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**ECONOMIC SURVEY
OF LATIN AMERICA
1967**



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NOTE

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FOREWORD

The first part of the present *Economic Survey* reviews the broad lines of recent economic development in the Latin American economies, paying special attention to the changes that took place in 1967.

Chapter I of Part One is concerned with the major economic trends, and makes an over-all evaluation of the growth rate and the internal and external factors that helped to determine it. It includes special analysis of Latin America's position in the world economy in the light of the data collected on recent trends. An examination is made of the repercussion of those trends (and of certain persistent long-term factors) on world market conditions for Latin America's staple exports.

In addition, recent changes in world economic policy are outlined, with particular reference to the results of the second session of the United Nations Conference on Trade and Development and to the possible impact on Latin America of the proposed measures for dealing with the difficulties of the international monetary system and the United States balance-of-payments problems. A third section reports on recent developments in inter-Latin American trade, and the progress made, especially in institutional

matters, towards the economic integration of the region.

Chapter II contains an analysis of the main social trends, and assesses the effectiveness of social welfare policy, particularly in education, housing and public health.

Recent changes in foreign trade and the balance-of-payments situation are examined from a technical standpoint in chapter III. A separate analysis is made, both for Latin America as a whole and for selected countries, of each of the principal items on the current and capital accounts of the balance of payments, including direct investment and foreign loans.

Lastly, in chapter IV an attempt is made to evaluate the results of certain changes in the tax system, in the light of the data available on a group of Latin American countries—comprising Argentina, Brazil, Chile, Guatemala, Mexico and Venezuela—with different structures, characteristics and growth rates.

As in previous years, Part Two is devoted to a consideration of the salient developments in each of the Latin American countries (chapter I), and the main features of the trends observable in the major sectors of economic activity (chapter II).

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NOTES AND EXPLANATION OF SYMBOLS

The following symbols have been used throughout this *Survey*:

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

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

A minus sign (—) before a figure in a table indicates a deficit or decrease, unless otherwise indicated.

A plus sign (+) indicates an increase.

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

A slash (/) indicates a crop year or fiscal year, e.g., 1966/67.

Use of a hyphen (–) between dates representing years, e.g., 1960–65, normally signifies an annual average for the calendar years involved, including the beginning and the end years; growth rates refer to the cumulative annual rates for the whole period, including the beginning and end years.

References to “tons” indicates metric tons, and to “dollars” United States dollars, unless otherwise stated.

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

In order to keep the English text in line with the original Spanish, countries are given in the Spanish alphabetical order throughout the text.

ABBREVIATIONS

AID	Agency for International Development (Department of State of the United States of America)
ALAF	Latin American Railways Association
ALALC	See LAFTA
ALATAC	Latin American Road Transport Association
CACM	Central American Common Market
CADI	Advisory Committee on Industrial Development (Latin American Free Trade Association)
CIAP	Inter-American Committee on the Alliance for Progress
CIDA	Inter-American Committee for Agricultural Development
COMIBOL	Bolivian Mining Corporation
CONADE	National Development Council (Argentina)
CORA	Land Reform Corporation (Chile)
CORDIPLAN	Central Office for Planning and Co-ordination (Venezuela)
CORFO	Development Corporation (Chile)
CORVI	Housing Corporation (Chile)
ECOPETROL	Empresa Colombiana de Petróleos
ECLA	Economic Commission for Latin America

EEC	European Economic Community
EFTA	European Free Trade Association
ENAP	Empresa Nacional de Petróleo (Chile)
EPF	Empresa Petrolera Fiscal (Peru)
EXIMBANK	Export-Import Bank
FAO	Food and Agriculture Organization of the United Nations
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
IANSA	Industria Azucarera Nacional S.A.
IBRD	International Bank for Reconstruction and Development
ICAO	International Civil Aviation Organization
ICO	International Coffee Organization
IDA	International Development Association
IDB	Inter-American Development Bank
ILO	International Labour Organisation
ILPES	Latin American Institute for Economic and Social Planning
IMF	International Monetary Fund
INCORA	Colombian Land Reform Institute
LAFTA	Latin American Free-Trade Association
OAS	Organization of American States
ODEPLAN	Planning Office (Chile)
OECD	Organization for Economic Co-operation and Development
PETROBRAS	Petróleo Brasileiro
SDR	"Special drawing rights" (International Monetary Fund)
SEGBA	Argentine electricity company
SIECA	Permanent Secretariat of the General Treaty on Central American Economic Integration
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
YPF	Yacimientos Petrolíferos Fiscales (Argentina)
YPFB	Yacimientos Petrolíferos Fiscales Bolivianos

Part One

GENERAL FEATURES OF RECENT DEVELOPMENT

Chapter I

MAJOR ECONOMIC TRENDS

1. THE RATE OF GROWTH AND ITS DETERMINANTS

(a) Over-all evaluation

In 1967 the economic development of Latin America as a whole was unsatisfactory, resulting in a per capita growth rate of only 1.5 per cent for the product. So slight an increase, superimposed on the minimal expansion achieved in 1966, wiped out the relatively considerable progress made in 1964 and 1965, and, as a result, in the nineteen-sixties so far the average annual increase in the per capita product has barely reached 1.6 per cent (see table 1 and figure 1).

Table 1. Latin America: annual growth rates of per capita gross product, 1950-67

(Percentages)

Period	Annual growth rate
1950-55	2.2
1955-60	1.8
1960-65	1.7
1961	2.4
1962	0.8
1963	-0.5
1964	3.3
1965	2.4
1966	1.1
1967	1.5

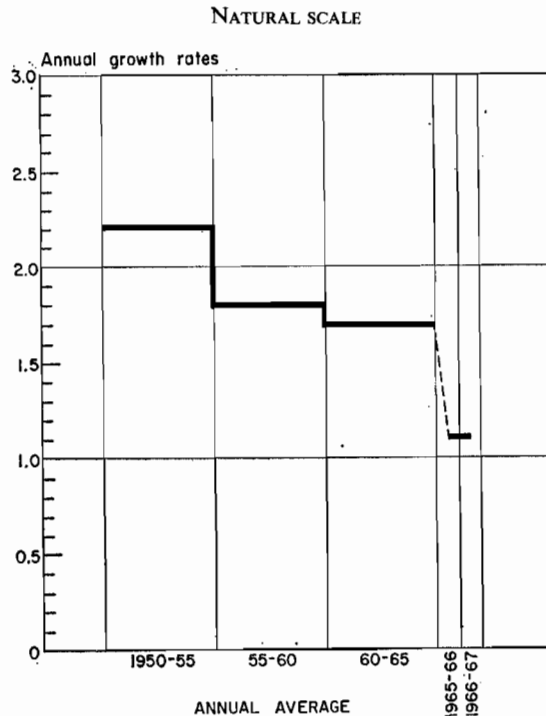
SOURCE: ECLA, on the basis of official statistics.

A number of factors were responsible for the pattern of economic growth in 1967. Although they will be discussed more carefully in later sections, the following may be mentioned as being among those which had the strongest impact:

(i) There was a fall in the world market prices of most of the commodities that constitute the bulk of Latin America's exports. Apart from its direct effect on the capacity to import, this further deterioration in the terms of trade meant that the slight increase in the domestic product represented an even smaller rise in real income;

(ii) The current value of exports of goods remained stationary at a level comparable to that of the preceding year; thus there was a break in the upward trend that had been followed since 1960. In view of the unfavourable evolution of

Figure 1. Latin America: annual growth rates of per capita gross product



prices, the maintenance of export values implied an increase in the volume of exports.

(iii) Notwithstanding these developments, imports continued to rise, exceeding their 1966 level by 4 per cent. This expansion of external purchases despite the stagnation of current export earnings resulted in a balance-of-payments deficit on current account of about 1,600 million dollars, the largest on record in the present decade;

(iv) Latin America was more seriously affected than some other regions by the slower growth rate of the world economy and the slackening of international trade, and it lost further ground in world markets.

On the other hand, progress was made in establishing institutional channels for Latin America's economic integration movement, including sub-regional agreements. In addi-

tion, intra-regional trade continued to expand, although at a slower pace.

As regards internal factors, the control of inflationary pressures has been one of the key objectives of economic policy in recent years, and was pursued in 1967 with varying degrees of success. Some countries made further headway, while others experienced grave setbacks.

From the standpoint of sectoral development, two main trends are discernible in 1967: a considerable increase in agricultural activity and a marked loss of dynamism in the manufacturing sector. Both agriculture and mining—including the extraction of petroleum—grew at an average annual rate of a little more than 4 per cent in 1960–65, levelled off in 1966 and picked up again in 1967, when their growth rates were 5.6 and 5.4 per cent, respectively. In industry, on the other hand, this trend was reversed: the average annual growth rate of 5.7 per cent recorded in 1960–65 rose to 6.3 per cent in 1966 and—mainly because of the evolution of this sector in Argentina and Brazil—dropped to 3.2 per cent in 1967. In construction, the rate of 6.4 per cent achieved in 1967, although lower than the 9.5 per cent reached in 1966, compares favourably with the average annual rate of 2.4 per cent in 1960–65. In services, where the rate of expansion was 4.2 per cent, there were no significant changes in relation to the previous five-year period (see table 2).

Although several of the component features of this over-all picture differ from the characteristics of economic development in 1966, if a broader view is taken the same basic facts are still in evidence, and are reflected in the lack of drive behind the Latin American economy's efforts to increase employment and productivity. This weakness is imputable both to internal factors and to the rigid pattern of the region's external

trade and financial relationships (see table 3).

The internal factors include the region's failure to make real progress in increasing the rate of capital formation. Few changes took place in the proportion of the domestic product earmarked for the expansion of production capacity, and it remained at levels too low to promote more rapid growth. During the current decade, the shares of the public and private sector in total investment have altered significantly, generally in the direction of a somewhat bigger increase in public investment; and the composition of investment financing by domestic saving and foreign capital has also undergone modification. Generally speaking, up to 1965 at least, net external financing tended to move downward from the relatively high levels at which it had stood in 1961–63. But the effect of these variations has been mainly compensatory, resulting in changes in the composition of investment (according to whether it is channelled through the public sector or the private sectors) and in its financing (by domestic saving or external co-operation), rather than in real increases in the over-all investment coefficient (see table 4).

These general features of recent development stem from a wide variety of situations in the individual countries. These will be reviewed separately in part two of the present *Survey*; but it seems useful to mention some of the most important data in advance in order to facilitate an over-all evaluation.

(b) *Economic growth by countries*

The growth rates of the total product by countries in 1966 and 1967 are presented in table 5.

In the case of *Argentina*, the gross domestic product, after remaining stationary in 1966, increased by about 2 per cent in 1967. The chief

Table 2. Latin America: annual growth rates of gross domestic product, by sectors of economic activity, 1960–67

Sector	1960–65	1966	1967 ^a	Percentage composition	
				1960	1967 ^a
Agriculture, forestry and fisheries	4.2	0.5	5.6	22.0	21.1
Mining and quarrying	4.3	0.3	5.4	5.1	4.9
Manufacturing	5.7	6.3	3.2	21.7	23.1
Construction	2.4	9.5	6.4	3.4	3.3
Electricity, gas and water	8.9	10.4	7.3	1.4	1.9
Services	4.3	4.4	4.2	46.4	45.7
Transport and communications	5.2	4.1	3.0	6.4	6.5
Commerce and finance	4.7	4.8	4.9	18.0	18.3
Public administration and defence	3.0	3.1	2.8	7.1	6.4
Other services	4.0	4.6	4.4	14.8	14.4
Over-all rate	4.6	4.1	4.4	100.0	100.0

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

Table 3. Latin America^a: aggregate supply and demand, 1960-67
(Millions of dollars at 1960 prices)

	1960	1961	1962	1963	1964	1965	1966	1967 ^b
Aggregate supply	86,792	91,174	94,429	96,214	102,365	107,230	112,124	116,970
Gross domestic product	77,479	81,603	84,643	86,661	92,076	96,959	100,885	105,324
Imports of goods and services	9,313	9,571	9,786	9,553	10,289	10,271	11,239	11,646
Growth rate		5.0	3.6	1.9	6.4	4.8	4.6	4.3
Aggregate demand	86,792	91,174	94,429	96,214	102,365	107,230	112,124	116,970
Exports of goods and services	9,461	9,770	10,643	11,008	11,315	12,033	12,388	12,724
Total consumption	63,309	66,261	68,835	70,780	75,129	78,933	82,651	86,178
General government	8,265	8,719	9,075	9,572	9,644	9,439	9,461	9,772
Private	55,044	78,542	79,760	61,208	65,485	69,494	73,190	76,406
Total investment	14,022	15,143	14,951	14,426	15,921	16,264	17,085	18,068

SOURCE: ECLA, on the basis of official statistics.

Trinidad and Tobago.

^a Excluding Barbados, Cuba, Guyana, Jamaica, and

^b Preliminary figures.

Table 4. Latin America: evolution of investment coefficients and financing, 1960-67
(Percentages)

Year	Over-all investment coefficient ^a	Composition of investment ^b		Composition of saving	
		Public	Private	Domestic	Foreign
1960	18.1	31.7	68.3	91.9	8.1
1961	18.6	29.2	70.8	91.7	8.3
1962	17.7	29.7	70.3	91.8	8.2
1963	16.6	30.6	69.4	97.5	2.5
1964	17.3	34.1	65.9	95.6	4.4
1965	16.8	36.2	63.8	97.5	2.5
1966	16.9	35.2	64.8	94.0	6.0
1967	17.2	34.8	65.2	91.7	8.3

SOURCE: ECLA, on the basis of official statistics.

^a Gross domestic investment as a percentage of total product.

^b Gross fixed investment.

Table 5. Latin America: estimated growth rates of aggregate gross domestic product, 1966 and 1967
(Percentages)

Country	1966	1967
Argentina	-0.5	2.0
Barbados	3.3	1.3
Bolivia	6.4	5.6
Brazil	4.4	5.0
Chile	6.6	2.8
Colombia	5.3	4.2
Costa Rica	6.5	8.3
Dominican Republic	12.2	2.9
Ecuador	5.6	6.0
El Salvador	5.7	3.4
Guatemala	4.5	3.4
Guyana	7.4	3.7
Haiti	-2.6	0.0
Honduras	4.7	3.5
Jamaica	5.6	3.0
Mexico	7.1	6.3
Nicaragua	3.8	3.8
Panama	9.3	8.5
Paraguay	1.7	5.3
Peru	5.6	5.3
Trinidad and Tobago	2.9	3.3
Uruguay	2.6	-5.0
Venezuela	3.4	6.0

SOURCE: ECLA, on the basis of official statistics.

determining factors were the increases in gross domestic investment (5.3 per cent) and in agricultural production (5.9 per cent); the relative stagnation of manufacturing output; a moderate expansion of over-all consumption; and a rise of 27 per cent in the cost-of-living index. Exports of goods contracted by 6.8 per cent, and imports remained at levels comparable to those of 1966, with the result that the trade balance worked out at about 365 million dollars (as against 469 million in 1966) and the surplus on current account, although less than in the preceding year, was about 180 million dollars; in addition, international reserves were considerably strengthened, reaching 754 million dollars by the end of 1967. Public sector trends were distinguished by an increase of 23 per cent (in real terms) in the tax revenue accruing to the Government, and a 40 per cent reduction of the public sector deficit. In the course of the year, a reorientation of economic policy led to the adoption of exchange, tax and tariff measures; among others, the currency was devalued by 40 per cent, a tax was levied on traditional exports, and import duties were reduced.

The domestic product of *Barbados*, measured

at current prices, increased by 5 per cent (about 1.3 per cent in real terms). Sugar exports, which represent about half the total, rose again as a result of an increase in the volume of production, which rose to about 200,000 tons. However, imports grew even more rapidly, and this accentuated the trade deficit, which is covered mainly by receipts from tourism and remittances of emigrants.

In *Bolivia*, the annual economic growth rate of 5 to 6 per cent maintained since the beginning of the decade continued in 1967. Its significance in terms of real income, however, was less than in previous years, owing to the decline in tin prices. Sectoral developments show a contraction of agricultural output, due to adverse weather conditions, an expansion in manufacturing industry and an even greater increase in construction. In the external sector, the drop in tin prices was more than offset by the upsurge of petroleum exports. Although imports rose more slowly, the balance-of-payments deficit on current account was larger than in the previous year owing to remittances of profits by foreign firms. The deficit was covered by means of larger inflows of foreign capital, official transfer payments and drawings on international reserves.

The economic growth rate in *Brazil* was about 5 per cent, mainly based on a substantial increase in agricultural output and relative stagnation in industry. There was also a sharp reduction in the rate of price increases—the cost-of-living index rose 17.5 per cent as against 30.8 per cent in 1966—a considerable increase in the deficit on current account and a deterioration in the financial situation of the public sector. The economic policy adopted involved a somewhat new approach to anti-inflationary strategy, combined with a more expansionist monetary policy and greater emphasis on the need to boost economic activity. Exports of goods dropped 6.4 per cent, with the result that current external transactions showed a deficit of 310 million dollars.

The over-all growth rate of the *Central American* economy was 4.3 per cent. This represents a reduction for the second year running in the rate that prevailed during the first five years of the decade. Moreover, if Costa Rica is excluded, where the growth rate was 8.3 per cent, the level drops to 3.5 per cent in the other four countries. The decline in output of cotton and coffee in the 1966/67 crop year and the fall in coffee prices resulted in a reduction of more than 6 per cent in the value of Central American sales of goods outside the area. Costa Rica was the only Central American country to enjoy good weather conditions, and this brought about an

increase in agricultural production for the third successive year. Intra-area trade maintained a high rate of growth, thus helping to attenuate the depressive effects of the general weakening in the external sector. Manufacturing in Central America as a whole grew 8 per cent under the stimulus of a rise in demand and import substitution, while agricultural production increased by 2.7 per cent. Gross investment expanded by nearly 6 per cent, compared with 8.1 per cent in 1966 and 10 per cent in 1965. This reflects the contraction in building activities in some countries and the reduction of investment in the cotton sector. Public investment also declined in El Salvador and Nicaragua.

In *Colombia*, the gross domestic product increased nearly 4 per cent, side by side with the reduction of foreign trade imbalances, the improvement of public finances and the containment of inflationary pressures. Current income from exports of goods and services was nearly 10 per cent higher than in 1966, owing to the increase in the volume of coffee exports which, while offsetting the drop in coffee prices, was not sufficient to bring their level up to those of 1964 and 1965. At the same time there was a 25 per cent reduction in imports. A new exchange law was promulgated, which established two types of markets—one for exchange certificates and one for capital—in an attempt to avoid an abrupt devaluation. The tax reform helped to boost public revenue by 15 per cent, and public expenditure increased by the same amount, with a marked shift in favour of investment outlays. Prices rose by 7 per cent as against 14 per cent in the previous year.

The *Chilean* economy grew at an over-all rate of 2.8 per cent, with 2 per cent for manufacturing and 3.1 per cent for agriculture. The weakening in the growth rate of industrial output indicates a loss of buoyancy in domestic demand, which was accentuated by earlier stockpiling and the repercussions of protracted labour disputes. Exports remained at much the same level as before. Domestic demand brought about a further expansion of imports, although on a smaller scale than in previous years. This, combined with larger remittances of profits by foreign firms, increased the deficit on current account, which had to be covered by drawing 45 million dollars from the international reserves as the inflow of autonomous and compensatory capital was not sufficient to balance the account. Moreover, the cost-of-living index, which had risen 17 per cent in 1966, climbed by 21.9 per cent in 1967.

The reactivation of the external sector and the expansion of public-sector activities were salient

features of *Ecuador's* economic development. The gross domestic product increased by approximately 6 per cent, and industry, which had recovered from its relative setback in 1966, did so at an ever higher rate. Agriculture and mining also showed positive results. Current income from exports of goods and services rose from 205 to 230 million dollars, while imports, encouraged by the relaxation of restrictions, expanded on a par with exports, thereby producing a deficit on current account. However, capital inflows not only wiped this out, but also augmented Ecuador's foreign exchange reserves. In addition, there was a significant improvement in public finances which, coupled with increased use of external credits, raised the level of public investment by 14 per cent.

The economy of *Guyana* grew at a moderate pace in 1967, which in some degree reflected the end of the process of recovery that had taken place in preceding years. During that period the gross product had increased by about 6.5 per cent, as a result of the expansion in the public sector and construction and the simultaneous increase in production of bauxite, manganese, sugar and rice—Guyana's four export staples.

In 1967, the *Haitian* economy continued the downward trend that it had taken for some years, with the result that the over-all product was lower than it had been for the past five years. Output of sugar-cane and maize declined, and a contraction took place in mining and industry. Government revenue, which is mainly from customs duties, dropped by 4 per cent owing to the reduction of imports and stagnation of exports, whereas public expenditure increased by 15 per cent. The deficit on current account led to a further decline in international reserves, in spite of a compensatory loan from the International Monetary Fund (IMF).

The growth rate of the *Jamaican* economy was about 3 per cent, i.e., lower than in the previous three-year period. The reduction was caused by the decrease in agricultural output for export, and the completion of projects to increase bauxite and alumina production capacity. With their termination, there was a decline in private foreign investment, coupled with a contraction in domestic saving, which was reflected in a drop in construction activities, a reduction in the area under sugar-cane and an interruption in the mechanization of farming. In the external sector exports of goods fell off, while imports continued to increase, but part of the deficit on current account was covered by receipts from tourism. However, the inflow of capital proved insufficient to offset the remainder and international reserves had to be drawn upon as well.

In 1967, the *Mexican* economy grew at a rate of over 6 per cent. Domestic investment, both public and private, played a leading part in its development, together with increased capital formation in the decentralized agencies and a high rate of construction for the tourist trade, commerce and manufacturing. The agricultural sector expanded by just under 3 per cent, while industry increased at the rate of 8 per cent. The growth of investment made it necessary to step up imports of machinery and equipment considerably. This raised the total value of imports by 9 per cent, whereas export earnings from goods and services increased hardly at all. A marked increase in the inflow of both private and official external capital made it possible to cover the deficit on current account, service the external debt and strengthen gross international reserves.

The economy of *Panama* grew by 8.1 per cent, thereby maintaining the high growth rate that has characterized it during the nineteen-sixties. External sector trends were again a contributory factor, since exports of goods and services expanded by 9 per cent and imports by 6 per cent. Agriculture and industry also made good progress, with growth rates of 6 and 11 per cent respectively, while public investment virtually doubled.

The *Paraguayan* economy re-established the moderate rate of growth it had achieved in earlier years, thanks to the improvement in the adverse weather conditions that had reduced agricultural production in 1966. It was also aided by the 8 per cent increment in industrial and mining production under the stimulus of new lines of activity, such as petroleum refining and food canning. Exports fell short of their 1965 level for the second year in succession, while imports rose. The deficit of 20 million dollars on current account was mainly covered by external credits, in particular the loans given to finance the Acaray hydroelectric plant. There was a heavy fiscal deficit in contrast to the surplus of the preceding year.

The economy of *Peru* expanded at a rate of about 5 per cent, and was characterized by satisfactory development in the main sectors of domestic activity contrasted with highly unfavourable external sector trends. Exports failed to improve over the previous year owing to the drop in world market prices for certain products. Meanwhile, there was a heavier demand for imports, spurred on by the maintenance of the exchange rate at the same level for eight years. This led to a 45 per cent devaluation at the beginning of September, which helped to check the rise in imports. Remittances of profits and

interest were substantial and the net inflow of autonomous capital dwindled. Consequently it became necessary to draw nearly 50 million dollars from international reserves.

After its decline in 1965 and recovery in the following year, the economy of the *Dominican Republic* resumed a slow rate of growth in 1967, reaching an absolute level comparable to that of 1964. The gross domestic product increased by about 3 per cent, with agricultural output remaining static while industry expanded appreciably. There was a 12 per cent expansion in exports (mainly sugar and cocoa) despite the decline in coffee sales. Imports rose by only 6 per cent, as suppliers' credit was tightened up and new taxes were levied on imports of certain food products.

The economic growth rate in *Trinidad and Tobago* was just over 3 per cent, thus maintaining the same moderate tempo as in past years despite the relatively unfavourable evolution of the external sector. Exports of goods and services increased as little as 2 per cent, with decreases in cane-sugar and cocoa, offset by larger sales of coffee and petrochemical products. Imports declined, mainly because of a reduction in purchases of crude petroleum for refining. Domestic production made good progress, with an increase of 13 per cent in petroleum extraction and a particularly substantial increment in agricultural output for the home market. Manufacturing also expanded considerably, thanks to the vigorous development of the petrochemical and certain light industries.

The economy of *Uruguay*, which had tended to be static for many years, took a turn for the worse in 1967 with the sharp decline in agricultural production and exports, the reduction in the real income of the bulk of the population and the deficit in public sector financing. The result was a decrease of about 5 per cent in the gross domestic product and a rise of 136 per cent in prices. Particularly bad weather conditions reduced crop production by 24 per cent and livestock production by 13 per cent. This affected export income, which dropped 12 per cent, in spite of the increase in receipts from tourism. Imports were slightly higher than in 1966, but fell short of their 1964 level and were not sufficient to make up for the shortage of domestic supplies. The Central Government deficit was 23 per cent of total expenditure. Moreover, a series of devaluations took place, which raised the value of the dollar from 76.20 pesos in March to 200 pesos by the end of the year.

In *Venezuela*, the domestic product increased by 6 per cent, as a result of the expansion of

petroleum, agricultural and industrial production. Petroleum output rose 5 per cent, and agricultural output by 6 per cent. The growth rate of industry, although fairly high (6.7 per cent), was lower than in previous years. In the external sector, exports climbed by 5 per cent and imports by 6 per cent. International reserves also rose, reaching 870 million dollars by the end of the year.

(c) *Economic growth and internal disequilibria*

A country-by-country study of recent trends shows that besides endeavouring to speed up the growth of the domestic economy and cope with the vicissitudes of foreign trade, several countries of the region had to make renewed efforts to curb inflationary pressures. The strength of these pressures, measured in terms of changes in cost-of-living indexes, varied widely from one country to another, as did the degree of success with which anti-inflationary policies were applied (see table 6 and figure II).

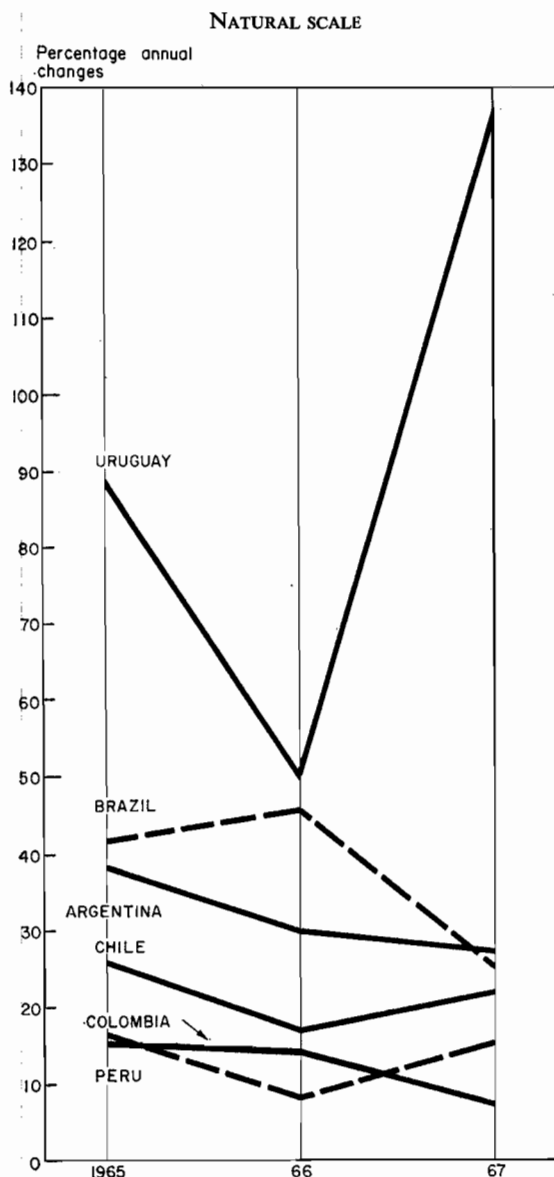
Table 6. Latin America: domestic price trends in selected countries, 1965-67
(Annual percentage variations)

Country	1960-65	1966	1967
Argentina . . .	23	30	27
Brazil . . .	62	46	26
Chile . . .	27	17	22
Colombia . . .	13	14	7
Peru . . .	9	8	15
Uruguay . . .	29	50	136

SOURCE: ECLA, on the basis of official statistics.

Once again the highest indexes were shown by Argentina, Brazil, Chile and Uruguay, but their significance is different in each case if they are viewed in the light of previous trends. In Argentina, prices increased at a lower rate than in the previous year (27 per cent, as against 30 per cent in 1966); these indexes were higher than the average for 1960-65 (23 per cent), but lower than the 1955-60 average (37 per cent). In Brazil, the increase of 26 per cent in 1967, was striking in comparison with the 46 per cent recorded in the preceding year, and still more so in comparison with the situation in 1960-65.

In contrast, Chile experienced a setback, since the consumer price index rose by 22 per cent as against 17 per cent in 1966, despite the fact that several increases were deferred until January 1968, when they pushed up the index by 5.6 per cent. However, these figures still represent a measure of headway in relation to earlier periods (1960-65 and 1955-60, when the average annual increases were 27 per cent and 32 per cent,

Figure II. Latin America: annual percentage variation in domestic prices in selected countries

respectively). In Uruguay, the rate of inflation, which had been gathering speed for several years, had reached its peak in 1965. It dropped in 1966, to about 50 per cent, but subsequently the inflationary pressures were intensified to such a pitch that in 1967 the increase in internal price levels reached the unprecedented figure of 136 per cent (estimated on the basis of the December-to-December index variations in each case).

The group of countries where the inflationary process is or in recent years has been less rapid—which includes Bolivia, Colombia, Paraguay and

Peru—showed varying results in 1967. In Bolivia prices increased slightly faster (by 8 per cent, as against 7 per cent in 1966). Colombia succeeded in appreciably reducing the rate of inflation, which fell from 14 per cent in 1966 to 7 per cent in 1967. Prices in Paraguay remained almost stationary in 1967; in Peru, on the other hand, the inflationary process quickened its pace, since the price increase was about 15 per cent, whereas it had fluctuated between 8 and 9 per cent in previous periods.

Other countries maintained the virtual price stability by which they are characterized. Thus, in Costa Rica, Ecuador, Honduras, Nicaragua and Mexico, rates of increase still fluctuated between 2 and 4 per cent, and stability was practically restored in the Dominican Republic after the 8 per cent increase recorded in 1966.

Within this over-all picture, attention should be drawn to the special cases of Argentina, Brazil, Chile and Uruguay, where the rapid rate of inflation constitutes one of the curious and even paradoxical features of Latin America's development process in recent years.

This is a group of countries in which conditions are highly favourable for the consolidation and acceleration of their development. Their previous evolution, their relative income levels, the wealth and diversity of their basic resources, the size and characteristics of their domestic market, and their institutional and administrative organization are all factors which, separately or in the aggregate, afford good grounds for this assumption. Nevertheless, in a greater or a lesser degree, they have all found it very difficult to maintain satisfactory growth rates, while at the same time they have suffered relatively acute inflationary disequilibria.

If the period 1960–66 is considered, for example, it will be seen that while the gross product of the region increased at an annual rate of 4.3 per cent, not one of the countries in question attained this rate of growth. Only Chile approached it, with an average rate of 4 per cent, and this was due to the pace of development in 1965–66, which slackened in 1967. In the other countries, the corresponding growth rates were 3.8 per cent in Brazil, 2.6 per cent in Argentina and 1.2 per cent in Uruguay. In 1967, Brazil alone succeeded in outstripping the average rate; Chile, on the other hand, lagged behind the region as a whole, and so did Argentina. A serious recession in Uruguay reduced its gross product.

On the other hand, the four countries in question recorded the highest rates of inflation in the region during that period, and the position was the same in 1967, with the individual variations indicated above.

All this points to the existence of a vicious circle formed by the stagnation of development and the acceleration of the inflationary process, although it would be difficult to define the causal relationship between the two. In other words, it seems just as reasonable to contend that the inadequacy of the growth rates is one of the causes of increased inflation as to maintain that it is one of the effects. A point which must not be overlooked, however, is that both phenomena are also partly imputable to other circumstances, so that a fairly rapid rate of economic development has sometimes been combined with a stepping-up of inflationary pressures, or, again, relative stability has been maintained despite a sluggish growth rate.

(d) *Internal growth and trends in foreign trade*

The development of Latin America continues to encounter structural obstacles in the external sector, and one of the points brought to light in a country-by-country analysis of recent growth is the powerful short-term influence exerted by external-sector trends, and the marked extent to which it is responsible for variations in the behaviour pattern of the national economies from one year to another.

In 1967, for the first time in the present decade, the current value of exports of goods

showed a slight decrease in relation to the previous year, reaching about 10,660 million dollars. As, in general, the volume of sales increased, this result was determined by the adverse evolution of prices, particularly of coffee, metals, wool, and fish meal. If Venezuela is excluded, the value of exports from the region will be seen to have decreased by nearly 2.6 per cent, mainly because of the deterioration of sales by Argentina, Brazil and Mexico. Exports also declined in Guatemala and Uruguay, and remained at the same level in Honduras, Nicaragua, Paraguay and Peru, while they rose in Bolivia, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador and Panama, in addition to Venezuela, and on a somewhat smaller scale in El Salvador and Haiti. In at least four of these countries, however, the increase in exports represented merely a recovery of former levels which had declined in 1966 (see table 7).

In contrast with the evolution of exports, Latin America's imports of goods (in f.o.b. terms) rose by 4 per cent in 1967, reaching a value of 9,300 million dollars. This increase occurred in all the countries except Colombia, where purchases declined, and Argentina, Haiti and Peru, where there was no change. Colombia had made heavy purchases in 1966, before imposing

Table 7. Latin America: external sector trends, 1966-67
(Millions of dollars at current prices)

Country	Exports of goods and services		Imports of goods and services	
	1966	1967	1966	1967
Argentina	1,784.0	1,695.0	1,376.0	1,376.0
Barbados	57.2	...	77.1	...
Bolivia	142.0	159.3	174.2	190.1
Brazil	1,875.0	1,775.0	1,703.0	1,830.0
Chile	987.5	1,000.0	890.9	955.7
Colombia	662.0	694.0	852.6	675.0
Costa Rica	165.9	178.2	200.2	212.1
Dominican Republic	160.4	180.0	216.1	229.3
Ecuador	204.8	231.5	200.4	226.2
El Salvador	209.7	214.3	252.6	266.3
Guatemala	257.9	230.4	262.6	285.6
Guyana	126.3	136.2	140.2	153.2
Haiti	42.4	42.8	60.5	60.4
Honduras	158.8	161.2	164.6	167.1
Jamaica	383.9	384.2	435.2	460.5
Mexico	2,142.0	2,204.0	2,121.0	2,331.0
Nicaragua	170.9	171.8	211.4	232.0
Panama	256.5	279.5	271.9	289.3
Paraguay	63.4	65.4	74.5	84.0
Peru	891.6	896.5	964.2	967.4
Trinidad and Tobago	503.5	499.7	489.3	457.8
Uruguay	246.1	216.7	190.3	193.6
Venezuela	2,441.0	2,563.0	1,715.0	1,824.0

SOURCE: ECLA, on the basis of official statistics.

the stringent controls that accompanied its currency devaluation.

Although due weight must be attached to these largely unfavourable foreign trade trends in 1967, it is important to note that over the recent period as a whole the external sector's contribution to the Latin American economy has been satisfactory in the main. In several countries, external transactions have regained levels comparable or close to the highest reached in earlier periods, and in others, current income from exports has soared to unprecedented figures.

In the light of this experience, it seems appropriate to look into the nature of the present relationship between the growth rate of the domestic product and the vicissitudes of foreign trade. This, however, is a subject which lends itself less than others to generalizations regarding Latin America as a whole, and it can be dealt with best on the hypothesis that this relationship will be different for at least two groups of countries whose situations differ.

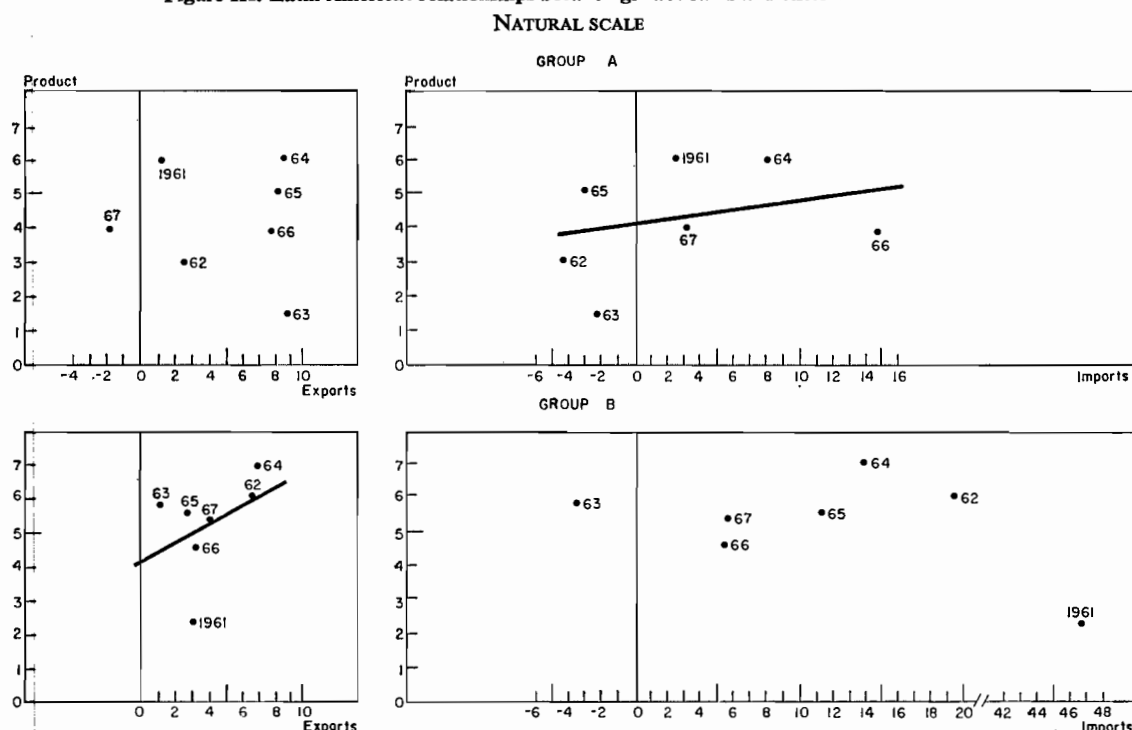
In countries whose main exports are agricultural commodities and whose agricultural sector accounts for a very substantial share of the domestic product, and whose external sector is large in proportion to the domestic economy

as a whole, there is a manifest correlation between the growth rate of their product and the sharpness of the fluctuations in their export trade. Broadly speaking, these are the countries at a relatively less advanced stage of economic development. Most of them, in addition, show steady increases in the current value of their external sales.

The position is different in other countries where foreign trade carries relatively less weight in the domestic economy and where export fluctuations have a much less direct impact on levels of economic activity. In these cases there is little correlation between economic growth and exports, but there is a closer relationship between growth and changes in imports, upon which the domestic economy is usually dependent for supplies of inputs essential to its operation (most capital goods, and in some instances goods of great importance for the satisfaction of consumer demand).

In general, the data presented in figure III seem to bear out these assumptions. In other words, they imply that in the study of external circumstances a distinction should be drawn between those relating to the influence and evolution of exports as a component of aggregate

Figure III. Latin America: relationships between growth rates and external transactions



NOTE: GROUP A: Argentina, Brazil, Chile, Colombia, Mexico and Uruguay
GROUP B: Latin America, excluding Argentina, Brazil, Chile, Colombia, Mexico and Uruguay

demand, and those linked to the significance of imports as a part of aggregate supply and, specifically, as the sources of the foreign adjuncts required to complement the domestic economy.

In economies where the greater relative significance attaches to import problems, export trends are only one factor, in view of the decisive role that may be played by other determinants of the real capacity to import, such as the commitments deriving from external indebtedness and remittances of profits of foreign enterprises, or, the net inflow of foreign capital.

Accordingly, further reference to the economies of the southern zone of South America seems opportune here. As far as they are concerned, it may be justifiable to assume that exports play a relatively secondary part in the growth of aggregate demand. As a smaller percentage of total production is exported, increases or decreases in exports have no decisive effect on the dynamics of development. In Argentina and Brazil, for example, the proportions of the domestic product represented by exports are 12 and 7 per cent, respectively; in Chile and Uruguay, which are smaller countries with a smaller degree of structural diversification, the corresponding proportions are approximately 13 and 20 per cent.

At all events, a brief reminder should be given of the role played by exports as a factor in aggregate demand during the period under review. Generally speaking, the balance was as follows. In Argentina, exports developed favourably between 1961 and 1966, but contracted slightly in 1967; the same trend is observable in Brazil, where, however, it was more marked. In Chile and Uruguay, on the other hand, the reverse was the case. Thanks to the boom in copper, the value of Chile's exports soared between 1963 and 1966, and remained at a high level in 1967. In Uruguay's case, a moderate growth rate between 1962 and 1965 was superseded by a sharp downward trend from the latter year onwards.

The situation looks very different when the role of the external sector is evaluated on the import side. Although in this case too, for the group of countries as a whole, the proportion of total available goods and services represented by those of foreign origin is relatively low, they are of strategic importance inasmuch as the expansion of the economic system and the satisfaction of certain consumer needs may be strictly dependent upon these imported components of supply. In quantitative terms, specific foreign goods may be of little significance, but from the qualitative standpoint they may constitute key

factors in the expansion prospects of the national economy or of domestic consumption.

Import trends in Argentina and Uruguay were unfavourable on the whole. The same was true of Brazil up to 1965, and the subsequent recovery did no more than bring imports up to their 1960 level, i.e., in any event their importance in relation to the domestic product and the population diminished. The sole exception to the rule was Chile, which steadily increased its imports as from 1962, raising them to levels unheard of since the world depression.

From another angle, the experience of Chile—as well as that of several other Latin American countries—may be thought to suggest that frequently too little advantage has been taken of a relatively favourable external-sector situation to adopt supplementary measures capable of amplifying and consolidating the impetus or support given by external circumstances.

This last reflection is also borne out by the fact that recent experience, at least in some cases and over the short term, reveals a relatively broad field of manoeuvre for the adaptation of import levels to the needs of the domestic economy. Through the increase or reduction of external indebtedness, the expansion or utilization of international reserves, and other foreign trade policy measures, very different changes are often seen to take place in the annual growth pattern of exports on the one hand and imports on the other.

(e) *Some important features of balance-of-payments trends*

Just as the stagnation of exports was a salient feature of the evolution of the economy in 1967, so were certain changes in the balance of payments, which produced a radically different situation from that of the immediately preceding years.

These changes originated in the disparity between export and import trends, which considerably reduced the surplus on merchandise account. In 1963–65, this surplus had, on the contrary, been progressively increased, with the result that various countries had been able to meet their external debt commitments and improve the position of their gross international reserves.

Apart from the reduction in the surplus in 1967, higher payments of profits and interest on foreign capital had to be made abroad. Added to the net payments for services (transport, insurance, travel, etc.), these brought the deficit on current account up to about 1,600 million dollars, which is considerably higher than the

total of 1,100 million for 1966 and the annual average of 500 million for 1963-65.

The counterpart to the increase in the deficit on current account, which, moreover, occurred for the second year running, was an increase in net external financing. Together with a larger inflow of autonomous capital, this was sufficient not only to cover the deficit but to produce a surplus of around 500 million dollars before compensatory financing thus improving the net position of the monetary authorities. Net inflows of external autonomous and compensatory capital in 1967 probably amounted to more than 2,000 million dollars, which is the highest level reached since 1957.

The additional inflow was made up almost entirely of autonomous capital, since the net contribution of compensatory capital remained negative, as a result of the policy applied by the monetary authorities of certain countries to improve their position. Mention should be made of the increase in non-compensatory loans and direct foreign investment, which formed part of the autonomous capital inflow, and were also higher than at any other time in the last ten years.

Regarded as a whole, the net inflow of foreign capital exceeded payments of profits and interest on the capital up to 1962, thereby helping to expand the capacity to import; but from 1963 onwards, with the sole exception of 1964, external payments outstripped the net inflow of funds in every year, and external purchasing power was reduced to some 820 million dollars by 1965. With the revival of the net inflow of foreign capital in the last few years, the balance dropped to approximately 350 million dollars in 1966, and was probably either wiped out or reduced to a mere fraction in 1967.

Because of its influence on recent external sector trends, and, above all, its predictable effects over the next few years, mention should be made of the rapid increase in service payments on the external public debt. The increase is mainly attributable to the excessive medium-term borrowing to which the Latin American economies have had to resort, and the steady rise in rates of interest and other loan costs.

The first of these factors has a good deal to do with the composition of the external public debt by creditors. At the end of 1966, the debt to the external private sector represented only 38 per cent of the total (excluding disbursements payable), but it accounted for 73 per cent of service payments. Hence Latin America's efforts to reduce its debts of this type and obtain instead longer-term loans such as are usually offered by official external sources.

The second determinant of heavier service payments was the steadily increasing cost of foreign loans, whether from the private or from the public sector. Since 1965, basic rates of interest on the international private capital market have been subject to pressures which have pushed them sharply upwards. Whereas in 1960 the real rate of interest on loans obtained by Latin America from the external banking sector was 6.5 per cent, in more recent operations it has been as much as 8 per cent.

In the case of the International Bank for Reconstruction and Development (IBRD), the rate of interest on credits to Latin America was 5.75 per cent between 1960 and 1962, and it decreased to 5.5 per cent in 1963-65; thereafter, the higher rates of interest which IBRD had to pay on its own bonds forced it to raise the interest on loans to 6 per cent in 1966 and to 6.5 per cent in 1967. Similar fluctuations took place in the rate of interest charged by the Inter-American Development Bank (IDB), which in 1967 increased to 7.75 per cent on loans to the Latin American private sector (including the Bank's commission).

As regards official loans from the United States Government, the rate charged by the Agency for International Development (AID) dropped from 5.5 per cent in 1960 to 0.75 per cent in 1963, but thenceforward it climbed again to 1 per cent for the grace period and to 2.5 per cent for the amortization period. While the Export-Import Bank (EXIMBANK) has not altered its rate of interest to the same extent as the foregoing institutions, its interest rate has increased by 0.5 per cent since 1966.

The bulk of the interest payments made in 1966 and 1967 correspond to credits obtained some years earlier, when the rates referred to above stood at low levels or had actually declined. Accordingly, from the standpoint of the effect of external debt servicing on the balance of payments and on the capacity to import, the impact of the rise in rates will be more widely felt during the next two or three years, when interest starts to be payable on loans contracted since 1965.

2. LATIN AMERICA AND THE WORLD ECONOMY

(a) *Recent world economic trends*

The foregoing considerations illustrate the effects that the stagnation of export earnings has had on the region's rate of economic growth. This stagnation was largely determined by the loss of momentum in the world economy and, in particular, by the downturn in the indexes of industrial production, disregarding for the time

being industry in the centrally planned economies. As a result, the rate of growth of world trade also declined and was only 7 per cent in the first half of 1967, compared with 11 per cent for the same period in 1966.

In the United States, the first half of the year marked a distinct slackening in the growth of the domestic product, and the results for the whole of 1967 represented a proportionately slower expansion than in earlier periods. The main determinant of this weakening was investment, which reverted practically to the 1965 levels, while there was a steady rise in personal consumption and government purchases, especially of military equipment. These trends affected foreign trade, so that imports in the first three-quarters of 1967 remained at the same level as in the last quarter of 1966. Moreover, the balance-of-payments deficit rose sharply in the second half of the year, and provisional estimates put it at 3,500 million dollars for the whole of 1967, or almost three times the figure for the two previous years.

A less vigorous growth of industrial production and foreign trade was also observable in other countries which represent important markets for Latin America, particularly the members of the European Economic Community (EEC)—except Italy—and Canada and the United Kingdom.

In Canada, the slackening in the economic growth rate did not affect imports to the same extent as in the United States; but even so the rate was lower than in the previous year. In Western Europe, industrial output remained static during the first half of the year, and in the second quarter this caused a slight contraction in the total volume of imports. At first, the decline was more pronounced in the countries of the European Economic Community, but later it spread to the members of the European Free Trade Association (EFTA), except the United Kingdom (where the purchases which had been deferred until the import tax was removed at the end of 1966 had a countervailing effect). In addition, there was a further drop, sharper than before, in Latin America's share of Western Europe's imports.

In contrast, Japan maintained its rates of economic growth and expansion of imports, while there was no great change in Latin America's share of its external purchases.

The socialist countries in Europe also maintained their high rates of expansion in industry and trade. During 1967 new opportunities were created for trade between Latin America and this group of countries, through agreements concluded by Brazil and Chile with the USSR, under

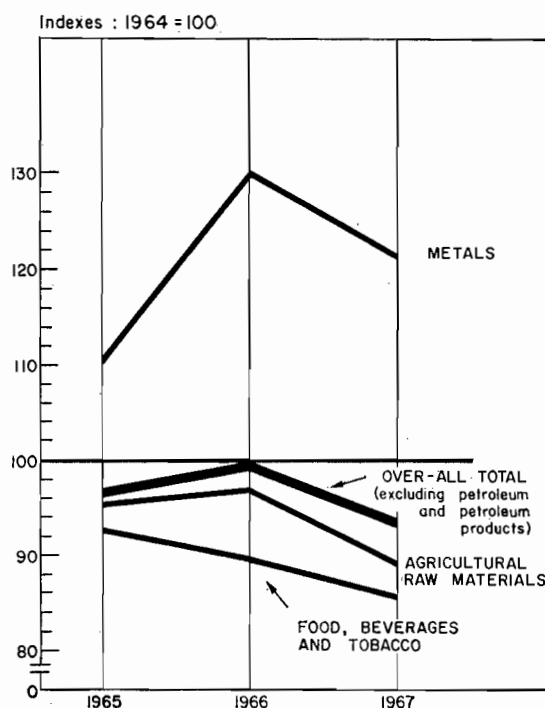
which the latter has undertaken to deliver machinery against repayment in local products (manufactures and semi-manufactures). On the other hand, there was a reduction in sales of other products which in the previous year had represented appreciable values for some countries of the region; consequently, Latin America's total exports to the socialist area diminished in 1967.

(b) *World market conditions for commodity exports*

Together with the loss of momentum in the world economy, in 1967 there was an accentuation of long-standing problems in world trade that have been affecting Latin America's major commodity exports.

During that year, these problems mainly took the form of adverse price trends (see figure IV).

Figure IV. Latin America: prices of staple export products
NATURAL SCALE



World market prices dropped, on the average, about 6 per cent for products of special importance to Latin America, such as coffee, beef, wool, fish meal, copper, tin, lead and zinc, and petroleum prices continued to fall although at a slower rate (see table 8).

The fall in coffee prices was partly due to the persistence of the wide gap between supply and

Table 8. Latin America: prices and price indexes of some of the major export products, 1963-67

	Prices					Prices indexes (1963 = 100)				
	1963	1964	1965	1966	1967	1964	1965	1966	1967	
Food, beverages and tobacco										
Tropical zone products										
Sugar (free market) ^a						107.4	99.3	96.2	91.7	
(United States market) ^a						107.0	96.6	93.3	88.5	
Bananas ^b						69.3	24.9	21.9	24.4	
Cocoa (Bahia) ^a	8.50	3.89	2.42	1.86	2.08	84.4	82.5	85.4	89.1	
Cocoa (Santos 4) ^a	8.18	6.90	6.75	6.99	7.29	90.2	96.4	92.0	93.2	
Coffee (Manizales) ^a	589	531	568	542	549	87.2	63.8	86.8	99.2	
Temperate zone products						137.0	131.1	119.6	110.9	
Beef ^c	26.5	23.1	16.9	23.0	26.3	123.2	122.5	119.7	106.1	
Wheat (Argentina) ^d	34.1	46.7	44.7	40.8	37.8	109.6	114.9	112.3	109.2	
	39.6	48.8	48.5	47.4	42.0	118.8	130.4	122.1	118.1	
	27.6	32.8	36.0	33.7	32.6	103.1	96.5	100.0	103.4	
	26.2 ^e	27.0 ^e	25.3	26.2 ^e	27.1	105.5	100.7	102.2	95.3	
Agricultural raw materials										
Cotton (Matamoros S.M.I.) ^a	29.3	29.5	28.8	28.2 ^e	30.7	100.7	98.3	96.2	104.8	
Wool (Montevideo Super) ^a	110	123	92	104	92	111.8	83.6	94.5	83.6	
(Buenos Aires 40/36) ^a	81	89	73	68	45	109.9	90.1	84.0	55.6	
Metals										
Copper (Chile) ^a	29.2	34.4	39.7	54.2	49.6	116.7	128.6	151.7	141.5	
Tin ^d	910	1,237	1,412	1,299	1,223	117.8	136.0	185.6	169.9	
Lead ^d	63.4	101.0	115.1	95.2	83.8	135.9	155.2	142.7	134.4	
Zinc ^d	76.8	117.9	113.0	102.0	100.6	159.3	181.5	150.2	132.2	
Petroleum and petroleum products ^f						153.5	147.1	132.8	131.0	
Total (excluding petroleum and petroleum products)	2.08	2.00	1.92	1.89	1.88	94.2	92.3	90.9	90.4	
General total						108.8	105.1	108.0	101.8	
						103.9	100.8	101.3	97.1	

SOURCES: Prices: ECLA, on the basis of official statistics; price indexes: United Nations, *Statistical Bulletin for Latin America*.

^a US\$ cents/lb.
^b DM/1,000 kg.

^c Pence/lb.

^d £/ton.

^e Average for less than twelve months.

^f US\$/barrel.

demand, which the International Coffee Agreement failed to bridge. Moreover, Latin America's share of world coffee trade was heavily reduced in terms of volume (from 73 per cent in 1963 to 64 per cent in 1966), owing to the increasing production of African *robustas* and the preference of importers for poorer-quality but cheaper coffee for use in manufacturing soluble coffee. The situation was further complicated by restrictions on the demand side, such as the high taxes levied on coffee by some of the chief importing countries, particularly the EEC countries and the United Kingdom.

The international sugar market continued to worsen steadily, owing, among other things, to the glut of sugar since 1964 and to the fact that no international sugar agreement was in force. Nevertheless, there has been a slight recovery in prices since the second quarter of 1967. Marketing continues to be characterized by preferential treatment for certain suppliers in the main markets.

Banana prices recovered slightly in 1967, but Latin America still has to deal with a market under the sway of restrictions and discriminatory policies imposed by some of the major importing countries.

As regards cocoa, the difficulties of negotiating an agreement prevented the United Nations Cocoa Conference, which took place at the end of 1967, from dealing with more than three of the sixteen items on its agenda.

Cotton prices shaded upwards, whereas wool prices dropped even lower. The reduction in stockpiles and the United States' new cotton policy helped to improve cotton trends, but did not, however, lessen competition from man-made fibres. Moreover, the long-term agreement on cotton goods, which has been extended to 1970, allows the importing countries to impose quantitative restrictions on their purchases abroad in certain circumstances. This has an adverse effect on world consumption of cotton, particularly as there is no equivalent treatment for products manufactured from artificial fibres. As a result of the widespread system of auctioning wool, variations in the relationship between supply and demand were immediately reflected in price changes.

Wheat prices were a little better than in 1966 and progress was made in regulating the market. The International Wheat Conference, held shortly after the middle of the year, approved a new agreement which, once it is ratified by the signatories of the Kennedy Round and the countries participating in the Conference, will replace the one that has been in force since 1962. The new agreement raises the floor and ceiling

prices for transactions between participating countries by about 12 per cent, and fixes import and export quotas. It was also decided to set up an international food aid fund, to provide 4.5 million tons of grain a year for human consumption.

Beef prices were lower than in 1966, although they rose slightly in the last few months of the year. They continued to be affected by the protectionist practices of several importing countries and the lack of a satisfactory international agreement. The agreement on frozen beef which was negotiated between Argentina and the European Economic Community during the Kennedy Round has not been ratified, because the amendments introduced by the Community were not accepted by Argentina.

Prices of fish meal have fallen steadily owing to the increase in world production and subsequent stockpiling, and the relatively low prices of substitute products.

Metal prices also dropped considerably in 1967. The United States copper strike brought 90 per cent of copper-refining to a halt and compelled the Government to draw on its strategic reserves. By the end of the year these had sunk to about 225,000 tons, or slightly over 10 per cent of the country's annual consumption. As a result, the price of copper on the United States market rose to 38.7 cents per pound in the third quarter, as against 36 cents a year earlier. Prices on the London market were, however, lower than in the previous year.

The Inter-Governmental Council of Copper-Exporting Countries—composed of Chile, the Democratic Republic of the Congo, Peru and Zambia—was set up with a view to maintaining favourable market conditions for copper. On the other hand, the expectations of increasing the proportion of refined and processed copper exports, which it was hoped that the Kennedy Round would facilitate, were not realized, since the taxes levied by the United States and Japan on semi-processed copper and by the other industrialized countries on copper products were maintained, although at lower levels.

After a period in which lead and zinc had been in short supply, the market faced the threat of over-production, and in 1966 and 1967 prices declined after two years of relative stability. Tin prices also fell below the high level they had reached in 1965. The third International Tin Agreement has been in force since 1966; it was concluded for a five-year period and is mainly concerned with raising the price levels at which the buffer stock, which is the chief device for preventing excessive price fluctuations, will enter into operation.

(c) *Recent changes in international economic policy*

Owing to the persistence of restrictive factors that have a highly adverse effect on Latin America's exports, certain international events in 1967 and the first few months of 1968 were of great significance for the region.

(i) One such event was the Kennedy Round negotiations. In general, the Latin American countries which took part in those negotiations failed to obtain satisfaction as regards their requests for the full liberalization of trade in tropical products, tariff reductions for temperate zone agricultural products and for manufactures, and elimination of the special preferences granted by the European Economic Community and the United Kingdom to particular groups of countries. Thus the results of those negotiations mainly benefited the developed countries themselves, since the bulk of the tariff reductions were granted to technically advanced and highly capital-intensive products with which the developing countries are unable to compete on export markets.

(ii) During the Kennedy Round and in other aspects of its trade and financial policies, EEC continued with its programme of liberalizing internal trade, which is to culminate on 1 July 1968 with the abolition of all customs duties on intra-regional trade and the introduction of the common tariff on imports from third countries. It is also attempting to achieve self-sufficiency in temperate zone agricultural products and to establish guarantees for exports of agricultural surpluses. The adoption of this policy led to a breakdown in the ratification of the agreement on frozen beef, which EEC and Argentina had reached during the Kennedy Round and which was later amended in such a way as to become unacceptable to Argentina. In November 1967, the EEC Council of Ministers decided to raise the domestic price of all agricultural products, save wheat, in 1968. This will mean a similar increase in the variable levy on imports from the rest of the world, the revenue from which will be used to maintain domestic prices and finance EEC exports. In certain cases, these exports compete directly with exports from the developing countries in third markets.

Similarly the discriminatory preferences for coffee, cocoa and bananas granted by EEC to the associated African States continue to be a source of concern to the Latin American countries, particularly in view of the tendency to extend them to other African countries (Kenya, the Maghreb countries, Nigeria, Tanzania and Uganda).

(iii) The United States, for its part, in signing

the Declaration of American Presidents, reaffirmed its former pledge to reduce as much as possible or eliminate the customs duties and other barriers that impede the access of the Latin American countries to world markets. It also accepted the further commitment of supporting the establishment of a general non-reciprocal system of preferential treatment for exports of manufactures and semi-manufactures from the developing countries. This position was subsequently endorsed by the member countries of the Organization for European Co-operation and Development (OECD), but was not translated into a specific resolution at the second session of the United Nations Conference on Trade and Development (UNCTAD).

This hopeful outlook was clouded, however, by certain trade and financial policy decisions or recommendations in the course of the year, such as the opposition to an increase in Brazil's exports of soluble coffee, and the numerous protectionist measures that were put before the United States Senate in the last quarter of 1967. Although these proposals did not have the support of the United States Government, they caused serious disquiet because of the restrictive attitude that they reflected. The United States economic programme for reducing its external disequilibrium included measures for cutting down foreign investment and reinvestment, restricting external loans, repatriating the profits of United States firms operating in foreign countries, promoting exports and controlling imports, all of which are liable to have a sharply adverse effect on its trade and financial relations with Latin America. On the other hand, a highly positive proposal was made to allocate more funds to the Alliance for Progress, raising the United States government budget appropriation in 1969 to 650 million dollars, and other supplementary measures were taken to mitigate the effects of a possible cut-back in investment.

(iv) The devaluation of sterling does not seem to have had very pronounced or widespread effects on the Latin American economies so far, with the possible exception of exports of Argentine and Uruguayan meat and wool to the United Kingdom market, consequent upon New Zealand's decision to follow the United Kingdom's lead in devaluing its own currency. However, the introduction of domestic and external austerity programmes in countries that play an important part in the developing countries' trade may have far-reaching indirect effects. The United Kingdom programme, for instance, apart from clamping down on foreign aid, provides for a reduction in public expenditure of 1,700 million dollars in 1968-70 and a

greater effort towards self-sufficiency in agricultural commodities, which will affect the country's demand for imports.

(v) At its twenty-second meeting, held at Rio de Janeiro from 25 to 29 September 1967, the Board of Governors of the International Monetary Fund agreed to create "special drawing rights" (SDR) in order to remedy or reduce the lack of international liquidity. The plan approved by the Ministers and Governors of the Group of Ten on 26 August 1967, and by the Council of Executive Directors of the Fund on 6 September 1967, was considered at the meeting. The plan provides for the establishment of special drawing rights in the form of a special account in the Fund, which would be backed by a gold guarantee and bear a moderate rate of interest. It is hoped that countries will make use of these facilities only when they have balance-of-payments problems. Each country will have an SDR quota, in proportion to its ordinary quotas in the Fund, which will be granted without a previous review of domestic policy. During the base period, which will cover the first five years, decisions on the time, amount and proportion of the SDR to be allocated will require an 85 per cent majority vote of the Board of Governors upon proposals made by the Managing Director with the approval of the Council of Executive Directors. The countries using the SDR will be expected to re-establish their position in accordance with a formula to be applied during the first five years. (In particular, each participating country will be entitled to a net average use not exceeding 70 per cent of its SDR quota.) The resolution adopted at Rio de Janeiro by the Board of Governors requests the Executive Directors to submit to the Board, before 31 May 1968, a report setting forth the proposed modifications to the constitutive agreement and regulations of the Fund, for the purpose of establishing the special drawing rights, as outlined in the plan approved at the same meeting.

So far as Latin America is concerned, the amount by which the payments capacity of the whole region will be annually increased under this formula will not be more than 87 to 125 million dollars, which is a tiny sum in comparison with its 10,000 million dollars' worth of imports and its 3,000 million dollars' worth of gold and foreign exchange reserves. Hence, the plan will be of indirect benefit to the less developed countries only to the extent that they hope to prevent the industrialized countries from being driven into adopting restrictive policies in trade and international aid for want of room to manoeuvre in their balances of payments. After

discussion by the Board of Governors, the plan was therefore accepted as a means of improving the current lack of liquidity, with the basic proviso that it was on no account to be regarded as a solution to a fundamental development problem. Even so, the opportunity is probably being lost of making this machinery—by changing the distribution of the rights—a means of contributing to the financing of the developing countries and, at the same time, alleviating the liquidity problems of the developed countries.

(vi) Another of the main events in the sphere of economic policy was unquestionably the second session of the United Nations Conference on Trade and Development, held early in 1968. This is too recent for its results to be assessed, and all that will be done here is to give a brief summary of its main conclusions.

The Latin American countries had discussed the major problems before that session, first at Bogotá, and then, together with the other developing countries, at Algiers. The outcome of the Bogotá meeting was the Charter of Tequendama, which stressed the need to improve the conditions of access to the markets of the developed countries for the primary commodities of the developing countries. The measures proposed were the maintenance of the standstill commitment (to prevent new restrictions from being applied); tariff and non-tariff liberalization; the abolition of subsidies granted by the developed countries to uneconomic products competing with products from the developing countries; the guarantee of a minimum share for the products of the developing countries in the markets of the industrialized countries; and the establishment of consultative machinery for putting those measures into effect.

Subsequently, the Charter of Algiers, after examining the trends of world trade after the first UNCTAD session and the extent to which the commitments entered into on that occasion had been fulfilled, set forth a number of objectives which served as pointers in working out the common stand to be taken by the developing countries at the second UNCTAD session. The most important were commodity agreements, the formation and financing of buffer stocks, diversification programmes and price policies for primary commodities. In particular, a programme for trade liberalization was drawn up and the basic principles laid down for a general system of tariff preferences aimed at the expansion of exports of manufactures and semi-manufactures from the developing countries. As regards development financing, consideration was given to the volume and terms of the external aid given by the industrialized countries, the

question of external indebtedness and the mobilization of financial resources, with particular reference to the basic principles of the supplementary financing scheme prepared by the International Bank for Reconstruction and Development and the report by the Intergovernmental Group on Supplementary Financing. Other resolutions related to the problems created in the developing countries by the incidence of maritime freight charges and the practices of the shipping conferences, to insurance and reinsurance, and to tourism.

A position was adopted with respect to trade relations between countries with different economic and social systems; trade with the socialist countries, special measures that should be taken in favour of the economically relatively less developed countries; the world food problem; the transfer of technical know-how; and the expansion of trade and the promotion of economic integration among developing countries.

At its fifth session, the Trade and Development Board had identified two groups of problems on which attention was expected to be focused at the second session of UNCTAD. On some of these questions, the second session reached the stage of negotiation or of establishing negotiating machinery, and while it did not make so much progress on others, it was considered that UNCTAD could continue to elucidate them and lay down bases for their eventual solution. Thirty-three resolutions were adopted.

With regard to international commodity agreements, the urgent need for resuming negotiations on sugar and cocoa without delay was again stressed, and a list was drawn up of products with respect to which appropriate international action should be considered. Stress was also laid on the need to continue exploring the possibilities of negotiating a general commodity agreement, with UNCTAD in the role of co-ordinating body. The Conference expressed its hope that international financing organizations would play a bigger part in solving commodity trade problems, and drew attention to the importance of the study requested at the IMF and IBRD meeting at Rio de Janeiro (September 1967), to determine the role that these agencies would play in any machinery for stabilizing commodity prices. It was also recommended that studies should be prepared defining a minimum price policy for agricultural commodities. No firm decisions were taken on such subjects as access to markets, the financing of buffer stocks and the scope and nature of a programme for liberalizing commodity trade. On others, such as special preferences, there was

no searching discussion and no progress was made beyond the commitments already entered into at the first UNCTAD session.

As regards the expansion and diversification of exports of manufactures and semi-manufactures from developing countries, hopes were placed on the concession of preferences for these exports, through the establishment of a generalized system of non-reciprocal and non-discriminatory preferences. In this respect, a resolution was adopted in which UNCTAD took cognizance of the position of the developing countries, as expressed in the Charter of Algiers and in the proposal presented by those countries on basic principles and procedures for an agreement on a general system of preferences, and of the report of the Special Group of the Organization for Economic Co-operation and Development; there was recognition of the progress achieved since the first session (as reflected, in particular, in the OECD report), and of the unanimous agreement in favour of the early establishment of such a system. It was considered, however, that it was not possible to achieve sufficient progress with respect to some key questions, and it was therefore agreed that a Special Committee on Preferences should be established, as a subsidiary organ of the Trade and Development Board, to enable all the countries concerned to participate in the necessary consultations. This Committee should hold its first meeting in November 1968, and its second in the first half of 1969, before submitting its final report to the Board. The details of the preferential arrangements should be settled in the course of 1969, with a view to seeking legislative authority and the required waiver in GATT in order that the arrangements should enter into effect early in 1970.

With respect to the liberalization and expansion of the developing countries' trade in manufactures and semi-manufactures, it was recommended that a study should be made of the restrictive business practices adopted by private enterprises of developed countries which affect the trade of the developing countries.

In relation to trade promotion, it was agreed to draw up a programme for expanding exports of manufactures and semi-manufactures from developing countries, with the purpose of putting into practice the proposals of the Secretary-General of UNCTAD and the Director-General of GATT for establishing a United Nations trade promotion programme.

In matters of development financing, the joint declaration adopted at the end of the second regular session of the UNCTAD Committee on Invisibles and Financing related to Trade set

forth a number of objectives, as a guide for the discussions at the second UNCTAD session. These objectives were formulated in the light of the views expressed regarding the relationship between domestic resources and external assistance, and provided certain guiding principles for the transfer of financial resources to developing countries. It was unanimously agreed that the volume of aid to be aimed at should be equivalent to 1 per cent of the gross national product of the industrialized countries (instead of 1 per cent of their national income, as had been recommended at the first UNCTAD session); however, the weak feature of the commitment was that some countries said they would be ready to comply with it in 1972, others in 1975, and the remainder were unwilling to accept a fixed date. It was recognized that the terms on which development aid was given were still very inelastic, and the developed countries were requested to increase the proportion of donations within the total sum provided.

As to means of increasing the flow of private capital, several suggestions were made in relation to foreign investment which would be useful to both developed and developing countries; it was recommended that those suggestions should be taken into account by the Secretary-General of the United Nations in carrying out the studies and consultations which he had been asked to undertake on the manner, forms, conditions, costs and effects of the transfer of technology from foreign enterprises to enterprises in developing countries.

Supplementary financing was one of the subjects on which most progress had been anticipated at New Delhi. The report submitted by the Inter-governmental Group on the proposals of the IBRD secretariat had been expected to lead to the approval in broad outline of a project, or projects, establishing the principles of supplementary financing, its mode of application and its co-ordination with other sources of financing. It proved impossible, however, to reach agreement on this point, and the relevant resolution merely decided that the Inter-governmental Group should continue in existence, and requested it to consider the main points of divergence and ultimately to work out measures for supplementary financing.

In relation to compensatory financing, the attention of the member countries of IMF was drawn to a number of suggestions for improving and extending the existing compensatory financing facility for the developing countries.

As to the reform of the international monetary system, the decisions adopted do nothing to change the tendency to exclude the developing

countries from these discussions. On the other hand, the view was expressed that in establishing special drawing rights, careful consideration should be given to applications from developing countries for increases of quotas.

Seven draft resolutions on financing were submitted and were transmitted to the Trade and Development Board for subsequent consideration. They relate to the outflow of financial resources from developing countries, expansion of the operations of the International Bank and its affiliates, the question of increasing the flow of international public and private capital, and special measures concerning development finance and technical assistance.

The main resolutions adopted on shipping questions relate to the establishment of a system of consultations; freight rates and conference practices; development of the merchant marines of developing countries; and international legislation on shipping. In the resolution on freight rates and conferences practices, it was recommended that the Governments of the developed maritime nations should invite the shipping conferences to review and adjust freight rates which shippers and other interested parties of developing countries considered to be high; to provide special freight rates for non-traditional exports from these countries; and to admit the flag lines of developing countries as full members of the conferences. In the same resolution, the secretariat of UNCTAD was invited to pursue its programme of work relating to freight rates and conference practices, and to undertake additional studies regarding freight rates for important primary products.

In addition, a concerted declaration was adopted on trade expansion, economic co-operation and regional integration among developing countries, which defined the aims of the developing countries and the supporting measures to be taken by the developed countries, both the market economy countries and the socialist countries of Eastern Europe, and laid down the future programme of work and institutional arrangements.

In the discussion on the world food problem, it was stressed that food aid from the developed countries should be provided in such a way as not to affect the productive capacity of the recipient countries. Such aid should be extended in accordance with the FAO Principles of Surplus Disposal, and should mobilize, through international agreements, the capacity of developing countries to produce food supplies for food aid purposes.

Other resolutions adopted at the second UNCTAD session relate to special measures to

be taken in favour of the least developed among the developing countries, the special problems of the land-locked countries, trade relations among countries having different economic and social systems, and steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development.

(vii) In this account of the principal world economic events, some reference must be made, even if a very general one, to the crisis in the international monetary system, whose immediate cause was the disequilibrium in the balance of payments of the United States and the United Kingdom, which, in conjunction with the devaluation of sterling, led to speculation in gold, thus weakening the position of the dollar. This, as is well known, led to the adoption of certain short-term measures and brought forward the application of other previously agreed measures to modify the international monetary system. The most important of the short-term measures were the establishment of a two-tier pricing system for gold and the adoption by the United States of measures designed to reduce its balance-of-payments deficit.

It is these latter measures which, from Latin America's point of view, need to be examined more closely, in view of their potential impact on the region's economies. The main concern is that, in so far as the actual measures applied are defined in terms of the United States position vis-à-vis the rest of the world as a whole, the trade and financial relationships between Latin America and the United States are of such a special nature that it would be difficult to justify the application of general measures or that the impact of those measures would be proportionately much more severe in Latin America than in other regions.

In the first place, it should be pointed out that Latin America has played, and still plays, but an insignificant role in the United States balance-of-payments deficit. In fact, in comparison with the United States average annual deficit of 2,380 million dollars between 1960 and 1966, the average deficit with Latin America was less than 200 million dollars, i.e., only 8 per cent of the total. In addition, with regard to the factor most directly related to the present crisis, while the United States lost gold at an average annual rate of almost 900 million dollars between 1960 and 1967, the average annual transfer of gold to Latin America amounted to only 5 million dollars, which is a very small amount in both absolute and relative terms. Moreover, the incidence of the Latin American monetary reserves in the cumulative total of short-term

liabilities—excluding gold—was only 12.7 per cent in 1967, which represents a slight reduction in relation to the 15.2 per cent recorded in 1958.

It is clear, therefore, that the trade and financial relationships with Latin America are not a factor of great significance in the balance-of-payments problems of the United States. In contrast, the effects of certain measures taken to overcome those problems could be extremely unfavourable. One example is the United States programme for voluntary restraint on private investment abroad, which was first proposed in 1965 and was made obligatory from 1 January 1968. The new provisions require enterprises investing capital in developing countries to limit their investments to a maximum of 110 per cent of the amount invested in 1965–66; for investment in petroleum producing countries and certain industrialized countries this proportion is reduced to 65 per cent; and for the remaining countries to 35 per cent. In addition, any profits exceeding the amounts indicated must be repatriated. Finally, parent companies must guarantee loans obtained by their subsidiary enterprises, whether these loans are obtained locally or in the world capital market. Investors in general, and commercial banks, must cut back their net short-term financial assets abroad to the 1965–66 level and continue to impose voluntary restrictions on the granting of long- and medium-term loans.

The strict application of these provisions would place a ceiling of 250 million dollars a year on net United States private investment in Latin America. That figure cannot compare with the total profits already being generated by past United States investment in Latin America, which now amounts to about 1,000 million dollars a year. In fact, United States investment in the region has for some time been financed merely by reinvesting profits, with the result that from this standpoint there is no net inflow of capital.

Given this situation, an increase in the amount of profits remitted to the United States, or greater use by United States enterprises of national bank financing guaranteed by their parent companies, would have a very serious impact on Latin America's balance of payments. It would be premature to attempt a precise and complete evaluation of the possible effects of the measures referred to, but illustrations like the above point clearly to the need to examine them carefully, given the special position of the Latin American economies in their economic and financial relationships with the United States.

3. ADVANCES IN LATIN AMERICAN INTEGRATION

In 1967 the expansion of the Latin American countries' reciprocal trade once again somewhat mitigated the adverse effect on the region's exports of certain factors which caused a further reduction of its share in world trade flows. Yet the signs of a less vigorous expansion of intra-regional trade should not be overlooked (see figure V).

On the export side, the rate of increase of inter-Latin American trade exceeded 12 per cent in 1962 and 1963, and rose to nearly 30 per cent in 1964; from that year onwards, it dwindled to about 14 per cent in 1965, just under 7 per cent in 1966 and less than 2 per cent in 1967 (see table 9). Although a study of import data gives a slightly different impression,¹ it does reveal a similar trend, representing a marked and progressive loss of dynamism in the past three years (see table 10).

These changes are mainly attributable to the growth pattern of trade in the Latin American

¹ Discrepancies between export and import figures are due not only to the fact that they are evaluated on different bases (the former in f.o.b. and the latter in c.i.f. terms), but also to differences in the dates on which they are recorded.

Figure V. Trends in intra-regional trade

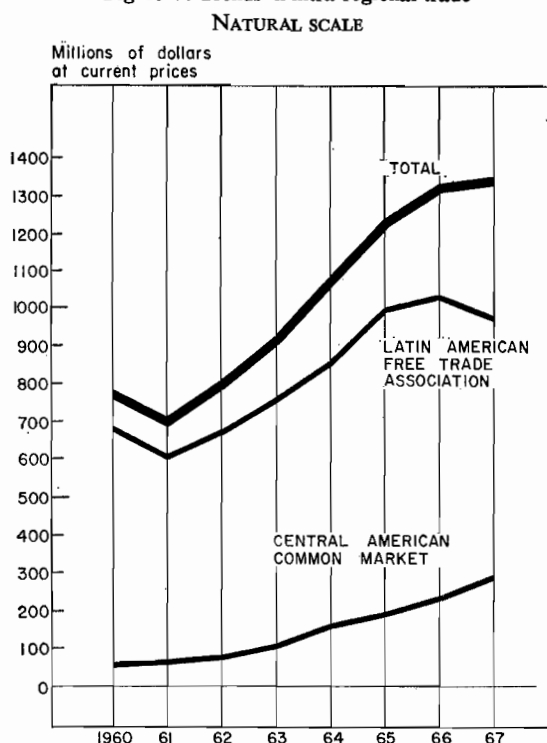


Table 9. Latin America: export trends in intra-regional trade, 1960-67
(F.o.b. values in millions of dollars)

	1960	1961	1962	1963	1964	1965	1966	1967 ^a
Latin American Free-Trade Association ^b	397.0	357.8	416.2	491.3	641.9	723.3	762.1	755.4
Percentage of total intra-regional trade	58.0	60.8	63.2	66.1	67.0	66.4	65.5	62.5
Central America (excluding Panama)	40.4	44.0	45.6	71.5	107.6	138.3	178.4	229.1
Percentage of total intra-regional trade	5.9	7.5	6.9	9.6	11.2	13.7	15.3	18.9
Venezuela	231.8	167.4	185.4	166.9	200.8	216.6	219.0	220.0
Percentage of total intra-regional trade	33.9	28.4	28.1	22.4	20.9	19.9	18.8	18.2
Other Latin American countries	14.8	19.3	11.9	14.0	8.4	11.5	4.9	4.6
Percentage of total intra-regional trade	2.2	3.3	1.8	1.9	0.9	1.1	0.4	0.4
Total intra-regional trade	684.0	588.5	659.1	743.7	958.7	1,089.7	1,164.4	1,209.1

SOURCE: ECLA, on the basis of official statistics.
^a Provisional figures.

^b Nine countries.

Table 10. Latin America: import trends in intra-regional trade, 1960-67
(C.i.f. values in millions of dollars)

	1960	1961	1962	1963	1964	1965	1966	1967 ^a
Latin America Free-Trade Association ^b	661.0	585.8	642.8	726.5	821.1	955.5	983.3	932.9
Percentage of total intra-regional trade	86.4	84.6	80.6	78.6	76.2	77.2	74.5	69.4
Central America (excluding Panama)	55.6	57.6	72.9	105.1	154.6	189.7	233.4	299.4
Percentage of total intra-regional trade	7.2	8.3	9.1	11.4	14.3	15.3	17.7	22.3
Venezuela	26.6	23.5	29.2	29.2	30.4	39.8	38.9	43.1
Percentage of total intra-regional trade	3.5	3.4	3.7	3.1	2.8	3.2	3.0	3.2
Other Latin American countries	22.0	25.9	51.8	64.0	71.7	53.0	63.9	68.7
Percentage of total intra-regional trade	2.9	3.7	6.5	6.9	6.7	4.3	4.8	5.1
Total intra-regional trade	765.2	692.8	796.7	924.8	1,077.8	1,238.0	1,319.5	1,344.1

SOURCE: ECLA, on the basis of official statistics.
^a Provisional figures.

^b Nine countries.

Table 11. Latin American Free-Trade Association: intra-area exports, 1961 and 1965-67
(F.o.b. values in millions of dollars)

Exporter countries	1961		1965		1966		1967 ^a	
	Nine countries	Eleven countries	Nine countries	Eleven countries	Nine countries	Eleven countries	Nine countries	Eleven countries
Argentina . . .	100.0	112.2	231.1	246.6	242.7	254.5	271.4	283.7
Brazil . . .	95.2	97.3	197.4	201.8	181.5	187.7	154.2	161.2
Chile . . .	34.8	37.8	53.2	56.3	53.7	60.1	94.5	101.0
Colombia . . .	6.1	7.4	16.7	19.5	29.1	31.8	18.8	23.9
Ecuador . . .	7.5	7.9	13.3	13.5	12.5	12.5	14.9	15.0
Mexico . . .	7.9	11.0	36.3	43.7	56.7	63.9	47.7	55.3
Paraguay . . .	9.9	9.9	17.5	17.5	20.0	20.0	15.6	15.6
Peru . . .	31.5	33.7	54.0	62.2	52.3	60.5	34.2	40.1
Uruguay . . .	5.8	5.9	15.6	15.7	26.8	26.9	17.0	17.1
Bolivia . . .	—	6.5	—	3.5	—	7.7	—	14.3
Venezuela . . .	—	160.1	—	154.6	—	149.4	—	145.1
<i>Total intra-LAFTA trade</i> . . .	298.7	489.7	635.1	834.9	675.3	875.0	668.3	872.2

SOURCES: Latin American Free-Trade Association, *Síntesis mensual*; International Monetary Fund, *Direction of Trade* (1961-65).
^a Provisional figures.

Table 12. Latin American Free-Trade Association: intra-area imports, 1961 and 1965-67
(C.i.f. values in millions of dollars)

Importer countries	1961		1965		1966		1967 ^a	
	Nine countries	Eleven countries	Nine countries	Eleven countries	Nine countries	Eleven countries	Nine countries	Eleven countries
Argentina . . .	126.0	196.4	255.7	289.4	226.7	252.3	212.0	253.6
Brazil . . .	45.2	145.5	190.4	272.8	167.0	238.0	171.6	226.5
Chile . . .	94.5	101.9	121.6	137.0	140.9	171.6	116.4	148.2
Colombia . . .	10.2	12.1	38.4	39.4	56.0	57.9	31.9	37.1
Ecuador . . .	4.1	5.2	9.0	17.9	8.3	18.7	12.5	23.7
Mexico . . .	4.1	4.5	29.7	29.9	33.7	34.6	38.2	38.7
Paraguay . . .	9.8	9.8	11.4	11.4	14.3	15.1	16.5	17.2
Peru . . .	31.8	34.9	80.9	88.0	91.5	100.2	93.4	104.1
Uruguay . . .	34.5	46.5	32.1	45.1	46.0	57.3	44.1	47.0
Bolivia . . .	—	13.5	—	13.3	—	15.2	—	18.0
Venezuela . . .	—	17.2	—	36.7	—	35.0	—	38.7
<i>Total intra-LAFTA trade</i> . . .	360.2	587.5	769.2	980.9	784.4	995.9	736.6	952.8

SOURCES: Latin American Free-Trade Association, *Síntesis mensual*; International Monetary Fund, *Direction of Trade* (1961-65).
^a Provisional figures.

Free-Trade Area (LAFTA) (see tables 11 and 12). In the case of the Central American Common Market (CACM), the incomplete data available indicate that the member countries' reciprocal trade again expanded in 1967, by about 25 per cent in terms of imports (c.i.f.), whose absolute value amounted to more than 220 million dollars (see table 13).

As in previous years, Central America's intra-area trade was essentially based on import substitution in respect of manufactured goods, especially chemical products, textiles, building

materials and processed foods. Among the new industries which went into production in 1967 mention may be made of the caustic soda and chlorine plant in Nicaragua, which also manufactures toxaphene, and the rubber tire factory in Costa Rica. Major projects in other Central American countries relate to the installation of petroleum refineries, pulp and paper mills, and plants to manufacture plywood, metal and glass containers, tubes and light shapes.

According to the data available for the first half of 1967, the intra-area exports of most of the

Table 13. Central America: intra-area imports, by NAUCA groups, 1963-67
(C.i.f. values in millions of dollars)

NAUCA Group	1963	1964	1965	1966	1967 ^a
<i>Total</i>	66.2 ^b	105.4 ^b	136.0	176.3	220.8
0 Food products	21.6	29.4	36.2	39.7	45.3
1 Beverages and tobacco	1.1	1.4	1.9	2.5	2.6
2 Non-edible raw materials	3.3	3.9	4.6	6.3	7.0
3 Fuels and lubricants	3.7	5.0	3.5	1.9	3.2
4 Oils and fats	1.6	1.6	2.4	5.2	5.9
5 Chemical products	7.8	18.9	21.1	26.4	36.7
6 Manufactured goods, classified by materials	16.3	26.3	37.1	51.4	67.8
7 Machinery and transport equipment	1.6	3.0	5.0	7.6	7.8
8 Miscellaneous manufactures	8.9	15.4	23.9	34.6	43.9
9 Miscellaneous transactions	0.3	0.5	0.3	0.7	0.6

SOURCE: Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA), "Cartas informativas", statistical annexes Nos. 3, 25, 35, 51, 66 and 69.

^a ECLA estimates based on data for January to June.

^b Unrevised figures. They do not agree with the figures given in table 14.

Central American countries maintained their rapid upward trend, with the exception of those of Honduras, whose trade with other Central American countries comprises mainly agricultural products. In the last two years its intra-area exports failed to increase, chiefly as a result of the drop in sales of maize.² However, since its

² In 1967, Honduras' exports of maize made a partial recovery, reaching a total value of 3.6 million dollars, which was a good deal below the peak figure of 5.7 million dollars attained in 1965.

imports from the rest of the area continued to expand at high rates, Honduras is likely to see an increase in its trade deficit with the area in 1967. In the case of Nicaragua, too, the imbalance in its trade with the area persisted, since its imports grew more than its exports. In contrast, Costa Rica's intra-area trade balance showed a marked trend towards stabilization (see table 14).

Despite the steady headway made by trade within the Central American Common Market, the weakening of Latin America's total intra-

Table 14. Central America: inter-country trade balances, 1963-67
(C.i.f. values in millions of dollars)

	Total for Central America	Guatemala	El Salvador	Honduras	Nicaragua	Costa Rica
<i>Exports</i>						
1963	72.1	20.8	28.7	13.9	4.2	4.5
1964	106.4	30.0	35.3	18.5	6.9	15.7
1965	136.0	38.9	46.1	22.1	10.1	18.8
1966	176.3	55.9	57.5	21.5	15.3	26.1
1966 ^a	72.8	23.7	23.0	10.6	5.9	9.6
1967 ^a	93.5	29.1	32.1	10.8	8.5	13.0
<i>Imports</i>						
1963	72.1	19.7	27.9	13.3	7.4	3.8
1964	106.4	26.4	39.2	18.0	14.5	8.3
1965	136.0	31.5	42.4	26.3	21.1	14.7
1966	176.3	34.2	52.0	35.2	31.7	23.2
1966 ^a	72.8	14.0	24.5	14.9	12.1	7.3
1967 ^a	93.5	15.9	25.6	19.2	17.9	14.9
<i>Trade balance</i>						
1963	—	1.1	0.8	0.6	-3.2	0.7
1964	—	3.6	-3.9	0.5	-7.6	7.4
1965	—	7.4	3.7	-4.2	-11.0	4.1
1966	—	21.7	5.5	-13.7	-16.4	2.9
1966 ^a	—	9.7	-1.5	-4.3	-6.2	2.3
1967 ^a	—	13.2	6.5	-8.4	-9.4	-1.9

SOURCE: Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA), "Cartas informativas", statistical annexes Nos. 25, 35, 51, 66 and 69.

^a January to June.

regional trade undoubtedly makes it all the more urgent to intensify efforts to achieve the economic integration of the region. In this respect, there were a number of developments in 1967, particularly on the institutional plane.

(a) *Meeting of American Chiefs of State*

At this Meeting, which was held in Uruguay in April 1967, concerted positions were established with respect to matters of basic importance for the economic development of Latin America, and an action programme was formulated, pivoting upon the regional economic integration process. The Presidents agreed to take joint action to create progressively, beginning in 1970, a Latin American common market, which should be substantially in operation within a period of not more than fifteen years, and would be based on the improvement and convergence of the Latin American Free-Trade Association and of the Central American Common Market, and on the incorporation into these two systems of countries that had not yet joined them. To that end, the Action Programme adopted lays down the measures that should be applied both by the two integration systems and by the Latin American countries in common.

It was agreed that LAFTA should accelerate the process of its conversion into a common market and, with that end in view, would put into effect a system of programmed elimination of all duties and restrictions and would progressively establish a common external tariff. It was likewise agreed that, concurrently with the integration process, economic policies and instruments should be progressively co-ordinated and national laws should be harmonized to the extent required for integration. In addition, it was decided to promote the conclusion of sectoral agreements on industrial complementarity, endeavouring to obtain the participation of the relatively economically less developed countries, and also of temporary sub-regional agreements, with provision for reducing tariffs and harmonizing treatments accorded to third nations more rapidly than under the general agreements. These sub-regional tariff reductions would not be extended to countries that were not parties to the sub-regional agreement, nor would they create special obligations for such countries. Lastly, the aim of achieving the balanced development of the region was reaffirmed, and in that connexion it was decided to promote immediate action to facilitate free access for products of the economically relatively less developed LAFTA members to the market of the other LAFTA countries, and to promote the installation and financing in the less developed

countries of industries designed to produce for the enlarged market.

For the Central American Common Market an action programme was proposed, which included, *inter alia*, measures relating to improvement of the customs union; the establishment of a Central American monetary union; the completion of the area's infrastructural network; the improvement of the common market for agricultural products; acceleration of the process of free movement of manpower and capital within the area; implementation of a joint and co-ordinated industrial policy; and promotion of a common foreign trade policy. It was further agreed to foster increasingly closer ties between Panama and the Central American Common Market and the rapid expansion of trade and investment relations with neighbouring countries of the Central American region and the Caribbean, and to promote the conclusion of sub-regional and industrial complementarity agreements between Central America and other Latin American countries.

