trade would remain at approximately the same level as in 1979. If these products, whose price elasticity is greater than 1, are included, the terms of trade improve in the cases of countries which are net exporters of petroleum and worsen in that of countries without petroleum. In the last analysis, the terms of external trade used in the projections differ from those recorded in 1979 only because of the relatively higher price of petroleum.

Exports are analysed from two points of view. First, export requirements were estimated; i.e., a decision was made as to the export earnings needed to finance the imports required, with the balance of payments predicted. Secondly, consideration was given to the changes which should be made in the composition and destination of exports to achieve the export requirements. This second exercise calls for consideration of the possibilities of Latin American exports being absorbed by the region and the rest of the world.

The projection of the main balance-of-payment and external-debt variables resulting from the assumptions outlined above makes it possible to analyse the macroeconomic evolution of the external sector at both national and regional levels.

3. Main results

As has already been indicated above, import needs will tend to increase in the case of virtually all the countries and of the region as a whole at a rate somewhat higher than that of the gross domestic product. Thus, in the trend scenario imports would increase at a rate of 6.2% a year between 1979 and 1990 (as compared to 5.9% for the gross domestic product), and in the normative scenario they would increase at a rate

/of 7.8%

of 7.8% as compared to 7.1% for the gross domestic product. These rates assume a decrease in the product-elasticity of imports from the high levels recorded in the period 1975-1979 (1.24) to levels slightly over 1. In this respect, it is useful to note a combination of opposing factors. On the one hand, factors such as the current approach to development which tends to increase the degree of openness of the economies and a new international economic order in which there should be a substantial increase in intra-regional trade make it possible to assume elasticities higher than 1. On the other hand, policies aimed at containing the consumption of hydrocarbons, policies to reduce external dependency and the balance-of-payments problems the countries will have to face would suggest elasticities lower than 1. A careful weighting of these considerations, with the close relationship between the acceleration of growth and the overall demand for imports also being taken into account, led to the adoption of the assumption that the elasticity of imports would decrease but would still remain higher than 1. In this way, Latin American imports, which accounted for 15.3% of the gross domestic product in 1979, would represent 15.8% and 16.4% of the product in 1990 for the two scenarios. The differences between countries would tend to remain the same, resulting in an import coefficient of the order of 12% in the big countries, 30% in the medium-sized countries and 34% in the economically and demographically small countries.

Export needs are relatively high. For the trend scenario an average annual growth rate of 6.3% up to 1990 is indicated. In the normative scenario, the corresponding rate would be 7.6% (see table 14). These growth rates represent an important change with respect to what has been the long-term evolution in Latin America: between 1950 and 1975, the annual

/average growth

average growth rate of the volume of exports was not quite 4.5%, and in the 1970s less than 4.3%. However, if the experience of the years since 1975 is considered, in which the region made a marked effort to expand its exports, achieving an average annual growth rate of close to 9%,4/ and in view of the fact that the growth targets proposed in the normative scenario cannot be achieved without substantial alterations in the world economy in terms of the shaping of a new international economic order, it seems more likely that the export targets will be reached. Further on in this paper, consideration is given to what this increase in exports means in terms of their composition and destination.

By way of example, to emphasize the differences among countries, some figures are included referring to export requirements by groups. If in the normative scenario different groups of countries are considered, the annual average growth rates of the volume of exports during the 1980s for the economically and demographically large, medium and small countries as well as oil-exporting and non-oil-exporting countries would be 8.6%, 5.7%, 7.9%, 8.3% and 6.3% respectively. All these rates are higher than those obtained over the long-term by those groups of countries.5/

These large increases in export needs can be explained by the servicing requirements of present indebtedness. In 1979, debt-servicing absorbed nearly 44% of current export earnings - a large proportion mainly determined by the 55% registered by the economically larger countries. In the

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4/ If Venezuela is excluded, the rate is of 11.3%.

5/ Between 1950 and 1975 the corresponding rates were 4.1%, 2.7%, 4.9%, 4.1% and 3%.