With respect to measures for adoption by the Latin American countries in common, the Presidents undertook not to impose new restrictions on trade among Latin American countries, and to establish, by means of a tariff cut or other equivalent measures, a margin of preference for all Latin American products, with due regard for the different degrees of development of the countries of the region. They also decided to promote acceleration of the studies already initiated regarding preferences that LAFTA countries might grant to imports from Latin American countries non-members of the Association, and of others on the possibility of concluding industrial complementarity agreements in which all Latin American countries might participate, besides temporary sub-regional economic integration agreements between the Central American Common Market and countries members of LAFTA.

In order to co-ordinate the implementation of these measures, it was decided to set up a committee composed of the executive organs of LAFTA and of the Central American Common Market, to promote meetings at the ministerial level, and to negotiate in due course a general treaty or the necessary protocols for the establishment of a Latin American common market.

(b) *Convergence of LAFTA and the Central American Common Market*

From 1 to 2 September 1967 the first Meeting of Ministers of Foreign Affairs of the countries members of LAFTA and of the Central American Common Market was held at Asunción,

Paraguay, in order to implement the decisions emanating from the Meeting of American Chiefs of State with respect to the convergence of the two economic integration movements. To that end, the LAFTA/CACM Co-ordinating Committee was set up, and it was decided that this Committee should hold its first meeting during the second quarter of 1968. In addition, an order of priority was established for the Committee's future work. The Committee is composed of the executive organs of the two integration systems, and its main function is to recommend to the organs of LAFTA and the Central American Common Market the measures it considers appropriate to promote the process of convergence.

(c) *Principal events in the Latin American Free-Trade Association*

On 31 January 1967, the Government of Bolivia deposited its instrument of accession to the Montevideo Treaty, and thirty days later Bolivia became the eleventh Contracting Party of LAFTA.

The principal activities in 1967 included special meetings, mainly connected with the decisions adopted at the Meeting of American Chiefs of State, regular meetings of the standing organs of the Association, and other meetings connected with specific programmes or new projects.

The Council of Ministers of Foreign Affairs of LAFTA met from 28 August to 2 September 1967, during the sixth special session of the Conference of the Contracting Parties, to consider various proposals relating mainly to the application of the decisions adopted in the Declaration of the Presidents of America.

At that meeting, the Council decided that the technical studies on various questions must be proceeded with before any resolutions were adopted, and requested the Standing Executive Committee to undertake a number of studies. First, it requested the Committee to proceed with the studies relating to the liberalization of reciprocal trade (system of phased tariff reductions, consolidation of tariffs and restrictions, the lifting of tariffs on products included in the Common Schedule and the establishment of an Area margin of preference), the tariff harmonization programme for the establishment of a common external tariff, and the common front to be adopted by the LAFTA countries vis-à-vis third countries and international agencies. The Committee was also requested to submit to the Council, after the necessary supplementary studies had been made, proposals regarding the Association's policy on the granting of non-

reciprocal tariff preferences by LAFTA to Central America and Panama, with extension only to the economically relatively less developed countries. Similarly, it was requested to prepare specific formulas for promoting the conclusion of sectoral industrial complementarity agreements designed to secure the participation of the economically relatively less developed countries; and to draw up a programme of meetings of experts to propose solutions for facilitating the progressive co-ordination of economic policies and instruments and for bringing national legislations into line with one another to the extent and with the speed required by the process of integration. Thus, for various reasons, different decisions were reached on the basic topics of the Action Programme established in the Declaration of the Presidents of America in so far as they relate to the process of economic integration within the LAFTA framework. However, general principles for concluding sub-regional integration agreements between LAFTA countries were approved, as were the bases for a sub-regional agreement between the countries known as the Andean Group.

In relation to the economically relatively less developed countries, the LAFTA secretariat was requested to establish a technical operational unit which would co-operate with those countries in studying and identifying the possibilities open to them in the Area market; measures were taken regarding the consideration of the specific problems of Bolivia; and it was declared that Uruguay could invoke the provisions of the Montevideo Treaty relating to special treatment for economically relatively less developed countries. Lastly, approval was given to a list of the matters over which the Arbitration Tribunal established by the Protocol on the Settlement of Disputes will have compulsory jurisdiction without the need for a special agreement.

During the seventh regular session of the Conference, which was held between 23 October and 18 December 1967, a round of the annual negotiations referred to in article 4 of the Montevideo Treaty was held, with the participation of Bolivia as a signatory State. Venezuela concluded its negotiations with Argentina and Brazil, but those with Ecuador were postponed until the next session.

Concessions were granted for a total of 939 products, of which 832 were included for the first time on the respective National Schedules, further reductions being granted on the remaining 107, which had already been included in the liberalization programme during previous rounds of negotiations. Of the 832 new products, 120 had been suggested at sectoral meetings held

during 1967 and mainly related to the pharmaceutical chemicals industry and, to a lesser extent, the plastics and office machinery and equipment industries. Most of the remaining 712 concessions related to chemicals and allied products, machinery, electrical equipment and appliances and machine-tools in general.

Moreover, under the provisions of article 32 (a) of the Montevideo Treaty regarding the economically relatively less developed countries, the Contracting Parties accorded concessions not open to third parties for 532 products, 372 for Bolivia and 160 for Uruguay.

The Contracting Parties also held negotiations on the products to be included in the Common Schedule referred to in article 4 of the Treaty, but no agreement was reached because of differences of opinion regarding wheat and petroleum. It was therefore decided to continue the negotiations at a special session which would start on 16 July 1968.

Bolivia, Ecuador and Paraguay were authorized to eliminate, within a period of not more than twelve years, as established in article 2 of the Treaty, the duties, charges and other restrictions in respect of products on the Common Schedule which, individually or collectively, are of basic importance for their economic development or fiscal revenue.

In addition, regulations were adopted for applying the provisions on saving clauses contained in chapter VI of the Treaty; norms were approved for sub-regional agreements; a complementarity agreement on chemical products was negotiated and signed; and negotiations proceeded for restoring the margins of preference affected by the restructuring of tariffs of the various Contracting Parties.

The Standing Executive Committee established new methods of work for the study groups that are subordinate organs of the Advisory Committee on Industrial Development (CADI) and are concerned with steelmaking, the petrochemical and pulp and paper industries, and the situation of the group of economically relatively less developed countries. It was decided that the Study Group on Steelmaking should be placed on a permanent footing and prepare specific integration formulas, while the petrochemicals group should be established at the government level and be responsible for drawing up a draft complementarity agreement. In addition, a working methodology was approved for the Study Group on Pulp and Paper. Lastly, in view of Bolivia's admission, it was decided to form a study group to prepare a report on Bolivia on the same lines as those carried out on a similar

occasion for Ecuador and Paraguay. Once this has been done, Bolivia will become a member of the permanent Study Group on the Economically Relatively Less Developed Countries.

As regards complementarity agreements, an additional protocol was signed to reduce the schedules of exceptions listed in the agreement on electronic valves, and other protocols were drafted and forwarded to the Contracting Parties with respect to the products of the electronics and electrical communication industries, electricity generating, transmitting and distributing equipment, spare parts for motor-vehicles, and the products of the chemical and gramophone industries.

In the field of trade policy, the Study Group on the Common External Tariff began its work by considering methodological aspects and some basic definitions. In addition, the secretariat submitted to the Contracting Parties a preliminary draft of the common tariff nomenclature, which was forwarded to the Governments for their comments through the medium of LAFTA's technical organs.

(d) *Sub-regional Andean integration*

The Joint Commission, composed of the group of countries that had signed the Declaration of Bogotá and were later joined by Bolivia, held several meetings with a view to working out ways and means of achieving the objectives laid down in the Declaration. Approval was given to the bases for the formulation of a sub-regional agreement, which would deal with a programme for internal liberalization, a minimum common external tariff, requirements to be met with respect to the origin of goods, rules of competition, the co-ordination of economic policy and the administration of the agreement. The draft agreement was prepared by an inter-governmental expert committee in the course of meetings held at Bogotá between 8 January and 30 April 1968. It was also agreed to set up the Andean Development Corporation (Corporación Andina de Fomento), which will be responsible for directly promoting projects of common interest to the countries concerned and providing them with technical assistance. A draft constituting agreement was drawn up for that purpose and will be submitted to a special group of legal and financial experts for examination. In the meantime a draft treaty was prepared on the basis of the draft agreement, and signed on 7 February 1968 by representatives of the six countries, during the fifth meeting of the Joint Commission at Bogotá.

A time-table of meetings was fixed to consider the formulation of complementarity agree-

ments for different sectors of industry, and the first steps were taken towards framing such an agreement for the petrochemical industry. It is proposed that this agreement should comprise the schedule of products which are to be freed from all duties and restrictions by 31 December

1973. In addition, specific commitments were established as regards the co-ordination of investment in the petrochemical industry, the programme of external tariff harmonization, the use of escape clauses, and the rules on the origin of goods, and trade competition.

Chapter II

SOCIAL TRENDS¹

1. INTRODUCTION

The purpose of the present chapter is to complement the analysis of recent economic trends with some information on the process of social change which is accompanying them.² Special attention will be devoted to structural changes in which social and economic causes and effects are interwoven in a single process, so that none of them can be understood in isolation, and to trends in the main sectors of public social action. Both these categories of changes find concrete expression in the general direction given to Latin American development policy, of which the following are the salient features: first, the reform and modernization of key institutions—the public administration, the fiscal systems, the systems of land tenure—in order to make them more compatible with dynamic growth and mobilization of resources, and secondly, the expansion and more equitable distribution of public action—in particular, in the policy areas of education, health, housing and social security—in an endeavour to raise levels of living, increase the productivity of human resources and ensure social stability.

When these objectives were formally defined at the beginning of the present decade, uniform quantitative targets were established for the whole region in respect of social services, but these targets did not form an integrated whole.

Furthermore, the uniformity of the commitments assumed by the whole region in the fields of development and social justice is inconsistent

with the marked disparities in the capacity of the Latin American countries to meet the commitments in question, since they differ in all the following respects: size of population and rate of demographic growth; levels of urban and industrial development and modernization; natural resources; and degrees and patterns of dependence on the world centres of industrial development and finance. Nevertheless, they have certain basic features in common, such as the highly uneven and insecure character of their development, the intractability of employment and agrarian reform problems and the continuing or widening disparities between internal regions, urban and rural areas, and social classes, in respect of income distribution, access to social services and ability to influence the national decision-making process.

Table 15 indicates the relative position of the countries according to a number of social, economic and demographic indicators. The comparability of the national figures under most headings is not very satisfactory, but they serve to illustrate the scale of the inter-country disparities.

These indicators should be kept in mind in relation to the applicability of subsequent generalizations to specific countries, since it would be impossible to include within the scope of the present chapter all the exceptions and qualifications that should be made to almost any statement concerning Latin America.

It should also be borne in mind that internal regional disparities within individual countries are as marked as the differences between the high and the low countries in the table. Moreover, while real year-to-year changes in most demographic and social indicators are small annual fluctuations in the economic indicators can be very wide. The data to hand—and possibly the trends themselves—are sufficiently ambiguous to lend themselves to contradictory assessments of the future of Latin America, ranging from qualified optimism to unqualified pessimism.

The passing of new legislation, the gaining of experience in the working of new planning and administrative machinery, and the initiation of

¹ Most of the present chapter is taken from the text prepared by the ECLA secretariat for the United Nations *Report on the World Social Situation* (1967).

² The difficulties of reporting on social questions on the basis of statistics covering periods comparable to those commonly used for the analysis of strictly economic questions are all too well known. Most of the data needed for quantification of social changes, either by their very nature or because of their present low degree of accuracy and comparability, do not lend themselves to annual assessment of trends. Some of the most important social trends have not been or cannot be quantified, so that their interpretation is extremely controversial, and often they can be brought into the picture only in the form of tentative descriptions and hypotheses. In other cases, it is not enough to ascertain trends; their effects on ideologies and on the diagnoses of development requirements must also be taken into account.

Table 15. Latin America: demographic,

Country	Population at mid-year 1965 (estimates in thousands)	Population density		Population age distribution (in percentages at most recent census)			Population: percentages in centres of 20,000 and over at most recent census	Rates of population change		
		National per km ²	Rural ^a	0-14	15-64	65 and over		Total	Rural ^b	Urban ^c
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Argentina	22,352	8	46	29.0 ^d	62.1 ^e	8.9 ^f	57.5 (1960)	1.8	0.3	3.2
Bolivia	3,697	3	—	39.6	56.1	4.3	19.6 (1950)	—	—	—
Brazil	81,301	10	335	42.7	52.4 ^h	4.9 ^f	28.1 (1960)	3.1	2.1	6.5
Chile	8,567	12	216	39.6	56.1	4.3	54.7 (1960)	2.8	-0.2	5.9
Colombia	17,787	16	443	42.6	54.3	3.1	36.4 (1964)	3.2	1.9	7.2
Costa Rica	1,433	28	632	47.8	49.0	3.2	24.0 (1963)	4.0	3.8	4.5
Cuba	7,631	66	—	36.4	59.4	4.2	42.8 (1963)	2.5	1.2	4.4
Dominican Republic	3,619	74	1,480	44.6	52.5	2.9	18.7 (1960)	3.5	2.6	9.0
Ecuador	5,084	18	620	45.1	51.6	3.3	26.9 (1962)	3.0	2.0	6.6
El Salvador	2,929	139	1,673	44.8	52.0	3.2	17.7 (1961)	2.8	2.3	5.8
Guatemala	4,438	41	1,442	48.8	48.6	2.6	15.5 (1964)	3.1	2.7	5.6
Haiti	4,660	166	—	42.2	55.0	2.8	5.1 (1950)	—	—	—
Honduras	2,284	20	410	47.8	49.7	2.5	11.6 (1961)	3.0	2.5	8.1
Mexico	40,913	21	185	44.4	52.2	3.4	29.6 (1960)	3.1	2.3	5.2
Nicaragua	1,655	12	558	48.3	48.8	2.9	23.0 (1963)	2.6	1.9	5.9
Panama	1,246	16	489	43.5	53.0	3.5	33.1 (1960)	2.9	2.0	5.1
Paraguay	2,030	5	118	45.5	50.6	3.9	16.8 (1962)	2.6	2.6	2.8
Peru	11,650	9	314	43.3	52.9	3.8	28.9 (1961)	2.2	1.3	5.7
Uruguay	2,715	15	47	28.0	64.2	7.8	61.3 (1963)	—	—	—
Venezuela	8,722	10	153	44.8	52.4	2.8	47.2 (1961)	4.0	1.4	8.1
Barbados	245	568	...	38.3	55.3	6.4	...	...	...	...
Guyana	647	3	...	46.2	50.4	3.4	...	...	...	...
Jamaica	1,773	162	...	41.3	54.4	4.3	24.8 (1960)	1.5	0.9	4.0
Trinidad and Tobago	975	190	...	42.4	53.5	4.1	...	...	...	...

SOURCES: Cols. (1) and (2): United Nations, *Statistical Bulletin for Latin America*, vol. III, No.2, table 2;
 Col. (3): *Socio-Economic Progress in Latin America*, Inter-American Development Bank, Social Progress Trust Fund, Sixth Annual Report (1966);
 Cols. (4), (5) and (6): *Statistical Bulletin for Latin America*, vol. III, No. 2, table 7;
 Cols. (7), (8), (9) and (10): ECLA estimates, on the basis of census data;
 Col. (11): *Statistical Bulletin for Latin America*, vol. IV, No. 1, table 16;
 Cols. (12), (13) and (14): "Educational developments in Latin America 1956-1965" (UNESCO/MINEDECAL/6), document presented at the Conference of Ministers of Education and Ministers Responsible for Economic Planning in Latin America and the Caribbean (Buenos Aires, June 1966);
 Col. (15): ECLA, *Economic Survey of Latin America, 1965* (United Nations Publication, Sales No.: 67.II.G.1), table 6;
 Col. (19): ECLA, "Economic survey of Latin America, 1966" (E/CN.12/767/Add.3), table IV-15;
 Col. (20): Organization of American States, Inter-American Economic and Social Council, *Recent economic*

"pilot" projects to test new approaches in all the sectors of public social action have created conditions which are more favourable to planned progress in the future than those existing five years ago. It may be that present conflicts and inequities are no worse than might be expected and that the failure of reality to adjust itself to orderly schemes for social progress does not necessarily preclude a gradual improvement in the welfare of the greater part of the Latin American population. Nevertheless, a generalized atmosphere of dissatisfaction with what has been achieved since 1961 and of uneasiness concerning the future is evident. On the part of the Governments, this has led to a continuing search for means of increasing the effectiveness of organized regional co-operation and channelling

external aid on more efficacious lines; on the part of social scientists and planners, it is bringing about a re-thinking of the means of development and its prerequisites.

According to the interpretations that are emerging, "development" should constitute quite a different objective from the kind of economic growth now taking place, which is seen as inherently self-limiting and inequitable. "True" development should be, *inter alia*, a process of social change involving far-reaching shifts in the roles and power relationships of different groups in a given society. Naturally, such a process is bound to be pushed by some groups and resisted by others.

On the one hand, this interpretation has given rise to a number of studies of actual and poten-

social and economic indicators

Life expectancy at birth (years)	Education			Annual growth rate of gross product 1960-65	Central government tax revenue as a percentage of GDP (1965)	Central government expenditure on		Gross agricultural product as percentage of gross domestic product 1963-65 (average) (19)	Index of food production per capita (average 1964-66) (1957-59 = 100) (20)	Cost of living: annual rate of increase 1960-65 (21)
	Total enrolment as percentage of population (1965)	Annual rate of increase 1956-65	Percentages of enrolment for middle and higher education (1965)			Education (1965) (as percentage of total)	Health (1965) (as percentage of total)			
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
67 (1960-65)	19.8	2.9	28.7	2.8	5.3	17.2	4.4	16.5	100	23.2
44 (1960-65)	17.8	9.4	15.8	4.7	8.6	27.5 ^g	2.8 ^g	28.2	97	5.1
56 (1960-65)	14.7	8.0	18.9	4.9	9.7	7.3 ¹	4.7 ¹	29.0	110	62.5
59 (1960-65)	19.9	4.4	19.9	3.7	15.3	10.6	10.9	11.1	92	27.0
60 (1964)	17.9	9.5	17.3	4.5	7.1	9.9	4.7	32.6	100	12.4
66 (1963-68)	22.7	9.0	15.7	4.4	10.2	24.4	8.4	30.5	88	2.5
66 (1963-68)	20.8	8.2	15.2	...	...	...	...	...	...	...
52 (1960-65)	16.1	2.7	9.9	3.4	14.7 ¹	13.3	6.8	—	82	2.8
54 (1965)	17.2	6.4	13.2	4.2	10.7	15.4	5.9	36.7	94	3.8
52 (1961-66)	15.8	7.6	13.2	7.2	10.6	22.9	10.3	29.8	102	0.2
47 (1960-65)	10.5	9.2	11.8	6.0	7.8	14.3	8.8	31.2	113	0.2
45 (1960-65)	6.5	3.7	9.8	1.8	—	11.6 ¹	12.4 ¹	49.2	76	2.9
49 (1960-65)	14.5	12.0	8.4	6.4	9.5	19.7	6.8	51.1	110	2.9
60 (1960-65)	19.4	8.6	12.7	6.0	7.2 ^k	23.4	14.9	16.1	111	1.8
49 (1964)	15.4	9.9	11.0	8.9	10.6	16.6	7.4	38.7	99	1.6
61 (1960-65)	20.7	5.6	23.8	8.0	11.3 ^k	23.7	13.1	22.0	103	1.0
58 (1960-65)	20.5	3.8	10.8	4.3	9.9	16.3	4.1	38.4	93	5.3
54 (1960-65)	18.8	8.1	18.4	6.3	14.9 ^k	27.1	16.2	23.0	103	9.2
71 (1963-68)	18.6	2.9	26.9	0.3	15.3	26.5	—	21.4	115	28.1
60 (1961-68)	19.7	14.9	18.5	5.4	12.3	11.9	8.6	7.6	128	—
65 (1969-61)	...	...	...	...	...	...	...	...	...	...
61 (1959-61)	...	...	...	...	...	...	...	...	...	...
65 (1959-61)	18.6	4.3	8.9	...	...	...	...	...	...	...
64 (1959-61)	...	3.5	9.5	...	...	...	...	...	...	...

developments in Latin America (CIES/1138-OEA/Ser.H/X.11, 1967);
Col. (21): *Economic Survey of Latin America, 1965, op. cit.*, table 15.

^a Number of rural inhabitants per 1,000 hectares of arable and pasture land.

^b Population of centres with under 20,000 inhabitants.

^c Population of centres with 20,000 inhabitants and over.

^d 0-13.

^e 13-59.

^f 60 and over.

^g 1966.

^h 15-59.

ⁱ 1964.

^j 1966/67.

^k Percentage of gross national product.

tial *élites*—political leaders, entrepreneurs, administrators, labour leaders, etc.—which sometimes suggest a rather manipulative view of development strategy.

On the other hand, it is helping to focus attention on what have been labelled the "marginal" strata of the population—the unorganized and impoverished masses, very numerous in many of the countries which have not benefited at all from the kind of economic growth that is taking place and whose relationships to the occupational structure are increasingly precarious. It is argued that true development will require the enlistment of these strata in active and organized participation, and that the pursuit of such an objective cannot be limited to promotional campaigns calling for national unity,

competitive social promises by political parties, and the stimulation of popular efforts at the local level to reach targets established from above. There should be an interplay between public institutions and organized popular demand, in which the content of programmes affecting the people and the development objectives and models will undergo changes that cannot now be foreseen in detail.

What is actually happening, according to several recent analyses, is very far from being a process of dynamic social change of the kind described. Groups concerned with the promotion of particularistic interests are growing in variety and organized strength with the advance of urbanization, while the political process shows hardly any increase in ability to "aggregate"

these interests or direct them into channels conducive to development. The protection of privileged occupational status and the earmarking of shares of public resources are conspicuous cases in point. The strivings of the marginal strata are inevitably distorted by the system of closed compartments they are trying to enter and by the consumer aspirations encouraged among them by populist leaders and mass communication media. It is asserted that in countries at the stages of development typical of Latin America, political systems based on "compromise" as opposed to systems based on "mobilization" are bound to be characterized by evasion or postponement of the key policy decisions needed for high rates of development. The broadening of political, social and economic participation to include strata previously voiceless is undoubtedly posing painful questions even in high-income societies in which such strata constitute relatively small minorities. Various social scientists find reason to fear that the Latin American *élites* which participated in the previous systems of compromise, unable to face the dangers unavoidably involved in the transition to a social order in which popular participation might be effective and economically viable, are becoming increasingly inclined to seek shelter behind régimes of armed force.³

Some analysts are going beyond interpretations to a more fundamental and controversial criticism of the kinds of economic growth and social change that are taking place. It is argued that such growth, even if it manages to attain for a time satisfactory rates of increase in per capita income, is inherently bound up with widening between Latin America and the regions previously industrialized; between the great cities, the smaller urban centres and the countryside; and between social strata in one and the same country. Increasing dependence on the world market and foreign investment, and the growing pervasiveness of cultural and consumption influences channelled from abroad through the great cities are associated with "partial development", "internal colonialism" and "concentra-

tion of technical progress". The present world system of economic relationships generates "development" at one pole and "underdevelopment" at the other, not as a remediable shortcoming but by its very nature. The theory that Latin American countries are characterized by "dual societies"—implying that development policy should envisage the expansion of a "modern sector" until it can absorb the population subsisting in an unprogressive low-income "traditional sector"—has been superseded by the assertion that the kind of "modern sector" now evolving requires the maintenance of other sectors in continuing or increasing poverty, however rapidly these latter sectors may be losing their "traditional" traits. The picture of a growing middle class as a source of dynamism and political stability is replaced by an image of the middle classes as beneficiaries and defenders of existing structural rigidities and as thus putting up a barrier to the effective incorporation of marginal strata into national societies.⁴

The correspondence of these latter theses to present trends in the individual countries is only just beginning to be tested by research. The more categorical rejections of the possibility that present lines of growth can eventually lead to a wider diffusion of progress and its benefits seem premature, and can hardly be substantiated with the data now to hand. Moreover, they offer cold comfort to the planners and administrators who must struggle to increase the efficiency and equity of programmes now under way, while they can exert only limited and piecemeal influence in the direction of changing social structures and hardly any influence at all on their country's dependence on the world centres of finance, commerce and technology.

It is significant, however, that the planning agencies themselves are beginning to prepare analyses of social as well as economic structures as a basis for assessment of the practicability of policies and the definition of strategies for their implementation, and that such analyses are reflected in some recent statements by political leaders.⁵ These moves derive largely from a continuing dialogue between planning officials, with

³ Several of the studies assembled in *Elites in Latin America*, Seymour Martin Lipset and Aldo Solari, ed. (New York, Oxford University Press, 1967) and in *Obstacles to Change in Latin America*, Claudio Véliz, ed. (issued under the auspices of the Royal Institute of International Affairs by Oxford University Press, 1965) bear on the questions discussed here. See also Jorge Graciarena, "Presiones internas, estabilidad política y desarrollo económico en América Latina", *Revista Mexicana de Sociología*, vol. XXVIII, No. 2 (April/June 1966); Luis Mercier Vega, *Mecanismos del poder en América Latina* (Buenos Aires, Editorial Sur, 1967); and Martin C. Needler, "Political Development and Military Intervention in Latin America", *The American Political Science Review*, vol. LX, No. 3 (September 1966).

⁴ For presentations of these arguments, see Andrew Gunder Frank, *Capitalism and Under-Development in Latin America* (New York, Monthly Review Press, 1967); and Rodolfo Stavenhagen, "Siete tesis equivocadas sobre América Latina", *Desarrollo*, Colombia, vol. I, No. 4 (1966).

⁵ See, for example, *Análisis de la realidad social del Perú*, issued in May 1966 by the Peruvian Planning Institute (Instituto Nacional de Planificación), and the statement made by the Minister of Finance of Chile to the CIAP Sub-Committee on Chile (*Informe Final del Subcomité del CIAP sobre Chile* (CIAP/47), 15 November 1966).

their growing practical experience of the limitations involved in planning decisions confined to the attainment of quantitative objectives, and the academic analysts, with their increasingly searching criticisms of the structures within which planning is a recent insertion. Planning itself, as a continuing process of rationalization of decision-making, has as yet only superficially penetrated the existing administrative and political machinery, and it is too early to expect practical results from the even more recent quest for means whereby planning can at the same time give impetus to and receive impetus from specific changes in the social structure.

In this quest, several broad problem areas—all of which were already prominent in 1961—are manifesting themselves with increasing clarity as facets of a single problem. These are (1) rapid and concentrated urbanization; (2) rural crises associated with stagnation of incomes and production combined with partial disintegration of the previous systems of power relationships; (3) incapacity of the economics to offer productive employment to a labour force with high rates of growth and low levels of qualification; (4) emergence and rapid growth of new kinds of “marginal” population strata with increasingly insecure and frustrating relationships to the national structures of production, consumption and political participation. It is evident that the dimensions of these problems since 1961 have been affected very little by development policies and plans, whether or not this means that the policies are inherently incapable of resolving them. It does not follow that the more specific characteristics of the problem have been unaffected by the policies. The following pages will first present these underlying problems in more detail and will then discuss the evolution of social policies and programmes under the conditions set by the unresolved problems.

2. STRUCTURAL CHANGES

(a) *Urbanization*

In the abundant literature on urbanization in Latin America the ecological-demographic aspects and the “social consequences” are most prominent. The rapidity of concentration of population in a few large centres has been viewed with apprehension as the source of a complex of problems that seem almost insoluble. At any rate, the available techniques for urban planning, administration, and provision of social services seem to offer no promise of their solution, while a continuation of present trends in population growth and redistribution would make their dimensions ever more unmanageable. Earlier aspirations to plan the growth of various

of the great cities according to schemes drawn up by world authorities on city planning seem to have been tacitly abandoned.

Concentration of population in large centres, however, seems to be only in a very limited sense a “problem” in itself, susceptible to direct measures of control. It is the most conspicuous manifestation of phenomena nation-wide and region-wide in scope, affecting the whole population in different degrees and in different ways, with predominant traits differing according to the size, rate of growth and cultural homogeneity or heterogeneity of the national population, and the level of industrialization. “Urbanization” in the wider sense is simultaneously a process of concentration of population, of transformation or “modernization” of pre-existing urban patterns—which in Latin America have a long history—and of the diffusion of “modern” urban patterns, with whatever limitations and distortions, to the whole population, including the most isolated rural groups.⁶

In Latin America at present this triple transformation is most rapid in the relatively large countries that are characterized at the same time by some measure of progress in industrial development, high demographic growth rates, sizable reservoirs of rural population, and sharp contrasts between internal regions—Brazil, Colombia, Mexico, Peru, and also Venezuela, which has shifted with exceptional rapidity to a predominance of concentrated urbanization. In Argentina and Uruguay, urban predominance has reached a level at which the future contribution of the rural population to urbanization will be relatively minor, and Chile is close behind them. Most of the other countries are at earlier stages of the triple transition, and face the probability of a speeding-up, limited only by their relatively small population and capacity to support urban economies.

Cuba, which in 1960 would have ranked between Argentina and Chile in a scale of urban concentration and modernization, is undergoing a transformation of urban-rural relationships quite different from the kind of urban predominance toward which the other countries are moving. The urban upper and middle strata that

⁶ This formulation, along with many of the ideas presented below, derives from a study of urbanization now under way in the ECLA Social Affairs Division. See Aníbal Quijano, “*Urbanización y tendencias de cambio en la sociedad rural en Latinoamérica*”, presented to the Seminar on Urbanization as a Field of Investigation in Social Sciences, Interdisciplinary Committee on Urban Development, Universidad Católica de Chile, April 1967; and “*La urbanización de la sociedad en América Latina*”, presented at the eighth Latin American Congress of Sociology, San Salvador, September 1967.

are the mainsprings of the processes to be described below, have lost all their importance through emigration, and socialization of commerce, industry and professional practice. A two-way flow of population between city and countryside is systematically encouraged, particularly through urban study by rural youth, and rural harvest-work and social activities by urban youth, while development policy—after some vicissitudes—has favoured large-scale “industrialized” agriculture over urban industry.⁷ In these as in many other respects Cuba is moving towards a social organization fundamentally different from that implicit in trends in the rest of Latin America.

It has often been said that urbanization in Latin America has proceeded independently of industrialization. This is true in at least one sense; the growth of most of the cities has not depended directly on expansion of employment in industry, which has absorbed only a limited and declining proportion of the labour force of the larger centres. Nevertheless, the expansion of industrial production has supported the expansion of the service occupations that have absorbed the greater part of the urban labour force. The cities could hardly have reached their present size and potency of attraction without this stimulus.

At the same time, the specific kind of modernization that has taken place has derived from world industrialization. The great cities are centres for the introduction, promotion and dissemination of industrial goods creating felt needs that must be satisfied either by imports or by local production. Recent studies have pointed to the same influence at work between internal regions of the larger countries (in particular Brazil and Mexico). Zones with lagging incomes and little local industrial growth are urbanizing under the stimulus of the national centres of industry and commerce.

⁷ The Cuban decision to concentrate development efforts on agriculture relies on the potential market for tropical products offered by the USSR and other countries of the socialist group, and is now envisaged as a precondition for a renewed concentration of resources on industry in the mid-nineteen-seventies, by which time it is expected that agricultural growth will be self-sustaining and rural living conditions and opportunities equalized with urban. The present policy stresses not only investment in mechanization, irrigation and fertilizer production, but also the concentration of a high proportion of middle-level education and training on specialties needed in agriculture. (See *El financiamiento y otros problemas del desarrollo agropecuario*, a report presented by Mr. Rafael Rodríguez, Chairman of the Cuban delegation, to the ninth FAO Regional Conference for Latin America (Punta del Este, 1966); and *La situación económica de Cuba 1965-1966*, a report presented by the Cuban delegation to the twelfth session of ECLA (Caracas, 1967).)

“Modernization” has taken the form of attempted reproduction of the most recent urban patterns—themselves in process of rapid change—of the cities of North America and Europe. Thus, the growth in size of the larger centres has been accompanied by a transformation of their physical appearance and their internal organization. The traditional pattern in which the more affluent classes lived as close as possible to the central plaza survives to some extent in the form of luxury apartment buildings, but has otherwise been replaced by the ideal of dispersed settlement in garden suburbs.

New forms of commerce dependent on the automobile—supermarkets and shopping centres—are springing up at the same time, often organized directly by companies from the industrialized countries. Industries supplying the consumer goods typical of the high-income industrial countries have also appeared to meet the demands formerly supplied, in a smaller urban market, by imports. These industries also depend increasingly on capital and technical direction from the industrially advanced countries, and to a large extent involve the local production, with imported raw materials and machinery, of the brands that were previously imported. Advertising techniques and communication media have been introduced wholesale from the same sources. Television now powerfully reinforces the stimuli to standardized consumption and cultural borrowing already provided by the cinema and radio. In this kind of “modernization” the example of the traditionally lavish consumption standards of the landowning upper class seems to have reinforced and merged with the consumption stimuli from abroad to determine the standards of the widening middle strata.

As the cities expand, increasingly sharp physical contrasts symbolize the differential capacity of the population to respond to the new appeals. Extensive suburbs are indistinguishable from those of North American cities—except for their fringes of shacks inhabited by the families of watchmen, domestic servants, gardeners and laundresses; and except for the inadequacies of their urban infrastructure. Larger districts are inhabited by elements of the middle strata trying to stretch their incomes to cover the consumer goods, domestic service and private education for their children that they consider essential to the maintenance of their status.

Still larger urban zones, including both slums near the urban centres and newer peripheral settlements, are inhabited by strata whose incomes give them no hope of attaining more than a few items from the range of consumer goods in the market. Demands for goods within

the purchasing power of the majority of the urban population are often poorly satisfied, partly through a precarious parallel growth of technologically backward small-scale industries within the urban low-income zones. The "modern" forms of commercialization also reach these zones last, so that they depend on market vendors and small shops with limited turnover and high markups. Next to employment, housing is the most difficult single problem of the urban low-income strata. Here too the patterns of urban transformation tend to exclude them: construction industries oriented to the upper-income housing market, inflated land prices, building regulations modelled on the norms of high-income countries, drive them into notoriously unsatisfactory expedients in their struggle for shelter.

To varying degrees in different countries the growth and transformation seems to have been accompanied by the evolution of a popular sub-culture—and possibly a sub-economy—among the masses excluded from full participation in the "modern" urban consumption and residential patterns. Such a sub-culture is clearly visible in certain cities characterized by a remarkable network of associations based on migrants' localities of origin and exceptionally pronounced patterns of organized land seizure and settlement by low-income families.

The forms taken by urban growth and transformation are bringing about important changes in the political process and in the kinds of demands made through political channels upon public resources. In addition to the pre-existing conventional forms of urban voluntary organization in political party branches, business associations, trade unions, women's clubs, sports clubs, charitable bodies, etc., enormous numbers of strictly local associations have sprung up to defend the interests of settlers in the newer urban zones and to obtain for each locality a larger share of municipal resources. The need for such organization is felt as strongly in the "modern" middle-income suburbs as in the low-income settlements, although the demands differ in emphasis. The former zones aspire to the provision of modern urban infrastructure and public services, including garbage collection, landscaping, police protection, etc. The latter want the same things on a more modest scale, but are more immediately concerned with easing the terms on which families obtain houses or lots, control of food prices and better public transport to their jobs. In the demands of both groups, improved services and strengthening of consuming power are inevitably prominent, with relatively reluctant attention to local self-help;

meanwhile, the public authorities, trying to meet the most insistent demands in at least a token way, have little chance of fixing systematic priorities.

The previously unorganized masses have in recent years been making their weight felt in two quite different ways. The formation of local organizations is a newer and probably less generalized trend than the reliance on voting power thrown behind populist political movements. The latter phenomenon has commonly fostered a competitive escalation of social promises that cannot afterwards be redeemed, because of the limitation of public resources and also because of the veto power inherent in the existing economic and social structures.⁸

The appearance of new forms of solidarity and of heightened sensitivity to their potential political weight among the strata least able to participate in modern urban consumption and economic activities means some differentiation between their interests and those of the workers in the larger industries and in other occupations already well-organized and able to extract advantages from existing rigidities in employment, incomes and distribution of social services.⁹ The one group, for example, can rely on organized wage demands to offset increases in the cost of living; the other is more interested in price stability, which seems to be threatened by wage increases in which it will not share.

Present lines of urban modernization raise formidable difficulties for any effort to mobilize the population for development through restriction of consumption and raising of productivity. The groups that have attained "modern" urban consumption standards tend to look on these as

⁸ See Celso Furtado, *Dialéctica del Desarrollo* (México, Fondo de Cultura Económica, 1965), pp. 19–20 and 82–85, for a discussion of the consequences of this phenomenon in a setting in which the masses are unorganized and have only the vote through which to make their aspirations known. "The masses, precisely because they are amorphous, have no opportunity whatever of taking part in the political process, except when the time comes to use their vote as a means of bargaining for election pledges. And when the masses in question live in a state of under-employment, and are subject on the one hand to the unremitting scourge of under-consumption, and on the other to the irritant effects of the conspicuous consumption patterns prevalent among the higher and middle income groups, it is easy to understand what their demand will be at the crucial moment of bargaining for their vote."

⁹ The middle position in the social structure now enjoyed by the better-organized workers has often been commented upon. Results of recent inquiries showing the rather restricted aspirations of the leaders and members of these groups (sometimes in contradiction with formal allegiance to revolutionary political doctrines) are presented by Henry Landsberger, "The labour *élite*: is it revolutionary?", in *Elites in Latin America*, op. cit.

a right and to blame the insufficiencies of national development on the lack of initiative and inordinate demands of the poor. Their models and sources of security are increasingly sought abroad. Both the flow of investment funds, largely illegally, from Latin America to Europe and North America and the increasing out-migration of graduate professionals are symptoms of this. Even among the numerous intellectuals who deliberately reject such a model of modernization, its influence brings about obvious contradictions between ideology and behaviour.

In the majority of countries, efforts have been made to raise the rate and increase the progressiveness of direct taxes on incomes and property, to ensure more effective enforcement, and to close loopholes by levies on presumed income rated according to visible evidence of living conditions.

At the same time, the cost of the symbols of wealth has risen sharply in the countries that have advanced farthest along the paths of urbanization and import-substitution industrialization: the cost of houses because of inefficient construction industries and speculative land prices; the cost of automobiles and other durable consumer goods because of import restrictions, internal taxes and relatively low levels of productivity—imputable, up to a point, to competition among a large number of enterprises producing on a small scale for narrow domestic markets; the cost of foreign travel because of currency depreciation and restrictions on purchases of foreign currency; and the cost of domestic service because of the widening of job opportunities for women and because of social security charges.

The size of the strata aspiring to these symbols has meanwhile grown with the awareness that most of them are standard attributes of middle-income families in the countries that are models for the urban transformation. In practice, the fiscal reforms have probably not as yet substantially offset the trends towards continuing concentration of income except in a few countries, but everywhere the prospect is feared and resented by those likely to suffer, and expedients are sought to evade redistributive measures and maintain consumption standards.

At the other end of the urban social spectrum, some Governments have initiated programmes intended to involve the low-income strata in an organized striving for development. The results thus far are inconclusive. Under circumstances of intense political competition for the allegiance of the urban masses, such an approach from official quarters inevitably stimulates counter-move-

ments to prevent the government from strengthening its political base and to outbid it in social benefits. Governments representing coalitions or lacking freedom to implement a programme for want of a parliamentary majority have been particularly handicapped in trying to enlist popular participation for development. The interplay of political forces intensifies a misunderstanding between the government policy-makers and the local popular organizations that would be unavoidable at best: the former look on the new programmes as a means of stimulating local initiative and thus relieving the public sector of part of the burden of providing services, while the popular organizations look on the same programmes mainly as a means of exerting influence to obtain larger public resources to meet local needs. Moreover, even the governments that are most determined to enlist popular participation must depend in large part on the existing bureaucracy—in its majority unsympathetic to new approaches—and on their own partisans, drawn largely from the urban middle strata, predisposed toward paternalistic relationships with the low-income strata, and themselves powerfully affected by the pressures toward consumption standards.

(b) *Rural social change*

In the Latin American development policy outlined at the beginning of the current decade, stress was laid on the need to metamorphose rural economic and social structures by means of radical land reforms. Since then most of the countries have enacted new legislation and set up administrative machinery for agrarian reform. With the qualified exception of Chile, however, no country has as yet been added to the small group—Bolivia, Cuba, Mexico and Venezuela—that had even prior to 1961 embarked on reforms directly affecting the bulk of the rural population. Even in the countries that have made appreciable progress, the trends fail to reveal the type of planned, internally consistent rural development that was envisaged as a complement to land tenure reforms.¹⁰ The newer laws have in general retained the traits attributed to Latin

¹⁰ In Chile (and in Venezuela) orderly progress in agrarian reform under the direction of public agencies is presumably made easier by the fact that the rural population is already a minority; the landowners are not predominant economically or politically, and the potential implications of changes in rural power relationships are not so formidable as in the countries with rural majorities. Nevertheless, enactment of an agrarian reform law corresponding to the Executive's programme has taken more than two years in Chile, and the spread of unionization of rural workers, focused on wage demands and enforcement of legal rights to social benefits, has probably thus far been a more significant element in rural change than the expropriation and distribution of large holdings.

American agrarian reform legislation prior to 1961—complexity, internal inconsistency, provisions facilitating legal delaying actions by landowners—that reflects the balance of power in the national legislative bodies, and the tactics of the groups seeking insurance against implementation. In some cases incipient agrarian reform programmes have been among the first victims of budgetary retrenchments.

This does not mean that the rural situation has remained static or that regional concern over agrarian reform has been ineffectual. The spectre of massive agrarian reform and the piecemeal rural programmes that have been undertaken have interacted with other influences, mainly of urban origin, to change the rural scene in many ways. The changes naturally differ by country and internal region; they point in different directions in relation to the probable future character of the rural societies; and local investigations remain much too scarce to support generalizations on what is happening below the surface. It is clear, at least, that the increasing complexity of rural social structures is making a simple dichotomy between “landlord” and “peasant” less and less satisfactory as a framework for interpretation, as the following facts suggest:

(i) The slow increases in over-all agricultural production conceal shifts in the relative importance of different agricultural zones and different crops. In general, these shifts mean a decline in the older, more densely populated agricultural zones that are the traditional centres of the latifundio-minifundio complex in favour of other zones, mainly in coastal areas or in previously unoccupied parts of the interior. Traditional staple food crops may at the same time decline in relation to other foods (e.g. fruits), industrial raw materials and some export crops, although in this respect trends are too diverse for generalization.¹¹

The immediate consequences of these shifts include: (a) declining levels of living and necessity of seeking new means of livelihood for large numbers of small cultivators and workers on the traditional *haciendas*; (b) the organization

of new large estates, some of which represent adaptations of the previous labour-intensive low-investment techniques to new zones, while others constitute highly rationalized and mechanized agricultural enterprises; (c) population transfer from the zones of traditional agriculture to pioneering zones and zones of modern “industrialized” agriculture, with consequent transformations of labour relations and community organization. (Permanent transfers of this kind, however, remain on a much smaller scale than migration to the cities, and probably are less important than temporary migration to seek wage employment in the new zones.)

(ii) Within the older agricultural areas, the chronic threat of land tenure reforms and rural unrest combines with the declining profitability of *haciendas* worked by the traditional methods, shifts in the price relationships of different crops, and other influences to stimulate, alternatively: (a) voluntary fragmentation of holdings (through division among family members or sale to smallholders); (b) replacement of the traditional large resident labour force by small skilled permanent staffs combined with seasonal unskilled labour from outside the estate, through mechanization and shifts to crops requiring less labour; (c) reduction of investment to a minimum and “mining” of the soil, in the expectation of eventual expropriation.

(iii) The wealthiest landowning families, which historically have had many links with commercial and, more recently, industrial interests, are becoming more dependent on these non-agricultural sources of income and more “urban” in their interests. The medium-scale landowners that in the past have constituted the resident upper classes of the provincial cities and small towns are increasingly moving to the large cities, often relinquishing their land to the upward-moving elements mentioned below. The attraction of the “modern” urban way of life, particularly to the youth of this class, seems to be the main influence, but in some areas has been reinforced by fear of the increasing militancy of peasant groups. This exodus might be expected to contribute to at least a temporary weakening of the local power structures that have in the past kept peasant pressures under control, although (for reasons indicated below) the end result might be a reinvigoration of these structures.

(iv) The rural population and that of the small towns are becoming more dependent on consumer goods and even foods supplied through the national market rather than produced locally. This trend derives partly from the increasingly pervasive influence of urban consumption standards, which in a good many zones

¹¹ It is probable that in some countries the growing ability of the urban masses to hold down prices of staple foods in inflationary situations combines with the general inefficiency of the productive systems and the very wide price gap between producer and consumer caused by expensive and wasteful distributive systems as disincentives to the production of such foods in relation to other agricultural products. Also, in spite of the over-all inadequacy of food production the domestic markets are quite rigid in the face of increases in the supply of any one product. An unusually good crop is likely to result in unsalable surpluses.

is accompanied by a weakening of the local productive base. In its present form the process is often self-contradictory, since greater dependence on the national market and stronger felt needs for manufactured goods are likely to be associated with stagnation or deterioration of purchasing power. In some zones the rural economy may by now be subsidized to an important extent by remittances from family members working in the cities. At the same time, the importance of non-agricultural roles in the rural areas and small towns is increasing. More families try to maintain themselves by petty commerce, selling foods and beverages, and some artisan activities, such as repair of appliances and buildings. For the majority this is hardly more than a form of disguised unemployment, but for the more aggressive and better-educated it can mean the beginning of accumulation of capital and entry into a class of semi-rural intermediaries who are stepping into the places of the traditional local upper class.

Present assessments of this "new class" are contradictory and evidence is scanty. On the one hand, the intermediaries can be seen as a potentially dynamic force for rural change with potential entrepreneurial talents hampered and distorted by the environment. An important part of the leadership for peasant moves towards unionization and political action in at least a few countries seems to come from individuals whose shops or taverns give them economic independence in relation to the landowners, and constitute gathering places for the rural workers. On the other hand, it is argued that the intermediaries are not a new phenomenon and that now as in the past their only interest is in consolidation of exploitative advantages in the system of "internal colonialism"; that they have "not the slightest interest in a real national integration".¹²

(v) Rural workers and small cultivators are becoming increasingly exposed to organizational and political appeals of urban origin at the same time as the paternalistic local political leadership becomes weaker. These appeals have stimulated a widening awareness among the rural population

of official commitments to agrarian reform and of the existence of minimum wage laws and other labour-protective regulations. Enforcement of such provisions—only very recently extended to rural workers—varies from partial in some countries to non-existent in others, but they have undoubtedly contributed to a consciousness of possessing "rights" in relation to the employer and local public officials.

The growth of peasant organizations has in some countries been officially favoured or tolerated, while in others such movements have been driven underground, but familiarity with the weapons of strikes and land seizures and with the possibility of influencing national policy through political action is now present in many zones where such ideas were unheard of a decade or two ago. In a few countries, the organized peasants are already able to trade their votes and capacity for mass action for specific concessions, as the organized urban workers have done for some time, and have become essential elements in governing coalitions.

The more important "peasant" movements have a heterogeneous membership. Most of the 550,000 members of the Venezuelan Federation of Rural Workers, for example, "combine land-squatting family farming with seasonal wage labour", but the Federation also includes "tenant farmers, sharecroppers, and small-holders of agrarian reform plots".¹³ The immediate interests of the groups differ according to their relationships to the land, and the very awareness of the possibility of organized action to obtain rights is likely to bring into the open divergencies that will widen with the application of tenure reforms.

The studies carried out by the Inter-American Committee for Agricultural Development (CIDA)¹⁴ indicate the impracticability of making the whole rural population direct beneficiaries of

¹² "Siete tesis equivocadas sobre América Latina", op. cit. In relation to Mexico, where agriculture is more dynamic than in most of Latin America, Stavenhagen points to the importance of capital formation by the small-town commercial and servicing sector, but argues that only a small part of this capital is invested in agriculture or in local industries; the greater part probably is channelled into urban commerce and real estate. (Rodolfo Stavenhagen, "Social aspects of agrarian structure in Mexico", *Social Research*, vol. 33, No. 3, Autumn 1966.) Elsewhere, there is some evidence that the intermediaries devote their commercial profits to the building up of local landholdings.

¹³ John Powell, "Venezuela: the role of peasant organizations in agrarian reform". *Newsletter*, Land Tenure Centre, University of Wisconsin, No. 24 (August-October 1966).

¹⁴ Studies of seven countries (Argentina, Brazil, Chile, Colombia, Ecuador, Guatemala and Peru) have been made by the Inter-American Committee for Agricultural Development, which is now following them up by studies of three countries with major agrarian reforms (Bolivia, Mexico and Venezuela). The CIDA findings are summarized by Solon L. Barraclough and Arthur L. Domike, in "Agrarian structure in seven Latin American countries", *Land Economics*, vol. XLII, No. 4, Wisconsin, 1966. A more recent analysis of the situation, drawing upon the CIDA studies and emphasizing the benefits to be expected from well-planned agrarian reforms in terms of employment, income distribution and expansion of internal markets, is presented in Part Four of the *Economic Survey of Latin America, 1966* (United Nations publication, Sales No.: E.68.II.G.1).

land redistribution. The targets suggested as feasible would favour about half the families of landless workers and cultivators with precarious tenure during the next decade, and assume a continuation of present high rates of movement of labour force out of agriculture.¹⁵

Competition for land between minifundio cultivators and resident *hacienda* workers has already led to conflicts in some zones. Wage workers in modern large-scale agriculture may be more inclined to struggle for guaranteed employment, higher wages and social security than for independent land ownership. The landless seasonal workers—least organizable and least qualified for management of an independent holding—are likely to find their situation increasingly desperate, whatever gains are made by the other groups.¹⁶

(vi) The rural stratum of seasonal wage workers, unemployed during much of the year and unattached to any specific plot of land, is increasing in relative importance and in geographical mobility. Another stratum almost as badly off, consisting of cultivators whose holdings are insufficient for subsistence unless eked out by seasonal wage labour, is also increasing, as the small-holdings are divided by inheritance and as they lose their fertility through over-use and erosion. In some countries this latter stratum is being enlarged through the acquisition by workers on the large estates of effective ownership of the plots of land they have cultivated as part compensation for their labour, whether under the terms of agrarian reform laws (Ecuador and Peru) or extra-legally. In general, opportunities for the seasonal wage labour required by these two strata do not seem to be increasing.¹⁷

(vii) The establishment of agrarian reform and

community development agencies, along with the continuing expansion of rural school networks and to a lesser extent of health services, has meant the appearance in the countryside of urban public employees unidentified with the local power structures and responding (however ambivalently) to an intention at the level of national policy to change these structures and integrate the rural population into the national society. These new technical and promotional public employees are thinly scattered and inevitably affected by urban and bureaucratic biases, but in some instances they are in advance of national policy in their support of rural popular organization.¹⁸ To an increasing extent, elements within religious bodies are assuming similar roles, while university student brigades recruited for rural community work are reinforcing the innovative influences.

(viii) In many zones near the large cities possessing special scenic or climatic attractions land is being bought by urban families interested only secondarily or not at all in agricultural production. In these instances, the countryside becomes a recreational annex of the city and the rural workers are directly exposed to the newer urban consumption patterns, and also to new occupational opportunities, which may include a revival of traditional handicrafts for an urban middle-class market.

Several of the trends summarized above, taken by themselves within the rural setting, might be stages in cyclical processes leading back to overall rural social situations not very different from the past in the concentration of wealth and power and in systems of control over the labour force. In particular, the decline of the traditional *haciendas* and the flight to the cities of the older small-town upper class might be followed by a

¹⁵ See *Economic Survey of Latin America, 1966*, Part Four, chap. II, sect. 3.

¹⁶ *Análisis de la realidad social del Perú*, op. cit. contains one of the first attempts at a systematic presentation of the tensions and conflicts within a rural society as they are affected by present national trends. Andrew Pearse, in "The Problem of the National Incorporation of the Smallholder" (paper presented to the eighth Latin American Congress of Sociology, San Salvador, September 1967), discusses the signs of sharpening differentiation within zones where smallholders already predominate, as minorities (usually men possessing special advantages of work-experience outside the locality) take advantage of new market opportunities, "patches of commercial agriculture spread out within the communities, and a new marginality engulfs the unregenerate sector".

¹⁷ Stavenhagen, in *Siete tesis equivocadas . . .*, op. cit., asserts that workers in this plight constitute more than half the active population in agriculture in Mexico, and emphasizes their lack of capacity for organization and their limited access to State-provided social benefits and protective legislation.

¹⁸ "Alongside industrial development and trade, the State is the major subversive element in the Andean society, both in the indigenous communities and on the *haciendas*, for it inculcates new ideas and gradually sets up standards far above existing living conditions, which in many cases, far from remaining at the traditional levels, actually fall short of them. In other words, agencies subsidiary to various Ministries are gradually undermining the foundations of a traditional society which used to be—and to a great extent still is—heedless of the explicit legal principles that govern urban society." (*Análisis de la realidad social del Perú*, op. cit., p. 34.) At the same time, the innovative influence of the new public agencies is presumably limited by the fact that many of them are directed and staffed mainly by members of land-owning families. A survey among employees of one agrarian reform agency found that over three-fourths of the professional and technical personnel were from this class. (Solon Barraclough, "Agricultural Policy and Land Reform", paper presented to the Conference on Key Problems of Economic Policy in Latin America, University of Chicago, November 1966.)

re-consolidation in the hands of the small-town commercial intermediaries and political bosses. There is historical evidence that this has occurred in the past in some parts of the region. Or the decline of the *hacienda* system in the older agricultural zones might be more than offset by the strengthening of large holdings in other zones. This too has happened before. The CIDA reports suggests that in Brazil the predominant trend for the country as a whole is towards the consolidation of new large holdings, while in some of the Pacific coastal countries this process is less significant than the weakening of the traditional *haciendas*.

The trend that seems really to be irreversible, however, is in the direction of increasingly direct dependency—economic, demographic, political and cultural—of the rural areas and the local semi-urban centres upon the cities, accompanied by a widening of the influence of the kind of continuing urban transformation that has been described. Under these circumstances, stabilization of rural social relationships seems unlikely, and it is probable that both the potentialities and the needs for agrarian reform will change more rapidly than might be thought from the terms in which the debate over such reform is still being conducted.

The ability of the landed interests to resist change has declined, while the ability of the State to plan for and control such change has not increased correspondingly. Until more effective rural development policies are found and applied, a confused combination of the following processes can be expected: (a) increase in the ability of some strata of peasants and rural workers to exert effective pressure for land distribution, legal protection and social benefits from the State; (b) increase in numbers and decrease in productive capacity of minifundios; (c) increase in landless semi-rural population subsisting through various expedients in conditions of extreme under-employment; (d) speeding up of out-migration of the rural population of working age; (e) expansion of commercial agriculture offering only limited employment opportunities at relatively good wages and oriented away from the domestic market for staple foods. Much of this commercial agriculture would be continually in search of new lands because of changing market demands, soil exhaustion, and the diseases to which export crops are subject. Domestic food production would continue to lag behind the rate of urban population growth, with consequent damage both to nutritional levels and to the balance of payments, as the urban population would exert irresistible pressure for food imports.

Most of the elements for rural-development policies integrated with over-all development policies are already at hand, however difficult it may seem to apply them in default of sound political backing and with limited financial and technical resources. One very important residual problem, while often referred to, does not seem to have been faced squarely as yet. It is assumed that a well-planned agrarian reform will increase considerably the ability of the rural economy to use labour productively, but even so there is little likelihood that the demand for agricultural labour will increase much faster than the present rate of increase of rural population—around 1.5 per cent annually for the region as a whole¹⁹—or that the demand will absorb the whole of the present under-employed stratum of seasonal workers. The redistribution of income associated with agrarian reform can be expected to stimulate a rising demand for inexpensive consumer goods and thus promote the growth of industries that can be relatively small-scale, located close to rural markets and using a higher ratio of labour to capital than the present industries oriented to upper-income urban demands. Rural demands for a wide variety of services can also be expected to increase. Even under the most favourable circumstances, however, it is probable that rural population growth will continue to contribute to the expansion of the “marginal” strata discussed below, while the employment opportunities of unskilled and illiterate workers will become ever more precarious.

(c) Employment

While Latin American statistics on levels of employment and unemployment and on the distribution of income and productivity within the different occupational categories are notoriously insufficient, available data support general estimates that the proportion of the economically active population in agriculture has been declining steadily in recent years (from 54.1 per cent in 1950 to 46.1 per cent in 1965) while in most countries continuing to grow in absolute numbers (from 28.1 million in 1950 to 35.2 million in 1965). Meanwhile, the proportion of the economically active population in manufacturing has declined slightly (from 14.2 per cent to 13.8 per cent) and the percentages in construction and basic services have increased moderately (from 7.8 to 9.1). The remainder of the economically active population—rising in numbers by about 3 per cent annually—has had to be absorbed in other services and in “un-

¹⁹ The net rate of increase represents about half the natural rate of increase, the remainder being accounted for by out-migration.

specified activities", which have together increased from 22.8 per cent of the total to 30.3 per cent, and in absolute terms from 11.9 million to 22.9 million.²⁰ Estimates of the participation of manufacturing in non-agricultural employment bring out still more sharply the failure of this sector to absorb the labour force moving into urban centre. In 1925, 35.4 per cent of the non-agricultural labour force is estimated to have been engaged in manufacturing; as urbanization advanced, the percentage fell to 33.9 in 1930, 32.6 in 1940, 30.8 in 1950 and 27.1 in 1960.²¹ It is statistically evident that the heterogeneous services or "tertiary" sector has been the most important refuge for the surplus labour force, but this does not mean that the problems of low-productivity employment and under-employment are coterminous with this sector. In fact, the process of urban "modernization" under the influences described above is bringing about within each of the major sectors of economic activity, at widely differing rates and proportions, rather similar trends towards the parallel growth of technologically advanced and productive activities offering only limited employment and of other activities that must try to absorb the bulk of increase in the labour force through low-wage, low-productivity, intermittent employment.²² This kind of differentiation has already been noted in agriculture.

Manufacturing includes artisan production as well as factory industry. Although decreases in the percentage of economically active population in the first of these sub-categories (from 7.4 in 1950 to 6.3 in 1965) have more than offset percentage gains in factory employment (up from 6.8 to 7.5), the absolute numbers in artisan

activities have continued to rise, according to the source cited above, from 3.8 million in 1950 to 4.5 million in 1960 and 4.8 million in 1965. Within the artisan sub-category it can be assumed that employment in traditional crafts has declined while employment in the small-scale production of cheap "modern" consumer goods—plastic articles, household utensils, toys, furniture, etc.—in unregulated petty enterprises has increased. Part of the "factory" industry probably has a similar character, with larger numbers of workers per enterprise.²³

In mining and fisheries, the juxtaposition of large-scale highly productive enterprises with activities that provide a bare subsistence is particularly striking, with high proportions of self-employed in the latter group. In construction, the most modern techniques for road-building and erection of urban edifices with heavy equipment co-exist with construction by unskilled casual labour, including *minifundio* cultivators seeking wage labour outside their crop season. In the employment figures for basic services, capital-intensive and technologically ultra-modern airlines and electric power systems are combined with overstuffed and deteriorating railroads, while urban transport is typically left to many small enterprises that offset low fares by low wages and a minimum of investment. In retail commerce, casual observation indicates that the appearance of supermarkets and self-service enterprises has not prevented continuing proliferation of petty shops and street vendors. In this sector, questions have been raised that are as yet unanswered concerning the relative importance of occupational preferences and lack of other alternatives; it is probable that for much of the urban low-income population the two influences coincide. Self-employment with freedom of choice as to working hours is preferred to wage labour, particularly when the latter is hard to find and poorly rewarded.

Lastly, in the governmental services, reasonably efficient branches, often modelled on the

²⁰ *Economic Survey of Latin America, 1966*, Part One, chap. II. These trends were previously analysed in more detail in "Structural changes in employment within the context of Latin America's economic development" *Economic Bulletin for Latin America*, vol. X, No. 2 (October 1965).

²¹ "The Process of Industrialization in Latin America" (E/CN.12/716/Add.2), statistical annex, table I-14.

²² As it now seems to be evolving, this differentiation is quite different from the "dual economies" that have been offered in the past as conceptual schemes for the interpretation of Latin American realities, and a more detailed study would have to distinguish a wide range of technological levels within each economic sector. It has recently been suggested that a tripartite differentiation would provide a more adequate analytical framework. "In almost all of the countries three broad compartments should be distinguished: the 'modern', the 'intermediate' and the 'primitive', differentiated essentially by their levels of productivity and, more basically, by that which determines these levels, that is, the degree of absorption of technical progress and the patterns of predominant social relationships. Each of these compartments would include segments of all of the sectors of economic activity." ("Estudios sobre la distribución del ingreso en América Latina" (E/CN.12/770/Add.1), 21 April 1967.)

²³ In comparing the technologically modern industries with the more labour-intensive enterprises, however, it cannot be taken for granted that the degree of technological modernization corresponds to real gains in productivity and costs. Advanced labour-saving techniques have been introduced directly from the countries offering models for modernization, often through the setting up of subsidiaries of enterprises from the latter countries, usually without comparative cost-benefit analyses, let alone an assessment of their correspondence with development priorities of countries with large surpluses of poorly qualified labour. The same generalization applies to agriculture and other economic sectors. In all of these sectors, of course, relative immediate costs may not be the main reason of employers for preferring to increase mechanization and reduce the size of their labour force.

advice of organization and methods experts, co-exist uneasily with branches whose main objective is to provide as many modest but undemanding sources of income as possible.

In all the sectors of employment, the range between high and low per capita incomes and productivity is probably widening. According to one illustrative hypothesis, less than 5 per cent of the population employed in agriculture should be allocated to a "high-productivity" category; less than 40 per cent is of medium productivity; while the remainder is of low productivity. In manufacturing, construction and basic services, the proportions would be 20, 60 and 20; in other services, 15, 50 and 35. Altogether, 11 per cent of the active population, accounting for about 40 per cent of the regional product, would be at productivity levels typical of Western Europe. At the other extreme, 40 per cent of the population would be at the productivity levels of the poorest countries of Asia.²⁴ Recent studies of income distribution in Mexico, where steady increases in per capita levels have been accompanied by some decrease in unevenness of distribution affecting the majority of the population, suggest that the poorest 20 per cent of families have lost ground absolutely as well as relatively.²⁵

It might be expected that the capacity of the low-productivity occupations to provide subsistence for the population flowing into the larger urban centre would eventually become saturated and that open unemployment would then rise to crisis levels. Thus far, measurement of urban unemployment has been limited to a few of the more urbanized and less typical countries of the region and to a few small countries with special problems. In Argentina, surveys found that 6.5 per cent of the economically active population was unemployed in April 1966 in Greater Buenos Aires and four other large cities. In Uruguay, unemployment was recently estimated at 8.5 per cent. In Chile, sample surveys carried out quarterly in Greater Santiago between 1961 and 1966 indicated that unemployment rates fluctuated between 4.3 per cent and 7.6 per cent. In December 1966, 5.4 per cent of the economically active population was unemployed, but 19.3 per cent of the inactive population of 14 years of age and over also indicated a desire to obtain employment. In Venezuela, where unskilled rural-urban migrants constitute a much larger part of the problem than in the three countries named above, previously high levels of urban unemployment seem to have dropped, largely as

a result of government stimulation of construction activity; in Caracas, unemployment fell from 93,000 at the beginning of 1963 to 66,000 at the end of 1964. The highest unemployment rates have been registered in the Dominican Republic (17.8 per cent of the economically active population in 1965) and Panama (between 12 and 17 per cent of the labour force in 1966-67).²⁶

Elsewhere, the absorptive capacity of the various makeshift means of livelihood seems to have remained high enough for the dimensions of the problem to be still ambiguous.²⁷ In Brazil, for example, a recent survey quotes an estimate of 15 per cent for a temporary unemployment rate in São Paulo in August 1965, but concludes for the country as a whole that since there was little or no increase in industrial employment in 1965-66, "nearly all increases in the urban labour force—which in two years would have amounted to 1.5-2.0 million persons—have probably been forced into the urban services sectors that are characterized by low productivity and incomes and high levels of hidden unemployment or under-employment".²⁸

The general and speculative character of such references to the service occupations in relation to concealed unemployment indicates the scarcity of specific information on how the more marginal strata of the labour force manage to subsist without showing more pronounced symptoms of destitution and desperation than up to the present. The expedients that are open to them can easily be listed but the relative importance of these expedients is unknown. There seem to have been no studies, for example, of the circumstances under which the large numbers of individuals engaged in street vending enter this

²⁶ The above estimates are all taken from the 1966 and 1967 country reports of the CIAP secretariat with the exception of that for Chile. Chile is the only country in the region in which systematic sample surveys of employment and unemployment have been carried out in the larger centres over a period of several years, although some of the other countries have made *ad hoc* surveys. Periodic reports of the findings of these surveys are published by the Universidad de Chile, Institute of Economics, under the title *Ocupación y desocupación, Gran Santiago*.

²⁷ "The measurement of unemployment is notoriously difficult in Latin America for a multiplicity of reasons: conceptual (are reluctant shoeshine boys unemployed?), definitional (is two days a week "unemployment"?), administrative, political. Few who know the area put any confidence in published estimates, and, in fact, few countries even bother to publish estimates. Persons familiar with the area would probably think of 15 to 20 per cent of the urban labour force as being unemployed or under-employed." ("The labour *élite*: is it revolutionary?" op. cit., p. 289.)

²⁸ "Domestic efforts and the needs for external financing for the development of Brazil" (CIAP/76, Rev.), 7 October 1966.

²⁴ *Economic Bulletin for Latin America*, 1966, op. cit.

²⁵ "Estudios sobre la distribución del ingreso en América Latina", op. cit.

occupation and of the kind of livelihood it offers them. High rates of burglaries and robberies have stimulated pervasive fears—affecting the poorer settlements as well as the upper-income suburbs—in a good many of the cities, but the generally assumed relationships of this phenomenon with unemployment remain to be demonstrated. There are only a few local fragments of information on the extent to which family and neighbourhood solidarity assumes the burden of supporting the unemployed and their dependants. A study of localities within a new industrial city, Ciudad Guayana in Venezuela, in which high-wage employment co-exists with extensive unemployment of unskilled migrants, indicates that this latter means of unemployment relief can retain remarkable effectiveness even in a setting of rapid urbanization and disruption of previous localities, at least as long as the regularly employed working class is of recent formation and lives in the same neighbourhoods as the unemployed.²⁹

In the large cities, however, increasing residential differentiation between the regularly employed workers and the marginal strata seem bound to coincide with increasing saturation of the absorptive capacity of the makeshift occupations and rising consumption aspirations among the marginal strata. In view of the relatively high capacity of the urban masses for organized political action this faces the public authorities with the alternatives of incorporating into their development policies a really effective and comprehensive strategy for full employment, or of providing unemployment relief, consumption subsidies and welfare services on a scale far exceeding their capacity to mobilize resources.

Feasible full-employment policies would require prompt decisions on the major structural reforms to which the countries are already committed, in particular on agrarian reforms that would specify the expected capacity of agriculture to absorb labour and set forth alternatives for the surplus rural labour force. Such policies would also require an examination of the absorptive capacity of all the other occupational sectors, not so much in global terms as in relation to the relative advantages of creating jobs in large cities at the expense of strengthening the present centripetal forces of

economic concentration or of strengthening the economies and job-absorptive capacities of smaller urban centres and of the internal regions now least able to provide a livelihood for their populations. Regional planning initiatives in several countries have accumulated experience in several alternative approaches—ranging from concentration of resources on internal regions with exceptionally favourable resource endowment and scanty populations to concentration on regions outstanding for their poverty—but efforts to integrate these initiatives into national development planning have not yet been demonstrably effective.

A rethinking is also needed of the technological levels of industry and construction that are most appropriate in relation to the qualifications of the labour force to be absorbed, and of the practicability of giving systematic support to labour-intensive small industries.³⁰ The versatility, readiness for mobility, and youthfulness of the “marginal” labour force must be drawn upon to offset its low formal qualifications. At the same time, the character of the present market for industrial goods and buildings, the development requisites of higher productivity, lower costs and mass production, and the increasingly pervasive managerial and financial control of national industries by companies operating internationally, place formidable obstacles in the way of a strategy for labour-intensive industry on a scale that could significantly alter employment trends. Finally, educational services, social security and welfare systems and labour-protective legislation would have to be subjected to reforms that would be difficult because of the interest vested in their present lines of growth but would enable them to promote rather than hinder the absorption of marginal labour. These social programmes will be discussed in the final section of the present chapter. First, however, it will be worthwhile to take a closer look at the phenomenon of “marginality” of which the problem of under-employment is a component.

(d) *Marginality and marginalization*

The term “marginality” has been invested with various meanings by sociologists in the past. In its recent popularization in Latin America it

²⁹ “. . . Income from the employed sector of the population percolated into the unemployed sector through an intricate mesh of social relationships in which complex family ties were of vital importance. . . . Hence the logical deduction is that time is better spent in being sociable than in looking for work or acquiring technical qualifications.” (Lisa Peattie, “La movilidad social”, *Desarrollo Económico*, vol. 2, No. 3, 1965.)

³⁰ The shortcomings of present lines of industrial growth have been analysed in a number of ECLA studies. See, in particular, *The process of industrialization in Latin America* (United Nations Publication: Sales No.: 66.II.G.4). The report of the Seminar on Small Industry in Latin America, held in Quito in November–December 1966 under the auspices of ECLA and other United Nations bodies, provides voluminous up-to-date information on the situation and potentialities of small industry in the different countries (see E/CN.12/763).

has acquired new connotations associated with differing interpretations of the social reality, and it may be in some danger of becoming no more than a pretentious synonym for "poverty". Semantic divergences thus need to be distinguished from hypotheses concerning a real phenomenon deserving a specific name. The hypotheses that seem most useful for present purposes start from the premise that rising proportions of the Latin American population are entering into relationships with socio-economic change that are marginal in ways differing from the disadvantages suffered by the masses of the population in the past. In this sense, the rural workers dominated by the *hacienda* system were not marginal, however poor they might have been and however much they were excluded from participation in the wider society, nor were self-sufficient subsistence cultivators and tribesmen marginal. Urban workers are not marginal either, to the extent that they have access to regular employment and are able to advance their interests through their own organizations. The preceding pages have pointed to the growth of strata in close contact with the national economies and societies, under multiple stimuli to participate in them but able to do so only "marginally". Traditional occupations are increasingly less able to afford them a livelihood, urban communication media urge them to take up more varied consumption patterns, while political movements and the State itself inform them of rights to a more adequate level of living. Increasing poverty—whether absolute or in terms of the widening gap between felt needs and incomes; increasing insecurity—of employment, community and family ties, shelter, ability to cope with problems; and increasing geographical and occupational mobility go together. The last of these trends means that the differences between the phenomenon of marginality in rural and in urban settings, while still important, are bound to become increasingly blurred. The social groups that are being shaped by the contradictory pressures and stimuli are undoubtedly too diverse to be summed up by such a simplified interpretation and it can be assumed that the majority do not see their own plight in the grim terms in which it has just been presented. The first generation of migrants from rural areas and small towns, in particular, seem to feel that they have improved their lot by gaining a foothold in modern urban society and are prepared to put up with privation while seeking means to establish themselves more securely. Considerable resilience and ingenuity are visible in the finding of sources of livelihood, the obtaining of shelter, and the beginning of new forms of social organization.

The most conspicuous evidence of the growth of urban marginality is found in the physical environment of the cities, in the rapid expansion of settlements uncontrolled by modern urban building norms. Estimates of the population living in such settlements vary according to definition, but it is probable that a least 25 per cent of the population of the cities in the region as a whole is now living in such settlements, and that this group is growing considerably faster than the rest of the urban population, at rates of 10 to 15 per cent annually. If these trends continue, the irregular settlements will before many years hold a majority of the urban population.

The emphasis in discussions of this phenomenon has changed considerably as it has been studied more closely. It is now evident that the settlements are of various types, that many of them are occupied by families of relatively well-off workers who can afford to invest in building materials and meet transport costs between a peripheral location and their place of employment, while more precariously situated families and recent migrants are just as likely to be found in more central urban slums. Moreover, the growth of the uncontrolled settlements is no longer looked on as an unrelieved disaster in itself. On the one hand, it is a symptom of the "marginalization" of strata of the urban low-income population that are wider than the acutely marginal groups, as a result of patterns of urban administration and housing markets that exclude them. On the other, it indicates a ready adaptability and a drive to invest in family security that could be of incalculable value within urban development policies capable of channelling and aiding it.³¹

The apprehension among social scientists and

³¹ Recent contributions to the discussion of urban settlement patterns and their relation to marginality include: John F. C. Turner, "Uncontrolled urban settlement: problems and policies", Working Paper for the Interregional Seminar on Development Policies and Planning in Relation to Urbanization, Pittsburgh, October–November 1966 (published in Spanish in *Cuadernos de la Sociedad Venezolana de Planificación*, No. 36, December 1966); Ruben D. Utría, "Structural factors of development and the problem of housing in Latin America". In *Economic Bulletin for Latin America*, vol. XI, No. 2 (1966); and William Mangin, "Latin American squatters settlements: a problem and a solution". In *Latin American Research Review*, vol. II, No. 3 (1967). Another recent paper concludes that the population of the settlements has taken the place of the public sector as regards production of essential infrastructural facilities for a large sector of the population, and has established an institutional framework *sui generis* which does duty for much of the economic and social machinery of the integrated sector (Inter-American Development Bank, *Vivienda y desarrollo urbano integrado: perspectivas en América Latina*, September 1966).

specialists in social policy that present trends point to a continuing increase in the proportion of population that is marginal in the newer sense, and to a widening of the gap between marginal strata and other population groups has not yet brought forth clear-cut policy conclusions, but several approaches can be distinguished that stem from differing interpretations of the central features of marginality.

One approach sees marginality as a condition that makes the marginal population inherently incapable of overcoming their handicaps and of taking advantages of opportunities and services theoretically open to them without a planned effort by the State and by other organized groups in society to strengthen their capacity for mutual aid and organization, up-grade their education qualifications and adapt the whole range of public social services to their special needs and limitations. This point of view is represented in various programmes for community development, adult education and social welfare.

Another approach, while not denying the potential utility of the above measures, sees marginality as essentially a process of "marginalization" deriving from the character of the economic growth and urban modernization now under way, with, as its central feature, the inability of the more dynamic sectors of the economies to offer sufficient employment opportunities and to enable the whole population to participate fully in the market.³² In the light of this conception, it would be unrealistic to expect social measures alone to overcome marginality except in the case of small minorities within the marginal strata. It would also be unrealistic to expect the main stimulus for effective organization of the marginal population to come from outside, from the structures responsible for their marginalization. The central need would then be

³² Several recent analyses have distinguished the evolution of the working class in the 19th century, which included phenomena of intensified poverty and unemployment, from present Latin American marginality. It is argued that the processes of change in the earlier period helped—and in part were deliberately designed—to create a labour force needed by industry, and that the presence of a fluctuating "reserve army" of unemployed constituted an essential part of the labour force in an industrial system concerned to keep down wages and speed up capital accumulation. In the Latin American economic systems, however, with their dependence on external capital, markets and advanced technology, the supply of labour has become divorced from demand. Industries do not need a marginal labour force of present dimensions, which is difficult to absorb because of the gap between present technology and the labour force's low levels of education and skill, and are hindered from using it to depress wages by the organized strength of the industrial workers and the State's enforcement of minimum wages.

for changes in the wider economic and social structures reversing the process of marginalization. The very increase in the marginal strata can be seen as strengthening the pressure for structural reforms and a far-reaching revision of development strategies. At the same time, the present adaptive processes within the marginal strata give reason to hope that marginality is not equivalent to a self-perpetuating vicious circle of poverty, and that the marginal strata can become constructive participants in the evolution of new societies. In the narrower context of urban development policy, the very size of the marginal strata means that they cannot realistically be viewed as anomalies to be somehow adjusted to pre-established urban norms, but will necessarily be active in the evolution towards different norms.

3. THE EVOLUTION OF SOCIAL PROGRAMMES

(a) General

The regional agreements of 1961 and subsequent years coupled general commitments to institutional reform and income redistribution with more specific targets calling for expansion in several of the sectors of public social action. Programmes in all of these sectors could lay strong claim to being indispensable to development, on the ground that they represent the "development of human resources", apart from the fact that they respond to strong popular demands. Their objectives can be formulated in simple and politically appealing terms, since expansion of social programmes has not come up against the tenacious resistance encountered by agrarian reform and income redistribution measures. It thus might be expected that they would advance more rapidly and smoothly than the latter reforms.

Actual trends since 1961 seem to be quite irregular, both between countries and between sectors of social action. A few countries have raised their public social expenditures to a level that can be maintained only with great difficulty.³³ Others—including countries with creditable rates

³³ For example, in a statement to the CIAP Subcommittee on Costa Rica in 1967, the Minister of Planning emphasized the difficulty of financing development projects or reducing budgetary deficits when about half the budget has come to be devoted to educational, public health and other social services whose incomes are fixed by law (CIAP/44, Rev., 4 January 1967). "A lower priority should be accorded to income redistribution and social welfare policy. . . . The expansion of social expenditure, especially when it does not imply an expansion of services, but increases in the salaries or wages and facilities assigned to the relatively well-paid staff already existing, should be very carefully weighed against the long-term growth of the economy" (CIAP/153, 3 October 1967, p. 11).

of increase in per capita income—have, according to the most recent reports of the Inter-American Committee on the Alliance for Progress, kept social allocations at levels well below their capabilities. Efforts to incorporate the social sectors into over-all development planning, or even to subject their growth to sectoral programming, have been only partly successful, and the present situation is the result of diverse pressures from within the societies clashing with limited and unstable budgetary resources.³⁴ For the region as a whole and the social programmes as a group, the struggle seems to have left the latter barely maintaining their position in relation to other forms of public and private expenditure. The ratio of public consumption, from which the social programmes are financed, to private consumption appears to have remained relatively stable.³⁵

It cannot be assumed that the main problems of expansion of the social programmes have been problems of financial support. The previous interpretation of present processes of economic and social change suggests that the demands that are shaping the lines of growth of these programmes in default of effective planning may diverge rather widely in their aggregate effect from the publicly endorsed objectives of social justice and development of human resources. The sources of these demands can be classified as follows:

(i) From the growing bodies of professionals and specialized public employees in the different social sectors and from private enterprises that depend on the sectoral programmes for markets (the latter source of pressure being particularly important in the relation of the construction industry to housing programmes). Each sector has its own internal momentum and aspirations towards a larger share of public resources. School teachers and, in some countries, public health and medical personnel now constitute important components of organized labour able to enforce their claims to more adequate salaries through union action. At the same time, the rapid expansion of secondary and higher education and the limited capacity of the private sector to absorb this educational output have brought

about intensified pressures for expansion of public employment and a hypertrophy of the administrative staffs of many social institutions. In a wide range of social programmes complaints are heard that inflexible personnel costs leave very little for other requisites demanded by the direct purposes of the programmes, although, paradoxically personnel holding the qualifications most needed and actually giving specialized services usually remain in very short supply. Capital investments needed for future expansion tend to be postponed, and the existing stock of buildings and other capital equipment deteriorates for want of maintenance funds.

(ii) From the social strata constituting the principal clienteles of the educational housing, health, social security and social welfare services up to the present.³⁶ These strata have been almost entirely urban, made up of employees and workers belonging to the "modern" parts of the economies and with incomes enabling them to meet some part of the costs of the services (through social security contributions, medical fees, housing amortization payments, maintenance of children during prolonged schooling and purchase of school supplies). While the characteristics of these strata vary according to the rate and stage of urbanization and industrialization, they are probably growing not only in absolute numbers but also in proportion of total population in all except a few of the smaller countries with relatively stagnant economies. Their aspirations, under the influences described above and the influence of their own rising levels of education, are increasing faster than their ability to satisfy them—a trend supported by their concentration in the larger and more modern cities. Their capacity to absorb assistance from the public sector in meeting their social needs, particularly in education and housing, is practically unlimited.

(iii) From the much larger rural and urban strata that have previously received only token benefits from public social action—mainly in the form of a year or two of elementary schooling and some protection against communicable

³⁴ See "Social development and social planning: a survey of conceptual and practical problems in Latin America. In *Economic Bulletin for Latin America*, vol. XI, No. 1 (April 1966).

³⁵ *Economic Survey of Latin America, 1966*, Part One, chap. II. Many factors hinder the making of accurate and comparable estimates of trends in public expenditures in the different social sectors. Actual expenditures rarely coincide with budgeted expenditures, and both are likely to differ from the State's total legal responsibility for support of social institutions.

³⁶ It might be expected that the social welfare services would concentrate upon the most needy strata of the urban population. To a large extent, however, these services have evolved within social security systems, housing programmes, modern industrial enterprises and special programmes for public employees, the armed forces, etc. They have thus dealt mainly with groups having relatively secure incomes and jobs rather than with the marginal population. Even in the programmes aimed at the latter, limited resources have made selectivity among potential beneficiaries unavoidable, and the better-educated and more socially integrated potential beneficiaries have had a natural advantage in learning about and claiming the benefits.

diseases. Urbanization, it has already been noted, coincides with the partial breakdown of traditional sources of minimal security and traditional systems of control, and with the spread into rural areas of organizational forms and political appeals originating in the cities. These trends are changing the meaning of "deficits" in education, social security, social welfare, housing and health. As long as the cities were small and the rural majorities were controlled and isolated by the *hacienda* or their own community systems, the obvious quantitative deficits did not amount to real demands exerting pressure on the public sector. The demands are still not effective in terms of private or public purchasing power, and the present ability of the more marginal strata to relate them to their most immediate needs is limited. In political terms, however, the demands are real and potentially overwhelming. The governmental commitments to universalize and equalize the social services, however far from realization, have contributed to a widening consciousness of social rights. For important groups, this new consciousness of social rights claimable from the State has apparently coincided with a real deterioration in levels of living and employment security.

The State is thus faced by pressures from the previous beneficiaries for more and from the potential beneficiaries for universalization. The former groups in general show small readiness to moderate their demands in the name of social solidarity and justice, partly, no doubt, because they are not convinced that resources diverted from their own needs would really be used for these objectives. Under these circumstances, in all sectors of public social action there are unresolved problems of costs, content, participation, and relationships to over-all development policy. While the problems show many similarities from sector to sector, the character of the needs at which the programmes are aimed and the evolution of the programmes up to the present vary so widely that their present crises and the expedients by which the public authorities are responding to the crises demand separate discussion.

The impetus given to the social programmes by their overt purposes in combination with the pressures described above naturally differ according to the circumstances of each country. In a general survey such as the present it has been possible to refer to these differences only incidentally, and to give some quantitative indication of their extent in table 15. At this point, however, before entering into the problems of the separate social sectors, it will be useful to relate the national differences directly to

the prospects for the social programmes through a rough typology. Four national patterns can be distinguished, in which different economic levels and rates of growth and differing processes of social change—among which urbanization in a broad sense now seems to have a dominant role—imply differing opportunities and limitations for these programmes. It would, of course, be futile to try to identify each country closely with one of the four types. The types, as they are set forth in table 16, are abstractions to which some countries of the region correspond fairly closely, while others present intermediate situations or anomalies deriving from special political or economic circumstances. In one country, Cuba, the deliberate adoption of economic and social patterns fundamentally different from those dominant in the rest of the region has altered the growth, distribution and content of the social programmes to an extent making criteria used in the typology inapplicable to Cuba.

Type I is made up of countries with per capita production levels that are well above the regional average, but with low rates of economic growth over the past decade. The urban population is in the majority, and the middle strata constitute relatively high proportions of this population. Population growth has slowed down, the urban marginal strata are relatively small, and the rural-agricultural population no longer constitutes a disproportionately large reservoir of potential cityward migrants. Educational, public health and social security programmes reach most of the population, however unevenly they may be distributed. These sectors of public social action already absorb high proportions of the national product and their internal momentum for further expansion is strong. Since the low rates of economic growth limit the growth of public revenues and the latter are subject to claims from many sectors, the satisfaction of social sectoral claims becomes increasingly difficult. The need for planning and reform of the social programmes is admitted by national policy-makers, and the technical capacity of the public administration to carry out such reforms is adequate, but these needs do not generate pressures strong enough to offset the momentum making for expansion within traditional channels. The results of this contradiction are particularly striking in the educational sector. The pressure for more education, particularly at the middle and higher levels, is irresistible, but the occupational demand for the output of the educational system is weak. The private sector can absorb only a fraction of the graduates and the public sector can do so only at the price of budget

Table 16. Typology of national situations in relation to lines of growth of social programmes
 ("Low", "medium", and "high" refer to the Latin American average, not to international norms)

	I	II	III	IV
Level of per capita product	High	Medium	Low	Low
Rate of growth of per capita product	Low	Medium-high	Medium-high	Low
Rate of population growth	Medium-low	High	High	Medium
Degree of industrialization and economic diversification	Medium-high	Medium-high	Low	Low
Level of urbanization and size of urban middle strata	High	Medium	Low	Low
Rate of urbanization and growth of urban middle strata	Medium-low	High	Medium	Low
Importance of marginal strata within urban population	Medium-low	High	Medium-high	Medium-high
Percentage of population in agriculture	Low	Medium	High	High
Proportion of population able to participate in the political process through votes and organized demands	High	Medium	Low	Low
Degree of developmental and income inequality between internal regions	Medium	High	Medium	Low
Absorptive capacity for professions and specialized skills	Low	High	Medium	Low
Coverage of educational and other social services and proportion of national product allocated to such services	High	Medium	Low	Low
Rate of growth of coverage of such services	Medium-low	Medium-high	Medium-high	Low
Internal pressures for growth of services along present lines	High	Medium-high	Medium	Low
Pressures for reform and equalization of services	Medium-low	High	Medium-low	Low
Technical capacity for planning and reform of services	High	Medium	Low	Low
Ability of public sector to increase allocations to social services	Low	Medium	Medium-high	Low

deficits and expansion of an already excessive body of public employees. In such countries the emigration of professionals and technicians can be expected to reach important proportions. In varying degrees, the countries of the southern cone of South America conform to type I.

Type II is made up of countries with medium per capita income levels and fairly high rates of growth in relation to the regional average, with national figures concealing particularly wide internal disparities, with urbanization and the size of the middle strata rising steadily but still some distance below the levels characteristic of type I, and with large urban marginal strata susceptible to incalculable recruitment in the future from the rural population and the backward regions of the interior. The social programmes are expanding with some rapidity from previously low levels of coverage, but their resources are concentrated disproportionately upon the larger cities and the middle strata within them. These countries have reached stages of industrialization and economic diversification at which shortages of professionals, technicians, and literate, stable, healthy workers readily absorbable by industry appear as obvious bottlenecks in capacity for further development. At the same

time, public institutions experience real needs for qualified administrators, economists, social specialists, etc., that cannot be satisfied by the existing educational systems. Here national capacity for allocating increased resources to social programmes is good, though far from unlimited. The internal momentum for expansion is strong but confused, with the urban marginal strata and the rural population making increasingly insistent demands for a fairer allocation of services. The external (occupational) demand for reform and diversification of educational and other social programmes so as to bring them into closer correspondence with developmental requirements is also strong. The technical capacity of the public sector, with its existing human resources, to carry out general reforms under conditions of rapid expansion of the programmes is relatively limited. The result is likely to be the appearance, under both public and private auspices, of a wide variety of new and unco-ordinated social initiatives intended to meet urgent needs. In particular, new educational and training mechanisms are being set up to meet immediate demands for specialized skills in the public sector as well as in industry, while the remainder of the educational system con-

tinues to grow in some disorder and with considerable internal conflict. Most of the larger countries of Latin America approximate in varying degrees to type II.

Per capita incomes in the countries of type III are in the same range as those of type II, and are also growing at fairly high rates, but industrialization and economic diversification are more limited, and the growth is more dependent on exports of a few raw materials. Urbanization and the size of the middle strata are growing at roughly the same rates as in the countries of type II, but from lower previous levels. The predominance of rural population remains higher than in Group II and the urban marginal population is less prominent. The coverage of the social programmes is also expanding at rates similar to those of the type II countries, but from much lower levels in the recent past, so that their scope and their share of the product are still low. Here the apparent requirements for larger social allocations are very high, if assessed by international norms, but both the internal momentum for expansion and the external or occupational demands for the potential contribution of such programmes to human resources development are only moderate. The specialized character of economic growth and the limited functions of the public sector do not generate a strong demand for highly qualified human resources. The technical capacity of the public sector to reform and direct the expansion of social programmes is low. While the low percentages of national product devoted to social programmes indicate a good capacity for expansion, the ability of the public sector to capture a larger share of the product for the financing of such programmes is likely to be weak. Under these circumstances, the most vigorous urgings towards expansion and reform of the social programmes are likely to come from international bodies comparing existing levels with developmental requirements and the capacity of the economies to support larger social allocations. The annual reports of the CIAP secretariat indicate that several of the smaller countries of Latin America conform to type III.

A country in type IV has a low per capita product and little or no economic growth. Urbanization is limited, the urban middle strata are small, and their rates of growth are low. The population is overwhelmingly rural, and rural poverty has not yet generated an important expansion of urban marginal strata. Coverage of the social services, allocations to them, and their rate of expansion are all very low. Ineffective pressures for such services from the different social strata, weak demands from the occupa-

tional sectors for better qualified human resources, inability of the public sector to obtain resources to support social programmes, and low technical capacity to direct such programmes coincide. In terms of ideal development requirements, the educational and other social needs of a country of this type are enormous, but the capacity to meet the needs and the capacity to absorb improved human resources are equally puny. Such a country thus paradoxically shares with the countries of type I particularly high rates of loss through emigration of the few professionals and technicians it does produce. At present, only one or two of the smaller countries of Latin America approximate closely to type IV, but many of the traits have emerged in other small countries during periods of political upheaval or of depressed exports markets. In the absence of effective Latin American integration, the possibility of becoming trapped in this kind of low-level stagnation seems particularly threatening for small countries with specialized economies.

The following summary concentrates on the four sectors that make the largest claims on public resources and that are in the centre of debates over social policy throughout the region. Several other sectors of social action could be mentioned, each with its own problems of reconciling overt objectives with real demands. In practice, these sectors have either been limited to a token scale of activity—as in the case of many social welfare programmes—or have been particularly vulnerable to drastic curtailments of their budgets, owing to their relative newness in the administrative structures, lack of precedents for substantial annual allocations, and political suspicion of their purposes, as in the case of the programmes commonly labelled “community development”.