/medium-sized

medium-sized and small countries this proportion was 31.5% and 35.1% respectively. It seems surprising that in the oil-exporting countries 6/ this servicing amounted to 47% of the value of exports, while in non-oil-exporting countries it accounted for slightly under 42%. It is of interest to note that these high levels of debt-servicing are largely a reflexion of the hardening already referred to in the terms of external financing and increased substantially after 1975, when although high they were significantly less (see tables 26 to 31).

In the projections, as a result of the reduction in the relative volumes of net external financing postulated and the ceiling on the proportion of the value of exports which the servicing of the external debt can represent, this coefficient will gradually drop over the next decade. For the region as a whole, this servicing around 1990 would account for about a quarter of exports of goods and services in both scenarios. Although this proportion is low compared with the present level, it continues to be considerable; this is obvious if it is considered that in 1990 these services will be of the order of US$ 150 billion while the external debt will amount to over US$ 650 billion.

At the same time, and despite the relatively high level of indebtedness projected, the external debt/gross domestic product ratio (at 1975 prices) 7/ is declining gradually and in 1990 will account for slightly over 17% in the trend scenario and nearly 16% in the normative scenario. The situation is very similar to the average in the economically and demographically larger countries but is different in the medium-sized and small countries. In the medium-sized

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6/ It should be recalled that Mexico is included.

7/ In calculating this ratio, the external debt was deflated at the country level using the implicit import index. Thus the debt is expressed in terms of the purchasing power of imports.

/Table 26

Table 26

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

(Percentages on the basis of current prices)

Year	Proportions with respect to exports of goods and services							External debt - proportion with respect to gross domestic product d/
	Net payments of profits and interest	Net external financing b/	Servicing of external debt			Gross inflow of foreign capital	Net inflow of foreign capital c/	
			Amortization	Interest	Total			
				Historical evolution				
1960	12.7	12.2	15.0	2.9	17.9	28.6 e/	0.9	...
1965	14.8	3.3	21.9	4.1	26.0	28.5 e/	-0.8	...
1970	15.5	16.4	18.7	5.6	24.3	42.0 e/	7.8	...
1975	12.8	34.1	16.1	7.9	24.0	52.3 e/	23.4	25.0
1979	16.1	22.8	30.6	13.2	43.8	61.2 e/	14.5	26.4
				Trend scenario				
1990	15.1	18.5	15.3	11.2	26.5	33.8	3.4	16.8
2000	14.1	18.0	15.3	10.4	25.7	33.3	3.8	16.2
				Normative scenario				
1990	13.4	17.5	13.6	10.0	23.6	31.0	4.1	15.7
2000	11.3	16.3	12.6	8.4	21.0	28.9	5.0	14.6

Source: CEPAL, on the basis of official data.

a/ Does not include Cuba and the English-speaking Caribbean countries.
b/ Including net private transfer payments.
c/ Gross inflow of foreign capital less (-) amortization of external debt and payments of profit and interest.
d/ On values at 1975 prices. The balance of the debt was deflated by the implicit index of imports of goods and services.
e/ Includes variation in international reserves.

Table 27

LATIN AMERICA (LARGE COUNTRIES) a/: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR

(Percentages on the basis of current prices)

Year	Proportions with respect to exports of goods and services							External debt - proportion with respect to gross domestic product d/
	Net payments of profits and interest	Net external financing b/	Servicing of external debt			Gross inflow of foreign capital	Net inflow of foreign capital c/	
			Amortization	Interest	Total			
				Historical evolution				
1960	10.8	27.1	18.2	5.1	23.3	50.7 e/	21.7	...
1965	12.2	-0.6	35.1	5.7	40.8	39.6 e/	-7.7	...
1970	16.7	23.3	25.3	7.6	32.9	57.8 e/	15.8	...
1975	21.4	64.0	19.7	14.9	34.6	73.7 e/	32.6	25.0
1979	24.4	37.1	36.1	18.8	54.9	77.3 e/	16.8	25.0
				Trend scenario				
1990	21.3	24.7	22.4	16.1	38.4	47.1	3.4	17.3
2000	19.4	23.1	19.8	14.3	34.1	42.9	3.6	15.3
				Normative scenario				
1990	19.9	24.0	20.9	15.0	36.0	44.9	4.2	16.6
2000	17.1	22.1	17.5	12.7	30.2	39.7	5.0	13.9

Source: CEPAL, on the basis of official data.

a/ Comprises Argentina, Brazil and Mexico.
b/ Including net private transfer payments.
c/ Gross inflow of foreign capital less (-) amortization of external debt and payments of profit and interest.
d/ On values at 1975 prices. The balance of the debt was deflated by the implicit index of imports of goods and services.
e/ Includes variation in international reserves.