The problems of the forms of public action that do not make a substantial direct claim on resources, particularly the wide range of protective and standard-setting legislation, deserve a separate discussion. As might be expected, the piecemeal growth of such legislation in response to internal pressures and the acceptance of international norms have produced unintended side effects. One important consequence has been a widening of the gap between the enterprises and activities in which the regulations are enforceable and the remainder. The importance of this gap does not lie solely in the resulting lack of protection for a sizable part of the population. Inability to cope with regulative entanglements, combined with good possibilities of evading or ignoring them, tends to stunt or distort the growth of small industry and retail commerce,

bars them from access to the conventional sources of credit and technical advice, and in general accentuates their marginal traits. The influence on urban development of regulative plans and construction norms that are enforceable only in the commercial centres and the upper-income residential zones is rather similar; the uncontrolled zones and activities continue to grow in any case, but with shortcomings intensified by their inability to subject themselves to workable controls and to claim relevant forms of assistance. Other unintended consequences derive from the lines of growth of regulations applying to trade unions, now beginning to be duplicated in relation to the new forms of local organization of the low-income strata. Such regulations have typically derived from mixed motives of support and control on the part of the national authorities and the political groups active in their framing. In many instances, changes in the character of the organizations and in the relative political strength of different social forces have left the rigid framework of the regulations less and less capable of governing organizational behaviour. Thus rural workers and public employees, when legally barred from organizing or striking, do both, with the likelihood of incurring sanctions depending on the national authorities' assessment of the strength of the movement and the degree of danger its demands represent for immediate economic and budgetary objectives. Among workers in general, the complicated procedures for obtaining legal sanction for strikes are commonly ignored, and the differential ability to do so successfully affects the distribution of income between the more influential wage-earning groups and the remainder.

(b) Education

In education, upward trends that were in evidence long before 1961 have attained a momentum that has made the educational systems key factors within present processes of social change, both as objects of pressure from within the societies and as sources of pressure upon them. Between 1956 and 1965, for the region as a whole, the percentage of the total population enrolled in schools of some kind rose from 13.3 to 17.1. This gain required an average annual rate of increase of 7.2 per cent, about twice the regional rate of population increase. During the decade, enrolment at the primary level rose by 57.6 per cent, at the middle level by 110.6 per cent and at the higher level by 92.3 per cent. These differential rates of increase brought about a reduction in the share of primary enrolment in total enrolment from 86.0 per cent in 1957 to 82.2 per cent in 1965, while middle enrolment rose from 12.4 per cent to 15.8

per cent and higher enrolment from 1.6 per cent to 2.0 per cent. The rates of increase of the individual countries naturally vary, with relatively low rates characterizing some countries whose enrolment ratios were high at the beginning of the period and also certain countries that started with very low enrolment ratios. With one exception, however (the Dominican Republic), every country shares in the upward trend.³⁷ The share of public expenditure on education in total public expenditures and in national incomes also increased, in some countries quite rapidly, although these increases seem to be less general than the increases in enrolment, and the national differences in financing of education combine with other factors to make comparison hazardous. By 1964, Costa Rica, Peru and Venezuela, and probably a few other countries, were devoting 5 per cent or more of their gross domestic product to education, which is more than twice as much as some of the other countries.³⁸

Meanwhile, the internal efficiency of the school systems, assessed by their ability to hold their students to the end of a course, improved hardly at all. In 1957, for the region as a whole, 41 per cent of primary enrolment was concentrated in the first grade, while only 7 per cent was in the highest primary grade. In 1965, the percentages were 38 and 8.³⁹ In eleven out of seventeen countries providing separate information on rural enrolment, the percentage reaching the final primary grade in rural schools was less than half the corresponding percentage for urban schools. In secondary and higher education—in which enrolment increased much more rapidly than in primary education—there is evidence that rates of retention have fallen. Some universities, with considerably increased enrolments, are turning out no more graduates than before.⁴⁰

These trends are bringing the countries in which

³⁷ These data are taken from "Evolution of the educational situation of Latin America" (UNESCO/MINEDECAL/6), document prepared by the UNESCO secretariat for the Conference of Ministers of Education and Ministers Responsible for Economic Planning in the Countries of Latin America and the Caribbean, held at Buenos Aires, in June 1966. This document also presents detailed national statistics.

³⁸ See "The financing of education in Latin America" (UNESCO/SS/Ed.INV/7) and other documents prepared for a UNESCO-sponsored Regional Technical Assistance Seminar on Investment in Education in Latin America, held at Santiago, Chile, in December 1966.

³⁹ "Evolution of the educational situation of Latin America", op. cit., table 8.

⁴⁰ The low yield of Latin American universities in terms of the ratio of graduates to enrolment is discussed in chap. V of *Education, Human Resources and Development in Latin America* (United Nations publication, Sales No.: E.68.II.G.7.)

educational expansion has been most rapid to the point at which a difficult problem must be faced. When public allocations for education have reached 4 or 5 per cent of national income, they cannot be raised much higher.⁴¹ External aid, while it may bring important support to specific lines of higher education and technical training, has inherent limitations that will prevent it from alleviating the over-all burden very much.⁴² Meanwhile, educational expansion at the primary and middle levels creates irresistible pressures for expansion at the next higher levels. To the extent that better planning and improvements in internal efficiency raise the retentive capacities of the schools, permitting more students to complete the primary and middle courses, these pressures will become ever stronger.

⁴¹ According to a rough estimate, present public expenditures on education in the region amount to about 3,000 million dollars annually, or a little more than 3.5 per cent of the gross domestic product. A continuation of present upward trends would call for an annual expenditure of 11,000 million dollars by 1980, or about 5.5 per cent of the GDP, on the rather optimistic assumption that the GDP will double during the period. This projection allows for probable increases in costs per pupil at all levels, for the continuing increase in relative importance of middle and higher education, with their much higher unit costs, and for a shift within the middle level in the direction of more technical-vocational training, which has higher unit costs than academic secondary education. ("The financing of education and human resources training in Latin America". See *Education, Human Resources and Development in Latin America*, op. cit., chap. VII.)

⁴² In a statement applicable to other social programmes as well as to education, Benjamin Higgins has argued that the specific allocation of external resources to such programmes is illusory when considered as a supplement to the domestic resources that are available, except to the extent that the programmes require imports of materials or personnel. "It is clear enough from some of the statements concerning external financing of education that what those interested in expanding educational programmes . . . really have in mind is increased allocations in domestic currency, to acquire human and physical resources domestically available while the foreign exchange is utilized for other projects. . . . Certainly, in so far as expansion of the education programme requires the attraction of human and physical resources from other fields of activity, thus reducing the output of other goods and services and adding to inflationary pressure, increased foreign exchange may be used to import raw materials and equipment for other projects, or even to import final consumer goods, thus offsetting inflationary pressure. In this way any harmful effects of expanding the educational programme may be offset. However, it should be noted that in this event there is absolutely no significance in first attaching the foreign assistance to educational programmes. The ultimate result is exactly the same if the external assistance is provided against the economic and social programme as a whole, and in that event there is less likelihood of misallocation of the actual foreign exchange provided." (Benjamin Higgins, "Investment in education in Latin America" (SS/Ed.Inv/6.A), document presented to the Regional Technical Assistance Seminar on Investment in Education in Latin America.)

For several reasons, educational costs can be expected to rise faster than enrolment. The educational levels of the teachers themselves are rising and the growing numbers of teachers are able to make increasingly potent demands for incomes corresponding to their educational qualifications. Their strength is indicated by the fact that in many countries the educational sector is by now "the next largest 'industry' to agriculture in terms of employment".⁴³ Effective primary education for the children of low-income families will require considerable increases in the very meagre sums that have been allocated to school supplies, school meals, and school welfare services. Even more important, the differential expansion of middle and higher education will bring disproportionate cost increases. The present annual cost per primary pupil has been calculated at 42 dollars; for a general secondary student the cost rises to 155 dollars; for a vocational or normal school student to 210 dollars, and for a university student to 700 dollars.⁴⁴ The higher unit costs for vocational education deserve emphasis, as this factor is commonly disregarded in proposals for rapid transformation of middle-level education. The so-called "opportunity cost" represented by the incomes foregone by students of working age might be added. In societies burdened by extensive concealed unemployment, however, it is arguable whether this cost affects only the family of the student or the cost to the national economy as well.

The educational systems are being criticized for not making their full potential contribution to the increases in production needed to support their own rising claims, through an output of graduates corresponding more closely to priority development needs. Aside from the obvious waste represented by students who drop out without completing a course, it is evident that increasing numbers of students are left stranded at the end of university-preparatory secondary courses by inability to enter a university, and that high proportions of students who do complete a specialized education do not find employment making use of it, or go abroad to seek such employment. The outflow of technicians and professionals to high-income countries, particularly the United States, seems to mean that a significant part of Latin American educational

⁴³ "The financing of education and human resources training in Latin America", op. cit.

⁴⁴ *Ibid.* In spite of the rapid growth of enrolment at middle and higher levels noted above, the percentages of the relevant age groups enrolled at these levels in most of the countries remain small, with a correspondingly huge potential for future expansion.

investment goes to support the economic growth and social programmes of other regions.

The inability of the educational systems to distribute their enrolments in closer compatibility with development needs, however, derives in large part from the fact that these needs are not reflected in well-defined demands within the occupational structures and accompanied by differentials in salaries and working conditions. This lack of correspondence is reflected most glaringly in agricultural education, in which the need for an output many times the present size is a commonplace of international recommendations, while the job opportunities for the present small output are generally insufficient and unattractive. In the absence of such demands the strivings of youth seeking upward mobility through education inevitably concentrate on the traditional channels leading to careers that are already relatively well supplied and which, in any case, most of the aspirants cannot reach because of lack of qualifications or lack of resources for protracted periods of study.

Present tensions in the educational sector between inflexibility or instability of resources, pressures for expansion, and demands for a larger contribution to human resources development seem to be having both positive and negative consequences. On the one hand, there is evidently a continuing downward pressure on quality, as the numbers pressing into the schools are accommodated through larger classes, multiple shifts and under-investment in equipment and books (often paradoxically accompanied by diversion of resources into showplace buildings).

On the other hand, education is foremost among the social sectors in critical examination of its own purposes and methods, in a serious striving for great internal efficiency and for means of tapping new resources, and in the formation of links between educational planning and the initiatives—still at a very rudimentary stage—for manpower planning. Insistence on better use of the resources already at hand has begun to replace the previous insistence on ever larger resources among educational planners and in regional conferences, although it is probable that this outlook has not yet penetrated very deeply into the teaching profession and the administrative machinery. Reforms of the secondary school system aiming at diversification and elimination of the predominance of the university-preparatory channel are beginning to make headway against manifold sources of resistance from within society itself, as the non-viability of present systems become more obvious. In the universities, the combination of

ideological ferment and organizational paralysis that has resulted from the contradictory pressures on them shows signs here and there of giving way to new structures capable of responding to present development requirements.⁴⁵

(c) Health

The 1961 Punta del Este Charter specifies health targets for the decade in terms of five-year increases in life expectancies and reductions by one-half in mortality rates for children under five years of age. The nature of life expectancy statistics (calculated from decennial censuses) and the incompleteness of regional vital statistics hinder any general assessment of the extent to which present trends are responding to these targets. It is probable that previous upward trends in life expectancies and downward trends in mortality are continuing, but that rates of change are slowing down as the easier gains associated with control of communicable diseases through quarantine, vaccination and control of insect vectors have been realized, while widening coverage by public health services encounters the limitations imposed by low and even deteriorating nutritional and environmental levels.

The provision of potable water and environmental sanitation in urban low-income zones, small towns and villages constitutes an important and relatively expensive step forward in the struggle against diseases whose impact on mortality and life expectancies can be reduced irrespective of trends in general living conditions. Together, the diseases spread by polluted water are now the leading causes of death in many Latin American countries and are important in practically all of them. Water supply and environmental sanitation programmes have been stimulated by loans amounting to nearly one-third of the external resources allocated to Latin America through the Social Progress Trust Fund of the Inter-American Development Bank (IDB) between 1961 and 1966. The IDB estimates that completion of present programmes will mean new water supply and sanitation systems for 20 million persons, while 17.6 million more will

⁴⁵ For discussions of educational reform and planning in the context of over-all development policy and planning see: "Human resource training in the economic and social development of Latin America", *Economic Bulletin for Latin America*, vol. XI, No. 2 (October 1966); Marshall Wolfe, "Educación, estructuras sociales y desarrollo en América Latina", *América Latina* (Río de Janeiro, 1967); Simón Romero Lozano et al., *El planeamiento de la educación: aspectos conceptuales y metodológicos* (to be published by the Latin American Institute for Economic and Social Planning); and Luis Ratinoff, "La expansión de la escolarización", *Cuadernos de la Sociedad Venezolana de Planificación*, No. 37-38 (February 1967).

benefit from improvements in existing systems.⁴⁶ This would cover about one-sixth of the regional population, presumably leaving most of the smaller rural nuclei still unprotected.

As table 15 indicates, public health services now absorb sizable percentages of central government expenditure in most countries. The very size and internal momentum of these services, as in the case of education, gives them a certain amount of protection against budgetary instability, but actual expansion of their resources seems to have been relatively limited. The aggregate effect of the three sources of demand mentioned above manifests itself in the continuing concentration of hospitals and physicians in the larger cities, in the persistent problems of duplication between general public health services and services provided through social security funds, and in the delay in organizing and staffing small-scale clinics so as to bring services to rural areas and urban marginal zones.

The remarkable increases in life expectancies over the past two or three decades—in Mexico from about 50 years in 1950 to 66 years in 1965, with several other countries showing increases of eight years or more—have influenced age distribution appreciably, because of continuing high fertility. However, the fact that more people of all ages are now surviving under conditions unfavourable to health and in urban settings that make them aware of the existence of modern medical services means that pressures for a wide range of such services, from the paediatric to geriatric, are bound to rise rapidly. The incapacity of present services to satisfy such pressures is already evident in the gap between the medical care to which the urban lower-income strata are legally entitled and the long waits and perfunctory treatment they are likely to encounter when trying to make use of their entitlement.

Food consumption is a basic determinant of the level of health, and the agricultural trends previously mentioned indicate that the consumption levels of the majority of the population cannot have improved very much, while the consumption of low-income strata in a good

many countries must have declined. Nutrition, however, has not yet become a sector of public social action comparable in importance to the sectors concerned with other components of the level of living. Public policy has not been able to resolve the contradiction between pressures to raise agricultural prices and pressures to keep food prices low. A solution to this apparent impasse might well be sought in the marketing systems, with their typically very wide price gaps between producer and consumer and their wastefulness in terms of the high proportions of food spoiled before reaching the consumer. The enormous cities of the region depend for the transport, storage and dispatch of perishable foods on systems that have evolved haphazardly and inadequately from the systems appropriate to small centres where needs could be met by produce brought from the immediate hinterland by the producers themselves. A few countries have set up agencies for direct purchases of food crops and direct sales to consumers, and more initiatives of this kind, along with more vigorous support of producers' and consumers' co-operatives may be expected in the course of agrarian reform programmes. Resistance from the present marketing interests has naturally been strong, and administrative weaknesses have brought some of the new agencies under severe criticism. The allocation of domestic resources for support of nutritional levels through direct food distribution to low-income families or school children has been small. In this area external aid has attained considerable dimensions and the prospect of increasing dependence on food grants from abroad is causing uneasiness, although such dependence is much less marked than in the more densely populated low-income regions of the world.

(d) Housing

The processes of social change, uneven economic growth and geographical redistribution of population have combined with the special characteristics of housing considered as a sector of social policy to make trends in this sector deviate more conspicuously than in any other from objectives of orderly progress. The more overt elements of the problem have been often described: the rate of residential construction in all countries has lagged far behind the growth rate of the cities, and the uneven distribution of income has excluded a majority of the urban population from the market for the new dwellings that have been built. This majority has had to face the alternatives of increased overcrowding in the older slums and the houses abandoned by upper-income families moving to the suburbs, or of improvising its own shelter

⁴⁶ During 1961–66, IDB approved loans totalling about 353 million dollars, 75.6 per cent of the total international financing received by Latin America for this purpose. During the same period domestic allocations totalled about 356.5 million dollars. The ratio of external to domestic financing seems to be higher than in any other important area of social action except the food supply, probably because of the relatively high component of imported equipment required. (*Socio-economic Progress in Latin America*, Social Progress Trust Fund, Sixth Annual Report, 1966. Washington, D.C., Inter-American Development Bank, 1967.) This report also contains the latest available statistical indicators on health and nutrition.

wherever vacant land could be found. Increasingly it turned to the latter solution; in a good many countries the rate of "uncontrolled" or "clandestine" construction by now exceeds the rate of legally sanctioned construction. Meanwhile, the increasingly precarious over-all situation of a large part of the rural population justifies the supposition that previously low rural housing standards have deteriorated.

At the beginning of the current decade, the obvious solution seemed to be a planned speeding-up of low-cost housing construction to keep the deficit of regular dwellings from growing, and then to begin to reduce the deficit. A general pledge along these lines was included in the Punta del Este Charter, and the demands of the urban masses gave a strong political appeal to national housing programmes expressed in quantitative targets. The results have been almost universally disappointing.

In conventional housing programmes, unlike education and health programmes, the major costs are not those of continuing services (although administrative costs swelled by the pressures on public employment have in practice absorbed significant shares of the resources of a good many housing programmes). A heavy initial investment is needed that can be amortized only slowly. The few countries that have tried to make such investments on a scale matching urban needs have been able to maintain the effort for only a few years at a time. Rates of public construction have fluctuated very widely according to the state of public revenues and the strength of competing demands on them, with the resulting adverse effects on efficiency and employment in the construction industries and frustration for thousands of families on the waiting lists for housing. No country has attained a steady construction rate matching its own estimates of annual increases in the housing deficit. For reasons suggested in footnote 42, external aid has been of only limited applicability in relation to costs that represent inputs of local material resources and manpower. The difficulties of the housing programmes, moreover, have had deeper roots in the social and economic structures. In general, the urban population strata most acutely in need of housing have incomes that are too low and unstable for them to meet amortization costs for the kinds of "low-cost" houses that have been built without excessive sacrifices in other areas of consumption. In the smaller-scale public programmes this meant that the houses were in practice occupied by lower-middle income families, with high proportions of public employees. To the extent that the larger-scale programmes incorporated low-income

families, collection of payments proved difficult or impossible, particularly when maintenance of the real level of such payments required periodic readjustments to compensate for inflation. The expectation that the initial programmes would build up revolving funds that would support further building was thus usually disappointed. Savings and loan associations, co-operatives and other mechanisms intended to channel private savings into housing have also proved unable to cross the barriers between middle-income housing norms and saving capacity and the very different capacity and priority needs of the low-income masses.

These difficulties, along with others, are forcing a serious reappraisal of housing policy that includes increasing respect for the achievements and the potential role of the millions of families that have been trying to meet their own needs within the limits of their resources, not only unaided but hindered by existing regulations and public policies.⁴⁷

(e) *Social security*

The social security systems differ from the other areas of public social action in their high degree of administrative autonomy and in the apparent independence of the greater part of their financing from the competition for public resources. In their earlier stages, in fact, they normally make a net contribution to public sector funds. It may be for these reasons that, up to the present, social security has received less attention than any of the other major social sectors from the proponents of comprehensive development planning, in spite of the enormous sums now channelled through the systems and their multilateral influences on the labour force.⁴⁸ The evolution of the social security systems in the region has taken two main forms: (i) The establishment of separate funds for specific categories of employees and workers, each with its own legally defined sources of income, conditions of entitlement, range of benefits, and administrative apparatus. The proliferation of these funds has generally been followed but not replaced by the establishment of a broader institution embracing most wage-earners except the categories covered by existing funds. (ii) The establishment of general social

⁴⁷ Several of the 1966 CIAP country reports (notably those on Brazil, Chile and Mexico) and also the sources cited in footnote 36 indicate that this reappraisal is beginning to follow similar lines in a number of regional as well as national institutions.

⁴⁸ In Chile and Uruguay, social security income is equivalent to 12 per cent or more of the gross national product. In many other countries, it is in the same range (2-5 per cent) as education, the social sector making the largest direct claim on public resources.

security institutions under legislation providing for gradual expansion of coverage in regard to occupations, geographical areas and forms of protection. In general, the former type is found in the countries that first undertook to provide social security, while the latter characterizes countries that took the first steps in the nineteen thirties and later.

In very simplified terms, it appears that in recent years the systems of the first type—older, larger and at stages in their evolution in which they can no longer depend upon increases in number of contributors to provide surpluses—are suffering from particularly severe crises of financing, administrative hypertrophy, inability to meet commitments for benefits, and inequities in the benefits received by different categories of insured. Rigid dividing lines between salaried employees and wage workers are particularly characteristic of these systems, reflecting wide gaps in income levels and influence between the two groups. In Chile, for example, an official commission for research on social security (Comisión de Estudios de Seguridad Social) calculated that in 1959 a million and half workers affiliated to the largest social security fund received 33 per cent of the total social security benefits provided by the country, while 550,000 employees affiliated to other funds received 59 per cent; there is no reason to believe that the proportions have since altered significantly. In the second type of system, problems of inability to follow the original objective of universalization of coverage by steps are more prominent; expansion of coverage in most countries seems to have been slow since 1961. As long as coverage remains limited, this type of system is particularly subject to criticism for redistributing income away from the low-income strata. Industries and commercial enterprises are normally able to pass on social security costs to consumers, including the unprotected strata, and the latter also contribute to social security costs through taxes.

The scale of benefits granted to the insured under piecemeal legislation; the very low returns on investments made by the social security institutions; excessive administrative costs; and widespread evasion or delays in payment of contributions due from the State have combined to plunge most of the systems into increasingly acute financial difficulties.⁴⁹ Increases in contri-

bution rates, which, in a few countries, have reached levels equivalent to nearly half the size of the wage bill, only increase the incentives to evasion. The State is further tempted to draw upon social security reserves to meet its own deficits, by inducing the funds to purchase government bonds, while inflation is allowed to reduce the real burden of payments to beneficiaries; the typical long delays in processing of pension applications serve the same purpose. The countries with extensive social security coverage are, in general, also countries with severe and chronic inflation, and the continual struggles over readjustment of benefits, with pensions practically never recovering their initial value except for certain privileged categories of pensioners, are among the most conspicuous social consequences of inflation. The systems are thus disfinanced at a period in which they are under pressure of assume wider responsibilities for protection of urban and rural marginal groups that cannot contribute significantly to the cost of such protection.

Social security benefits—including health and social welfare services provided through social security as well as pensions—are by now extremely important elements in the expectations of urban employees and workers, and in a few countries of rural wage workers as well. Reductions in existing entitlements would be almost unthinkable politically, and pressures upon the legislative bodies to vote new benefits are strong. In practice, the benefits are brought down to the systems' level of resources by administrative delays, evasions, and dilution of the quality of services. The consequent frustration among the beneficiaries is reflected in attacks on the "Kafkaesque" traits of the systems, in media that represent the most varied sectors of public opinion.

A number of countries have already undertaken studies leading to comprehensive proposals for reform, and international organizations concerned with social security are now documenting the deficiencies and insisting on the urgency of such reforms.⁵⁰ The technical require-

those withheld from workers are sometimes able to add significantly to their working capital without payment of interest on these "loans". In other instances, employers and workers are in tacit agreement to evade contributions.

⁴⁹ See, in particular, "*Papel de la seguridad social y del mejoramiento de las condiciones de vida y de trabajo en el progreso social y económico*" (No. 3), report presented by the International Labour Organisation (ILO) to its Eighth Congress of American Member States (Ottawa, September 1966). This document, which surveys the history of social security in Latin America and analyses the present crises, demonstrates the remarkably fragmentary and tardy nature of the data obtainable from

⁴⁹ In a good many countries the State is in arrears in three kinds of payments: its direct obligations under the tripartite systems of financing, and its obligations as an employer to contribute sums related to the salaries of public employees and also sums withheld from these salaries. Private employers, by delaying payment of their own contributions to the social security fund and also

ments for more efficient social security systems are hard to formulate, in view of the consensus on the need to extend them to population strata with very low and precarious incomes. The more

institutions that by their very nature might be expected to give a good deal of attention to statistics, record-keeping and cost accounting. In spite of efforts over several years to collect data on costs of social security, the ILO concludes that the difficulties of obtaining comprehensive information remain insuperable (p. 84). Moreover, there is also no evidence that any of the social security systems have utilized demographic projections to estimate the future costs of given types and levels of benefits.

intractable difficulty, however, is that the social security systems are embedded in the social structures described above, and that a particularly wide range of interests are barricaded behind the autonomy of the institutions and the elaborate legislation that has been enacted. While public awareness of the unavoidability of reform is now widespread, there is little readiness to relinquish special advantages for the sake of such reform. In these circumstances progress will require firm political decisions and the ability to convince majority sectors that the reforms will actually work to their eventual advantage.

Chapter III

FOREIGN TRADE AND THE BALANCE OF PAYMENTS

A. Foreign trade

1. WORLD EXPORT TRENDS

The year 1967 witnessed a decline in the high rate of expansion shown by world exports during the previous four years. According to incomplete data, the increase in world exports in the first half of 1967 was the smallest in the past five-year period—7.1 per cent—exceeding only the 1962 figure, and comparing very unfavourably with that of 11 per cent recorded in the first six months of 1966 (see table 17). This situation seems to be closely related to a fall in the growth rate of the world economy, and in particular to the slower rise in industrial production indexes in the developed countries.

These trends had unfavourable repercussions on the exports of the developing countries, which increased by a mere 2.3 per cent in the first half of 1967 (as against 9.3 per cent in the corresponding period of the preceding year). The rate probably dropped even lower during the rest of the year, owing to the consequences of the hostilities in the Middle East in June; to the stagnation of exports from Latin America, and

possibly too from Africa, where Nigeria's internal difficulties and the problems of Zambia and Rhodesia remained unsettled; and to the impact of the devaluation of the pound sterling.

Thus the gap between export growth rates in the developed and in the developing countries widened still further in 1967, reflecting not only the influence of the stagnation of industrial production in the developed countries on demand for primary products, with its elements of rigidity, but also the difficulties of access to the leading markets, which particularly affected the Latin American countries.

As can be seen from table 17, export growth rates slackened almost everywhere; the only exceptions to the rule were the countries of the European Free Trade Association, which kept up the same rate as in the first half of the preceding year (7.7 per cent). The reason for this is to be found in the special situation of the United Kingdom, whose market is the largest in the EFTA group. At the end of 1966, the United Kingdom lifted its temporary import duties, and its external purchases regained their briskness—mainly in consequence of pent-up

Table 17. Variations in current value of world exports
(Cumulative annual rates)

	1962	1963	1964	1965	1966	First half 1966 First half 1965	First half 1967 First half 1966
World total	5.6	8.6	12.6	8.2	9.1	11.0 ^a	7.1 ^a
Developed countries	5.1	9.1	13.7	9.2	10.4	11.3	8.5
Developing countries	4.7	7.8	11.1	5.3	6.1	9.3	2.3
Countries with centrally planned economies ^b	10.4	7.4	8.6	7.1	6.2	14.1 ^a	7.2 ^a
United States	3.0	7.5	14.4	3.5	10.4	13.7	6.9
Latin America	5.7	4.8	10.4	4.3	4.6	9.9	0.8
Western Europe	5.6	9.2	12.5	11.0	9.3	10.1	8.1
European Economic Community ^c	5.8	9.8	13.3	12.5	10.0	10.8	8.1
European Free Trade Association ^d	4.9	8.6	10.6	8.5	7.3	7.7	7.7
Other countries of Western Europe	7.5	6.5	15.4	9.6	13.4	15.6	9.6
Japan	16.0	10.8	22.4	26.7	15.7	13.0	8.8
Eastern Europe	11.7	7.4	8.6	7.1	6.0	13.3 ^a	7.3 ^a
Mainland China	-0.6	6.8	8.7	7.0	8.0	17.5 ^{a e}	6.8 ^{a e}

SOURCE: United Nations, *Monthly Bulletin of Statistics* (June 1964, December 1966, June and December 1967).

^a Excluding trade among countries with centrally planned economies.

^b USSR and other countries of Eastern Europe, mainland China, Mongolia, North Korea and North Viet-Nam.

^c Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands.

^d Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

^e Estimates.

demand—with the ensuing benefits for the EFTA countries' trade during the first half of 1967. It seems likely, however, that in line with the overall trend of world trade, the rate of increase of EFTA exports also slowed down in the rest of the year, as a result of the devaluation of the pound and the restrictive measures adopted by the United Kingdom.

The rate of expansion of United States exports, which had been 13.7 per cent in the first half of 1966, decreased substantially in the first six months of 1967, dropping to 6.9 per cent, i.e., below the world average.

The position was somewhat similar in the countries of the European Economic Community, where the rate fell from 10.8 per cent in the first half of 1966 to 8.1 per cent in the corresponding period in 1967; this level was above the world average, however.

It was the other countries of Western Europe, together with Japan, that showed the highest export growth rates in the first half of 1967 (9.6 and 8.8 per cent, respectively), considerably outstripping the world average; but they also registered the most marked decreases in relation to the corresponding period in 1966.

Latin America was much worse off. Its exports had been showing smaller annual increases than those of the other developing regions since 1963, but in the first half of 1967 their rate of expansion sank abruptly to barely 0.8 per cent, as against 9.9 per cent in the first six months of 1966. Thus, the developing countries' share in world exports fell from 20.6 per cent to under 19 per cent between 1962 and 1967, and the downward trend was relatively sharper in the case of Latin America, whose contribution shrank from 6.5

per cent to less than 5.5 per cent over the same period (see table 18).

If variations in export volumes and prices are analysed separately, Latin America is seen to be at an even greater disadvantage, for the 0.8 per cent increase in the value of exports during the first half of 1967 meant that their volume had to be expanded by 2.8 per cent, because of the fall in unit prices (see tables 19 and 20).

For the developed countries, on the other hand, and for the developing regions as a whole, unit prices of exports remained at the preceding year's level, which would suggest that the slower rate of increase of the current value of exports was due entirely to changes in the rate of expansion of export volumes.

2. LATIN AMERICA'S SHARE IN MAJOR MARKETS

According to the fragmentary data available for 1967, Latin America once again lost ground in the markets of Canada, Japan and the United States, but retained its position in those of Western Europe, while the relative importance of inter-Latin American trade increased (see table 21).

As in previous years, Latin America's contribution to supplies for the United States market continued to decrease in the first half of 1967, falling to only 15 per cent, a good deal below the corresponding figure for 1962 (20.8 per cent). Between 1962 and 1967, the United States increased its total imports by 63 per cent, whereas its purchases from Latin America expanded by only 17 per cent. What is more, in 1967 as a whole the value of Latin America's total sales to the United States was probably the same as in 1966 (about 4,000 million dollars),

Table 18. Share of various regions in world exports, 1962-67
(Percentages)

	1962	1963	1964	1965	1966	First half 1967
Developed countries	67.0	67.2	68.1	68.7	69.6	70.5
Developing countries	20.6	20.6	20.1	19.6	19.1	18.2
Countries with centrally planned economies ^a	12.4	12.2	11.8	11.7	11.3	11.3
United States	15.2	15.0	15.3	14.6	14.8	14.7
Latin America	6.5	6.3	6.2	5.9	5.7	5.3
Western Europe	41.2	41.4	41.4	42.4	42.6	43.0
European Economic Community ^b	24.3	24.6	24.7	25.7	26.0	26.2
European Free Trade Association ^c	14.3	14.2	14.0	14.0	13.8	13.9
Other countries of Western Europe	2.6	2.6	2.7	2.7	2.8	2.9
Japan	3.5	3.6	3.9	4.5	4.8	4.9
Eastern Europe	12.2	11.1	10.7	10.6	10.3	10.4
Mainland China	1.1	1.1	1.1	1.1	1.1	1.1

SOURCE: United Nations, *Monthly Bulletin of Statistics* (June 1964, June and December 1967).

^a USSR and other countries of Eastern Europe, mainland China, Mongolia, North Korea and North Viet-Nam.

^b Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands.

^c Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

which would imply a complete standstill after four years of steady though moderate growth.

In the Canadian market, the share of supplies from Latin America contracted from 4 per cent

in the first half of 1966 to 3.2 per cent in the corresponding period of 1967. This downward trend had been in evidence since 1964; in absolute terms, moreover, the value of sales in

Table 19. Variations in volume of world exports, 1962-67
(Annual rates)

Year	World ^a	Developed countries	Developing countries	Latin America	Latin America excluding Cuba ^b
1962	5.6	4.8	7.6	9.8	9.3
1963	7.6	8.3	5.5	1.6	3.5
1964	10.6	11.9	6.7	3.2	2.3
1965	7.1	8.1	5.6	3.9	5.5
1966	7.8	8.1	4.6	3.7	3.2
1967	5.7 ^c	7.1 ^c	1.5 ^c	2.8 ^d	1.6 ^e

SOURCE: United Nations, *Monthly Bulletin of Statistics* (January 1968).

^a Excluding countries with centrally planned economies.

^b ECLA, on the basis of official statistics.

^c January to September.

^d January to June.

^e Provisional figures.

Table 20. Indexes of world export prices, 1962-67
(Base: 1960=100)

Year	World ^a	Developed countries	Developing countries	Latin America	Latin America excluding Cuba ^b
1962	99	101	95	96	96.3
1963	100	102	97	99	97.8
1964	102	103	99	106	103.0
1965	103	104	99	106	102.3
1966	105	106	101	108	104.6
1967 ^e	104 ^c	106 ^c	101 ^c	106 ^d	102.1 ^c

SOURCE: United Nations, *Monthly Bulletin of Statistics* (January 1968).

^a Excluding countries with centrally planned economies.

^b ECLA, on the basis of official statistics.

^c January to September.

^d January to June.

^e Provisional figures.

Table 21. Latin America^a: share in world trade flows, 1962-67
(Percentages)

	1962	1963	1964	1965	1966	January-June	
						1966	1967
World total ^b	7.6	7.3	6.9	6.7	6.4	6.3	6.0
United States ^c	20.8	20.3	19.0	17.3	15.6	16.3	15.0
Canada ^c	5.5	5.7	5.6	4.7	3.6	4.0	3.2
Japan	7.7	7.9	7.6	8.1	7.7	7.9	7.0
Western Europe	5.4	5.0	4.8	4.7	4.6	4.6	4.6
European Economic Community ^d	5.9	5.4	5.3	5.2	4.9	5.0	5.0
European Free Trade Association ^e	5.1	4.7	4.4	4.2	4.0	4.1	4.1
Other countries of Western Europe	3.6	4.2	3.7	4.1	4.5	4.3	4.6
Latin America	9.7	11.5	12.6	14.1	13.5	10.6	11.0
Rest of world	4.6	4.3	3.9	3.6	...	...	...

SOURCE: International Monetary Fund, *Direction of Trade*, annual data 1960 to 1966, and quarterly data for 1967.

^a Excluding Cuba.

^b Excluding countries with centrally planned economies.

^c On the basis of f.o.b. figures.

^d Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands.

^e Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

Table 22. Latin America: share of selected countries in United States total imports, 1962-67
(Per mil)

Year	Latin America	Argentina	Uruguay and Paraguay	Brazil	Colombia	Ecuador	Central America	Chile	Bolivia	Peru	Venezuela	Mexico
1962	4.3	12.7	11.8	0.8	12.5	59.4	36.0
1963	4.1	12.9	11.0	1.1	13.5	54.3	35.5
1964	4.7	12.7	11.8	1.7	12.1	51.0	34.9
1965	4.9	13.2	9.9	1.6	11.8	47.6	30.2
1966	3.7	12.0	9.1	1.2	12.7	39.1	29.7
1966 ^a	3.7	12.1	9.3	1.3	12.8	40.4	29.8
1967 ^a	3.9	11.8	7.2	1.6	11.5	37.0	28.6

SOURCE: International Monetary Fund, *Direction of Trade* (1962-66 and November 1967).
^a January to September.

1965-67 failed to regain the 1964 peak level of 390 million dollars, despite the fact that Canada's total imports increased by 45 per cent between 1964 and 1967.

In trade with Japan, Latin America's share underwent a reduction for the second year running, after having risen to a maximum of 8.1 per cent in 1965. Nevertheless, as Japan has doubled its total imports in the past five years, in terms of absolute values Latin America's sales to the Japanese market increased over the same period by about 80 per cent.

The region's sales to EEC and EFTA represented the same proportions of total supplies in the first half of 1967 as in the corresponding period in 1966, i.e., 5.0 and 4.1 per cent, respectively. Hence, the continuing downward trend of their share in these markets seems to have been halted. The most dynamic of Latin America's markets is the EEC countries, whose total imports increased by 50 per cent between 1962 and 1966, while their imports from Latin America did so by 26 per cent. The total imports of the EFTA countries expanded by 38 per cent in the same five-year period, but their purchases from Latin America rose by barely 9 per cent.

Latin America's share in trade with the other countries of Western Europe increased for the third year running, mainly by virtue of its larger sales to Spain.

The explanation of Latin America's persistent loss of ground in the major world markets lies in the continued application of restrictive measures and discriminatory policies in respect of commodity trade; in competition from substitutes and from lines of production encouraged in developed areas; in imbalances between

supply and demand; and in the existing barriers to the access of its manufactures. Hence it may well be feared that as long as these conditions prevail, Latin America's relative position in the leading markets will continue to deteriorate, especially if the growth rate of the world economy goes on declining and the measures recently adopted by the United Kingdom and the United States to improve their balance-of-payments position are strengthened. The pursuit of this latter aim involves the adoption of a body of internal and external restrictions which are bound to affect Latin America's exports, and may make its trade prospects gloomier than ever, reducing not only its relative participation but also the absolute value of its sales.

Within this over-all picture, special significance attaches to the changes in Latin America's share in total United States imports. It should be noted in this context that the downward trend referred to affects not only the region as a whole but also most of the individual Latin American countries (see table 22).

3. GEOGRAPHICAL DISTRIBUTION OF LATIN AMERICA'S EXPORTS

The trends described above have given rise to considerable changes in the geographical distribution of Latin America's exports (see table 23). The most clearly marked of these is the steady decline in the proportion shipped to the United States. A fall from 41.8 per cent in 1960 to 32 per cent in 1965 was followed by a slight recovery in 1966, and then a further drop in the first half of 1967 to its lowest level (31.7 per cent). On the other hand, Western Europe's share in Latin America's exports, under the influence of trade

Table 23. Latin America:^a destination of exports, 1960-67
(Percentages)

Area destination	1960	1961	1962	1963	1964	1965	1966	First half 1966	First half 1967
North America	43.5	39.5	39.1	37.8	35.1	34.9	35.7	34.7	33.9
United States	41.8	37.7	36.0	34.5	32.2	32.1	33.2	32.3	31.7
Canada	1.7	1.8	3.1	3.3	2.9	2.9	2.5	2.4	2.2
Western Europe	31.6	31.8	32.9	34.1	33.7	32.7	32.3	32.5	34.9
European Economic Community ^b	18.4	18.5	20.0	21.0	20.8	19.9	19.7	19.4	21.1
European Free Trade Association ^c	11.7	11.3	10.9	10.8	10.2	9.6	9.1	9.4	10.1
Other countries of Western Europe	1.5	2.0	2.0	2.3	2.7	3.2	3.5	3.7	3.7
Japan	2.8	3.9	3.7	4.3	4.7	4.3	4.7	4.9	5.3
Latin America	7.9	6.7	7.2	7.7	9.2	9.8	9.8	9.0	9.8
Eastern Europe	3.1	5.8	5.4	4.8	5.0	6.6	6.4	7.3	5.4
Rest of world	11.1	12.3	11.7	11.3	12.3	11.7	11.1	11.6	10.7

SOURCE: United Nations, *Yearbook of International Trade Statistics* (1964), and *Monthly Bulletin of Statistics* (June and December 1965, June and December 1966, June and December 1967).

^a Including Cuba.

^b Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands.

^c Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

with the EEC countries and with Spain, followed a moderate upward trend, interrupted in some years, but reaching a peak in the first half of 1967, when it exceeded the proportion of exports to the United States. In addition, the dynamic vigour shown by export flows to Japan and in intra-regional trade was intensified in the first six months of 1967. Lastly, exports to Eastern Europe in 1967 dropped far below the high percentage attained in 1965 and 1966 (see table 23).

An analysis of sales by individual Latin American countries to EEC during the first half of 1967 shows that the rise in the value of the region's exports to this market was attributable to Argentina and in even greater measure to Chile. Although exports from Brazil, Colombia, Cuba and some of the Central American countries also increased slightly, those of Ecuador, Mexico, Peru, Uruguay and Venezuela decreased. (Venezuela's position probably altered in the second half of the year as a result of the hostilities in the Middle East.) Argentina and Brazil continued to absorb the largest share of the region's export trade with EEC (45 per cent of the total), although attention should be drawn to the progress made in the last few years by Chile, Ecuador and Mexico, and to a lesser extent by Colombia and some of the Central American countries, which more than offset the reductions in Cuba's and Venezuela's sales.

With regard to Latin America's exports to EFTA in the first half of 1967, developments similar to those occurring in the EEC market are observable. Argentina and Chile, in particular the latter, were responsible for the increase in exports to EFTA in terms of value. The sales effected by Colombia, Ecuador and certain Central American countries were also slightly bigger, while the exports of the rest declined. Argentina, Brazil and Venezuela together accounted for about 55 per cent of exports to this market, and the position of the other countries (with the exception of Chile) underwent no significant change, perhaps because the increase in the total value of their exports during the four-year period 1964-67 was modest, obviously partly as a result of the preferences granted to Commonwealth countries.

Exports to Japan continued to grow, expanding by over 80 per cent between 1963 and 1967. During those five years, Chile almost trebled and Peru more than doubled the value of their respective exports to this market. These two countries, in conjunction with Mexico, at present absorb 60 per cent of the region's trade with Japan. Besides Chile and Peru, the following countries expanded their exports in the first

half of 1967: Argentina, Brazil, Colombia, Cuba, Ecuador and Venezuela. Those of the remainder contracted slightly.

4. EXPORT TRENDS, BY COUNTRIES

For Latin American exports, 1967 marked the first setback to the process of expansion which had been under way since the beginning of the decade. In 1966 the value of exports amounted to some 10,770 million dollars, but in 1967 it dropped to about 10,670 million,¹ a decline of 1 per cent. There was an increase of 1.5 per cent in volume, but this only partly offset the drop of 2.4 per cent in the unit prices of exports (see tables 24 and 25).

This contraction was determined by sharp declines in the three large countries—Argentina, Brazil and Mexico—and in Guatemala and Uruguay, and to a lesser extent in Colombia and Peru, and to the slight downturns in Nicaragua and Paraguay. In these countries as a whole, exports contracted by about 340 million dollars, 65 per cent of which corresponded to Argentina and Brazil. The remaining ten countries recorded an aggregate increase of about 240 million dollars, of which Venezuela accounted for 50 per cent. Special mention should be made of the relative increase in relation to 1966 in the exports of Bolivia (17 per cent); the Dominican Republic, Ecuador and El Salvador (more than 10 per cent); and Costa Rica, Panama and Venezuela (more than 5 per cent); and the slight increases in Chile, Haiti and Honduras.

The drop in exports in Argentina, Brazil, Guatemala, Mexico and Uruguay was due to a reduction in volume—particularly in the last two countries—and in unit prices, except in Mexico. The volume of exports in the rest of the countries increased by between 0.5 and 2 per cent, except in Nicaragua, where they remained stationary. The unit prices of exports showed a slight improvement only in Chile,² the Dominican Republic, Ecuador and Mexico, remaining at about the same level as in 1966 in Honduras, Nicaragua and Panama, and deteriorating between 1 and 6 per cent in the twelve remaining countries.

During the decade there have been some changes in the relative share of the different countries in Latin America's total exports. The

¹ According to customs values, which do not always coincide with balance-of-payments values.

² In 1967 Chile sold its copper at the London market prices, whereas in 1966 some copper was sold at the United States domestic market price, with the result that the average prices in 1966 were lower than in 1967, despite the drop in copper prices on the London market during the latter year.

Table 24. Latin America: f.o.b. value of exports, 1960-67
(Millions of dollars at current prices)

Country	1960	1961	1962	1963	1964	1965	1966	1967 ^a
Latin America, excluding Cuba .	7,908.8	8,122.8	8,595.8	9,028.3	9,655.4	10,109.3	10,767.8	10,665.6
Latin America, excluding Cuba and								
Venezuela	5,524.9	5,670.5	6,052.4	6,563.0	7,174.2	7,649.6	8,363.8	8,143.6
Argentina	1,079.2	964.1	1,216.0	1,365.1	1,410.4	1,492.8	1,593.2	1,485.0
Bolivia	51.3	58.0	58.9	65.7	93.3	109.5	126.2	147.8
Brazil	1,268.8	1,403.0	1,214.2	1,406.5	1,429.8	1,595.5	1,741.4	1,630.0
Chile	490.0	508.1	532.1	542.0	625.8	687.9	880.8	898.0
Colombia	464.6	434.5	463.3	446.1	548.1	539.1	507.6	500.0
Costa Rica	81.9	81.7	92.0	95.0	112.7	110.7	138.2	149.0
Dominican Republic	179.7	142.1	172.4	173.2	178.3	121.8	137.5	155.0
Ecuador	147.6	126.9	142.8	148.7	161.4	174.4	192.2	215.0
El Salvador	116.8	119.1	136.3	153.8	178.1	188.7	188.9	210.0
Guatemala	116.6	112.7	117.7	154.1	166.8	186.9	227.8	200.0
Haiti	33.1	32.2	42.4	41.4	40.4	36.1	33.8	35.0
Honduras	61.9	72.3	79.8	81.9	91.8	126.0	141.5	142.5
Mexico	762.6	825.7	929.3	984.2	1,053.3	1,145.2	1,228.1	1,185.0
Nicaragua	56.0	60.6	82.4	99.7	118.3	143.5	137.7	137.0
Panama	26.0	28.2	46.1	59.2	70.3	76.9	88.3	94.0
Paraguay	27.0	30.7	33.5	40.2	49.8	57.2	49.4	49.0
Peru	432.4	495.9	539.8	541.0	666.7	666.2	765.4	757.0
Uruguay	129.4	174.7	153.4	165.2	178.9	191.2	185.8	154.3
Venezuela	2,383.9	2,452.3	2,543.4	2,465.3	2,481.2	2,459.7	2,404.0	2,522.0

SOURCE: ECLA, on the basis of customs figures, which in certain countries do not include balance-of-payments

adjustments.

^a Provisional figures.

Table 25. Latin America: variations in the current value of exports, 1960-67
(Cumulative annual rates)

Country	1961	1962	1963	1964	1965	1966	1967
Latin America, excluding Cuba .	2.7	5.8	5.0	6.9	4.7	6.5	-1.0
Latin America, excluding Cuba and							
Venezuela	2.6	6.7	8.4	9.3	6.6	9.3	-2.6
Argentina	-10.7	26.1	12.3	3.3	5.8	6.7	-6.8
Bolivia	13.1	1.6	11.5	42.0	17.4	15.3	17.1
Brazil	10.6	-13.5	15.8	1.7	11.6	9.1	-6.4
Chile	3.7	4.7	1.9	15.5	9.9	28.0	2.0
Colombia	-6.5	6.6	-3.7	22.9	-1.6	-5.8	-1.5
Costa Rica	-0.2	12.6	3.3	18.6	-1.8	34.6	7.8
Dominican Republic	-20.9	21.3	0.5	2.9	-31.7	12.9	12.7
Ecuador	-14.0	12.5	4.1	8.5	8.1	10.2	11.9
El Salvador	2.0	14.4	12.8	15.8	6.0	0.1	11.2
Guatemala	-3.3	4.4	30.9	8.2	12.1	21.9	-12.2
Haiti	-3.6	32.3	-1.9	-2.4	-10.6	-6.4	3.6
Honduras	16.8	10.4	2.6	12.1	37.2	12.3	0.7
Mexico	8.3	12.5	5.9	7.0	8.7	7.2	-3.5
Nicaragua	8.2	36.0	21.0	18.7	21.3	-4.0	-0.5
Panama	8.5	63.5	28.4	18.8	9.4	14.8	6.5
Paraguay	13.7	9.1	20.0	23.9	14.9	-13.6	-0.8
Peru	14.7	8.9	0.2	23.2	-0.1	14.9	-1.1
Uruguay	35.0	-12.2	7.7	8.3	6.9	-2.8	-17.0
Venezuela	2.9	3.3	1.5	0.6	-0.9	-2.3	4.9

SOURCE: Table 24.

nature of these changes can best be seen if the countries are grouped according to size and a comparison is made between their relative share of the Latin American total in 1966 and 1967 (see table 26). In so doing, the position of

Venezuela should be considered separately, because of the considerable influence it has on the aggregate regional figures and because of the extent of the changes recorded. Venezuela's share dropped from 30.1 per cent in 1960 to

Table 26. Latin America^a: percentage share of total exports, by country, 1960 and 1967
(Percentages)

Country	1960	1967
<i>Group 1</i>	39.3	40.3
Argentina	13.7	13.9
Brazil	16.0	15.3
Mexico	9.6	11.1
<i>Group 2</i>	17.6	20.2
Chile	6.2	8.4
Colombia	5.9	4.7
Peru	5.5	7.1
<i>Group 3</i>	13.0	15.9
Central America	5.5	7.9
Dominican Republic	2.3	1.5
Haiti	0.4	0.3
Panama	0.3	0.9
Bolivia	0.7	1.4
Ecuador	1.9	2.0
Paraguay	0.3	0.5
Uruguay	1.6	1.4
Venezuela	30.1	23.6

SOURCE: Table 24.

^a Excluding Cuba.

23.6 per cent in 1967, its exports increasing at an annual rate of barely 0.8 per cent, in comparison with a growth rate of 4.3 per cent for the region as a whole. The present inelasticity of Venezuela's exports contrasts with their rapid growth in the previous decade. The consistent drop in petroleum prices from 1958 onwards, and the downward shift in demand in recent years have had a restrictive effect on export prospects.

In group 1, which includes the largest countries, it can be seen that there was a reduction in Brazil's share, relative stability in Argentina's, and greater dynamism in Mexican exports, which also determined an increase in the share of the group as a whole. In the case of Brazil, the downturn was occasioned by the deterioration in coffee prices and the scant likelihood of Brazil being able to increase its share of the world coffee market, factors which more than outweighed the efforts made in recent years to promote the export of manufactures.

In group 2, the most striking feature is the decline in Colombia's share and the strong growth of exports in Chile and Peru. As in the case of Brazil, Colombia's exports were affected by the drop in prices and the downward shift in demand for coffee.

The greatest improvement is found in group 3, which consists mainly of the economically relatively less developed countries. Particularly noteworthy is the increase in the share of Bolivia, Panama and Central America and, to a lesser extent, of Paraguay and Ecuador. On the

other hand, the share of Haiti, the Dominican Republic and Uruguay diminished; in Uruguay, because of problems of domestic supply, and in the Dominican Republic, because of the political events which affected the country in 1965.

In short, the sluggish growth of exports in Latin America mainly reflects the trends followed by exports in Venezuela, Brazil, Colombia and, to a lesser extent, in Uruguay. In the first three countries, the causes are to be found in the downward shift in demand and in prices, while in Uruguay exports were also affected by the domestic supply situation.

The smaller countries, because their share in the world market—except for Bolivian tin—is slight, seem to have had better prospects of increasing their traditional exports and of gaining a foothold in the market for other products, thus offsetting the drop in prices.

Finally, those countries—including Venezuela—which already have a sizable share in the world market are faced with fairly obvious difficulties in attempting to boost their traditional exports. Incentives tend to be short-lived and to be the result of particular circumstances, such as production shortfalls in other regions, armed conflicts, etc. This emphasizes once more the need to intensify measures designed to promote the export of manufactures, including efforts to facilitate access for those products to the markets of the industrialized countries.

5. IMPORT TRENDS, BY COUNTRIES

Despite the stagnation of exports, Latin America was able to increase its imports by about 4 per cent in 1967. This rate, although far below that reached in 1966, is equal to the cumulative average annual rate for the last seven years. The c.i.f. value of imports was 10,140 million dollars, compared with 9,762 million in 1966. This additional increase, coinciding as it did with unfavourable export trends, was made possible by the exceptionally large inflow of capital, which is comparable only with that recorded in 1957. The volume of imports increased by 3 per cent, and unit prices rose slightly (see tables 27 and 28).

Imports expanded in all countries except in Colombia, where they dropped sharply, Uruguay, Argentina, Haiti and Peru; in the last two countries they remained at the same level, although Peru had shown striking increases in nearly every previous year in the present decade.

Imports increased in the Dominican Republic, Ecuador and Guatemala by 16 to 18 per cent, in Paraguay, Nicaragua, Bolivia and Mexico by 9 to 11 per cent, in Brazil, Costa Rica, Venezuela and Chile by 6 to 8 per cent and in Panama,

Table 27. Latin America: c.i.f. value of imports, 1955 and 1960-67
(Millions of dollars at current prices)

	1955	1960	1961	1962	1963	1964	1965	1966	1967 ^a
Latin America, excluding Cuba	6,874.1	7,690.3	7,962.9	8,036.3	7,787.1	8,587.5	8,869.3	9,762.4	10,140.0
Argentina	1,172.6	1,249.3	1,460.4	1,356.5	981.0	1,077.2	1,198.6	1,124.0	1,120.0
Bolivia	82.4	71.5	77.7	97.7	103.3	102.7	133.8	138.4	152.0
Brazil	1,303.8	1,461.6	1,459.1	1,475.0	1,486.8	1,262.6	1,095.7	1,496.2	1,610.0
Chile	376.3	499.7	590.5	511.6	557.5	607.2	604.2	755.3	800.0
Colombia	669.3	518.6	557.1	540.4	506.0	586.3	453.4	674.3	510.0
Costa Rica	87.5	110.4	107.2	113.3	123.8	138.6	178.2	178.6	190.0
Dominican Republic	113.2	100.0	80.0	148.0	184.0	220.0	135.0	180.6	213.7
Ecuador	108.0	115.0	106.4	96.2	128.8	151.9	166.2	172.0	200.0
El Salvador	91.9	122.4	108.7	124.8	151.7	191.1	201.8	221.0	232.0
Guatemala	103.5	137.9	133.6	132.9	171.1	202.1	229.3	206.9	240.0
Haiti	39.6	36.1	41.9	45.9	38.9	41.4	36.3	36.3	36.3
Honduras	62.0	71.8	72.0	79.8	95.1	101.6	122.0	149.1	150.7
Mexico	883.7	1,186.5	1,138.6	1,143.0	1,239.8	1,492.9	1,560.7	1,605.2	1,750.0
Nicaragua	69.6	71.7	74.4	97.4	110.4	136.0	160.7	182.0	200.0
Panama	86.1	128.2	147.0	173.3	192.0	198.3	219.4	253.6	268.4
Paraguay	33.6	33.4	40.9	41.2	38.7	39.8	51.7	56.8	63.0
Peru	299.5	372.8	468.1	534.3	553.2	570.9	718.6	816.9	818.9
Uruguay	236.7	215.9	207.5	228.6	175.0	197.9	150.7	184.2	170.0
Venezuela	1,054.8	1,187.5	1,091.8	1,096.4	950.0	1,269.0	1,453.0	1,331.0	1,415.0

SOURCE: ECLA, on the basis of customs figures, which in certain countries do not include balance-of-payments adjustments.
^a Provisional figures.

Table 28. Latin America: variations in the current value of imports, 1950-67
(Cumulative annual rates)

	1955-60	1961	1962	1963	1964	1965	1966	1967
Latin America, excluding Cuba	2.3	3.5	0.9	-3.1	10.3	3.3	10.1	3.9
Argentina	1.3	16.9	-7.1	-27.7	9.8	11.3	-6.2	-0.4
Bolivia	-2.7	8.7	25.7	5.7	-0.6	30.3	3.4	9.8
Brazil	2.3	-0.2	1.1	0.8	-15.1	-13.2	36.6	7.6
Chile	5.8	18.2	-13.4	9.0	8.9	-0.5	25.0	5.9
Colombia	-5.0	7.4	-3.0	-6.4	15.9	-22.7	48.7	-24.4
Costa Rica	4.8	-2.9	5.7	9.3	12.0	28.6	0.2	6.4
Dominican Republic	-2.4	-20.0	85.0	24.3	19.6	-38.6	33.8	18.3
Ecuador	1.3	-7.5	-9.6	33.9	17.9	9.4	3.5	16.3
El Salvador	5.9	-11.2	14.8	21.6	26.0	5.6	9.5	5.0
Guatemala	5.9	-3.1	-0.5	28.7	18.1	13.5	-9.8	16.0
Haiti	-1.9	16.1	9.5	-15.3	6.4	-12.3	0.0	0.0
Honduras	3.0	0.3	10.8	19.2	6.8	20.1	22.2	1.1
Mexico	6.1	-4.0	0.4	8.5	20.4	4.5	2.9	9.2
Nicaragua	0.6	3.8	30.9	13.3	23.2	18.2	13.3	9.9
Panama	8.3	14.7	17.9	10.8	3.3	10.6	15.6	5.8
Paraguay	-0.1	22.5	0.7	-6.1	2.8	29.9	9.9	10.9
Peru	4.5	25.6	14.1	3.5	3.2	25.9	13.7	0.2
Uruguay	1.4	-3.9	10.2	-23.4	13.1	-23.9	22.2	-7.7
Venezuela	2.4	-8.1	0.4	-13.4	33.6	14.5	-8.4	6.3

SOURCE: Table 26.

El Salvador and Honduras by 1 to nearly 6 per cent. In Bolivia, Central America, Chile, Ecuador, Mexico and Panama, the steady upward trend derived from the expansion of exports and growing inflow of foreign capital. Similar factors, and the fact that they had previously been able to build up their international reserves, enabled Brazil and the Dominican Republic to step up

their purchases abroad for the second year running and Paraguay for the third year; they also helped Venezuela to expand its imports in 1967.

Argentina's imports were low for the fifth year in succession, as its balance of payments was burdened by external debt servicing, which made it necessary to build up large current

surpluses. Although movements of autonomous capital were favourable to Argentina for the first time in four years, import restrictions again produced a current surplus, and the entire capital inflow was used to swell the country's international reserves, which are now only a little less than those of Venezuela.

There was a drastic cutback in Colombia's imports in 1967, as a result of the exchange controls applied at the end of 1966, when the relatively high import levels had made it difficult for the country to meet its external commitments and had considerably run down its international reserves.

6. GEOGRAPHICAL ORIGIN OF LATIN AMERICA'S IMPORTS AND REGIONAL TRADE BALANCES

Incomplete data for the first half of 1967 indicate that Latin America relied for its supplies more on Western Europe and other areas than on the United States, although the respective shares of the different regions in its import trade have changed very little since 1960. Imports from the United States, which had risen slightly in 1966, declined again in relative terms during the first half of 1967 (see table 29).

In the last two years, Latin America has stepped up its purchases from Western Europe, thereby increasing that region's share of its import trade. Imports from Japan and from Latin America itself have also continued to expand.

To judge by the incomplete data for 1967, the region's trade balance with the United States is becoming increasingly unfavourable as its exports decrease and its imports expand steadily in absolute terms. The imbalance that has existed since 1964 and has become even more acute in the last two years is symptomatic of the rigidity

of its export trade with the United States, in contrast with the steady upward trend of its imports from that country (see table 30).

On the other hand, its trade balances with Western Europe in the first half of 1967 showed that the trade surplus was slightly larger than in the corresponding half of the previous year. There had been a big surplus up to 1965, but it then shrunk considerably in the following year. If this trend has persisted throughout 1967, the three-cornered trade between the United States, Western Europe and Latin America will have been thrown out of balance, and changes will have to be made in the structure of Latin America's trade with the United States in order to improve its position vis-à-vis the latter country. This can only be done by expanding Latin America's exports and restricting its imports from the United States to a certain extent.

The same data show that trade balances with Eastern Europe were far lower than in the first half of 1966. These trade flows, which had been unfavourable to Latin America up to 1964, had taken a positive turn from 1965 onwards, but the data for 1967, although still incomplete, indicate that there will be a repetition of the trend that prevailed early in the decade. In fact, the region's surplus vis-à-vis Eastern Europe seems to have been due, apart from the particular conditions of trade with Cuba, to circumstantial factors that temporarily heightened the demand for certain Latin American products, such as wheat, to supply production deficits. With the stabilization of production in 1967, this surplus tended to disappear.

The most dynamic branch of Latin America's trade in the last two years has been with Japan, with which it has maintained a fairly constant

Table 29. Latin America^a: geographical origin of imports, 1960-67
(Percentage of total)

	1960	1961	1962	1963	1964	1965	1966	First half 1966	First half 1967
North America	46.5	43.9	41.6	42.4	44.8	43.2	43.6	44.3	42.9
United States	44.0	41.1	39.0	39.3	41.4	40.0	40.3	41.4	39.7
Canada	2.5	2.8	2.6	3.1	3.4	3.2	3.3	2.9	3.2
Western Europe	33.2	33.8	32.6	30.4	28.5	28.9	29.6	29.3	30.5
European Economic Community ^b	20.1	21.1	20.2	18.8	17.5	17.5	17.7	17.9	18.5
European Free Trade Association ^c	11.5	11.1	10.6	10.0	9.1	9.3	9.2	9.0	9.6
Other countries	1.6	1.6	1.8	1.6	1.9	2.1	2.7	2.4	2.4
Japan	3.5	3.9	3.9	4.0	4.4	4.4	4.5	4.3	4.5
Latin America	8.7	7.1	8.1	9.4	10.6	11.6	11.0	11.1	11.5
Countries with centrally planned economies	2.9	7.5	8.5	9.3	7.7	7.7	7.6	7.4	7.2
Rest of world	5.2	3.8	5.3	4.5	4.0	4.2	3.7	3.6	3.4

SOURCE: United Nations, *Monthly Bulletin of Statistics* (December 1965, June and December 1966, June and December 1967).

^a Including Cuba.

^b Belgium, France, the Federal Republic of Germany, Italy, Luxembourg and the Netherlands.

^c Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

Table 30. Latin America^a: regional trade balances, 1961-67
(Millions of dollars at current prices)

	Year	Exports f.o.b.	Imports f.o.b.	Balance
World total	1961	8,670	8,130	540
	1962	9,150	8,100	1,050
	1963	9,740	8,010	1,730
	1964	10,600	9,170	1,430
	1965	11,060	9,320	1,740
	1966	11,570	10,360	1,210
	1966 ^b	5,970	4,850	1,120
	1967 ^b	6,020	5,140	880
United States	1961	3,270	3,340	-70
	1962	3,290	3,160	130
	1963	3,400	3,140	260
	1964	3,410	3,770	-360
	1965	3,540	3,730	-190
	1966	3,840	4,170	-330
	1966 ^b	1,930	2,010	-80
	1967 ^b	1,910	2,040	-130
Western Europe	1961	2,760	2,750	10
	1962	3,010	2,640	370
	1963	3,340	2,430	910
	1964	3,560	2,610	950
	1965	3,620	2,690	930
	1966	3,740	3,060	680
	1966 ^b	1,940	1,420	520
	1967 ^b	2,100	1,570	530
Eastern Europe	1961	505	510	-5
	1962	495	585	-90
	1963	465	660	-195
	1964	530	610	-80
	1965	730	590	140
	1966	790	710	80
	1966 ^b	435	310	125
	1967 ^b	325	320	5
Japan	1961	340	320	20
	1962	335	315	20
	1963	410	320	90
	1964	500	400	100
	1965	480	410	70
	1966	540	465	75
	1966 ^b	290	210	80
	1967 ^b	320	230	90

SOURCE: United Nations, *Monthly Bulletin of Statistics* (December 1965, June and December 1966, June and December 1967).

^a Including Cuba.

trade surplus. Both its purchases and its sales increased in 1967. If this trend persists, the region's transactions with Japan will become one of the mainstays of its over-all foreign trade.

B. Commodity exports

1. SUGAR

In 1967 prices on the free sugar market showed a marked recovery, although they are

still at very depressed levels compared with 1964 and earlier years. The decline which had brought prices to their lowest point in the last quarter of 1966 was halted early in 1967. In the second quarter, prices rose 40 per cent, but once again dropped below 2 dollar cents per pound in the third quarter. The year ended, however, on a note of firmness, which may be only temporary.

Quotations on the free sugar market improved despite a small increase in stocks, which

was the result of an increase in world production rather than a decline in consumption.

At the end of 1967, price prospects for the following year were uncertain. Much will depend on the harvest, about which estimates vary; but another positive factor is the expansion of sugar purchases for uses other than human consumption. In trade circles it is assumed that these purchases will be maintained and may even increase, provided the price does not rise above some 50 dollars per ton (2.2 dollar cents per pound).

The reserved markets are of key importance for producer countries in Latin America. The whole of the present volume of Cuba's output is pledged to the USSR and other countries with centrally planned economies, while the other Latin American countries benefit from the quota system established by the Government of the United States, which enables them to export to that market at a price equal to the support price fixed for domestic producers.

At the beginning of 1967 the United States total consumption had been estimated at 10.2 million short tons, but its real consumption was 10.8 million, the quotas granted to other countries amounting to 4,437,000 tons. Consumption in 1968 is provisionally estimated at 10.4 million tons, and the country quotas have accordingly been reduced to 3,855,000 tons. Cuts have also been made, although on a smaller scale, in the quotas for domestic producers, except Puerto Rico, whose share in the United States market is increased by about 60 per cent (from 725,000 to 1,140,000 tons). With the new distribution of quotas for 1968, the share of foreign exporters in the United States market would shrink to 37 per cent as against 46 per cent in 1967. In the course of 1967 sugar prices in the United States pursued the upward trend initiated in 1966, reaching 7.40 dollar cents per pound towards the end of the year (see table 31).

United States prices have remained consistently below the level attained in 1963, which is taken as the base year, but it should be remembered that 1963 was an exceptional year in which prices rose 30 per cent over the previous levels. Part of this increase was subsequently consolidated in the price, and since 1965 prices have been rising slowly but steadily. In contrast, free market prices, which had also soared in 1963, dropped again even below pre-1963 levels. The United Nations is continuing its efforts to secure the negotiation of a sugar agreement.

2. COFFEE

The problems affecting world trade in coffee are still largely due to the heavy stockpiling (at

the rate of 30 per cent annually) between crop years 1958/59 and 1962/63. Since the International Coffee Agreement came into force, the annual increase in stocks has not exceeded 5 per cent, essentially as a result of Brazil's programme for reducing its coffee-growing area and diversifying crops. But as consumption is growing at an average rate of 2.5 per cent annually, the world market position of coffee continues to deteriorate. The price range and quotas established under the Agreement have proved ineffective in arresting the steady price decline. Brazil and Colombia are still accumulating stocks, which represent an increasingly heavy burden on their economies. Moreover, although the production surplus has been held back, the 1966/67 bumper crop intensified the declining trend in world prices (see table 32).

Coffee continued to lose ground on the world market in the 1967/68 crop year. At the end of September 1967, output for export was estimated to be 53.3 million bags while consumption was approximately 50 million. The surplus is only half as much as was expected at the beginning of the coffee year, because frosts reduced Brazil's harvest by 3 million bags. World exports, which, in 1966, had exceeded their 1965 level by more than 10 per cent (49,956,000 bags as against 44,578,000), increased rather more slowly in 1967. The figures for the first nine months indicate that the increment for the whole year will be barely 2 per cent. However, these figures refer to coffee beans, and thus do not include exports of soluble coffee, which have soared in recent years.

During the first nine months of 1967, the United States imported 18,660,000 pounds of soluble coffee, that is, three times as much as in the previous year. Its exports, on the other hand, dropped from 6,243,000 pounds in 1966 to 4,810,000 pounds, thereby reversing the trade balance for coffee from net sales of 190,000 pounds to net imports of 13,850,000 pounds (during the first nine months of both years). Brazil, the main supplier of soluble coffee to the United States market, sold 15 million pounds during the first nine months of 1967, thereby accounting for 80 per cent of United States imports. The purchases from Brazil equalled 14 per cent of the total volume of soluble coffee production in the United States, as against only 1 per cent in 1965. In view of this, producers in the United States have launched a strong attack on Brazilian competition. They claim that Brazil enjoys preferential prices for its raw material, since it makes use of low-grade beans—with a large proportion of broken— that cannot be exported in the form of green coffee, and

Table 31. Sugar: price trends, 1963-67
(Dollar cents per pound, and index: 1963 = 100)

	1963	1964	1965	1966	1967	By quarter			
						1966		1967	
						I	II	III	IV
Free market									
Price . . .	8.50	5.89	2.12	1.86	2.08	2.29	1.98	1.70	1.48
Index . . .	100.00	69.30	24.90	21.90	24.50	26.90	23.30	20.00	17.40
United States									
Price . . .	8.18	6.90	6.75	6.99	7.29	6.88	6.90	7.05	7.13
Index . . .	100.00	84.40	82.50	85.50	89.10	84.10	84.40	86.20	87.20
						7.16	7.26	7.33	7.40
						87.50	88.80	89.60	90.50

SOURCE: United Nations, *Monthly Bulletin of Statistics*.

Table 32. Coffee: price trends, 1963-67
(Dollar cents per pound, and index: 1963 = 100)

	1963	1964	1965	1966	1967	By quarter			
						1966		1967	
						I	II	III	IV
Santos 4	34.1	46.7	44.7	40.8	37.8	42.3	41.0	40.4	39.6
Manizales	39.6	48.8	48.5	47.4	42.0	49.5	48.6	46.8	44.8
Santos 4	100.0	137.0	131.1	119.6	110.9	124.0	120.2	118.5	116.1
Manizales	100.0	123.2	122.5	119.7	106.1	125.0	122.7	118.2	113.1
						112.0	114.1	110.6	107.3
						107.3	106.1	102.8	107.3

SOURCE: ECLA, on the basis of the United Nations *Monthly Bulletin of Statistics*.

complain that the Government of Brazil, in an effort to develop exports of processed coffee, has exempted soluble coffee from the export tax levied on coffee beans. Brazil, for its part, alleges that the development of its soluble coffee industry is partly a result of the preference displayed by the United States producers for African *robusta* for making soluble coffee. The United States itself had encouraged the establishment of the industry in Brazil, and three out of the five plants had been set up with United States aid. Moreover, the Government of Brazil has announced that any United States firm may establish a soluble coffee plant in Brazil and profit by the advantageous conditions offered there.

In view of these conflicting positions, it was feared in the last few months of the year that negotiations for the conclusion of a new international coffee agreement would break down because of the opposition from the United States producers. The decision to renew the agreement was, in fact, obtained in circumstances that do not augur well for the future. The question of soluble coffee exports was not settled at the international level; instead, it was left to the Brazilian and United States Governments to work out, as soon as possible, a settlement that would be satisfactory to both sides and would pave the way for the ratification of the new agreement by the United States Congress.

In the meantime, the Coffee Conference decided to reduce the former price margin between the *robusta* and *arabica* varieties (see table 33).

Table 33. Coffee: floor and ceiling prices, by varieties, 1966/67 and 1967/68
(Dollar cents per pound)

Varieties	Floor price		Ceiling price	
Colombian <i>arabica</i> .	43.50	38.75	47.50	42.75
Other milds .	40.50	37.25	44.50	41.25
Unwashed <i>arabica</i> .	37.50	35.25	41.50	39.25
<i>Robusta</i> .	30.50	30.50	34.50	34.25

SOURCE: Bank of London and South America, *Revista Mensual*.

The new scales are much lower. On the other hand, there is little difference in the distribution of the initial quotas for the new coffee year. Total exports are expected to rise from 46.9 to 47.6 million bags, of which Latin America would supply 32.3 million compared with 31.7 million the previous year. Except for a few unimportant reductions in the case of Ecuador, Guatemala and Mexico, each of the Latin American countries has a share of the modest increase in

the basic quotas. Two new countries—Bolivia and Paraguay—have been admitted for future distribution, with quotas of 50,000 and 7,000 bags respectively.

3. COCOA

World cocoa prices improved in 1967 for the second year running, and reached the same relatively high average level as in 1963 (see table 34). This recovery, following the abrupt downturn in 1965, is mainly attributable to the

Table 34. Cocoa beans: New York prices, 1963-67
(Dollar cents per pound, and index: 1963=100)

Year	Price	Index
1963	26.5	100.0
1964	23.1	87.2
1965	16.9	63.8
1966	23.0	86.8
1967	26.3	99.2
Quarter:		
1966 I	21.6	81.5
II	23.3	87.9
III	24.4	92.1
IV	22.9	86.4
1967 I	26.1	98.4
II	25.5	96.2
III	26.0	98.1
IV	27.8	104.9

SOURCE: United Nations, *Monthly Bulletin of Statistics*.

strengthening of the buyer markets and the decrease in production during the last two years of the period.

The fall in prices in 1965 (a reduction of 36 per cent in relation to 1963) was mainly due to the boom in world cocoa production in 1964/65, when output amounted to 1,505,000 long tons as a result of the bumper crop in Africa (see table 35). In the next two trade years (1965/66 and 1966/67), the volume of world production contracted to 1,212,000 and 1,325,000 tons, respectively, i.e., by 20 and 13 per cent in relation to 1964/65. Thanks to the persistent growth of cocoa consumption—at an estimated annual rate of 4.5 per cent over the last fifteen years—the 166,000 tons carried over from 1965 were successfully absorbed, and stocks dwindled steadily. According to estimates, the world market deficit was about 100,000 tons in 1967, and may have been even greater, since world output in 1967/68 is calculated at 1,281,000 long tons, i.e., 3 per cent less than in the preceding year.

As has happened before, the continuous rise in cocoa prices may, by encouraging the tendency

Table 35. Cocoa beans: world production, by selected countries and regions, 1963/64-1967/68
(Thousands of tons)

Country or region	1963/64	1964/65	1965/66	1966/67	1967/68 ^a	Annual growth rates			
						1964/65	1965/66	1966/67	1967/68
Brazil	123	116	171	173	153	-5.7	47.4	1.2	-11.6
Ecuador	35	48	35	42	45	37.1	-27.1	20.0	7.1
Mexico	17	20	24	25	25	17.6	20.0	4.2	—
Venezuela	21	22	22	23	23	4.8	—	4.5	—
Dominican Republic	40	32	28	23	25	-20.0	-12.5	-17.9	8.7
Costa Rica	11	12	7	9	7	9.1	-41.7	28.6	-22.2
Other Latin American countries	45	45	44	46	47	—	-2.2	4.5	2.2
<i>Total for Latin America</i>	<i>292</i>	<i>295</i>	<i>331</i>	<i>341</i>	<i>325</i>	<i>1.0</i>	<i>12.2</i>	<i>3.0</i>	<i>-4.7</i>
Africa	886	1,177	852	951	916	32.8	-27.6	11.6	-3.7
Other countries	29	33	29	33	40	13.8	-12.1	13.8	21.2
WORLD TOTAL	1,207	1,505	1,212	1,325	1,281	24.7	-19.5	9.3	-3.3

SOURCE: Gill and Duffus Ltd., *Cocoa Market Report No. 210* (January 1968).

^a Estimates.

of industrial production to economize raw material, once again act as an incentive to consumption of other inputs. It must also be borne in mind that there was a marked expansion in production of cocoa powder (which represented 16 per cent of total world output of cocoa in 1966) and of the producer countries' exports of semi-manufactured cocoa products, whose influence on the world market is steadily increasing.

Fragmentary data on Latin America's cocoa exports indicate that in the first eight months of 1967 those of Brazil increased by 11 per cent in relation to the corresponding period in 1966, and those of Ecuador by 58 per cent, while the Dominican Republic's sales remained at the same level (see table 36). Since these three countries account for a large proportion of total cocoa exports from Latin America, it may be assumed that in 1967 the percentage increase was greater than in the preceding year, when the level reached had been 20 per cent higher than in 1963.

Preliminary estimates of cocoa production in Latin America for the trade year 1967/68 show a decline in total output in relation to the pre-

ceding year, following a steady upward movement since 1963/64 (see table 35).

The falling-off was due to a sharp contraction (20,000 tons, i.e., 12 per cent) in Brazil's output, since the other producer countries recorded a slight expansion or maintained the previous year's level.

Despite the present market situation and the firm position of the producer countries in 1967, the International Cocoa Agreement which has been in process of negotiation since 1958 was not concluded.³ Moreover, the preliminary agreement reached at Geneva on 4 October 1967 by the fourteen principal producer and consumer countries (Brazil, Cameroon, Ecuador, Ghana, Ivory Coast, Mexico and Nigeria on the one hand, and the Federal Republic of Germany, France, the Netherlands, Switzerland, the United Kingdom, the United States, and the USSR, on the other) was not endorsed at the United Nations Cocoa Conference which met under the

³ See *Economic Survey of Latin America, 1966* (United Nations publication, Sales No.: E.68.II.G.1).

Table 36. Cocoa beans: exports from Latin American countries, 1963-67
(Thousands of tons)

Country	1963	1964	1965	1966	1966 January to August	1967 January to August	Annual growth rates		
							1965	1966	1967 ^a
Brazil	68	74	90	111	56	62	21.6	23.3	10.7
Costa Rica	9	9	6	8	—	—	-33.3	33.3	—
Dominican Republic	23	27	22	26	22	21	-18.5	18.2	-4.5
Ecuador	35	26	39	32	19	30	50.0	-18.0	57.9
Mexico	18	3	9	8	—	—	200.0	-11.1	—
Venezuela	12	12	12	12	—	—	—	—	—
TOTAL	165	151	178	197	—	—	17.9	10.7	—

SOURCE: Gill and Duffus, Ltd., *Cocoa Market Report No. 210* (January 1968).

^a First eight months compared with the same period in the previous year.

auspices of UNCTAD, also at Geneva, from 28 November to 19 December 1967.

The preliminary agreement reached in October 1967 seemed to have settled the major differences among the participating countries with respect to the fixing of floor prices and the nature of buffer stock operations. It was agreed to establish an indicator price lying between 24.5 and 28 dollar cents per pound; within these limits, the Administrative Council of the Agreement would take certain steps relating to export quotas, if these quotas came into operation. Floor and ceiling prices of 20 and 29 dollar cents per pound, respectively, were also fixed, and the agreement specified measures that should be adopted by the Council if these limits were exceeded, including the use of the buffer stock. With regard to buffer stock operations, no details were given on the scale of prices in the Memorandum of Agreement.⁴ According to information from other sources,⁵ however, the Governments of Ghana and of the United States came to an agreement on this point, to the effect that the buffer stock would be financed with a tax of 1 dollar cent per pound on the producer countries' world market sales of cocoa beans. The producer countries would be entitled to sell amounts in excess of their export quotas to the buffer stock, but at a price equivalent to one-half of the minimum price established in the agreement, a provision which should help to check over-production. If in the future the buffer stock sold its inventories (in order to stop prices from rising above the ceiling fixed), it would pay the other half of the minimum price to the producer countries from which it had purchased cocoa. The maximum level of the buffer stock was set at 250,000 tons, a figure approximately equivalent to the production surplus recorded in two recent years.

This preliminary agreement met with strong opposition from the cocoa industries, especially in the United Kingdom and the United States. Their argument was that the quota and buffer stock machinery in the hands of the Cocoa Council would constitute an arbitrary means of regulating the market and would restrict market operations (which are determined by a handful of commercial firms that control cocoa purchases). But the failure to reach agreement at the United Nations Cocoa Conference was due not only to the opposition put up by vested interests in the consumer countries but also to divergent views on the part of the producer countries themselves.

The United Nations Cocoa Conference concluded its proceedings on 19 December 1967, after three weeks' negotiations, with no decision adopted on thirteen out of the sixteen items on its agenda, and without having fixed a date for the resumption of negotiations.

The most serious differences of opinion arose between Brazil and the African countries and between the United States and the producer countries in general. In the first place, Brazil requested that the system of preferences granted to the Associated African States of EEC should be abolished as from the second year following the signing of the Cocoa Agreement. Although the African countries agreed in principle, they were not prepared to accept the time-limit stipulated by Brazil. Brazil then asked the major consumer countries to refrain from setting up new obstacles to cocoa consumption in the shape of internal taxes, and gradually to eliminate those already existing, with a view to the expansion of consumption. Another proposal put forward by Brazil was to the effect that the administrative costs of the buffer stock (transport, insurance, etc.) should not be deducted from the 20 cent floor price previously agreed upon. This suggestion was rejected by the United States.

Another important point on which there was a divergence of views between the producer and the consumer countries was soluble cocoas. At the present time, the cocoa producing countries are stepping up their exports of processed and semi-processed products, since they are able to compete with the prices in the consumer countries because the raw material costs them less. The United States and the Netherlands have pressed for the elimination of this type of competition, but Brazil maintains a position similar to that which it adopted in respect of coffee.

The defensive stand taken by the consumer countries with reference to the access of processed and semi-processed products to their markets was also reflected in the structure of the tariff concessions granted to the producer countries by EEC during the Kennedy Round. Although these reductions (which are to be applied progressively up to 1972) are relatively large (40 per cent), there is still some discrimination against processed cocoa products. While the *ad valorem* duty on cocoa beans has been fixed at 5.4 per cent, for cocoa paste and cocoa powder it is 15 and 16 per cent, respectively.

4. BANANAS

The provisional figures for 1967 indicate a slight recovery of prices in relation to the previous year, to judge by the quotations on the

⁴ "Memorandum of Agreement adopted on 4 October 1967" (TA/Cocoa 1/11, 25 October 1967).

⁵ *The Economist* (London, 14 October 1967).

German and United States markets (see table 37). Despite the steady rise in world demand, the prices obtained in 1967 are lower than the 1963 prices.

The volume of world trade in bananas once more rose considerably in 1966 to reach a total of 5.4 million tons, an increase of 10 per cent over 1965, in which year there has been a similar increase (see table 38). In the United States, which is the main market, imports in 1966 were up about 7 per cent and amounted to as much as 1.7 million tons, and a similar trend was observed in Canada. In Western Europe in that year, imports did not increase to the same extent as in previous years, which is not surprising, since in 1965 they had shot up by more than 20 per cent. Imports into the European Economic Community in 1966 amounted to 1.6

million tons, an increase of 8 per cent over 1965. The largest increases were in France and the Benelux countries, and the Federal Republic of Germany remained the largest European market for bananas. Imports into the United Kingdom, estimated to be about 375,000 tons in 1966, were more or less the same as in 1965. In other Western European countries, imports once again increased, particularly in Austria (20 per cent), Switzerland (10 per cent) and the Scandinavian countries (7 per cent). It is estimated that imports into Eastern Europe and the Soviet Union ranged between 70,000 and 75,000 tons in 1966. Japanese imports, which had shown only a moderate increase in 1965, climbed more than 20 per cent in 1966.

With regard to exports, 1966 was a particularly favourable year for Central America, which

Table 37. Bananas: average import prices, 1963-67

	1963	1964	1965	1966	1967
Federal Republic of Germany ^a	589	531	568	542	549
Index	100.0	90.2	96.4	92.0	93.2
United States ^b	16.8	17.0	15.9	15.4	16.1 ^c
Index	100.0	101.2	94.6	91.7	95.5 ^c

SOURCE: Food and Agriculture Organization of the United Nations, *Monthly Bulletin* (1967 and 1968).

^a F.o.b. prices for Ecuadorian exports in Deutschmarks per 1,000 kilogrammes.

^b For exports from Central and South America, in dollar cents per kilogramme.

^c Average for eleven months.

Table 38. Bananas: Latin American exports and world imports, 1961-63 to 1966
(Thousands of tons)

	Average for 1961-63	1964	1965	1966 ^a
Exports				
Ecuador	1,141.8	1,382.7	1,200.0	1,264.8
Brazil	222.7	225.5	215.8	230.0
Colombia	185.1	171.6	253.5	310.0
Costa Rica	261.8	293.7	312.2	340.0
Dominican Republic	154.3	69.1	48.0	25.0
Guatemala	125.0	94.4	34.1	47.0
Honduras	384.1	349.0	511.6	700.0
Panama	273.5	266.6	335.5	420.0
Others	53.2	69.3	58.2	76.2
Total for Latin America	2,801.5	2,921.9	2,968.9	3,413.0
Imports				
World total excluding USSR	4,055.7	4,368.1	4,932.6	5,399.9
European Economic Community (total)	1,117.9	1,139.4	1,462.1	1,581.6
United Kingdom	369.7	352.5	376.3	372.7
Scandinavia	113.2	121.2	135.6	143.5
United States	1,418.4	1,448.3	1,565.3	1,685.8
Canada	134.8	152.3	165.7	175.0
Japan	137.4	351.8	357.6	440.0

SOURCE: "Bananas: market developments in 1966 and outlook for 1967", in Food and Agriculture Organization of the United Nations, *Monthly Bulletin*, vol. 16, No. 6 (June 1967).

^a Provisional figures.

seems to be rapidly recovering its former position in the world banana trade. In particular, Honduras achieved considerable increases in its exports both to the United States (although over the long term its share in the United States market is diminishing in favour of other Central American countries) and to Europe, and Panama and Costa Rica also improved their export figures. In contrast, Guatemala's exports were once again low in relation to previous years, because the crop is no longer being grown along the Pacific coast. In time, however, this reduction will be more than made up when the new plantations in the Atlantic zone go into production. Exports have dropped sharply in the Dominican Republic, probably because of the closing down of the United Fruit Company in that country in 1965 and because of the general domestic situation.

In South America, Ecuador had a fairly satisfactory year, since its exports increased by about 5 per cent. Ecuador's share in the world markets (particularly the United States market) has shrunk, but the absolute level of its exports has been maintained by expanding exports to other areas, especially EEC countries. Colombia's exports also increased, although the withdrawal of the United Fruit Company from Santa Marta in order to concentrate its activities in the Turbo region caused certain difficulties.

Preliminary data for 1967 indicate further increases in the banana trade, although it is unlikely that there was a repetition of the extraordinary rates obtained in 1965 and 1966. In the first place, the effect of the change-over in the method of shipping bananas (from stems to cartons), which was more or less completed in 1966, would no longer be felt in 1967. Secondly, annual per capita consumption in North America and in most Western European countries has already reached about 9 kilogrammes, and any further increase will inevitably be gradual. Similarly, the Latin American exporter countries will undoubtedly feel more intensively the effect of the tariff preferences granted by EEC to its African Associated States.

5. WHEAT

In 1967, international wheat prices were 3.4 per cent more than in 1966, and also improved upon the relatively high price level of 1964 (see table 39).

Argentina, which is Latin America's leading wheat exporter, has been unable to take full advantage of the buoyant market because of the sharp drop in its stocks at the beginning of the 1966/67 trade year after heavy sales in the two preceding years, and the relatively small harvest

Table 39. Wheat and meat: recent price trends on the London market, 1964-67

(Index: 1963=100)

Year/quarter	Wheat	Beef
1964	103.1	118.8
1965	96.5	130.4
1966	100.0	122.1
1967	103.4	118.1
1966 I	97.3	126.8
II	98.5	137.7
III	100.8	124.3
IV	101.5	98.9
1967 I	103.1	105.8
II	103.1	125.7
III	101.9	115.2
IV	105.7	125.7

SOURCE: United Nations, *Monthly Bulletin of Statistics*.

in 1966/67 for the second year in succession. In view of the situation, the Government had to suspend wheat exports in mid-June 1967, except for the 117,000 tons promised to Brazil under the agreement providing for the despatch of a million tons of Argentine wheat each year from 1965 to 1967 (see table 40).

Table 40. Argentina: wheat production, consumption and exports, 1964/65-1966/67

(Thousands of tons)

	Trade year ^a		
	1964/65	1965/66	1966/67
Stocks at beginning of year .	2,213	3,340	175
Harvest	11,260	5,400	6,380
Total supply	13,473	8,740	6,555
Domestic consumption	3,729	2,998	3,900 ^b
Exports	6,404	5,567	1,963 ^b
Stocks at end of year	3,340	175	692 ^b

SOURCE: *The Review of the River Plate*, No. 3643 (Buenos Aires, 30 June 1967).

^a 1 December to 30 November.

^b Estimate.

In 1966/67, Argentine wheat exports were two-thirds of their volume in the two previous years. However, preliminary estimates of the 1967/68 crop are highly encouraging not only for Argentina but for the other major world suppliers as well (see table 41). It is expected to be bigger than the previous year's crop in all the wheat-growing countries save Canada, which has big stocks, the USSR, which had a record harvest in 1966/67, and Australia, where output reached the same level as in the previous year. World wheat trade, which amounted to some 57 million tons in 1966/68, may thus be well balanced in 1967/68 and free from the exceptional pressures experienced in the early nineteen-sixties

as a result of large-scale purchases by the USSR and other socialist countries, and in 1966/67 because of the emergency shipments to India.

The harvest in Argentina, which is estimated to have been about 9 million tons, is far bigger than in the last two years and nearly as good as in 1964/65 (see table 41). Argentina's wheat

Table 41. Wheat: preliminary estimate of world harvest, 1967/68
(Millions of tons)

Country or region	1966/67	1967/68
United States	35.6	42.0
Canada	23.0	15.0
Western Europe	44.5	49.9
European Economic Community	26.5	30.6
Eastern Europe	118.3	100.0
USSR	100.4	81.0
Asia	33.5	38.0
South America	8.4	11.1
Argentina	6.4	9.0
Africa	4.7	5.6
Australia	12.5	12.0

SOURCE: *The Economist* (28 October 1967).

exports may expand considerably as a result, although world competition based on the growth of exportable surpluses in the main supplier countries may have an adverse effect on international prices.

World trade will be regulated by the new International Wheat Agreement which was adopted at the International Wheat Conference held in Rome from 12 July to 18 August 1967. This will replace the current Agreement, which has been in force since 1962. It is to take effect on 1 July 1968 and remain in force until 1971. Prior to that date it must be ratified by the signatories of the Kennedy Round (the European Economic Community, Argentina, Australia, Canada, Denmark, Finland, Japan, Norway, Sweden, Switzerland, the United Kingdom and the United States) and the other countries that participated in the Rome Conference.

The new agreement will base the reference price on No. 2 Hard Winter wheat, f.o.b., ports in the Gulf of Mexico instead of on No. 1 Manitoba as specified in the 1962 agreement. The floor price was fixed by the participants at 1.73 dollars and the ceiling price at 2.13 dollars per bushel (27.215 kg). The price of Argentine Plata wheat was put on a par with the reference price. Prices for Argentine wheat on the London market have remained within the specified limits in the last few years, but the bumper harvest in 1967/68 is liable to bring prices down below the new minimum before 1 July 1968. On the other

hand, the prospect of higher prices from July onwards may well lead to bigger stockpiling and thus keep supplies steady.