Table 28

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

(Percentages on the basis of current prices)

Year	Proportions with respect to exports of goods and services							External debt - proportion with respect to gross domestic product d/
	Net payments of profits and interest	Net external financing b/	Servicing of external debt			Gross inflow of foreign capital	Net inflow of foreign capital c/	
			Amortization	Interest	Total			
				Historical evolution				
1960	16.4	-3.9	13.4	1.3	14.7	6.8 e/	-23.0	...
1965	20.6	3.8	10.8	3.1	13.9	16.5 e/	-14.9	...
1970	16.9	5.2	12.1	4.0	16.1	23.8 e/	-5.2	...
1975	5.4	0.4	11.3	0.7	12.0	28.1 e/	11.4	22.2
1979	6.2	-0.3	24.1	7.4	31.5	40.1 e/	9.8	27.2
				Trend scenario				
1990	4.9	7.8	3.0	3.1	6.1	10.9	2.9	6.8
2000	4.5	8.1	7.9	3.2	11.1	16.1	3.6	13.9
				Normative scenario				
1990	3.9	7.5	2.4	2.5	4.9	9.9	3.5	5.6
2000	3.3	7.7	6.4	2.4	8.8	14.2	4.4	12.3

Source: CEPAL, on the basis of official data.

a/ Comprises Chile, Colombia, Peru and Venezuela.
b/ Including net private transfer payments.
c/ Gross inflow of foreign capital less (-) amortization of external debt and payments of profit and interest.
d/ On values at 1975 prices. The balance of the debt was deflated by the implicit index of imports of goods and services.
e/ Includes variation in international reserves.

Table 29

LATIN AMERICA (12 COUNTRIES) a/: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR

(Percentages on the basis of current prices)

Year	Proportions with respect to exports of goods and services							External debt - proportion with respect to gross domestic product d/
	Net payments of profits and interest	Net external financing b/	Servicing of external debt			Gross inflow of foreign capital	Net inflow of foreign capital c/	
			Amortization	Interest	Total			
				Historical evolution				
1960	6.3	17.1	10.1	1.2	11.3	28.9 e/	12.5	...
1965	7.4	12.9	13.2	2.5	15.7	27.9 e/	7.3	...
1970	9.1	21.6	14.5	3.3	17.8	37.2 e/	13.6	...
1975	4.9	23.7	11.8	3.7	15.5	43.8 e/	27.1	31.3
1979	11.0	27.6	27.5	7.6	35.1	55.9 e/	17.4	37.1
				Trend scenario				
1990	10.2	14.3	11.0	7.6	18.6	25.3	4.2	33.3
2000	9.0	14.0	9.9	6.8	16.7	23.9	5.0	30.7
				Normative scenario				
1990	9.4	14.4	10.2	7.1	17.3	24.6	5.0	30.4
2000	7.8	14.0	8.6	6.0	14.6	22.6	6.2	26.5

Source: CEPAL, on the basis of official data.

a/ Comprises Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemal, Haiti, Honduras, Nicaragua, Panama, Paraguay and Uruguay.
b/ Including net private transfer payments.
c/ Gross inflow of foreign capital less (-) amortization of external debt and payments of profit and interest.
d/ On values at 1975 prices. The balance of the debt was deflated by the implicit index of imports of goods and services.
e/ Includes variation in international reserves.

Table 30

LATIN AMERICA (OIL-EXPORTING COUNTRIES) a/: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR

(Percentages on the basis of current prices)

Year	Proportions with respect to exports of goods and services							External debt - proportion with respect to gross domestic product d/
	Net payments of profits and interest	Net external financing b/	Servicing of external debt			Gross inflow of foreign capital	Net inflow of foreign capital c/	
			Amortization	Interest	Total			
				Historical evolution				
1960	18.1	-0.1	13.8	1.7	15.5	10.3 e/	-21.6	...
1965	14.9	1.4	8.6	2.4	11.0	9.1 e/	-14.4	...
1970	19.2	20.5	11.1	5.6	16.7	34.6 e/	4.3	...
1975	10.6	13.4	9.6	2.5	12.1	41.2 e/	21.0	24.4
1979	12.8	17.3	33.8	13.3	47.1	55.5 e/	8.9	29.5
				Trend scenario				
1990	10.0	11.4	7.8	7.6	15.4	19.2	1.5	12.8
2000	8.5	11.8	10.0	6.6	16.6	21.8	3.3	14.6
				Normative scenario				
1990	8.2	10.7	6.5	6.3	12.8	17.2	2.5	11.6
2000	6.4	10.8	8.0	5.0	13.0	18.8	4.4	13.0

Source: CEPAL, on the basis of official data.

a/ Comprises Bolivia, Ecuador, Mexico and Venezuela.
b/ Including net private transfer payments.
c/ Gross inflow of foreign capital less (-) amortization of external debt and payments of profit and interest.
d/ On values at 1975 prices. The balance of the debt was deflated by the implicit index of imports of goods and services.
e/ Includes variation in international reserves.

Table 31

LATIN AMERICA (NON-OIL-EXPORTING COUNTRIES) a/: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR

(Percentages on the basis of current prices)

Year	Proportions with respect to exports of goods and services							External debt - proportion with respect to gross domestic product d/
	Net payments of profits and interest	Net external financing b/	Servicing of external debt			Gross inflow of foreign capital	Net inflow of foreign capital c/	
			Amortization	Interest	Total			
				Historical evolution				
1960	8.6	21.5	15.8	4.0	19.8	42.3 e/	17.9	...
1965	14.7	4.8	31.9	6.0	37.9	43.1 e/	-3.5	...
1970	14.2	15.2	22.9	7.9	30.8	47.1 e/	10.0	...
1975	14.3	48.8	20.7	11.7	32.4	60.1 e/	25.1	25.2
1979	18.4	26.5	28.5	13.1	41.6	65.1 e/	18.2	24.9
				Trend scenario				
1990	18.3	22.8	20.0	13.5	33.5	42.8	4.5	18.6
2000	17.6	21.8	18.7	12.8	31.4	40.5	4.2	16.9
				Normative scenario				
1990	17.0	22.2	18.7	12.6	31.2	40.9	5.3	17.8
2000	15.2	20.7	16.3	11.1	27.5	37.0	5.5	15.5

Source: CEPAL, on the basis of official data.

a/ Comprises Latin America except Bolivia, Ecuador, Mexico, Venezuela, Cuba and the English-speaking Caribbean countries.
b/ Including net private transfer payments.
c/ Gross inflow of foreign capital less (-) amortization of external debt and payments of profit and interest.
d/ On values at 1975 prices. The balance of the debt was deflated by the implicit index of imports of goods and services.
e/ Includes variation in international reserves.

countries this ratio, which in 1979 was about a quarter of the product, would drop by 1990 to less than 7% in the trend scenario and to 6% in the normative scenario (owing to the obvious influence of Venezuela); and in the small countries, from 34.5% in 1979, this proportion would fall to 33.3% in the trend scenario and slightly over 30% in the normative scenario. Furthermore, in the oil-exporting countries this coefficient would drop from 26% to 13% and 12%, while in the non-oil-exporting countries the drop would be from 23% in 1979 to nearly 19% and 18% respectively in 1990.