The wheat agreement also establishes the quotas for the importing and exporting countries. The latter are authorized to sell their wheat at more than the ceiling price only when they have fulfilled their quota commitments to the importing countries that have signed the agreement.

The Rome Conference approved the creation of an international food aid fund, with the decisive support of the developed countries, was established at 4.5 million tons of grain annually for human consumption. This will be distributed on the basis of bilateral arrangements between donor and recipient countries. The implementation of the agreement will be supervised by a committee set up by the donor countries.⁶

6. MEAT

In 1967 there was a continuation of the downward trend in world beef prices. After a drop of 6 per cent in 1966 in relation to 1965, they continued to fall during the first three-quarters of 1967 and only picked up again at the end of the year (see table 39). These trends are a reflection of the expansion of beef production (a production increment of 5.4 per cent for the world as a whole and of 8.7 per cent for South America in 1966), and of the increasing trade restrictions applied in the main European markets and in the United States.

Argentine exports of frozen and chilled beef were up 22.1 per cent in 1966 in relation to the previous year, and it is estimated that there was a further increase of 15 to 20 per cent in 1967, which would bring exports almost up to the high level recorded in 1963 (see table 42). Argentina

Table 42. Argentina: exports of beef, 1963-66
(Thousands of tons)

	1963	1964	1965	1966
Frozen beef	264.3	228.3	173.8	236.8
Chilled beef	262.4	162.7	133.5	138.4
TOTAL	526.7	391.0	307.3	375.2

SOURCE: *The Review of the River Plate*.

continues to occupy first place with a share of 27.3 per cent in world exports in 1966, followed by Australia with 20.8 per cent.

Nevertheless, the conditions of access for

⁶ Participation in the fund is as follows: United States, 42 per cent; European Economic Community, 23 per cent; Canada, 11 per cent; Australia, Japan and the United Kingdom, 5 per cent each. The balance will be contributed by the other signatories.

Argentine beef to the main markets continue to worsen. Thus, in its most important market—EEC—which absorbs about one-third of its exports, Argentina's share in the total imports of beef has been decreasing steadily as a result of the common agricultural policy, although domestic supply problems may also have played a part in some years (see table 43).

In order to improve the competitiveness of its exports to the EEC market, Argentina signed on 16 May 1967, during the Kennedy Round negotiations, an agreement with representatives of EEC to reduce the present import duties on frozen beef from 20 to 16 per cent. In addition, temporary reductions were included for some months of the year in respect of extra duties, and certain guarantees were given regarding the establishment of guide prices. However, as a result of the opposition of the French Government, the agreement did not enter into force and is still under study. This situation stems from the protectionist policy of self-sufficiency in respect of agricultural products, initiated by EEC in recent years.

Since 1964 meat from Latin America has been subject to a tax equal to the difference between its f.o.b. value and the guide prices of the importing member country, which offsets any price advantage in relation to the domestic product of the EEC countries. This mechanism has already begun to have a negative effect on Argentina's share in the EEC meat market (see table 43). The common market for beef entered into force on 1 April 1968, and will intensify the policy of developing livestock production within the Community and of progressively eliminating foreign competition. The EEC Council of Ministers raised the internal price of beef 2.8 per cent for 1968, and this will entail a comparable increase in the variable levies (*prélèvements*) applied to imports into the Community.

The United Kingdom's imports of beef from Latin America increased in 1966 in relation to 1965, but were cut back at the end of 1967 by the health restrictions imposed on Argentine beef because of the outbreak of foot-and-mouth disease among British livestock. The outlook is

not very favourable in this important market either, since in the National Plan for 1965–70 provision is made for a large increase in the domestic supply of meat, and there is a possibility—although not yet imminent—that the United Kingdom will enter EEC, thereupon bringing about changes in trade policy that would be unfavourable to Latin American exports.

In the United States—another important market for meat—import conditions are also deteriorating. Under Law No. 88-442, meat imports are subject to quotas established on the basis of the situation between 1959 and 1963. As this limitation was not applied in 1967, because the basic quota of 995 million pounds for that year was not filled, a bill was submitted to the United States Senate in October 1967 to tighten the controls on imported meat. In view of the repercussions of this bill and of the fact that it runs counter to the commitments assumed by the United States, there is every hope that it will be rejected. In any event, the fact that it was submitted (as were other bills of the same kind) reveals the climates of opposition to the liberalization of imports into the United States, which is faced by the necessity of solving its chronic and growing balance-of-payments deficit.

7. COTTON

If average 1963 prices are taken as a base, the evolution of prices of the principal qualities of cotton produced in Latin America was characterized by a common downward trend in 1965 and 1966, followed by a marked recovery which began at the end of 1966 and gained strength in the course of 1967. At the same time, there were wide differences between the prices of the three qualities which are representative of Latin America's cotton exports.

The over-all recovery in cotton prices that began in the fourth quarter of 1966 was basically due to a drastic reduction in the United States crop, resulting from a change in cotton policy. Output in the United States dropped from 14.9 million bales in 1965 to 9.9 million in 1966 and 8.0 million in 1967. Although elsewhere production continued to expand at a moderate rate,

Table 43. European Economic Community: Argentina's share in total imports of beef, 1963–66
(Thousands of tons)

	1963	1964	1965	1966	1967
A. Total imports	403	527	502	487	...
B. Imports from countries outside EEC	281	397	373	351	391
C. Imports from Argentina	130	194	129	124	150
(C) as percentage share of (A)	32	37	26	25	...
(C) as percentage share of (B)	46	49	35	35	38

SOURCE: OECD, *Tableaux Analytiques Annuels*, foreign trade services.

the world supply decreased considerably, with the ensuing repercussions on world stocks—despite a slight weakening of industrial demand during 1967—and prices were thus held steady (see table 44).

World stocks, which had risen from 28.0 to 30.4 million bales between 1 August 1965 and the same date in 1966, had shrunk to 26.2 million by 1 August 1967.

The price of Brazilian cotton had already fallen by 1964, and it stayed below the benchmark level thereafter, although the average for 1967 was almost the same as in 1963. The latest quotation available (28.3 cents on 15 November) represents an index number of 107.2 in relation to the 1963 average (see table 45).

Mexican cotton presented a more favourable picture. The price decline lasted over 1965 and 1966 only and the recovery in 1967 was more vigorous. As in the case of the other qualities, the highest prices were those quoted in the later months of the year (31.9 cents in mid-November, corresponding to an index number of 108.8 in relation to 1963).

Lastly, the price of Peruvian long-staple cotton, after rising sharply in 1964, dropped in 1965, but by 1966 had already turned upwards, and in 1967 regained the high average level reached in 1964. The quotation of 48.0 cents in mid-November represents an index number of 123.4 in relation to 1963.

In these circumstances, 1967 was a more favourable year for cotton producers and, to judge from the market situation, the recovery achieved is likely to be consolidated in 1968.

Clearly, this will depend upon several factors, including the continued application of the present United States cotton policy and the maintenance of demand in the industrialized countries.

In some circles apprehension has recently been expressed with respect to stronger competition from cotton produced in the countries with centrally planned economies. A study of the relevant figures does not bear out these misgivings. In practice, production has expanded much more in the last twelve years in the countries with market economies, where it has increased by 47 per cent as against 23 per cent in the countries with centrally planned economies. In the latter group, moreover, the average annual growth rate of cotton production falls short of 2 per cent, i.e., it only just keeps pace with the rate of increase of the population.

Long-term market prospects are less hopeful, owing to the stepping-up of competition from synthetic fibres, production of which is following an upward trend, while their prices are falling with the progress of industrial techniques. The experience of the past few years suggests that if cotton prices rise above their present levels there will be some risk of an increase in demand for rayon, the price of which has remained stationary at 28 cents a pound since 1964. Polyester fibre is putting up keener competition, which mainly affects long-staple cotton. Its price has dwindled from 188 dollar cents in 1953 to 141 in 1958–61, 114 in 1962, 90 in 1965, 84 in 1966 and 61 in 1967. There was even a further reduction of 3 cents in the first quarter of

Table 44. World cotton production, 1955/56 and 1965–68
(Millions of bales)

	1955/56	1965/66	1966/67	1967/68
United States	14.2	14.9	9.9	8.0
Countries with centrally planned economies	12.6	14.7	15.2	15.5
Other countries	16.3	23.5	22.8	23.9
WORLD TOTAL	43.1	53.1	47.9	47.4

SOURCE: International Cotton Advisory Committee.

Table 45. Trends in cotton prices, by qualities, 1963–67
(Dollar cents per pound; index: 1963 = 100)

Type of product	1963		1964		1965		1966		1967	
	Price	Index	Price	Index	Price	Index	Price	Index	Price	Index
São Paulo 5	26.4	100	26.1	98.9	26.1	98.9	24.4	92.4	26.4	100.0
Matamoros S.M. 1 $\frac{1}{8}$	29.3	100	29.5	100.7	28.8	98.3	28.2	96.2	30.7	104.8
Pima 1 $\frac{3}{8}$	38.9	100	45.5	117.0	41.0	105.4	42.4	109.0	45.9 ^a	118.0 ^a

SOURCE: International Cotton Advisory Committee.

^a Average for January–November.

1967, but the expansion of demand outmatched production capacity, and the price reverted to 61 cents a few months later.

8. WOOL

In the wool market, the price decline which had begun in 1965 grew steeper in 1967, although different trends were shown by fine and coarse wools, since the price reduction was more moderate in the case of wool for clothing, whereas the slump in prices of coarse wool, used mainly for carpet-making, was spectacular (see table 46).

This phenomenon is apparently not due to a basic imbalance between production and consumption, since both have kept more or less on a par, except in 1967 as the following data indicate:⁷

	World consumption	World production	Surplus
	(Millions of pounds)		
1963	3,316	3,321	+5
1964-66 (annual average)	3,268	3,303	+35
1967 (estimate)	3,270	3,437	+167

Although 1967 was a record year for production, it actually improved very little on the level in former years (less than 4 per cent). This

⁷ United States Department of Agriculture, *Wool Situation* (24 October 1967).

increase appears even smaller because stocks were below normal at the beginning of the wool year.

Price trends were determined by the decline in demand rather than by the growth of production. Industrial consumption in the developed countries fell off slightly, particularly in the United States, and there was stronger competition from man-made fibres (see table 47).

Apparel wool maintained its relative position in clothing manufacture while man-made fibres gained ground at the expense of regenerated wool, which is not listed in the table.

On the other hand, the use of natural wool for carpet manufacture has been reduced to a little over half in the last four years because of the competition from man-made fibres, and it is impossible to tell how far the process of substitution will go.⁸

The decline in demand for coarse wool explains the divergent trends follows by the prices of the two types of wool and the increase in stocks during 1967.

The devaluation of sterling in November 1967

⁸ New advances in wool technology are an incentive to producers of fine wools. The United Kingdom and the United States have begun to manufacture "wash and wear" woollen clothing which can be machine-washed and needs no ironing.

Table 46. Wool: Boston market prices, 1963-67
(Dollar cents per pound of wool, clean basis, and index: 1963 = 100)

	1963	1964	1965	1966	1967				Average
					I	II	III	IV	
Uruguayan wool Super O's (58-60's)									
Price	110	123	92	104	98.3	93.7	94.3	81.0	92.0
Index	100.0	111.8	83.6	94.5	89.4	85.2	85.7	73.6	83.6
Argentine wool 5/6's (40-36's)									
Price	81	89	73	68	50.3	44.7	42.0	42.0	45.0
Index	100.0	109.9	90.1	84.0	62.1	55.2	51.9	51.9	55.6

SOURCE: United Nations, *Monthly Bulletin of Statistics*.

Table 47. Natural and man-made fibres: consumption in United States industry, 1963-67
(Millions of pounds and percentages)

	For all uses except carpets				For carpets			
	Natural wool		Man-made fibres		Natural wool		Man-made fibres	
	Volume	Percentage	Volume	Percentage	Volume	Percentage	Volume	Percentage
1963	64.2	31.9	43.3	21.5	94.7	69.6	30.5	22.4
1965	60.2	31.3	49.3	25.6	64.0	45.5	67.0	47.7
1966	61.4	31.2	52.4	26.6	61.7	43.3	71.8	50.4
1967 ^a	55.1	31.8	53.3	30.8	45.2	39.2	65.5	56.8

SOURCE: United States Department of Agriculture, *Wool Situation* (24 October 1967).

^a Estimates.

further weakened the wool market, although not in the same proportion as the currency. Prices on the Bradford market expressed in terms of dollars per ton of merino 64's were as follows:

Before devaluation (17 November)	2,434
After devaluation (24 November)	2,264
After devaluation (8 December)	2,315

Combed wool prices on the same market recovered more rapidly and, on the same dates, were as follows: 2,545, 2,403 and 2,535 dollars.

9. COPPER

The past year has been another period of sharp fluctuations in the price of copper. With the relatively high level reached by stocks accumulated in 1966 and the slackening of demand in Western Europe, the market deteriorated rapidly in the first half of 1967. Even the start of the copper strike in the United States in July was not enough to set off a new upward trend, which was observable only in the last few months of the year. Even then, the average price of copper on the London market was more than 25 per cent lower than in 1966 (see table 48).

At the beginning of 1967 there were prospects of a virtual balance between world production and consumption (see table 49). Production was estimated at 5,384,000 metric tons and consumption at 5,203,000. The difference of 180,000 tons (barely 3.5 per cent of expected consumption) would not have been much of a burden on the market.⁹ Nevertheless, the London free market prices, which had already fallen back from the exceptionally high levels reached at the beginning of 1966, continued to decline in the first half of 1967, apparently owing to the contraction of demand in both the United States and Western Europe. This contraction was as much as 13 per cent between the first half of 1966 and the first half of 1967 for all market economy countries except the United States, where the reduction in the demand of consumer industries was partly offset by the increase in production for war purposes.

The outstanding development in 1967 was the

⁹ These figures relate only to countries with market economies.

Table 48. Copper: average prices of refined copper on various markets, 1963-67
(Dollar cents per pound, and index: 1963 = 100)

	1963	1964	1965	1966	1967			
A. Annual averages								
London								
Price	29.2	43.9	58.5	69.4	51.3			
Index	100.0	150.3	200.3	237.7	175.7			
United States domestic market								
Price	30.6	32.0	35.0	36.2	38.5			
Index	100.0	104.6	114.4	118.3	125.8			
United States export market								
Price	28.4	31.0	35.6	49.6	47.2			
Index	100.0	109.2	125.4	174.6	166.2			
Sale price of Chilean copper								
Price	29.2	34.4	39.7	54.2	49.6			
Index	100.0	117.8	136.0	185.6	169.9			
B. Quarterly averages								
	1966				1967			
	I	II	III	IV	I	II	III	IV ^a
London								
Price	82.0	79.5	58.6	57.2	53.8	46.0	46.9	58.5
Index	280.8	272.3	200.7	195.9	184.2	157.5	160.6	200.3
United States domestic market								
Price	36.1	36.0	36.0	36.5	38.0	38.1	38.7	a
Index	118.0	117.6	117.6	119.3	124.2	124.5	126.5	a
United States export market								
Price	43.0	52.3	51.2	51.8	48.9	43.3	44.6	51.9
Index	151.4	184.2	180.3	182.4	172.2	152.5	157.0	182.7
Sale price of Chilean copper								
Price	42.0	59.3	58.7	56.7	53.6	44.6	46.2	55.1
Index	143.8	203.1	201.0	194.2	180.1	152.7	158.2	188.7

SOURCE: United Nations, *Monthly Bulletin of Statistics*.

^a Unquoted.

Table 49. Copper: consumption, output and surplus production of refined copper, 1960-67
(Thousands of tons)

	1960	1961	1962	1963	1964	1965	1966	1967 ^a
A. Consumption								
United States	1,224.6	1,327.1	1,451.2	1,582.4	1,640.9	1,799.0	2,119.1	...
Other market economy countries.	2,603.8	2,769.7	2,653.8	2,782.0	3,212.0	3,092.6	2,978.7	...
SUB-TOTAL	3,828.4	4,076.8	4,105.0	4,364.4	4,852.9	4,891.6	5,097.8	4,800.0
Socialist countries	911.6	941.8	985.1	1,021.0	1,045.0	...	...	...
WORLD TOTAL	4,740.0	5,018.6	5,090.1	5,385.4	5,897.9	...	...	...
B. Output								
United States	1,642.6	1,661.8	1,725.0	1,722.2	1,820.0	1,958.5	1,999.2	1,300.0
Other market economy countries.	2,556.1	2,636.0	2,668.5	2,741.5	3,152.4	3,124.7	3,242.6	3,350.0
SUB-TOTAL	4,198.7	4,297.8	4,393.5	4,463.7	4,972.4	5,083.2	5,241.8	4,650.0
Socialist countries	799.9	840.9	873.9	929.0	968.8	1,041.6	1,045.7	...
WORLD TOTAL	4,998.6	5,138.7	5,267.4	5,392.7	5,941.2	6,124.8	6,287.5	...
C. Surplus production								
United States	418.0	334.7	273.8	139.8	179.3	159.5	-119.9	...
Other market economy countries.	-47.7	-133.7	14.7	-40.7	-59.6	32.1	263.9	...
SUB-TOTAL	370.3	201.0	288.5	99.3	119.7	191.6	144.0	-150.0
Socialist countries	-111.7	-100.9	-111.2	-92.0	-76.2	...	...	...
WORLD TOTAL	258.6	100.1	177.3	7.3	43.5	...	...	...

SOURCES: Up to 1964: *Metal Statistics*; for 1965 and 1966: The British Bureau of Non-Ferrous Metal Statistics.

^a Estimates.

copper strike in the United States, which started in mid-July and paralysed 90 per cent of the refining industry. United States output of refined copper is estimated to have dropped over 700,000 tons by the end of 1967. Consequently, actual world output for the year is unlikely to be much more than 4.6 million tons, taking into account the small reduction due to a short partial strike in Chile, and certain disruptions in the supply of copper from Zambia as a result of its strained relations with Rhodesia. A small proportion of this decrease was offset by sales from the United States strategic reserves. This factor will not carry much weight in the immediate future, because by the end of 1967 the reserves had dwindled to about 225,000 tons, or little more than 10 per cent of the country's annual consumption.

From the consumers' point of view, the position of copper began to deteriorate sharply towards the end of 1967. Stocks of refined copper held by United States industry had reached a high level (240,000 tons) by the end of December 1966; at the end of October 1967 they still stood at 210,000 tons, but the prolonged strike threatened to reduce them to a critical level.

In the short term, or at least during the first half of 1968, the copper strike in the United States will continue to be the determinant of fluctuations in copper quotations. It may even reasonably be expected that quotations will remain firm for several months after the end of

the strike because of the need to build up stocks (see table 49).

Consumption of refined copper had outstripped production from 1960 to 1964 in the market economy countries. The opposite trend was observable in the countries with centrally planned economies. A comparison of the cumulative annual growth rates of production and consumption will make this situation clearer (see table 50).

Because of the different rates of growth, the annual world production surplus of refined copper was reduced from 259,000 tons in 1960 to only 43,000 in 1964; thus an almost perfect balance was struck between production and consumption.

Important changes occurred from 1965 onwards. With the stepping-up of military operations in South-East Asia, United States consumption rose nearly 30 per cent in two years. This increase, however, is not reflected in the world situation (leaving the socialist countries out of account for want of data on their consumption), since the growth rate of consumption fell off appreciably, owing to a reduction of demand in absolute terms in the market economy countries other than the United States. Although this may have been due to the slower rate of economic growth in these countries, the main reason seems to be the replacement of copper by other materials in certain manufactures.

Table 50. Copper: world production and consumption, 1960-66
(Annual growth rates)

	Production		Consumption	
	1960-64	1964-66	1960-64	1964-66
United States	2.6	4.8	7.6	13.6
Other market economy countries	5.4	1.5	5.4	-8.0
SUB-TOTAL	4.3	2.7	6.1	5.0
Socialist countries	4.9	3.9	3.5	...
WORLD TOTAL	4.4	2.9	5.5	...

SOURCE: ECLA, on the basis of the data in table 49.

The balance was maintained, however, since the United States, which had been a net exporter, became an importer from 1966 onwards; whereas by 1965 the other market economy countries had already switched over from the status of importers to that of net exporters.¹⁰

Despite the boom in demand generated by military operations, the upward trend of both world production and world consumption of copper declined considerably in the last few years of the period. Without the demand for military purposes, the growth rates of consumption and production of copper would be very similar. Although the prolonged strike in 1967, which is dragging on into 1968, has made a difference to the immediate outlook, any longer-term appraisal of the copper market must take into account the somewhat unfavourable trends it has shown in the present decade.

If the extra demand for copper generated by the hostilities in Viet-Nam—estimated at 320,000 tons yearly—is discounted, the growth rate of consumption is slower than the rate of increase of industrial production in the more advanced countries. This relative deterioration in the position of copper is undoubtedly due to the increasing use of substitutes. For example, the German cable industry's consumption of aluminium has risen 85 per cent since 1964. In Japan the volume of aluminium conductors used jumped from 415 tons in 1965 to 6,000 tons in 1966. Moreover, Japanese industry is beginning to use aluminium in the manufacture of transformers, generators, radiators and even television tubes. The amount of copper ousted by aluminium in 1965 and 1966 is estimated at 400,000 tons.¹¹

The determining factor in the process of using

aluminium as a substitute for copper is the relative prices of the two metals. It is not merely a question of the high level reached by copper prices since 1964, but also of their wide fluctuations and the ensuing uncertainty on the part of consumers with regard to the evolution of their costs. Aluminium prices have always fluctuated between narrow limits, and they remain stable for long periods at a time. The maximum price reached by aluminium ingots so far in the nineteen-sixties has been 26.0 dollar cents a pound (1960), and the minimum 22.6 cents (1963). The price remained constant at 24.5 cents throughout 1965 and 1966 and increased by barely half a cent in April 1967. Very rough estimates place the safety margin for copper at 40 per cent; in other words, by virtue of its technical advantages copper can withstand competition from aluminium as long as its price does not rise more than 40 per cent above that of aluminium. This statement is borne out by the fluctuations of internal copper prices in the United States when market pressures are not unduly severe.

The major copper mining projects under study may also affect the future outlook. If the balance between production and consumption in 1966 is taken as a base, and it is assumed that the cumulative annual growth rate in the nineteen-sixties is a little under 4 per cent (discounting the influence of the hostilities in South-East Asia), it would be rash to reach an annual increase in output of more than 1.8 million to 2 million tons by 1975. The plans that are being considered by the leading producer countries other than the United States (Chile, Peru and Zambia) envisage an additional production capacity of only about 1.2 million tons. It is probably such data as these that will be taken into account by the countries which set up an Inter-Governmental Council of Copper Exporting Countries in June 1967, with the aim of developing copper mining on lines that will prevent sharp price fluctuations, which, although their immediate effect may be stimulating, aggravate the instability and the

¹⁰ These remarks are based entirely on consumption and production data, although trade flows showed no immediate reaction to the changes noted in the relation between production and consumption in the areas under consideration.

¹¹ Chase Manhattan Bank, *World Business* (November 1967).

distortions of the copper economy over the long term.

10. OTHER METALS

There were no significant movements in the tin, lead and zinc markets in 1967. Prices had plummeted in 1966, although they were by no means so low as in 1963, and in the first three-quarters of 1967 they remained at the same level as in the fourth quarter of 1966, picking up slightly in the last quarter (see table 51).

The relative stability of tin prices in 1967

years, the figure for the first nine months of 1967 was only 4,188 tons. Lastly, it is possible that the International Tin Council took measures to support prices when they fell below 1,200 pounds sterling per long ton.¹²

In mid-November, just before the devaluation of sterling, the price of tin for immediate delivery had risen on the New York market to 156 dollar cents, which then corresponded to 1,247 pounds sterling per long ton.

The prices of iron ore showed little variation

Table 51. Tin, lead and zinc: recent price trends, 1963-67

(Pounds sterling per long ton, and index: 1963 = 100)

		1963	1964	1965	1966	1966/IV	1967				Average
							I	II	III	IV	
Tin											
Price	.	910	1,237	1,412	1,299	1,211	1,201	1,219	1,200	1,271	1,223
Index	.	100	135.9	155.2	142.7	133.1	131.0	134.0	131.9	139.7	134.4
Lead											
Price	.	63.4	101.0	115.1	95.2	82.3	81.1	82.6	83.6	88.0	83.8
Index	.	100	159.3	181.5	150.1	129.8	127.9	130.3	131.9	138.8	132.2
Zinc											
Price	.	76.8	117.9	113.0	102.0	102.8	101.7	99.4	96.8	104.2	100.6
Index	.	100	153.5	147.1	132.8	133.8	132.4	129.4	126.0	135.7	131.0

SOURCE: United Nations, *Monthly Bulletin of Statistics*.

results from the interplay of two opposing factors. The relationship between production and consumption of primary tin metal has deteriorated considerably, to the detriment of the producers. After several years of moderate growth, production expanded by more than 12 per cent in the first seven months of 1967, while consumption continued to follow the extremely slow growth rate of previous years (see table 52).

Table 52. Tin: production and consumption of primary metal^a, 1960-67
(Thousands of long tons)

	Production	Consumption	Balance
1960-64 ^b	142.5	162.2	-19.7
1965	149.4	165.1	-15.7
1966	156.1	166.7	-10.6
1967 ^c	175.6	167.6	+8.0

SOURCE: *The Statistical Bulletin of the International Tin Council*.

^a Not including the centrally planned economies, except for Yugoslavia and, from 1962 onwards, Czechoslovakia.

^b Annual average.

^c Based on data for seven months.

In 1967 there was also a considerable reduction in the volume of sales from the United States strategic reserves. In comparison with sales totaling about 65,000 tons for the three previous

in 1967, remaining just below the average for 1966.

C. Balance of payments and external financing

1. BALANCE OF PAYMENTS BEFORE COMPENSATORY FINANCING

An acceleration of the inflow of autonomous capital into Latin America in 1967 once again enabled the region to achieve a surplus of 500 million dollars on the balance of payments before compensatory financing, which led to an increase of about 300 million dollars in its international reserves and a reduction of more than 200 million in the Central Banks' liabilities (see table 53). Latin America is thus maintaining the trend followed over the last five years, i.e., increasing the liquidity of the monetary authorities by adding to the net gold and foreign exchange reserves, which in gross terms are now approaching the levels of ten years ago.

During the last five years, Latin America has

¹² The buying and selling transactions relating to the buffer stock administered by the Council are kept secret for the following nine months. Consequently, the only known transaction so far is the purchase of 1,500 tons in March 1967. The Council's previous stocks had been completely liquidated in 1963.

Table 53. Latin America^a: balance-of-payments position before compensatory financing, 1960-67
(Millions of dollars)

	Total for the period 1960-62	1963	1964	1965	1966	1967 ^b	Total for the period 1963-67
Argentina	-283.9	145.3	-80.0	99.0	64.0	432.8	661.1
Bolivia	-4.3	5.4	16.8	13.9	4.8	-2.0	38.9
Brazil	-586.0	-92.0	55.0	329.0	94.0	-77.0	309.0
Chile	-262.8	-35.2	-6.2	39.1	75.4	-27.0	46.1
Colombia	-119.0	-31.0	-16.5	43.4	-55.5	57.0	-2.6
Dominican Republic	-26.7	16.4	-12.9	-2.4	-32.2	3.4	-27.7
Ecuador	-4.8	10.8	4.7	-12.3	11.4	8.4	23.0
Mexico	-39.3	123.0	44.0	-61.0	-18.0	49.0	137.0
Paraguay	-1.1	0.2	2.7	7.8	1.7	0.1	12.5
Peru	73.2	18.5	25.0	14.5	-22.2	-60.1	-24.3
Uruguay	-66.3	-21.3	-100.7	6.2	18.8	15.5	-81.5
Venezuela	-263.6	288.0	133.0	-6.0	-22.0	112.0	505.0
Haiti	1.0	-2.4	-1.4	-1.0	0.4	-1.8	-6.2
Central America	-41.7	33.6	26.3	22.6	-23.3	-9.7	49.5
Costa Rica	-20.3	-5.5	-4.8	-7.3	-9.8	15.1	-12.3
El Salvador	-8.0	15.6	13.0	1.6	-12.5	-3.7	14.0
Guatemala	-7.3	12.2	5.3	3.0	-7.5	-11.6	1.4
Honduras	-2.2	0.3	4.9	5.8	3.6	3.2	17.8
Nicaragua	-3.9	11.0	7.9	19.5	2.9	-12.7	28.6
TOTAL	-1,625.3	459.3	89.8	492.8	97.3	500.6	1,639.8
Compensatory financing	1,625.3	-459.3	-89.8	-492.8	-97.3	-500.6	-1,639.8
Net balance-of-payment loans, trade arrears, deferred import payments and swaps	891.9	-88.9	122.9	-113.0	-99.9	-203.4	-501.7
Other net liabilities of the monetary authorities	46.6	18.7	-120.4	-9.7	-8.0		
Net operations with IMF	183.7	111.4	-76.2	-38.1	-152.9	-13.8	-169.6
Stand-by loans	288.5	57.4	-62.8	-22.8	-32.3	-37.0	
Compensatory credits	—	60.0	—	—	-8.9	13.7	
Other positions	-104.8	-6.0	-13.4	-15.3	-111.7	9.5	
Official gold and foreign exchange (increase—)	503.1	-500.5	-16.1	-332.0	163.5	-283.4	-968.5

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vols. 17, 18 and 19.

^a Excluding Cuba.

^b Preliminary estimates subject to revision.

built up its international reserves by about 1,150 million dollars, including its position with the International Monetary Fund and reduced the Central Banks' liabilities by about 500 million (see table 53). The total of 1,650 million dollars is almost equal to the balance-of-payments deficit before compensatory financing in the first three years of the decade (1,630 million dollars), which led to an increase of about 940 million dollars in the monetary authorities' liabilities and a running down of the reserves, including the position with IMF, by about 690 million dollars. The indebtedness of the Central Banks and the extent to which the reserves dropped during this period brought pressure to bear on the balance-of-payments position of several countries—Argentina, Brazil, Colombia, Chile, Uruguay and Venezuela—and forced them to take steps to improve it. These efforts, which were a characteristic feature of the years 1963-67, signified for those countries a policy of import restrictions (with the exception of Chile), export promotion and renegotiation of debts; in

addition, insofar as these measures were not enough to attain the desired objectives, autonomous capital was channelled towards compensatory financing with a view to reducing the monetary authorities' liabilities and replenishing the reserves in the amounts required.

Table 53 reveals that the over-all improvements in the net international reserves position, represented by the sum of the surpluses before compensatory financing in the period 1963-67, were mainly concentrated in Argentina and Venezuela (1,166 million dollars), as a result of the large surpluses on current account obtained in some or all of those years. They are followed by Brazil, Mexico, Chile, Bolivia, Nicaragua, Ecuador, Honduras, El Salvador, Paraguay and, to a lesser extent, Guatemala, whose improvements in their net level of international reserves were determined—unlike those of Argentina and Venezuela—by the inflow of autonomous capital in excess of their deficits on current account. This led to an increase in the liquidity of the monetary authorities, but at the expense of greater external

indebtedness in respect of autonomous capital movements.

In the remaining countries—Uruguay, the Dominican Republic, Peru, Costa Rica, Haiti and Colombia—for the period 1963–67 as a whole there were over-all deficits on the balance of payments before compensatory financing which led to further deteriorations in the international reserves position, despite the efforts made by some of those countries—Colombia and Uruguay in particular—which were frustrated by the insufficiency of exports.

Limiting the analysis to 1967, table 53 shows that the size of the surplus on the balance of payments before compensatory financing—five times larger than in 1966 and comparable to the 1963 and 1965 levels—is in contrast to a large increase in the deficit on current account, and that only a greater inflow of autonomous capital—at a level matched only once before, in 1957—made it possible to obtain such a large surplus. Although ten countries succeeded in showing a surplus and improving their net gold and foreign exchange reserves position, it was Argentina's surplus before compensatory financing that determined the size of the regional figure.

In fact, the surpluses shown by Venezuela, Colombia, Mexico, Uruguay, Costa Rica, Ecuador, the Dominican Republic, Honduras and (although very slight) Paraguay amounted to less than 260 million dollars, of which the first three countries accounted for 82 per cent. Argentina's surplus alone amounted to about 430 million dollars, thus giving a total of about 690 million, which was reduced to 500 million for the region as a whole by the deficit or drawings on the net gold and foreign exchange reserves to the value of some 190 million dollars for the remaining eight countries, not including Panama because of the special features of its monetary system.

Despite the decisive role played by the inflow of autonomous capital in securing surpluses before compensatory financing, the surpluses in Argentina and Uruguay were also determined by balance-of-payment surpluses on current account and in Colombia by the great reduction in its deficit on current account. Of the ten countries in positions of surplus, Argentina, Uruguay, Honduras, Paraguay and Ecuador showed steady improvements over two or more years, while the rest moved into surplus only in 1967.

In 1967 the countries with deficits before compensatory financing, which led to reductions in their net gold and foreign exchange reserves, were Brazil, Peru, Chile, Nicaragua, Guatemala

and, to a lesser extent, El Salvador, Bolivia and Haiti. With the exception of Bolivia, the deficit was determined by unfavourable export trends, while imports continued to grow or were not sufficiently controlled. For the second year running, the position worsened in Peru, El Salvador and Guatemala, while the rest of the countries referred to above moved into deficit only in 1967.

In view of the stagnation of exports, the greater inflow of autonomous capital in 1967 financed only a moderate increase in Latin American imports, since more funds went on replenishing the net gold and foreign exchange reserves, thus pointing once again to the fact that the need to maintain a certain level of reserves acts as a bar to increasing the capacity to import.

2. BALANCE-OF-PAYMENTS POSITION ON CURRENT ACCOUNT

In 1967 the deficit on Latin America's current account once more increased to total some 1,600 million dollars (see table 54). In 1966 it was about 1,100 million dollars, while in the period 1963–65 the average annual deficit was less than 500 million. There has, therefore, been a tendency over the last two years for the deficit on current account to worsen, and the high level recorded in 1967 has only been exceeded once before, in 1957, when it was due to the Suez crisis.

Whereas for the first time in the decade, in 1967 there was no improvement in exports of goods from Latin America, imports continued to increase, thus sharply reducing the surplus on the merchandise account. As payments under the head of profits and interest on foreign capital, which also increased, are already 60 per cent higher than the surplus on the merchandise account, the addition of net imported services in the rest of the transactions accentuated the imbalance in relation to the surplus on the merchandise account, and this explains the sharp increase in the over-all deficit on current account.

While the increase in imports, in contrast with the unfavourable trends followed by exports, might have been influenced by fears that the international situation would worsen, in view of the intensification of the war in South-East Asia and the outbreak of hostilities in the Middle East in June 1967, it was the greater inflow of autonomous capital which helped to finance this increase.

An analysis by countries shows that the deficit on current account in 1967 increased most in Brazil, Mexico, Guatemala, Chile, Venezuela, Nicaragua, Bolivia, Paraguay and

Table 54. Latin America: balance-of-payments position on current account, 1960-67
(Millions of dollars)

	Average for 1960-62	1963	1964	1965	1966	1967 ^a
Argentina	-355.0	+231.8	+33.0	+220.0	+257.0	+184.0
Bolivia	-35.9	-46.2	-29.9	-38.4	-31.7	-45.2
Brazil	-431.7	-204.0	+50.0	+247.0	-67.0	-310.0
Chile	-227.4	-204.1	-137.9	-38.5	-83.1	-166.1
Colombia	-132.2	-137.1	-138.0	-19.8	-276.9	-72.0
Dominican Republic	+20.1	-38.1	-70.5	-27.1	-68.2	-63.8
Ecuador	-17.6	-8.1	-27.8	-23.5	-20.7	-21.2
Mexico	-255.1	-217.0	-421.0	-397.0	-367.0	-540.0
Paraguay	-10.3	-8.8	-10.5	-7.9	-13.8	-21.0
Peru	-12.4	-84.0	+13.7	-161.0	-183.2	-163.4
Uruguay	-56.9	-4.9	-6.1	+68.2	+35.4	+0.8
Venezuela	+418.2	+476.0	+200.0	-29.0	-45.0	-70.0
Haiti	-12.3	-6.5	-10.6	-17.8	-8.9	-8.6
Panama	-32.5	-35.0	-22.9	-35.6	-39.6	-36.0
Central America	-64.1	-87.1	-120.8	-159.6	-183.4	-270.3
Costa Rica	-19.6	-29.0	-26.6	-70.9	-47.8	-48.9
El Salvador	-10.1	-13.6	-27.4	-15.0	-43.8	-53.3
Guatemala	-23.9	-19.7	-40.0	-38.3	-17.1	-70.1
Honduras	-0.3	-17.4	-15.0	-9.1	-20.9	-23.7
Nicaragua	-10.2	-7.4	-11.8	-26.3	-53.8	-74.3
TOTAL, EXCLUDING CUBA	-1,205.1	-373.1	-699.3	-420.0	-1,006.1	-1,602.8
TOTAL, EXCLUDING CUBA AND VENEZUELA	-1,623.3	-849.1	-899.3	-391.0	-1,051.1	-1,532.8

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vols. 17, 18 and 19.

^a Preliminary estimates subject to revision.

El Salvador, and showed little change in relation to 1966 in Ecuador, Haiti, Panama, the Dominican Republic, Costa Rica and Honduras. Moreover, as there was a sizable reduction in the surplus on current account in Argentina and it was almost wiped out in Uruguay, this accentuated the deficit for the region as a whole, although it was offset to some extent by a large reduction in Colombia's deficit and a smaller reduction in Peru's.

The underlying causes of these movements vary from country to country. In four countries—Brazil, Mexico, Guatemala and Nicaragua—the imbalance in the current account was aggravated by the divergence between an increase in imports and a decline in exports, as was the reduction in Uruguay's surplus and, to some extent, in Argentina's. Except for Colombia and Peru, in the rest of the countries the larger deficit was determined by a greater increase in imports than in exports. In all the countries, except Argentina and Peru, a further factor was the increase in payments under the head of profits and interest on foreign capital.

These general trends reveal that balance-of-payment pressures were caused either by external indebtedness or by the irregular behaviour of exports, or by both at the same time. Thus, there was a reduction in the surplus on current account

in Argentina and in particular in Uruguay, a sharp increase in the deficit in Brazil and a smaller increase in Venezuela, and finally a significant reduction in the deficit in Colombia. In contrast with the fluctuations in the current account movements in those countries, in Central America the over-all deficits have been increasing sharply and steadily, Mexico continues to have the highest deficit in the region, and Peru, the Dominican Republic and Paraguay have had large deficits over the last few years, which from another standpoint is a reflection of the concentration of net external financing in this group of countries.

3. BALANCE OF PAYMENTS ON CURRENT ACCOUNT: SURPLUSES ON THE MERCHANDISE ACCOUNT AND NET EXPENDITURE ON INVISIBLES

The surplus on the merchandise account, which had substantially increased up to 1965, declined equally sharply in the next two years. The period was thus split into two; during the first part exports expanded more than imports, while in the second imports continued to increase but exports remained at the same level up to 1967 (see table 55).

In contrast with the foregoing position, net expenditure on invisibles, which in the past had been higher than the surpluses on the merchan-

Table 55. Latin America (excluding Cuba): transactions on merchandise account, net income from expenditure on invisibles, and balance-of-payments position on current account, 1960-67
(Millions of dollars)

Year	Transactions on merchandise account ^a			Net income from or expenditure on invisibles ^b			Net private transfer payments and non-monetary gold transactions	Balance-of-payments position on current account
	Exports	Imports (f.o.b.)	Balance on merchandise account	Freight, insurance and other transport, travel and other services	Net payments of profits and interest on foreign capital	Total net expenditure on invisibles		
1960	7,923.4	7,119.4	804.0	-674.5	-1,182.7	-1,857.2	-83.6	-1,136.8
1961	8,133.9	7,316.2	817.7	-629.4	-1,344.1	-1,973.5	-83.2	-1,239.0
1962	8,590.0	7,565.5	1,024.5	-751.2	-1,451.5	-2,202.7	-59.5	-1,237.7
1963	9,034.3	7,263.3	1,771.0	-686.6	-1,418.6	-2,105.2	-38.9	-373.1
1964	9,729.2	7,854.9	1,874.3	-914.2	-1,651.0	-2,565.2	-8.4	-699.3
1965	10,191.4	8,085.0	2,106.4	-721.5	-1,783.1	-2,504.6	-21.8	-420.0
1966	10,753.2	8,959.6	1,793.6	-828.5	-2,047.7	-2,876.2	-13.5	-1,096.1
1967 ^c	10,660.0	9,294.3	1,365.7	-793.8	-2,160.2	-2,954.0	-14.5	-1,602.8

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vols. 17, 18 and 19.

^a Excluding non-monetary gold.

^b Excluding private transfer payments.

^c Preliminary estimates subject to revision.

dise account, went on rising throughout the period. This expansion was due to the large-scale and steady growth of net payments under the head of profits, interest and other returns on foreign capital, since the annual increases and decreases in net expenditure on transport, insurance, travel and other services resulted in only a slight upward trend.

Accordingly, in 1960-62 surpluses on the merchandise account financed no more than 44 per cent of net expenditure on invisibles, but the proportion rose to 80 per cent in 1963-65, only to decline again to 54 per cent in 1966-67, and to barely 46 per cent if 1967 is considered separately. These variations also give the measure of the deficit on current account during the nineteen-sixties. During the initial period, exports increased while their prices and their purchasing power declined, which meant that the maintenance of a given level of imports and of heavy net expenditure on invisibles generated serious external deficits on current account. These in turn implied a marked deterioration in the net position of the monetary authorities, in view of the scanty inflow of autonomous (non-compensatory) capital.

In 1963-65 exports continued to expand and their prices recovered to some extent, but, in order to obtain a bigger surplus on the merchandise account and to cope with increasing net expenditure on invisibles, import restrictions had to be imposed. By this means the external deficit on current account was substantially reduced and the amount by which the inflow of non-compensatory capital exceeded the deficit enabled the monetary authorities to improve their net position. Although exports were stepped up in

1966, they remained stationary in 1967, while imports continued to increase in both years, so that the surplus on the merchandise account shrank considerably. Since the steady expansion of net expenditure on invisibles was not arrested, the deficit on current account increased and in 1967 reached the peak level of the decade. In contrast to the situation in 1960-62, however, it was possible to finance this deficit out of the greater inflow of non-compensatory capital, and in addition the monetary authorities were able to continue improving their net position.

External pressures were intensified in Latin America with the increase in the region's external indebtedness and in the size of interest payments, profits and other returns on foreign capital in current balance-of-payments transactions. As can be gathered from table 55, whereas in the past seven years the cumulative growth rate of exports of goods was 4.3 per cent, net payments under the head of profits, interest and other returns on foreign capital rose at an annual rate of 9 per cent. Thus, the proportion of export earnings absorbed by these payments climbed from 15 to 20 per cent between 1960 and 1967, with the result that the capacity to import was reduced by about 530 million dollars in the latter year.

The endeavours made by some Latin American countries to improve their external position from 1963 onwards took the form of a cutback in imports, in view of the impossibility of stepping up exports. Although these measures led to greater incentives for import substitution in some fairly capital-intensive branches of industry, they restricted the growth of other sectors which were unable to broaden their production base because

the resources originally invested in new industries had been exhausted and demand for imported intermediate products increased as the industries became established. In short, the restriction of imports handicapped domestic capital formation and economic growth.

Thus, the lesson of earlier experience was once again corroborated: if there is to be any appreciable speeding up of Latin America's economic development, exports must be expanded at an annual rate at least equal to the rate of increase of the returns on foreign capital which affect the balance of payments. This is the only possible way of meeting the import requirements entailed by development and effectively relieving the pressures generated by external indebtedness. But the growth rate of exports can be brought into line with external financing requirements only if discrimination against the region's primary commodities in the leading markets is eliminated, if price guarantees are established for these commodities, and if facilities are granted for the access of manufactured goods.

4. BALANCE-OF-PAYMENTS POSITION ON CAPITAL ACCOUNT

(a) *Financing of the current deficit*¹³

In 1966 there was an increase in net external financing which took on added force in the following year, when the current deficit of some 1,600 million dollars was covered by a net inflow of autonomous capital that also followed an upward trend and, in its turn, led to a further significant improvement in the net position of the monetary authorities. There had been similar improvements in 1963-65, but net external financing had dropped sharply at the time. When it was relatively high, during the first three years of the decade, there had been heavy drawings on the reserves and the liabilities of the monetary authorities had increased owing to the inadequacy of the net autonomous capital inflow (see table 56).

¹³ The current balance-of-payments deficit is covered by net external financing deriving from the movements of autonomous capital (assets and liabilities with the rest of the world) and from compensatory capital (reserves and liabilities of the monetary authorities).

Table 56. Latin America: financing of the deficit on account, 1960-67
(Millions of dollars)

	<i>Net autonomous capital movements</i>	<i>Net compensatory capital movements (- increase)</i>	<i>Errors and omissions</i>	<i>Total net external financing</i>	<i>Net autonomous capital movements</i>	<i>Net compensatory capital movements (- increase)</i>	<i>Errors and omissions</i>	<i>Total net external financing</i>
<i>Total, excluding Cuba</i>					<i>Venezuela</i>			
1960 . . .	911.9	547.9	-323.0	1,136.8	-351.3	310.6	-353.9	-394.6
1961 . . .	992.1	342.3	-95.4	1,239.0	-431.0	32.0	-76.0	-475.0
1962 . . .	911.3	735.1	-408.7	1,237.7	-465.0	-79.0	159.0	-385.0
1963 . . .	880.4	-459.3	-48.0	373.1	-221.0	-288.0	33.0	-476.0
1964 . . .	1,672.2	-89.8	-883.1	699.3	29.0	-133.0	-96.0	-200.0
1965 . . .	868.1	-492.8	+44.7	420.0	82.0	6.0	-59.0	29.0
1966 . . .	1,593.8	-97.3	-400.4	1,096.1	61.0	22.0	-38.0	45.0
1967 ^a . . .	2,368.2	-500.6	-264.8	1,602.8	242.0	-112.0	-60.0	70.0
<i>Argentina</i>					<i>Brazil</i>			
1960 . . .	556.6	-175.2	-176.5	204.9	195.0	329.0	10.0	534.0
1961 . . .	352.6	162.5	70.6	585.7	288.0	-60.0	49.0	277.0
1962 . . .	241.2	296.6	-263.3	274.5	302.0	317.0	-135.0	484.0
1963 . . .	-14.7	-145.3	-71.8	-231.8	180.0	92.0	-68.0	204.0
1964 . . .	-21.0	80.0	-92.0	-33.0	210.0	-55.0	-205.0	-50.0
1965 . . .	-146.0	-99.0	25.0	-220.0	110.0	-329.0	-28.0	-247.0
1966 . . .	-145.0	-64.0	-48.0	-257.0	205.0	-94.0	-44.0	67.0
1967 ^a . . .	252.8	-432.8	-4.0	-184.0	263.0	77.0	-30.0	310.0
<i>Mexico</i>					<i>The other Latin American countries</i>			
1960 . . .	187.5	20.3	131.5	339.3	324.1	63.2	65.9	453.2
1961 . . .	282.0	27.0	-67.0	242.0	500.5	180.8	-72.0	609.3
1962 . . .	202.0	-8.0	-10.0	184.0	631.1	208.5	-159.4	680.2
1963 . . .	278.0	-123.0	62.0	217.0	658.1	5.0	-3.2	659.9
1964 . . .	628.0	-44.0	-163.0	421.0	826.2	62.2	-327.1	561.3
1965 . . .	145.0	61.0	191.0	397.0	677.1	-131.8	-84.3	461.0
1966 . . .	531.0	18.0	-182.0	367.0	941.8	20.7	-88.4	874.1
1967 ^a . . .	639.0	-49.0	-50.0	540.0	971.4	16.2	-120.8	866.8

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vols. 17, 18 and 19.

^a Preliminary estimates subject to revision.

These facts relate to a number of trends that have characterized the evolution of the external sector in the past ten years. In 1960-62 export prices declined and, as the level of imports remained the same and the net inflow of autonomous capital was not large enough, extensive use was made of compensatory financing. The following period (1963-65) was marked by a recovery in export prices, but imports were restricted to improve the net position of the monetary authorities at a time when autonomous capital movements were highly erratic. Finally, imports increased in the last two years (1966-67), while exports did so only up to 1966, but the increased inflow of autonomous capital made it possible to continue building up the net international reserves, which were replenished over the last five years by almost the same amount as the drawings in 1960-62.

The condition under which these developments took place were so varied that a country breakdown must be given. In Venezuela, there was a net outflow of external financing up to 1964 owing to a net disinvestment in autonomous capital and an improvement in the net position of the monetary authorities. After 1965, with the net inflow of external financing at a fairly low level, the inflow of autonomous capital exceeded the outflow and by 1967 had become substantial enough to bring about a further increase in the net international reserves. In addition to the requirements of the capital transactions situation, the factors responsible for this trend were the steady fall in prices, which is still affecting Venezuela's exports, a reduction in demand for petroleum owing to competition from other areas, and an extremely high level of payments of profits on foreign capital, which led to the curtailment of imports but encouraged import substitution.

In Argentina, the high level of external indebtedness up to 1962 as regards both autonomous capital and compensatory financing led to a net outflow of external financing in the next few years as the result of a steady net disinvestment of autonomous capital, which was not reversed to any significant extent until 1967, and of improvements in the net position of the monetary authorities, particularly in that year. These developments entailed an expansion of exports and a restriction of imports, which did not stimulate domestic growth, since restrictions had already been placed on the imports which could be most easily replaced by domestic production.

Brazil too was compelled to curtail its net external financing sharply, and a negative position was recorded in some years because of

the monetary authorities' need to improve their net position. The inflow of autonomous capital was reduced and fluctuated greatly owing to the trend of external debt amortization, which took up virtually the whole amount of the new loans in certain years. In 1967, the decline in exports together with the growth of imports again raised the level of external financing, and a greater though still inadequate inflow of autonomous capital led to a deterioration in the net position of Brazil's international reserves. Exports had been expanded in previous years, but external debt commitments made it necessary to restrict imports for most of the period.

Mexico's situation differs from that of these three countries. Its net external financing, while subject to general fluctuations, was substantial and positive in trend, and did not weaken international reserves, since the inflow of autonomous capital remained at a consistently high level, except in one or two years. This situation was aided by the vigorous expansion of exports of goods and growing surpluses for border trade and travel.

In the other Latin American countries, net external financing, while erratic at times, virtually doubled, and the net inflow of autonomous capital trebled, but even so was insufficient in nearly every year during the period under consideration, the result being either net utilization of international reserves or a deterioration in the net position of the monetary authorities (see table 56). Although, taken together, these countries record a deterioration in this position for the period as a whole, Bolivia, Chile, Ecuador, El Salvador, Honduras, Nicaragua and Paraguay increased their international reserves, while Colombia and Uruguay made great efforts to do so but were thwarted by the insufficiency of their export and their autonomous capital receipts.

A comparison of these two positions shows that, with a few exceptions, the medium-sized and small countries received more net external financing and autonomous capital than the larger countries, save for Mexico, which has continued to be the main recipient of autonomous capital over the last few years.

Lastly, it should be pointed out that in 1967, apart from the substantial increase in net external financing, there was a further increase in the flow of autonomous capital, which was possibly higher than it has been for the last ten years. As has already been pointed out, in the last two years, Mexico has received the largest inflow of autonomous capital, but if 1966 is taken as the base year, Argentina and Venezuela also received substantially larger amounts. The inflow dropped

sharply in 1967 in Colombia and Peru, but increased in Guatemala, the Dominican Republic, Chile, Costa Rica, Nicaragua, El Salvador, Uruguay, Paraguay, Haiti and, to a lesser extent, in Brazil, Bolivia, Honduras and Panama.

(b) *Net movements of foreign and domestic capital (autonomous and compensatory) in net external financing*

The analysis of net external financing, which is based on movements of autonomous and compensatory capital in 1967 and earlier years, serves as a basis for evaluating the role which those sources of funds have played in balancing Latin America's external payments, but it fails to distinguish between the contribution made by flows of foreign and of domestic capital in achieving this balance. Therefore, in showing the forms of external financing, a distinction has been made in previous surveys between foreign autonomous and compensatory capital (short and long-term liabilities in respect of non-residents), domestic autonomous capital (residents' short- and long-term assets), and the monetary authorities' gross reserves. Figures for this breakdown are available only up to 1966, however, since complete data on the individual countries' balance-of-payments are usually at least a year late.

As can be seen from table 57 the net inflow of funds from abroad, which had reached its peak in 1964, dropped sharply the following year to barely 1,000 million dollars, but rose again to 1,750 million dollars in 1966. In view of the level which net external financing had reached a further increase is estimated for 1967, possibly bringing the total to over 2,000 million dollars. The larger net inflow of foreign capital in recent years was entirely in the form of autonomous funds since compensatory capital has shown a negative value since 1964, as a result of the measures adopted by the monetary authorities of certain countries to reduce their liabilities.

A noteworthy factor in the reactivation of the net inflow of foreign non-compensatory capital is the recovery in 1964, and since then the steady increase, of direct foreign investment, the present levels being the highest in the present decade (some 570 million dollars in all). The increase in non-compensatory loans in 1966, to an unprecedented net value of about 900 million dollars is, to judge from the over-all indicators mentioned above, likely to be even higher in 1967. There was also a striking recovery in short-term liabilities, a trend which was probably maintained in 1967 (see table 58).

The increment in foreign autonomous capital, which in 1966 helped to offset the net reductions

in the monetary authorities' liabilities (compensatory funds), only partly offset the net outflows of domestic capital and of the amounts lumped together under the head of errors and omissions, and the region was finally forced to draw to a very small extent on its gross international reserves. As these reserves rose by about 300 million dollars in 1967, the improvement was presumably based on a further increase in the net inflow of foreign non-compensatory capital, since domestic capital has always been a minus quantity for the region.

The pressures on the balance of payments in certain countries have resulted in an irregular trend in net external financing, different from that which has occurred in the other Latin American countries. It will be seen from table 58 that the negative trend of net external financing in Venezuela, which continued up to 1964, was at the outset due to a considerable net disinvestment of autonomous capital—particularly direct investment—and later to net outflows under the head of compensatory capital, and extensive reconstitution of its international reserves to improve the net position of the monetary authorities. From 1964 onwards, the inflow of foreign capital reflected a positive balance, and this was also the case with the net external financing in 1965; both of these flows increased steadily up to the end of the period under review and, except in certain years, helped to reduce the Central Banks' liabilities (compensatory funds) and to increase the gross gold and foreign exchange reserves.

In Argentina, the increase in external indebtedness as a result of the extensive use of medium-term suppliers' credits which were renegotiated several times, coupled with the low levels to which the gross international reserves had fallen, brought about a critical position in 1962, and from 1963 onwards Argentina's external financing position was consistently negative on account of net outflows of foreign autonomous and compensatory capital (particularly under the head of loans) and of domestic capital, and the building-up of gross gold and foreign exchange reserves, which reached fairly high levels in 1967.

The increase in external indebtedness—mainly over the medium term as a result of successive renegotiations of compensatory loans—forced Brazil also into a negative net external financing position in 1964 and 1965, and although it was positive in the following years, there was an even greater negative balance in 1967. Thanks to this situation, during those years Brazil was able to speed up the amortization of compensatory loans, which meant a net disinvestment of those

Table 57. Latin America (excluding Cuba): balance-of-payments position on capital account, 1960-67
(Millions of dollars at current prices)

	1960	1961	1962	1963	1964	1965	1966	1967 ^a
<i>Net external financing (A+D+E)</i>								
A. <i>Net foreign capital</i>	1,136.8	1,239.0	1,237.7	373.1	699.3	420.0	1,096.1	1,602.8
(a) <i>Foreign autonomous (non-compensatory) capital</i>	1,651.1	1,776.8	1,545.0	1,385.8	1,900.6	1,025.0	1,771.3	...
1. Direct investment	971.6	1,502.0	1,272.3	1,338.6	1,960.9	1,170.5	1,920.4	...
2. Long-term loans	417.4	371.6	221.4	233.5	395.7	513.2	566.3	...
3. Official transfer payments	227.0	790.7	763.2	855.3	836.5	401.4	904.8	...
4. Short-term capital (liabilities)	122.5	130.3	127.1	134.2	127.5	179.9	145.8	...
(b) <i>Foreign compensatory capital</i>	204.7	209.4	160.6	115.6	601.2	76.0	303.5	...
1. Deferred import payments	679.5	274.8	272.7	47.2	-60.3	-145.5	-149.1	...
2. Balance-of-payments loans	177.8	-36.0	327.8	46.1	216.6	-277.3	-82.9	...
3. Monetary authorities' short-term liabilities	226.7	165.3	30.3	-135.0	-93.7	164.3	-17.0	...
4. IMF stand-by and compensatory loans	192.9	-129.9	-16.4	18.7	-120.4	-9.7	-8.0	...
B. <i>Net domestic capital as shown in the balance of payments</i>	82.1	275.4	-69.0	117.4	-62.8	-22.8	-41.2	...
1. Private long-term capital (assets)	-59.7	-509.9	-361.0	-458.2	-288.7	-302.4	-326.6	...
2. Public long-term capital (assets)	-13.2	-222.2	-177.0	-96.3	-48.2	-39.9	-51.0	...
3. Short-term capital (assets)	-86.2	-138.7	-111.3	-25.2	-46.6	-73.0	-49.6	...
C. <i>Errors and omissions</i>	+39.7	-149.0	-72.7	-336.7	-193.9	-189.5	-226.0	...
D. <i>Net domestic capital plus errors and omissions (B+C)</i>	-323.0	-95.4	-408.7	-48.0	-883.1	-44.7	-400.4	...
E. <i>Movement of gross gold and foreign exchange reserves (increase -)</i>	-382.7	-605.3	-769.7	-506.2	-1,171.8	-257.7	-727.0	...
1. Monetary authorities' short-term assets	-131.6	67.5	462.4	-506.5	-29.5	-347.3	51.8	-283.4
2. Official monetary gold	-281.1	149.4	222.8	-511.4	-49.2	-387.0	67.8	...
3. IMF contributions	227.6	-56.6	241.0	10.9	33.1	55.0	95.7	...
	-78.1	-25.3	-1.4	-6.0	-13.4	-15.3	-111.7	...

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vols. 17, 18 and 19. ^a Preliminary estimates subject to revision.

Table 58. Latin America (selected countries): net movements of foreign and domestic capital (autonomous and compensatory) in net external financing, 1960-67
(Millions of dollars at current prices)

Year	Net external financing	Net foreign capital		Net domestic autonomous capital	Net errors and omissions	Movement of gross reserves (increase -)	Net external financing	Net foreign capital		Net domestic autonomous capital	Net errors and omissions	Movement of gross reserves (increase -)	
		Autonomous	Compensatory					Total	Autonomous				Compensatory	Total
Venezuela													
1960	-394.6	-333.2	195.5	-137.7	-18.1	115.1	204.9	564.9	131.2	696.1	-8.3	-176.5	-306.4
1961	-475.0	-148.0	3.0	-145.0	-283.0	29.0	585.7	365.7	-22.5	343.2	-13.1	70.6	185.0
1962	-385.0	-280.0	-77.0	-357.0	-185.0	-2.0	274.5	244.0	-9.4	234.6	-2.8	-263.3	306.0
1963	-476.0	-34.0	-125.0	-159.0	-187.0	-163.0	-231.8	36.4	7.1	43.5	-51.1	-71.8	-152.4
1964	-200.0	51.0	-47.0	4.0	-22.0	-86.0	-33.0	-9.0	-51.0	-60.0	-12.0	-92.0	131.0
1965	29.0	134.0	17.0	151.0	-52.0	-11.0	-220.0	-166.0	-31.0	-197.0	20.0	25.0	-68.0
1966	45.0	169.0	-45.0	124.0	-108.0	67.0	-257.0	-79.0	-53.5	-132.5	-66.0	-48.0	-10.5
1967 ^a	70.0	...	...	...	...	-85.0	-184.0	...	...	...	...	...	-483.0
Brazil													
1960	534.0	233.0	353.0	586.0	-38.0	-24.0	339.3	189.6	4.8	194.4	-2.1	131.5	15.5
1961	277.0	373.0	81.0	454.0	-85.0	-141.0	242.0	364.0	42.0	406.0	-82.0	-67.0	-15.0
1962	484.0	281.0	212.0	493.0	21.0	105.0	184.0	267.0	-39.0	228.0	-65.0	-10.0	31.0
1963	204.0	189.0	66.0	255.0	-9.0	26.0	217.0	362.0	-3.0	359.0	-84.0	62.0	-120.0
1964	-50.0	235.0	-129.0	106.0	-25.0	74.0	421.0	713.0	-2.0	711.0	-81.0	-167.0	-42.0
1965	-247.0	148.0	-114.0	34.0	-38.0	-215.0	397.0	237.0	—	237.0	-92.0	191.0	61.0
1966	67.0	249.0	-120.5	128.5	-44.0	26.5	367.0	458.0	20.0	478.0	73.0	-182.0	-2.0
1967 ^a	310.0	...	...	...	...	180.0	540.0	...	...	...	...	...	-29.0

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vols. 17, 18 and 19. ^a Preliminary estimates subject to revision.

funds, and achieve a substantial increase in its gross international reserves in 1965; as a result, it was able to cover the disbursements over the next two years, when the net inflow of foreign capital was too small to finance the current deficit.

In contrast to these three countries, Mexico's inflow of foreign non-compensatory capital, although irregular, remained at a high level, as did that of net external financing. This enabled it to increase its gross gold and foreign exchange reserves nearly every year over the whole period.

In the remaining Latin American countries (see table 59), the net inflow of foreign capital, with some irregularities, almost quadrupled, while total net external financing, with a few ups and downs, barely doubled. These inflows offset the net outflows of domestic funds and the movements included under the head of errors and omissions, while gross international reserves improved from 1963 to 1966, but decreased in 1967. The net inflow of non-compensatory foreign capital more than trebled; and, except in two years, during the period under review there was some trend towards increased borrowing of compensatory capital with the increase in the monetary authorities' liabilities. In view of the level these liabilities had reached, Uruguay, Colombia and Chile had already found it necessary to reduce them in the last few years, but other countries continued to accumulate trade arrears or to request stand-by and compensatory credits from the International Monetary Fund.

In this group of countries, at the beginning of the decade, foreign non-compensatory capital consisted mainly of direct investment and official transfer payments. At the present time, long-term autonomous loans, which increased twelvefold from 1960 to 1966, are the most important form of foreign capital under that head, since the level of direct investment, after its contraction in the mid-nineteen-sixties, is now no higher than it was at the beginning of the decade.

Thus, in the nineteen-sixties the flow of foreign capital followed a different trend in each country. Autonomous and compensatory loans, which in the first few years of the decade were concentrated in the major countries of the region, have been increasingly channelled towards the medium-sized and small countries since 1962. This is not true of direct foreign investment, however, which has regained and even exceeded its former level over the last few years, but which has mainly benefited the larger countries, particularly Mexico and Brazil.

5. FLOWS AND SERVICING OF AUTONOMOUS AND COMPENSATORY FOREIGN CAPITAL AND THEIR NET CONTRIBUTION TO EXTERNAL PURCHASING POWER

In the *Economic Survey of Latin America, 1966*,¹⁴ the contribution to Latin America's external purchasing power made by total autonomous (or non-compensatory) and compensatory foreign capital, net of amortization payments, is analysed in the aggregate, without a breakdown of the funds in question by their component capital flows. To supplement this analysis, each capital flow will now be considered separately, with particular reference to gross compensatory and autonomous loans, the incidence of service payments (amortization and interest), the inflow of direct investment as against the annual returns payable thereon (profits), and other movements of foreign capital, concluding with each flow's net contribution to external purchasing power.

Autonomous and compensatory loans are among the principal sources of external financing in the current decade. Between 1960 and 1966, the gross inflow channelled into Latin America under these heads amounted to 18,150 million dollars, i.e., an annual average of 2,600 million. Starting at 2,000 million dollars in 1960, it rose to just over 2,750 million in 1961, and remained close to this figure, although a little below it, until 1966, when it increased to some 2,860 million dollars (see table 60). Autonomous credits accounted for two-thirds of these total gross receipts and compensatory loans for the remainder, thus representing annual averages of 1,750 and 840 million dollars, respectively. The figure for each year's real inflow differed little from these averages, except that in the case of autonomous credits it was higher in 1964 and again in 1966, when it exceeded 2,200 million dollars, while in that of compensatory loans it dropped in 1966 to about 650 million dollars.

If gross disbursements in respect of loans to Latin America were substantial, so too were the service payments they entailed; and while the annual sums represented by the former remained fairly constant, the latter steadily increased. In the period under review, payments under the head of amortization of autonomous and compensatory loans amounted to some 12,375 million dollars, i.e., an annual average of 1,765 million dollars, while in terms of actual annual payments the outflow followed an unbroken upward trend, interrupted only in 1966, when amortization payments on compensatory loans declined. The growth rate of the latter was so rapid that from 1963 onwards they offset or

¹⁴ United Nations publication, Sales No.: E.68.II.G.1.

Table 59. Latin America (excluding Argentina, Brazil, Cuba, Mexico and Venezuela): net movements of foreign and domestic capital
(autonomous and compensatory) in net external financing, 1960-67
(Millions of dollars)

	1960	1961	1962	1963	1964	1965	1966	1967 ^a
<i>Net external financing (A + D + E)</i>								
A. <i>Net foreign capital (a + b)</i>								
(a) <i>Foreign non-compensatory capital</i>								
Direct investment	453.2	609.3	680.2	659.9	561.3	461.0	874.1	866.8
Long-term loans	312.2	718.6	946.4	887.3	1,139.6	800.0	1,173.3	...
Official transfer payments	317.3	547.3	760.3	785.2	970.9	817.5	1,123.4	...
Short-term capital (liabilities)	111.5	147.8	131.6	34.6	144.7	99.2	116.3	...
Net foreign compensatory capital	51.9	135.1	345.8	517.7	481.5	520.4	634.8	...
(b) <i>Net foreign compensatory capital</i>	103.0	114.1	91.4	100.2	94.5	142.9	116.8	...
Deferred import payments	50.9	150.3	191.5	132.7	250.2	55.0	255.5	...
Balance-of-payments loans	-5.0	171.3	186.1	102.1	168.7	-17.5	49.9	...
Monetary authorities' short-term liabilities	-0.2	13.0	97.8	40.1	81.6	17.7	35.1	...
IMF stand-by and compensatory loans	-46.0	54.0	30.2	-18.6	73.3	-1.7	-19.0	...
<i>Net domestic capital as shown in the balance of payments</i>	55.6	-39.1	55.1	-17.8	6.6	-34.7	7.0	...
B. <i>Net domestic capital as shown in the balance of payments</i>	-14.4	143.4	3.0	98.4	7.2	1.2	26.8	...
Private long-term capital (assets)	6.8	-46.8	-129.2	-127.1	-144.7	-140.4	-181.6	...
Public long-term capital (assets)	28.0	-0.2	-1.0	16.9	-1.2	0.1	-2.0	...
Short-term capital (assets)	-24.9	-40.9	-33.1	-5.5	-10.6	-28.0	-15.6	...
<i>Errors and omissions</i>	3.7	-5.7	-95.1	-138.5	-132.5	-112.5	-164.0	...
D. <i>Net domestic capital plus errors and omissions (B + C)</i>	65.9	-72.0	-159.4	-3.2	-327.1	-84.3	-88.4	...
E. <i>Movement of gross reserves of gold and foreign exchange (increase -)</i>	68.2	9.5	22.4	-97.1	-106.5	-114.3	-29.2	133.6
Monetary authorities' short-term assets	103.8	16.3	-10.2	-87.0	-91.2	-145.0	-31.2	...
Official monetary gold	-24.3	2.5	34.0	-4.1	-1.9	36.0	21.7	...
IMF contributions	-11.3	-9.3	-1.4	-6.0	-13.4	-5.3	-19.7	...

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vols. 17, 18 and 19. ^a Preliminary estimates subject to revision.

Table 60. Latin America: flows and servicing of foreign capital
(Millions)

Year	Gross loans			Amortization of loans			Interest payments on foreign loans
	Autonomous or non-compensatory	Compensatory	Total	Autonomous or non-compensatory	Compensatory	Total	
	(a)	(b)	(c = a + b)	(d)	(e)	(f = d + e)	(g)
<i>Latin America excluding Cuba</i>							
1960	1,194.8	837.6	2,032.4	967.8	351.0	1,318.8	288.8
1961	1,778.5	981.2	2,759.7	987.8	576.5	1,564.3	340.4
1962	1,748.1	908.2	2,656.3	984.9	619.1	1,604.0	361.2
1963	1,724.7	844.6	2,569.3	869.4	816.1	1,685.5	357.1
1964	1,914.7	822.6	2,737.3	1,078.2	762.5	1,840.7	447.4
1965	1,694.0	835.0	2,529.0	1,292.6	970.8	2,263.4	545.2
1966	2,208.4	653.8	2,862.2	1,303.6	794.9	2,098.5	605.5
<i>Venezuela</i>							
1960	17.6	300.4	318.0	212.9	99.8	312.7	15.7
1961	5.0	231.0	236.0	135.0	226.0	361.0	36.0
1962	57.0	50.0	107.0	62.0	124.0	186.0	21.0
1963	53.0	—	53.0	16.0	124.0	140.0	17.0
1964	58.0	—	58.0	18.0	48.0	66.0	16.0
1965	106.0	—	106.0	20.0	15.0	35.0	18.0
1966	113.0	—	113.0	28.0	15.0	43.0	22.0
<i>Argentina</i>							
1960	257.0	201.6	458.6	41.3	59.0	100.3	25.4
1961	439.6	92.2	531.8	96.0	114.9	210.9	49.9
1962	414.6	87.0	501.6	187.2	94.9	282.1	42.9
1963	264.1	99.1	363.2	191.5	92.5	284.0	41.1
1964	176.0	134.0	310.0	249.0	186.0	435.0	50.0
1965	171.0	104.0	275.0	368.0	133.0	501.0	50.0
1966	119.0	164.5	283.5	170.0	216.0	386.0	71.0
<i>Brazil</i>							
1960	351.0	254.0	605.0	370.0	50.0	420.0	137.0
1961	584.0	280.0	864.0	307.0	113.0	420.0	126.0
1962	324.0	347.5	671.5	262.0	62.5	324.5	123.0
1963	248.0	262.5	510.5	215.0	236.5	451.5	90.0
1964	187.0	219.0	406.0	183.0	221.0	404.0	134.0
1965	258.0	455.0	713.0	267.0	564.0	831.0	167.0
1966	373.0	201.0	574.0	294.0	318.5	612.5	166.0
<i>Mexico</i>							
1960	363.2	—	363.2	189.5	—	189.5	48.9
1961	352.0	45.0	397.0	187.0	—	187.0	56.0
1962	401.0	—	401.0	268.0	45.0	313.0	78.0
1963	426.0	—	426.0	231.0	—	231.0	80.0
1964	755.0	—	755.0	371.0	—	371.0	88.0
1965	370.0	—	370.0	369.0	—	369.0	103.0
1966	643.0	—	643.0	486.0	—	486.0	123.0
<i>Chile</i>							
1960	50.5	33.0	83.5	41.5	30.2	71.7	18.5
1961	143.1	151.6	294.7	57.1	54.9	112.0	28.4
1962	197.7	189.6	387.3	61.9	73.1	135.0	36.3
1963	212.5	216.1	428.6	63.1	180.9	244.0	41.4
1964	239.5	186.0	425.5	68.7	161.7	230.4	39.0
1965	191.0	133.4	324.4	89.7	119.7	209.4	66.5
1966	257.3	47.6	304.9	108.7	98.9	207.6	73.6
<i>Rest of Latin America</i>							
1960	155.5	48.6	204.1	112.6	112.0	224.6	43.3
1961	254.8	181.4	436.2	205.7	67.7	273.4	44.1
1962	353.8	234.1	587.9	143.8	219.6	363.4	60.0
1963	521.1	266.9	788.0	152.8	182.2	335.0	87.6
1964	499.2	283.6	782.8	188.5	145.8	334.3	120.4
1965	598.0	142.6	740.6	178.9	139.1	318.0	140.7
1966	703.1	240.7	943.8	216.9	146.5	363.4	149.9

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vols. 17, 18 and 19.

and net contribution to external purchasing power, 1960-66
(f dollars)

Net contribution of non-compensatory and compensatory loans (h = c-f-g)	Net direct investment (i)	Profits on direct investment (j)	Net contribution of direct investment (k = i-j)	Other net movements of foreign capital				Net aggregate contribution external purchasing power (p = h+k+o)
				Net autonomous short term liabilities (l)	Official transfer payments (m)	Other net liabilities of the monetary authorities (n)	Total net contribution of other foreign capital (o = l+m+n)	
424.8	417.4	949.2	-531.8	204.7	122.5	192.9	520.1	413.1
855.0	371.6	1,094.0	-722.4	209.4	130.3	-129.9	209.8	342.4
691.1	221.4	1,120.6	-899.2	160.6	127.1	-16.4	271.3	63.2
526.7	233.5	1,096.6	-863.1	115.6	134.2	18.7	268.5	-67.9
449.2	395.7	1,252.7	-857.0	601.2	127.5	-120.4	608.3	200.5
-279.6	513.2	1,303.4	-790.2	76.0	179.9	-9.7	246.2	-823.6
158.2	566.3	1,518.1	-951.8	303.5	145.8	-8.0	441.3	-352.3
-10.4	-126.0	517.6	-643.6	-12.0	0.1	-5.1	-17.0	-671.0
-161.0	-25.0	561.0	-586.0	9.0	-2.0	-2.0	5.0	-742.0
-100.0	-241.0	622.0	-863.0	-34.0	—	-3.0	-37.0	-1,000.0
-104.0	-84.0	610.0	-694.0	13.0	—	-1.0	12.0	-786.0
-24.0	-24.0	683.0	-707.0	34.0	1.0	1.0	36.0	-695.0
53.0	3.0	720.0	-717.0	46.0	-1.0	32.0	77.0	-587.0
48.0	75.0	696.0	-621.0	8.0	1.0	-30.0	-21.0	-594.0
332.9	332.0	63.0	269.0	16.6	0.6	-11.4	5.8	607.7
271.0	-18.2	115.9	-134.1	39.1	1.2	0.2	40.5	117.4
176.6	71.8	37.2	34.6	-56.9	1.7	-1.5	-56.7	154.5
38.1	77.9	30.4	47.5	-116.1	2.0	0.5	-113.6	-28.0
-175.0	27.0	63.0	-36.0	34.0	3.0	1.0	38.0	-173.0
-276.0	43.0	9.0	34.0	-14.0	2.0	-2.0	-14.0	-256.0
-173.5	30.0	92.0	-62.0	-54.0	-4.0	-2.0	-60.0	-295.5
48.0	138.0	61.0	77.0	97.0	17.0	149.0	263.0	388.0
318.0	147.0	61.0	86.0	-67.0	16.0	-86.0	-137.0	267.0
224.0	132.0	79.0	53.0	55.0	32.0	-73.0	14.0	291.0
-31.0	87.0	57.0	30.0	36.0	33.0	40.0	109.0	108.0
-132.0	86.0	58.0	28.0	114.0	31.0	-127.0	18.0	-86.0
-285.0	154.0	102.0	52.0	-33.0	36.0	-5.0	-2.0	-235.0
-204.5	159.0	125.0	34.0	-23.0	34.0	-3.0	8.0	-162.5
124.8	-38.1	141.6	-179.7	52.2	1.8	4.8	58.8	3.9
154.0	120.0	148.0	-28.0	78.0	1.0	-3.0	76.0	202.0
10.0	127.0	159.0	-32.0	5.0	2.0	6.0	13.0	-9.0
115.0	118.0	186.0	-68.0	50.0	-1.0	-3.0	46.0	93.0
296.0	162.0	236.0	-74.0	169.0	-2.0	-2.0	165.0	387.0
-102.0	214.0	236.0	-22.0	22.0	—	—	22.0	-102.0
34.0	186.0	250.0	-64.0	117.0	-2.0	20.0	135.0	105.0
-6.7	29.0	46.1	-17.1	10.2	34.4	25.7	70.3	46.5
154.3	51.9	53.3	-1.4	42.5	16.8	-18.5	40.8	193.7
216.0	35.8	57.3	-21.5	44.2	11.2	-5.3	50.1	244.6
143.2	-30.1	48.6	-78.7	22.4	1.6	-2.0	22.0	86.5
156.1	-8.5	66.7	-75.2	-7.2	2.2	-6.2	-11.2	69.7
48.5	-6.6	51.5	-58.1	-3.9	-0.6	-4.2	-8.7	-18.3
23.7	-30.2	111.2	-141.4	96.1	11.9	9.7	117.7	—
-63.8	82.5	119.9	-37.4	40.7	68.6	29.9	139.2	38.0
118.7	95.9	154.8	-58.9	107.8	97.3	-20.6	184.5	244.3
164.5	95.8	166.1	-70.3	147.3	80.2	60.4	287.9	382.1
365.4	64.7	164.6	-99.9	110.3	98.6	-15.8	193.1	458.6
328.1	153.2	146.0	7.2	257.4	92.3	12.8	362.5	697.8
281.9	105.8	184.9	-79.1	58.9	143.5	-30.5	171.9	374.7
430.5	146.5	243.9	-97.4	159.4	104.9	-2.7	261.6	594.7

exceeded the inflow of compensatory loans. This is explained, however, by the fact that the monetary authorities had adopted the policy of reducing their liabilities in order to improve their net position.

Interest payments were another variable that reduced the contribution made by foreign loans. These payments totalled 2,945 million dollars, or an annual average of 420 million, but in terms of actual disbursements they doubled between 1960 and 1966, thus increasing even faster than amortization payments on autonomous and compensatory credits. When amortization and interest payments are added together and deducted from the gross inflow of credits it can be seen from table 60 that the net inflow of about 855 million dollars recorded in 1962 steadily declined, until by 1965 the figure was negative; in the following year, however, there was a small positive balance, thanks to a significant increase in the flow of autonomous loans and a reduction of amortization payments on compensatory credits. Up to 1962, some countries—Argentina, Brazil, Venezuela—made intensive use of medium-term suppliers' credits which had to be repaid quickly in the course of the next few years, with the consequent limiting effects on their capacity to use new credits to improve their external position. This meant that in the region as a whole the increase in amortization payments, unaccompanied by an equivalent increase in loans, led to the gradual absorption of almost the whole of the new credits or of even larger sums, and ultimately, therefore, to a deterioration of the position as regards the net contribution of these foreign capital inflows to aggregate external purchasing power.

Another traditional source of external financing—although its importance was less than in earlier periods—was direct foreign investment, which in 1960–66 amounted only to some 2,720 million dollars,¹⁵ i.e., an annual average of about 390 million, determined by a trend which declined until 1963 and then recovered, rising to about 570 million dollars in 1966. The counterpart of these capital resources was a sum of approximately 8,335 million dollars which Latin America had to disburse in the same period in the shape of remittances of profits and other returns on investment; this yearly outflow, fluctuating within a steadily rising trend, averaged 1,190 million dollars, or three times as much as the average annual inflow of direct investment. The net transfer of funds abroad implied by this excess of returns over investment lowered the annual capacity to import by about

800 million dollars on an average, the actual margins of reduction having risen from some 530 to 950 million dollars between 1960 and 1966 (see table 60).

In addition to the two preceding sources of external financing, there are other foreign capital flows, such as short-term liabilities (compensatory and autonomous) and official transfer payments, whose contribution during the period under consideration, although erratic, was favourable on the whole. The inflow constituted by official transfer payments and autonomous short-term liabilities sufficed to offset the net outflow represented almost throughout the period by the monetary authorities' reductions of their short-term liabilities (compensatory) in order to improve their net position, and ultimately showed a net positive balance that buttressed external purchasing power. Nevertheless, the piling-up of external debts under the head of autonomous short-term liabilities—payable on demand—may well generate pressures over the long term which would necessitate additional financing for the conversion of such liabilities into obligations with regular annual debt servicing. This situation has not yet arisen, thanks to the guarantee provided by Latin America's foreign assets. In some years, however, certain countries have been compelled to effect net payments in order to check the snowballing of indebtedness under the head of autonomous short-term liabilities. Furthermore, this capital inflow may possibly decrease in the future as a result of the measures requiring United States firms with subsidiaries abroad to reduce their net short-term financial assets.

Thus, with the exclusion of the movements of capital entered under the balance-of-payments item "Errors and omissions", the aggregate flow of autonomous and compensatory foreign capital made a positive, although sharply declining, contribution to the capacity to import up to 1962. In the following years, with the exception of 1964, the position was reversed, and negative figures of about 820 and 350 million dollars were shown in 1965 and 1966, respectively, so that imports in those years were curtailed by the same amounts. In so far as the net contribution of autonomous and compensatory loans was reduced because of the increase in amortization and interest payments, it was impossible to counterbalance the net transfer of resources implied by the fact that remittances of profits exceeded the inflow of investment; nor could it be offset with the help of the other foreign capital flows. In these circumstances, Latin America's imports in recent years have been based entirely on its export earnings, and as long as these fail

¹⁵ Including reinvestment of profits.

to expand, external indebtedness pressures will cramp the capacity to import, in the absence of sufficient funds to offset service payments on foreign capital.

As in previous cases, the situation described for Latin America as a whole is particularly influenced by the position of certain countries, which should be considered separately in order to analyse external financing trends in the rest of the region.

The external position of Venezuela (see table 60) was under great pressure at the beginning of the decade because of the high level of external indebtedness, as regards both compensatory and autonomous loans—generally medium-term—and because of the net outflow of direct investment capital and the heavy payments of profits on foreign capital, which all combined to have an increasingly depressive effect on the capacity to import, and this was reduced by as much as 1,000 million dollars in 1962. The figure for the contribution of autonomous and compensatory loans (net of amortization and interest payments) was negative until 1964, as was that for direct investment, but in both cases was becoming less so. In the first case the negative position was mainly determined by the amortization of autonomous loans (retirements of Treasury bills sold abroad) and the repayment of compensatory loans (arrears), and in the second, by the net decreases in direct foreign investment caused by the transfer of capital abroad under the head of capital depreciation. With the reduction in service payments on the external debt and greater recourse to autonomous loans, the net contribution made by these loans was positive from 1965 onwards, as was direct investment. This, together with other inflows of foreign capital, to some extent counterbalanced the volume of payments under the head of profits, and reduced the net transfer of resources abroad in the last few years to about 600 million dollars.

In Argentina, intensive use was made of medium-term autonomous loans¹⁶ up to 1962, and to a lesser extent of compensatory loans. While repayments on autonomous loans were stepped up from 1962 onwards, there was a sharp drop in gross credits under this head,¹⁷ and greater recourse to compensatory loans, which in itself led to an increase in amortization payments. These repayments, together with interest payments on the external debt, meant that from 1964 onwards there was a fairly large negative

net figure for the aggregate loans, which improved not only the net position of the Central Bank by reducing its liabilities, but also that of the non-monetary sectors, although at the expense of fewer imports.

With regard to direct investment, after a large inflow in 1960 (about 330 million dollars), mostly in petroleum, it dropped considerably in the succeeding years until at the end of the period it represented an inflow of between 20 and 40 million dollars.¹⁸ This inflow of capital was offset by payments of profits which fluctuated considerably in value and which, depending on their size, had either a positive or a negative effect on the capacity to import.

Other foreign funds, particularly autonomous and compensatory short-term liabilities, also showed, throughout most of the period, decreases or net outflows which improved the position of the monetary and non-monetary sectors, but pushed down the level of imports.

In the case of Argentina, the reduction of the pressures caused by external indebtedness meant a net disinvestment of foreign autonomous and compensatory capital which reduced the country's import capacity by 28 million dollars in 1963. The amount of this reduction steadily increased until in 1966 it was as much as 300 million dollars, which explains why subsequent import levels were so low.

In Brazil, too, the levels of autonomous and compensatory loans—mainly medium-term—were high until 1962, after which they declined to recover slightly towards the end of the period.¹⁹ From 1963 onwards, these gross inflows were almost totally absorbed by repayments on loans, and with the addition of interest payments, the net total was large and negative, which meant an improvement in the net position of the monetary and non-monetary sectors but a deterioration in the capacity to import.

Similarly, direct investment was fairly high at the beginning of the decade, declined in 1963 and 1964 and recovered towards the end of the period, while throughout the period payments under the head of profits on foreign capital invested in the country were lower than the corresponding capital inflows, thus swelling the capacity to import, although by decreasing amounts.

Of the other foreign funds, compensatory short-term liabilities showed decreases or net capital payments in almost every year, as did

¹⁶ Mostly suppliers' credit used to re-equip much of the country's industry.

¹⁷ Funds from international sources were not available for the execution of a number of large investment projects.

¹⁸ Does not include reinvestment of profits.

¹⁹ As in Argentina, funds from international sources were not available for specific investment projects.

autonomous liabilities towards the end of the period. Consequently, the inflow of official transfer payments, which remained more or less constant, tended to be absorbed by these negative movements.

Total movements of foreign capital net of the corresponding services were, therefore, negative in Brazil from 1964 onwards, mainly as a result of the net disinvestment recorded in the flow of loans, and determined a reduction in the capacity to import.

In contrast with the situation in Argentina and Brazil, the flow of autonomous loans in Mexico increased steadily until 1964, declined in 1965 and resumed an upward trend in 1966. As, in addition, Mexico did not have recourse to compensatory loans, which were very high in Argentina, Brazil and Venezuela, repayments on autonomous loans tended to double but, except in 1964, remained below the gross inflow of credits. Even allowing for amortization and interest payments on the external debt, the net contribution of the loans was positive and helped to push up the capacity to import throughout the period (except, once again, in 1964), although in decreasing amounts. This was suggestive of a certain amount of strain in the external financing position, in view of the prevalence of medium-length terms and high interest rates.

There has been a higher concentration of capital inflows under the head of direct investment in Mexico during the present decade than in any other country, but in every year payments of profits were always higher than investment, with the result that the effect on the capacity to import was negative throughout the period.

Lastly, the predominant feature of the flow of other foreign capital was the short-term autonomous liabilities, which fluctuated considerably but were quite sizable in certain years. These liabilities, together with the net inflow of loans, more than counterbalanced the payments abroad under the head of profits on direct investment, and except in two years total capital movements led to an increase in the capacity to import.

Chile is another country in which the total inflow of foreign capital, after pushing up the capacity to import for the greater part of the decade, is now being counterbalanced by the increase in service charges on that capital, and although Chile was able to maintain a high import level, this was because of favourable conditions in the copper sector.

The amount of foreign capital lent to Chile increased considerably up to 1964, but then dropped in the last two years of the period under

consideration. This decline was basically due to Chile having less recourse to compensatory loans, since autonomous loans increased again in 1966, after a decline in 1965. Repayments on these loans, particularly compensatory loans, were also speeded up—in some years they were almost tripled—as a result of the efforts of the monetary authorities to improve their net position. Interest payments on the external debt were almost four times higher; nevertheless the net contribution of these funds continued to be positive and to add to the capacity to import, although in rapidly decreasing amounts, particularly in the last two years.

The inflow of foreign direct investment, which was positive until 1962, became negative from 1963 onwards and there was a net disinvestment of capital. In contrast, profits on direct investment, which remained more or less constant up to 1965, doubled in the following year as a result of the boom in copper prices. The net disinvestment of capital, together with payments of profits, further accentuated the outflow of funds and had a depressive effect on the capacity to import.

Throughout the period, except for two years, other inflows of foreign capital showed a positive net contribution, which was determined by the autonomous short-term liabilities, since the compensatory liabilities in almost every year signified reductions or net payments which improved the position of the monetary authorities. The positive inflow of these funds, and of the loans, more than counter-balanced the outflow of payments under the head of direct investment and the resulting surplus led to an expansion of the capacity to import up to 1964, which was cancelled out in the next two years.

It is now possible to study the evolution of external financing in the rest of the Latin American economies, leaving out of account that of the countries which have already been considered separately (see table 60). In 1960, while the inflow of foreign loans—autonomous and compensatory—amounted to about 200 million dollars, repayments already exceeded that total, and, if interest on the external debt is added, these funds reflect a negative net balance. Nevertheless, from 1961 onwards, the inflow of both autonomous and compensatory loans rose steadily, up to a total of 950 million dollars in 1966. The amortization payments on these loans remained at much the same levels from 1962 onwards, possibly because the terms were more liberal than in the countries analysed above, especially for autonomous loans. In contrast with this trend, the interest payments on the external debt have more than trebled, which indicates that although longer periods were

accorded for the repayment of these loans, the interest rates were no more liberal. After deduction of amortization and interest payments on the external debt, there were net inflows which, in 1963 and subsequent years, ranged from 300 to 400 million dollars, and increased the capacity to import. This situation is different from that prevailing in Argentina, Brazil, Mexico and Chile, where these net flows either reflected negative balance during those years, or were reduced or practically cancelled out by the end of the period.

The inflow of capital under the head of direct foreign investment in these countries also increased nearly every year but, as the total was lower than the outflow of profits, the capacity to import for the whole period, except one year, was reduced by amounts fluctuating between 50 and 100 million dollars.

The movements of other foreign funds, although somewhat erratic, added considerably to the total capacity to import. These movements were determined by capital inflows under the head of short-term autonomous liabilities and official transfer payments received, which more than offset the net payments under the head of short-term compensatory liabilities.

The total net contributions represented by loans and by short-term autonomous liabilities and official transfer payments received more than offset the amount by which payments of profits exceeded direct investment; therefore, the net

aggregate inflow of capital increased the capacity to import. This grew steadily to about 700 million dollars in 1964, and although it decreased the following year, it rose again to about 600 million dollars in 1966.

The situation in this group of countries is radically different from that of the region as a whole, and from that in Venezuela, Argentina, Brazil and Chile. Although the inflow of loans increased steadily, their amortization over longer periods somewhat attenuated the growth of these payments. This was not the case in Argentina, Brazil and, to a lesser degree, Chile and Mexico. When amortization payments were stepped up in Argentina and Brazil, the gross inflow of loans decreased, and its subsequent recovery was not enough to counterbalance the increase in repayments. In Chile and Mexico, although the large inflow of foreign loans continued, the increase in service payments was such that the net contribution to the capacity to import was gradually reduced. This is a situation which will probably arise in the future in the rest of the Latin American countries, and has already done so in Colombia and Uruguay, where debt servicing is growing faster than the inflow of loans. If it does, and exports do not grow fast enough to create additional resources to cover the eventual net disinvestment involved in external financing, this will have to be offset by a curtailment of imports, as has been the case in Argentina, Brazil and Venezuela.