The above aspects have been stressed in order to illustrate the importance of financial variables in balance-of-payments problems. Although the high export requirements would be smaller if net external financing were greater, payments of interest and profits on foreign capital would grow appreciably and create situations very difficult to handle in practice. In this regard, in the normative scenario the question is examined of the requirements in terms of exports of goods and services, and their implications from the standpoint of indebtedness and its servicing if external financing increased in the 1980s to reach 3.7% of the gross domestic product 8/ around 1990 (i.e. 1% more than the average considered in the basic normative scenario). Export needs would continue to be high, and their level in 1990 would be only 3.4% less than that of the basic normative scenario (which would mean an annual average rate of approximately 7.3% instead of 7.6%). But on the other hand, the external debt and its servicing that year would be 25% higher than in the basic scenario and amortization and interest payments would exceed 30% of current export earnings.

8/ Calculated on the basis of values at 1975 prices.

/Moreover, everything

Moreover, everything suggests that a level of external financing such as that proposed would cause lending terms to worsen, which would give rise to a sharper increase in these variables and consequently greater export requirements.

From the assessment of the balance-of-payments problems and the analysis of the projections, some important aspects may be stressed:

(a) The high level of debt already accumulated and the burden of servicing it are in themselves a serious problem owing to their impact on the balance-of-payments, and because of the ensuring risk and vulnerability for the Latin American countries;

(b) Nevertheless, external financing is of special importance for achieving specific economic growth goals, in view of the import requirements of the development process itself;

(c) Export earnings constitute a key variable for handling the balance of payments, and consequently condition the possibilities of increasing the rate of economic growth.

4. The possibilities of achieving the export requirements

To analyse the conditions in which it would be possible to increase exports sufficiently to meet the balance-of-payments requirements estimated in the macroeconomic projections, the model used breaks down Latin America's trade flows by type of goods and sets them in the context of world trade by linking them with the growth of the developed countries and the expansion of intraregional trade. This made it possible to examine the nature and scope of the structural changes which must be fostered in the international order in order to boost the growth of the developing countries' trade.

/Some of

Some of the results of the exercises carried out to substantiate the growth of exports in the normative scenario are as follows 9/ (see table 32):

(a) Intraregional trade, which at the present time accounts for less than 20% of total exports, would have to amount to more than 35% around 1990. This implies an annual average rate of 13.2%.10/

(b) Extraregional exports should therefore grow at an annual rate of 5.8% until 1990. It should be noted that this means cutting down the share of the markets outside the area from over 80% in 1978 to less than 65%. These percentages include the other developing countries and the socialist countries which in 1978 absorbed approximately 14% of Latin America's exports. If this share increased by 2%, the developed countries would in 1990 absorb less than half of the region's exports.

(c) Manufactures should constitute the most dynamic item in Latin American exports. From 15% of total exports, which is what they represent at present, they would have to increase to 42% in 1990, implying an annual average rate of around 17.2%. This increase should stem above all from intraregional trade, although the growth required for exports of manufactures to countries outside the region is also important. In particular, there should be an increase in products with a higher technological content, specifically machinery and transport equipment.

(d) Exports of primary products and fuels should also grow more than in the past, i.e., although the main trust should be in manufactures, a large-scale effort must be made to increase such exports. Primary products should grow at an annual average rate of 5.1% up to 1990 and fuels at 3.6%.

9/ The percentages given below are calculated on the basis of figures at 1975 prices.

10/ The magnitude of these rates is determined by the low level of exports during the initial period.

/The foregoing

The foregoing analysis leads to the following conclusions, inter alia. Firstly, the growth rates of export needs cannot be achieved without a substantial modification of the structure by type of goods. At present the majority of Latin America's exports correspond to primary products and fuels, which is responsible for one of the central aspects of the asymmetry in the region's external relations. This structure must change in favour of bigger share for manufactures.

Secondly, if it is recalled that at the present time nearly two-thirds of Latin American exports go to industrial countries, better access to these markets must be guaranteed. A decided attitude of co-operation on the part of these countries is therefore essential regarding both the readjustment of their domestic economic activity, and the creation of the conditions required for a New International Economic Order.

Thirdly, the results which can be achieved by increasing and diversifying exports to the developed countries prove inadequate vis-à-vis export requirements, which means that it is essential to expand intraregional trade. Similarly, trade with other developing areas and with the socialist countries must be increased.