Chapter IV

SOME RECENT CHANGES IN TAX FINANCING

1. OVER-ALL EVALUATIONS

In order to give an idea of tax trends in Latin America as a whole, an examination will be made of developments in Argentina, Brazil, Chile, Guatemala, Mexico and Venezuela during the period 1960-66.

In modern societies public sector responsibilities and, hence, government expenditure, are tending to increase. Some of the factors underlying this upward trend—such as the needs that derive from urbanization and the provision of welfare services—are common to both the industrialized and the developing economies, while others—such as, the need for the State to take an active part in promoting economic growth in the less developed economies—are peculiar to one or the other type only.

Whatever their causes, however, it is universally apparent that the trends of public expenditure and public revenue are to some degree incompatible, that the former is usually the more dynamic of the two, and that the population as a whole, or influential groups of it, are more easily prevailed upon to maintain or expand government functions than to provide the necessary funds. It is the fact that the two are out of kilter which is usually the cause of the imbalance in government accounts.

This problem is far more sharply defined in the developing than in the developed countries. To begin with, the transfer of funds to the State involves a relatively greater sacrifice, because of the low average levels of income, to say nothing of the effects of income concentration, the distribution of the tax burden or the compensatory benefits of government action. Furthermore, the industrialized countries are able to tap private savings by increasing the public debt, and at times make intensive use of this method. This possibility is, however, more remote for the developing countries, which are therefore compelled to rely on some means of compulsory transfer, which may be a tax or a monetary measure, such as central bank loans.

For the purposes of the present review, it is assumed that government finances in the Latin American countries are essentially dependent on tax revenue, since other methods of obtaining funds, including external borrowing, are un-

reliable, short-lived and liable to be inflationary in their effects, however indispensable they may be in certain circumstances.

2. TRENDS AND RELATIVE IMPORTANCE OF PUBLIC EXPENDITURE

Central government expenditure in the countries under consideration increased in absolute terms between 1960 and 1966.¹ While a trend of this kind was only to be expected, it is particularly interesting to compare it with the growth rate of the domestic product in order to see the extent to which the importance of the public sector has changed.

It can be seen that Guatemala and Venezuela were the only countries where the growth of expenditure lagged seriously behind that of the product. In the others, the product-elasticity of government expenditure was higher than unity, and in Mexico, public expenditure increased a good deal faster than domestic production (see table 61).

During 1960-66 at least, the supply of goods and services does not seem to have been under heavy pressure from public demand, and, where this did happen—in Mexico—it coincided with steady growth on the part of the over-all product. In other countries where expenditure had a positive elasticity during those years (e.g., Brazil and Chile), sharp fluctuations took place with high rates of expansion followed by severe contractions or vice versa.

The problem is related to the proportion of total expenditure represented by government spending, and the growth rate of the product. It may be assumed, in principle, that the smaller the proportion of funds absorbed or employed

¹ Central government expenditure was chosen as the indicator because of the difficulty of collecting comparable figures for the so-called "public sector", although these would give a more accurate picture of the impact and development of State participation. Owing to this problem the ratio of government expenditure to the domestic product in Argentina, Brazil, Mexico, and to a lesser extent in Chile, underestimates the real importance of this participation. In any event, there is reason to suppose that a fairly close correspondence has existed between the trend of central government expenditure and that of other public sector expenditure, since the decentralization of various public activities has involved direct and increasing transfers of State funds.

Table 61. Selected Latin American countries: indicators of central government tax financing, 1960-66

Item	Period	Argentina		Brazil		Chile		Guatemala		Mexico		Venezuela	
		1960	1966	1960	1966	1960	1966	1960	1966	1960	1966	1960	1966
Total expenditure/domestic product		13.4	13.8	21.6	12.2	10.0	10.0	24.7	20.0
Public fixed investment/total fixed investment ^a		.	.	13.1	13.9	22.9	34.5	59.5	10.8	10.0	32.7	43.7	39.6
Current income/total expenditure		.	.	22.4	28.5	66.5	61.8	76.9	23.1	31.3	70.0	84.0	97.6
Tax revenue/domestic product		.	.	84.4	73.3	82.8	83.5	15.6	74.4	76.5	6.4	19.9	18.7
Elasticity $\frac{\Delta \text{Total expenditure}}{\Delta \text{Domestic product}}$ ^b		.	.	8.6	6.6	17.7	1.008	1.042	0.540	1.273	0.417		
Elasticity $\frac{\Delta \text{Tax revenue}}{\Delta \text{Domestic product}}$ ^b		.	.	0.832	0.832	1.103	1.109	1.060	0.719	1.183	0.827		
Elasticity $\frac{\Delta \text{Tax revenue}}{\Delta \text{Total expenditure}}$ ^b		.	.	0.823	0.823	1.096	1.096	1.004	0.925	1.631			
Percentage structure of tax system													
Direct		25	26	34	29	23	27	14	38	47	10	14	9
Indirect		38	49	54	62	43	40	54	35	37	8	77	77
External		37	25	12	9	34	33	32	27	16	82		

SOURCES: Tables 62-77.

^a Figures relate to the public sector.^b Estimated on the basis of the slope of a regression curve.

by the State and the higher the growth rate of the product, the more vigorous will be the expansion of public expenditure. The trend of developments in Mexico fully bears out this assumption. In spite of the diversification of its economy (and the considerable underestimation of the role of the State in the central government data), the proportion of the product represented by government expenditure (about 10 per cent) is low, being less than half what it is in Chile and Venezuela. At the same time, the Mexican economy has developed at an exceptionally rapid tempo in comparison with the other Latin American countries.

In the other countries, it is found that government expenditure represents a high proportion of the product or that recent development trends have been unpropitious. In the cases of Argentina and Brazil, if the other parts of the federal structure are added to the central government (even with the decentralized agencies excluded), the share of the public sector will be one of the largest in the region.

The rate of development seems to be the key factor. Where this is satisfactory, government expenditure can more easily keep pace with the growth of the product or even outstrip it, since the result will be a steady increase in the supply of private goods and services. It should be remembered, however, that one of the determining factors of the product's rate of growth is public expenditure itself.

In view of recent experience in this group of countries, it is difficult to find support for the hypothesis that public expenditure plays a decisive and truly "autonomous" role in providing the impetus for development. Chile, in 1965-66, is the only case which provides some corroboration of this premise, but, here again, several other factors came into play. The substantial increase in public expenditure was to some extent a consequence of the stagnation of the public sector and other areas of activity in the immediately preceding years, and it was the expansion of exports on the basis of copper and ample credit facilities which provided a basis for the increase in public expenditure and helped to reactivate the economy as a whole. Moreover, it had already become apparent by 1967 that public expenditure could no longer expand "autonomously" without similar growth on the part of domestic production.

This is not in any way an attempt to detract from the importance of State intervention, but simply to assess its true value. From its present scale and trends, and the nature of the prevailing economic systems, it would seem that the public sector cannot be the sole or even the principal

motive force behind development, although it may come to be through the medium of over-all economic policy, as the results of certain stabilization policies would suggest.

Nevertheless, the management of public income and expenditure—especially the latter—has played a relatively important role in attempts to control inflationary or deflationary pressures. In the first place, more or less stringent measures to restrict public expenditure have been a feature common to stabilization campaigns, although it has been virtually impossible to maintain the same growth rates of expenditure as inflationary pressures have gained momentum. Moreover, in almost all the countries where depressive trends have set in, an effort has been made to mitigate their effects by recourse to public investment as a means of offsetting the decline in private investment; however, the results achieved have been less satisfactory than in the former case.

To sum up, with one or two exceptions, during the period under review and in the group of countries studied there are no very marked signs of a trend towards an increase in public expenditure or in its influence on development. Although this influence is still considerable, the impression received is that other factors, including over-all economic policy, have been more powerful mainsprings of growth. It is upon the operation and effects of these determinants that the possibility of expanding public expenditure itself seems largely to depend. In the last analysis, this expenditure is seen to be a factor which is not so much "autonomous" as conditioned by other circumstances, at least within the limits of the period covered and for the group of countries as a whole.

3. ROLE AND GROWTH PATTERN OF TAX REVENUE

There are solid grounds for the assumption that in the Latin American countries—and in the developing countries in general—the possibilities of financing an increasing amount of public expenditure are primarily contingent upon tax revenue. If this hypothesis—which should on no account be taken as a hard-and-fast rule or as dogma—is accepted, there would also be reason to assume that one of the most significant ratios for the public sector's accounts is that of total expenditure to current income. As the gap between them widens, governments will be forced to contract liabilities of one kind or another, which, in Latin America, usually take the form of central bank or foreign loans. Apart from the fact that they are not the best long-term solution, such expedients are a threat, at least potentially, to internal and external

stability. In nearly all the countries studied, the gap between current income and total expenditure is wide in relative terms. For example, in 1964-66 all the Latin American countries except Venezuela had to cover from 16 to 26 per cent of their expenditure by resorting to various types of borrowing. The deficit was particularly heavy in Argentina, where the situation was worse than in 1960-62, nor was Mexico's position very favourable in this respect, despite the appreciable progress achieved between the two periods mentioned. The Government's constant practice of obtaining credit from the Central Bank and other sources to supplement its current income has not prevented Mexico from maintaining a reasonable degree of stability, which is a sign that the importance of the gap in question should not be overestimated, especially when economic policy can command other expedients capable of counteracting its possible effects. On the other hand, Venezuela's highly advantageous situation as regards the coverage of total expenditure by current income is offset, up to a point, by the great dependence of tax revenue on the contribution of the petroleum sector.

At all events, although the margin of difference between current income and total expenditure was still considerable in 1964-66, in all the countries except Argentina the position was better than in 1960-62, when Brazil and Mexico had financed upwards of 30 per cent of their expenditure by means of borrowing.

Again with the exception of Argentina, tax revenue followed the same trend as expenditure. This parallelism was very clearly marked in Venezuela, where, partly because the rate of increase of the domestic product considerably outstripped that of government expenditure, tax revenue showed a great deal of elasticity; in the other countries the expenditure-elasticity of taxation approached or slightly exceeded unity (see table 61).

Despite the contrast between Argentina's position and that of the other countries, the evolution of its tax revenue was not in fact appreciably different, although the sharp drop in tax receipts in 1964—the very year in which the growth rate of expenditure was highest—partly accounts for the marked inelasticity shown by the average trend over the period. In Brazil, during the early years of the period tax revenue lagged far behind the rapid expansion of public expenditure, while the trend was reversed from 1964 onwards, and taxes increased much more quickly than disbursements.

The advantage represented by the tendency for tax revenue to rise faster than total expenditure was greater when current expenditure only was

taken into account, so that in almost all countries larger surpluses were available for financing capital outlays. This was particularly true of Brazil, Chile and Venezuela. Venezuela's surplus on current account financed over 90 per cent of its capital expenditure in the last years of the period under review. On the other hand, the share of public investment (government and semi-government), besides being habitually high, increased substantially in the last three years (1964-66), especially in Brazil and Chile, where it came to represent approximately 62 and 65 per cent of total investment. In both cases the aim was to compensate for the decline in private investment in order to speed up the development process.

As regards the "tax burden", considerable differences can be discerned from one country to another. While in four of those under consideration the proportion of the product represented by tax revenue ranged from a little over 6 per cent to just under 10 per cent, in the other two—Chile and Venezuela—it was between 18 per cent and nearly 20 per cent. It is no coincidence that in the Chilean and Venezuelan economies there is a highly productive foreign-owned export sector whose tax potential is obvious, apart from the fact that through public income and expenditure some of the income generated by this export is transferred to the rest of the economic system. Nevertheless, the burden of taxation on internal activities is much heavier in Chile than in Venezuela, because the relative importance of petroleum in Venezuela's economy and public finance is greater than that of copper in Chile.

4. THE TAX STRUCTURE

Not only because of the need to finance inevitably increasing public expenditure, but also because the tax system has an impact on income distribution, few topics have received more attention in Latin America during the period under review than the question of tax reform. The objectives of tax reform are clear-cut: to progress towards a tax system which will be flexible in its response to the evolution of public expenditure and of the domestic product, which will imply a more equitable distribution of the tax burden and which at the same time will provide incentives or disincentives for specific activities, in accordance with the interests of development.

Although progress has not been spectacular—especially in view of the basic or implicit imbalance in the public-sector accounts—tax revenue has shown a reasonable degree of flexibility in keeping pace with expenditure and

the domestic product. On the other hand, when it has been used as an instrument of development—and many countries have sought to use it in this way—the results achieved do not seem to have been very promising. The application of tax incentives, usually in the form of exemptions of various kinds, has often meant that governments had to forgo quite a substantial portion of their tax revenue without receiving an appropriate *quid pro quo* in respect of the effects sought. There is little doubt that the main reason for this has been the fact that, as no fully effective planning systems have been firmly established—and hence no clearly-defined and co-ordinated system of priorities—it has proved impossible to design any adequate system of incentives and disincentives.

An evaluation of the redistributive effects presents considerable difficulties. First, because it is based on too rough a criterion, such as the assumption that an increase in the proportion of aggregate direct taxes means progress, while an increase in that of indirect taxes means the opposite.

Although the general validity of this relationship is not disputed, it must be pointed out that the results of taxation (disregarding the no less important question of the composition of expenditure) greatly depend on the nature and relative importance of indirect taxation. This problem takes on a particular significance in developing countries, since the low level of average incomes means that large sections of the population have little or no opportunity for certain types of consumption, e.g., the purchase of durable consumer goods or various high-cost services. That being so, indirect taxation from which, for example, staple items of consumption would be excluded, and which would be applicable in varying degrees to the remainder, could have a progressive rather than a regressive effect.²

There are no data available for determining social impact of indirect taxation from this standpoint in recent Latin American experience but it is clear that, in general, an attempt has been made to eliminate or reduce the burden of taxes on essential goods and services, which in some cases have also been subsidized.

Subject to these reservations, it may be noted that indirect taxation, besides remaining high in relative terms in the group of countries considered, increased in each individual country

except Chile between 1960 and 1966, although in every country except Brazil the proportion of direct taxation also increased, particularly in Mexico.

This paradox is explained by the fact that the taxes on foreign trade transactions were reduced in all the countries concerned, the reductions being particularly drastic in Argentina, Guatemala and Mexico. In Chile and Venezuela they were on the small side and, in view of the obvious importance of copper and petroleum, the proportion of these taxes in total tax revenue remained high, particularly in Venezuela. In Brazil on the other hand, their importance, already slight, declined even further, and they accounted for only 9 per cent of total tax revenue in 1966.

Several factors have been responsible for this trend, apparently the most widespread being the change in the composition of imports. Because of the reduction in the capacity to import, the foreign exchange earnings are barely sufficient for the purchase of essential consumer goods, basic inputs or capital goods, which pay little or no duty or may even be subsidized. In Guatemala, the tariff concessions accorded to the member countries of the Central American Common Market have also been instrumental in producing this trend. Lastly, except in Chile and Venezuela, the practice of exempting exportable products from taxes seems to be quite widespread; other incentives consist of the draw-back system, i.e., the refunding of the domestic taxes paid in respect of export activities.

In some cases the decline in the relative importance of taxes on the external sector has coincided with the disappearance of the differential exchange rates which in previous decades often constituted an important source of revenue. Although the loss of revenue from this source has usually been made up by an increase in income tax, the latter has sometimes proved a clumsier instrument than the differential exchange rates. Even in Venezuela, where concentration of export production on the petroleum sector might have facilitated the change-over, the loss of the fiscal revenue obtained from the differential exchange rate appears not to have been entirely offset by higher taxes on profits. This would be even more difficult to achieve where there are many scattered export producers, since the collection of income tax runs into all the usual difficulties to be met with in developing economies.

Argentina, however, without restoring the system of multiple exchange rates took advantage of the heavy devaluation in 1965 and 1967 to hold back a proportion of the exceptional

² This method of tax differentiation is a feature of the tax systems of the socialist countries, where, in addition, it has served as a supplementary instrument of planning inasmuch as it influences relative prices and, ultimately, the allocation of resources and the balancing of supply and demand.

export earnings for the Treasury; but this was, of course, only a temporary expedient.

The only significant change in the over-all tax structure seems to be the reduction in the proportion of tax revenue represented by taxes on foreign trade transactions. This shows that the agitation for tax reform has not led to any fundamental changes in the existing systems.

Nevertheless, there have been continual adjustments in the tax systems which, in Brazil, Chile and Mexico, for example, have involved changes which were by no means inconsiderable.

In the countries which have always suffered from inflation, efforts have been directed mainly towards bringing tax revenue into line with price movements, and this has been effective in narrowing the gap between the amounts the State received from relatively fixed sources of fiscal revenue and the cost of the supplies it had to buy.

Another outstanding trend has been towards extending the scope of personal income tax and increasing the proportion of revenue it represents, and towards the introduction of more progressive rates, in an attempt to emulate the systems applied in the industrialized countries. In the opinion of some specialists this may not be the most effective method, because of the demands it makes on the tax inspection and collection machinery, which may have to face a problem of "diminishing returns" or "rising costs" as the range of taxation is extended to include groups with incomes that are low in absolute or relative terms. According to this school of thought, it would be more productive to concentrate the administrative resources on tightening up tax collection from the high-income minority, reaching other groups through measures that are simpler to handle, such as taxes on expenditure.

In addition, progress seems to have been made in concentrating the tax burden in a few key taxes, thereby reducing the number and range of the taxes, which, apart from the cost and difficulties they involved, hampered economic activity.

Lastly, mention may be made of one special case, which, although the experience of a particular country, responds to a repeated recommendation by tax specialists, namely, Chile's attempt to combine income tax with the tax on net wealth. Besides being relatively simple to administer, this tax instrument is applicable to a particular form of accumulating private property, i.e., through building and the acquisition of "heavy" durable consumer goods such as motor cars, and it could be extended, as under

the French system, to other "signs of well-being". Given the high-income sectors' well-known proclivity for this type of expenditure, it seems clear that such a system may well have other than strictly fiscal implications.

5. THE TAX POTENTIAL AND THE PARTICULAR CASE OF PETROLEUM AND COPPER IN VENEZUELA AND CHILE

It is quite safe to predict that in the next few years there will continue to be pressure for more intensive activity and participation on the part of government and the public sector, particularly in capital formation and social services. This will inevitably lead to increased public spending, for which new sources of financing will have to be found. For the reasons given above, to which in some cases must be added the relatively low level of the tax burden, it would seem indisputable that the main responsibility for providing the necessary resources must fall on the tax system.

This is not the place to recapitulate the broad policy lines that should be followed in this regard, in relation both to their social effects and to their effects on development.³ It is, however, worth while calling attention to another type of approach supplementary to the more or less traditional and inevitable one of the "equitable distribution of the tax burden", which quite understandably tackles the problem primarily from the point of view of the individuals subject to the taxation.

From this new standpoint, the main economic activities should be broken down according to their relative levels of productivity, on the assumption that those activities whose productivity is well above average are the ones with the greatest "surplus" and, consequently, have the greatest tax potential.

Following this line of reasoning and taking certain over-all classifications proposed in a number of ECLA studies,⁴ as a first step a distinction should be drawn between three large multisectoral areas: the "modern", the "intermediate", and the "primitive" or "underdeveloped". To give a rough idea of the significance of these areas in Latin America as a whole, the first employs about 13 per cent of the economically active population but generates

³ Some aspects of this question were studied, for example, in the OAS/IDB/ECLA Joint Tax Program. In this regard, see *Fiscal Policy for Economic Growth in Latin America*, Papers and Proceedings of the Conference held in Santiago, Chile, December 1962 (Baltimore, the Johns Hopkins Press, 1965).

⁴ On this question, see "La mano de obra y el desarrollo económico de América Latina en los últimos años" (E/CN.12/L.1).

almost 48 per cent of the gross domestic product; the second employs 47 per cent of the working population and generates 46 per cent of the product; and the third absorbs 40 per cent of the working population, but its contribution to the total product is only about 7 per cent. These relationships vary considerably from country to country, depending on the stage of development. Generally speaking, the more advanced the economy, the greater is the proportion of the economically active population engaged in the "modern" sector.

In addition, account must be taken of the level of productivity per worker in each of these groupings. It can be estimated that productivity in the "modern" sector is almost four times higher than the average; that it is about average in the "intermediate" sector; and that in the "primitive" it is less than 20 per cent of the average.

If each sector were taxed in accordance with its contribution to the product, there would be no redistribution effect. In fact, from the standpoint of the marginal utility of income, the total effect would be regressive, since each unit of income paid by the "primitive" sector, for example, would represent a much greater sacrifice than a unit of income paid by the "modern" sector.

To take an extreme case, in which tax revenue represents 24 per cent of the product and in which the "modern" sector surrenders half of its gross income in taxes, its average per capita income (which, for purposes of simplification, is assumed to be equivalent to its average productivity) would nevertheless be approximately double that of the "intermediate" sector and almost ten times higher than that of the "primitive" sector.

Although it is impossible to arrive at more precise figures, a rough outline of these situations and relationships is sufficient to give some idea of the tax potential of a "modern" sector in this type of economy.

By way of indirect illustration and because of the important role they play in the countries in question, it is of interest to compare the tax significance of two major "export nuclei": copper mining in Chile and the petroleum industry in Venezuela. Both industries are of key importance in the respective countries, because of their share in exports, their contribution to tax revenue and their dynamic role in the economy.

The importance of each industry in the economy as a whole is not at all comparable, however, since petroleum carries much more weight than copper (see table 62). Petroleum, which accounts for a little more than one-fourth of the domestic product, contributes two-thirds of the tax revenue, while copper's contribution is little more than twice its share of the product. Between 1960 and 1962 taxes on petroleum absorbed a much higher proportion of the sectoral product than the corresponding taxes on copper, but between 1964 and 1966 the ratio of taxes to product tended to increase in the case of copper.

These relationships do not, however, show whether the tax potential of these activities is realized or to what extent it is not. For this purpose, several other relevant factors would have to be taken into account.

6. TAX DEVELOPMENTS IN VARIOUS COUNTRIES

(a) Argentina

Since the end of the last decade, the Argentine economy has been characterized by relatively sluggish growth (an average annual rate of about 2.8 per cent in 1960-66) and marked instability, which on many occasions has led to the adoption of measures of varying degrees of severity for containing inflationary pressures.

Within this general picture, government expenditure grew at much the same rate as the domestic product, with the result that there was little variation in the relationship between the

Table 62. Venezuela and Chile: petroleum and copper tax indicators

Year	Percentage share in				Ratio of			
	Domestic product		Total exports		Taxation to total tax revenue		Taxation to sectoral products	
	Petroleum	Copper	Petroleum	Copper	Petroleum	Copper	Petroleum	Copper
1955 . . .	29.9	—	94.1	64.5	63.2	19.4	33.2	—
1960-62 . .	30.0	5.4	92.4	61.2	70.2	12.1	45.7	35.8
1964-66 . .	27.9	5.7	92.5	49.4	69.7	14.3	46.9	43.4
1966 . . .	26.4	6.9	91.5	54.7	66.8	16.6	47.6	46.9

SOURCES: For petroleum: ECLA, on the basis of data supplied by the Central Bank and Ministry of Finance of Venezuela, and other official statistics. For copper: ECLA, on the basis of data supplied by the Ministry of Finance and the Planning Office (ODEPLAN) of Chile, and other official statistics.

Table 63. Argentina: government accounts, 1955 and 1960-66

	1955	1960	1964	1965	1966
<i>Thousands of millions of pesos at 1960 prices</i>					
Current expenditure	109.3	86.7	96.0	103.2	108.5
Capital expenditure ^a . . . .	...	45.6	43.2	41.5	45.3
Total expenditure . . . .	...	132.3	139.2	144.7	153.8
Current income	93.3	112.1	88.9	112.3	119.5
Tax revenue	70.6	88.3	59.3	79.3	84.6
Current saving	-16.0	25.4	-7.1	9.0	11.0
<i>Percentage ratios</i>					
To the gross domestic product					
Total expenditure . . . .	...	13.8	13.2	12.7	13.5
Current income	11.1	11.7	8.5	9.8	10.5
Tax revenue	8.4	9.2	5.6	6.9	7.4
To total expenditure					
Current income . . . .	...	84.7	63.9	77.6	77.7
Tax revenue . . . .	...	66.7	42.6	55.2	55.0
Tax revenue/current income . .	64.6	78.8	66.7	70.6	70.8
Current saving in relation to:					
Capital expenditure	—	55.7	—	21.7	24.3
Gross domestic product	—	2.6	—	0.8	1.0

SOURCE: National Development Council (CONADE), *Ingresos y gastos corrientes del sector público nacional, 1955-1966* and *Plan nacional de desarrollo, 1965-1969*.

^a Including capital expenditure of decentralized agencies.

two. Total expenditure represented 13.8 per cent of the domestic product in 1960 and, with only slight variations in the intervening years, amounted to 13.5 per cent in 1966 (see table 63). Current expenditure increased, but expenditure on capital formation did not vary much in real terms during that period. This increase in current expenditure (which had declined in real terms in the previous five-year period) explains why it was possible to finance only about one-fourth of capital expenditure out of government saving in 1966, in contrast with more than one-half in 1960.

Current revenue did not increase in proportion to the slight rise in total expenditure, with the result that in 1965-66 it only covered about 78 per cent of the total outgoings. The trends followed by tax revenue were even more unfavourable, and in the same years it only covered about 55 per cent of total spending. This implies that taxes decreased substantially in relation to the domestic product, compared with the situation at the beginning of the nineteen-sixties and in the mid-nineteen-fifties. However, in considering these relationships it should be borne in mind that non-tax revenue is particularly important in Argentina and includes transfers from decentralized agencies to the Central Government, a situation which is not generally found in the rest of the region.

The virtual stagnation of tax revenue in real terms in 1960-66 was to some extent due to the fluctuations in economic activity, which led to a

downright recession in 1962 and 1963. The decline in sales and the restriction of credit reduced liquidity in the private sector and made it more difficult for the sector to fulfil its tax obligations. Moreover, although measures designed to bring tax revenue into line with the movement of prices have been incorporated into the tax system, they do not seem to have succeeded in maintaining the real value of payments in face of persistent and extremely abrupt changes in price levels.

Despite these unsatisfactory trends in tax revenue, however, the system underwent appreciable modifications during the period under consideration.

The most striking feature is the decline in the relative share of direct taxation, as is shown in table 64. In the mid-fifties, direct taxation

Table 64. Argentina: government tax structure
(Percentages of total tax revenue)

	1955	1960	1964	1966
Direct taxes	33.4	24.8	18.7	25.9
Income tax	29.4	19.8	16.2	20.6
Indirect taxes	62.1	38.3	50.6	49.2
Sales	16.0	12.1	12.1	17.6
Consumption	13.3	7.8	10.8	6.9
Energy and fuels	22.3	9.7	12.9	8.3
Taxes on the external sector	4.5	36.9	30.7	24.9

SOURCE: National Development Council (CONADE) *Ingresos y gastos corrientes del sector público nacional, 1955-1966*.

accounted for about one-third of tax revenue, one of the highest proportions in Latin America, whereas in 1966 it accounted for only 26 per cent.

This decline in the share of direct taxation was offset by an increase in that of indirect taxation and of taxes on external transactions. At the end of the period 1960–66, indirect taxes accounted for about half of total tax revenue, but this proportion was even higher in the mid-fifties. Hence, the most significant change was in taxes on the external sector. In 1955 these taxes represented less than 5 per cent of tax revenue, but this proportion rose to almost 37 per cent in 1960 and dropped again to 25 per cent in 1966. This is a relatively high proportion for Argentina, but it is lower than for Chile or for Venezuela.

These developments are closely linked with the form taken by the anti-inflationary policy applied so far in the nineteen-sixties, which has been characterized by heavy devaluations, with a high proportion of the extra profits thereby earned by the export sector being withheld in the form of taxes. But these are stop-gap measures whose effect is only temporary, and other more regular sources of public financing must be found.

With regard to the social effect of taxes, two contradictory trends can be discerned in the developments in Argentina. On the one hand, the sharp decline in the share of direct taxation might point to a regressive tendency, which is quite likely in the case of Argentina, since there are fewer possibilities of social discrimination in regard to taxes on spending. On the other, the taxes or withholdings affecting the export sector might have a more progressive effect, depending on the extent to which they are applied and on how long they are maintained.

In 1967 a new stabilization programme was launched, containing important tax provisions. The programme set a target of an increase of 70 per cent in tax revenue, to be accompanied by an increase of only 23 per cent in public spending. It was hoped thereby to reduce considerably the difference between total expenditure and current income. In order to achieve this aim new taxes were to be imposed and existing taxes raised, particularly the taxes on exports through the withholding of profits, which would be considerably increased as a result of a further devaluation, this time of as much as 40 per cent. The results of this programme have yet to be seen, but it would appear that the basic problems of tax financing in Argentina remain unsolved.

(b) Brazil

The evolution of the public sector in Brazil in 1960–66 falls into two phases which closely

correspond to development trends during those years. Both production and State activities expanded vigorously up to 1962, although the instability of the economic system was growing more acute, and in the end it became very difficult to maintain these upward trends. In 1963 the rate of growth slowed down considerably, and at the same time inflationary pressures became more severe. These two factors, *inter alia*, motivated a sudden switch of economic policy as from 1964. Thenceforward, State action laid emphasis on anti-inflationary measures, and this change of stress had far-reaching repercussions on the evolution of the public sector.

Between 1960 and 1963, the total expenditure of the Central Government expanded rapidly enough for its share in the domestic product to rise from a little over 13 per cent in 1960–61 to to rather more than 15 per cent in 1962–63. The increase is even greater in relation to 1956, when the corresponding proportion was only 11.4 per cent. Although these figures are relatively high, they do not reflect the real weight carried by the public sector, for, with the addition of the other levels of government (states and local authorities) and decentralized enterprises, its share of the product amounted to about 28 per cent (see table 65).

In 1964, a break in the expansionist trend of public expenditure was accompanied by a contraction of its share in the domestic product, which, in its turn, also increased slowly. The curtailment of public expenditure affected only current outlays, which in absolute terms and real figures were lower in 1964–65 and 1966 than in 1962–63. Conversely, capital expenditure gained ground in both relative and absolute terms. The restriction of current expenditure enabled public sector saving to acquire greater significance in the last few years under review and in 1966 it financed about 70 per cent of capital outlays, whereas prior to 1964 the balance on current account had shown, instead of surpluses, quite considerable deficits. The cut in current expenditure affected wage and salary increases, and also transfer payments to public utility enterprises, with the result that there were substantial increases and variations in the prices and tariffs of the services concerned.⁵

In 1960–63 there was a wide gap between current income and total expenditure. Whereas the former remained at about 9.5 per cent of

⁵ The extent to which current expenditure was reduced by means of wage and salary cuts is illustrated in a report prepared in 1967 on economic development in Brazil, according to which expenditure under this head (in real terms) was 15 per cent lower in 1965 than in 1964; estimates for 1966 show a decrease of about 13 per cent in relation to 1964.

Table 65. Brazil: central government accounts and some indicative ratios, 1956 and 1960-66

	1956	1960-61	1962-63	1964-65	1966
<i>Millions of new cruzeiros at 1960 prices</i>					
Current income	165.7	237.3	263.3	317.5	353.1
Tax revenue	132.1	199.0	223.6	270.5	302.0
Current expenditure	194.5	247.3	310.8	281.7	250.7
Saving	-28.8	-10.0	-47.6	35.8	102.4
Capital expenditure	48.0	88.4	105.6	114.1	144.9
<i>Percentage ratios</i>					
To gross domestic product					
Total expenditure	11.4	13.3	15.1	14.0	13.8
Current income	7.8	9.4	9.6	11.3	12.3
Tax revenue	6.2	7.9	8.1	9.6	10.5
To total expenditure					
Current income	68.3	70.8	63.2	80.6	89.3
Tax revenue	54.5	59.4	53.7	68.7	76.4
Tax revenue/current income	779.7	83.9	84.8	85.2	85.5
Government saving in relation to:					
Capital expenditure	-60.0	-12.8	-45.0	25.8	70.7
Gross domestic product	-1.4	-0.4	-1.8	1.3	3.6

SOURCE: ECLA, on the basis of statistics supplied by the Ministry of Planning and the Getulio Vargas Foundation.

the product in 1960-61 and 1962-63, total expenditure rose from just over 13 per cent to 15 per cent of the product. In these circumstances, during the early years of the period, current income financed only a little under 70 per cent of total expenditure, most of the remainder being covered by loans from the monetary system. The gap was considerably narrowed in subsequent years, and the share of current income in the product approached that of total expenditure. In 1964-66, about 84 per cent of aggregate expenditure was financed out of current income.

Although tax revenue, generally speaking, covered a relatively small proportion of public sector expenditure up to 1964, it showed a moderately rising trend, even in the years of rapid inflation. Thus, while in the mid-nineteen-fifties it accounted for little more than 6.2 per cent of the product, its contribution rose to 8 per cent in 1960-63. Later on, in conformity with one of the explicit objectives of the fiscal

policy applied from 1964 onwards, it continued to increase both its share in the product (10.5 per cent in 1966) and its importance in relation to current income, of which it provided a little over 85 per cent in 1964-66.

The moderate flexibility of tax revenue seems to be linked to a marked increase in the relative importance of indirect taxation. In the mid-nineteen-fifties, taxes of this type represented about 51 per cent of total tax revenue; this proportion climbed to approximately 59 per cent in 1964-65 and 62.5 per cent in 1966. Conversely, direct taxation, especially taxes on enterprises, lost ground during the nineteen-sixties (see table 66). The contribution of external sector taxes, while small as a rule, followed a rising trend up to 1962-63, and thereafter declined.

Since 1964 a number of changes designed to improve tax revenue have been introduced into Brazil's tax system. Personal income tax was made more progressive by a change in the rates

Table 66. Brazil: tax structure and tax burden, 1956 and 1960-66
(Percentages of total tax revenue)

	1956	1960-61	1962-63	1964-65	1966
Direct taxes	45.5	32.6	30.2	31.7	28.6
Personal	12.7	10.7	9.0	11.0	11.8
Enterprises	25.5	20.4	19.5	19.6	15.4
Indirect taxes	50.9	55.2	57.7	58.9	62.5
Consumption	41.8	44.3	49.0	47.0	47.4
Petroleum	3.6	9.4	7.1	8.5	9.6
Taxes on the external sector	3.6	12.3	12.2	9.4	8.9

SOURCE: ECLA, on the basis of statistics supplied by the Ministry of Planning.

in respect of income from which tax is deducted at source. To prevent time-lags in the payment of these taxes, the tax base was adjusted in the light of cost-of-living indexes. Furthermore, maximum exempted income was reduced in certain cases, and some of the tax privileges granted to teachers, writers and journalists were abolished.

The cascade tax on sales and consignments had proved a strong inducement to the vertical integration of enterprises, including marketing firms and it was difficult to check on their tax compliance. To overcome this drawback, the tax was replaced by another, on circulation of goods, which was easier to supervise, and did not have the cumulative character of the former tax.

At the local government level, estimates of the revenue that would accrue from the tax on circulation of goods suggested the advisability of eliminating several taxes with small yields and high administrative costs, but apparently tax proceeds fell short of expectations, and larger transfers had to be made from the Federal budget to the states and local authorities.

Taxation on financial transactions was confined to insurance and credit operations effected by banks, loan and investment companies and other financial institutions, and the revenue was transferred to the Federal Government. The proceeds of taxes on services were earmarked for the use of the local authorities when the activities subject to taxation were carried on in the area of their jurisdiction. If they extended beyond it, the tax yield passed into the hands of the Federal Government. Taxation on transfers of real estate also underwent various modifications.

Export taxes were transferred from the states to the Federal Government without changes in their structure, inasmuch as they are a suitable tool for directing export activities at the national level.

Reductions in the customs tariff averaged 20 per cent. They were granted product by product, not on the basis of a general rule, so that the result should be a rational equalization of uneven levels of protection.

(c) *Chile*

The problems of public financing in Chile from 1960 to 1966 were faced against a background of a development that was fairly vigorous but not without its ups and downs. The prime factor in this boom was the expansion of the external sector, which has a particular influence on the production system and on the public economy.

Public sector activities have considerable

relative importance in Chile. In the nineteen-sixties, for example, the share of total central government expenditure in the domestic product was substantially higher than in the mid-fifties, and in the two years 1965-66 it was more than 25 per cent. This expansion was very uneven, however. Part of this substantial increase represented a recovery after the holding down of public expenditure in 1963-64 (see table 67).

Current income followed a fairly satisfactory trend during the period under review. Although, on an average, it financed only about 80 per cent of total expenditure, making it necessary to resort to external and Central Bank credit to cover the balance, it tended to increase at a slightly faster pace than disbursements. This was a particularly important factor in 1965 and 1966 owing to the rapid growth of expenditure (25 and 19 per cent, respectively); however, current income rose by approximately 28 per cent, in real terms, in each of those years.

Tax revenue, which normally constitutes more than 90 per cent of current income, followed much the same trend and showed a positive elasticity with respect to the growth of both the domestic product and total expenditure (see table 61). Hence the sizable increase in the share of tax revenue in the domestic product. The tax burden rose by about 13.5 per cent in 1955, about 15 per cent at the beginning of the nineteen-sixties and 18 per cent in 1965-66.

At first sight, there seem to have been no significant changes in the tax structure that might explain the vigorous growth of current income and tax revenue (see table 68). In general, if the situation in 1955 and 1960 is considered in relation to the situation prevailing at the end of the period, it will be noted that the proportion of the major groups of taxes remained fairly constant. Nevertheless, there was an appreciable increase in the proportion of direct taxes in 1964, which was consolidated in the next few years. On the other hand, the relative importance of taxes on the external sector diminished with respect to the position in 1955, in spite of the favourable conditions prevailing for external transactions, particularly in copper, and the fact that the proportion of taxes on copper mining in relation to the product of this sector did not decrease. Accordingly, the extra tax revenue must be ascribed mainly to domestic activities.

Although the tax structure has undergone no major changes, the system has been frequently modified during the period under review. A notable factor is the increase in direct taxation. Added to the periodical automatic adjustment of the taxable base in accordance with price movements, the tax on net wealth considerably

Table 67. Chile: central government accounts, 1955 and 1960-66

	1955	1960	1964	1965	1966
<i>Millions of escudos at 1965 prices</i>					
Current expenditure	1,621	2,066	2,259	2,722	3,209
Capital expenditure	447	894	1,061	1,438	1,729
Total expenditure	2,068	2,960	3,320	4,160	4,938
Current income	1,899	2,289	2,627	3,366	4,295
Tax revenue	1,607	2,163	2,498	3,122	3,956
Current saving	278	223	368	644	1,086
<i>Percentage ratios</i>					
To the gross domestic product					
Total expenditure	17.4	21.1	19.4	23.2	25.8
Current income	16.0	16.3	15.4	18.7	22.4
Tax revenue	13.5	15.4	14.6	17.4	20.7
To total expenditure					
Current income	91.8	77.3	79.1	80.9	87.0
Tax revenue	77.7	73.1	75.2	75.0	80.1
Tax revenue/current income	84.6	94.5	95.1	92.8	92.1
Current saving in relation to:					
Capital expenditure	62.2	24.9	34.7	44.8	62.9
Gross domestic product	2.3	1.6	2.2	3.6	5.7

SOURCES: Development Corporation (CORFO), *Cuentas nacionales de Chile, 1940-1962*; Planning Office (ODEPLAN), *Cuentas nacionales de Chile, 1960-1966*; Ministry of Finance, Budget Office, *Balance consolidado del sector público de Chile* (various years) and *Exposición sobre el estado de la hacienda pública* (November 1967).

Table 68. Chile: tax structure, 1955, 1960 and 1964-67
(Percentages of total tax revenue)

	1955	1960	1964	1965	1966	1967 ^a
Direct taxes	23.4	22.4	27.6	30.7	26.9	28.2
Personal ^b	8.3	7.5	8.8	12.3	9.7	11.1
Enterprises	6.5	9.4	9.6	11.4	9.8	9.9
Property	8.6	5.5	9.2	7.0	7.4	7.2
Indirect taxes ^c	42.7	43.2	44.4	42.6	40.3	42.9
Sales	20.3	20.1	25.7	24.6	23.0	25.7
Production	8.8	8.3	8.7	7.4	6.1	7.2
Services	9.0	9.7	6.3	5.7	6.2	4.8
Taxes on the external sector	33.9	34.4	28.0	26.7	32.8	28.9
Import duties	14.0	20.6	14.8	13.7	16.2	15.6
Taxes on large-scale copper mining	19.9	13.8	13.2	13.0	16.6	13.3
Total tax revenue	100.0	100.0	100.0	100.0	100.0	100.0

SOURCES: Ministry of Finance, Budget Office, *Balance consolidado del sector público de Chile* (various years) and *Exposición sobre el estado de la hacienda pública* (November 1967).

^a Provisional figures.

^b As from 1965 this includes the tax on net wealth.

^c Include other taxes not elsewhere classified.

raised the total revenue from personal taxes. As to indirect taxes, the base for applying the sales tax was substantially broadened to include most commercial transactions, whereas in the past it had been applicable only to real estate.

In large-scale copper mining, a vital activity in Chile, there have been no great changes in the system which was legally established in 1955, and which sets a fixed rate of 50 per cent on company profits, and a rate of 25 per cent which is progressively reduced as production rises above

certain basic levels. At the beginning of 1966, however, the system was slightly modified. The fixed profits tax was raised from 50 to 52.5 per cent, and it may be increased to as much as 85 per cent if production falls below the basic level. On the other hand, new major copper mining companies going into production in the future will pay a single tax of 50 per cent on their taxable income.

The figures in table 69 confirm that, apart from the increase in the proportion of taxes on copper

Table 69. Chile: large-scale copper mining, 1952-66

<i>Year or period</i>	<i>Output</i>	<i>Price</i>	<i>Value of exports^a</i>	<i>Copper taxes</i>	<i>Copper taxes as a percentage of total tax revenue</i>	<i>Copper taxes as a percentage of the gross product of large-scale copper mining</i>	<i>Product of large-scale copper mining as a percentage of gross domestic product</i>
		<i>Index: 1960 = 100</i>					
1952-54 .	71.8	92.7	68.9	96.0	15.7	...	...
1955 .	82.5	126.6	103.0	178.0	19.4	...	...
1956-58 .	91.1	100.8	81.3	97.6	17.4	...	...
1960 .	100.0	100.0	100.0	100.0	13.8	35.9	6.2
1961 .	100.6	91.7	87.5	76.5	10.0	33.0	4.9
1962 .	106.7	93.2	94.1	86.8	12.4	38.6	5.1
1963 .	106.1	92.4	93.1	98.4	13.0	37.3	5.3
1964 .	110.2	100.1	92.5	119.5	13.2	40.3	5.0
1965 .	102.3	111.7	102.9	138.5	13.0	42.9	5.3
1966 .	109.8	139.8	155.1	225.0	16.6	46.9	6.9

SOURCES: Universidad de Chile, Institute of Economics, *La economía de Chile en el período 1950-1963*; Ministry of Finance, Budget Office, *Balance consolidado del sector público de Chile* (various years); Planning Office (ODEPLAN), *Cuentas nacionales de Chile, 1960-1966*, and data supplied directly.

^a The value taken for exports is the f.o.b. value in dollars, International Monetary Fund, *Balance of Payments Yearbook*, vol. 19 and previous issues.

in the product for that sector, there has been little change in the share of large-scale mining in the gross domestic product, and that the proportion of total tax revenue contributed by taxes on copper is less than in the first half of the nineteen-fifties.

(d) Guatemala

After more than a decade of virtual stagnation, in 1963 the economy of Guatemala embarked upon a period of expansion, and by 1966 had achieved an average growth rate of 6.5 per cent. Generally speaking, the country's basic characteristics remained much the same as in the preceding decade, and exports continued to constitute the mainspring of growth.

Within this general framework central government expenditure rose slightly, at a slower rate than the domestic product. In 1960 its share in the product was 12.2 per cent—i.e., comparatively low in relation to the levels reached in other countries—and in the next few years it declined until by 1966 it was only 9.9 per cent. The modest increase in expenditure was mainly on current account, since capital outlays remained stationary, and indeed in 1966 were lower than in 1960. Thus the share of current expenditure in total expenditure rose from 58 per cent to over 73 per cent between the first and last years of the period under consideration. The relatively bigger increases in the current disbursements of the public sector kept down its saving, despite a slight increase in the proportion of capital outlays for which it accounted, mainly because the Government made only a small contribution to domestic investment (see table 70).

Table 70. Guatemala: central government accounts and some indicative ratios, 1960-66

	1960-62	1963-65	1966
<i>Millions of quetzales at current prices</i>			
Current income . . .	86.7	104.6	120.4
Tax revenue . . .	78.6	96.1	113.3
Current expenditure . . .	73.7	86.8	109.6
Saving . . .	13.0	17.8	10.8
Capital expenditure . . .	54.4	59.6	39.6
<i>Percentage ratios</i>			
To gross domestic product			
Total expenditure . . .	12.2	11.0	9.9
Current income . . .	8.2	7.9	8.0
Tax revenue . . .	7.5	7.2	7.5
To total expenditure			
Current income . . .	67.7	71.7	80.7
Tax revenue . . .	61.5	65.7	75.9
Tax revenue/current income .	90.7	91.7	94.1
Government saving in relation to:			
Capital expenditure . . .	24.0	31.0	27.3
Gross domestic product . . .	1.2	1.3	0.7

SOURCE: ECLA, on the basis of statistics supplied by the Banco de Guatemala.

The growth rate of the Central Government's current income was moderate, although its upward trend was more marked than that of expenditure, as can be seen from the extent to which expenditure was covered by income, which rose from 69 per cent in 1960 to nearly 81 per cent in 1966. A gap between income and expenditure still remained, and was financed, up to a point, on the basis of external credit, with the consequent pressure on Guatemala's balance of payments.

Table 71. Guatemala: external sector tax indicators, 1960-66
(Indexes and percentages)

Year	Exports				Imports		
	Indexes (1960 = 100)				Imports from Central American Common Market (total imports)		
	Volume	Prices	Value	Taxation	Tax coefficient	Tax coefficient	
1960	100.0	100.0	100.0	100.0	7.9	22.7	5.5
1961	106.1	92.7	98.4	91.8	7.3	23.1	6.7
1962	114.5	89.7	102.7	81.3	6.3	20.9	5.8
1963	160.7	82.4	132.4	66.9	4.0	18.5	8.3
1964	162.9	92.3	150.4	68.5	3.8	14.4	13.0
1965	184.1	90.0	165.7	93.2	4.4	14.3	13.7
1966	230.8	85.5	197.3	93.2	3.7	14.0	16.4

SOURCE: ECLA, on the basis of statistics supplied by the International Monetary Fund and the Banco de Guatemala.

The proportion of current income represented by tax revenue was high; despite some fluctuations, it remained relatively stable at over 90 per cent. The rate of increase of tax revenue, however, was not commensurate with that of exports and of industrial production, and, on the whole, it failed to keep pace with the growth of the domestic product.

In the case of the Guatemalan economy, which is still under-developed, and where, therefore, the possibilities of drawing upon internal sources to finance increasing public sector activity are small, it would seem to be incumbent upon the external sector of the economy to play the major role in this respect.

The export quantum index reveals an increase of 131 per cent in relation to 1960; in contrast, the index of export prices greatly deteriorated, dropping to 85.5 if 1960 is taken as the base year. Even so, the value of exports rose by 97 per cent between 1960 and 1966. Imports showed similar trends, with sharper upswings partly caused by the economic expansion that has taken place since 1963 and the increased demand for intermediate and capital goods on the part of the industrial sector. Notwithstanding these higher values, the tax revenues deriving from foreign trade flows remained stationary, and actually lost ground in relation to the evolution of tax revenue as a whole. As regards export taxes, it was impossible even to maintain the low levels reached at the beginning of the period. This was partly imputable, especially where the coffee sector was concerned, to the change in the tax base from the prices quoted on the New York Exchange to those stipulated in local contracts. Much the same happened in respect of imports, in this case because of the exemptions granted to imports of raw materials and capital goods and the impact of the tariff

reductions agreed upon within the Central American Common Market (see table 71).

The tax burden is not heavy in Guatemala. The record level for the period under review was reached in 1960 (8 per cent of the domestic product); in the following years a steadily declining trend, broken only by fluctuations in 1964 and 1965, brought the proportion down to only 7.5 per cent by 1966.

The percentage contribution of direct taxes to total tax revenue followed a slightly upward trend from the beginning of the economic expansion in 1963. The larger proportion, however, was still represented by indirect taxes, of which the dynamic components were the stamp duties and duties on stamped paper, and taxes on consumption of petroleum products. In line with the unsatisfactory rate of economic development, a great deal of weight is also carried by taxes on alcohol and tobacco consumption, although the proportion they represented was reduced in the later years of the period (see table 72).

According to other research relating to the year 1962, the structure of the tax system was still such that about 89 per cent of total revenue

Table 72. Guatemala: tax structures, 1960 and 1966
(Percentages of total tax revenue)

	1960	1966
Direct taxes	11.0	13.9
Income	9.3	11.2
Land	1.7	2.7
Indirect taxes	42.9	54.3
Taxes on the external sector	46.1	31.8
Import duties	34.9	24.3
Export taxes	11.2	7.5

SOURCE: ECLA, on the basis of statistics supplied by the Ministry of Finance and Public Credit.

was obtained from regressive taxes and 92 per cent from taxes lacking in elasticity.

The fact is that no major tax reforms have been introduced for a number of years. In respect of direct income tax, the systems of collection and inspection are defective. The existence of a number of exemptions, some of which are intended to encourage industrial development, is another of the reasons why the public sector has not benefited by the increase in industrial production. In 1963, for example, the tax on company income was replaced by a tax on profits and a capital gains tax, with the result that revenue decreased. Agricultural income taxes are affected by high rates of exemptions; for example most coffee-growers are exempted from tax liabilities.

Property taxes are characterized by low rates and the tax base is considerably under-valued. In 1963, a process of revaluation was started, but results have so far fallen short of expectations.

The tax on consumption is weakened by a certain amount of tax evasion, especially where alcohol and tobacco are concerned. Generally speaking, as regards indirect taxation, it is thought possible to increase sales taxes, especially on wholesale transactions, and also taxes on luxury consumption and those intended to discourage demand for imports.

Accordingly, the following are the main features of the fiscal situation in Guatemala. The total expenditure of the Central Government is being financed to an increasing extent out of current income, although other sources of financing still have to be drawn upon including external sources, with the result that some pressure has been exerted on the payments position. This financing deficit occurs within a framework of percentage relationships which are such that the tax burden is still distinctly low, and even showed a slightly downward trend between the first and last years of the period considered. In view of the structure of the economy and the stage of development reached, efforts to secure appropriate financing for public sector activities and their eventual expansion, should be largely focused on the potential of the export sector, the level of efficiency of which is high in comparison with that of other domestic activities. In addition, direct taxes, whose share in aggregate taxation has been rising, could make a bigger contribution to public sector financing, especially in the case of property taxes.

(e) Mexico

The Mexican economy succeeded in maintaining a rapid and steady rate of growth, averaging 10 per cent yearly from 1960 to 1966,

without producing any appreciable inflationary pressure. Federal Government expenditure rose even more rapidly, at a mean annual rate of nearly 14 per cent, thus helping considerably to keep the economy buoyant. In spite of the difference between the growth rates, the share of government expenditure in the domestic product was still fairly small at the end of the period, when it amounted to 11 per cent, that is, less than in the other five countries considered (see table 61). As in their case, however, this ratio is far from presenting a true picture of the importance of State activities which, in Mexico, include not only the decentralized agencies but also transfers of government funds to a number of mixed industrial enterprises with public and private capital that are not taken into account in the government figures for public investment.

Current government income also increased rapidly. It outstripped the growth of the domestic product but lagged slightly behind that of total expenditure, thus widening the margin to be covered by income from other sources, such as loans from the monetary system. About 85 per cent of government expenditure was financed out of current income in 1956, but this proportion dropped to 79 per cent in 1960 and as little as 68 per cent in 1966 (see table 73). Despite this widening of the gap, official policy succeeded in keeping the accounts fairly well balanced. The expansionist or disrupting effects of the trend

Table 73. Mexico: Federal Government accounts, 1956, 1960 and 1966

	1956	1960	1966
<i>Millions of pesos at current prices</i>			
Current expenditure . . .	4,780	7,717	18,130
Capital expenditure ^a . . .	4,340	6,232	12,409
<i>Total expenditure</i> . . .	<i>9,120</i>	<i>13,949</i>	<i>30,539</i>
Current income . . .	7,735	10,970	20,815
Tax Revenue . . .	6,729	10,065	19,306
Current saving . . .	2,955	3,253	2,685
<i>Percentage ratios</i>			
To the gross domestic product			
Total expenditure . . .	9.1	8.9	11.0
Current income . . .	7.7	7.0	7.5
Tax revenue . . .	6.7	6.5	7.0
To total expenditure			
Current income . . .	84.8	78.6	68.2
Tax revenue . . .	73.8	72.2	63.2
Tax revenue/current income .	87.0	91.8	92.8
Current income in relation to:			
Capital expenditure ^a . .	68.1	52.2	21.6
Gross domestic product .	2.9	2.1	1.0

SOURCES: International Bank for Reconstruction and Development, *Recent economic performance of Mexico* (18 October 1967); Alliance for Progress, *Evaluación del Plan de Acción Inmediata de México* (August 1964).

^a Amortization under this head consists only of amortization payments on the external public debt.

were obviously offset by restrictive measures, which were resorted to above all in manipulating monetary movements.

If the trends of current income and expenditure are compared in order to gauge the incidence of government saving, it will be seen that the share of expenditure on capital formation financed by such saving fell to only 21.6 per cent in 1966 from 52 per cent in 1960. Hence, in 1966, nearly 80 per cent of the capital expenditure had to be covered from sources other than current income.

Tax revenue accounted for approximately 93 per cent of total current income during the period under consideration but, although its growth rate has slightly exceeded that of total income, it has been well behind that of expenditure. Moreover, although its contribution to the product expanded from 6.5 to 7 per cent during those years, the tax burden is still one of the lowest in this group of countries.

The tax structure altered during that period as a result of differences in the development of the individual taxes. The share of direct taxes, which had been 35 per cent of over-all tax revenue in 1955, expanded to 38 per cent in 1960 and continued to increase until it reached 47 per cent in 1966. The share of indirect taxes, on the other hand, increased from 27 to 35 per cent between 1955 and 1960, and then remained at that level for the rest of the period.

Taxes on foreign trade lost ground from 1955 onwards, when they constituted 38 per cent of the total. Five years later their share had shrunk to 27 per cent and by 1966 was only 16 per cent (see table 74).

Export taxes represented nearly a quarter of all tax revenue in 1955, while import duties brought in 15 per cent. By 1960 their relative importance had altered: the share of the former

had dropped to 9 per cent while the latter had risen to 17 per cent. In the next few years, export taxes continued to decline as the result of a planned policy of reducing the tax burden on the external sector, and by 1966 they accounted for only 3.6 per cent of the total. Import duties continued to increase in line with the value of imports (about 6 per cent annually), but their share of the total shrank to 13 per cent in 1966.

The changes that took place in the tax system were largely due to reforms relating primarily to income tax. In 1962 and 1963, a tax on accrued income was established, as a first step towards transforming the schedular system into an over-all progressive tax. Taxes were also levied on income from different sources: rents, dividends from shares and interest payments on debts outstanding, and profits on sales of real estate. The tax rates for certain categories of income tax were also modified, as were the rates for consumption of specific goods and the possession of a motor car. On the other hand, death duties and taxes on legacies were abolished.

Other changes were made at the end of 1964, this time in relation to personal and corporation income. A progressive tax ranging from 5 to 42 per cent was levied on industrial, commercial and agricultural enterprises. At the same time the excess profits tax was abolished, and part of the profits tax.

As regards personal income tax, the scales and rates of tax for income brackets of less than 150,000 pesos a year were unchanged, but a single progressive tax at a rate varying from 13 to 35 per cent was levied on accrued income of more than that amount.

These reforms were accompanied by improvements in tax administration and collection and a large number of taxpayers were added to the register.

In view of Mexico's dynamic rate of growth

Table 74. Mexico: Federal Government tax structure, 1955, 1960 and 1963-66
(Percentages of total tax revenue)

	1955	1960	1963	1966
Direct taxes	35.2	38.2	42.2	46.9
Income tax	32.4	36.0	40.6	45.7
Personal taxes	11.4	14.2	18.6	18.1
Taxes on enterprises	21.0	21.8	22.0	26.1
Indirect taxes	26.8	35.2	37.6	36.7
Sales tax	10.5	10.9	11.4	12.4
Taxes on production and trade	12.6	13.1	14.1	13.5
Taxes on the external sector	38.0	26.6	20.2	16.4
Export taxes	23.4	9.2	6.5	3.6
Import duties	14.6	17.4	13.7	12.8

SOURCES: International Bank for Reconstruction and Development, *Recent economic performance of Mexico* (18 October 1967); Office of Financial Studies, *Cuenta pública e investigaciones del Departamento de Estudios Económicos* (20 April 1966).

and relatively light tax burden, it would not be difficult for it to narrow the gap between current or tax revenue and total expenditure and even to maintain or enhance the expansionist tendency of government expenditure through the medium of current and capital outlays.

(f) *Venezuela*

Venezuela's economic growth has tapered off since the boom in the nineteen-fifties. This trend is closely linked to the evolution of petroleum output and exports, because of this sector's predominating share in the composition of the domestic product—more than 29 per cent—and its indirect impact on various sectors of the economy, particularly the public sector.

Total central government expenditure in relation to the domestic product is at a high level, one of the highest in the region. Although from 1960 to 1966 expenditure rose more slowly than the product, it still amounted to 24.1 and

19.4 per cent respectively, as shown in table 75.

Current income is a basic factor in the financing of central government expenditure. In the period under review, the proportion of expenditure covered by current income rose to 98 per cent. Tax revenue is the principal component of current income, of which it provided around 96 per cent.

Current income, and particularly tax revenue, grew at much the same rate as expenditure during the period concerned, while the high levels of saving financed most of Venezuela's capital expenditure.

The structure of the tax system reveals a high proportion of taxes on the external sector, since petroleum taxes account for the bulk of tax revenue. The relative importance of taxes on iron production has been rising, while customs revenue has lost ground. The contribution of direct taxes on domestic activities almost doubled from 1955 to 1966, while that of indirect taxes diminished (see table 76).

Table 75. Venezuela: central government accounts and some indicative ratios, 1955 and 1960–66

	1955	1960–62	1963–65	1966
<i>Millions of bolívares at current prices</i>				
Current income	2,970	5,556	6,998	7,770
Tax revenue	2,809	5,312	6,729	7,445
Current expenditure	1,671	3,657	4,040	4,686
Saving	1,299	1,900	2,958	3,084
Capital expenditure	1,312	2,955	3,141	3,198
<i>Percentage ratios</i>				
To the gross domestic product				
Total expenditure	16.7	24.7	20.9	19.4
Current income	16.6	20.8	20.4	19.1
Tax revenue	15.7	19.9	19.6	18.3
Internal tax revenue	2.9	3.6	3.8	4.1
To total expenditure				
Current income	99.6	84.0	97.5	98.6
Tax revenue	94.2	80.3	93.8	94.4
Tax revenue/current income	94.6	95.6	96.2	95.8
Public saving in relation to:				
Capital expenditure	99.0	63.2	94.3	96.4
Gross domestic product	7.3	7.1	8.6	7.6

SOURCE: ECLA, on the basis of data supplied by the Ministry of Finance.

Table 76. Venezuela: tax structure and tax burden, 1955 and 1960–66

(Percentages of total tax revenue)

	1955	1960–62	1963–65	1966
Direct taxes	7.3	10.0	11.2	13.7
Death duties and taxes on gifts	0.4	0.3	0.3	0.6
Taxes on domestic activities	6.9	9.7	10.9	13.1
Indirect taxes	11.0	8.3	8.3	8.7
Taxes on the external sector	81.7	81.7	80.5	77.6
Petroleum taxes	63.1	70.2	72.1	66.9
Iron taxes	—	2.8	1.7	4.3
Import duties	18.4	8.7	6.6	6.4

SOURCE: ECLA, on the basis of data supplied by the Ministry of Finance.

If consideration is given to what share of the tax burden corresponds to internal tax revenue, it will be seen that this ratio is even lower (generally below 4 per cent) than in most other countries of the region. If the revenue accruing from the external sector is added, however, the aggregate tax burden is seen to be comparatively high. The ratio increased to 21 per cent in 1963, and thereafter dropped sharply, the level in 1966 (18.3 per cent) being slightly lower than that recorded at the beginning of the period.

In view of the petroleum sector's vital contribution to total tax revenue, it seems useful to go into some detail on the subject.

The share of petroleum taxes in total tax revenue increased up to 1963, when it reached 74.1 per cent. The proportion subsequently declined to only 66.9 per cent in 1966 (see table 77).

The petroleum industry is taxed in various ways. A schedular tax, and a supplementary progressive tax are levied on income. The industry is also subject to a tax levied on net income after deduction of other taxes. There are, moreover, a number of charges payable on the areas over which prospecting and drilling rights are held, the drilling charges being partly replaceable by a royalty levied on gross production value. Lastly, the Government obtains a certain amount of income from the profit margin accruing from differences in the exchange rates applied to monetary transactions with the above-mentioned enterprises. The tax structure has been amended several times, especially in 1946, 1948 and 1958 as regards income tax, and 1961 and 1962 as regards exchange rates. In 1964 a radical change took place when the profits on exchange transactions virtually eliminated the loss of revenue being offset by increased

returns from other taxes. These modifications combined with the trends in the petroleum sector to raise tax revenue from petroleum until 1964, after which it declined.

The nature of the tax system has made it possible for the State to keep its share in petroleum activities throughout the period (measured in terms of the ratio of taxes to the petroleum product), although with fluctuations similar to those mentioned in the preceding paragraph. During that period both indicators were higher than in 1955.

A tax reform making various changes in income taxes was recently carried out to increase fiscal income and encourage investment. These modifications consisted in replacing the schedular by a single global system, eliminating or reducing the tax payable on average and low incomes and creating new incentives to investment in industry, agriculture, mining and petroleum and to the establishment of industrial enterprises in certain areas of the country. There were also changes in death duties and excise taxes on cigarettes and spirits.

In addition, the reform altered the tax on motor-vehicle licence plates. A progressive rate was established on the basis of value, and freight and passenger vehicles for hire were exempted. Measures to control the development of the motor-vehicle industry are also under consideration.

The petroleum tax rate was raised from 47.5 to 52 per cent. However, enterprises with low productivity were authorized to pay the tax at a reduced rate scaled in inverse proportion to the ratio of the enterprise's profits net of income tax to its total income.

The early results of the reform have not lived

Table 77. Venezuela: percentage ratios in the petroleum sector, 1955, 1960 and 1961-66

	1955	1960	1961	1962	1963	1964	1965	1966
Gross sectoral product/total gross domestic product	29.9	29.5	29.8	30.7	29.9	29.0	28.2	26.4
Petroleum tax revenue/total tax revenue	63.2	69.0	69.7	71.8	74.1	72.9	69.4	66.9
Petroleum tax revenue/gross domestic product	10.1	12.3	14.5	14.3	15.4	14.0	12.7	12.5
Petroleum tax revenue/gross sectoral product	33.2	41.8	48.8	46.6	51.4	48.3	44.9	47.6
Petroleum output (millions of barrels)	787.0	1,042.0	1,066.0	1,168.0	1,186.0	1,242.0	1,268.0	1,230.0
<i>Petroleum export indexes</i> (1960 = 100)								
Volume	75.2	100.0	105.9	112.5	114.6	119.6	120.8	118.2
Prices	110.1	100.0	102.1	97.1	92.8	89.2	87.1	85.6
Petroleum exports as a percentage of total exports	94.1	91.2	92.8	93.2	93.4	93.2	92.8	91.5

SOURCE: ECLA, on the basis of data supplied by the Ministry of Finance.

up to expectations. The financial position of the Government is satisfactory, however, despite a slight deterioration at the end of the period. Income tax on domestic activities has tended to increase in line with their rates of growth and the tax reform. Thanks to the improvements in the machinery of tax administration, it has been possible to increase the yield of indirect taxes, and there has been a simultaneous increase in the share of direct taxes.

Venezuela is one of the exceptions to the general pattern of public sector financing in Latin America, since its current income covers virtually all public sector expenditure. However, as this income is mainly obtained from taxes, its principal source is the external sector—particu-

larly petroleum—while the tax burden on domestic activities is comparatively light. Although income taxes have risen considerably, there is still an appreciable margin for further growth, which is encouraging in view of the fact that such taxes represent one of the main sources of financing for development of the public sector's activities.

This is all the more important since the taxes on petroleum drilling and exports are fairly high, and international market conditions are not very favourable to petroleum at present. However, as this is a key sector of the world economy with a dynamic rate of growth, there is every likelihood that more fiscal income can be obtained from it when conditions improve.

Part Two

**ECONOMIC TRENDS IN 1967 BY COUNTRIES AND SECTORS
OF ACTIVITY**

Chapter I

THE ECONOMIC SITUATION IN SELECTED COUNTRIES

Argentina

1. GENERAL FEATURES

The evolution of the Argentine economy in 1967 was characterized by various developments in production, foreign trade and economic policy. The gross domestic product expanded by about 2 per cent in real terms, owing to a sizable increment in agricultural production and proportionally larger increases in mining and quarrying and construction. Manufacturing production, on the other hand, was inclined to stagnate (see table 78 and figure VI).

Table 78. Argentina: annual growth rates of gross domestic product by sectors of economic activity, 1960-67

Sector	1960-65	1966	1967 ^a
Agriculture, forestry and fishing	2.8	-2.2	5.9
Mining and quarrying . . .	9.0	5.1	10.0
Manufacturing	5.3	-1.3	-0.4
Construction	-1.8	6.1	8.7
Electricity, gas and water .	11.6	7.5	7.0
Services	2.4	0.4	1.7
Transport and communica-			
tions	3.3	-0.2	1.8
Transport	3.8	-0.2	1.8
Communications	-0.5	-0.2	1.8
Commerce and finance . .	3.2	-1.0	1.0
Commerce	3.2	-1.8	1.0
Finance	3.8	5.0	1.1
Ownership of dwellings . .	1.3	3.2	3.4
Public administration and			
defence	0.8	0.6	0.0
Other services	1.1	2.6	2.6
Over-all rate	3.5	-0.3	1.9

SOURCE: Banco Central de la República Argentina.

^a Provisional figures.

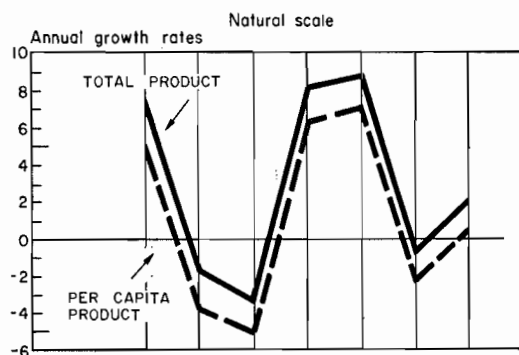
As regards the utilization of the product, the main feature was the expansion of investment (see table 79). Gross investment climbed by 5.3 per cent, with increases of 5.6 and 12 per cent in construction and machinery respectively, but with a decline in investment in transport equipment, resulting in an increase of 6.7 per cent in investment in machinery and equipment as a whole. Aggregate consumption rose by 1.6 per cent, mainly as a result of private consumption, in which purchases of household goods increased

although there was a drop in sales of food, clothing and motor-vehicles.

Exports dropped slightly, but imports remained at levels comparable to those of 1966. However, a surplus was again achieved on current account and this, coupled with a greater net inflow of autonomous capital, swelled the

Figure VI. Argentina: 1960-67

(a) RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT



(b) EVOLUTION OF THE EXTERNAL SECTOR

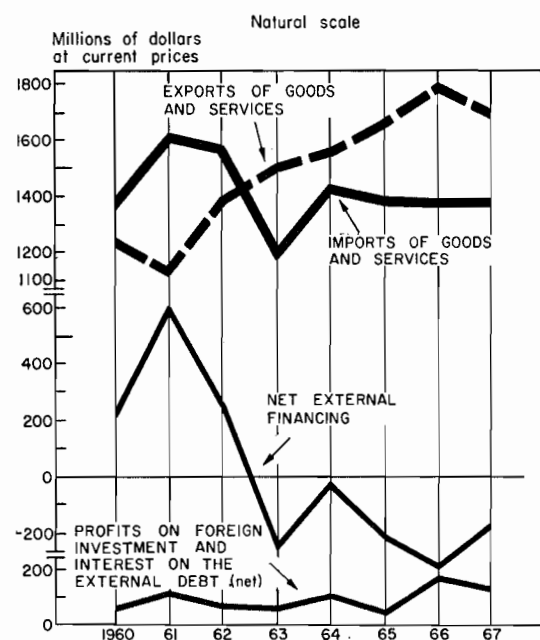


Table 79. Argentina: aggregate supply and demand, 1960 and 1965-67
(Millions of pesos at 1960 prices)

	1960	1965	1966	1967 ^a	Annual growth rates		
					1960-65	1966	1967
Aggregate supply	1,075.3	1,258.3	1,250.0	1,273.8	3.2	-0.7	1.9
Gross domestic product	961.2	1,141.9	1,138.1	1,160.2	3.5	-0.3	1.9
Imports of goods and services	114.1	116.4	111.9	113.6	0.4	-3.9	1.5
Aggregate demand	1,075.3	1,258.3	1,250.0	1,273.8	3.2	-0.7	1.9
Exports of goods and services	102.5	134.2	144.0	142.4	5.5	7.3	-1.1
Total investment	218.3	217.6	197.4	207.9	-0.1	-9.3	5.3
Gross fixed investment	208.6	198.0	201.1	215.0	-1.0	1.6	6.9
Construction	87.3	81.9	85.7	91.9	-1.3	4.6	7.2
Machinery and equipment	121.3	116.2	115.4	123.1	-0.9	-0.7	6.7
Changes in stocks	9.7	19.6	-3.7	-7.1			
Total consumption	754.5	906.5	908.6	923.5	3.7	0.2	1.6
General government	86.3	83.4	85.5	86.3	-0.7	2.5	0.9
Private	668.2	823.1	822.9	837.2	4.3	0.0	1.7

SOURCE: Banco Central de la República Argentina.

^a Provisional figures.

international reserves considerably. The most notable feature of the fiscal situation was the rise in tax revenue, which kept the budget deficit below the 1966 level.

Wholesale prices rose 20.6 per cent between the end of 1966 and December 1967. Their main components showed a similar increase, except for imported items, which leaped as much as 31.2 per cent. The cost of living rose even more than wholesale prices (27.6 per cent), however, owing to the sharp rise in the prices of perishable and seasonal foods, which account for a large proportion of the total.

Wages were raised in April and May to cover the rise in the cost of living and the expected increases in the cost of goods and services after devaluation, but a wage-freeze until the end of 1968 was subsequently imposed. The size of the wage increase varied from one group of workers to another, as did its effects in real terms, depending on whether the comparison is between average wages in 1966 and 1967 or between wages in December 1966 and December 1967. In the first case, real wages went up very little in manufacturing and construction (1 per cent or less), and declined 3.4 per cent for white-collar workers in commercial enterprises. In the second, real wages dropped more than 8 per cent in manufacturing and as much as 12 per cent for the white-collar workers, but rose by over 5 per cent in construction, since workers in that sector receive a wage supplement to offset changes in the system of indemnities for dismissal.

Lastly, economic policy was reshaped by a number of measures taken at the beginning of the year in the areas of taxes, tariffs, exchange rates and export promotion.

2. MAJOR SECTORS OF ACTIVITY

Agricultural activities expanded by 5.9 per cent. This was due to a marked improvement of about 11 per cent in crop production since live-stock production dropped by 0.3 per cent. Wheat production was up about 15.7 per cent, owing to a similar increase in the area under wheat. The maize harvest was 20 per cent larger than in 1966, as the result of a 6 per cent expansion in the area sown and a 15 per cent improvement in yield. Maize output was thus 55 per cent higher than the average harvest for the decade 1957-66. On the other hand, production of sorghum fell 35 per cent owing to a decline in yield. Oilseeds showed a 13.5 per cent increase, which was entirely in sunflower seed production, since the output of groundnuts fell off. Industrial crops expanded by 11.5 per cent; this was attributable to increases of 33 and 34 per cent in the output of wine grapes and tobacco, since cotton and sugarcane production fell by 22 and 33 per cent respectively. There was an improvement of approximately 10 per cent in the output of fruit, vegetables and pulses.

The drop of 12.5 per cent in sheep slaughtering was largely responsible for the decline in live-stock activities, since cattle slaughtering rose about 1 per cent and wool production was up 3.6 per cent. Fishing activities declined 0.5 per cent in spite of the increase in fresh-water fishing.

Mining and quarrying showed an over-all increase of 10 per cent, with sizable increments for coal and tin. The rise of 10 per cent in petroleum output was due to the State enterprise, which stepped up drilling by 18 per cent.

The product of the construction sector expanded by nearly 9 per cent (8 per cent for

private building and 10 per cent for public works), thanks to the credit made available by the Government, the tax reductions granted for housebuilding, and the encouragement given to plans for constructing roads, and installing drinking water, sewerage and irrigation facilities. Electricity, gas and water increased by 7.1 per cent, owing to better distribution and use of the equipment. The services sector as a whole grew by 1.7 per cent, with a similar increase in transport and communications (despite the 23 per cent reduction in railway goods traffic) and an increase of 1.0 per cent in commerce.

Manufacturing maintained much the same

level of activity as in 1966. Its lack of growth seems to have been due to weak demand and the tendency of firms to reduce their stocks, since nearly every branch of industry was working below capacity. The variations were quite small in most branches, save for the increase in stone and gravel, glass and pottery production, and the decline in textiles and electrical machinery, but the output of individual industrial products fluctuated considerably (see tables 80 and 81).

3. THE EXTERNAL SECTOR

The value of exports has changed very little since 1963, Provisional Central Bank estimates

Table 80. Argentina: quantum of industrial production, 1964-67

(Index: 1960=100)

	1964	1965	1966	1967
Food, beverages and tobacco	108.6	117.2	124.3	126.9
Textiles, made-up goods and leather products	96.9	111.3	105.5	101.3
Chemical products	131.0	144.2	140.9	143.5
Stone, glass and pottery	111.5	131.9	139.1	154.2
Metals, excluding machinery	141.4	157.2	135.6	132.7
Vehicles and machinery, excluding electrical machinery	131.0	150.8	143.6	143.8
Electrical machinery and equipment	99.2	116.9	113.2	109.2
Other	113.2	127.6	132.0	129.0
TOTAL	115.0	129.6	127.9	127.4

SOURCE: Banco Central de la República Argentina.

Table 81. Argentina: production of selected industrial items, 1963-67

	1963	1964	1965	1966	1967
Metal-transforming					
Pig iron ^a	424.2	589.4	663.2	520.1	610.5
Crude steel ^a	895.3	1,247.5	1,347.1	1,265.6	1,325.7
Rolled steel products ^a	759.2	1,329.4	1,542.9	1,274.2	1,326.9
Motor vehicles ^b	68.1	104.5	119.8	131.2	130.3
Chassis, lorries, utility vehicles ^b	36.2	61.9	74.7	48.2	45.0
Tractors ^b	11.4	13.1	13.6	11.3	9.5
Textiles					
Cotton fibres in spinning mills ^a	85.2	109.5	115.9	110.3	97.0
Pulp and paper					
Chemical pulp ^a	44.0	48.0	63.7	74.0	54.0
Groundwood ^a	36.0	40.0	44.4	39.3	30.0
Production and imports of chemical pulp and groundwood ^a	—	247.4	285.4	286.6	215.7
Cement ^a	2,536.9	2,852.0	3,201.1	3,383.5	3,452.6
Sulphuric acid ^a	115.8	163.2	172.2	149.9	156.1
Household goods					
Water heaters ^b	74.8	88.6	134.4	125.0	123.5
Cooking stoves ^b	197.1	308.0	336.4	330.9	263.8
Refrigerators ^b	126.1	147.2	180.0	134.2	140.0
Washing machines ^b	65.7	97.1	102.6	106.3	115.0
Sewing machines ^b	59.6	74.6	65.4	67.5	59.6
Television sets ^b	74.8	129.0	179.7	158.8	156.0

SOURCE: ECLA, on the basis of official statistics and data from employers' associations.

^a Thousands of tons.

^b Thousands of units.

put exports of goods at 1,485 million dollars, which is 6.7 per cent less than in 1966 but much the same as in 1965. The decline was mainly due to reduced sales of wheat and wool, although the reduction in wheat was partly offset by larger exports of maize. Little more than 2 million tons of wheat were sold compared with 5 million in 1966, although the world market price was up 5 per cent. The volume of exports was only a little less than in 1959-64, however, and the exceptional figures for 1966 were partly due to sales of stocks. The value of wool exports dropped nearly 30 per cent, although international prices improved slightly, and meat sales declined 1.9 per cent in value, despite a 3.6 per cent expansion in volume. The ground lost by such major export items was made up by substantial increases in sales of maize (55 per cent), cattle on the hoof (57 per cent), fruit and traditional manufactures.

The value of imports remained at much the same level as in 1966, with an increase of approximately 8 per cent in imports of capital goods and a decline in imports of fuel owing to the growth of domestic production. Thus, the trade account again closed with a credit balance of some 365 million dollars (as against 469 million in 1966), which led to a surplus of 180.8 million dollars on current account, taking into account the movement of foreign exchange under the head of invisibles (see table 82 and figure VI).

The international reserves were built up to great strength, since by the end of 1967 the

Central Bank's gross holdings totalled 754.2 million dollars, or three times the annual average in 1962-66. Amortization payments that fell due in 1967 on public and private loans amounted to 410 million dollars. This was less than in 1966, largely because nearly 100 million dollars' worth of debts were refinanced.

The economic policy measures, and particularly the devaluation of the currency in March, encouraged the inflow of liquid short-term capital, which formed the bulk of the net inflow of 228 million dollars in non-compensatory capital. This figure includes capital sums that had been transferred abroad by residents of Argentine and re-imported in 1967, foreign exchange accumulated in the local market, and an increase in the capital supplied by the head offices of foreign firms. A larger number of direct investment operations were authorized, and considerable amounts of foreign capital were invested in national concerns. The situation was thus very different from 1966, when there was a net outflow of 221 million dollars of non-compensatory capital.

The policy of building up the reserves was adopted not only as a result of the reversal of the flow of non-compensatory capital, but also because there was a net inflow of compensatory capital instead of a net outflow as in the previous year. The latter type of capital consisted mainly of net loans of about 70 million dollars from United States banks and of some 100 million dollars from Europe and Japan.

4. PUBLIC SECTOR TRENDS AND ECONOMIC POLICY

The evolution of the public sector was characterized by a sizable increase in tax revenue stemming from a general increase in prices (which raised the tax base), the establishment of export taxes as a corollary to devaluation, the introduction of new taxes on urban and rural real estate and non-essential consumer goods, and improvements in the administrative machinery of tax collection. As a result, general government revenue, excluding the share of tax revenue accruing to the provinces, rose from 299,000 to 474,000 million pesos, that is, an increment of nearly 24 per cent in real terms. Meanwhile, the fiscal deficit dropped from 144,200 million in 1966 to 111,900 million, a reduction of 40 per cent in real terms.

The Government pursued the same monetary policy it had introduced at the end of 1964. It attempted to keep the ratio of bank loans to reserves to the minimum, while maintaining an adequate level of credit, and to prevent the

**Table 82. Argentina: balance-of-payments estimates,
1966 and 1967**
(Millions of dollars)

	1966	1967
<i>Current account</i>	252.5	180.8
<i>Trade balance</i>	468.9	365.0
Exports, f.o.b.	1,593.2	1,485.0
Imports, c.i.f.	1,124.3	1,120.0
Current consumer goods	(921.4)	(901.8)
Capital goods	(202.9)	(218.2)
<i>Invisibles^a</i>	-216.4	-184.2
<i>Capital account (excluding gold and foreign exchange)</i>	-257.2	300.6
Movements of non-compensatory capital ^b	-221.3	228.2
Movements of compensatory capital	-35.9	72.4
<i>Gold and foreign exchange (increase -)</i> ^c	4.7	-481.4

SOURCE: Banco Central de la República Argentina.

^a Including unilateral transfer payments.

^b Including errors and omissions.

^c Including adjustments for devaluation of sterling and other currencies.

creation of means of payment of domestic origin from overstepping predetermined limits. However, the main effect of devaluation was the replacement of the public sector by the external sector as the principal factor determining the increase in the money supply. The monetary liabilities of the Central Bank rose sharply, thereby making it possible for commercial banks to expand their business credit facilities by 30 per cent. As this exceeded the 20.6 per cent increase in wholesale prices, the volume of short-term bank credit is unlikely to have had a limiting effect on economic activity. The general trend of the liquidity of private deposits in the bank system shows that the proportion of deposits held by the banks increased, as a result of the propensity to maintain more semi-liquid assets and the banks' efforts to attract deposits. In the non-banking financial markets, the rate of interest for 90-day credits was 31.6 per cent during the first quarter; it then dropped to about 21 per cent between April and August and levelled off at 22.6 per cent in September and October.

Other important economic policy decisions were taken in the course of the year. In the first place, the exchange market was freed, and an official exchange rate of 350 Argentine pesos to the dollar was established. This represented a devaluation of 40 per cent. At the same time a tax was levied on traditional exports to absorb the bulk of the additional revenue in local currency accruing from the new exchange rate, and to prevent a sharp rise in the prices of food products and imported raw materials. A tariff reform to reduce the level of import duties was also introduced, with the twofold aim of lessening the impact of devaluation on import prices and of helping domestic industries to become more competitive on foreign markets.

Barbados

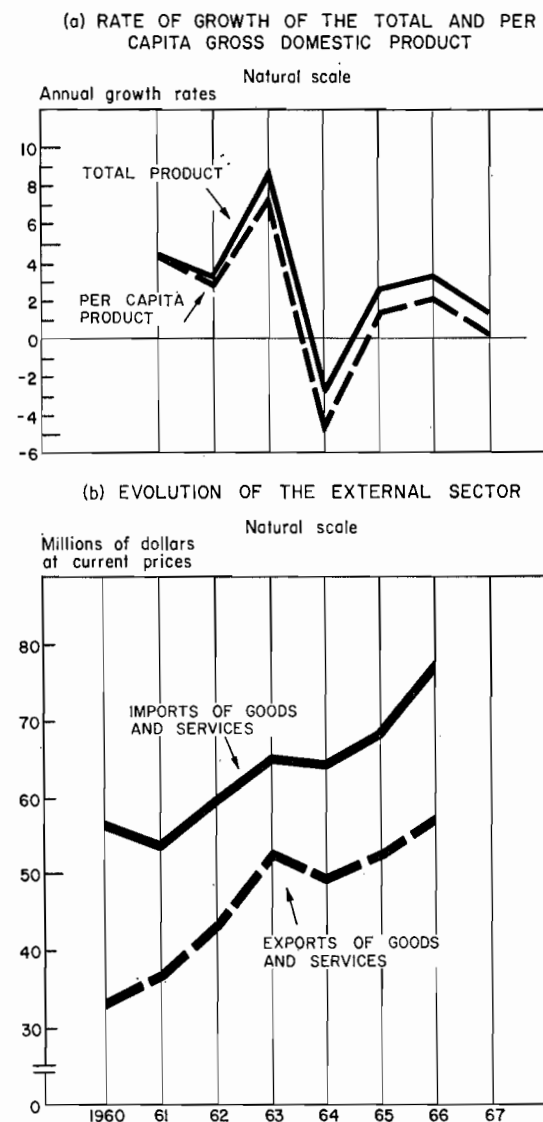
Since 1965 there has been a more even rate of expansion in the economy, in contrast with the violent fluctuations in growth that had been characteristic up to that time. The 4.5 per cent increase over the previous year experienced in 1965 quickened to 5.4 per cent in 1966, and this more even pace extended into 1967.¹ The most recent estimates, measured in terms of current prices and factor costs, set the gross domestic product at 162 million dollars² in 1966 as

¹ These growth rates refer to the gross domestic product measured in terms of current prices and factor costs and differ from those shown in figure VII, which were calculated in constant prices.

² All references to dollars in this section are to West Indies dollars, unless otherwise specified.

against 154 million in 1965, and at 170.7 million in 1967 (see table 83 and figure VII).

Figure VII. Barbados: 1960-67



The high average rate of increase in per capita income, compared with the growth of the gross domestic product, showed some signs of slackening. The per capita gross domestic product maintained the annual average of just over 4.2 per cent for the five-year period 1961-65, increasing at a faster rate than the population. The rise was from 514 dollars in 1960 to 628 dollars in 1965. The estimates of 654 dollars for 1966, through an increase of 4 per cent over 1965, indicates the initial effects of restrictions in some countries which traditionally received

Table 83. Barbados: contributions of sectors to gross domestic product, 1960-66

	Millions of West Indies dollars at current prices							Percentages						
	1960	1961	1962	1963 ^a	1964 ^a	1965 ^a	1966 ^a	1960	1961	1962	1963	1964	1965	1966
Sugar	25.5	25.9	25.3	37.0	29.7	31.5	32.0	21.3	20.1	18.9	24.4	20.2	20.5	19.7
Other agricultural activities	8.1	8.1	8.4	8.2	8.2	8.3	8.3	6.8	6.3	6.3	5.4	5.6	5.4	5.1
Manufacturing and mining	10.0	12.2	13.3	13.5	14.0	14.1	14.4	8.3	9.5	9.9	8.9	9.5	9.2	8.9
Construction	11.8	13.6	14.6	14.2	14.2	14.3	14.4	9.8	10.6	10.9	9.4	9.6	9.3	8.9
Distribution	27.6	28.0	29.2	33.6	34.1	35.6	37.3	23.0	21.8	21.8	22.2	23.1	23.1	23.0
Transport and public utilities	6.8	7.9	8.3	8.5	8.7	9.0	10.3	5.7	6.1	6.2	5.6	5.9	5.8	6.3
House ownership	6.2	6.2	6.4	6.4	6.5	6.5	6.8	5.2	4.8	4.8	4.2	4.4	4.2	4.2
Services	12.1	14.5	14.6	15.0	15.4	17.0	17.5	10.1	11.3	10.9	9.9	10.5	11.0	10.8
Government	11.7	12.3	13.6	15.0	16.5	17.6	21.3	9.8	9.6	10.2	9.9	11.2	11.4	13.1
Gross domestic product at factor cost	119.8	128.7	133.7	151.4	147.3	153.9	162.3	100.0	100.0 ^b	100.0 ^b	100.0 ^b	100.0 ^b	100.0 ^b	100.0 ^b

SOURCES: *Economic Survey of Barbados, 1966*, table XIII; *Development Plan for Barbados, 1965-1968*.

^a Provisional figures.

^b In some cases the partial figures do not add up to 100 because of rounding.

emigrants from Barbados. It should be noted that while the natural population growth averaged 2 per cent over the 1960-65 period, net migration to the United Kingdom, the United States and Canada reduced the actual population growth to an average of only 0.9 per cent. The net population increase in 1966 was 1.3 per cent, compared with 0.95 per cent in 1965.

Although many of the important statistics for the national product do not extend beyond 1964, it is evident that the relatively more stable prices Barbados has received for its sugar since 1965 have partly accounted for the more regular pace of growth, even taking into account the usual fluctuations in output. The f.o.b. export prices per ton for sugar were 208, 216 and 200 United States dollars in the years 1965, 1966 and 1967 respectively, as against 200, 243 and 219 dollars in 1962, 1963 and 1964. Expansions in other sectors—notably distribution, transport and public utilities, services and government—have also contributed to a more even rate of growth.

Despite efforts to promote tourism, industrialization and agricultural diversification, the economy continues to depend overwhelmingly on sugar, and is very much dominated by the fortunes of that single export crop. The sugar industry, on average, accounts for 20 per cent of the gross domestic product, and sugar with its by-products contributes 70 per cent of the earnings from visible exports. The high proportion of imports and exports in relation to the gross domestic product makes the economy susceptible to fluctuations in its foreign trade and to the relative movements in import and export prices. Thus, the country's terms of trade follow the movements in sugar export prices. Major variations in the results obtained are therefore largely explained by sugar-cane output and the price trends of sugar and sugar by-products in the export market.

Moreover, in November 1967 there was a currency devaluation of 14.3 per cent, parallel with that of the pound sterling, as a result of which the value of the West Indies dollar was fixed at 50 United States dollar cents.

1. THE EXTERNAL SECTOR

In the last three years the tendency for imports to expand more rapidly than exports has become stronger (see figure VII). The increases in 1965 and 1966 were 6.8 and 12.8 per cent respectively for imports, and 6.7 and 8.5 per cent for exports. The result of these movements has been a progressive increase in the visible trade deficit, which stood at 29 million dollars in 1963, 49 million in 1964, 52 million in 1965 and 61 million in 1966. In view of the increased

development needs, all the indications point to rising current account deficits in 1967 and 1968.

Much of this trade gap has been bridged by invisible export receipts, principally earnings from tourism and emigrants' remittances from abroad. Income from tourism, estimated at 26 million dollars in 1965 and 29 million in 1966, has been rising steadily at about 10 per cent annually, and does not appear to have declined in 1967. On the other hand, emigrants' remittances, which have fluctuated between 7.2 million and 7.8 million dollars since the start of the present decade, have been declining gradually, from 7.6 million dollars in 1965 to 7.3 million in 1966, and no very significant change in this trend is observable in 1967.

In the composition of imports, the most striking feature has been the steady expansion of purchases of manufactures, machinery and transport equipment, over and above the rate of growth of total imports (see table 84). Since

Table 84. Barbados: composition of imports
(Percentages)

	1964	1965	1966
Food	26.7	27.4	26.0
Beverages and tobacco	2.0	1.8	1.8
Crude materials, inedible, except fuels	3.3	3.3	3.4
Mineral fuels, lubricants and related materials	10.4	10.1	10.0
Animal and vegetable oils and fats	0.5	0.7	0.6
Chemicals	7.9	7.2	7.5
Manufactures	29.3	29.8	30.7
Machinery and transport equipment	16.6	16.3	16.9
Miscellaneous products	3.3	3.4	3.1

SOURCE: ECLA, on the basis of official statistics.