In brief, in order to achieve the faster economic growth which they have set themselves the Latin American countries must increase and diversify their exports far beyond the historical trends. In order to do so, they must concentrate on two aspects: on the one hand, this growth and diversification of exports must be consistent with the transformation in production and technology accompanying the economic development process. In addition, a necessary condition is a substantial increase in intraregional trade and growth of trade with non-traditional markets so as to take advantage of the exceptional potential provided by the markets of other developing countries and the

/Table 32

Table 32

DEVELOPING AMERICA a/: EXPORTS (FOB) AND IMPORTS (FOB) BY GROUPS OF GOODS AND BY ORIGIN AND DESTINATION

(Billions of dollars at 1975 prices)

	1975 b/	1978	1990	2000
Total exports of goods	47.9	54.1	133.1	297.2
Primary commodities c/	23.2	26.2	47.8	77.3
Fuels d/	18.3	19.4	29.6	41.8
Manufactures	6.1	8.3	55.7	178.1
Machinery and transport equipment e/	1.8	2.2	21.7	91.0
Other manufactures f/	4.3	6.1	34.0	87.1
Unclassified goods and transactions g/	0.3	0.2	-	-
Exports to countries outside the region	38.2	43.5	85.1	146.1
Primary commodities c/	20.8	23.5	40.2	63.0
Fuels d/	13.8	14.8	20.2	25.8
Manufactures	3.4	5.0	25.7	57.3
Machinery and transport equipment e/	0.7	1.1	8.4	24.2
Other manufactures f/	2.7	3.9	17.3	33.1
Unclassified goods and transactions g/	0.2	0.2	-	-
Intraregional trade	9.7	10.6	47.0	151.1
Primary commodities c/	2.4	2.7	7.6	14.3
Fuels d/	4.5	4.6	9.4	16.0
Manufactures	2.7	3.3	30.0	120.8
Machinery and transport equipment e/	1.0	1.1	13.3	66.8
Other manufactures f/	1.7	2.2	16.7	54.0
Unclassified goods and transactions g/	0.1	-	-	-
Imports from outside the region	48.6	52.8	108.0	188.3
Primary commodities c/	6.0	6.4	15.7	31.9
Fuels d/	9.0	10.1	20.0	35.0
Manufactures	32.5	35.4	73.0	121.4
Machinery and transport equipment e/	18.5	19.6	43.0	67.0
Other manufactures f/	14.0	15.8	30.0	54.4
Unclassified goods and transactions g/	1.1	0.9	-	-
Total imports of goods	58.2	63.4	155.7	339.4
Primary commodities c/	8.4	9.1	23.3	46.2
Fuels d/	13.5	14.7	29.4	51.0
Manufactures	35.2	38.7	103.0	242.2
Machinery and transport equipment e/	19.5	20.7	56.3	133.8
Other manufactures f/	15.7	18.0	46.7	108.4
Unclassified goods and transactions g/	1.2	0.9	-	-

Source: CEPAL, Tendencias históricas y proyecciones del comercio latinoamericano en el ámbito mundial (CEPAL/VP/CPE/184, November 1978), revised and updated to incorporate the growth targets of the normative scenario.

a/ Includes the member countries of LAFTA and the Central American Common Market and Bahamas, Barbados, Bermuda, Cuba, Dominican Republic, French Guiana, Greenland, Guadaloupe, Guyana, Haiti, Jamaica, Martinique, Netherlands Antilles, Panama, Suriname, Trinidad and Tobago and U.S. Virgin Islands.

b/ United Nations, Monthly Bulletin of Statistics, July 1980.

c/ SITC Sections 0,1,2 and 4 and division 68 (non-ferrous metals).

d/ SITC Section 3.

e/ SITC Section 7.

f/ SITC Sections 5, 6 and 8, excluding division 68 (non-ferrous metals).

g/ SITC Section 9.

socialist countries. But in addition to this effort incumbent on Latin America itself, achieving these export goals depends largely on the evolution of the external demand of the industrial countries which must change their restrictive policies and co-operate without vacillation in the creation of the basic conditions for a new and expanding place for the developing countries in the world economy.