1963, imports of manufactures have increased at a mean annual rate of over 12 per cent, while the average increase in imports of machinery and transport equipment has been over 15 per cent.

On the export side, sugar alone accounts regularly for more than half of total earnings abroad: 60 per cent in 1963, 51.2 per cent in 1964, 51.5 per cent in 1965 and 47.4 per cent in 1966. In 1966, out of a total production of 172,000 tons, 154,000 tons were exported for a value of 33.3 million dollars. The 1967 output was just over 200,000 tons, and receipts improved somewhat as a result of the relative stability of export prices (Commonwealth negotiated price: 227.7 dollars in both 1966 and 1967; average world price: 85.78 dollars in 1966 and 92.9 in 1967). Molasses and rum, by-products of sugar and the next two largest income earners, fared differently. Earnings from molasses fell by 24 per

cent in 1965 and a further 15 per cent in 1966, while rum showed increases of 23 and 14 per cent in each of those years.

2. OTHER SECTORS OF ACTIVITY

The increased purchases of machinery and transport equipment consist for the most part of capital goods required for investment purposes, and the rate of increase does not appear to have slackened appreciably. Since imports of manufactures, mainly consumer goods, also increased, however, no firm conclusions can yet be drawn about the relative movements in investment and consumption (see table 85).

Over the period for which the fullest information is available (1960-64), consumption stood at very high levels, and there was a decline in the proportion of the product allocated to investment. Investment showed no significant expansion in the private sector, while there was a falling off in public sector investment. Since 1965, however, public sector investment has increased, and this is reflected in the expenditure under the capital budget, which has risen by about 12 per cent annually since 1966.

The main impetus to the economy since 1966

has come from the Government, as shown by the considerable rates of growth in the public sector. In 1966, the transport and public utilities sector expanded by 11 per cent, and the central government sector by 21 per cent.

The main sectors of the economy (agriculture, distribution and services) altogether account for an annual average of 60 per cent of the gross domestic product at factor cost. Although the growth of agriculture has fluctuated, primarily in line with sugar trends, this sector registered an annual average increase of about 3 per cent from 1964 to 1967. The distribution and services sectors, which together contribute approximately 34 per cent of the gross domestic product, have expanded at average annual rates of 3.5 and 5.3 per cent, respectively, since 1964 (see table 86).

Bolivia

1. RECENT ECONOMIC TRENDS

The steady economic growth rate Bolivia had maintained since the beginning of the decade (an annual increase of 5 to 6 per cent in the gross domestic product) continued in 1967.

Nevertheless, the growth of production in

Table 85. Barbados: aggregate supply and demand, 1960-64

	Millions of West Indies dollars at current prices					Annual growth rates				
	1960	1961	1962	1963	1964	1960-64	1960-61	1961-62	1962-63	1963-64
Gross domestic product at market prices	135.6	144.3	152.1	167.2	165.1	5.1	6.4	5.4	9.9	-1.3
Total investment	36.4	32.7	31.0	35.4	34.9	-0.9	-10.2	-5.2	14.2	-1.4
Fixed investment	34.5	31.7	29.5	34.9	34.6	0.6	-8.1	-6.9	18.3	-0.9
Public	9.6	7.5	7.6	9.3	7.9	-3.3	-21.9	1.3	22.4	-15.1
Private	24.9	24.2	21.9	25.6	26.7	2.2	-2.8	-9.5	16.9	4.3
Total consumption	138.2	140.6	149.2	153.1	155.3	3.0	1.7	6.1	2.6	1.4
Public	14.8	17.8	18.2	17.7	18.1	5.5	20.3	2.2	-2.7	2.3
Private	123.4	122.8	131.0	135.4	137.2	2.7	-0.5	6.7	3.4	1.3
Exports of goods and services	57.2	62.9	74.2	90.0	84.6	10.8	10.0	18.0	21.3	-6.0
Re-exports of goods	5.9	6.2	13.2	16.3	15.2	33.7	5.1	112.9	23.5	-6.7
Imports of goods and services	96.2	91.9	102.3	111.3	109.7	3.7	-4.5	11.3	8.8	-1.4

SOURCE: *Barbados National Income and Product, 1960-1962*, with provisional estimates for 1963 and 1964.

Table 86. Barbados: growth rates of product by sectors of economic activity, 1961-66

	1961	1962	1963	1964	1965	1966
Sugar	1.6	-2.3	46.2	-19.7	6.1	1.6
Other agricultural activities	0.0	3.7	-2.4	0.0	1.2	0.0
Manufacturing and mining	22.0	9.0	1.5	3.7	0.7	2.1
Construction	15.2	2.9	1.4	0.0	0.7	0.7
Distribution	1.4	4.3	15.1	1.5	4.4	4.8
Transport and public utilities	16.2	5.1	2.4	2.4	3.4	11.4
House ownership	0.0	3.2	0.0	1.6	0.0	4.6
Services	19.8	0.7	2.7	2.7	10.4	2.9
Government	5.1	10.6	10.3	10.0	0.7	21.0
Gross domestic product at factor cost	7.4	3.4	13.8	-2.7	4.5	5.4

SOURCE: Table 83.

Table 87. Bolivia: gross domestic product by type of expenditure and gross income, 1960 and 1965-67
(Millions of pesos at 1960 prices)

	1960	1965	1966 ^a	1967 ^a	Annual growth rates		
					1960-65	1966	1967
General government consumption	387	602	596	600	9.2	-1.0	0.7
Private consumption ^b	3,763	4,917	5,253	5,540	5.5	6.8	5.5
Gross investment	675	1,125	1,153	1,200 ^c	10.7	2.5	4.1
Fixed investment	637	970	1,052 ^c	1,155 ^c	8.8	8.5	9.8
Changes in stocks	38	155	101 ^c	45 ^c	32.5	-34.8	-55.4
Exports of goods and services ^d	726	824	982	1,172	2.6	19.2	19.3
Imports of goods and services ^d	1,072	1,742	1,895	2,083	10.2	8.8	9.9
Gross domestic product	4,479	5,726	6,089	6,429	5.0	6.3	5.6
Terms-of-trade effect	—	538	590	620			
Gross income	4,479	6,264	6,679	7,049	6.9	6.6	5.5

SOURCE: ECLA, on the basis of data supplied by the National Planning and Co-ordination Office.

^a Provisional figures.

^b Calculated residually.

^c ECLA estimates.

^d ECLA, on the basis of data obtained from the Banco Central de Bolivia and International Monetary Fund, *Balance of Payments Yearbook*.

1967 was not reflected in a similar increase in real income as in previous years, because in general, prices of tin and other metals declined, following the striking improvement they had shown in 1966. Thus, the decrease from 6.3 to 5.6 per cent in the growth of the domestic product between 1966 and 1967 was accompanied by a sharper decline in that of real income, i.e., from 6.6 to 5.5 per cent (see table 87 and figure VIII).

The second feature concerns the evolution of the main economic sectors. This time, the principal contribution to the growth of the product came from the petroleum industry, whose output rose by 65 per cent. The significance of this factor will be appreciated if it is borne in mind that without that increase the over-all product would have risen by only 2.4 per cent. Conversely, there was a contraction in agriculture, largely as a result of adverse weather conditions which particularly affected the traditional crops of the Altiplano and the valleys.

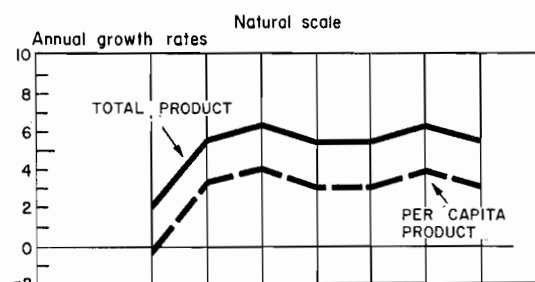
In the external sector, the drop in tin prices was more than offset by the upsurge of petroleum exports; hence, there was a rise in the current value of exports of goods and services, and imports were the same as in the previous year.

Domestic price increases continued at much the same pace as in previous years (about 8 per cent annually), the sharpest rise being in food prices (11.2 per cent at La Paz).

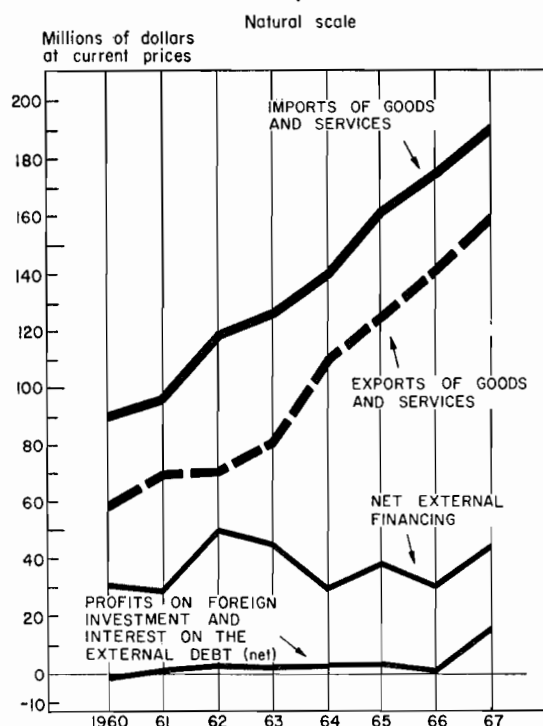
A noteworthy feature of long-term development policy is the progress Bolivia has achieved in linking itself with the Latin American economic integration systems. At the end of January, the Government deposited the instrument of accession to the Montevideo Treaty, whereby after thirty days Bolivia became the eleventh Contracting Party of LAFTA. It also joined the ranks of the States signatories of the

Figure VIII. Bolivia: 1960-67

(a) RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT



(b) EVOLUTION OF THE EXTERNAL SECTOR



Declaration of Bogotá, and of the River Plate Basin Group.

2. MAJOR SECTORS OF ACTIVITY

The recession in agricultural production represented a decline of 6.6 per cent with respect to 1966. The reduction in output on the Altiplano and in the valleys was only partially offset by good harvests on the tropical *llanos*; sugar-cane output, in particular, rose by about 20 per cent.

The Government concentrated on rationalizing the work of the various bodies concerned with promoting agricultural development and with granting title deeds for land distributed under the agrarian reform programme. In addition, a start was made on an over-all study of the agricultural development possibilities of an area of 150,000 square kilometres on the Altiplano. As a first step, a French mission carried out a soil and water survey in the Patacamaya region between Oruro and La Paz, where the Banco Agrícola was boring for water, and in the Pucará-Batallas area. The whole research project, which will take four years and will cost about 2.5 million dollars, will be carried out under a special agreement with the United Nations.

Mining output rose 6 per cent; while below the rate for 1966 (more than 9 per cent), this is a positive result if account is taken of the labour disputes which affected tin production in the middle of the year and of the persistent decline in world prices for most mining products.

The spectacular growth of petroleum, in addition to its contribution to domestic income and exports, pushed up the value added in this sector to represent a significant proportion of the aggregate product (see table 88). The biggest contribution came from the private foreign company operating in Bolivia, which increased

its modest output in previous years to some 460,000 cubic metres in 1966, and four times that figure in 1967. On the other hand, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), which produced nearly all Bolivia's petroleum up to 1965, was affected by the rapid depletion of its reserves, and its output dropped further in 1967. Recently, however, two new oilfields—El Tigre and Montigudo—were discovered, and they open up new prospects for this enterprise.

Added to Bolivia's possibilities as an oil producer are those relating to natural gas. Large reserves have been discovered in Río Grande, Colpa and the central part of the country, which not only increase the energy resources for the development of domestic production but open up bright prospects for exports to neighbouring countries, particularly northern Argentina. With this end in view, negotiations were opened a short time ago for the sale of about 300 million cubic feet daily, but they are in abeyance pending a decision on the construction of the necessary pipeline. The volume of manufacturing output rose by 6.5 per cent (7.3 per cent in 1966), largely owing to improvements and expansions effected in this sector since the promulgation of the Investment Law, and to the resources channelled through the Investment Promotion Institute and the Bolivian Development Corporation.

The marked upturn in construction was due to the recovery in private building, which, after a long period of semi-stagnation, was given fresh stimulus by housing programmes financed by savings and loans schemes and the National Housing Corporation. Work also continued on a number of government-financed infrastructure works.

3. EXTERNAL SECTOR TRENDS

Exports of goods increased by about 15 per cent in value in 1967, with a rise of some 20 per

Table 88. Bolivia: gross domestic product by sectors, 1960 and 1965-67

Sector	Percentage composition				Annual growth rates		
	1960	1965	1966	1967 ^a	1960-65	1966	1967 ^a
Agriculture . . .	31.0	28.2	26.8	23.7	3.1	1.2	-6.6
Mining	8.5	8.8	9.1	9.1	5.8	9.1	6.1
Petroleum	4.0	3.9	5.1	7.9	4.5	39.1	64.6
Manufacturing . .	11.7	12.0	12.1	12.3	5.6	7.3	6.5
Construction . . .	4.0	5.3	5.5	6.1	11.1	10.4	16.4
Energy	1.4	1.5	1.6	1.6	6.4	8.6	10.9
Transport	8.5	8.3	8.1	8.1	4.5	4.1	5.6
Commerce and finance	13.0	12.5	12.2	11.9	4.2	3.3	3.4
General government	7.8	9.3	9.6	9.3	8.8	9.9	1.7
Other services . .	10.1	10.2	9.9	10.0	5.3	4.4	6.5
TOTAL	100.0	100.0	100.0	100.0	5.0	6.3	5.6

SOURCE: ECLA, on the basis of data supplied by the National Planning and Co-ordination Office.

^a Provisional figures.

cent in the volume exported and a drop in unit prices (see table 89).

This expansion is mainly attributable to sales of crude petroleum, which provisional estimates put at approximately 23 million dollars; thus, petroleum came second to tin in Bolivia's exports. If petroleum was excluded, the value of exports would have increased by barely 1.5 per cent in 1967, and the volume by less than 6 per cent. Although tin exports once again increased in volume in 1967 (a little over 5 per cent), there was a further decline of about 6 per cent in the price.

The drop in lead, copper, zinc and bismuth prices was offset by the rise in prices of other mining exports—antimony, silver and wolfram—which increased about 7 per cent in both value and volume in 1967. Particularly noteworthy is the increment of over 20 per cent in the volume

of wolfram exports, and of about 10 per cent in that of copper exports. In the last two years sulphur has also reached high export levels.

In contrast with their rapid and persistent growth over the last few years, imports remained at the same level as in 1966. Since 1960 they have increased 2.2 times and exports 2.8 times.

The deficit on the goods and services account was augmented by a net outflow of 16 million dollars under the head of remittances of profits to foreign firms and interest on the external debt (800,000 dollars in 1966). This outflow is closely associated with the rise in petroleum exports and, despite the stagnation of imports, it brought the balance-of-payments deficit on current account to 32 million dollars or practically the same as in 1966 (see table 90 and figure VIII).

In 1967 there was a sharp reduction in official

Table 89. Bolivia: trends in the volume of exports of staple products, 1964-67
(Index: 1963=100)

Product	Percentage share in total value 1967 ^a	1964	1965	1966	1967 ^a
Tin	54.4	105.6	104.7	113.5	119.4
Petroleum	13.8	41.3	37.3	315.1	1,575.7
Wolfram	4.4	90.9	79.6	115.6	142.0
Silver	3.8	99.3	83.4	105.3	100.7
Copper	3.7	156.4	158.0	190.5	212.0
Antimony	3.7	127.5	115.9	141.0	149.7
Zinc	2.7	210.0	295.1	359.3	368.6
Lead	2.7	87.7	87.0	105.5	98.3
TOTAL	100.0	105.8	107.5	128.3	154.5

SOURCE: ECLA, on the basis of data supplied by the Statistical Office, the Banco Central de Bolivia and the Banco Minero.

^a Estimates.

Table 90. Bolivia: balance of payments, 1964-67
(Millions of dollars)

	1964	1965	1966	1967 ^a
<i>Current account</i>	-29.9	-38.4	-31.7	-32.1
Exports of goods and services	108.9	125.8	142.0	157.5
Imports of goods and services	138.3	161.7	174.2	175.2
Profit and interest payments (net)	2.8	3.6	0.8	15.9
Net private transfer payments	2.3	1.1	1.3	1.5
<i>Capital account</i>	29.9	38.4	31.7	32.4
Net movements of autonomous (non-compensatory) capital	48.0	51.0	38.8	
Direct investment	1.5	12.5	2.0	
Long-term loans	18.3	15.9	10.3	
Other net movements of capital	4.7	7.7	6.5	
Official transfer payments	23.5	14.9	20.0	
Errors and omissions	-1.3	1.3	-2.3	
Compensatory financing (increase -)	-16.8	-13.9	-4.8	10.1

SOURCE: ECLA, on the basis of data obtained from the Banco Central de Bolivia and International Monetary Fund, *Balance of Payments Yearbook*.

^a Provisional figures.

transfer payments, which had reached 20 million dollars in 1966, and the smaller net inflow of capital was insufficient to cover the negative balance on current account. It was therefore necessary to draw on net international reserves to an estimated amount of 10 million dollars, after building the reserves up steadily for several years.

Payments against a contingency credit with the International Monetary Fund were completed in 1966, and a new agreement covering 20 million dollars was concluded in December 1967, but this credit has not yet been used.

4. OTHER ASPECTS OF RECENT DEVELOPMENTS

Fiscal policy was concentrated on raising income and containing expenditure with a view to reducing the chronic fiscal deficit. Despite all efforts, income failed to rise sufficiently, since the results expected from the measures taken to raise taxes and to improve revenue by means of a more efficient tax administration and control of tax evasion and contraband were not fully effective. Furthermore, the contributions under the head of royalties from the Bolivian Mining Corporation (COMIBOL) decreased. On the other hand, the curtailment of expenditure was confined to the investment side; thus, the deficit at the end of the year is estimated at 170 million pesos, which is higher than in 1966. Monetary and credit policies were aimed at controlling, within the limits agreed on with IMF, the expansion of money in circulation and of credit, which included the expansion of fiscal financing from the Central Bank to 110 million pesos.

A bigger deficit than the present one is expected for the 1968 fiscal budget. The measures to deal with this situation which are now under consideration include changes in the application

of the sales tax, levying new taxes on personal services, and the promulgation of a new supplementary aggregate tax law, besides a proposed 25 per cent rise in taxes on beverages and tobacco.

Brazil

1. RECENT ECONOMIC TRENDS

An over-all review of the trends followed by the Brazilian economy in 1967 reveals the following main developments: a significant increase in agricultural and mining output, the relative stagnation of industry, a sharp reduction in the rate of price increases, a deficit once again in external transactions, and a deterioration in the financial position of the public sector. In relation to 1966, there was an increase in the growth rate of consumption and a decline in that of investment (see table 91). The economic policy aims of the new Government which assumed power in May 1967 seem to involve a somewhat new approach in anti-inflationary strategy and to place more emphasis on the fundamental objective of boosting economic activity.

According to very provisional estimates, the gross domestic product increased by about 5 per cent in 1967. This reflects a high rate for agriculture (9.6 per cent) and a relative stagnation in manufacturing (1.8 per cent). Thus, once again, contrasting changes have taken place in agriculture and industry, the aggregate rate in 1966 being the result of a recession in agricultural activities and a decided increase in manufacturing. The extractive industries continued to expand vigorously (by over 12 per cent), the increase in construction was much the same as in the previous year (about 6 per cent), and production of electric power went up by a little

Table 91. Brazil: aggregate supply and demand, 1960 and 1965-67

	Thousands of millions of cruzeiros at 1960 prices				Annual growth rates		
	1960	1965	1966	1967 ^a	1960-65	1965-66	1966-67 ^a
Aggregate supply	2,621.6	3,102.0	3,278.9	3,448.8	3.4	5.7	5.2
Gross domestic product	2,418.8	2,974.9	3,106.3	3,262.0	4.2	4.4	5.0
Imports of goods and services	202.8	127.1	172.6	186.8	-8.9	35.8	8.2
Aggregate demand	2,621.6	3,102.0	3,278.9	3,448.8	3.4	5.7	5.2
Exports of goods and services	166.8	202.3	223.0	219.5	3.9	10.2	-1.6
Total investment	418.5	433.6	492.1	510.0	0.7	13.5	3.6
Total consumption	2,036.3	2,466.1	2,563.8	2,719.3	3.9	4.0	6.1
General government	370.7	383.9	355.6	363.0	0.7	-7.4	2.1
Private	1,665.6	2,082.2	2,208.2	2,356.3	4.6	6.1	6.7

SOURCE: ECLA, on the basis of data supplied by the Getulio Vargas Foundation, Brazilian Institute of Economics, National Accounts Centre.

^a Preliminary estimates.

over 5 per cent, that is more slowly than in 1966 (see table 92 and figure IX).

Table 92. Brazil: annual growth rates of gross domestic product by sectors of economic activity, 1960-67
(Percentages)

Sector	1960-65	1965-66	1966-67
Agriculture, forestry and fishing	5.7	-2.0	9.6
Mining and quarrying	13.5	12.2	12.2
Manufacturing	3.7	11.8	1.8
Construction	-2.8	11.7	5.9
Electricity, gas and water	6.3	11.7	5.3
Services	3.6	4.3	4.2
Transport and communications	5.3	5.7	3.6
Commerce and finance	3.8	5.5	6.6
Ownership of dwellings	3.6	3.6	3.6
Public administration and defence	2.4	2.5	2.4
Other services	3.0	3.0	3.0
Over-all rate	4.2	4.4	5.0

SOURCE: ECLA, on the basis of data supplied by the Getulio Vargas Foundation, Brazilian Institute of Economics, National Accounts Centre.

2. MAJOR SECTORS OF ACTIVITY

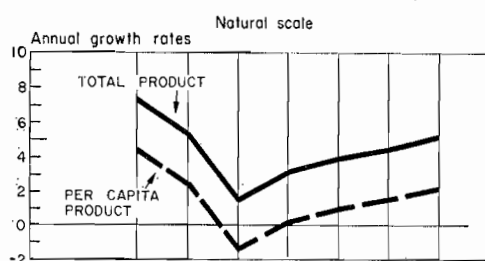
The favourable evolution of agricultural output, determined mainly by crop farming proper, was largely due to highly propitious weather conditions, especially in the Nordeste and Centro-Oeste areas, and the minimum price policy established in September 1966.

Crop farming production increased by 11.8 per cent, livestock production by 6 per cent and that of forest products by 4 per cent. The large increase in crop farming output was mainly determined by production for the home market, since there were increases of 40 and 60 per cent in production of beans and onions, and of about 20 per cent for rice, potatoes and maize; in contrast, there were sizable reductions in the production of raw materials for industry—about 10 per cent in the case of cotton and sugar-cane and 19 per cent in the case of peanuts (see table 93).

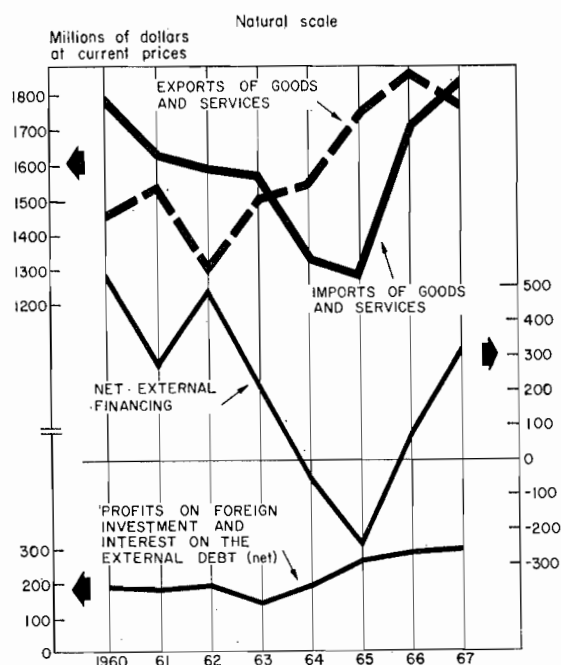
According to estimates of the Brazilian Coffee Institute, coffee production for export rose 10 per cent, and amounted to 22.2 million sacks, a figure which compares favourably with the 1966 figure (20.3 million) but which is below the annual average for the previous five-year period. The programme for replacing coffee by other crops, which entailed the uprooting of 652 million coffee bushes, officially ended in March 1967; since that date, less emphasis seems to have been placed on reducing the coffee crop, and the provisions applicable to the 1967/68 crop include an increase in support prices.

Figure IX. Brazil: 1960-67

(a) RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT



(b) EVOLUTION OF THE EXTERNAL SECTOR



At the beginning of the year manufacturing was in the throes of a veritable depression, which dated from the end of 1966 and affected most branches of industry. Thanks to the application of a series of measures—easing of credit controls, increased public spending and so on—it was possible to reverse this trend, but even so, for the year as a whole, the growth rate was only 1.8 per cent, as against about 12 per cent in 1966. In short, there were contractions in the main dynamic sectors (metallurgy, metal-transforming and production of transport equipment), a virtual standstill in the manufacture of electrical equipment and in the chemical industry, a sluggish growth of production in the consumer goods sector (slower than the population growth in the case of textiles) and a sustained rate of increase in the output of paper. The high index for mining was determined primarily by a 26 per

Table 93. Brazil: percentage variations in agricultural production, 1966/67

Product	Estimates for 1966/67	
	Production in 1965/66	
<i>Crop farming production</i>		-11.8
Cotton ^a		-9.3
Groundnuts ^b		-19.0
Rice ^c		19.6
Potatoes		25.9
Onions		62.8
Beans		42.9
Maize		20.4
Soya		39.1
Sisal		-4.6
Coffee ^d		+9.5
Sugar-cane		-10.0
Others ^e		6.5
<i>Livestock production</i>		6.0
<i>Timber production</i>		4.0
<i>Total agricultural production^f</i>		9.6

SOURCE: ECLA, on the basis of official statistics.

^a Cottonseed.

^b Unshelled groundnuts.

^c Rice in the husk.

^d The figure for coffee relates to the variation in production in the calendar years 1966 and 1967.

^e The increment of 6.5 per cent was estimated on the basis of the annual average rates for bananas, tobacco, oranges, manioc and tomatoes taken as a representative sample (in 1966 the value of these five sample products corresponded to 80 per cent of the production of "other" items).

^f The indexes for the sector as a whole were obtained on the basis of the value of agricultural production in 1966 (Brazilian Statistical Institute, *Anuário Estatístico do Brasil*, 1967).

cent increase in petroleum output; the production of coal also expanded appreciably, while that of iron ore, and more especially manganese, contracted (see table 94).

The rate of growth of construction was about 6 per cent and the sector is expected to gain further momentum in 1968. The National Housing Plan, which is being put into operation by the Banco Nacional de Habitación established in 1964, underwent a period of intensive activity in the first half of 1967, when loans to a value of 800 million new cruzeiros were author-

Table 94. Brazil: increase in mining output, 1966-67

<i>Product</i>	<i>Percentage increase in volume of output in 1967</i>	<i>Share in value of output in 1966^a</i>
Petroleum	26.0	53.7
Coal ^a	11.3	25.3
Iron ^a	—9.0	13.1
Manganese ^a	—43.0	7.9
WEIGHTED TOTAL	12.2	100.0

SOURCES: PETROBRAS; Banco Central, *Boletim* (November 1967).

^a Estimates based on output from January to September 1967.

ized for the financing of 110,000 housing units, in comparison with 40,000 units for the whole of 1966. The legislation which set up the Banco Nacional de Habitación also established a mandatory allocation of resources for housing, which in the first few years was mainly made up of 1.2 per cent of the wages and salaries paid throughout the country. It also established the practice of readjustment for real-estate operations and succeeded in reintroducing long-term mortgage loans, which had been almost completely unavailable in recent years because of inflation.

3. SOME ASPECTS OF ECONOMIC POLICY

The broad lines of Brazil's economic policy were defined in a document published by the Ministry of Planning in July 1967, the declared aim being to maintain a minimum annual growth rate of 6 per cent for the gross product. In the initial phase, it is hoped to attain that rate by making better use of existing capacity, and in the ensuing phase by intensifying investment in priority sectors, improving production methods and strengthening human resources. The specific lines of action for the private sector are based on an increase in the liquidity of enterprises, a slowing up of the growth of costs and an expansion of demand, and for the public sector, on careful investment programming, increased efficiency and a cut in government expenditure.

Steps were taken to give a fresh impetus to industry and, in particular, to raise the depressed levels of activity recorded in the first quarter of 1967, through a policy of monetary expansion. In contrast with the trend in 1966, the means of payment increased more rapidly than prices, and the more fluid liquidity position greatly benefited the private sector in the form of an increase in real credit.

It was possible to combine this expansionist policy with really positive results in the efforts to contain inflationary pressures, since the rise in the cost-of-living index (in Guanabara and São Paulo) dropped from rates of 41-46 per cent in 1966 to 25 per cent in 1967, and that of the wholesale price index from 37.4 to 21.7 per cent. Wage policy followed the same pattern as the year before; in direct negotiations between employers and employees, or when national labour laws were invoked, upward adjustments which averaged not more than 20 per cent were authorized. Government employees had already been given the same increase at the beginning of 1967 and are expected to receive a similar pay rise in 1968 (see table 95).

As regards the fiscal position, the expenditure deferred from the previous financial year and the over-estimation of current revenue—especially

Table 95. Brazil: percentage variations in cost-of-living and wholesale price indexes, 1961-67
(Measured from December to December in the years indicated)

	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67
Cost of living in Guanabara . . .	88.5	80.6	86.5	45.3	41.1	24.5
Cost of living in São Paulo . . .	61.8	80.5	85.5	41.1	46.3	26.6 ^a
General wholesale prices . . .	50.2	81.9	93.3	28.2	37.4	21.7
Wholesale prices, excluding coffee . . .	45.7	83.0	84.0	31.3	41.6	21.0

SOURCE: Getulio Vargas Foundation.

^a Variation from November to November.

from income tax—led to a marked disequilibrium. The budget deficit in 1967, which had been estimated at slightly over 800 million new cruzeiros (at 1966 prices), was already 1,200 million cruzeiros in August and would be even higher for the whole year, despite the reductions introduced during the course of the year amounting to some 600 million cruzeiros. To some extent, the fact that tax revenue fell below the initial estimates is due to the policy of balanced regional development, under which greater tax incentives are given for investment in backward areas.

4. THE EXTERNAL SECTOR

In 1966 current external transactions, which had closed with a surplus in the two preceding years, showed a deficit of 89 million dollars, and this rose to 314 million in 1967. The situation in the past year is attributable to a drop of about 6.4 per cent in exports (from 1,741 million to 1,630 million dollars) and to a rise of 7.4 per cent in f.o.b. imports (from 1,303 million to 1,400 million dollars).

Exports, which had expanded vigorously in 1965 and 1966, owing mainly to the increased volume of non-traditional items, were affected in 1967 by the fall in the unit prices of coffee and by a severe contraction in the sales of products such as cotton and rice, although exports of manufactures continued to rise.

Imports, on the other hand, which had been at very depressed levels up to 1965, increased substantially in 1966 and continued to expand in 1967. This was the result of a more liberal import policy, and probably, in particular, of the linear reduction of customs duties under the new tariff of March 1967.

The capital account shows declines in direct foreign investment (from 159 million dollars in 1966 to 130 million in 1967) and in external credit, and payments under the head of amortization of the external debt and other net capital outflows were also lower. Thus, there was a net inflow of capital, which, however, was insufficient to counteract the increase in the deficit on current account, and drawings on the

international monetary reserves were heavier than in 1966 (see table 96 and figure IX).

The drop in the foreign exchange and gold reserves which had been built up in the previous two years and the outflow of capital prompted by an artificially low rate of exchange led to a devaluation of the currency in February 1967; the rate rose from 2.20 to 2.70 new cruzeiros to the dollar, and at the same time restrictions were imposed on the purchase of foreign exchange, which led to the establishment of a "parallel" market. Subsequently, the increased deficit on

Table 96. Brazil: balance-of-payments estimates, 1966 and 1967
(Millions of dollars)

	1966	1967
A. Merchandise	438	230
Exports (f.o.b.)	1,741	1,630
Imports (f.o.b.)	-1,303	-1,400
B. Net services	-550	-576
Freight and insurance	-80	-90
Payment of profits and interest on foreign investment ^a	-284	-290
Other services	-186	-196
C. Net private transfer payments	45	32
Current transactions (A+B+C)	-67	-314
D. Capital movements	111	314
Net direct investment ^a	159	130
Credits from Washington-based financing agencies ^b	574	500
Amortization of the external debt ^c	-573	
Other net capital movements ^d	-93	
Variations in the gross monetary reserves ^e	44	180
E. Errors and omissions	-44	—

SOURCES: For 1966: International Monetary Fund, *Balance of Payments Yearbook*, vol. 19; for 1967: ECLA estimates on the basis of the Central Bank bulletins.

^a Including reinvestment of profits.

^b Estimates based on information supplied by the International Bank for Reconstruction and Development (IBRD).

^c Estimates based on data supplied by IBRD relating to the debt contracted up to 31 December 1966.

^d Residual figure. Net balance of the rest of the items.

^e Short-term assets of the monetary authorities and monetary gold.

external transactions and the contraction of net long-term capital inflows (public and private) brought further pressure to bear on the currency and led to another devaluation at the end of December, when the rate of 3.20 new cruzeiros to the dollar was established and restrictions on the free purchase of foreign exchange were maintained.

Central America

1. EVOLUTION OF THE CENTRAL AMERICAN ECONOMY IN 1967

The growth rate of the Central American economy was weak for the second year running. This was due to the drop in exports and the stagnation of agricultural production for the home market in most of the countries in the area. Preliminary estimates indicate that the rate of increase of the gross domestic product for the area as a whole was little more than 4 per cent, and since this barely exceeded the growth rate of the population, there was a levelling-off of the real per capita product (see tables 97 to 102). Furthermore, it was low in comparison with the cumulative annual growth rate of nearly 7 per cent attained by most of the Central American countries in the first half of the decade.

The decline in cotton and coffee output in the crop year 1966/67 and the 11 per cent fall in coffee prices resulted in a reduction of more than 6 per cent in the total value of Central American exports to the rest of the world in 1967, despite the slight recovery in the price of cotton and an appreciable increase in the volume of banana exports.

The downturn in the external sector was most apparent in the cotton-producing countries, particularly Guatemala and El Salvador, where the volume of cotton exports dropped considerably. In Nicaragua the decline in cotton exports in 1967 was only slight, but because of

the contraction in 1966 the total value of cotton exports in 1967 was over 15 per cent less than in 1965.

The increase in the volume of coffee exports helped to offset the fall in prices, except in Guatemala, where there was also a substantial decrease in the volume of sales. As cotton exports also declined, this meant that, of all the Central American countries, Guatemala suffered the greatest reduction in the total value of exports to the rest of the world (22 per cent).

In Honduras the increase in exports in 1967 was only slight, after their rapid growth in the previous three years owing to the expansion of banana production. The increase in banana exports was small but, together with the rise in meat sales, it made up for the foreign exchange lost as a result of the decline in the volume of cotton exports and the drop in coffee prices. The weakening of exports and the decrease in agricultural production for the home market were responsible for the slow growth of the Honduran economy, which in 1967 did little more than keep pace with the increase in population.

In contrast with the rest of Central America, Costa Rica enjoyed favourable weather conditions, with the result that, for the third year running, there was a considerable increase in agricultural production, both for export and for the home market. The greater volume of banana and coffee exports more than compensated for the drop in prices of both products; private investment, stimulated by the increase in income and in intra-area trade, rose by about 10 per cent, and the net result was that the Costa Rican economy grew more than 8 per cent in 1967, which is double the average rate for the area.

Intra-area trade maintained its high growth rate in 1967 (25 per cent), thus attenuating the

Table 97. Central America: aggregate supply and demand, 1960 and 1965-67

	Millions of dollars at 1963 prices				Annual growth rates		
	1960	1965	1966	1967 ^a	1960-65	1966	1967
<i>Aggregate supply</i>	3,364	4,762	5,035	5,268	7.2	5.7	4.6
Gross domestic product	2,784	3,820	4,012	4,184	6.6	5.0	4.3
Imports of goods and services	580	942	1,023	1,084	10.2	3.6	6.0
<i>Aggregate demand</i>	3,364	4,762	5,035	5,268	7.2	5.7	4.6
Exports of goods and services	504	865	977	979	11.4	12.9	0.2
Gross fixed investment	355	553	598	632	9.2	8.1	5.7
Public	80	123	130	128	9.0	5.7	-2.0
Private	275	430	468	504	9.3	8.8	7.7
Total consumption ^b	2,505	3,344	3,460	3,657	6.0	3.5	5.7
General government	259	322	334	354	4.5	3.7	6.0
Private ^b	2,246	3,022	3,126	3,303	6.1	3.4	5.7

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

^b Including changes in stocks.

Table 98. Costa Rica: aggregate supply and demand, 1960 and 1965-67

	Millions of colones at 1960 prices				Annual growth rates		
	1960	1965	1966	1967 ^a	1960-65	1966	1967
<i>Aggregate supply</i>	3,562	4,979	5,203	5,601	6.1	6.5	7.3
Gross domestic product	2,811	3,773	4,019	4,352	6.1	6.5	8.3
Imports of goods and services	751	1,206	1,184	1,249	9.9	-1.8	5.5
<i>Aggregate demand</i>	3,562	4,979	5,203	5,601	6.1	6.5	8.3
Exports of goods and services	583	755	912	1,007	5.3	20.8	10.4
Gross fixed investment	479	730	698	762	8.8	-4.4	9.2
Public	95	197	170	183	22.3	-13.7	7.6
Private	384	533	528	579	6.8	-0.9	9.7
Total consumption	2,500	3,494	3,593	3,832	6.9	2.8	6.7
General government	328	458	478	520	6.9	4.4	8.8
Private ^b	2,172	3,036	3,115	3,312	6.9	2.6	6.3

SOURCE: ECLA, on the basis of official statistics.

^b Including changes in stocks.^a Provisional figures.

Table 99. El Salvador: aggregate supply and demand, 1960 and 1965-67

	Millions of colones at 1960 prices				Annual growth rates		
	1960	1965	1966	1967 ^a	1960-65	1966	1967 ^a
<i>Aggregate supply</i>	1,772.1	2,421.9	2,615.9	2,711.5	6.4	8.0	3.7
Gross domestic product	1,418.3	1,948.3	2,058.6	2,129.3	6.6	5.7	3.4
Imports of goods and services	353.8	473.6	557.3	582.2	6.0	17.7	4.5
<i>Aggregate demand</i>	1,772.1	2,421.9	2,615.9	2,711.5	6.4	8.0	3.7
Exports of goods and services	289.4	464.4	477.6	498.9	9.9	2.8	4.5
Gross fixed investment	197.3	288.6	330.6	333.6	7.9	14.6	0.9
Public	40.6	68.6	77.5	58.4	11.1	13.0	-24.6
Private	156.7	220.0	253.1	275.2	7.0	15.0	8.7
Total consumption	1,285.5	1,668.9	1,807.7	1,879.0	5.4	8.3	3.9
General government	143.1	171.7	181.6	182.6	3.7	5.8	0.6
Private ^a	1,142.3	1,497.2	1,626.1	1,696.4	5.6	8.6	4.3

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

Table 100. Guatemala: aggregate supply and demand, 1960 and 1965-67

	Millions of quetzales at 1960 prices				Annual growth rates		
	1960	1965	1966	1967 ^a	1960-65	1966	1967
<i>Aggregate supply</i>	1,172.7	1,617.4	1,683.4	1,751.7	6.6	4.1	4.1
Gross domestic product	1,020.5	1,394.1	1,456.9	1,505.8	6.4	4.5	3.4
Imports of goods and services	152.2	223.3	226.5	245.9	8.0	1.4	8.6
<i>Aggregate demand</i>	1,172.7	1,617.4	1,683.4	1,751.7	6.6	4.1	4.1
Exports of goods and services	131.9	237.6	296.0	271.8	12.5	24.6	-8.2
Total investment	108.8	179.6	(189.2)	(200.0)	10.5	5.3	5.7
Gross fixed investment	103.2	154.4	159.8	172.4	8.4	3.5	7.9
Public	26.6	30.2	33.5	36.3	2.6	10.9	8.4
Private	76.6	124.2	126.3	136.1	10.1	1.7	7.8
Changes in stocks	5.6	25.2	(29.4)	(27.6)	35.1	16.7	-6.1
Total consumption	932.0	1,200.2	1,198.2	1,279.9	5.2	-0.2	6.8
General government	79.9	87.0	84.8	93.2	1.7	-2.5	9.9
Private	852.1	1,113.2	1,113.4	1,186.7	5.5	0.0	6.6

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

depressive effects of the weakening of the external sector in most of the countries. The expansion of demand in the area and the process

of import substitution in each country continued to provide a powerful stimulus for manufacturing. The growth of the manufacturing

Table 101. Honduras: aggregate supply and demand, 1960 and 1965-67

	Millions of lempiras at 1960 prices				Annual growth rates		
	1960	1965	1966	1967 ^a	1960-65	1966	1967 ^a
Aggregate supply	909.0	1,260.3	1,358.4	1,397.5	6.8	7.8	2.9
Gross domestic product	756.0	996.7	1,043.1	1,080.0	5.7	4.7	3.5
Imports of goods and services	153.0	263.6	315.3	317.5	11.5	19.6	0.7
Aggregate demand	909.0	1,260.3	1,358.4	1,397.5	10.9	15.7	1.1
Exports of goods and services	136.0	228.2	264.1	267.0	10.9	15.7	1.1
Total investment	105.0	137.8	145.7	...	5.6	5.7	...
Gross fixed investment	95.8	130.9	138.7	148.5	6.4	6.0	7.1
Public	20.2	27.4	29.8	34.8	6.3	8.8	16.8
Private	75.6	103.5	108.9	113.7	6.5	5.2	4.4
Changes in stocks	9.2	6.9	7.0	...	-5.6	1.4	...
Total consumption	668.0	894.3	948.6	982.0 ^b	6.0	6.1	3.5
General government	73.0	96.8	103.1	108.6	5.8	6.5	5.3
Private	595.0	797.5	845.5	873.4 ^b	6.0	6.0	3.3

SOURCE: ECLA, on the basis of official statistics.
^a Provisional figures.

^b Including changes in stocks.

Table 102. Nicaragua: aggregate supply and demand, 1960 and 1965-67

	Million of córdobas at 1960 prices				Annual growth rates		
	1960	1965	1966	1967 ^a	1960-65	1966	1967 ^a
Aggregate supply	3,075.8	5,212.0	5,516.3	5,823.1	11.1	5.8	5.6
Gross domestic product	2,426.2	3,618.9	3,757.0	3,900.4	8.3	3.8	3.8
Import of goods and services	649.6	1,593.1	1,759.3	1,922.7	19.6	10.4	9.3
Aggregate demand	3,075.8	5,212.0	5,516.3	5,823.1	11.1	5.8	5.6
Exports of goods and services	525.0	1,294.2	1,276.4	1,269.3	19.7	-1.4	-0.6
Gross fixed investment	313.3	680.8	838.0	873.8	16.7	23.1	4.3
Public	74.2	131.1	154.9	145.9	12.1	18.2	-5.8
Private	240.1	549.7	683.1	727.9	18.0	24.3	6.6
Total consumption	2,236.5	3,237.0	3,401.9	3,680.0	7.7	5.1	8.2
General government	210.0	284.5	305.4	329.0	6.3	7.3	7.7
Private ^a	2,026.5	2,952.5	3,096.5	3,351.0	7.8	4.9	8.2

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

Table 103. Central America: annual growth rates of gross domestic product by sectors of economic activity, 1960-67

Sector	1960-65	1966	1967 ^a
Agriculture, forestry and fisheries	4.8	3.6	2.7
Mining and quarrying	8.1	5.5	-2.4
Manufacturing	9.3	8.0	7.9
Construction	5.7	4.4	5.5
Electricity, gas and water	11.3	10.9	6.8
Services	6.6	4.6	4.2
Transport and communica- tions	6.6	5.2	6.3
Commerce and finance	7.7	4.9	4.0
Ownership of dwellings.	^a	^a	^a
Public administration and defence	3.5	2.6	2.5
Other services ^b	6.3	4.9	4.5
Over-all rate	6.5	5.0	4.4

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

^b Including ownership of dwellings.

Table 104. Costa Rica: annual growth rates of gross domestic product by sectors of economic activity, 1960-67

Sector	1960-65	1966	1967 ^a
Agriculture, forestry and fisheries	2.7	7.9	9.0
Mining and quarrying	—	—	—
Manufacturing	9.6	10.2	11.1
Construction	7.8	-10.9	7.0
Electricity, gas and water	7.3	5.8	7.0
Services	7.0	5.6	7.0
Transport and communica- tions	6.9	5.8	7.0
Commerce	6.6	5.6	7.0
Commerce	6.6	5.6	7.0
Finance	^b	^b	^b
Ownership of dwellings.	6.9	5.6	7.0
Public administration and defence	8.0	5.6	7.0
Other services ^b	6.5	5.6	7.0
Over-all rate	6.1	6.5	8.3

SOURCE: ECLA, on the basis of official statistics.

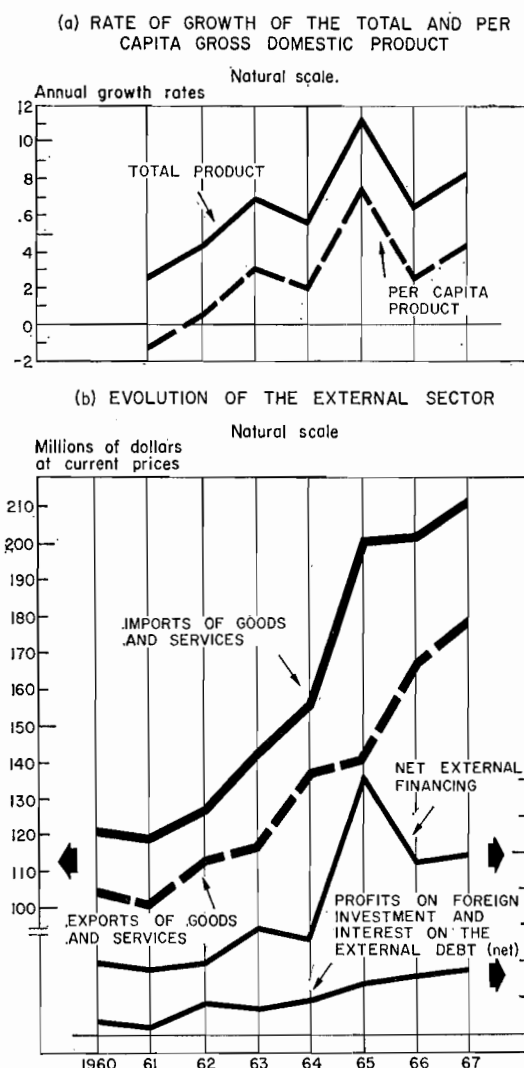
^a Provisional figures.

^b Including finance.

product was about 8 per cent, which was similar to the rate recorded in 1966. The rates of growth were satisfactory in all the countries, although in

El Salvador and Nicaragua the downturn experienced in 1966 persisted (see tables 103 to 108 and figures X to XIV).

Figure X. Costa Rica: 1960-67



Capital formation was chiefly affected by domestic financing difficulties. It is estimated that gross investment for the whole area grew less than 6 per cent in 1967, as against 7.5 per cent in 1966 and 10 per cent in 1965. This reflects a slight downturn in private investment, apparently due to a contraction of building activities in some countries and to reduced investment in the cotton sector. Investment in manufacturing, on the other hand, seems to have remained as dynamic as in previous years in almost all the countries of the area.

Public investment declined in 1967 for Central America as a whole, as a result of a sharp contraction in El Salvador and, to a lesser extent, in Nicaragua (see table 97). In the rest of the area, the fact that more external financing was

Table 105. El Salvador: annual growth rates of gross domestic product by sectors of economic activity, 1960-67

Sector	1960-65	1966	1967 ^a
Agriculture, forestry and fisheries	5.9	3.4	0.5
Mining and quarrying	-8.1	0.0	0.0
Manufacturing	9.7	9.3	8.4
Construction	9.0	6.3	6.7
Electricity, gas and water	11.3	12.9	11.6
Services	5.5	5.2	2.8
Transport and communications	3.6	4.0	4.0
Commerce and finance	7.1	5.9	3.2
Commerce	6.8	5.6	3.1
Finance	10.8	8.9	5.3
Ownership of dwellings	2.7	7.8	3.7
Public administration and defence	3.5	2.1	0.4
Other services	6.6	5.1	3.0
Over-all rate	6.6	5.5	3.4

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

Table 106. Guatemala: annual growth rates of gross domestic product by sectors of economic activity, 1960-67

Sector	1960-65	1966	1967 ^a
Agriculture, forestry and fisheries	4.7	5.8	2.0
Mining and quarrying	-3.6	13.3	5.0
Manufacturing	9.9	5.7	6.0
Construction	2.0	7.8	5.0
Electricity, gas and water	13.8	13.3	5.6
Services	6.5	3.1	3.7
Transport and communications	8.0	4.1	5.6
Commerce and finance	8.1	3.7	3.5
Commerce	7.9	4.3	3.5
Finance	11.3	-5.3	3.5
Ownership of dwellings	5.8	3.1	3.5
Public administration and defence	-0.4	-4.1	3.5
Other services	5.3	5.0	3.5
Over-all rate	6.5	4.5	3.6

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

Table 107. Honduras: annual growth rates of gross domestic product by sectors of economic activity, 1960-67

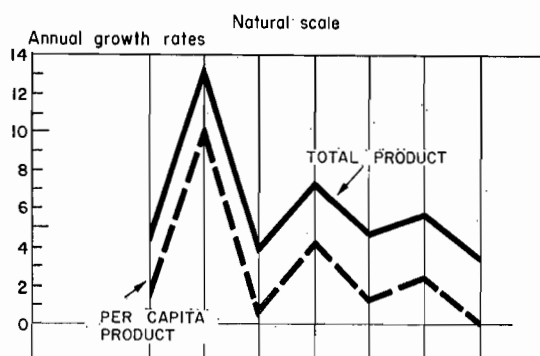
Sector	1960-65	1966	1967 ^a
Agriculture, forestry and fisheries	5.3	2.1	0.0
Mining and quarrying	20.0	3.4	-1.1
Manufacturing	7.2	9.7	9.0
Construction	6.9	3.0	5.2
Electricity, gas and water	10.6	13.2	3.8
Services	3.5	5.4	4.8
Transport and communications	7.1	6.0	5.8
Commerce and finance	5.6	5.7	5.4
Commerce	5.3	5.4	4.7
Finance	8.6	8.4	12.2
Ownership of dwellings	1.4	4.2	4.4
Public administration and defence	-3.9	7.8	3.1
Other services	2.5	3.9	4.1
Over-all rate	5.3	4.7	3.5

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

Figure XI. El Salvador: 1960-67

(a) RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT



(b) EVOLUTION OF THE EXTERNAL SECTOR

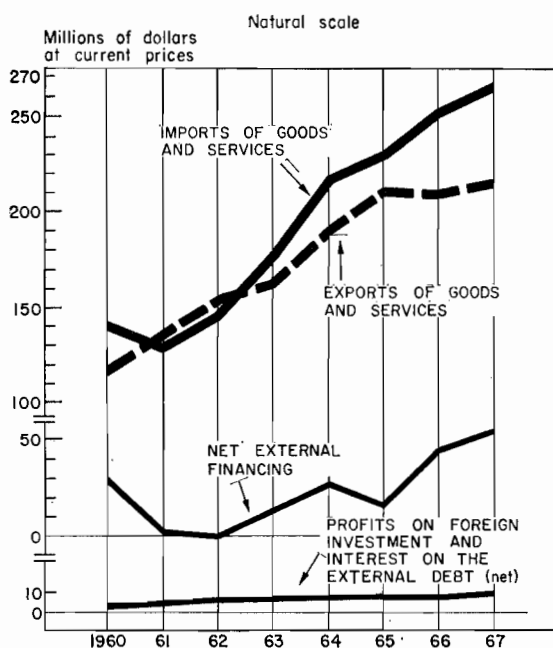
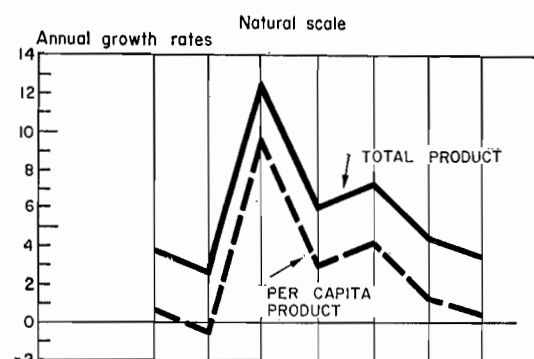
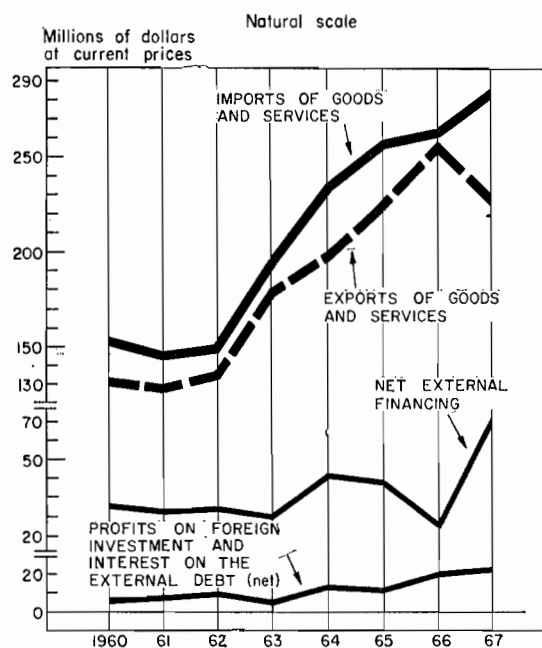


Figure XII. Guatemala: 1960-67

(a) RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT



(b) EVOLUTION OF THE EXTERNAL SECTOR



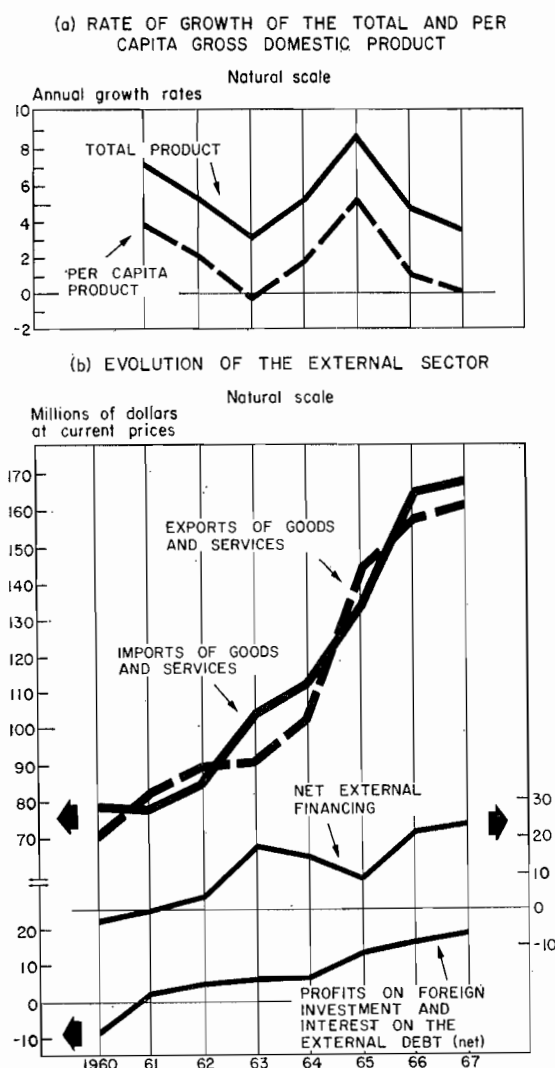
available to the public sector made it possible to improve on the low investment levels of previous years.

The main factor restricting public investment in recent years seems to have been the inelasticity of the tax systems in the different countries, which has impeded the generation of sufficient domestic savings. Despite the measures adopted in some countries, the fiscal situation has deteriorated in the last two years, in company with the decline in export earnings. In four countries the savings generated by the Central Government dropped well below the 1965 levels, and in Costa Rica tax revenue is still insufficient to cover current government expenditure.

In view of the insufficiency of the tax instrument, most of the countries opted for a policy of curbing domestic consumption and imports through monetary and credit measures. All the countries succeeded in moderating the growth of imports from the rest of the world, except for Guatemala, where increased purchases abroad accentuated the deterioration in the balance-of-payments position on current account caused by the drop in exports. The other countries also had a larger deficit on current account, as a result of the decline in traditional exports, the deterioration of the services account or intra-area trade imbalances.

Nevertheless, net capital inflows were sufficient

Figure XIII. Honduras: 1960-67



to finance most of the deficit, except in Nicaragua and El Salvador, which were forced to draw heavily on their international reserves.

2. EXPORTS

In 1967, the growth rate of exports, which had first begun to flag in 1966, became even weaker. While in the three-year period 1963-65 exports of goods grew at an average annual rate of 14.4 per cent, in 1967 they remained more or less stationary at the 1966 level (see table 109). This situation was the result of two opposing trends: the decline in traditional exports to the rest of the world and the sustained and vigorous growth of intra-area trade. The decline in output of coffee and cotton in the crop year 1966/67,

Table 108. Nicaragua: annual growth rates of gross domestic product by sectors of economic activity, 1960-67

Sector	1960-65	1966	1967 ^a
Agriculture, forestry and fisheries	5.6	-4.6	3.6
Mining and quarrying	4.1	6.8	-4.7
Manufacturing	9.1	7.2	6.3
Construction	-1.3	27.6	-0.5
Electricity, gas and water	16.1	12.8	4.1
Services	10.5	6.4	3.7
Transport and communications	6.3	8.4	10.6
Commerce and finance	9.8	6.8	4.2
Commerce	8.9	5.7	4.3
Finance	18.6	14.9	4.1
Public administration and defence	8.2	7.4	-5.7
Other services ^b	31.0	4.9	4.5
Over-all rate	8.1	3.8	3.8

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

^b Including ownership of dwellings.

Figure XIV. Nicaragua: 1960-67

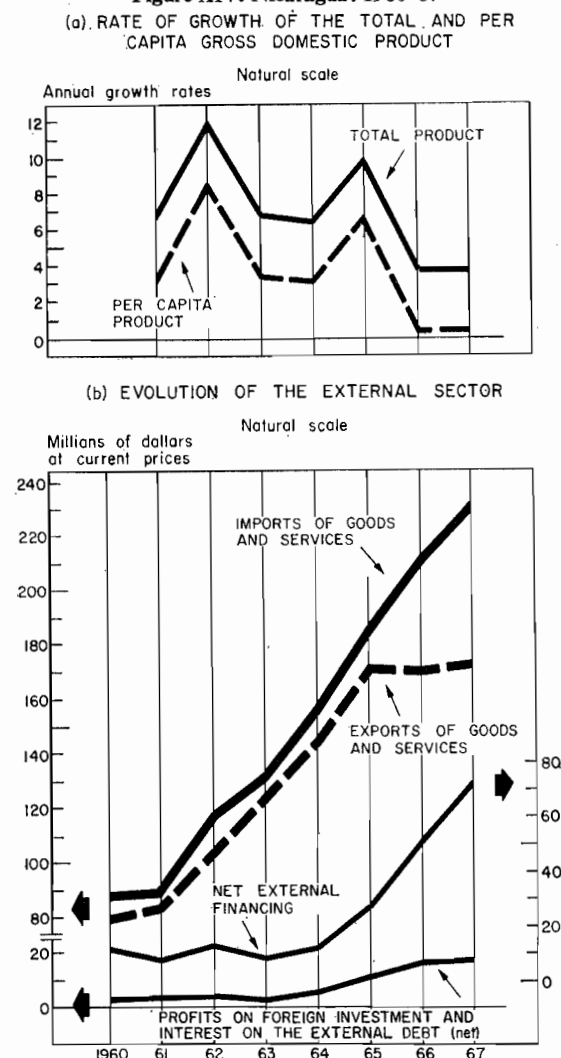


Table 109. Central America: exports of certain major products, 1963-67

	1963	1964	1965	1966 ^a	1967 ^a
<i>F.o.b. value of exports (millions of dollars)</i>					
Total	590.2	675.8	772.2	843.5	845.3
Cotton	104.6	124.5	144.4	131.5	117.4
Bananas	70.1	71.2	84.7	109.3	116.0
Coffee	229.8	250.5	282.9	284.5	244.3
Fresh meat	20.7	19.7	17.7	24.9	26.3
<i>Annual quantum variations (percentages)</i>					
Total	9.4	11.3	12.6	5.4	
Cotton	17.6	19.3	-5.1	-12.4	
Bananas	1.5	24.7	30.3	7.3	
Coffee	-6.5	6.3	3.6	-3.5	
Fresh meat	-4.6	-14.0	27.0	5.0	
<i>Annual variations in unit value (percentages)</i>					
Total	4.3	1.5	-2.2	-4.5	
Cotton	0.9	-2.7	-4.1	2.3	
Bananas	-0.1	-4.4	-1.0	-1.1	
Coffee	16.6	6.2	-3.1	-10.9	
Fresh meat	-0.3	4.5	10.8	0.6	

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

particularly in El Salvador and Guatemala respectively, together with the fall in coffee prices, caused the value of exports to the rest of the world to drop from 667 million dollars in 1966 to 625 million in 1967. The increase of 5.4 per cent in the total quantum of area exports was mainly due to the greater volume of banana exports. In contrast, intra-area trade continued to grow very rapidly (25 per cent) to reach an estimated total of about 221 million dollars in 1967.

The fall in coffee export prices caused the value of regional coffee sales to drop from 285 million dollars in 1966 to 244 million in 1967. Except for Guatemala, where the volume of coffee exports contracted by 27 per cent, most of the countries partly made up for the reduction in prices by increasing the volume of exports (see table 110).

Because of the drop in output in 1966/67, regional cotton exports fell from 132 to 117 million dollars, a decline which was only partly offset by the 2.3 per cent recovery in export prices.

Banana sales followed the same buoyant trend as in the previous three-year period; in 1967 the total value of exports amounted to 116 million dollars, which was the result of an increase in volume, since prices fell by 1.1 per cent. Guatemala topped the 1966 mark by 26 per cent, and sales also continued to rise in Honduras and Costa Rica, in response to the expansion of world demand in the last five years.

Exports of sugar, fresh meat, cocoa and

tobacco to the rest of the world also maintained the rising trend of previous years. With regard to sugar, which is exported almost exclusively to the United States, all the countries were able to fill their established quotas, except for Nicaragua, which exported only 12 per cent less than the initial authorized quota (52,889 short tons). The total value of exports of fresh meat also rose 5.6 per cent, as a result of an increase in the volume of sales.

Costa Rica, which is Central America's main cocoa producer, boosted the value of its exports by about half a million dollars, by increasing the volume of sales. Tobacco exports from Honduras remained at the 1966 level (about 2 million dollars). The programmes for expanding tobacco production indicate that, in the years to come, tobacco exports will become a fairly important source of foreign exchange earnings.

3. IMPORTS AND THE BALANCE OF PAYMENTS

Central American imports grew much more slowly in 1966 and 1967 than in the previous three-year period, owing to the weakening of the external sector and of economic activity in general. This trend is most evident in trade with the rest of the world, since intra-area trade is relatively independent of the evolution of exports to third countries and is not subject to tariff restrictions or to the measures taken in most of the countries in defence of the balance of payments.

The total value of area imports from the rest of the world, which had risen only 1.2 per cent

Table 110. Central America: exports of major agricultural products, 1963-67

Product and country	F.o.b. value (millions of dollars)					Volume (thousands of tons)				
	1963	1964	1965	1966	1967 ^a	1963	1964	1965	1966	1967 ^a
<i>Cotton</i>	104.6	124.5	144.4	131.5	117.4	199.5	234.7	280.0	265.7	232.8
Guatemala	24.7	32.1	34.4	44.5	33.1	50.4	64.1	70.6	92.5	67.8
El Salvador	37.6	37.1	37.8	24.4	23.3	71.6	70.2	73.1	50.6	45.5
Honduras	2.5	3.8	6.1	5.8	5.0	4.4	6.9	11.2	11.2	9.5
Nicaragua	39.8	51.5	66.1	56.8	56.0	73.1	93.5	125.1	111.4	110.0
Costa Rica	—	—	—	—	—	—	—	—	—	—
<i>Bananas</i>	70.1	71.2	84.7	109.3	116.0	720.1	731.0	711.3	1,187.8	1,275.0
Guatemala	11.5	9.6	3.5	6.4	8.0	121.5	94.4	34.1	62.8	79.0
El Salvador	—	—	—	—	—	—	—	—	—	—
Honduras	32.8	33.3	52.9	69.6	72.4	337.5	343.7	361.2	766.3	800.0
Nicaragua	—	—	—	—	—	—	—	—	—	—
Costa Rica	25.8	28.3	28.3	33.3	35.6	261.1	292.9	316.0	358.7	396.0
<i>Coffee</i>	229.8	250.5	282.9	284.5	244.3	298.7	279.2	296.9	307.6	296.9
Guatemala	77.1	71.1	91.7	100.1	64.8	98.2	76.1	95.3	109.2	79.8
El Salvador	75.0	93.4	96.1	90.0	88.8	101.4	109.7	100.2	97.5	110.4
Honduras	14.2	16.9	22.1	19.9	18.0	20.4	19.0	24.9	23.0	20.1
Nicaragua	17.5	21.1	26.4	21.8	19.0	24.1	23.3	28.2	23.2	23.6
Costa Rica	46.0	48.0	46.6	52.7	53.7	54.6	51.1	48.3	54.7	63.0
<i>Fresh meat</i>	20.7	19.7	17.7	24.9	26.3	30.6	29.3	25.2	32.0	33.6
Guatemala	4.4	3.7	4.6	5.3	5.5	6.0	4.8	5.8	5.9	6.0
El Salvador	—	—	—	—	—	—	—	—	—	—
Honduras	2.9	2.5	3.2	3.9	4.5	4.9	4.0	5.4	6.2	7.1
Nicaragua	8.4	7.5	6.7	10.2	9.7	12.6	11.8	9.4	12.8	12.1
Costa Rica	5.0	6.0	3.2	5.5	6.6	7.1	8.7	4.6	7.1	8.4

SOURCES: Statistical offices and central banks.

^a Provisional figures.

in 1966, rose 5.8 per cent in 1967 to a level of about 717 million dollars, in contrast with a cumulative annual increase of more than 14 per cent between 1963 and 1965 (see table 111).

The evolution of imports over the last two years was determined, on the one hand, by the reduction in purchases of consumer goods because of the shortage of foreign exchange, and

by the replacement of imports by purchases made within the Common Market, effects which were reinforced in some countries by exchange or credit restrictions; and, on the other, by the downturn in the investment rate. The partial figures available indicate that in 1967, as in 1966, imports of capital goods increased at an appreciably slower rate than in previous years.

Table 111. Central America: balance-of-payments summary, 1963-67

(Millions of dollars)

	1963	1964	1965	1966	1967 ^a
Total exports ^b	590.2	675.8	772.2	843.5	845.3
Exports of goods to rest of world, f.o.b.	518.1	569.4	636.2	667.2	624.5
Imports of goods from rest of world, f.o.b.	514.0	584.4	669.5	677.7	717.2
Trade balance with rest of world	4.1	-15.0	-33.3	-10.5	-92.7
Net balance on services account ^c	-88.2	-99.6	-123.4	-159.8	-163.0
Balance on current account	-84.2	-114.6	-156.6	-170.3	-255.7
Net capital inflows	144.7	137.8	214.6	143.8	202.1
Short-term	34.4	32.9	81.4	-5.9	...
Long-term	110.3	104.9	133.2	149.7	...
Changes in stocks (increase -)	-46.2	-20.8	-45.7	16.5	48.9 ^d
Errors and omissions	-14.2	-2.5	-12.3	9.9	5.5

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.^b Including intra-area exports.^c Including transfer and factor payments.^d Including errors and omissions in the case of Costa Rica.

Table 112. Central America: balance-of-payments summary, by country, 1963-67
(Millions of dollars)

	1963	1964	1965	1966	1967 ^a
<i>Guatemala</i>					
Exports of goods to rest of world, f.o.b. .	133.3	135.2	153.6	175.7	137.8
Imports of goods from rest of world, f.o.b. .	136.3	159.3	182.5	167.6	198.6
Trade balance with rest of world . . .	-3.0	-24.1	-28.9	8.1	-60.8
Trade balance with Central America . . .	1.1	3.6	7.4	21.7	21.2
Net balance on services account ^b . . .	-28.6	-29.4	-28.3	-46.8	-36.0
Balance on current account . . .	-30.5	-49.9	-49.8	-17.0	-75.6
Net capital inflows . . .	42.2	47.0	66.6	11.3	67.5
Short-term . . .	9.8	23.3	27.4	-19.0	8.9
Long-term . . .	32.4	23.7	39.2	30.3	58.6
Changes in stocks (increase -) . . .	-10.2	-3.9	-7.6	7.7	1.4
Errors and omissions . . .	-1.4	6.7	-9.1	-2.0	6.7
<i>El Salvador</i>					
Exports of goods to rest of world, f.o.b. .	121.5	140.2	143.9	132.3	132.7
Imports of goods from rest of world, f.o.b. .	110.2	135.2	142.0	149.5	143.1
Trade balance with rest of world . . .	11.3	5.0	1.9	-17.2	-10.4
Trade balance with Central America . . .	0.8	-3.9	3.7	5.5	4.4
Net balance on services account ^b . . .	-22.2	-24.8	-18.4	-29.0	-30.5
Balance on current account . . .	-10.1	-23.7	-12.8	-40.7	-36.5
Net capital inflows . . .	25.4	30.8	27.4	27.9	24.5
Short-term . . .	10.3	14.0	2.8	-11.3	0.2
Long-term . . .	15.1	16.8	24.6	39.2	24.3
Changes in stocks (increase -) . . .	-14.9	-3.0	-10.6	11.3	12.0
Errors and omissions . . .	-0.4	-4.2	-4.0	1.4	—
<i>Honduras</i>					
Exports of goods to rest of world, f.o.b. .	70.5	76.7	106.7	123.0	125.1
Imports of goods from rest of world, f.o.b. .	75.0	77.1	87.0	102.8	109.2
Trade balance with rest of world . . .	-4.5	-0.4	19.7	20.2	15.9
Trade balance with Central America . . .	0.6	0.5	-4.2	-13.7	-14.6
Net balance on services account ^b . . .	-9.3	-9.1	-20.3	-25.5	-31.0
Balance on current account . . .	-13.2	-9.0	-4.8	-19.0	-29.7
Net capital inflows . . .	16.8	12.1	16.3	15.0	27.0
Short-term . . .	1.1	1.0	5.0	1.3	1.7
Long-term . . .	15.7	11.1	11.3	13.7	25.3
Changes in stocks (increase -) . . .	-1.2	-3.8	-5.2	-2.4	6.8
Errors and omissions . . .	-2.3	0.8	-6.3	6.4	-4.1
<i>Nicaragua</i>					
Exports of goods to rest of world, f.o.b. .	102.4	118.6	139.1	126.6	116.3
Imports of goods from rest of world, f.o.b. .	83.6	95.3	111.8	118.9	121.2
Trade balance with rest of world . . .	18.8	23.3	27.3	7.7	-4.9
Trade balance with Central America . . .	-3.2	-7.6	-10.9	-16.4	-14.1
Net balance on services account ^b . . .	-20.5	24.9	-38.5	-40.5	-42.2
Balance on current account . . .	-4.9	-9.2	-22.1	-49.2	-61.2
Net capital inflows . . .	20.7	18.7	49.9	45.4	28.1
Short-term . . .	9.5	-1.1	33.9	14.5	-8.6
Long-term . . .	11.2	19.8	16.0	30.9	36.7
Changes in stocks (increase -) . . .	14.8	-8.5	-20.5	-2.4	31.0
Errors and omissions . . .	-1.0	-1.1	-7.4	6.2	2.1

continued on facing page

Table 112 (continued)

	1963	1964	1965	1966	1967 ^a
<i>Costa Rica</i>					
Exports of goods to rest of world, f.o.b. .	90.4	98.7	92.9	109.6	112.6
Imports of goods from rest of world, f.o.b. .	108.9	117.5	146.2	138.9	145.1
Trade balance with rest of world . . .	-18.5	-18.8	-53.3	-29.3	-32.5
Trade balance with Central America . . .	0.7	7.4	4.1	2.9	3.1
Net balance on services account ^b . . .	-7.6	-11.4	-17.9	-18.0	-23.3
Balance on current account . . .	-25.4	-22.8	-67.1	-44.4	-52.7
Net capital inflows	39.6	29.2	54.4	44.2	55.0
Short-term	3.7	-4.3	12.3	8.6	...
Long-term	35.9	33.5	42.1	35.6	...
Changes in stocks (increase -)	-5.1	-1.6	-1.8	2.3	-2.3
Errors and omissions	-9.1	-4.8	14.5	-2.1	

SOURCES: Banco de Guatemala; Banco Central de Reserva de El Salvador; Banco Central de Honduras; Banco Central de Nicaragua; Banco Central de Costa Rica.

^a Provisional figures.

^b Including transfer and factor payments.

Within this general trend for the area, there were of course differences from one country to another because of particular circumstances. Thus, the fact that in Guatemala imports from the rest of the world were down 8.2 per cent in 1966 was mainly due to the stockpiling of raw materials and intermediate goods in 1965 in anticipation of government restrictions. In 1967, when these stocks were replenished and there was an increase in imports of capital goods, encouraged by an appreciable stepping up of foreign official credit, the total value of Guatemala's imports from the rest of the world rose more than 18 per cent. Imports declined by 4.3 per cent in El Salvador and increased by only 2 per cent in Nicaragua, in both cases apparently because fewer capital goods were imported as a result of the reduction in public investment; in Honduras and Costa Rica they increased by 6.2 and 4.5 per cent respectively, mainly because more capital goods were imported as a result of the recovery of public investment, particularly in Costa Rica, where investment had fallen off in 1966 as a consequence of smaller domestic savings and the deterioration in the balance of payments.

Central America's trade deficit with the rest of the world rose from 10.5 million dollars in 1966 to about 93 million in 1967. Added to the deficit on the services account, this gave rise in 1967 to a negative balance on current account of some 256 million dollars for the area as a whole (see table 111). Much of this deterioration was due to the trade deficit in Guatemala, where the drop in exports coincided with a considerable increase in imports. In the other countries, the larger deficit was mainly due to the contraction of traditional exports (particularly in El Salvador and Nicaragua) and the smaller increase in

intra-area exports in relation to imports (Honduras, Nicaragua and Costa Rica).

Net capital inflows—about 202 million dollars—increased considerably for the area as a whole in 1967. However, except in Costa Rica, the inflow of capital was not sufficient to finance the deficit on current account; consequently, there was a reduction in the international reserves, particularly in El Salvador and Nicaragua, where the reserves were also affected by quite an appreciable outflow of short-term capital (see table 112 and figures X to XIV).

4. AGRICULTURAL PRODUCTION

Preliminary estimates indicate that agricultural production in the area continued to expand in the crop year 1967/68,³ following its recovery from the downturn experienced in 1965/66. In contrast with the previous two years, the increase in crop production for export (9.5 per cent) was decidedly greater than in production for the home market, which remained more or less at the 1966/67 levels. Livestock production had a growth rate of 4.4 per cent, which was slightly below the rate for 1966/67. Agriculture as a whole, therefore, expanded more rapidly than in the previous crop year, attaining a growth rate of 6 per cent.

The situation of export crops was generally satisfactory in all the countries and particularly in Guatemala, Nicaragua and Costa Rica, where growth rates exceeded 9 per cent. It is estimated that the 1967/68 cotton crop for the area as a whole was about 7 per cent larger, amounting to

³ Apparent discrepancies between agricultural data and data on value added in the sector are basically due to the distinction made between the crop year and the calendar year.

a total of 260,000 tons. This represents a slight recovery after the decline in output in the previous two crop years caused by adverse weather conditions and pests, particularly in El Salvador and Guatemala. The upturn in cotton production was due partly to an expansion of the area under cultivation in response to higher world prices, and partly to more credit and technical aid from the Governments. In El Salvador, however, output continued to decline for the third year running because of the damage caused by pests (see table 113).

Coffee production was more stable. Except for the crop years 1965/66 and 1966/67, when the area supply dropped slightly, production has expanded steadily and output has exceeded the quotas allocated under the International Coffee Agreement. Further attempts have been made to diversify crops on land occupied by marginal coffee plantations, but as yet it has proved impossible to find equally profitable crops, with the result that the bumper 1967/68 crop—which will be 13 per cent larger than the previous crop—will tend to aggravate the problem.

Lastly, banana exports have partly made up for the fluctuations in the other export crops, as a source of foreign exchange earnings. In the crop year 1966/67 production was up 15.5 per

cent in relation to the previous year, and in 1967/68 it is expected to top the 2 million ton mark which implies an increase of 6.6 per cent in relation to 1966/67. In Honduras, Guatemala and Costa Rica, programmes for expanding plantations were continued; in Nicaragua, new plantations were started in both the Pacific and the Caribbean zones;⁴ and in Costa Rica the area under bananas is expected to double by 1970, in which case exports would recover the place they had years ago as a source of employment and foreign exchange earnings. Consequently, there are prospects for further expansion of banana production in Central America.

Production for the home market, which had grown steadily in the last few years, remained more or less stationary in 1967/68. The importance of maize in this sector in Central America was the main determinant of this stagnation. After a harvest of 1.6 million tons in 1966/67, output dropped to 1.4 million because of reduced production in El Salvador (26 per cent), Honduras (8.8 per cent) and Guatemala (7.5 per cent), the main maize-producing

⁴ The project provides for the cultivation of 10,000 hectares of improved and disease-resistant varieties of bananas. In 1967, 3,700 hectares were already in production.

Table 113. Central America: crop production for export, 1962/63–1967/68
(Thousands of tons)

	1962/63	1963/64	1964/65	1965/66	1966/67 ^a	1967/68 ^b
<i>Central America</i>						
Ginned cotton . . .	207.1	246.5	301.2	265.7	242.2	259.8
Bananas . . .	1,484.8	1,401.3	1,410.2	1,653.6	1,911.3	2,037.5
Cocoa ^c . . .	12.6	10.7	10.2	7.6	9.1	9.9
Coffee . . .	340.3	354.2	367.3	365.0	356.1	403.5
<i>Guatemala</i>						
Ginned cotton . . .	56.3	69.5	81.2	87.4	73.6	87.2
Green coffee . . .	120.2	98.6	115.8	128.8	101.2	120.6
Bananas . . .	143.0	211.0	146.0	96.0	118.0	133.7
<i>El Salvador</i>						
Ginned cotton . . .	72.4	75.1	81.7	52.3	38.9	34.5
Green coffee . . .	106.8	133.4	134.4	109.2	123.0	135.3
<i>Honduras</i>						
Ginned cotton . . .	4.8	7.1	11.3	10.9	10.1	9.2
Green coffee . . .	27.6	29.3	35.7	34.1	27.2	31.3
Bananas and plantains	921.0	801.1	831.2	1,089.7	1,276.0	1,340.0
<i>Nicaragua</i>						
Ginned cotton . . .	72.1	93.1	123.8	110.3	114.5	121.5
Green coffee . . .	27.6	29.4	31.4	32.2	32.4	38.9
<i>Costa Rica</i>						
Ginned cotton . . .	1.5	1.7	3.2	4.8	5.1	7.4
Green coffee . . .	58.1	63.5	50.0	60.7	72.3	77.4
Bananas . . .	420.8	389.2	433.0	467.9	517.3	563.8

SOURCE: ECLA, on the basis of official statistics and direct research.

^a Provisional figures.

^b Estimates.

^c Costa Rica only.

countries in the area. This decline was in general due to adverse weather conditions (see table 114).

The production of maize went up in the remaining countries; in Nicaragua, however, the increase was so slight that the supply per inhabitant declined. In Costa Rica, on the other hand, the increase was almost 7 per cent and total production approached 88,000 tons, despite the fact that maize had been imported for fear of a bad harvest.

In view of the large quantities of rice imported into all the Central American countries, these countries are trying to introduce changes into this cultivation and organizational techniques in order to step up their own production. Conditions are favourable in the area for this crop and Central America could occupy an important place as an exporter to other Latin American countries. With the improvement of farming practices, including more extensive irrigation, the use of improved seeds and the shifting of the crop to more suitable areas, domestic supply has

increased by about 60 per cent in the last five years. In the crop year 1967/68 it is estimated that the harvest will amount to 171,000 tons, which is 16 per cent more than in the previous year, despite the fact that the area under cultivation has been reduced.

Thanks to the normal pattern of rainfall during the sowing season, the production of beans amounted to 195,000 tons for the whole area in 1967/68, which was 8 per cent more than in the previous year. The increase in production was spread equally over the five countries, although some of them had to import a certain amount in order to meet domestic demand.

It is also expected that the sugar crop will be 8 per cent larger in 1967/68 than in the previous year. Only in El Salvador did production decline, and in Nicaragua it remained at the same level. In the other countries there were sizable increases—20 per cent in Honduras, for example.

In livestock production in the area there was a

Table 114. Central America: crop production for home consumption, 1962/63–1967/68

(Thousands of tons)

	1962/63	1963/64	1964/65	1965/66	1966/67 ^a	1967/68 ^b
<i>Central America</i>						
Husked rice . . .	104.7	109.3	122.4	129.3	147.8	171.2
Sugar-cane . . .	4,698.9	4,922.5	4,945.9	5,548.2	6,064.3	6,357.1
Beans . . .	138.8	146.8	157.4	164.8	180.1	195.5
Maize . . .	1,253.3	1,302.3	1,435.6	1,473.2	1,563.0	1,424.6
<i>Guatemala</i>						
Husked rice . . .	10.0	10.3	11.3	10.7	11.7	13.0
Sugar-cane . . .	1,323.8	1,462.0	1,395.0	1,532.0	1,568.0	1,700.0
Beans . . .	35.3	36.1	41.5	40.1	50.6	54.0
Maize . . .	559.3	588.3	664.8	678.2	696.4	644.0
<i>El Salvador</i>						
Husked rice . . .	16.7	13.4	21.5	22.7	32.8	40.9
Sugar-cane . . .	567.3	642.5	655.4	1,052.6	1,189.6	1,171.4
Beans . . .	18.4	14.5	12.4	16.5	15.5	20.0
Maize . . .	212.9	207.1	191.6	203.0	265.9	196.0
<i>Honduras</i>						
Husked rice . . .	14.6	14.1	14.4	14.7	15.0	17.0
Sugar-cane . . .	623.0	661.0	677.7	696.7	718.2	825.9
Beans . . .	40.0	44.0	50.4	49.2	51.0	54.0
Maize . . .	299.0	301.7	351.5	356.0	347.8	319.2
<i>Nicaragua</i>						
Husked rice . . .	23.1	29.1	30.2	33.4	37.4	42.5
Sugar-cane . . .	1,099.0	1,013.0	1,020.0	766.0	1,021.0	1,032.0
Beans . . .	28.9	32.2	36.1	39.1	42.0	44.7
Maize . . .	125.3	142.4	158.1	158.7	176.0	177.9
<i>Costa Rica</i>						
Husked rice . . .	40.3	42.4	45.0	47.8	50.9	57.8
Sugar-cane . . .	1,085.8	1,144.0	1,197.8	1,500.9	1,567.5	1,627.8
Beans . . .	16.2	20.0	17.0	19.9	21.0	22.8
Maize . . .	56.8	62.8	69.6	77.3	81.9	87.5

SOURCE: ECLA, on the basis of official statistics and direct research.

^a Provisional figures.

^b Estimates.

high rate of slaughter during the three-year period 1963/64–1965/66. Exports of cattle on the hoof have been largely replaced by sales of meat, which became widespread throughout the area at the end of the nineteen-fifties and amounted to about 34,000 tons for the area as a whole in 1967. The expansion in the last three years seems to have been due both to better export prices and to the proximity of the United States market and the use of modern methods of transport.

5. INDUSTRIAL PRODUCTION

In 1967, as in the previous few years, industry was one of the most dynamic sectors, with a growth rate higher than that of the aggregate product. The increase in production was more than 11 per cent in Costa Rica, about 9 per cent in El Salvador and Honduras, and 6 per cent in Guatemala and Nicaragua.

In general, the sector continued to expand on the basis of projects designed to cater for the Central American market, although there are exceptions. For example, in 1967 Costa Rica exported manufactures—excluding sugar—to a value of 46.5 million dollars (28 per cent more than in 1966); although these exports were mainly to the Central American Common Market, fertilizers were exported to Mexico, electrical appliances to Venezuela and Colombia, and canned fruits and certain made-up textile goods to the United States. Moreover, in the two-year period 1966–67, 189 million colones were invested in sixty-five projects, which included a petroleum refinery and plants for the manufacture of tires and inner tubes, textiles, electrical apparatus and appliances, wheat-milling equipment and wood products.

In El Salvador further efforts were made to

diversify industrial production, with the result that in 1967 the relative share of the traditional branches was reduced from 78.5 to 70.5 per cent. Credit assistance from the Salvadorian Industrial Development Institute played an important role in this effort to diversify.

In Guatemala new plants went into operation or existing ones were expanded for the manufacture of glass containers, canned fruits, textiles, tubes and shapes; this process of expansion is closely related with exports of manufactures to the Central American Common Market.

In Honduras the traditional branches of industry continue to play a dominant role. Nevertheless, in 1967 there were forty industrial projects under way, to a value of 15.4 million lempiras, and fifteen of these projects were completed (including a petroleum refinery and plants for the manufacture of plywood, metal containers, banana *purée*, starches, alcohol and paper bags). Exports of industrial goods amounted to 49.5 million lempiras.

In Nicaragua the greatest gains in 1967 were made in vegetable oils and sugar, while soluble coffee and cotton textiles lost ground. With regard to new investments, in the last quarter of 1967 plants for the manufacture of caustic soda and chlorine and toxaphene (chlorine insecticides) went into operation. Projects in the process of execution include a powdered-milk and a cotton-fabrics plant and a sawmill.

Colombia

1. MAJOR SECTORS OF PRODUCTION

The growth pattern of the Colombian economy during 1967 was characterized by the reduction

Table 115. Colombia: aggregate supply and demand, 1960 and 1965–67

	Quantum (Millions of pesos at 1960 prices)				Annual growth rates		
	1960	1965	1966	1967 ^a	1960–65	1966	1967 ^a
<i>Aggregate supply</i>	30,738	37,089	40,302	40,272	3.8	8.7	–0.1
Gross domestic product	26,418	32,907	34,650	36,040	4.5	5.3	4.0
Imports of goods and services	4,320	4,182	5,652	4,232	–0.6	35.2	–25.1
<i>Aggregate demand</i>	30,738	37,089	40,302	40,272	3.8	8.7	–0.1
Exports of goods and services	4,012 ^b	4,641	4,453	4,890	3.0	–4.1	9.8
Total investment	5,477	5,550	5,700	5,840	0.3	2.7	2.5
Gross fixed investment	4,762	4,974	5,200	5,440	0.9	4.5	4.6
Construction	2,697	2,985	2,950	3,140	2.0	–1.2	6.4
Machinery and equipment	2,065	1,989	2,250	2,300	–0.7	13.1	2.2
Changes in stocks	715	576	500	400	–4.2	–13.2	–2.0
Total consumption	21,249	26,898	30,149	29,542	4.8	12.1	–2.0
General government	1,659	2,160	2,260	2,340	5.4	4.6	3.5
Private	19,590	24,738	27,889	27,202	4.8	12.7	–2.5

SOURCE: ECLA, on the basis of data provided by the Banco de la República, Department of Economic Research, *Cuentas nacionales*.

^a Provisional figures.

^b ECLA estimates.

of foreign trade imbalances, the improvement of public finances and the control of inflationary pressures. These stabilization measures did not preclude a moderate increase in the domestic product, which rose by approximately 4 per cent.

Despite the relatively slow growth of domestic supply (see table 115) and, in particular, the decrease in imports, the rate at which prices rose was considerably reduced, falling to 7 per cent, which compared favourably with the 14 per cent of the previous year.

The determinants of the increase in the product were growth rates of 4.3 per cent in agriculture, about 6.5 per cent in construction and electricity, and only 4.3 per cent in manufacturing. Mining contracted and services in general increased at the same rate as the product (see table 116 and figure XV).

Table 116. Colombia: gross domestic product by sectors of economic activity, 1960-67
(Annual growth rates)

Sector	1960-65	1966	1967 ^a
Agriculture, forestry and fishing.	2.8	3.3	4.3
Crop farming	2.7	3.4	4.2
Stock farming			
Forestry	4.0	2.2	3.2
Hunting and fishing	19.3	-6.3	11.6
Mining and quarrying	4.0	-3.8	-1.7
Manufacturing	5.6	6.6	4.3
Construction	2.2	17.1	6.5
Electricity, gas and water	8.7	6.1	6.4
Services	5.5	6.1	3.9
Transport and communica-			
tions	5.4	6.3	2.2
Transport	4.5	5.6	2.0
Communications	11.1	9.8	3.4
Commerce and finance	5.4	6.9	3.1
Commerce	4.7	7.5	3.0
Finance	8.7	4.2	3.3
Ownership of dwellings	7.4	6.7	7.1
Public administration and			
defence	6.1	4.1	3.5
Other services	4.2	5.0	5.0
Over-all rate	4.4	5.3	4.0

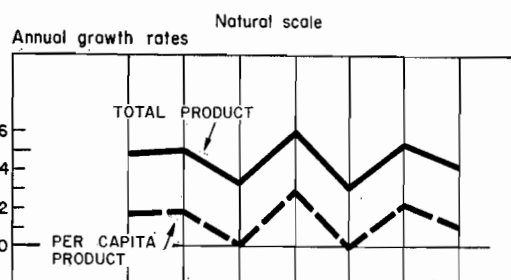
SOURCE: ECLA, on the basis of data supplied by the Banco de la República, Department of Economic Research, *Cuentas Nacionales*.

^a Provisional figures.

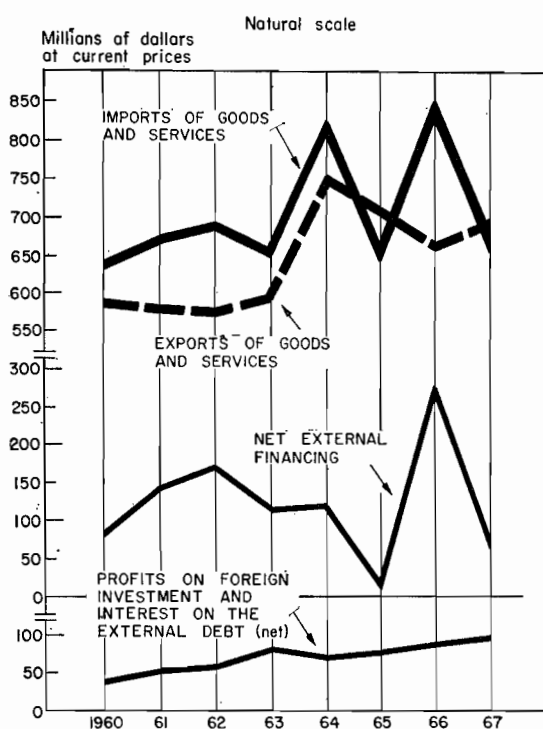
Although the crop farming situation was adversely affected by the damage to the coffee crop resulting from the exceptionally heavy rains at the end of 1966, the available indexes show very high rates of expansion for almost all other lines of production. For example, in the case of staple items in the consumption of the lower income groups—including maize, wheat, rice, sugar, etc.—harvests were satisfactory. The

Figure XV. Colombia: 1960-67

(a) RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT



(b) EVOLUTION OF THE EXTERNAL SECTOR



failure of cattle slaughtering and transport data to indicate any significant increase in livestock production is probably due to the application of a policy of enlarging herds and limiting supply until more favourable prices are obtainable. Generally speaking, the livestock sector seems to be passing through a phase that will result in expansion over the long term.

Weather conditions apart, the growth of the agricultural sector was fostered by a more liberal supply of credit. The amount granted increased by over 40 per cent, and better results were achieved inasmuch as a higher proportion was represented by supervised credit, provided mainly by such agencies as the Fund for

Agricultural Financing (Fondo Financiero Agrario), the Colombian Land Reform Institute (INCORA) and the Agricultural Bank (Caja Agraria). This improvement in credit facilities also largely accounts for the capital formation process that took place in the livestock sector. In addition, efforts were made to co-ordinate not only the activities of the various institutions operating in the agricultural sector but also development programmes for specific lines of production such as fruit and meat. In the case of fruit, steps were taken to expand processing plants and establish direct contact between processors and producers; in that of meat, slaughtering and refrigeration facilities were increased.

Trends in mining were unfavourable on the whole. Petroleum production declined by approximately 2 per cent, apparently because the foreign companies decided to mark time until the Government had mapped out its new line of policy, which subsequently took the shape of exchange incentives for the petroleum and mining sectors. There are some fairly important development projects afoot, and new investment has been placed in prospecting and development; it is reported that large reserves have been discovered near the Ecuadorian border. As regards other mining products, further headway was made in the mining survey on the basis of which a mining policy is to be drawn up.

In terms of floor space, less building was done in the first seven months of 1967 than during the corresponding period in 1966, but in the later months of the year a recovery took place in both public and private construction activities. Private

building gained impetus from the fact that adjustable bonds with a constant value, issued by the Banco Central Hipotecario, were purchased by the Social Security Institute and the funds thus mobilized were used for the construction of family and multi-family dwellings and for urban renewal projects.

Activities in the fields of transport and commerce expanded only by 2 and 3 per cent, respectively, as they were affected by the decline in imports. The growth of manufacturing was also handicapped by the contraction in imports of raw materials and inputs in general.

2. THE EXTERNAL SECTOR

Current income from exports of goods and services was higher than in the preceding year, although the 1964 and 1965 levels were not regained. The improvement is attributable to a considerable increase in the volume of coffee exports—which offset the continued downward trend of coffee prices—and to the favourable evolution of what may be termed secondary exports. Nevertheless, the effort to reduce the deficit on current account, which had been sizable in previous years, was reflected in a curtailment of imports, based on the exchange control régime brought into force in November 1966. This policy considerably eased the foreign exchange situation, since the export earnings surrendered to the Central Bank increased, and so did the inflow of capital—partly through the repatriation of deposits held by Colombians abroad—while short-term credit liabilities were reduced (see table 117 and figure XV).

Table 117. Colombia: balance of payments, 1960 and 1964-67
(Millions of dollars)

	1960	1964	1965	1966	1967 ^a
<i>Current account</i>					
Exports of goods and services	589	749	709	662	694
Imports of goods and services	-634	-819	-654	-853	-675
Net investment income	-40	-73	-79	-86	-95
Private transfer payments	—	5	4	—	4
Balance on current account	-85	-138	-20	-277	-72
<i>Capital account</i>	85	138	20	277	72
Movements of autonomous capital	45	254	-4	253	129
Net direct investment	3	66	10	40	
Net long-term loans	9	113	77	104	
Other movements of capital	28	66	-99	99	
Official transfer payments	5	9	8	10	
Errors and omissions	44	-133	67	-31	-57
Net movements of compensatory capital (increase—)	-4	17	-43	55	
Net balance-of-payments loans and trade arrears	-44	47	-23	46	-96
Net IMF position	-21	-12	-24	-2	34
Net international reserves	61	-18	4	11	5

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vol. 18.

^a Preliminary estimates.

3. ECONOMIC POLICY MEASURES

The exchange law promulgated in March 1967 established two types of markets—one for exchange certificates and one for capital—instead of the three that had previously existed. In the first of these, export earnings are exchanged for a certificate which is freely negotiable, although for the time being it can be endorsed only by authorized credit institutions. Transactions on the capital market relate to exports dispatched through free ports, invisibles, purchases of gold, external loans not assigned to the exchange-certificate market, and imports of capital. This machinery was envisaged as a means of solving the exchange problem without recourse to an abrupt devaluation, by gradually establishing a better balanced exchange rate. Thus it is hoped to prevent the flight of capital, encourage foreign investment and make efficient use of the foreign exchange available, through various mechanisms for which provision is made in the law, such as an export promotion fund and a special régime for petroleum.

Prior to the establishment of these two exchange markets, there had been a preferential, an intermediate and a free market. Rates of exchange had been 9 pesos to the dollar on the first of these and 13.50 on the second, and had fluctuated on the third. Although almost all imports paid for at the preferential rate had already been transferred to the intermediate rate in the course of 1966, severe pressure on this rate (13.50 pesos to the dollar) was accompanied by outflows of foreign exchange imputable to over-invoicing and free market purchases. As a result of the exchange law, rates of 13.50 and 16.25 pesos to the dollar were fixed for the exchange-certificate and capital markets, respectively. The first of these rates gradually rose in consequence of the free interplay of supply and demand, and a balance was thus struck between the internal and external value of the currency, without the need for a sweeping devaluation.

The exchange differential accruing from the purchase of coffee export earnings at an exchange rate lower than that in force for the sale of foreign exchange for imports was replaced by an *ad valorem* tax of 26 per cent on coffee sales, payable in dollars. The yield of this tax was used to cover external public debt payments and government liabilities. Steps were taken to recoup the inevitable loss entailed by the abolition of the exchange differential through the application of a tax of 1.5 per cent on the c.i.f. value of imports. Another important provision relating to the use of foreign exchange holdings stipulates that foreign exchange from

deposits made in foreign currency by residents in Colombia must be sold to the Banco de la República at the capital market rate, or invested in what are called Pro-Colombia dollar bonds, on which an annual rate of interest of 6 per cent will be payable and which will be redeemable by a system of gradual amortization and on a lottery basis. Both amortization and interest payments will be made in domestic currency at the exchange rate in force on the capital market at the time of payment.

The basic aim of fiscal and monetary policy was to promote the attainment of economic development targets. The tax reform—decreed with the primary aim of controlling evasion—helped to boost public revenue, which was 15 per cent higher than in the preceding year, to judge from the figures for January to September. Public expenditure increased at a similar rate, but there was a marked shift in favour of investment outlays; through the public investment plan, these were channelled mainly into the development of agriculture, mining and industry. Monetary expansion was kept within a 15 per cent limit; and new credits were directed towards the sectors with which economic policy was chiefly concerned. This accounts for the fact that a substantial proportion of the credit in question was allocated to agriculture.

Chile

The pattern of the Chilean economy in 1965 and 1966 changed in two ways in 1967. The growth of the product slowed down to about 3 per cent from 6 per cent in the previous two years (see table 118 and figure XVI), and the cost-of-living index rose by 21.9 per cent compared with 17 per cent the year before. Hence, social pressures increased and monetary controls were tightened up. In addition, stocks of industrial goods were fairly high at the beginning of 1967, owing to stockpiling during the two preceding years. In view of this and other

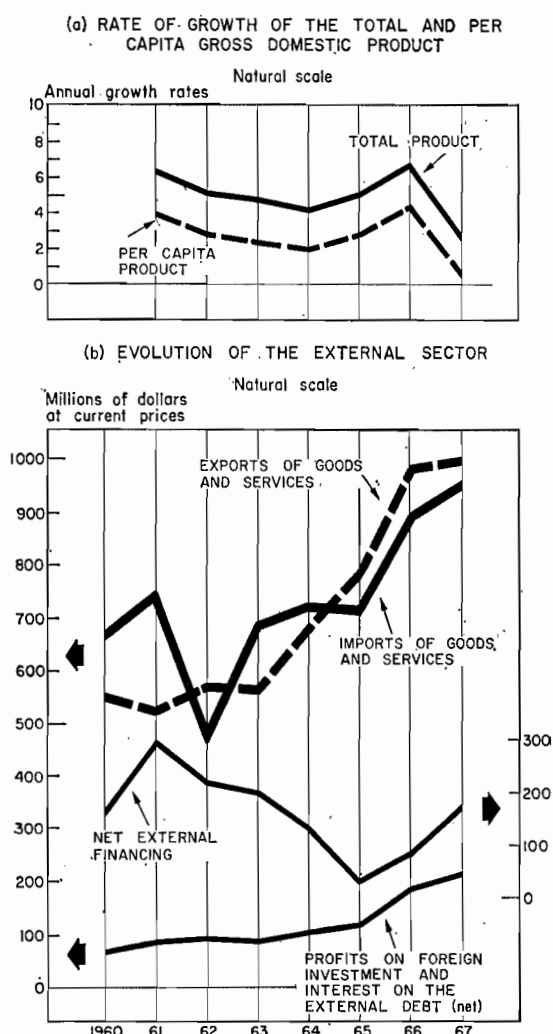
Table 118. Chile: annual growth rates of the total and per capita gross domestic product
(Percentages)

Period	Gross domestic product	Per capita product
1960-64	5.0	2.8
1964-67	4.8	2.5
1965	5.0	2.7
1966	6.6	4.3
1967 ^a	2.8	0.4

SOURCE: ECLA, on the basis of official statistics.

^a Preliminary estimates.

Figure XVI. Chile: 1960-67



factors, entrepreneurs opted for caution, and there was no increase in investment in machinery and equipment during the year except by the big copper-mining companies. Two other factors that played their part in the general economic deceleration were the slower rate of growth in agriculture due to poor harvests, and a similar decline in construction, which affected the industries supplying the building sector (see table 119).

Inflationary pressures were largely reflected in costs. The nominal wage index rose by 25.2 per cent between January and October, and the exchange rate climbed by 31.7 per cent over the year as a whole. However, the increase in demand, particularly for foodstuffs, was not matched by a similar increase in supply.

1. PRODUCTION AND EMPLOYMENT

It is estimated that agricultural production expanded by 3.1 per cent in 1967 (see table 120). Stock farming must take most of the credit, since adverse factors, mainly climatic, prevented crop production from increasing more than 2 per cent. There was a drop of 0.5 per cent in output of cereals, largely owing to a 3 per cent reduction in that of wheat, which accounts for 75 per cent of all grains. Sugar-beet production on the other hand, was up more than 45 per cent; and output of other industrial crops also increased.

Livestock production rose by 4.2 per cent. Its composition was radically changed by the government policy of restricting cattle slaughtering and fixing preferential prices for other types of meat, but the farmers, whose costs were reduced by the introduction of modern slaughtering methods in the abattoirs, did not suffer in any way. Thus, output of beef was kept at the same level as in 1966 in the hope of building up the herds, while pig, sheep and poultry production rose by 9.8, 6.1 and 12.4 per cent respectively. Milk and wool output also increased by 4.8 and 3.1 per cent.

Mining activities grew by only 1.5 per cent in 1967. The 3.5 per cent increase in copper and molybdenum output was offset by the stagnation in petroleum and iron production, combined with reductions of 20 per cent in nitrate and iodine output and of 8 per cent in coal mining. Large-scale copper mining expanded as little as 2.5 per cent, but small- and medium-scale mining did better, with an increase of about 7 per cent, and production of electrolytic copper expanded substantially when the Ventanas refinery went into operation in July.

It is estimated that industry expanded only about 2 per cent, because of less propitious conditions in general and some specific adverse factors. For instance, the slackening off was more pronounced in the industries producing raw materials and intermediate goods, because of weaker demand in the construction sector, earlier stockpiling and prolonged labour disputes. In this group, the output of the wood industry was 0.5 per cent less than in 1966 while that of non-metallic minerals (particularly cement), leather and rubber dropped by 6.1, 15.3 and 12 per cent respectively. The traditional consumer goods industries stepped up production by 4 per cent, despite an 18 per cent reduction in the manufacture of furniture and allied products. Lastly, the more dynamic industries that manufacture capital goods and durable consumer goods expanded by only 1.9 per cent, as a result of the decline in the output of electrical machinery and appliances and

Table 119. Chile: aggregate supply and demand

	Millions of escudos at 1960 prices				Annual growth rates		
	1960	1965	1966	1967 ^a	1960-65	1966	1967
Aggregate supply	4,857	6,050	6,563	6,794	4.5	8.5	3.5
Gross domestic product	4,160	5,313	5,663	5,820	5.0	6.6	2.8
Imports of goods and services ^b	697	737	900	974	1.1	22.1	8.2
Aggregate demand	4,857	6,050	6,563	6,794	4.5	8.5	3.5
Exports of goods and services ^b	574	730	763	776	4.9	4.5	1.7
Total investment	722	980	1,033	1,020	6.3	5.4	-1.3
Gross fixed investment	641	856	903	936	5.9	5.5	3.7
Construction	377	511	499	490	6.3	-2.3	-1.8
Machinery and equipment	264	345	404	446	5.5	17.1	10.4
Changes in stocks	81	124	130	84	8.9	4.8	-35.4
Total consumption ^c	3,561	4,340	4,767	4,998	4.0	9.8	4.8
General government	447	538	581	610	3.8	8.0	5.0
Private ^c	3,114	3,802	4,186	4,388	4.1	10.1	4.8

SOURCES: ECLA, on the basis of official statistics from the Office of the President of the Republic, National Planning Office, *Cuentas nacionales de Chile, 1960-1966*, August 1967; International Monetary Fund, *Balance of Payments Yearbook*, vols. 17, 18 and 19.

^a Preliminary ECLA estimates based on national indicators.
^b 1960 values, extrapolated by import and export series in constant 1960 prices and calculated by ECLA on the basis of official statistics.

^c Series obtained residually.

Table 120. Chile: annual growth rates of gross domestic product by sectors of economic activity, 1960-67
(Percentages)

Sector	1960-64	1964-67	1965	1966	1967 ^a
Agriculture, forestry and fishing	3.0	2.7	-2.3	7.6	3.1
Mining and quarrying	6.3	3.4	0.1	8.9	1.5
Manufacturing	7.6	5.3	6.4	7.5	2.0
Construction	8.5	-1.6	1.5	-4.2	-2.0
Electricity, gas and water	8.0	5.5	8.2	4.5	3.9
Transport and communications	13.9	5.3	13.9	3.9	-1.2
Commerce and finance	2.6	7.9	7.3	10.8	5.5
Commerce	3.3	7.5	6.4	10.7	5.5
Finance	-2.4	10.7	14.9	11.9	5.5
Ownership of dwellings	1.8	4.2	2.9	4.2	5.5
Public administration and defence	2.2	5.0	5.3	5.1	4.5
Other services	3.1	4.7	7.8	0.9	5.5
TOTAL	5.0	4.8	5.0	6.6	2.8

SOURCES: ECLA, on the basis of data from National Planning Office, *Cuentas nacionales de Chile, 1960-1966* (August 1967).

^a Preliminary ECLA estimates.

building materials, counterbalanced by a sharp upswing in the output of consumer durables.

There was a slight decline of about 2 per cent in construction. Housing was the branch most affected, since, notwithstanding the increase in the number of houses built by the Housing Corporation (CORVI) that were begun in 1967, CORVI's budget in real terms was lower than in the previous year. In the private sector, the recovery of contracting activities will not be reflected in the volume of building until 1968. During the first half of 1967 there was more activity in other types of construction than in the first half of 1966, but it slackened off in the third quarter of the year, largely, it seems, because of

a cut in payments by the government agency concerned. Engineering works also fell below their 1966 level (by 6.6 per cent), but in the last quarter there was an increase in the payments made by the different agencies in charge of the projects, and the rise in prices had less impact in this branch than was anticipated. Accordingly, it is estimated to have expanded 1.3 per cent over the year.

Generation of electric energy was stepped up nearly 4 per cent. Residential consumption accounted for the bulk of the increase, followed by business, while industrial consumption, including that of units generating their own power, rose barely 1.7 per cent between January and

August. The data available indicate that transport as a whole declined by 1.2 per cent during the year. The downward trend persisted in rail transport, where there was a 10.3 per cent reduction in ton/kilometres and of 2.6 per cent in passenger/kilometres. Road transport remained at the same level as in 1966, while air transport made considerable headway.

Total employment, which had risen by 54,800 between July–October 1966 and November 1966–February 1967, dropped by 12,000 between the latter period and March–June 1967. Even so, the unemployment rate declined from 5 to 4.6 per cent during the same period because fewer persons in the 12 to 19 age groups were joining the labour force, either because they were staying longer at school in the first instance, or because they were re-entering the educational system.

2. THE EXTERNAL SECTOR

As the country's net reserves had been strengthened by the addition of 53 million dollars in 1965 and 24 million in 1966, nearly 60 million dollars were withdrawn in 1967 to offset the increase in the deficit on current account and the reduction in the inflow of loan capital and in Central Bank liabilities.

Exports on current account (see table 121 and figure XVI) made less progress than formerly, whereas imports and net remittances abroad maintained the same high levels.

The rise in the value of copper exports was

largely attributable to higher prices. Although demand was less buoyant in the United States and Europe, the strike in the United States copper industry since July 1967 has more than offset the slackening in external demand. The average price of copper sold by the major companies operating in Chile rose to 48.2 dollar cents per pound in 1967 from 46.7 cents in 1966.⁵ The price obtained by the small and medium-sized companies was lower than in 1966, however, in view of the adverse trend of market prices since July.

Other mining exports dropped by 6.1 per cent. The value of iron sales in particular was cut by the fall in prices and the reduction in the amount exported by the small and medium-sized mining companies. Nitrate production also decreased.

Industrial exports, which totalled 80.1 million dollars, fell by 28 per cent, owing to reductions in fish meal and processed copper sales. During the first nine months of 1967, *anchoveta* shipments were nearly 50 per cent less than they had been during the same period in 1966, and fish meal prices fell. The drop in sales of semi-processed copper was partly due to the fact that exporters were no longer able, as in 1965 and 1966, to take advantage of the difference between prices on the United States and London

⁵ Including some sales at United States domestic market prices.

Table 121. Chile: balance of payments, 1960 and 1964–67
(Millions of dollars)

	1960	1964	1965	1966	1967 ^a
<i>Current account</i>					
Exports of goods and services	551	682	787	988	1,000
Imports of goods and services	—663	—722	—718	—891	—956
Net investment income	—65	—106	—118	—185	—215
Profits	—46	—67	—52	—111	—138
Interest	—19	—39	—66	—74	—77
Net private transfer payments	13	8	10	5	5
Balance on current account	—164	—138	—39	—83	—166
<i>Capital account</i>	164	138	39	83	166
Net autonomous movements of capital	74	117	45	136	172
Net direct investment	29	—8	—6	—30	49
Net long-term loans	9	171	101	149	90
Other net movements of capital	2	—48	—49	5	33
Net official transfer payments	34	2	—1	12	...
Errors and omissions	45	15	33	22	—33
Net compensatory movements of capital (increase—)	45	6	—39	—75	27
Net balance-of-payments loans and deferred import payments	15	14	15	—36	—17
Net IMF position	—12	10	—1	—15	—15
Net international reserves	42	—18	—53	—24	59

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vols. 17 and 18.

^a Estimated by the Banco Central de Chile.

markets, where this type of copper is in demand. Exports of other items obtained good results, especially newsprint and paperboard, the expansion programme for which is well under way. Although agricultural commodities carry little weight, it is worth mentioning that exports of onions and seaweed rose from 0.9 and 1 million dollars respectively in 1966 to 1.9 and 3.5 million in 1967.

Imports of capital goods and spare parts rose by 28.3 per cent in 1967, principally because of the expansions undertaken by the large copper-mining companies, and other projects, including one for the transport sector. Then, too, the stagnation in petroleum production made it necessary to import 12.3 per cent more crude and fuel oil. Smaller amounts of raw materials were bought for industry, partly because of the slowdown in 1967 and the high level of imports in 1966, when substantial quantities of chemical products and iron and steel were imported owing to production problems in the *Compañía de Acero del Pacífico*. Imports of consumer goods maintained the same high level as in 1966.

The balance of payments recorded a heavier deficit on current account because of the increase in remittances abroad, under the head of interest payments and in particular of profits on foreign investment, which in all amounted to 215 million dollars as against 185 million in 1966. This was because profits rose as a result of higher copper prices, and because of the reduction in the average tax rate for the big copper-mining companies (from 70 to about 65 per cent). This reduction is partly explained by the fact that, under the terms of the copper agreements, the State cannot share in the companies' profits until it has made a capital contribution.

In the capital account, the smaller inflow of long-term loans was not offset by the increase in net direct investment on the part of the big copper companies. In the public sector, this decline was essentially due to a reduction in drawings on the credits provided by the Agency for International Development under the head of programme loans. Credit utilization also slowed down in the private sector.

3. ECONOMIC POLICY OBJECTIVES

In general, economic policy has pursued two main aims: the first, for the medium-term, is to slow down the rise in prices, maintain a high rate of economic growth and progressively redistribute income. The second, or long-term aim, is to make structural changes in the economy and social organization of the country, such as

expanding education, increasing exports and carrying through land reform.

Some headway was made in pursuing the medium-term objectives in 1965 and 1966, thanks to the satisfactory situation of the external sector. Imports expanded to a marked extent, and sufficient resources were available to develop public activities considerably. The gap between supply and demand was also narrowed, and this undoubtedly contributed to the success of the anti-inflationary policy of 1965 and 1966. In addition, the increase in internal taxes, particularly of the direct kind, helped to finance public expenditure.

It is therefore understandable that greater difficulties should have been encountered in trying to pursue these aims in 1967, since the external sector took a less favourable turn.

As regards the longer-term objectives, further progress was made on the basis of earlier achievements. Real expenditure on education rose 66 per cent between 1964 and 1967, and during the same period State aid to the universities was raised from 204 million to 338 million escudos (at 1964 prices). An impetus was given to investment in large-scale copper mining, which will no doubt begin to yield returns in 1969, and exports of paper and paperboard were expanded. The Land Reform Act was passed, and by the end of 1967, 1,250,000 hectares had been expropriated and 8,350 families settled on their own land.

The country's efforts to promote the economic integration of Latin America were concentrated at the sub-regional level; the measures taken include the establishment by the Andean Group of the Andean Development Corporation.

Ecuador

The reactivation of the external sector and the expansion of public-sector activities were salient features of Ecuador's economic development in 1967. Through the operation of these and other factors, the domestic product increased by approximately 6 per cent. The progress made in the preceding year was thus improved upon and the slow growth rate recorded in 1960-65 was outstripped (see table 122 and figure XVII).

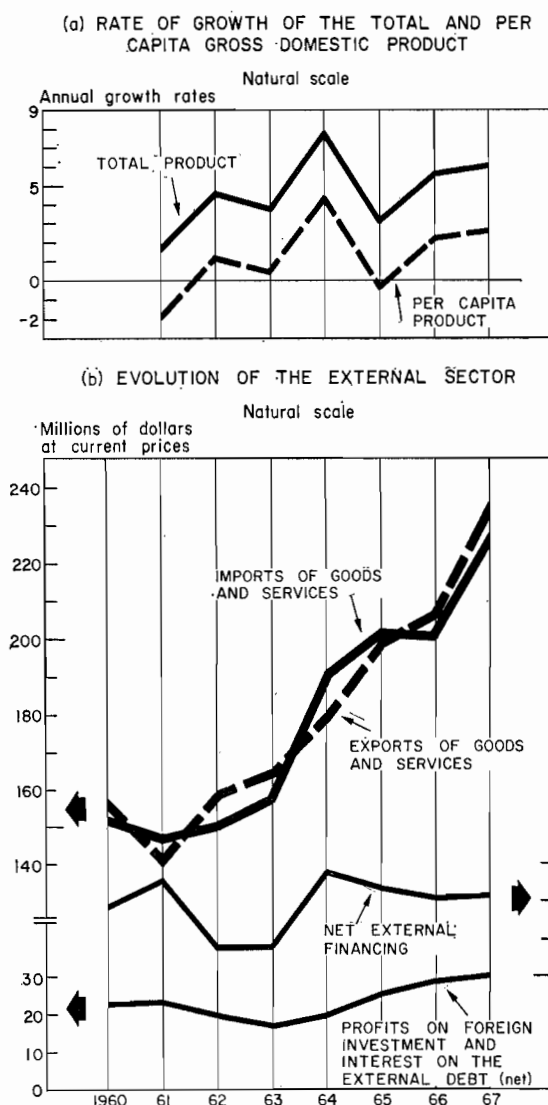
Generally speaking, the easier circumstances attending the development of the private sector, readier access to supplies of imported goods, and the incentives deriving from public sector activities—public investment increased by 14 per cent—facilitated the expansion of the various sectors of production, promoted the growth of investment and helped to control inflationary

Table 122. Ecuador: evolution of gross domestic product, 1960-67
(Sucre at 1960 market prices)

Year	Gross domestic product (millions of sucres)	Per capita gross domestic product (sucres)	Growth rates	
			Total	Per capita
1960	14,140	3,249	—	—
1961	14,357	3,190	1.5	-1.8
1962	15,008	3,224	4.5	1.1
1963	15,597	3,239	3.9	0.5
1964	16,809	3,376	7.8	4.2
1965	17,366	3,372	3.3	-0.1
1966	18,340	3,444	5.6	2.1
1967	19,440	3,531	6.0	2.5

SOURCES: Up to 1966: Banco Central del Ecuador; for 1967: provisional ECLA estimates.

Figure XVII. Ecuador: 1960-67



pressures (the cost of living rose by 4 per cent) (see table 123).

1. TRENDS IN THE SECTORS OF PRODUCTION

After a period of virtual stagnation, agriculture showed significant production increments, since the exceptional 11 per cent increase recorded in 1966 was followed by another of 4.5 per cent in 1967. In the latter year, the main improvements were achieved in respect of coffee, maize, sugar, wheat, cotton and—to a lesser extent—bananas; production of rice and cocoa, on the other hand, declined, while output of beef increased slightly. Bank credit for agriculture was substantially expanded, whereas there was a decrease in public expenditure, especially in outlays on land reform programmes and various research projects, which had reached distinctly high levels in 1964 and 1965.

The industrial sector, which had attained growth rates of more than 6.5 per cent in 1960-65, regained similar momentum in 1967, after the recession of 1966. This favourable trend reflects the impact of the industrial promotion policy which the authorities have been applying for several years past, and the contribution made by credit operations through specialized institutions, partly on the basis of more intensive use of external financing. These resources were channelled mainly into the food-processing, textile, chemical and metal-working industries.

There was also a revival of activity in mining and energy production in comparison with the preceding year. In the case of the energy sector, an outstanding event in 1967 was the start made on the development of large oilfields in the north-eastern region.

The rate of expansion of construction activities—9.5 per cent—exceeded that of the over-all product, but was lower than in the previous three years (see table 124).

2. EXTERNAL SECTOR TRENDS

In 1966, exports of goods and services had expanded by barely 2 per cent (in terms of current values), and imports had undergone a slight contraction, owing to the relative stagnation of external purchasing power and to the restrictions applied with a view to stabilizing the balance of payments. The year 1967 witnessed an increase in sales of Ecuador's three staple export products—coffee, cocoa and bananas—which continued to account for more than four-fifths of total exports, and in non-traditional export lines that have been gradually developed in recent years, although their contribution is still a small one. As a result, current income from exports of goods and services rose from less than 205 million

Table 123. Ecuador: composition and growth rates of gross domestic product by type of expenditure, 1964-67

Type of expenditure	Percentage composition				Annual growth rates		
	1964	1965 ^a	1966	1967	1965	1966	1967
Total gross domestic product	100.0	100.0	100.0	100.0	3.3	5.6	6.0
Fixed investment	12.0	11.9	12.4 ^a	12.7	2.4	9.5	8.4
Public	4.5	4.3	4.4 ^a	4.7	-2.8	8.3	13.8
Private	7.5	7.6	8.0 ^a	8.0	5.5	10.2	5.4
Total consumption ^b	88.3	88.7	87.0	87.0	3.8	3.6	6.0
Public	13.3	13.6	13.0	13.1	5.7	0.6	7.0
Private ^b	75.0	75.1	74.0	73.9	3.4	4.1	5.8
Exports of goods and services	17.9	17.7	17.7	18.5	1.8	6.0	10.9
Imports of goods and services	18.3	18.3	17.1	18.2	3.3	-1.5	12.9

SOURCES: Up to 1966: *Memoria del Banco Central del Ecuador*, 1965 and 1966; for 1967: provisional ECLA estimates based on national indicators.

^a Provisional figures.

^b Including changes in stocks.

Table 124. Ecuador: growth rates of gross domestic product by sectors of economic activity, 1965-67^a

Sector	Annual growth rates		
	1965	1966	1967
Agriculture	1.0	6.0	4.5
Mining	1.8	—	2.0
Manufacturing	4.5	0.7	6.5
Construction	10.8	12.0	9.5
Electricity, gas and water	10.4	4.3	7.4
Transport and communications	1.8	—	6.8
Basic goods and services	2.8	4.3	5.5
Commerce and finance	8.5	-1.7	6.8
Housing	3.4	10.0	6.8
Government	7.1	10.0	6.8
Other services	2.5	10.0	6.8
Services other than basic services	5.8	5.4	6.8
Gross domestic product at factor cost	3.9	4.7	6.0

SOURCES: Up to 1966: data from the *Memorias del Banco Central del Ecuador*; for 1967: provisional ECLA estimates based on national indicators.

dollars to over 230 million. Encouraged by a relaxation of the restrictive policy pursued in the preceding year, and, in general, by the brisker tempo of economic activity, imports increased on a similar scale. These variations caused a balance-of-payments deficit on current account; movements of capital, however, not only wiped this out but in addition once again augmented Ecuador's foreign exchange reserves (see table 125 and figure XVII).

If the staple products are considered one by one, it will be seen that the higher figures for banana sales were due both to the larger volumes exported and to the better prices obtained in Europe. In the case of coffee, the improvement was attributable partly to an authorization for the sale of 75,000 bags granted as an exception by the Council of the International Coffee Organization (ICO), and partly to agreements

Table 125. Ecuador: balance of payments, 1964-67
(Millions of dollars at current prices)

Sector	1964	1965	1966	1967 ^a
Current account	-27.8	-23.5	-20.7	-21.2
Exports of goods and services	179.0	200.2	204.8	231.5
Goods, f.o.b.	161.4	180.3	186.9	210.0
Services	17.6	19.9	17.9	21.5
Imports of goods and services	-189.5	-201.0	-200.4	-226.2
Goods, f.o.b.	-140.0	-155.2	-152.7	-170.0
Services	-49.5	-45.8	-47.7	-56.2
Net foreign investment income	-19.3	-25.0	-28.5	-30.0
Net private transfer payments	2.0	2.3	3.4	3.5
Capital account	27.8	23.5	20.7	21.2
Net non-compensatory capital	28.7	18.4	32.1	29.2
Net direct investment	10.2	7.2	8.0	
Net long-term loans	5.9	13.4	19.4	
Other net movements	12.6	-2.2	4.7	
Net errors and omissions	3.8	-7.2	—	
Balance-of-payments position before compensatory financing	-4.7	12.3	-11.4	-8.0

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vol. 18.

^a Provisional ECLA estimates.

signed with non-ICO countries. A rise in world prices was responsible for the increase in the value of cocoa exports.

Despite the favourable results achieved in 1967, some concern is felt on account of the ground lost by bananas in the United States market, notwithstanding the market's continual expansion. Recently, this relative decline has been offset by the growth of exports to the members of the European Economic Community (see table 126), but there, too, there is a

agreements were signed in 1967 between Ecuador and countries with centrally planned economies.

3. THE PUBLIC SECTOR

The primary objective of fiscal policy in 1966 had been to stabilize the current financial position of the public sector, to which end steps had been taken to cut back spending and, by means of surcharges on imports and greater use of external financing, to obtain additional income. It is estimated that in 1967 the public sector deficit was much the same in absolute terms as in the preceding year, but in relation to higher levels of expenditure; current expenditure expanded by about 7 per cent, while capital outlays rose by nearly 14 per cent. Revenue increased by 10 per cent, as a result of the expansion of the external sector, more efficient fiscal administration and the yield obtained from new taxes.

Guyana

In 1967 the economy of Guyana grew at a moderate pace, which in some degree reflected the end of the process of recovery that had taken place in the two preceding years. In fact, the severe economic recession in 1963, which was caused by serious internal disruptions, was followed by a period in which the gross product increased by about 9 per cent annually at current prices, i.e., a little more than 6 per cent in per capita terms (see table 127 and figure XVIII).

Table 126. Ecuador: volume of banana exports by areas of destination, 1960-66
(Percentages of total exported)

Area of destination	1960-64	1965	1966
United States	62.7	50.3	41.7
Europe	26.2	43.0	46.1
Asia	7.1	2.5	5.9
Latin America	4.0	4.0	5.7
Others	—	2.4	0.6

SOURCE: *Memoria del Banco Central del Ecuador*, 1965 and 1966.

risk of restrictive measures being applied. In view of this situation, efforts are being made to make Ecuadorian bananas more competitive by introducing improved varieties (replacing Gross Michel by Cavendish) and by enlarging the banana fleet. Furthermore, as part of an attempt to broaden export markets, seven trade

Table 127. Guyana: composition and growth of gross product by sectors of economic activity, 1962-66
(At current prices)

Main sector	Percentage share					Annual growth rate		
	1962	1963	1964	1965	1966 ^a	1964	1965	1966 ^a
Agriculture ^b	22.1	24.0	21.3	20.8	19.0	-2.3	6.0	-0.6
Forestry and fishing	4.0	3.6	3.7	4.2	4.2	13.9	24.3	7.7
Mining and quarrying	16.2	13.0	17.6	16.4	18.0	49.4	0.9	19.4
Manufacturing ^b	11.6	14.5	12.2	13.0	11.8	-7.0	15.4	-0.2
Transport and communications . .	7.2	6.6	6.5	6.5	6.5	9.3	7.0	10.3
Construction	6.8	5.0	5.0	5.2	6.1	9.4	13.2	28.7
Commerce	12.0	12.2	13.0	12.0	12.0	16.0	0.8	9.4
Government	10.0	10.2	10.7	12.2	12.6	14.5	24.5	12.2
Other services	10.2	10.8	9.9	9.7	9.6	0.7	7.4	7.5
Gross domestic product	100.0	100.0	100.0	100.0	100.0	10.0	8.8	8.9

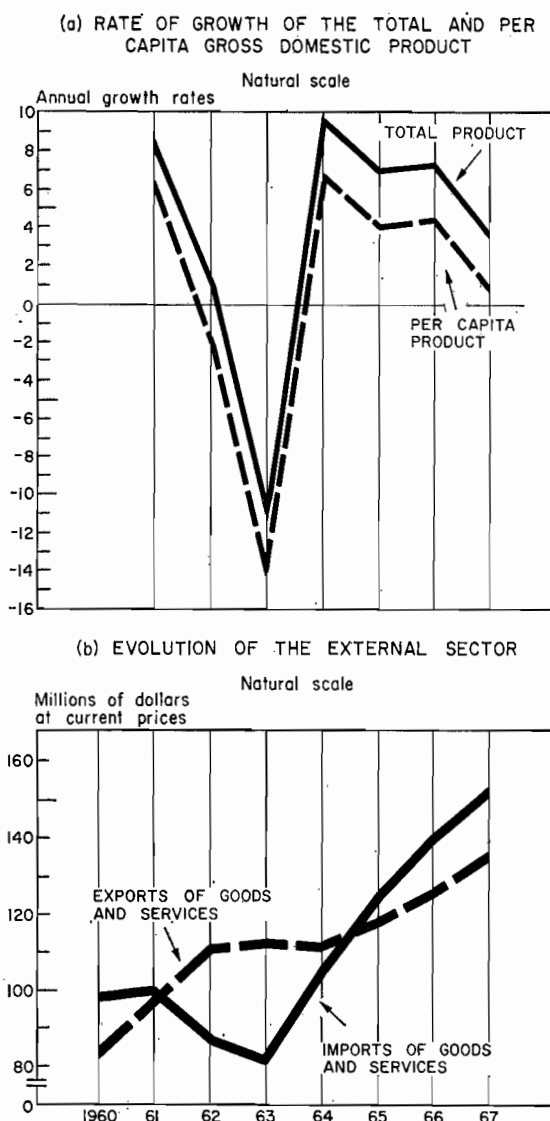
SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

^b Sugar-cane and unhulled rice are classified under agriculture, while processed sugar and rice are included in manufacturing. The percentage share of these commodities in the total gross product is as follows:

	Percentage share					Annual growth rates		
	1962	1963	1964	1965	1966	1964	1965	1966
Cane and sugar	17.0	22.6	14.7	14.5	12.5	-28.7	7.7	-6.1
Rice (unhulled and processed)	4.9	4.8	6.7	6.3	6.0	54.5	1.5	3.9

Figure XVIII. Guyana: 1960-67



Similarly, internal prices have risen slightly over 3 per cent annually in the last few years. In 1967, the decline in the growth rate of the production of some important minerals, and the adverse weather conditions that affected agriculture will probably have slowed down the rate of increase of the product.

The rapid growth of recent years was based on a large-scale programme of public works, which has given considerable impetus to the public sector and construction—both of which expanded by about 60 per cent in 1963-66—and on the impact of this programme on other economic activities. Moreover, the four primary products which account for about 80 per cent of Guyana's exports—bauxite, manganese, sugar and rice—attained peak production figures in 1965 and 1966.

Public expenditure, especially capital expenditure, which rose from 24 million Guyanese dollars in 1964 to 39 million in 1967, rose rapidly. However, the economic boom in the last few years produced sufficient resources to finance the extra expenditure without new or higher taxes. The current Development Programme includes public investment plans to an amount of 200 million Guyanese dollars in 1966-72.

Fixed capital formation increased by 33 per cent in 1964 and again in 1965, and in 1966 achieved a growth rate of 17.5 per cent. The investment coefficient thus rose from 14.5 to 23 per cent in the space of only three years (see table 128).

Another of the components of aggregate demand—private consumption—expanded by 11 per cent in both 1965 and 1966. The increment in 1964 was much larger because of the recovery of consumption from the low level to which it had sunk during the economic recession.

The upturn in bauxite production, which is one of the export staples, was another factor that

Table 128. Guyana: aggregate supply and demand, 1962-66
(Millions of Guyanese dollars at current prices)

	1962	1963	1964	1965	1966 ^a
Gross domestic product (at factor cost)	307.2	275.4	302.9	329.6	358.8
Total investment	55.6	50.9	53.6	76.5	91.2
Fixed	57.3	39.9	52.3	70.1	82.2
Changes in stocks	-1.7	11.0	0.8	6.4	9.0
Public consumption	38.6	36.6	46.6	55.5	64.0
Private consumption	202.2	161.9	223.8	249.3	273.1
Imports of goods and services	150.6	139.6	179.6	213.7	240.3
Exports of goods and services	190.4	194.0	192.1	203.7	216.4

SOURCE: ECLA, on the basis of official statistics.
^a Provisional figures.

made for the recent economic boom. In 1967, however, it is believed to have increased very little. Output of dried bauxite reached a peak of 1.6 million tons in 1966—28 per cent more than in 1965—but seems to have increased by only 1.5 per cent in 1967. Manganese production took much the same course, since the information available at mid-year shows that it was 5 per cent less than in the first half of 1966.

Agriculture has been virtually at a standstill since 1961. Nevertheless, such an important commodity as rice reached a record level in 1966, when its output was 20 per cent more than in the previous year, largely because of a special programme of aid for rice-growers. However, bad weather conditions are likely to have reduced production in 1967. Sugar output totalled 345,000 tons—nearly 20 per cent more than in 1966—as a result of the steady expansion of the cane-growing area and the efforts to improve yield.

External sector trends had a strong influence on the economy as a whole, since imports constitute about two-thirds of the gross product and exports a slightly smaller proportion. Imports climbed 70 per cent between 1963 and 1966, mainly because of exceptionally heavy purchases of capital goods. Exports did not follow suit: after declining in 1964, they lagged far behind imports in the next two years owing to the fall in sugar, rice and manganese prices, which cancelled out much of the increase in the volume exported (see figure XVIII).

The deepening of the gulf between imports and exports led to an increasingly heavy trade deficit, which reached 37 million Guyanese dollars by September 1967 (in September of the previous year it had been 16.6 million). However, the growing deficit on current account has been offset to a great extent by larger inflows of capital in the form of direct investment (some 20 million Guyanese dollars in each of the last few years) and official transfer payments amounting to 12 million Guyanese dollars.

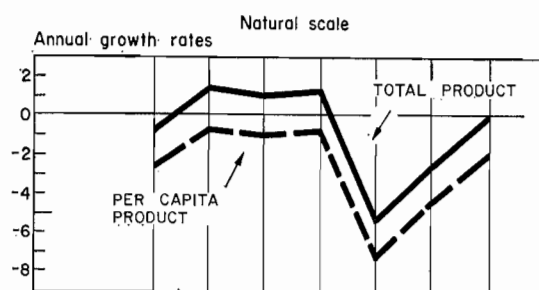
In November 1967 the Guyanese dollar was devalued on a par with sterling, and thus became equivalent to 0.50 United States dollars.

Haiti

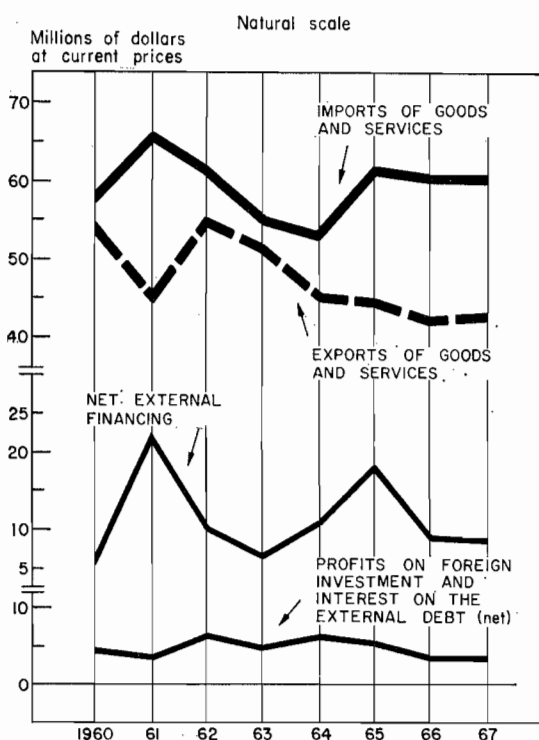
The Haitian economy, which had been following a downward trend that had already resulted in a reduction of the domestic product in real terms in 1965 and 1966, showed no particular signs of recovery in 1967, since it seems to have made virtually no progress in relation to the preceding year (see figure XIX). As a result, the present levels of the product are lower than those

Figure XIX. Haiti: 1960-67

(a) RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT



(b) EVOLUTION OF THE EXTERNAL SECTOR



recorded in 1962, even in terms of gourdes at current prices. The weakening of certain components of over-all demand—such as consumption, particularly in the private sector, and public investment—the stagnation of exports of goods and services, and the trend of imports were among the factors responsible for these results.

In general, the trends of the different economic sectors reflect this deterioration. No appreciable variations are observable in either the index of agricultural production, which contributes nearly 50 per cent of the over-all product, or the per capita food supply index. Output of sugar-cane and maize declined, while other branches of

production remained stationary, except for slight improvements in respect of coffee, sorghum, milk and butter. Mining production, which consists mainly of bauxite and copper, fell even further than in 1966. A contraction also took place in industry, with decreases in production of sugar, cotton, flour, edible oils, footwear, soap and carbonated beverages. The result was probably a decline in employment in industry, masked to some extent by the reduction in the number of hours worked. Owing to this situation, the utilization of various inputs and services fell off. For instance, electric energy production has dropped in the last two years, and production capacity, which was about 18,300 kW in 1966, has not expanded despite large-scale projects, such as the Péligre dam, which have not yet been put into operation.

The public sector continued to be harassed by the problem of how to control the operations of a number of subordinate agencies on the margin of the Government's sphere of action, especially the Régie du Tabac, which not only runs the tobacco monopoly but also levies taxes and finances certain activities. In 1967, government revenue dropped by about 4 per cent, and had fallen even more steeply in the previous year. Income derived, in the main, from taxes, which constituted 80 per cent of it. More than 90 per cent of this revenue came from indirect taxes, particularly on foreign trade transactions. Although measures have been taken to make the tax structure, and income tax in particular, more progressive, the critical state of the economy has made it impossible to achieve results. Public

expenditure, on the other hand—which is mainly on salaries and wages, including the remuneration of the defence and police forces—increased by approximately 15 per cent. These divergent trends resulted in a total deficit of about 19 million gourdes, exclusive of amortization payments and the depressive effects on public savings, which kept public investment at a low level.

The balance-of-payments deficit on the goods and services account was about the same as in the preceding year, since no very marked change took place under these heads (see table 129 and figure XIX). The market for Haiti's salient export items—coffee, sugar, sisal, minerals—was poor in general, and prices remained stationary at low levels. Imports also were static. The predominant items in the import structure were food and luxury goods, while capital goods accounted for less than 20 per cent. As regards income from private transfers, the negative balance on current account amounted to more than 8 million dollars in 1967—slightly less than in 1966—and as the inflow of capital did not suffice to finance the deficit, there was a further drain on international reserves. Use was also made of a compensatory loan from the International Monetary Fund to remedy the payments imbalance arising from the drop in the value of exports.

Jamaica

The Jamaican economy grew at a fairly rapid rate over the period 1964–66 with the gross

Table 129. Haiti: balance of payments, 1964–67
(Millions of dollars at current prices)

	1964	1965	1966	1967 ^a
<i>Current account</i>				
Balance on current account	-10.6	-17.8	-8.9	-8.6
Exports of goods and services	45.3	44.9	42.4	42.8
Goods, f.o.b..	38.0	37.8	34.6	35.0
Services	7.3	7.1	7.8	7.8
Imports of goods and services	53.3	62.2	60.5	60.4
Goods, f.o.b..	37.1	42.5	42.3	42.0
Services	16.2	19.7	18.2	18.4
Net foreign investment income	6.2	5.2	3.7	3.5
Net private transfer payments	3.6	4.7	12.9	12.5
<i>Capital account</i>				
Net external financing	10.6	17.8	8.8	8.6
Net non-compensatory capital	6.0	11.6	2.1	6.8
Net direct investment	2.8	1.0	1.0	
Net long-term loans	1.3	1.7	-0.3	
Other net movements	1.9	8.9	1.4	
Net errors and omissions	3.2	5.2	7.2	1.8
Compensatory movements (increase —)	1.4	1.0	-0.4	

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vol. 19.

^a Preliminary ECLA estimates.

Table 130. Jamaica: gross domestic product at factor cost, 1960 and 1964-67

Sector	Millions of Jamaica pounds at current prices					Annual growth rates			
	1960	1964	1965	1966 ^a	1967 ^b	1960-64	1965	1966	1967
Agriculture, forestry and fishing	26.0	34.2	34.5	37.4	37.5	7.5	0.9	8.4	0.2
Mining, quarrying and refining	20.8	25.8	29.0	30.8	32.5	5.5	12.4	6.2	5.5
Manufacturing	29.4	41.8	44.0	47.3	50.2	9.4	5.3	7.5	6.1
Construction	25.7	29.4	32.0	34.4	35.3	3.5	8.8	7.5	2.6
Government	13.3	20.6	22.2	24.3	25.4	11.6	7.8	9.5	4.5
Transport and communication	16.7	19.8	21.8	24.0	26.4	4.4	10.1	10.0	10.0
Distribution	38.9	40.9	43.6	46.0	48.2	1.2	6.6	5.5	4.8
Others ^b	44.6	61.2	69.1	73.7	78.6	8.1	12.9	6.7	6.6
Gross domestic product at factor cost	215.4	273.7	296.2	317.9	334.1	6.1	8.2	7.3	5.1

SOURCES: Department of Statistics, *National Income and Product of Jamaica, 1966*; for 1967: ECLA estimates.

^a Provisional figures.

^b Including electricity, gas and water, financial institutions ownership of dwellings and miscellaneous services.

domestic product at current market prices increasing at an average of almost 8 per cent per year (see table 130 and figure XX). The rate fell off to a little less than 6 per cent during 1967 owing to a levelling-off in the upsurge of economic activity, which began in 1963 under the spur of increased export earnings from booming sugar prices, large new investments in the mining sector, and the establishment of an oil refinery. With the drop in sugar prices in 1967, exports took a secondary role and the impetus to growth was provided by expanding investment, particularly in the bauxite and alumina industries.

1. MAIN PRODUCTION SECTORS

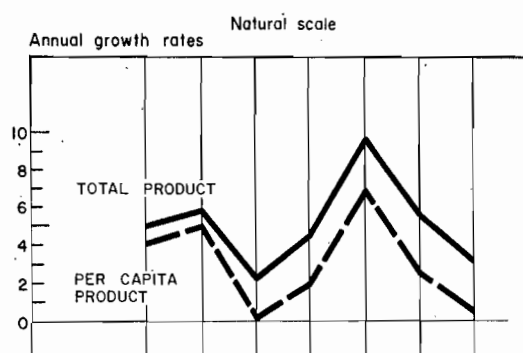
Agriculture is declining in relative importance, since its share of the gross domestic product fell steadily from 13.4 per cent in 1963, when export prices for sugar were extremely high, to an estimated 12.2 per cent in 1967. In 1966 and 1967, this sector's contribution remained almost constant at 37.5 million Jamaica pounds. The drought during 1967 was one of the main reasons for the lack of growth, but agriculture for export (sugar, bananas and citrus fruit) fared even worse than agriculture for the home market.

During 1963-66, the production of sugar-cane rose slowly at an average annual rate of about 3 per cent owing to a reduction in acreage under estate cultivation, lower prices, fluctuating yields, and slow mechanization of the industry, mainly to keep employment up, in the face of high production costs (see table 131). Output is estimated to have fallen from 500,000 tons in 1966 to 450,000 in 1967, and its value has also dropped because free-market prices continue to be low.

In 1964-66 production of bananas increased by an average of 12.5 per cent annually, mainly owing to more intensive disease control and

Figure XX. Jamaica: 1960-67

(a) RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT



(b) EVOLUTION OF THE EXTERNAL SECTOR

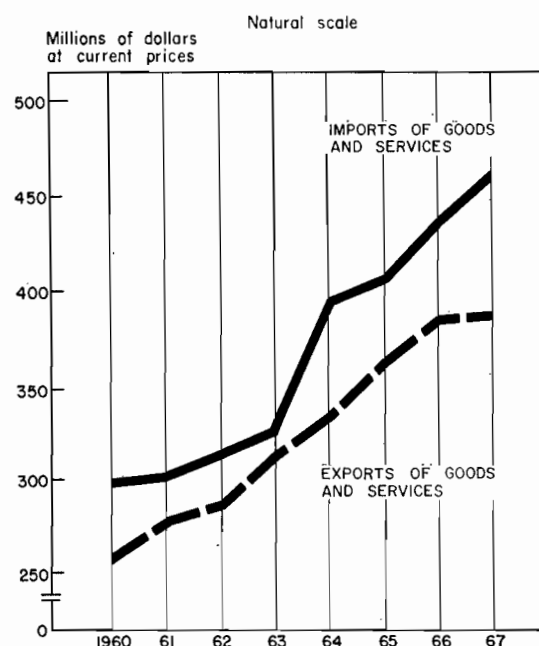


Table 131. Jamaica: production of selected agricultural commodities, 1963-66

Commodity	1963	1964	1965	1966 ^a
Milled sugar-cane ^b (thousands of tons) . . .	4,473	4,632	4,716	4,884
Bananas (thousands of tons) . . .	210	236	250	300
Citrus fruit (thousands of boxes) . . .	2,470	2,840	2,980	3,000
Copra (thousands of tons) . . .	15.1	16.3	17.2	16.6
Rice (thousands of tons) . . .	3.3	1.6	1.3	1.4
Maize (thousands of tons) . . .	3.4	4.0	3.0	5.0
Potatoes (thousands of tons) . . .	8.8	10.4	11.5	14.8
Beef (millions of pounds) . . .	29.3	30.8	41.0	32.0
Other meat (millions of pounds) . . .	22.1	22.5	23.1	23.3
Milk (millions of quarts) . . .	34.2	35.0	37.0	40.0

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.^b Crop year.

increased use of fertilizers since 1960. Output during 1967 was severely affected by the drought, and, up to November, is estimated to have been 178,000 tons. This is well below the figure for the same period in 1966.

The other export crops—citrus fruit, copra, coffee, cocoa, ginger and pimento—have grown relatively slowly since 1964.

Agricultural production for domestic consumption was considerably better than for export, and offset to some extent the reduced earnings in export agriculture. Apart from rice output, which has fallen steadily since 1963, most other crops have shown impressive increases. It appears that the policy of providing a guaranteed outlet for local produce and of restricting imports of certain agricultural commodities has had the effect of stimulating local production of foodstuffs. Domestic agriculture accounted for 34 per cent of the sector's contribution to the gross domestic product in 1966 as against 32.5 per cent in 1965, and this proportion is estimated to have risen further during 1967.

The most encouraging results in recent years have been obtained in potato production. Assisted by the Agricultural Marketing Corporation, which has arranged better credit facilities for farmers and provided improved marketing arrangements, potato production increased by an average of 19 per cent per annum during 1964-66. This trend is estimated to have continued during 1967, and potatoes may well become an important export in the near future.

Production of maize rose to 5,000 tons in 1966, and a sizable increase is estimated for 1967. Beef output, which had taken an upward trend in recent years, fell in 1966, but the preliminary indications are that 1967 was a good year. Milk production has also increased steadily since 1963, and continued to do so in 1967. The rest of domestic agriculture seems to have suffered from

the drought, but this has not significantly affected over-all performance.

The contribution of mining, quarrying and refining to the gross domestic product remained fairly steady between 9.4 and 9.8 per cent during the period 1960-66 and is estimated to have been 9.7 per cent in 1967. The rate of growth, which averaged 5.5 per cent during 1960-64, rose to 12.4 per cent in 1965, but thereafter fell to a more modest rate of just under 6 per cent. Growth during 1967 is estimated to have been 5.5 per cent. The bauxite and alumina industry accounts for about 95 per cent of value added in this sector. Since the industry is highly capital-intensive, it is a relatively small employer of labour but an important contributor to government revenue, fixed investment, and balance-of-payments receipts.

Bauxite is exported in unprocessed form by subsidiaries of three United States companies (Kaiser, Reynolds and Alcoa), which together account for about three-quarters of bauxite production. The Canadian company, ALCAN, converts its entire mining output into alumina, of which, up to now, it has been the sole exporter. Table 132 shows that output of bauxite grew at an average rate of nearly 8 per cent per annum between 1963 and 1966.

Production tapered off during 1966 and is

Table 132. Jamaica: bauxite and alumina production, 1963-67
(Thousands of tons)

Year	Bauxite	Alumina
1963	7,014	719
1964	7,936	757
1965	8,651	753
1966	9,061	805
1967 ^a	9,520	838

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

estimated to have had a growth rate of about 5 per cent during 1967. However, investment plans for the industry should result in a new upsurge towards the end of 1968. Alumina production expanded at an irregular pace but the trend was clearly upward. By 1967, output seems to have been on a par with plant capacity, so plans are being made to increase the latter.

The growth of manufacturing during the nineteen-sixties fluctuated from an average of 9.4 per cent over 1960-64 to 5.3 per cent in 1965 and 7.5 per cent in 1966, but reached the fairly high average rate of 7.5 per cent for the whole period 1960-66. Estimated rate of growth during 1967 is just over 6 per cent, which is slightly higher than the over-all growth of the gross domestic product at factor cost.

Formerly, the level of production and export prices of sugar largely determined the value added in manufacturing, and this was reflected in the growth rates during good sugar years. However, the recent movement towards diversification, which has been encouraged by the policy of import substitution, has been gathering speed, and a variety of food processing and light industries have grown up. In addition, chemicals and metal products are becoming increasingly important. It is worth noting too that local production is now sufficient to meet all domestic requirements of cement and leave an exportable surplus, and that output appears to have reached the limits of plant capacity. After increasing rapidly between 1963 and 1966, cement production seems to have fallen by 7 per cent during 1967 (see table 133).

During the period 1964-66, the construction sector's contribution to the gross domestic product remained fairly constant, but fell in 1967. Local sales of cement, normally a good indication of activity in this sector, decreased by about 7 per cent during 1967; this seems to support the evidence that there was a temporary slackening in the sector's rate of growth. It is

estimated that the rate was less than 3 per cent in 1967, compared with an annual average of 8 per cent during the previous two years.

Among the other sectors, public administration maintained its share of the gross domestic product during 1967, but its rate of growth fell to less than 5 per cent from an average of over 8 per cent during 1965-66. Electricity, gas and water, and transport services have grown at almost the same pace as the over-all gross domestic product, and the services sector, especially tourism, has outstripped it.

2. CONSUMPTION, SAVINGS AND INVESTMENT

Consumption expenditure constitutes a relatively high proportion of Jamaica's gross domestic product at market prices, having consistently been well over 80 per cent during the current decade. The rate of increase has also been fairly high (averaging over 6 per cent during 1965-66) but lower than the over-all growth of the gross domestic product during the same period. Private consumption is by far the largest component, averaging about 87 per cent of the total, but public consumption has grown faster, at an average rate of over 9 per cent.

Imports of food, beverages, tobacco and manufactured goods together averaged over 55 per cent of total imports during the period 1964-66. In recent years, however, there have been signs that imports of these items are declining in relative terms, possibly as a result of import substitution.

Net factor payments abroad accounted for an average of about 3.1 per cent of the gross domestic product at current market prices during 1964-66, while consumption averaged 82.8 per cent per annum. Therefore gross domestic savings as a proportion of the gross domestic product averaged about 14 per cent annually, and net domestic savings about 7 per cent. Gross domestic investment during the three-year period averaged 19.5 per cent per year, which

Table 133. Jamaica: production of selected industrial products, 1963-66

Product	1963	1964	1965	1966 ^a
Sugar (thousands of tons)	484	474	489	500
Rum and alcohol (millions of gallons)	2.1	2.6	3.8	3.8
Beer (millions of gallons)	4.0	4.8	4.9	6.5
Condensed milk (millions of pounds)	31.6	35.1	40.3	44.3
Canned fruit (millions of pounds)	18.1	18.1	25.0	23.2
Cigarettes (millions)	776	992	1,016	1,074
Cement (thousands of tons)	198	277	311	350
Textiles (millions of yards)	5.9	7.5	7.8	6.3
Paints (millions of gallons)	0.6	0.9	0.9	1.0

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

indicates that there has been an annual inflow of external capital amounting to about 4.5 per cent of the gross domestic product.

There is nothing to indicate that the pattern for the three-year period changed significantly in 1967. In this respect, it should be noted that the major mining companies launched important investment programmes in 1965 and 1966, which were expected to continue to 1968. Furthermore, a consortium of three companies in the bauxite industry began a large-scale project involving an investment of over 50 million Jamaica pounds in 1967 (see table 134).

3. THE EXTERNAL SECTOR

Exports of goods and services, as a proportion of the gross domestic product, remained fairly steady between 1964 and 1966 at 39 per cent. The main export components were bauxite and alumina, sugar, rum and molasses, bananas and citrus fruit, but in recent years light manufactures have been increasing at a fairly brisk rate. The contribution of these products to visible export trade show the extent to which it is

dominated by bauxite, alumina, and sugar and its by-products (see table 135).

There was no significant expansion in exports of goods in 1967. The provisional figure of 62.8 million Jamaica pounds for the first nine months of the year is slightly less than the figure for the first nine months of 1966 (64 million Jamaica pounds). This is attributable mainly to the poor sugar crop, which reduced exports; between January and December 1967 these fell short of the 1966 figure for the same period by nearly 1.5 million Jamaica pounds. Citrus fruit and bananas also showed a shortfall for that period, but exports of bauxite, alumina and manufactured goods increased.

The most important item in Jamaica's invisible trade is tourism, earnings from which rose steadily from 13 million Jamaica pounds in 1962 to an estimated 28 million in 1966. This figure was surpassed by November 1967, when estimated tourist expenditure reached 28.5 million Jamaica pounds. The full year figure should therefore exceed 30 million, which is an estimated increase of about 10 per cent over

Table 134. Jamaica: aggregate supply and demand, 1960 and 1964-67

	Millions of Jamaica pounds at current prices					Annual growth rates			
	1960	1964	1965 ^a	1966 ^b	1967	1960-64	1965	1966	1967
Gross domestic product at market prices ^c	235.2	302.4	327.0	351.0	371.3	6.5	8.1	7.3	5.8
Total investment	49.7	60.7	64.7	67.9	...	5.7	6.6	...	...
Gross fixed investment	49.1	55.9	62.0	...	...	3.8	10.9	...	...
Public	5.3	7.0	9.6	...	...	8.5	37.1	...	...
Private	43.8	48.9	52.4	...	...	3.2	7.2	...	...
Total consumption	190.8	254.7	269.0	287.5	...	7.6	5.6	6.9	...
Public	21.6	31.9	34.6	37.7	...	9.6	8.5	9.0	...
Private	169.2	222.8	234.4	249.8	...	7.2	5.2	6.6	...
Exports of goods and services	92.7	119.2	128.8	137.1	...	6.5	8.1	6.4	...
Imports of goods and services	106.4	140.5	144.8	155.4	...	7.5	3.1	7.3	...

SOURCES: Department of Statistics, *National Income and Product of Jamaica, 1966*; for 1967: ECLA estimates.

^a Provisional figures.

^b Preliminary figures.

^c Including statistical discrepancy.

Table 135. Jamaica: exports of selected products, 1962-66

Product	1962		1963		1964		1965		1966	
	Millions of Jamaica pounds	Per-centage	Millions of Jamaica pounds	Per-centage	Millions of Jamaica pounds	Per-centage	Millions of Jamaica pounds	Per-centage	Millions of Jamaica pounds	Per-centage
Total exports	62.2	100.0	70.2	100.0	75.6	100.0	74.9	100.0	79.0	100.0
Bauxite and alumina	30.2	48.6	29.5	42.0	33.8	44.7	35.3	47.1	37.7	47.7
Sugar, rum and molasses	16.4	26.4	23.5	33.5	21.8	28.8	17.7	23.6	18.6	23.5
Bananas	4.5	7.2	5.3	7.5	6.0	7.9	6.1	8.1	6.3	8.0
Citrus fruit, cocoa, coffee and pimento	4.1	6.6	5.3	7.5	4.8	6.3	5.1	6.8	5.3	6.7
Manufactured goods	4.8	7.7	5.0	7.1	6.7	8.9	7.9	10.5	8.5	10.8
Other products	2.2	3.5	1.6	2.3	2.5	3.3	2.8	3.7	2.6	3.3

SOURCE: ECLA, on the basis of official statistics.

1966. A further expansion in hotel capacity shows that there are prospects for growth up to 1969.

Imports of goods and services as a proportion of the gross domestic product fell steadily from 46 per cent in 1964 to 45 per cent in 1965 and 44 per cent in 1966. This was largely due to the policy of import substitution, which is a feature of development strategy throughout the Commonwealth Caribbean. Movements in imports of goods over the past three years show that in 1965 there was no increase over 1964, but an 11 per cent increase in 1966, divided among capital goods, raw materials, and consumer goods in the following proportions: 57 per cent, 25 per cent and 18 per cent. To judge by the new investment projects, imports of capital goods and raw materials will continue to rise faster than imports of consumer goods, and there will be another increase in total imports (see table 136).

This pattern of imports seems to have continued during 1967. Imports of goods for the period January–September 1967 are provisionally estimated at 93 million Jamaica pounds, that is, about 8 million higher than during the same period in 1966.

The balance-of-payments position for the period 1962 to 1966 is summarized in table 137 which shows a constant and growing deficit for trade in goods (see also figure XX). All the indicators point to a further increase in the trade deficit during 1967. By September 1967, it stood at 30.2 million Jamaica pounds as against 20.5 million for the same period in 1966.

The services sector shows a positive net balance, which reflects the steady increases in earnings from tourism. The net balance for transfer payments and remittances from abroad amounted to about 7 million Jamaica pounds in 1962, and increased to 8 million in 1963, thereafter falling steadily to about 6 million in 1966.

The balance on current account has fluctuated but, except in 1963, which was a good year for sugar prices, it has been consistently on the debit side. The over-all balance has been achieved through an increased inflow of capital.

The deficit on current account seems to have increased in 1967. It is estimated that exports of goods stagnated and imports increased, while migrants' remittances probably decreased. Only tourism is expected to show increased earnings,

Table 136. Jamaica: value of imports by groups of products, 1962–66

	1962		1963		1964		1965		1966	
	Millions of Jamaica pounds	Per-centage	Millions of Jamaica pounds	Per-centage	Millions of Jamaica pounds	Per-centage	Millions of Jamaica pounds	Per-centage	Millions of Jamaica pounds	Per-centage
<i>Total imports</i>	79.1	100.0	80.0	100.0	102.5	100.0	102.3	100.0	113.7	100.0
Food	16.2	20.5	17.1	21.4	20.8	20.3	20.4	19.9	22.4	19.7
Beverages and tobacco	1.8	2.3	1.6	2.0	1.7	1.7	1.6	1.6	1.7	1.5
Crude materials	2.5	3.2	2.6	3.2	3.4	3.3	3.4	3.3	3.1	2.7
Mineral fuels	7.4	9.4	7.3	9.1	11.6	11.3	9.0	8.8	9.6	8.4
Chemicals	6.5	8.2	7.0	8.7	9.1	8.9	8.9	8.7	9.6	8.4
Manufactured goods	20.1	25.4	21.3	26.6	26.2	25.6	27.8	27.2	31.3	27.5
Machinery and transport equipment	18.1	22.9	16.6	20.7	21.5	21.0	22.8	22.3	27.6	24.3
Miscellaneous manufactured goods	6.5	8.2	6.5	8.1	8.2	8.0	8.4	8.2	8.4	7.4

SOURCE: ECLA, on the basis of official statistics.

Table 137. Jamaica: balance of payments on current account, 1962–66
(Millions of Jamaica pounds)

	1962	1963	1964	1965	1966
<i>Merchandise</i>					
Imports, c.i.f.	77.9	80.1	102.7	102.7	113.0
Exports, f.o.b.	65.7	74.4	78.1	77.4	81.0
Net balance	-12.2	-5.7	-24.6	-25.3	-32.0
<i>Services (net)</i>	2.5	2.0	2.5	8.3	12.0
Net balance on goods and services	-9.7	-3.7	-22.1	-17.0	-20.0
Net transfer payments	6.7	7.2	6.5	6.1	5.0
Balance on current account	-3.0	+3.5	-15.6	-10.9	-15.0

SOURCE: ECLA, on the basis of official statistics.

but these would not be large enough to prevent the deficit from expanding.

4. OTHER DEVELOPMENTS

A few days after the 14.3 per cent devaluation of sterling on 18 November 1967, there was an equivalent devaluation of the Jamaica pound. Its new par value in terms of the United States dollar is 1 Jamaica pound to 2.40 dollars. In the interim period, exchange controls were applied to all foreign currencies, including sterling, but by the end of the first week in December the restrictions were removed and dealings in foreign exchange were returned to normal.

The decision to devalue should benefit agriculture, and also the growing manufacturing industries; but it will nevertheless have some adverse effects on the economy, the most obvious being a rise in prices and an increase in the external public debt.

There have been no major changes in the structure of taxation for some years, and though measures have been introduced from year to year to make marginal adjustments in the budgetary situation and improve revenue, they have not been comprehensive revisions. One of the main problems confronting the Government has been how to finance the deficit on its over-all budget. The surplus of fiscal revenue over recurrent expenditure has not been sufficient to maintain the level of capital expenditure and has had to be supplemented by borrowing, mainly from abroad. Nevertheless, the growth of the market for Treasury bills, and the floating of substantial loans on the local market, has since 1965 enabled the Government to reduce somewhat its relative dependence on overseas borrowing to finance development expenditure.

Mexico

1. ECONOMIC TRENDS IN 1967

In 1967 the Mexican economy continued to expand at much the same average annual rate as in the past decade, despite unfavourable weather conditions which adversely affected exports of some crops. Estimates based on indexes for the first ten months of the year indicate that the gross domestic product increased in real terms by 6.3 per cent, as against 7.1 per cent in 1966. This was equivalent to a rise of almost 3 per cent in real per capita income, the terms of trade having slightly improved. In the sectors of production, with the exception of agriculture and mining, sizable increments were recorded, although the growth rates of manufacturing and construction were not so high as in the preceding year (see table 138 and figure XXI).

Table 138. Mexico: annual growth rates of the gross domestic product by sectors of economic activity, 1960-67

Sector	1960-65	1966	1967 ^a
Agriculture, forestry and fishing .	4.3	3.2	2.6
Mining and quarrying	4.3	3.0	8.5
Mining	0.1	2.6	1.7
Petroleum	6.5	3.2	11.5
Manufacturing	8.0	11.1	8.0
Construction	6.2	15.0	10.5
Electricity, gas and water	10.0	10.3	10.0
Services	5.8	7.3	6.1
Transport and communications	3.2	4.3	5.0
Commerce and finance	6.1	8.0	6.4
Public administration and defence	6.5	6.1	5.0
Other services ^b	6.0	7.3	6.1
Over-all rate	6.1	7.5	6.3

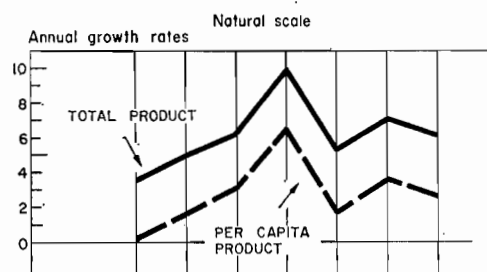
SOURCE: Banco de México, S.A.

^a Provisional figures.

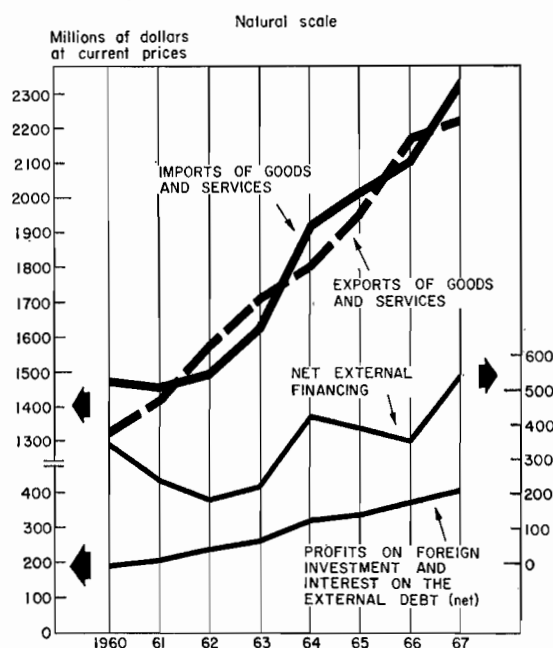
^b Including finance and ownership of dwellings.

Figure XXI. Mexico: 1960-67

(a) RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT



(b) EVOLUTION OF THE EXTERNAL SECTOR



Exports of goods fell 3.8 per cent below their 1966 level, as the result of a sharp drop in sales of cotton and, to a lesser extent, of coffee. These decreases were largely offset, however, by an increase in the volume of exports of sugar, maize, and other agricultural commodities of less importance. A recovery in cotton prices, and a rise in the prices of sulphur and other mining products, counterbalanced the decline in coffee quotations, with the net result that average export prices showed a modest improvement. Income from tourism and border trade continued to rise rapidly, making up for the contraction in sales of goods. In consequence of the combination of all these trends, the total value of exports of goods and services (over 2,200 million dollars) stood a little above the 1966 level.

Accordingly, the steady growth of the economy in 1967 must be ascribed to the expansion of internal demand and, in particular, to the part played by public and private investment (see table 139). Other factors that operated in the same direction were the upswing in agricultural production for the home market—with the

consequent improvement in the purchasing power of the rural population—and wage and salary increases in the public sector and in several important branches of private industry.

Total gross investment, measured in terms of current prices, is estimated to have risen by more than 16 per cent and to have exceeded 53,000 million pesos⁶ (see table 140). These figures reflect increases of about 20 per cent in private investment, and of 12 per cent in the capital expenditure of the public sector. The latter was mainly due to a higher rate of capital formation in State enterprises, which gave rise to imports of considerable quantities of capital goods. The stepping-up of the works required for the 1968 Olympic Games and the start made on the construction of an underground railway in Mexico City also implied a marked increase in the capital outlays of the Federal District. In contrast, the Federal Government's expenditure

⁶ Incomplete data available indicate an increase of about 13 per cent in real terms.

Table 139. Mexico: aggregate supply and demand, 1960 and 1965-67
(Millions of pesos at 1960 prices)

	1960	1965	1966	1967 ^a	Annual growth rates		
					1960-65	1966	1967
<i>Aggregate supply</i>	174,214	233,463	249,285	265,753	6.0	6.8	6.6
Gross domestic product	155,889	208,920	223,840	238,000	6.0	7.1	6.3
Imports of goods and services	18,325	24,543	25,445	27,753	6.0	3.7	9.1
<i>Aggregate demand</i>	174,214	233,463	249,285	265,753	6.0	6.8	6.6
Exports of goods and services	16,599	22,347	23,309	23,615	6.1	4.3	1.3
Gross fixed investment	23,226	33,450	37,461	42,100	7.6	12.0	12.4
Public	10,071	14,088	17,573	19,000	6.9	24.7	8.1
Private	13,155	19,362	19,888	23,100	8.0	2.7	16.2
Total consumption	134,389	177,666	188,515	200,038	5.7	6.1	6.1
General government	7,669	11,200	12,100	12,800	7.9	8.0	5.8
Private	126,720	166,466	176,415	187,238	5.6	6.0	6.1

SOURCES: Banco de México, S.A., and ECLA estimates, on the basis of incomplete indicators.

^a Provisional figures.

Table 140. Mexico: gross fixed investment, 1964-67
(Thousands of millions of pesos)

	1964	1965	1966	1967 ^a
<i>Total</i>	36.6	39.0	45.6	53.1 ^b
Public	17.5	16.4	21.4	24.0
Private	19.1	22.6	24.2	29.1
<i>Total</i>	36.6	39.0	45.6	53.1
Construction ^c . . . . .	...	24.3	29.7	34.4
Imports of capital goods . . . . .	...	8.8	9.0	10.8
Domestic production of machinery and equipment . . . . .	...	5.9	6.9	7.9

SOURCES: Banco de México, S.A., and ECLA estimates for 1967.

^a Provisional figures.

^b The breakdown is an ECLA estimate based on incomplete data.

^c Including deforestation.

on public works remained at the same level as in the preceding year.

Private investment derived considerable impetus from the construction of hotels, commercial buildings and facilities for the industrial sector. It was the continuing expansion of industry that accounted for the significant increase in domestic production of machinery and equipment, estimated at about 15 per cent in terms of current prices.

The rapid growth of domestic demand generated certain inflationary pressures in the early months of the year, which were reflected in the sharp upward trend of prices and imports. In view of this situation, and of the predictable decline in exports, more stringent stabilization measures were applied in the second half of the year.

The Federal Government kept its fixed capital investment (6,154 million pesos) at virtually the same level as in 1966, and reduced its financial investment by over 1,000 million pesos. It also economized on administrative expenditure. Nevertheless, interest payments on the public debt and loans for social purposes increased so rapidly that total current expenditure rose by about 10 per cent. Thanks to a 15 per cent increment in income tax revenue and the strengthening of certain internal taxes on production and trade the growth of current income was able to keep pace with that of expenditure, despite the smaller yield from export duties. Thus the savings available for financing investment were augmented by about 257 million pesos (see table 141).

The same criterion governed monetary and credit policy. Measures to restrict private activity were applied primarily to mortgage loans, in order to limit house-building and thus free the domestic supply of building materials from some of the pressure brought to bear on it by the boom in investment in other sectors. The increase in total bank financing was 14.5 per cent in 1967, as against about 20 per cent in the preceding year. At the same time, the allocation of resources underwent a significant change in favour of productive activities. For instance, loans to the Federal Government dropped from 6,913 million pesos in 1966 to 2,586 million in 1967. Consequently, it was possible to expand credits to industry and agriculture from 4,648 million pesos to 6,939 million, and from 1,912 million to 2,500 million, respectively. Credits to the business sector, on the other hand, increased at much the same rate as in 1966 (see table 142).

Stabilization measures, together with the expansion of production in general and the more ample supply of basic foodstuffs in particular, halted the upward trend of prices in the second half of the year, with the result that over the year as a whole the rise in prices averaged 2.9 per cent. From the workers' cost-of-living index and from the sub-indexes it can be inferred that the bigger price increases affected consumer goods, and that prices of production goods rose only by 1.4 per cent (see table 143).

The policy of curbing expenditure, in conjunction with the expansion of the domestic supply, also helped to level off imports of consumer goods. Nevertheless, the total value of

Table 141. Mexico: real income and expenditure of the Federal Government, 1964-67
(Millions of pesos)

Item	1964	1965	1966	1967 ^a
A. <i>Current income</i>	17,297	20,093	20,864	22,896
Income tax	7,262	8,630	8,625	9,902
Taxation on production and trade	2,211	2,463	2,534	2,921
Taxation on gross value of sales	1,860	2,108	2,389	2,599
Import duties	2,411	2,650	2,412	2,728
Export duties	880	867	783	698
Duties on exports of natural resources	271	325	340	418
Other revenue	2,402	3,050	3,781	3,630
B. <i>Current expenditure</i>	14,203	18,548	18,198	19,973
Balance on current account (A-B)	3,094	1,545	2,666	2,923
C. <i>Capital expenditure</i>	5,685	9,715	8,163	7,406
Physical investment	...	5,048	6,052	6,154
Purchase of real estate	...	35	19	37
Financial investment	...	4,491	1,979	956
Other investment	...	141	113	259
D. <i>Total Federal Government expenditure (B+C)</i>	19,888	28,263	26,361	27,379
Budget deficit (D-A)	2,591	8,170	5,497	4,483

SOURCES: Banco de México, S.A., and Ministry of Finance and Public Credit.

^a Provisional figures.

Table 142. Mexico: total bank financing, 1963-67^a
(Millions of pesos)

	1963	1964	1965	1966	1967 ^b
<i>End-of-year balances</i>					
Total financing	61,252	74,435	87,374	104,630	120,895
To enterprises and private persons	52,294	61,579	66,901	77,244	90,922
To the Federal Government	8,958	12,856	20,473	27,386	29,973
<i>Annual variations</i>					
Total	7,976	13,183	12,939	17,256	16,265
To enterprises and private persons	4,631	9,285	5,322	10,342	13,679
Securities	483	548	538	254	800
Credit	4,148	8,737	4,784	10,089	12,879
To trade	1,339	2,277	672	3,133	3,307
To production	2,809	6,462	4,112	6,956	9,572
Industry	1,960	5,351	2,806	4,648	6,939
Crop farming and livestock production	876	1,081	1,317	1,913	2,500
Mining	-27	29	-11	396	133
To the Federal Government	3,345	3,898	7,617	6,913	2,586
Securities	1,637	5,814	7,303	6,122	3,012
Credit	1,708	-1,916	314	791	-426

SOURCE: Banco de México, S.A., *Informe anual*.

^a Including credits and securities issued by the share certificate pool (*Fondos Comunes de Certificados de Participación*) of Nacional Financiera, S.A.

^b Provisional figures.

Table 143. Mexico: price indexes and workers' cost-of-living indexes in Mexico City, 1959-67
(Base: 1954=100)

Year	Wholesale prices			Food prices	Workers' cost of living
	Over-all index	Consumer goods	Production goods		
1959	131.0	134.7	126.0	147.8	147.0
1960	137.5	139.8	134.3	151.7	154.2
1961	138.8	141.1	135.6	157.1	156.8
1962	141.3	145.6	135.4	157.2	158.6
1963	142.1	145.2	137.8	156.6	159.6
1964	148.1	151.9	143.0	163.8	163.1
1965	150.9	155.4	144.6	166.5	169.1
1966	152.8	158.4	145.1	172.8	176.3
1967 ^a	157.2	164.4	147.2	177.2	183.1

SOURCES: For wholesale prices and food prices, Banco de México, S.A.; for workers' cost of living, Ministry of Industry and Trade.

^a Provisional figures.

external purchases (1,749 million dollars) was 9 per cent higher than in 1966, mainly because much more machinery and equipment was imported, and there was also an increase in purchases of raw materials and intermediate goods, although on a smaller scale. This trend, combined with the fall in exports, pushed up the balance-of-payments deficit on current account to a much higher level than in the preceding year (see table 147 below). The net inflow of medium- and long-term capital, however, was large enough to finance the deficit and even to add to the official holdings of gold and foreign exchange.

2. FOREIGN TRADE AND THE BALANCE OF PAYMENTS

(a) Exports

The total value of exports of goods dropped 3.5 per cent in 1967, i.e., to an estimated level of 1,185 million dollars (see table 144). Coffee price fell by 12.5 per cent, but with this exception, quotations for Mexico's staple export commodities remained firm or rose appreciably, as in the case of sulphur and other mining products. It was owing to the reduction in coffee prices that the unit value of exports was only 2 per cent higher than in the preceding year.

The decline in the total value of external sales is therefore basically attributable to limitations on the supply side. This is particularly true of cotton; the volume of exports diminished by approximately 37 per cent—i.e., to about 271,000 tons—because the carry-over stocks available at the beginning of 1967 were small, and output in 1967/68 showed a decrease for the second year running. As a result, the value of cotton sales sank from 222 million dollars in 1966 to 144 million in 1967, despite a 3 per cent rise in prices.

In the case of coffee, the price decline and the contraction in the volume of exports brought sales values down from 84 million dollars to 60 million. The volume exported in 1967 (74,400 tons) was 19.3 per cent less than the 1966 figure, owing partly to a poorer harvest in 1966/67 and partly to a reduction of the quota assigned to

Table 144. Mexico: exports of goods, 1964-67
(Millions of dollars)

	1964	1965	1966	1967
<i>Total.</i>	1,054	1,146	1,228	1,185
<i>Agricultural commodities</i>	599	640	662	592
Cotton	170	212	222	144
Coffee	95	73	84	60
Maize	16	77	47	73
Sugar	77	59	57	68
Wheat	36	42	4	13
Tomatoes	34	35	63	49
Cattle and meat	41	55	68	55
Shrimps	54	43	54	62
Others	76	44	63	68
<i>Mining products</i>	182	185	185	190
Lead	23	28	28	23
Zinc	43	43	45	44
Copper	15	8	8	7
Sulphur	38	34	35	48
Petroleum and petroleum products	38	40	39	38
Others	25	32	30	30
<i>Manufactures</i>	124	132	162	152
Processed foods	38	37	42	41
Textiles	33	26	39	27
Chemical products	26	36	41	46
Others	27	33	40	38
<i>Unclassified</i>	149	189	219	251

SOURCE: Banco de México, S.A.

Mexico under the International Coffee Agreement, consequent upon the weakening of world market prices. Coffee sales to new markets, not subject to the provisions of the Agreement,⁷ also dropped steeply.

The supply situation was much better in respect of sugar, maize and wheat, with the result that the decrease in coffee and cotton exports was largely offset. Thanks to bumper crops in the last two years, exports of maize increased from 0.9 to 1.3 million tons, reaching a total value of 72.6 million dollars in 1967. The volume of wheat exports, too, was boosted from 46,800 to 212,400 tons, and the value of sales in 1967 was thus about 9 million dollars higher than in the preceding year.

The value of sugar exports rose by 19 per cent—to a total of 68 million dollars—mainly because sales increased in volume from 468,000 to 550,000 tons by virtue of the larger quota accorded to Mexico in the United States market; but as the level of exportable surpluses was still high, restrictions had to be imposed on production of sugar-cane in 1967/68.

Exports of cattle and meat, also consigned

mainly to the United States market, were hampered by the slow growth rate of production in relation to domestic consumer requirements. The aggregate value of meat and cattle sales was 13 million dollars lower in 1967 than in 1966, in consequence of the contraction in the volume of exports.

The tightness of the supply situation continued to cramp exports of mining products in 1967, except where sulphur was concerned. Not only did the volume of sulphur exports increase from 1.5 million tons to over 1.6 million, but in addition prices rose by 24 per cent, with the result that sales values soared by 13 million dollars, to a total of 48 million. In contrast, export volumes shrank considerably in the case of lead, and to a lesser extent in that of zinc and copper. The aggregate value of exports of these three products dropped to 74 million dollars in 1967, or 7 million dollars less than in 1966, notwithstanding an appreciable improvement in prices.

Exports of manufactured goods also lost momentum after their vigorous upswing in the preceding year. The estimated value of sales in 1967—152 million dollars—is 6 per cent below the 1966 figure. Both this falling-off and the boom in the previous year must be ascribed mainly to fluctuations in sales of textile products,

⁷ Sales to these markets dwindled from 167,000 bags in the 1965/66 crop year to 33,950 in 1966/67.

which have not yet gained a firm foothold in foreign markets. Moreover, exports of production goods—such as rolled steel products, sales of which fell from 141,000 tons in 1966 to 115,000 in 1967—had to be curtailed on account of the increase in domestic consumption. Exports of chemical products, on the other hand, kept up the dynamic growth rates attained in previous years.

According to provisional estimates, Mexico's sales to the countries members of LAFTA totalled 57.7 million dollars in 1967 (see table 145). This implies a decrease of 10 per cent,

Table 145. Mexico: trade with LAFTA countries, 1963-67^a
(Millions of dollars)

Year	Exports	Imports
1963	31.9	11.4
1964	45.8	19.0
1965	44.0	30.0
1966	64.3	34.7
1967 ^b	57.7	38.5

SOURCE: Statistical Office.

^a Covering all countries members of LAFTA as at the end of 1967.

^b Provisional figures.

basically imputable to the fact that there was no repetition of the exceptionally large sales effected in 1966—those of beans and sugar, for example, amounting to 6.5 and 1.5 million dollars respectively—which had pushed up the total value of that year's sales by 46 per cent. Mexico's exports to LAFTA consist chiefly of primary commodities, although in recent years there has been a gradual increase in the share of manufactured

goods, particularly chemical products, sales of which reached a value of 9.7 million dollars in 1966. Other items that make a fairly significant contribution to sales values are books, motor-vehicle engines, steel tubes, aluminium ingots propeller boats and artificial fibre thread and yarn. Utilization of the intra-regional market potential, however, is still in its initial stages; up to the end of 1966, advantage had been taken of only 24 out of the 614 concessions granted to Mexico in respect of manufactured goods.⁸

(b) Imports

In 1967 the growth of internal demand, particularly for capital goods, caused a considerable rise in the value of imports of merchandise, which climbed to a total of 1,749 million dollars, 9 per cent higher than the 1966 figure (see table 146). The increment in the import quantum was much the same, since import prices remained virtually stable.

The 19.4 per cent increase in purchases of capital goods was responsible for the upswing in the total value of imports. To judge from the incomplete data available, most of the increase in question was due to imports of machinery and equipment by the State petroleum enterprises, electricity companies and airlines.

Imports of raw materials and intermediate goods rose in value by only 2.5 per cent, since purchases of synthetic resins, forage crops, insecticides and rubber were substantially reduced, although those of raw materials for the

⁸ See Plácido García Reynoso, "Análisis de las consecuencias de la ALALC y del mercado común latinoamericano", *Comercio Exterior*, vol. XVIII, No. 1 (México, D.F., January 1968).

Table 146. Mexico: imports of goods, 1964-67
(Millions of dollars)

	1964	1965	1966	1967 ^a
<i>Total</i>	1,493	1,560	1,605	1,749
<i>Consumer goods</i>	189	190	200	202
Non-durable	98	90	89	...
Durable	91	100	112	...
<i>Fuels and lubricants</i>	34	39	51	50
<i>Raw materials and intermediate goods</i>	630	677	673	690
For agriculture	53	40	47	...
For industry	578	637	626	...
<i>Construction materials</i>	40	27	29	28
<i>Capital goods</i>	593	622	649	775
For agriculture	56	51	44	...
For industry	434	489	523	...
For transport	103	82	81	...
<i>Others</i>	7	4	4	4

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

pharmaceutical industry, scrap, newsprint and wool pursued their upward trend. Purchases of consumer goods (202 million dollars) remained at virtually the same level as in 1966, as a result of measures to restrict imports of motor-vehicles, and of the expansion in the domestic supply of electrical appliances and other durable consumer goods.

(c) *The balance of payments*

Net income from tourism in 1967 (192 million dollars) stood at the same level as in 1966, because the expenditure of Mexican travellers increased at a much higher rate than that of foreign visitors to Mexico (26.5 per cent as against 11 per cent). Net income from border trade rose from about 190 million dollars to 230 million. Even so, this increment sufficed to offset only the drop in exports of goods, not the expansion of imports of goods or the increase in payments of profits and interest on foreign capital. Consequently, the balance-of-payments deficit on current account was one of the biggest recorded in the period under review (see table 147 and figure XXI).

Capital inflows reached high levels, comparable only with the 1964 figures. Medium- and

long-term credits rose from 625 million dollars to 648 million, mainly because of the larger official loans obtained to finance the State enterprises imports of machinery and equipment. Furthermore, bonds issued by the Federal Government and other official institutions were sold on world financial markets, the proceeds totalling 85 million dollars. On the other hand, direct foreign investment, estimated at 174 million dollars, showed a decrease of about 12 million, mainly owing to purchases of shares in the sulphur mining companies by Mexican entrepreneurs. Although the deficit on current account had to be financed, and amortization of the external debt siphoned off 434 million dollars, the capital inflow was large enough not only to cover these requirements but also to augment gross government holdings of gold and foreign exchange by nearly 40 million dollars.

3. PRODUCTION

(a) *Industrial production*

Although the over-all growth rate of industrial activities reached 8.4 per cent, it fell short of the 9.5 per cent attained in 1966 (see table 148 and also table 138). The slackening of pace in 1967

Table 147. Mexico: balance of payments, 1964-67
(Millions of dollars)

Item	1964	1965	1966	1967 ^a
<i>Balance of goods and services</i>	-421	-397	-367	-540
<i>Exports of goods and services</i>	1,832	1,982	2,142	2,216
Exports of merchandise	1,054	1,146	1,228	1,185
Tourism	241	277	328	364
Border trade	463	505	521	595
Other items	74	54	65	72
<i>Imports of goods and services</i>	-1,929	-2,040	-2,136	-2,346
Imports of merchandise	-1,493	-1,560	-1,605	-1,749
Tourism	-100	-120	-135	-172
Border trade	-277	-294	-332	-364
Other items	-59	-66	-64	-61
<i>Net returns on foreign investment</i>	-324	-339	-373	-410
Direct investment	-236	-236	-250	-278
Interest on public debt	-88	-103	-123	-132
<i>Movements of capital and errors and omissions</i>	421	397	367	540
Long-term capital (net)	513	173	316	464
Net direct investment	162	214	186	174
Long-term loans	755	370	625	648
Amortization payments	-371	-369	-486	-434
Other long-term capital	-33	-42	-9	76
Short-term capital (net)	115	-28	215	73
Errors and omissions	-163	191	-182	43
Variations in official international reserves (increase -).	-44	61	18	-40

SOURCES: International Monetary Fund, *Balance of Payments Yearbook*, vol. 19 (1967); Banco de México, S.A.; and ECLA.

^a Preliminary estimates.

Table 148. Mexico: over-all and sectoral indexes of industrial production, 1960-67
(Base: 1950=100)

Year	Over-all index	Mining	Petroleum and coke	Manufacturing	Construction	Electric energy
1960 . . .	197.4	132.6	207.8	202.9	201.6	242.6
1961 . . .	204.7	127.0	231.4	210.1	203.6	265.6
1962 . . .	215.1	128.6	235.8	223.6	205.8	282.8
1963 . . .	235.0	133.1	250.4	244.2	238.1	309.9
1964 . . .	266.0	134.3	273.2	278.0	277.2	356.0
1965 . . .	280.9	133.3	284.7	297.8	272.5	389.8
1966 . . .	307.7	135.3	292.4	327.6	316.0	428.7
1967 ^a . . .	333.4	137.6	326.1	353.8	349.2	471.6

SOURCE: Banco de México, S.A.

^a Provisional figures.

chiefly reflects a loss of dynamic impetus in construction and manufacturing, attributable in both cases to the slowing down of income growth and, up to a point, to the stabilization policy applied with a view to curbing imports and alleviating pressures on domestic prices. This policy also took into account the limitations of the domestic supply of building materials—cement, for example—implicit in the fact that installed capacity was being utilized almost to the full.⁹ In consequence, house-building and the Federal Government's public works programme were curtailed. The net result was that construction activities, which had expanded by 15 per

cent in 1966, did so by only 10.5 per cent in 1967.

Manufacturing output increased in 1967 by 8 per cent, with increments of 8.8 per cent in production goods and 7.4 per cent in consumer goods (see table 149).

In the case of durable consumer goods, the manufacture and assembly of motor-vehicles, after a 15 per cent increase in 1966, increased again by 4.3 per cent, while output of electric refrigerators, which had expanded by over 20 per cent, failed to rise above the preceding year's level. In contrast, demand for non-durable consumer goods remained steady, and generated production increments of 7 per cent in cotton textiles, 16 per cent in woollen textiles and 18 per cent in artificial fibres. Among processed foods, those showing the biggest increases were

⁹ Output of cement in 1967 (5.5 million tons) represented 95 per cent of production capacity (5.8 million tons).

Table 149. Mexico: index of manufacturing production and volume of output of selected products, 1964-67
(Thousands of tons)

	1964	1965	1966	1967 ^a
<i>Index of manufacturing production (1950=100).</i>	278.0	297.8	327.6	353.8
<i>Volume</i>				
Pig and sponge iron	1,130	1,159	1,402	1,611
Steel ingots	2,326	2,455	2,787	3,023
Cement	4,339	4,198	4,828	5,544
Sheet glass (thousands of square metres)	11,462	10,759	12,496	13,670
Sulphuric acid	415	515	608	706
Caustic soda	95	104	110	118
Rolled products	1,769	1,948	2,166	2,362
Chemical and mechanical pulp	281	338	353	374
Paper and board	529	591	633	691
Artificial fibres	31	35	40	46
Tires (thousands of units)	3,118	3,350	3,909	4,115
Cotton textiles	120	126	134	143
Beer (millions of litres)	926	1,026	1,163	1,227
Vegetable oils	321	335	350	396
Sugar	1,815	1,983	2,011	2,249

SOURCES: For index of manufacturing production: Banco de México, S.A.; for volumes of output: Nacional Financiera, S.A.; Ministry of Industry and Trade; and information supplied directly by chambers of industry.

^a Provisional figures based on official statistics and information supplied directly by producers' associations.

condensed and powdered milk (21 per cent), food pastes (10 per cent) and sugar (12 per cent). In the case of sugar, an additional stimulus was provided by the growth of external demand.

Rates of expansion in the iron and steel industry were still relatively high, although lower than in 1966—largely because of the slump in demand on the part of the construction and consumer durables industries. Thanks to the expansion of installed capacity, output of iron increased by 15 per cent, reaching 1.6 million tons; this considerably reduced imports of scrap and of material for re-rolling. Production of ingots rose by 8.5 per cent, for the first time passing the three-million-ton mark, and a 9 per cent increment in output of rolled products brought it up to nearly 2.4 million tons. Thanks to the more ample supply of rolled products, it was possible to meet 98 per cent of domestic demand but at the cost of reducing exports from 141,000 to 115,000 tons. It was the expansion of demand on the home market that pushed up production of artificial fibres by 15 per cent and output of sulphuric acid by 16 per cent. More moderate growth rates—although higher than in 1966—were recorded for the manufacture of caustic soda (7.3 per cent), chemical and mechanical pulp (7.6 per cent) and paper (9 per cent).

Difficulties due to fortuitous circumstances¹⁰ had kept the expansion of the petroleum industry down to 3.2 per cent in 1966. Once they had been

overcome, an aggregate increase of 11.5 per cent was achieved during 1967 in output of petroleum and petroleum products (9.4 per cent in production of crude and 12.6 per cent in refining). Generation of electric energy continued to expand at the same rate as in previous years—10 per cent—and the addition of 94,000 kW raised generating capacity to a total of 5.8 million kW. The Federal Electricity Commission has projects under way which provide for a further increase of 1.8 million kW by 1971.

Trends in mining were uneven. Generally speaking, production for export failed to react to the stimulus of greater external demand; only in the case of sulphur did it expand—by about 11 per cent—in response to the marked improvement in prices. Output of sulphur thus reached 1.9 million tons. Production of silver and lead decreased, and that of copper and zinc remained at the preceding year's level, despite price increases.

On the other hand, the supply situation in respect of products for domestic consumption was much more favourable. Encouraged by the upward trend of demand in the steelmaking industry, production of iron ore increased by 17 per cent, i.e., to 1.5 million tons; and 2.3 million tons of coal were mined, which implied an expansion of 10.5 per cent. These production increments, in conjunction with that of sulphur, offset the contractions shown by the other products mentioned, and mining output in the aggregate was 1.7 per cent higher than in 1966 (see table 150).

¹⁰ A fire at the leading refinery brought operations to a temporary standstill.

Table 150. Mexico: mining production, 1964–67
(Thousands of tons)

Mining products	1964	1965	1966	1967 ^a
<i>Non-ferrous metals</i>				
Gold (kilogrammes)	6,531	6,711	6,641	5,863
Silver (tons)	1,297	1,254	1,306	1,261
Copper	63	55	56	56
Lead	175	170	182	167
Zinc	236	225	219	220
Antimony	5	4	4	5
Arsenic	11	10	12	12
Manganese	64	59	31	34
<i>Iron ore</i>	1,211	1,442	1,319	1,543
<i>Non-metallic minerals</i>				
Coal	2,049	1,977	2,100	2,320
Sulphur	1,701	1,581	1,701	1,883
Fluorite	624	727	725	750
Barite	334	368	291	325
Graphite	30	40	39	...
<i>Index of mining production^b (1950=100)</i>	134.3	133.3	135.3	137.6

SOURCES: Ministry of Industry and Trade; Statistical Office; and Department of National Resources, National Council for Non-renewable Natural Resources.

^a Provisional figures.

^b Estimates prepared by Banco de México, S.A.

(b) *Agricultural production*

In 1967/68 agricultural production increased only by 2.5 per cent, owing to unfavourable weather conditions whose effects were felt most severely by export crops. Output of the latter decreased for the second time (it had dropped by 4.2 per cent in the preceding crop year), falling 13 per cent below its 1965/66 level (see table 151).

Cotton production suffered most, as the result of cyclones in the Tampico area and droughts and pests in the north-east (Mexicali). The area harvested was reduced by 90,000 hectares (i.e., to 640,000 hectares) in 1966/67, and production by about 10 per cent (i.e., to 458,000 tons, or 1.9 million bales—23 per cent less than the peak output recorded in 1965/66). As has already been pointed out, it was the decline in cotton production in these last two years that brought down the total value of Mexico's exports in 1967; and in 1968 too the small stocks available for export in the first half of the year will tend to limit the volume of cotton sales. The improvement in world market prices,

however, has led to a significant expansion of the area under cotton (100,000 hectares) and it is hoped that as a result the 1968/69 harvest will be as big as that of 1965/66 (2.4 million bales).

From 1955/56 to 1963/64, coffee production pursued a rapid upward trend, attributable to the improvement of productivity. By the end of the nineteen-fifties, the area under coffee had been reduced by some 50,000 hectares through the elimination of marginal coffee plantations and their replacement by fruit-trees and other crops. During the past five years it has remained constant at about 285,000 hectares, and output has fluctuated between 2.7 and 3 million bags. The 1966/67 harvest, amounting to 162,000 tons (2.7 million bags) was 10 per cent smaller than the previous year's. This decrease, mainly attributable to the cyclical nature of production in the Gulf of Mexico area, combined with the fall in prices to cause a considerable reduction in the value of exports. It is estimated, however, that in 1967/68 the coffee crop will regain its 1965/66 level (3 million bags), and will more than

Table 151. Mexico: indexes and volumes of agricultural production, 1963/64–1967/68

<i>Production</i>	<i>1963/64</i>	<i>1964/65</i>	<i>1965/66</i>	<i>1966/67^a</i>	<i>1967/68^b</i>
	<i>(Index: 1959-61=100)</i>				
<i>Agricultural production</i>	116.1	127.0	137.3	138.9	142.1
Total crop production	116.2	130.2	140.2	141.5	145.0
For domestic consumption	116.7	134.6	143.6	150.9	158.5
For export	115.1	120.9	133.0	121.8	116.7
	<i>Major crops (thousands of tons)</i>				
<i>Grown for export</i>					
Ginned cotton	476.0	540.0	591.0	508.0	458.0
Coffee	174.0	159.0	180.0	162.0	180.0
Raw henequen	172.0	195.0	175.0	176.0	178.0
Tomatoes	443.0	445.0	524.0	529.0	531.0
Cocoa beans	30.0	20.0	21.0	25.0	25.0
Groundnuts (unhulled)	93.0	95.0	86.0	95.0	97.0
Pineapples	193.0	201.0	235.0	216.0	224.0
Chick-peas	97.0	104.0	124.0	146.0	149.0
Melons	184.0	188.0	256.0	211.0	211.0
<i>Grown for domestic consumption</i>					
Paddy rice	296.0	274.0	382.0	390.0	463.0
Beans	868.0	892.0	1,235.0	1,255.0	1,364.0
Maize	6,895.0	8,454.0	8,678.0	9,105.0	9,264.0
Wheat	1,786.0	2,134.0	2,088.0	1,851.0	2,363.0
Sugar-cane	19,799.0	22,431.0	23,132.0	25,556.0	23,533.0
Leaf tobacco	68.0	68.0	69.0	69.0	69.0
Sesame	169.0	172.0	162.0	176.0	180.0
Cotton seed	875.0	920.0	1,009.0	868.0	851.0
Oranges	855.0	863.0	863.0	880.0	882.0
Safflower	47.0	47.0	72.0	195.0	196.0
Sorghum	402.0	526.0	747.0	1,341.0	1,344.0
Soya	56.0	60.0	58.0	79.0	79.0
Alfalfa (lucerne)	5,132.0	5,532.0	5,576.0	5,724.0	6,601.0

SOURCES: ECLA, on the basis of data supplied by the Department of Agricultural Economics and Banco de México.

^a Provisional figures.

^b Estimates.

suffice to cover Mexico's International Coffee Agreement quota (1,451,000 bags) and meet domestic consumer requirements as well. Production figures for other export commodities were much the same as in 1966/67, or slightly higher.

Broadly speaking, weather conditions were more favourable for agricultural production primarily for the home market, which expanded by 5 per cent in 1967/68, i.e., at the same rate as in the preceding year. Output of sugar and cereals has reached high enough levels in recent years to provide large exportable surpluses, so that the fluctuations in traditional export commodities have been offset to a greater or lesser extent.

External sales of maize and wheat, however, have been effected at prices much lower than those obtainable on the home market; in 1967, therefore, the authorities continued to apply a selective policy of support prices designed to limit maize and wheat growing in the districts under irrigation and to encourage production of oilseeds. Nevertheless, output of maize again increased slightly (by 1.7 per cent) as a result of better yields in the non-irrigated areas. As the 1967/68 harvest of 9.3 million tons was well in excess of domestic consumption needs and surpluses had been carried over from the preceding crop, about 1.3 million tons were sold abroad. Wheat production expanded by 28 per cent, more than recovering from the decline recorded in the previous crop year, and amounting to approximately 2.4 million tons. This increase must be ascribed to a considerable improvement in productivity, since the area sown to wheat expanded by only 9 per cent.

The volume of wheat exports was sizable in

1967—212,000 tons—although much smaller than in 1965 (685,000 tons), since output exceeded 2 million tons, substantial stocks have presumably been built up.

The position is similar with respect to sugar. Since 352,000 tons were available at the end of 1966, restrictive measures were adopted; the amount of sugar-cane cut was reduced by 2 million tons in 1967/68. Yet in 1967 sugar production increased by 11.8 per cent and end-of-year stocks climbed to approximately 500,000 tons, notwithstanding the upswing in exports.

As regards the other crops grown for home consumption, production sufficed to meet domestic needs. Output of rice had previously fallen short of requirements, but thanks to a 19 per cent production increment, imports were eliminated in 1967.

Panama

In Panama the growth rate of the domestic product, which has been relatively high since the beginning of the current decade—over 8 per cent per annum—was maintained in 1967 (see table 152 and figure XXII). As in previous years, this expansion was closely linked to the vigorous growth of industry, which achieved a rate of over 11 per cent, and to external-sector trends; exports of goods and services (at constant prices) rose by 10.7 per cent, and imports by nearly 6 per cent. By virtue of this additional increase, exports more than doubled their 1960 value, and have maintained since that year an average annual growth rate of nearly 12 per cent (see table 153).

The special structure of the economy of Panama and the fact that it is so strongly influenced by developments in the external sector

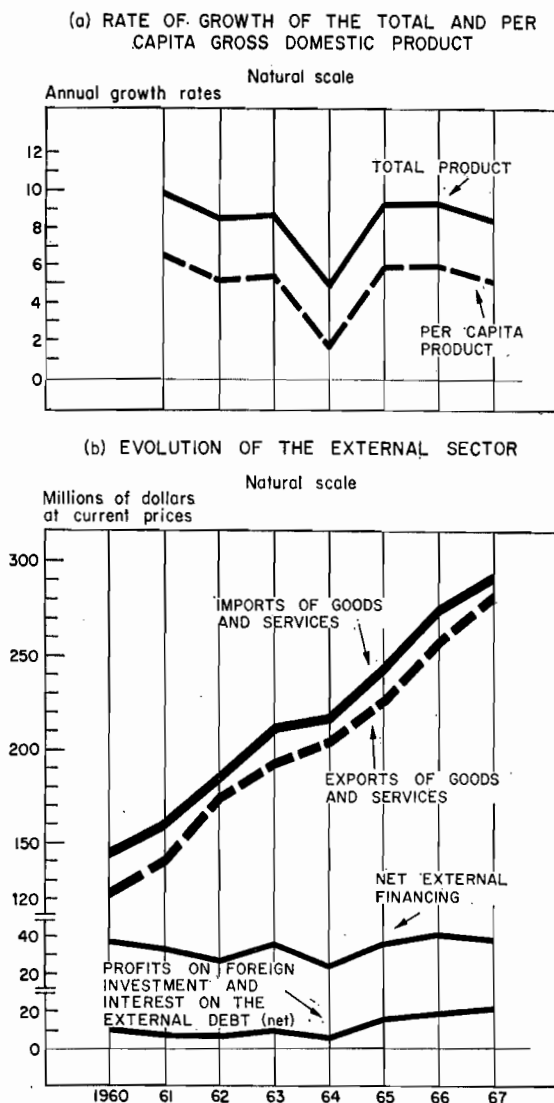
Table 152. Panama: aggregate supply and demand, 1960 and 1965-67

	Millions of balboas at 1960 prices				Annual growth rates		
	1960	1965	1966	1967 ^a	1960-65	1966	1967 ^a
<i>Aggregate supply</i>	567.1	861.2	951.4	1,022.6	8.7	10.5	7.5
Gross domestic product	418.0	621.4	679.0	734.2	8.3	9.3	8.1
Imports of goods and services	149.1	239.8	272.4	288.4	10.0	13.6	5.9
<i>Aggregate demand</i>	567.1	861.2	951.4	1,022.6	8.7	10.5	7.5
Exports of goods and services	127.3	231.0	266.1	294.5	12.7	15.2	10.7
Total investment	67.8	111.1	146.1	162.2	10.4	31.5	11.0
Gross fixed investment	61.4	97.1	133.0	(142.0)	9.6	37.0	6.8
Public	12.0	21.7	18.8	...	12.6	-13.4	...
Private	49.4	75.4	114.2	...	8.8	51.5	...
Changes in stocks	6.4	14.0	13.1	(20.2)	17.0	-6.6	54.2
Total consumption	372.0	519.1	539.2	565.9	6.9	3.9	5.0
General government	46.9	67.0	74.5	84.5	7.4	11.2	13.4
Private	325.1	452.1	464.7	481.4	6.8	2.8	3.6

SOURCES: Statistics and Census Office, *Cuentas nacionales*; Department of Planning and Administration, *Informe*

económico 1967; ECLA estimates, based on partial indicators.
^a Preliminary estimate.

Figure XXII. Panama: 1960-67



help to explain why the relatively high and steady growth rate of the domestic product was not accompanied by more rapid diversification, with the result that certain fundamental problems, such as urban unemployment, still persist. Certain other developments that characterized the Panamanian economy in 1967 are therefore particularly significant. In that year the growth rate of 8.1 per cent was determined not only by the external factors already mentioned, but also by an increase in public expenditure, intensification of the process of import substitution, expansion of the area under cultivation for market crops, a steady increase in the availability of credit and the continuous inflow of short-term foreign capital.

There was a considerable increase in public investment levels, which rose from 18.8 million balboas (at 1960 prices) in 1966 to 32.2 million in 1967. Although the projects in question were largely financed out of external funds, current public saving was much greater than in the preceding year and therefore played an important part in their financing. Generally speaking, the biggest increases took place in investment in infrastructure projects and specific services. Between 1966 and 1967 budget appropriation rose from 2.6 to 7.1 million balboas for electric power projects, from 3.1 to 9.2 million for transport projects, and from 4.1 to 11.1 million for housing programmes. Central government revenue climbed to 112.9 million balboas between January and November 1967, thus exceeding its total for the same months in 1966 by 19 per cent. In particular, more revenue accrued from income and import taxes, State enterprises obtained higher profits and loans virtually doubled.

Other favourable symptoms can be discerned in the consistently favourable pattern of industrial production, which expanded in 1967 by over 11 per cent (see table 154) under the stimulus of import substitution and the rising demand for manufactures. There were sizable increases in the light industries—particularly food products, footwear and clothing—the intermediate chemical and paper industries, and the metal-transforming industry, owing to the boom in construction. In the course of the year, a cotton textile mill supplying 10 per cent of domestic demand went into operation in the free zone of Colón and a tire factory was installed. The petroleum refinery was enlarged, but output of petroleum products contracted as a result of a temporary standstill in the industry for the purposes of maintenance operations.

Agriculture showed favourable trends, with a production increment of nearly 6 per cent (see table 154). This was mainly due to increases of 16 and 15 per cent in output of coffee and tobacco respectively, and to the incorporation of new banana-growing areas in Bocas del Toro. Fisheries showed a slight increase over 1966, when both the volume and value of production was twice as high as in 1965, with the establishment of new processing and canning industries for fish meal and fish oil. Furthermore, work was virtually completed on the rural cadastral survey, which covers 40,000 square kilometres, and which will not only provide information on the cultivable area, but will also facilitate the allocation of land to agricultural workers. In addition, further progress was made in the small-scale rural development programme, which

Table 153. Panama: balance of payments, 1964-67
(Millions of dollars)

	1964		1965		1966		1967 ^a	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
Current account								
Merchandise	82.0	168.2	92.6	192.5	103.2	217.7	110.0	230.3
Freight, insurance and other transport	12.2	23.0	14.7	25.3	16.0	28.9	17.5	32.0
Travel	32.6	10.3	38.3	10.0	48.8	11.6	58.0	12.5
Other services	76.8	12.6	80.1	12.5	88.5	13.7	94.0	14.5
<i>Total goods and services</i>	<i>203.6</i>	<i>214.1</i>	<i>225.7</i>	<i>240.3</i>	<i>256.5</i>	<i>271.9</i>	<i>279.5</i>	<i>289.3</i>
Remittances of profits and interest on the public debt	—	5.2	—	15.2	—	18.1	—	19.7
Net private transfer payments	—	7.2	—	5.8	—	6.1	—	6.5
<i>Total, current account</i>	<i>203.6</i>	<i>226.5</i>	<i>225.7</i>	<i>261.3</i>	<i>256.5</i>	<i>296.1</i>	<i>279.5</i>	<i>315.5</i>
Balance on current account	—	22.9	—	35.6	—	39.6	—	36.0
			1964	1965	1966	1967 ^a		
Capital account (net balances)								
<i>Movements of autonomous capital</i>			40.3	32.5	38.1	45.8		
Net direct investment			4.2	7.2	10.8	12.0		
Net loans			5.8	14.0	15.1	19.8		
Other net movements of capital			23.0	1.8	4.2	5.0		
Net official transfer payments			7.3	9.5	8.0	9.0		
<i>Net errors and omissions</i>			-17.4	3.1	1.5	-9.8		
<i>Total movement of capital</i>			<i>22.9</i>	<i>35.6</i>	<i>39.6</i>	<i>36.0</i>		

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vol. 19.

^a Preliminary estimates.

Table 154. Panama: annual growth rates of gross domestic product by sectors of economic activity, 1960-67

Sector	1960-65	1965-66	1966-67 ^a
Agriculture, forestry and fishing	5.9	8.3	6.0
Mining and quarrying	12.7	-5.0	5.3
Manufacturing	12.6	10.3	11.2
Construction	7.2	16.1	5.8
Electricity, gas and water	11.2	14.0	7.4
Services	8.3	8.4	8.3
Transport and communications	14.1	10.6	12.4
Commerce and finance	11.3	11.3	10.1
Commerce	10.8	9.5	9.0
Finance	13.1	16.8	14.4
Ownership of dwellings	3.6	10.7	2.8
Public administration and defence	6.6	10.8	11.5
Other services	4.9	3.8	6.2
Services to the Canal Zone	11.1	8.0	8.5
<i>Over-all rate</i>	<i>8.3</i>	<i>9.3</i>	<i>8.1</i>

SOURCES: Statistics and Census Office, *Cuentas nacionales*; Department of Planning and Administration, *Informe económico 1967*.

^a Preliminary estimate.

was mainly directed towards building roads and sinking wells. An attempt was also made to modernize farming techniques through greater use of fertilizers and improved seeds.

The expansion of economic activities was facilitated by a plentiful supply of credit. During the first half of the year, bank deposits exceeded the figures for the corresponding period in 1966 by 13 per cent, while bank loans granted between January and September 1967 were 22 per cent higher than during the same period the year before, and thus 75 per cent over their 1965 level. As regards the destination of these loans, just over 60 per cent went to commerce, 6 per cent to agriculture and 8 per cent to industry.

Exports of goods and services grew at an average annual rate of 11.8 per cent between 1960 and 1967, with sales to the Canal Zone expanding by 8.5 per cent yearly and those to the rest of the world by 14.6 per cent. The share of the Canal Zone in total exports was thus reduced from nearly 50 per cent in 1960 to 40 per cent in 1967, or 42 per cent if petroleum—the refining of which began in 1962—is discounted. It should be noted that, while exports under the heading of “other goods and services to the Canal Zone”, which consisted mainly of wages and salaries paid to Panamanians and purchases by United States residents, rose from 52.1 million to 87.5 million dollars, exports of goods during the same period jumped from 30.5 million to 91.9 million dollars.

During the first half of 1967, the structure of imports of goods was much the same as before: nearly 8 per cent for food, 20 per cent for fuel, 10 per cent for chemical products, 35 per cent for manufactures and 24 per cent for machinery and transport equipment.

Meanwhile, two matters that could be of decisive importance for both the pace and—in particular—the manner of Panama's subsequent economic development over the long term are still under consideration, i.e., the negotiations relating to the signing of the new Canal treaty, and the prospects for Panama's entry into the Central American Common Market.

Paraguay

The evolution of the Paraguayan economy was relatively satisfactory in 1967, since the gross domestic product increased by about 5.3 per cent, thus maintaining the growth pattern of previous years, which had been interrupted in 1966 owing to adverse conditions affecting agricultural production. In particular, agricultural activities picked up again and there were sizable increases in public investment and imports. Agricultural production rose 2 per cent, as against a drop of 3.5 per cent in 1966; public investment was up 35 per cent, owing to the launching of a number of large-scale projects, such as road works and the Acaray dam; and imports outstripped the 1966 level by 13 per cent (see table 155 and figure XXIII).

1. CHANGES IN THE MAJOR SECTORS OF PRODUCTION

There were no serious weather disturbances in 1967 and the expansion of agriculture was in some measure linked with the efforts which had been under way for several years in respect of land

settlement and the promotion of specific projects—for example, the development plan for wheat and the pest-control campaign—and which were supplemented in 1967 by the establishment of the National Foot-and-Mouth Disease Control Service. On the other hand, some agricultural exports—meat in particular—were affected by the drop in prices.

An analysis by products (see table 156) shows that there was a decline in cotton production, as a result of a sizable reduction in the area sown because of the lack of price incentives and a contraction in demand. The situation was the reverse in tobacco and rice production, which increased by 54 and 73 per cent respectively. There was also a sharp rise in maize production (36 per cent) thanks to an upward movement in prices, which led to an expansion of the area sown, often at the expense of cotton.

Manufacturing output rose more than 8 per cent in 1967, although individual products followed widely varying trends (see table 157). Thus, domestic demand stimulated production of industrial oils and canned meat, but was a depressive factor in the case of maté; it also spurred production of cotton fabrics, beverages and matches, but competition from imports held down production of edible oil, cigarettes and wheat flour. The production of tannin, which used to be one of Paraguay's main products, has been affected by the obsolescence of the techniques employed, with the discovery of woods that mature more rapidly than quebracho. This has led to the closing of five factories—only the one in Puerto Casado is still in operation—with the result that it had proved impossible to meet the quota fixed with Argentina. On the other hand, new lines of activity have started up, including the manufacture of petroleum products and canned foodstuffs, which might

Table 155. Paraguay: aggregate supply and demand, 1960 and 1965-67
(Millions of guaraníes at 1960 prices)

	1960	1965	1966	1967 ^a	Annual growth rates		
					1960-65	1966	1967
<i>Aggregate supply</i>	41,491	50,682	51,274	54,720	4.1	1.2	6.7
Gross domestic product	34,523	41,514	42,220	44,460	3.8	1.7	5.3
Imports of goods and services	6,968	9,168	9,054	10,260	5.6	-1.2	13.3
<i>Aggregate demand</i>	41,491	50,682	51,274	54,720	4.1	1.2	6.7
Exports of goods and services	5,494	7,536	6,918	7,220	6.5	-8.2	4.4
Total investment	5,840	6,574	7,496	8,380	2.4	14.0	11.8
Private	4,440	5,515	5,650	5,880	4.4	2.4	4.1
Public	1,400	1,059	1,846	2,500	-5.4	74.3	35.4
Total consumption	30,157	36,572	36,860	39,120	3.9	0.8	6.1
General government	2,629	3,524	3,754	4,190	6.0	6.5	11.6
Private	27,528	33,048	33,106	34,930	3.7	0.2	5.5

SOURCES: ECLA, on the basis of data supplied by the Planning Office and the Central Bank.

^a Provisional figures.

Table 156. Paraguay: area harvested, yield and output for selected crops, 1965/66 and 1966/67

Crop	Area harvested (hectares)		Yield (kg/ha)		Output (tons)		Percentage variation
	1965/66	1966/67	1965/66	1966/67	1965/66	1966/67 ^a	
Raw cotton	62,820	38,200	460	700	28,900	26,750	-7.4
Tobacco	7,000	10,800	1,250	1,250	8,750	13,500	+54.3
Alfalfa	5,100	5,260	3,600	3,600	18,360	18,950	+3.2
Peas	3,850	4,220	600	600	2,310	2,630	+13.9
Rice	44,600	7,000	2,200	2,500	10,100	17,500	+73.3
Sweet potatoes	9,160	9,100	9,800	9,870	89,800	89,800	—
Sugar-cane	26,000	26,000	38,000	38,000	988,000	988,000	—
Wheat	7,200	7,370	1,000	1,200	7,200	8,830	+22.6
Onions	3,200	33,400	4,700	5,000	15,050	17,000	+12.9
Manioc	102,000	97,330	14,000	15,000	1,437,000	1,460,000	+1.6
Potatoes	2,200	2,000	4,000	5,000	8,800	10,000	+13.6
Maize	150,500	173,080	1,100	1,300	165,500	225,000	+36.0
Soya	14,280	12,860	1,400	1,400	20,000	18,000	-10.0
Beans	32,200	32,200	600	700	19,320	22,540	+16.7

SOURCE: ECLA, on the basis of official statistics.

^a Preliminary figures.

Table 157. Paraguay: annual growth rates of gross domestic product by sectors of economic activity, 1960-67

Sector	1960-65	1966	1967 ^a
Agriculture, forestry and fishing	4.4	-3.5	2.0
Crop farming	3.8	-4.9	...
Stock farming	5.9	-1.8	...
Forestry	4.0	0.7	...
Hunting and fishing	5.7	0.0	...
Mining and quarrying	9.5	69.7	8.6
Manufacturing	4.3	4.1	8.6
Construction	4.6	13.9	25.0
Electricity, gas and water	2.5	6.8	5.4
Services	4.5	4.0	5.4
Transport and communica- tions	3.5	5.1	5.4
Commerce and finance	5.1	4.8	5.4
Ownership of dwellings	3.0	2.9	5.4
Public administration and defence	3.8	1.4	5.4
Other services	4.8	3.5	5.4
Over-all rate	4.5	1.7	5.3

SOURCE: ECLA, on the basis of data supplied by the Planning Office.

^a Provisional figures.

subsequently prove to be dynamic elements in the sector.

Mining and quarrying—principally the production of limestone for the manufacture of lime and cement, rough-hewn stone for construction and roadbuilding and crushed stone for asphalt and building—expanded by 8.6 per cent in 1967 as a result of the boom in construction.

2. FOREIGN TRADE AND THE BALANCE OF PAYMENTS

The evolution of the external sector displayed several features which, apart from their immediate effects, may influence future economic

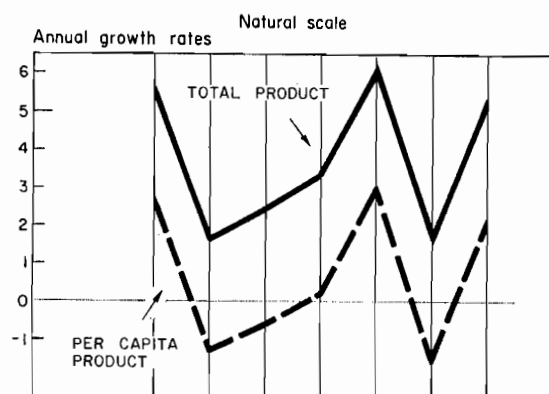
development prospects. They include, in the first place, the relative stagnation of exports, which for the second year in succession fell short of their 1965 level, notwithstanding significant increases in income from invisibles (travel, transport and other services).

In 1967 exports of goods amounted to 49 million dollars (in terms of customs values, which do not correspond to the balance-of-payments values), which represents a decline of almost 1 per cent in relation to 1966. Forest products accounted for 15 per cent of the exports, livestock products for 41 per cent, crops for 18 per cent, manufactures for 23 per cent and miscellaneous products for 3 per cent. In comparison with five years ago, the present composition of exports reflects an increase in the relative importance of livestock products and a decline in that of crops. Exports of manufactures—except for meat and cotton fibre, which are included in other groups—fell slightly in relation to 1966, because of the considerable drop in the price of tung oil—partly offset by an increase in the volume exported—and sizable reductions in exports of quebracho extract. Exports of crops also declined slightly, with smaller sales of maté (-63 per cent), fruit, coffee and seed for industrial use; there were, on the other hand, considerable increases in exports of tobacco, cotton fibre and maize. Exports of forest products declined more than 30 per cent in relation to 1966, owing to smaller demand in the Rio Plata market.

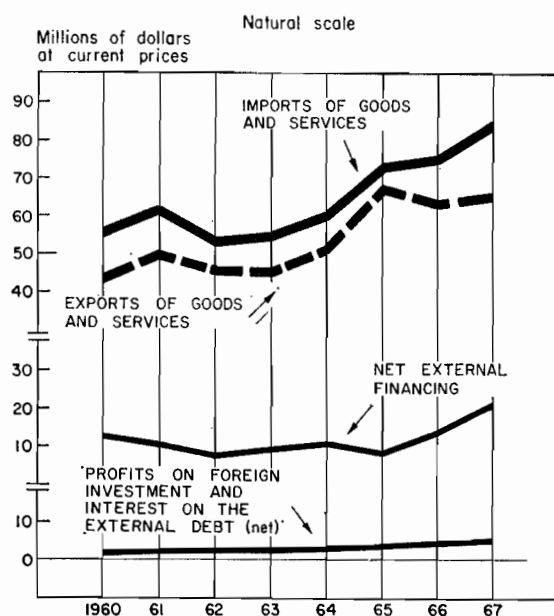
On the other hand, imports of goods (also in terms of customs values) were 15 per cent higher than in 1966. The most important component was capital goods, which accounted for 36 per cent of total imports, an increase of 3.7 per cent

Figure XXIII. Paraguay, 1960-67

(a) RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT



(b) EVOLUTION OF THE EXTERNAL SECTOR



over 1966, mainly because of the demand for these goods for public works. Durable consumer goods were up 28 per cent and amounted to 35.2 per cent of total imports. Imports of non-durable consumer goods, including foodstuffs, fuels and lubricants, and chemical and pharmaceutical products, rose 15 per cent and accounted for 29 per cent of the total.

This imbalance between imports and exports once again led to a balance-of-payments deficit on current account, which on this occasion was more than 20 million dollars. The maintenance of high import levels despite the stagnation of exports is explained by the increasing use made of external financing. Net loans amounted to 15

million dollars in 1967, i.e., a great deal more than in 1966 and almost three times as much as in 1964 (see table 158 and figure XXIII).

3. SOME SIGNIFICANT FEATURES OF ECONOMIC POLICY

In the public sector too there were signs of a fairly serious imbalance. After the steep upswing in tax revenue in 1965, public income rose more slowly while current and capital expenditure went on expanding. Hence, in the first eleven months of 1967 the fiscal deficit was in the neighbourhood of 200 million guaraníes, in marked contrast with the surplus of 130 million recorded in the corresponding period of 1966, and Central Bank financing, through the issue of bonds and net short-term advances, significantly increased.

There was an increase of 9.5 per cent in the currency issue in 1967 and the means of payment rose 2.9 per cent, the corresponding figures in 1966 being 8 and 2.9 per cent, respectively. There was an increase of about 30 per cent in the credit portfolio of the private banks and of about 34 per cent in that of the Banco Nacional de Fomento.

On the other hand, the expansion of domestic supply and the larger quantities of imports available relatively kept prices relatively stable. Between December 1966 and December 1967, consumer prices in Asunción rose about 1 per cent, mainly as a result of higher passenger transport rates, since the food price indexes were slightly lower than in 1966, when the level was relatively high because of the shortfall in crops. Moreover, in 1967 there was no official change in minimum wages, although in some cases there were voluntary readjustments.

Although the factors making for instability and disequilibrium which can be noted in the recent evolution of the Paraguayan economy have had no adverse effects on the rate of growth and the level of domestic prices, they highlight the importance of the efforts that are being made in the conduct of development policy. Under this policy, the Development Plan for 1967-68 was put into effect, and during the year headway was also made in the institutional field and in major programmes. A public administration accounting and auditing act was passed; the National Council for Educational Planning was set up; the National Industrial Development Council was established; more than 56,000 hectares were incorporated into the national land settlement programme; and work proceeded on the construction of the Acaray dam.

The Development Plan contains a number of

Table 158. Paraguay: balance of payments, 1964-67
(Millions of dollars at current prices)

CURRENT ACCOUNT											
Year	Exports				Imports				Profits on foreign investment and debt service payments (net)	Private transfer payments	Balance on current account
	Merchandise, f.o.b. ^a	Travel	Transport, insurance and other services	Total goods and services	Merchandise, f.o.b. ^a	Travel	Transport, insurance and other services	Total goods and services			
1964	46.2	0.4	4.0	50.6	45.1	1.6	12.8	59.5	-2.5	0.9	-10.5
1965	60.8	0.6	5.0	66.4	53.0	2.2	17.2	72.4	-3.0	1.1	-7.9
1966	53.6	3.0	6.8	63.4	58.3	2.9	13.3	74.5	-4.1	1.4	-13.8
1967 ^b	54.0	4.7	6.7	65.4	65.0	3.0	16.0	84.0	-4.4	2.0	-21.0

CAPITAL ACCOUNT									
Net movements of autonomous capital									
Year	Official transfer payments	Direct investment	Loans	Other autonomous movements	Total autonomous capital	Errors and omissions	Net compensatory financing ^c	Total net movements of capital	
1964	3.9	3.5	5.3	5.3	18.0	-4.8	-2.7	10.5	
1965	3.1	3.3	7.6	2.3	16.3	-0.6	-7.8	7.9	
1966	3.1	1.9	9.4	1.7	16.1	-0.6	-1.7	13.8	
1967 ^a	3.0	3.8	15.0	3.3	25.1	-2.6	-1.5	21.0	

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vol. 19.

^a Including balance-of-payments adjustments; therefore the figures are not comparable with the customs figures for foreign

trade.

^b Preliminary estimates.

^c Minus sign denotes increase.

important investment projects which will be carried out in the period 1966-70, to a value of 183.6 million dollars, of which 59.5 million is being supplied from domestic sources and 124.1 million will be provided by external financing. Transport and communications account for 48.2 million dollars; energy and industry for 60.1 million; agriculture for 37.7 million; and social services for 37.6 million. In transport and communications, the main projects are the asphaltting of route 1, Paraguari-Encarnación, the improvement of routes 2 and 7, Asunción-Puerto Presidente Ströessner, and the improvement of airport and port facilities in Asunción; in energy and industry, the construction of the Acaray hydroelectric power station, the electrification of the interior and the construction of a cement factory; in agriculture, the national plan for foot-and-mouth disease control and the consolidation of the eastern strip; and in social services, housebuilding, the malaria control service, the construction of gutters, the provision of piped water and the construction of the central hospital of the Social Security Institute.

Peru

The satisfactory growth pattern of the main sectors of domestic economic activity, and an

aggravation of balance-of-payments deficits which led to the adoption of important decisions in the field of exchange policy, were two of the outstanding features of Peru's economic development during 1967. The first of these was reflected in a growth rate of the gross domestic product of about 5 per cent, which, although lower than the annual rate of 6 per cent recorded in the previous six-year period, indicated that dynamic factors were still in operation, despite the adverse conditions in the external sector in 1967 (see table 159 and figure XXIV).

1. EVOLUTION OF SELECTED SECTORS

Agricultural production, with a growth rate of about 3 per cent, recovered from the downturn in 1966 which had been caused by unfavourable weather conditions. In 1967—again in contrast to 1966—the most significant increases were achieved in production for domestic consumption (mainly potatoes, maize and—above all—rice), while production for export fell off sharply. In particular output of cotton declined about 25 per cent, because of the shortage of water in the cotton-growing area in the northern zone and a reduction in the area under cotton, part of which was turned over to other crops with a better short-term yield.

During the year, further steps were taken to

Table 159. Peru: gross domestic product by type of expenditure, 1963-67
(Millions of dollars at 1960 prices)

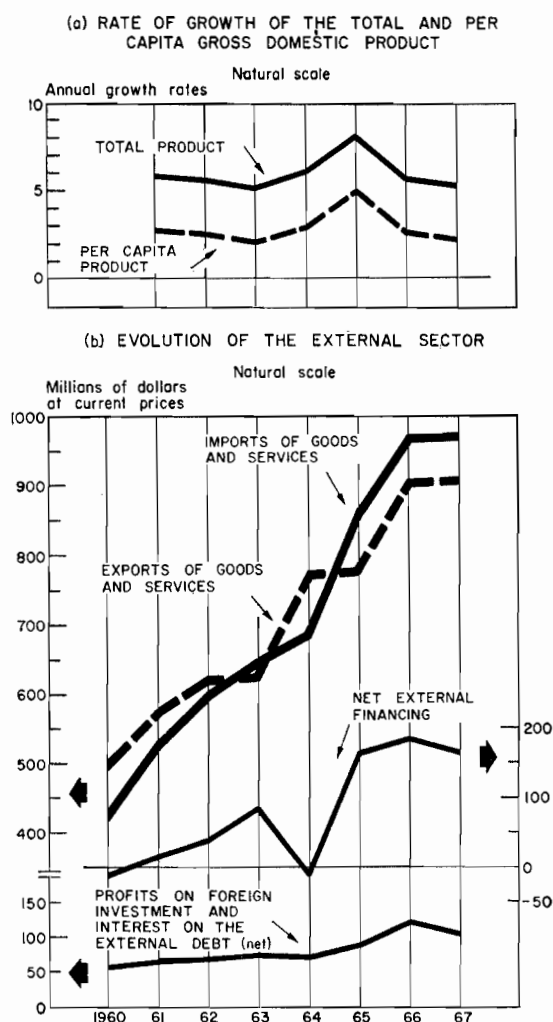
Type of expenditure	1963	1964	1965	1966	1967 ^a
Gross domestic product	70,553	74,814	80,800	85,300	89,800
Total investment	16,775	16,578	19,310	20,120	...
Fixed	15,837	16,485	19,360	20,990 ^b	22,070 ^b
Changes in stocks	938	93	-50	-870	...
Total consumption	55,256	59,687	66,482	72,523 ^b	...
General government	7,986	8,936	10,053	10,760 ^b	10,950 ^b
Private	47,270	50,751	56,429	61,763 ^b	...
Exports of goods and services	15,656	17,052	16,681	16,773	17,930
Imports of goods and services	17,134	18,503	21,673	24,116	23,790

SOURCE: ECLA, on the basis of data supplied by the National Planning Institute.

^a Provisional figures.

^b ECLA estimates. Private consumption was obtained by subtraction.

Figure XXIV. Peru: 1960-67



promote agricultural development by means of infrastructure projects and other incentives; in this connexion, in addition to the construction of

approach roads, work continued on the building of the Tinajones dam in the province of Lambayeque, which will control the irrigation of 96,000 hectares. Moreover, an agricultural development act was passed under which small and medium-scale farmers were accorded better credit facilities and were granted tax privileges and exemptions. At the same time, it is planned to set up institutes for the promotion of certain lines of production, such as coffee, milk, and wool and other animal fibres.

The volume of production in the mining sector, which had diminished in the preceding year, recovered in 1967, although the rate of expansion was relatively low (2.5 per cent). This represented a resumption of the slow upward trend followed by the sector since the impetus provided by the entry into production of the Toquepala copper deposits. In particular, production of iron remained close to its 1966 level, while that of copper showed a moderate increase. In addition, a copper rolling mill was established in Oroya, and work continued on plans to triple copper production by 1975. Moreover, an act was passed authorizing the Government to negotiate modifications in the present contract with the company working the Toquepala deposits, and to conclude agreements with the companies to be responsible for exploiting the Quellaveco and Cuajone deposits.

The rapid growth of the fishing industry continued, with a further expansion of about 15 per cent, despite the fishermen's strike after the long closed season and unfavourable world market conditions. Probably, in view of the less favourable external situation, domestic consumption is absorbing an increasing share of the larger volumes of production. During the year steps were taken to streamline the industry, which led to an increase in productivity and the closing down of a large number of marginal factories; in addition, a further incentive was provided by

the enactment of legislation exempting the fishing industry from certain taxes.

The growth rate of manufacturing slackened in relation to previous years, but even so an increase of 7 per cent was recorded. This was determined by a boom in the production of fish meal—which amounted to 1.8 million tons, an increase of 23.5 per cent over 1966—and the expansion of the motor-vehicle assembly industry. In the latter industry, there were sharp fluctuations in the course of the year, since up to August the number of units assembled had risen by 50 per cent in relation to the corresponding period in 1966, but thenceforward serious difficulties were encountered, the causes of which included a downward shift in demand and a rise in the prices of imported inputs. Meanwhile, existing industrial production capacity was further expanded; in the course of the year, new plants were established in the Arequipa industrial estate, the blast furnace at the Chimbote steelworks was put into operation (with a daily capacity of 500 tons), and the La Pampilla petroleum refinery was opened, with an initial daily capacity of 10,000 barrels.

Construction, which had been one of the most dynamic sectors in previous years, expanded only 2 per cent in 1967. This lower rate of growth can be ascribed to credit restrictions and increased costs, both of labour and of materials, in the private sector, and to a slackening in the pace of execution of public works (see table 160).

2. EXTERNAL SECTOR TRENDS

The trends followed by the external sector contrasted with the evolution of domestic production. Owing mainly to the fall in world market prices of Peru's staple export products, there was a drop of 4.5 per cent in the index of the unit value of exports. In addition, the big slump in cotton exports nullified the increases in

volume recorded by almost all the remaining export items, particularly fisheries products. This meant that current export earnings remained at virtually the same level as in 1966 (see table 161).

In particular, exports of fish meal reached the unprecedented level of 1,592,000 tons, which was 22 per cent more than in 1966; the average price, however, was correspondingly lower. Similarly, exports of fish oil doubled, but prices fell by one-third.

The quantum of mining exports rose considerably, although on the whole prices were less favourable than in 1966. The one exception to this was silver, for which there was a drop in volume but a rise of 20 per cent in prices. After the sharp rise in mid-1966, copper prices continued to decline slowly, reaching their lowest ebb in July 1967. Although they improved considerably in the second half of the year, with the prolonged copper strike in the United States, the average price for the year was slightly lower than in 1966. On the other hand, there was a considerable decline in the volume of agricultural exports, which can be ascribed to the 40 per cent drop in cotton sales, since coffee and sugar exports increased.

In contrast with the stagnation of exports, various factors combined to raise imports, with the result that by the end of August they had exceeded the already high levels for the corresponding period in 1966; in particular, relative prices favoured imports rather than locally-produced goods, since the exchange rate had not varied in the last eight years, while domestic prices had risen 70 per cent. This fact—together with a run on the dollar for other purposes—resulted in a volume of imports which already implied a trade-balance deficit of 80 million dollars and a reduction in official foreign exchange holdings amounting in that month alone to 39 million dollars. In view of this

Table 160. Peru: gross domestic product by main sectors of economic activity, 1963–67

Sector	Percentages			Annual growth rate			
	1963	1965	1967 ^a	1964	1965	1966	1967 ^a
Agriculture . . .	17.9	16.7	15.2	3.0	3.6	-1.5	3.0
Fisheries . . .	1.7	1.6	1.9	30.6	-17.0	16.2	15.0
Mining . . .	6.3	5.8	5.3	4.9	1.8	-1.5	2.5
Manufacturing . . .	19.4	19.9	21.0	5.6	11.1	10.0	7.0
Construction . . .	4.9	5.7	5.5	10.4	22.3	5.0	2.0
Energy . . .	0.9	1.0	1.1	9.2	16.0	8.2	8.5
Transport and communications . . .	6.2	6.5	6.5	8.5	11.1	4.5	6.4
Other services . . .	42.7	42.8	43.5	6.0	8.3	7.1	5.6
TOTAL	100.0	100.0	100.0	6.0	8.0	5.6	5.3

SOURCE: ECLA, on the basis of data supplied by the National Planning Institute.

^a Provisional figures.

Table 161. Peru: export trends in staple products, 1964-67

	Percentage share of total (1967)		Index: 1963 = 100			
			1964	1965	1966	1967
Fish meal	23.4	Value	137.2	149.0	174.0	168.9
		Volume	137.4	136.3	125.6	153.4
Fish oil	2.8	Value	156.1	253.6	167.1	226.6
		Volume	85.2	106.9	68.3	144.0
Cotton	7.2	Value	100.0	95.3	93.4	59.7
		Volume	92.2	91.8	91.5	55.4
Sugar	7.0	Value	100.5	59.0	73.4	84.0
		Volume	85.7	73.7	86.7	97.3
Coffee	3.8	Value	144.7	113.5	111.6	113.5
		Volume	105.5	86.3	88.4	103.7
Copper	26.7	Value	118.3	138.9	213.4	230.9
		Volume	110.0	110.1	107.8	120.5
Iron	8.2	Value	106.7	128.9	146.4	170.2
		Volume	103.6	128.3	135.7	151.2
Silver	5.7	Value	126.4	109.1	115.8	120.8
		Volume	117.2	104.5	111.9	97.4
Lead	4.0	Value	201.0	230.8	210.9	183.4
		Volume	138.3	125.2	125.2	124.9
Zinc	4.7	Value	247.2	226.4	215.1	225.1
		Volume	147.1	142.5	150.9	161.2
TOTAL	100.0	Value	123.5	123.1	141.3	140.3
		Volume	109.6	107.7	106.2	109.8

SOURCES: ECLA, on the basis of data supplied by the Customs Department and the National Planning Institute.

situation the Central Bank decided to suspend sales of foreign exchange and to devalue the currency, setting the exchange rate 45 per cent above its previous level. These and other measures, such as the establishment of a system of exchange certificates, helped to discourage imports, which by the end of the year were roughly at the same level as in 1966. Consequently, the trade deficit (including freight and insurance in the case of imports) was about 63 million dollars.

The balance-of-payments deficit on current account was 20 million dollars smaller than in 1966, owing to reduced outgoings under the head of payments of profits and interest, which none-the-less exceeded 100 million dollars; on the other hand, the net inflow of autonomous capital was about 100 million dollars less than in 1966, and this led, for the second year running, to a drawing on the reserves, which on this occasion amounted to 50 million dollars. In addition, Peru received a stand-by loan of 21.2 million dollars from the International Monetary Fund and a 40-million-dollar loan in August from a group of United States bankers (see table 162 and figure XXIV).

3. OTHER RECENT EVENTS

The holding down of imports and the size of the devaluation accentuated the upward movement of domestic prices. By the end of the year,

the cost-of-living index had risen 20.7 per cent—the largest increase in the last two decades—a proportion which was not matched by the increase in wages.

The policy of continuing public expenditure and increasing tax revenue, which was helping to reduce the fiscal imbalance that dated back to 1963, slowed down progress on certain public works and was responsible for a wage-freeze in the public administration sector; nevertheless, the fiscal deficit once again exceeded 3,000 million soles. In October, the Government authorized a bond issue for 1,500 million soles. The effects of devaluation also made themselves felt in the 1968 budget estimates, which included higher taxes in order to finance the increase in expenditure directly caused by the rise in prices, and which met with a great deal of opposition in Parliament.

Credit granted by the commercial banks to the private sector, which had contracted during much of the year, expanded in the last few months and thus reached the same levels as in the preceding year.

Dominican Republic

The economy of the Dominican Republic, having made up in 1966 most of the sharp decline in the indexes of economic activity resulting from the political situation in the

Table 162. Peru: balance of payments, 1964-67
(Millions of dollars)

	1964	1965	1966	1967 ^a
<i>Current account</i>	13.7	-161.0	-183.2	-163.4
Exports of goods and services	763.8	771.9	891.6	896.5
Imports of goods and services	686.4	852.1	964.2	964.9
Net payments of profits and interest	70.3	86.2	117.7	102.5
Net private transfer payments	6.6	5.4	7.1	7.5
<i>Capital account</i>	-13.7	161.0	183.2	163.4
Net movements of autonomous capital	44.0	203.9	220.6	117.6
Direct investment	10.5	27.8	30.0	...
Long-term loans	60.7	156.7	192.2	...
Other net movements of capital	-29.6	8.7	-22.8	...
Official transfer payments	2.4	10.7	21.4	...
Errors and omissions	-32.7	-28.4	-59.8	-14.3
Net compensatory movements of capital (increase -)	-25.0	-14.5	22.2	60.1

SOURCE: ECLA, on the basis of data supplied by the Customs Department and the Banco Central de Reserva.

^a Provisional figures.

Table 163. Dominican Republic: gross domestic product by type of expenditure, 1964-67^a

	Percentage share				Annual growth rates		
	1964	1965	1966	1967	1965	1966	1967
Gross domestic product	100.0	100.0	100.0	100.0	-14.0	12.2	2.9
Gross fixed investment	20.1	12.4	19.6	19.9	-47.1	78.3	4.4
Public	4.2	4.6	6.2	...	-5.2	50.1	...
Private	15.9	7.8	13.4	...	-58.1	95.1	...
Total consumption ^b	95.1	93.5	91.5	90.9	-15.4	9.8	2.2
General government	12.9	13.2	11.6	11.0	-12.1	-0.9	-3.0
Private ^b	82.2	80.3	79.9	79.9	-16.0	11.5	3.0
Exports of goods and services	17.7	16.2	15.4	16.5	-21.2	6.7	10.4
Imports of goods and services	32.9	22.1	26.5	27.3	-42.3	34.7	6.0

SOURCES: Up to 1966: Banco Central de la República Dominicana; for 1967: ECLA estimates, on the basis of official statistics.

^a The calculations are based on series expressed in terms of Dominican pesos at 1960 prices.

^b Including changes in stocks.

previous year, in 1967 once more resumed its slow rate of growth, the absolute levels being generally comparable to the 1964 levels (see table 163). Thus, 1967 was a period of readjustment and re-establishment of normal economic relationships, in contrast with the pronounced fluctuations of the previous years, particularly as regards the fiscal situation, the external sector and inflationary pressures.

There was an increase of about 3 per cent in the gross domestic product with a slight decline in agricultural production, a significant expansion in industry and less than average rates of growth in the construction and services sectors (see table 164 and figure XXV). The biggest decline was in agriculture for home consumption, since there was a drop in the production of maize, potatoes, yuca, sweet potatoes and groundnuts, but little change in that of other items, while in production for export there were decreases in cocoa and tobacco but increases in

coffee and particularly sugar. The increase in production of sugar—a product which accounts for more than half of total exports—implied not only a greater volume of output, but also a sizable reduction in operating costs in the State-owned enterprises, which control two-thirds of sugar production.

The industrial sector once again underwent rapid growth and improved upon the absolute levels for 1964, thanks to the progress made in the manufacture of processed foods, textiles and metallurgical products. The behaviour of the sector was influenced by the general reactivation of the economy, the expansion of exports of manufactures to the Puerto Rican market, and the increase in technical assistance and the flow of financing to private enterprises through the Artisans' Loan Fund and the Public Investment Fund, which was recently established and is backed by loans from the Agency for International Development and the Inter-American

Table 164. Dominican Republic: gross product by sectors of economic activity, 1964-67^a

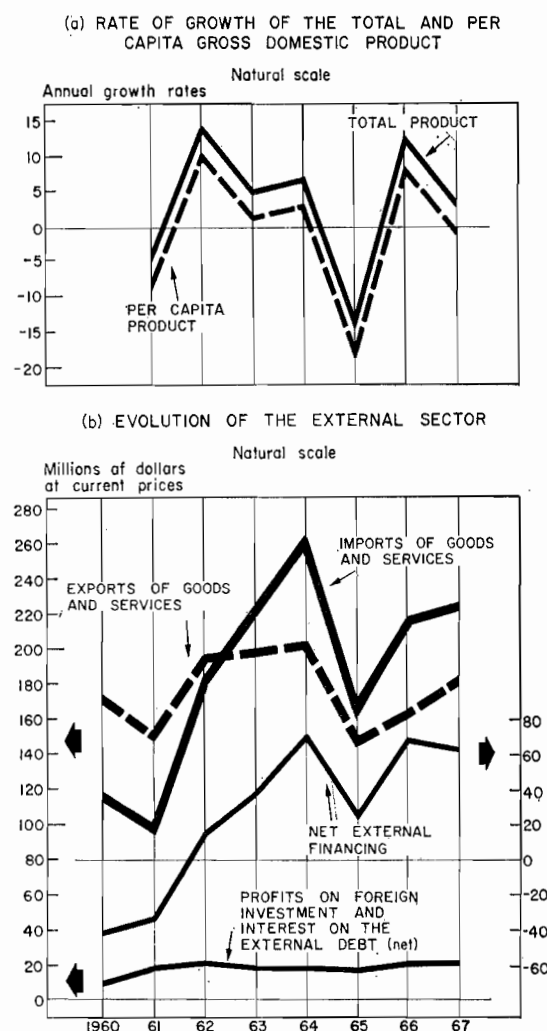
	Percentage share				Annual growth rates		
	1964	1965	1966	1967	1965	1966	1967
Agriculture	25.5	27.1	25.7	24.8	-8.3	6.3	-0.7
Mining	1.4	1.6	1.4	1.4	2.3	-1.9	3.8
Industry	13.4	12.4	13.2	14.7	-20.3	19.7	14.1
Construction	5.5	3.6	4.7	4.6	-43.1	43.5	2.6
Electricity, gas and water	1.3	1.3	1.5	1.6	-12.1	23.0	11.2
Transport and communications	6.5	6.5	6.7	6.4	-15.0	16.7	-2.0
Goods and basic services	53.5	52.6	53.2	53.5	-15.5	13.5	3.5
Commerce and finance	17.8	15.9	17.8	17.7	-23.4	25.5	2.5
Housing	7.5	9.0	8.6	8.6	4.0	6.2	2.7
Government	12.3	12.7	11.1	10.5	-11.3	-1.6	-3.2
Other services	9.2	11.0	9.9	9.9	2.3	1.1	2.7
Services other than basic services	46.8	48.6	47.3	46.6	-10.8	9.3	1.3
Gross domestic product ^b	100.0	100.0	100.0	100.0	-14.0	12.2	2.9

SOURCES: Up to 1966, on the basis of Central Bank data; for 1967: ECLA estimates on the basis of national indicators.
^a The calculations are based on series expressed in Domini-

can pesos at constant prices.

^b The columns do not add up to 100 because the figures have been extrapolated from the gross domestic product.

Figure XXV. Dominican Republic: 1960-67



Development Bank. Another important factor in the development of the industrial sector was the growing volume of public investment, the implications of which were significant, since the enterprises comprised in the Dominican Corporation of State Enterprises generate about a third of the gross industrial product. Notwithstanding this boom in industry, official estimates indicate that only about 60 per cent of installed capacity was utilized.

In 1967 there was also greater activity in mining, electricity and services, but the increase in construction was only slight, since this sector had already completely recovered in 1966 from the previous year's recession.

The balance-of-payments position was better than in 1966, thanks to a slowing down of the growth rate of imports and an increase in that of exports. Exports grew at a rate of more than 12 per cent, with an increase in the volume of sugar sales and a slight rise in the price of the quota exported to the United States market, which constitutes about 85 per cent of the total. There were also fluctuations in prices on the world market which prompted an increase in cocoa exports and a decline in coffee sales. Imports, on the other hand, expanded at a rate of almost 6 per cent, as against 33 per cent in 1966, because of restrictions on the use of suppliers' credit and the imposition of customs duties of between 10 and 15 per cent of the import value on certain foodstuffs formerly imported duty-free.

These export and import trends, together with the payment of profits and interest on foreign investment, once more led to a balance-of-payments deficit on current account. The capital account reveals drawings on reserves amounting

to 5.5 million dollars, because the inflow of non-compensatory capital was less than the deficit on current account (see table 165 and figure XXV).

The public sector played an increasingly important part in the economy and public expenditure accounted for more than 18 per cent of the domestic product. Central government current revenue, which accounts for about 20 per cent of the revenue of the public sector as a whole and which had increased by 36 per cent in 1966, rose a further 6 per cent in 1967; these increases were mainly due to the improvement in methods of tax collection. Moreover, current expenditure maintained its downward trend, as a result of the restrictions imposed on purchases of goods and services—which were cut by 20 per cent—and of the reduction in transfer payments. Thanks to these current revenue and expenditure trends it was possible to increase government saving.

Despite the slower growth of imports and the decline in agricultural production, the rise in domestic prices was held down to a considerable extent by means of a many-pronged anti-inflationary policy; for example, thanks to the reduction of the fiscal deficit and the restriction of credit it was possible to reduce the amount of money in circulation.

Trinidad and Tobago

The economic growth rate has been slowing down since the nineteen-fifties. In 1951–60, the gross, domestic product at current prices increased by 8.6 per cent yearly, but, in 1960–66 the rate dropped to 5.5 per cent, which, adjusted by the rise in prices, gives a real annual increment of 3.1 per cent. The preliminary figures for 1967 indicate that the product expanded by 5.9 per cent. Meanwhile domestic prices climbed by 2.5 per cent.

This over-all trend is the result of adverse developments in the external sector, which is a vital component of the domestic economy. Indeed, in the last few years, over 40 per cent of total demand for goods and services has been exported—an even larger share than in the nineteen-fifties.

1. THE EXTERNAL SECTOR

If the effects of the currency devaluation at the end of the year are disregarded, the value of exports declined in 1967, although exports of petrochemical products expanded rapidly (45 per cent) and the International Coffee Agreement increased the exportable coffee quota. With these two important exceptions, exports faced

Table 165. Dominican Republic: balance of payments, 1964–67
(Millions of dollars at current prices)

	1964	1965	1966	1967 ^a
Current account				
<i>Balance on current account</i>	–70.5	–27.1	–68.2	–63.8
Exports of goods and services	204.1	148.6	160.4	180.0
Goods, f.o.b.	179.4	125.9	138.0	155.0
Services	24.7	22.7	22.4	25.0
Imports of goods and services	–265.7	–167.1	–216.1	–229.3
Goods, f.o.b.	–202.4	–120.7	–160.5	–170.0
Services	–63.3	–46.4	–55.6	–59.3
Net payment of profits and interest on foreign investment	–18.8	–17.0	–20.0	–21.5
Net private transfer payments	9.9	8.4	7.5	7.0
Capital account				
<i>Net external financing</i>	70.5	27.1	68.2	63.8
Net non-compensatory capital	67.4	46.8	40.7	67.2
Net direct investment	11.2	...	...
Net long-term autonomous loans	17.6	15.8	39.6	
Other net movements	38.6	31.0	1.1	
Net errors and omissions	–9.8	–22.1	–4.7	–3.4
Compensatory financing	12.9	2.4	32.2	
Deferred import payments and balance-of-payment loans	3.6	–4.4	8.2	–5.5
IMF compensatory credit	—	—	6.6	—
IMF stand-by loans	15.0	5.0	—	–3.0
IMF quota	–2.5	—	–0.3	–0.4
Variation in the reserves (increase –)	–3.2	1.8	17.7	5.5

SOURCE: International Monetary Fund.

^a Provisional ECLA estimates.

unfavourable market conditions and sales dropped considerably. Petroleum products, sugar and cocoa were affected by the decline.

Exports of petroleum products increased in volume up to 1965 thanks to heavier imports of crude and distilled products for refining. In 1965, imports accounted for two-thirds of the distillable inputs used by the petroleum industry. In the following year, these imports fell 2.6 per cent in value, but as more crude was being extracted locally the refineries were able to expand their operations by 5.1 per cent and to export petroleum products. Imports dropped even more sharply in 1967, partly because international trade in crude petroleum and petroleum derivatives was disrupted by the closing of the Suez Canal. The refineries reduced their output by 3.4 per cent but by drawing on their reserves they were able to keep up the export value of petroleum products.

Sales of sugar and cocoa have tended to decline in the last few years because the plantation area is continually being reduced. In the case of sugar, these reductions were dictated by falling prices on the world market to which the balance of sugar exports is sent after the preferential Commonwealth market has received its quota. Although prices on the latter held steady or shaded upwards, the value of sugar sales dropped from 47 million Trinidad-Tobago dollars in 1963 to 35 million in 1966 and remained at much the same level in 1967. The drop in world market prices has had an even stronger impact on cocoa exports, which decreased by a little over 12 per cent in volume, notwithstanding the contraction in world market supplies.

The high level of total imports and their growth up to 1965 was largely due to purchases of crude petroleum for refining, which came to

account for about half their total value. However, in 1967, petroleum imports dropped by 9 per cent to 349 million Trinidad-Tobago dollars.¹¹

In 1967 these fluctuations in exports and imports culminated in the first credit balance since 1961, which is estimated at 40 million dollars (23 million United States dollars). Full information on the other balance-of-payments items on current account is not yet available, but payments of dividends and interest abroad are thought to have been higher in 1967 because of the operation of the new petrochemical industry and the fact that the external debt doubled, reaching 125 million dollars between 1962 and 1966. Thus the services deficit on current account is estimated at 77 million dollars in 1967 as against 33.3 million the year before. The net result was a reduction in the deficit on current account to 9 million dollars from over 138 million in 1965 (see table 166 and figure XXVI).

2. TRENDS IN THE DOMESTIC ECONOMY

The sectoral structure of the economy has been gradually changing in the course of the last few years. The petroleum sector, including the refining of imported crude, expanded at the rate of 4 per cent annually in 1960-66 and the other sectors did even better except for agriculture, where production for export fell off (see table 167 and figures XXVI).

The variations in sectoral growth rates and contributions to the product were specially important in Trinidad and Tobago because of their bearing on unemployment. It is reckoned

¹¹ All references to dollars in this section relate to Trinidad-Tobago dollars, unless otherwise stated.

Table 166. Trinidad and Tobago: balance of payments, 1963 and 1965-67
(Millions of Trinidad-Tobago dollars)

	1963	1965	1966	1967 ^a
Imports, c.i.f.	644.0	816.9	772.6	710.1
Exports, f.o.b.	595.0	710.5	752.7	750.2
Balance on merchandise account	-49.0	106.4	-19.9	40.1
Investment income	-115.8	-103.3	-107.6	-121.8
Other services	65.1	70.5	70.8	43.0
Private transfer payments	1.4	0.6	0.6	1.6
Balance on services account	-49.3	-32.2	-36.2	-77.2
Balance on current account	-98.3	-138.6	-56.1	-37.1
Private capital	95.3	102.0	37.6	42.9
Non-monetary public sector (including transfer payments)	38.0	38.0	20.5	0.5
Monetary sector ^b	-40.4	-7.3	9.7	-1.9
Errors and omissions	5.4	5.9	-11.7	-4.4

SOURCE: Central Statistical Office, Trinidad and Tobago.

^a Provisional estimates.

^b The minus sign denotes increase.

Table 167. Trinidad and Tobago: gross domestic product by main sectors of economic activity, 1960-67
(Percentage growth rates)

Sector	1960-66	1967
Agriculture	1.7	3.0
Petroleum	4.0	8.0
Manufacturing	7.1	8.6
Government	8.7	9.6
Construction	7.9	-2.0
Other sectors	6.4	1.9
TOTAL	5.6	5.3

SOURCE: Central Statistical Office, Trinidad and Tobago.

that 14 per cent of the active population is unemployed, and this proportion has remained virtually the same since the beginning of the decade. The number of emigrants jumped from 3,000 in 1966 to 5,000 in 1967. Together with the accelerated tempo of growth in manufacturing industry, which employed 13.7 per cent of the labour force in 1966, this helped to reduce unemployment during that year. On the other side of the coin, there was a decline in construction (which employs 11.3 per cent of the labour force), in the sugar industry (employing 10 per cent) and in non-government services (31.8 per cent).

3. THE PETROLEUM SECTOR

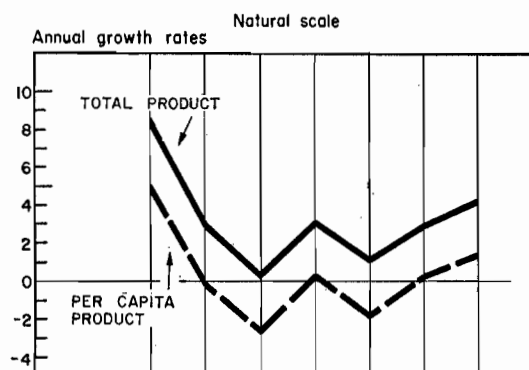
So far during the nineteen-sixties no new deposits of petroleum have been discovered. Interest is therefore being taken in seismic prospecting of the sea-bed near the present oil-fields. The development of petroleum production hinges on the findings of this survey, which will probably begin in 1968.

In recent years, the industry has been operating on the basis of an increasing utilization of reserves. In 1966, output of crude rose from 50 to 55 million barrels owing to the reactivation of an important oilfield, and again to 63 million barrels in 1967, thus making it possible to reduce imports for refining (see table 168).

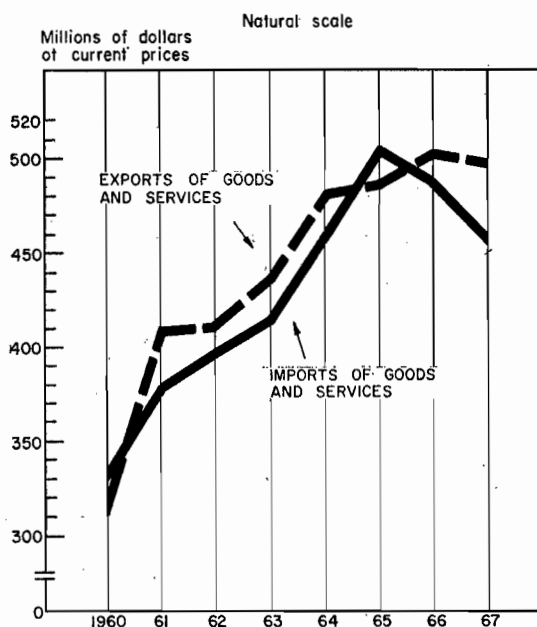
As the crude oil is being extracted from established reserves and oilfields, which means that advantage is being taken of earlier investment, the marginal product of the drilling is very

Figure XXVI. Trinidad and Tobago: 1960-67

(a) RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT



(b) EVOLUTION OF THE EXTERNAL SECTOR



high. This has speeded up the growth of the gross petroleum product since 1966, which should be favourable for the economy as a whole provided that the findings of the seismic survey are encouraging.

Table 168. Trinidad and Tobago: crude petroleum and refining output, and gross product of petroleum sector, 1963-67

	1963	1964	1965	1966	1967	Annual growth rates		
						1963-65	1966	1967
Production of crude oil (millions of barrels)	49.0	50.0	50.0	55.6	63.0	2.0	11.1	13.3
Production of distillates (millions of barrels)	110.6	127.4	137.1	144.1	138.9	14.6	5.1	-3.4
Gross domestic product (millions of Trinidad-Tobago dollars)	286.6	299.8	305.4	332.5	359.2	6.6	8.9	8.0

SOURCE: Central Statistical Office, Trinidad and Tobago.

4. AGRICULTURE

One of the main aims of economic policy latterly has been to raise agricultural output for the home market, partly for purposes of import substitution. The policy for export production has been to obtain higher market prices and quotas for sugar and coffee, and to increase cocoa output.

The gross agricultural product grew by 3 per cent in 1967 as against an average of only 1.7 per cent for 1960-66. The improvement was largely in the livestock sector, particularly in output of pork, dairy produce and poultry. Agriculture was also given an impetus by the use of Crown lands for farming purposes, which were divided into small and medium-size holdings after being improved by the Government. The Government also established a system of minimum prices for twelve staple foods.

Although the information available is incomplete, it is probable that food imports, which were increasing prior to 1967, were also high in that year because of the difficulties of marketing production locally. In order to overcome these and other difficulties, the International Bank for Reconstruction and Development granted a loan of 8.6 million dollars in mid-1967 to finance part of a project to improve the national road network.

Export agriculture has been less successful in achieving its goals. Output of sugar-cane and cocoa fell again in 1967 (5.7 and 14.4 per cent respectively). Sugar is mainly sold on the Commonwealth market, where the prices, although higher than on the world market, are not high enough to stimulate the industry, which has been declining since 1965. Moreover, in 1967 the Commonwealth Sugar Agreement was not extended any further and will therefore remain in force in its present form up to 1974. The outlook is, consequently, rather bleak, since Trinidad and Tobago has a fairly small share of the United States quota, and will have difficulty in adjusting to the fluctuations and low prices on the free sugar market.

International cocoa prices rose in 1967, but output, which had already been cut back because of the consistently unfavourable price on the world market, was reduced even further.

Coffee output rose and stocks dropped slightly as a result of the increase in Trinidad and Tobago's quota under the International Coffee Agreement from 44,000 bags in 1966 to 69,000 bags in 1967.

5. MANUFACTURING

Manufacturing has been developing rapidly as

a result of diversification based on a drive for substitution, which has stimulated both the light industries and metal transforming, and of the utilization of natural gas supplies by the petrochemical industry. The gross manufacturing product at current prices expanded by 7.5 per cent in 1966 and 8.6 per cent in the following year.

This expansion is likely to be short-lived however. The petrochemical industry, which had provided much of the motive force, has been achieving impressively high growth rates (45 per cent in 1967), but these are to be expected at an early stage of development. Although the growth of the other industries has, in general been satisfactory, its tempo has been slower, and the rate for the sector as a whole is therefore likely to decline once the petrochemical industry reaches a more normal level of production.

Manufacturing industry in Trinidad and Tobago has been a major source of new employment during the nineteen-sixties. According to official statistics, employment in industry increased at an average annual rate of 5.6 per cent between 1960 and 1966. The rate has risen latterly, because of the workers taken on by the petrochemical industry, but it is not yet known to what extent.

6. INVESTMENT AND CONSUMPTION

Gross fixed investment increased during the first few years of the decade and by 1965 stood at 319.5 million dollars at current prices. The trend was reversed in 1966, when investment dropped 11 per cent. In 1967 it fell by a further 12 per cent to 7 per cent below its 1960 level. The figures for its share of the gross domestic product at current prices were 27.8 per cent in 1965, 22.4 per cent in 1966 and 18.6 per cent in 1967.

This reduction was largely due to the trend of fixed private investment, which constituted 75.8 per cent of total fixed investment in 1965 and increased at the rate of 1.5 per cent annually between 1960 and 1965. Its slow growth was largely due to the fact that the new investment in the petrochemical industry and the satisfactory rates achieved in the construction sector were offset to some extent by the disinvestment in export agriculture. With the completion of a petrochemical plant and a further reduction in investment in export agriculture, private investment fell by 8.1 per cent in 1966 and 12.6 per cent in 1967 (see table 169).

Public consumption in 1967 rose only 5.9 per cent, mainly because of the steps taken by the Government to keep it within the limits of current resources. Private consumption in-

Table 169. Trinidad and Tobago: product, consumption, investment and external sector, 1960-67

	Annual growth rates			
	1960-64	1965	1966	1967
Gross domestic product at market prices	5.8	2.8	7.3	5.9
Gross fixed investment	1.1	14.3	-11.0	-12.0
Public	12.3	6.3	-20.4	-10.2
Private	-1.7	17.1	-8.1	-12.6
Total consumption	6.9	7.6	8.5	5.2
Public	13.4	4.6	11.6	5.9
Private	5.8	8.3	6.5	5.0
Exports of goods and services	9.5	1.1	3.4	2.0
Imports of goods and services	7.4	10.2	-3.1	-3.8

SOURCES: Central Statistical Office, Trinidad and Tobago, *Annual Statistical Digest*, 1965; and unpublished data compiled by the Central Statistical Office.

creased even more slowly. In 1967 it expanded by only 5 per cent at current prices (slightly over 2.1 per cent at constant prices), with the result that real per capita consumption declined. This situation was partly due to the tariff and tax measures adopted and partly to the rising unemployment figures and slow growth of the sectors that employ the bulk of the labour force.

7. POPULATION AND EMPLOYMENT

The population of Trinidad and Tobago in 1967 was over 1 million, which represents an increase of about 2.4 per cent. Before 1965 it averaged 3 per cent annually. Contributory factors have been the reduction in the birth rate and the growing number of emigrants. Recent estimates indicate that the birth rate fell from 37.9 to 35.7 per mil between 1962 and 1965.

Emigration has been increasing in the last few years, especially to the United States. In 1964 2,000 persons left the country, followed by 3,000 in 1965, 5,000 in 1966 and an even larger number in 1967. The country is thus being deprived of skilled and semi-skilled workers, such as technicians, nurses, civil servants, engineers, etc., whose services it badly needs.

Unemployment did not decrease in 1967, and although the public and private sectors made tremendous efforts, they could not do more than keep pace with the additions to the labour force. From June 1966 to June 1967, the labour force increased from 352,000 to 368,000 persons, while the number of unemployed rose from 47,000 to 51,000. This indicates that while the percentage of unemployed in the active population remained stable at 14 per cent, the number of unemployed increased by about 4,000 in absolute terms.

8. FISCAL AND MONETARY POLICY

The Finance Act of 1966 introduced for the first

time a corporation tax, a withholding tax on profits and a capital gains tax. These measures gave rise to some controversy and, in April 1967, a Fiscal Review Committee was set up to examine the fiscal structure of the country and make recommendations for its improvement. The Committee recommended that corporation and withholding taxes should be retained, but that personal income tax rates should be lowered. It also urged that more emphasis should be placed on indirect taxes as a means of increasing government revenue.

The Central Banking Act, enacted in 1964, provided for the establishment of a Central Bank to assume responsibility for the country's monetary policy and to manage the public debt. The Bank began to operate fully in 1966, but it should be noted that most of the commercial banks are foreign-owned, and operate under the instructions of head offices abroad whose activities are governed by the discount rates of other central banks. However, it is still too early to come to firm conclusions about the effectiveness with which the Trinidad and Tobago Central Bank operates.

In November 1967, the Government of Trinidad and Tobago decided to devalue in line with sterling. The new par value of the Trinidad-Tobago dollar (0.4443335 grammes of fine gold) was fixed at 0.50 United States dollars.

In its analysis of the situation, the Government outlined the main consequences of devaluation as follows: (a) a rise of about 4 per cent in the general level of domestic prices; (b) a minimal shift in sources of supply; (c) an increase in interest rates, and (d) an increase in external debt charges. On the other hand, it was hoped, through devaluation, first, to preserve markets for export commodities and facilitate

Table 170. Uruguay: aggregate supply and demand, 1960 and 1965-67

	Millions of pesos at 1960 prices				Annual growth rates		
	1960	1965	1966	1967 ^a	1960-65	1966	1967 ^a
Aggregate supply	16,299	15,858	16,448	15,775	-0.5	3.7	-4.1
Gross domestic product	13,583	14,213	14,577	13,847	0.9	2.6	-5.0
Imports of goods and services	2,716	1,645	1,871	1,928	-9.5	13.7	3.0
Aggregate demand	16,299	15,858	16,448	15,775	-0.5	3.7	-4.1
Exports of goods and services	1,952	3,120	2,660	2,719	9.8	-14.7	2.2
Total investment	2,392	1,751	1,558	1,718	-6.0	-11.0	10.3
Fixed	2,045	1,709	1,550	1,751	-3.5	-9.3	13.0
Public	322	420	430	450	5.5	2.4	4.7
Private	1,723	1,289	1,120	1,301	-5.6	-13.1	16.2
Changes in stocks	347	42	8	-33	-34.4	-81.0	-512.5
Total consumption	11,955	10,987	12,230	11,338	-1.7	11.3	-7.3
General government	1,228	1,377	1,391	1,432	2.3	1.0	2.9
Private	10,727	9,610	10,839	9,906	-2.2	12.8	-8.6

SOURCE: ECLA, on the basis of data supplied by the Banco de la República Oriental del Uruguay.

^a Preliminary estimates.

import substitution when import prices rose, and secondly, to increase government revenue. Appeals were made to trade unions for moderation in wage demands and to management for restraint in price increases. Furthermore, administrative measures were taken to minimize the adverse effects of devaluation, consisting of exchange controls on all foreign currencies including sterling, and the establishment of a Prices Commission comprising representatives from both the public and the private sectors to exercise a measure of control over price increases.

Uruguay

For the past ten years the growth trend of the Uruguayan economy has been levelling off, and in 1967 the situation was aggravated by marked reductions in agricultural output and exports, a decline in real income for the bulk of the populations and a heavy deficit in the public sector. The most striking consequences of this situation were a decrease of about 5 per cent in the gross product (see table 170) and an unprecedented upswing in prices, which rose as much as 136 per cent for the consumer. Parallel with this highly unfavourable economic trend was the increasingly desperate social struggle to maintain real income.

1. MAJOR SECTORS OF ACTIVITY

The immediate cause of Uruguay's deepening economic depression was the adverse evolution of agriculture, which was affected by a serious drought in the first five months of the year, followed by floods and frost up to September, and another drought in the remaining two months. As a result yields fell very substantially and the volume of output declined by an

average of 24 per cent for crops and 13 per cent for livestock (see table 171 and figure XXVII).

Table 171. Uruguay: annual growth rates of gross domestic product by sectors of economic activity, 1960-67

Sectors	1960-65	1966	1967 ^a
Agriculture, forestry and fishing	2.4	8.8	-17.0
Crop farming	10.7	10.8	-24.3
Stock farming	-0.3	7.9	-13.0
Hunting and fishing	2.4	0.0	0.0
Manufacturing ^b	0.9	0.8	-4.0
Construction	-5.0	5.2	-6.0
Electricity, gas and water	4.3	6.5	4.0
Services	1.1	1.3	-2.9
Transport and communications	0.7	0.9	-4.2
Transport	0.2	0.5	-5.0
Communications	4.8	4.7	2.0
Commerce and finance	1.4	1.8	-4.0
Commerce	1.3	2.0	-4.0
Finance	1.7	0.9	-4.0
Ownership of dwellings	1.6	1.3	-2.0
Public administration and defence	0.5	0.9	-0.5
Other services	1.0	0.9	-2.0
Over-all rate	0.9	2.6	-5.0

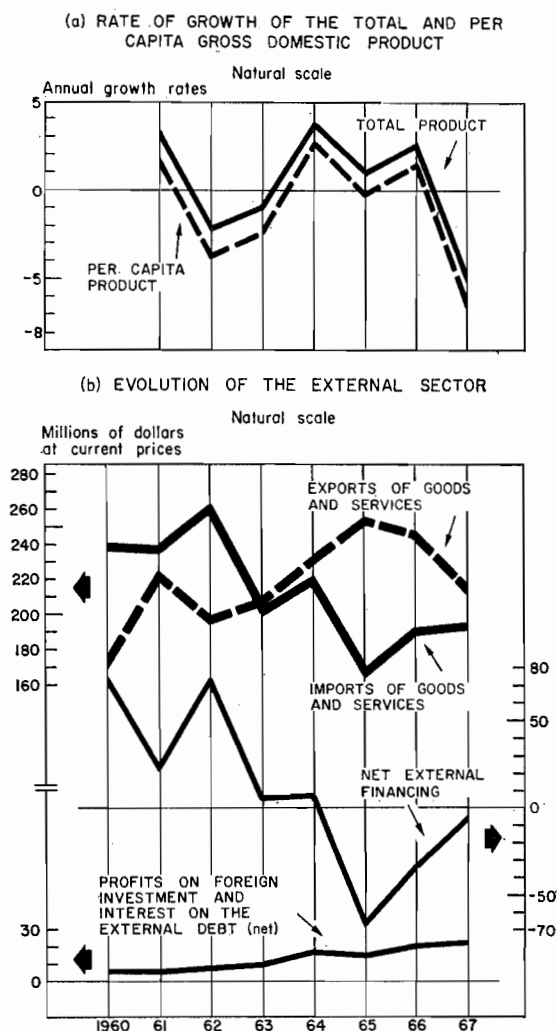
SOURCE: ECLA, on the basis of data supplied by the Banco de la República Oriental del Uruguay.

^a Preliminary estimates.

^b Including mining and quarrying.

There were particularly sharp reductions in cereals (40 per cent), oil seeds (17 per cent) and fruit and vegetables (15 per cent). Livestock production fell 17 per cent owing to a rise in the slaughter rate and a decrease in the average weight of the cattle, as a result of which slaughtering for home consumption was prohibited during the months of October and November. At the same time, sheep production declined 31 per cent

Figure XXVII. Uruguay: 1960-67



compared with the previous year and the wool clip was 5 per cent smaller. As might have been expected, the contraction of agricultural output had a heavy impact on exports and domestic supply.

Manufacturing declined by about 4 per cent, mainly owing to a contraction of demand as a result of the wage-earners' loss of purchasing power and the obstacles to exports of meat and wool. The meat-packing industry was affected by the temporary ban on slaughtering for domestic consumption, added to export difficulties; while flour mills and sugar and oil refineries had trouble in obtaining raw materials. The slackening in demand affected nearly all branches of industry, particularly food, beverages, textiles, clothing, and construction materials.

There was a downturn of 6 per cent in con-

struction because of a decline in private building due to higher costs and the lack of medium- and long-term financing; public construction maintained its previous levels. Electricity, gas, water, and sanitary services showed an increase of 4 per cent, in which an expansion of 5 per cent in electric power offset a reduction of 2 per cent in gas and water. The 5 per cent drop in transport was due to the decline in agricultural and industrial activities and passenger transport. There was a 4 per cent contraction in commerce, as a result of the decline in the goods-producing sectors, which was to some extent offset by the increase in imports, and sales to foreign tourists had a positive effect, because of the favourable price relationship with neighbouring countries. Other services showed a decrease of 2 per cent.

2. THE EXTERNAL SECTOR

Current income from exports of goods and services dropped 12 per cent, despite a significant rise in income from tourism, which was 11 per cent higher than in 1966 (see table 172 and figure XXVII). The value of exports of manufactures fell 17 per cent, first, because less was sold abroad and, secondly, because the unit prices of several export items deteriorated; the sharpest reduction (80 per cent) was in crops.

At the same time, there was a shortage of food supplies on the home market which pushed up prices, while other increases stemmed from successive rises in the exchange rate. During the first part of the year, exchange policy contrived to prevent a wider gap between quotations on the official and "parallel" markets, by increasing the former from 76.20 to 85.90 pesos to the dollar in March, 88.50 in May and 99 in August.

Imports were unable to compensate for the domestic supply shortage because of the steadily deteriorating position of the external sector, which was also influenced by external payment commitments and the growing demand for dollars. Thus, although imports did not follow the same trend as exports and even rose slightly over the previous year they remained below the 1964 level. The chief increases were in imports of machinery and equipment, which were 70 per cent higher than in the previous year.

3. MAIN ECONOMIC POLICY PROBLEMS

The rise in domestic prices triggered constant wage demands and heightened social tensions. The partial adjustments conceded during the year created further inflationary pressures and in the end were insufficient to sustain the real income of wage-earners. Consequently, the purchasing power of large groups of workers declined, since wages in private industry rose by

Table 172. Uruguay: balance of payments, 1964-67
(Millions of dollars)

	1964	1965	1966	1967 ^a
Current account				
Exports				
Merchandise, f.o.b.	183.6	196.3	188.6	154.3
Travel	35.0	45.0	45.0	50.0
Transport and other services	11.5	11.2	12.5	12.4
Total goods and services	230.1	252.5	246.1	216.7
Imports				
Merchandise, f.o.b.	168.6	123.1	145.0	149.1
Travel	20.0	18.0	18.0	15.0
Transport and other services	31.9	26.2	27.0	28.5
Total goods and services	220.5	168.3	190.0	193.6
Remittances of profits by foreign enterprises and debt service payments (net)	-15.9	-10.4	-20.0	-22.0
Net private transfer payments	0.2	-0.6	-0.7	-0.3
Balance on current account	-6.1	68.2	35.4	0.8
Capital account				
Movements of autonomous capital	46.2	49.3	6.3	10.0
Net direct investment . . . . .	...	...	...
Net loans	17.9	27.0	16.4	
Net official transfer payments	5.3	3.8	4.7	
Other movements	23.0	18.5	-14.8	
Net errors and omissions	-140.8	-111.3	-22.9	-10.8
Compensatory financing	100.7	-6.2	-18.8	
Total capital movements	6.1	-68.2	-35.4	

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vol. 18.

^a Preliminary estimates.

only 83 per cent in the course of the year, and in the public sector by 80 per cent, as against a general increase of 136 per cent in prices between December 1966 and December 1967 (according to the index calculated by the Department of Statistics and Censuses); wholesale prices of locally produced articles rose by 122 per cent. The increases were as high as 207 per cent for sugar, 144 per cent for bread, 190 per cent for milk, 217 per cent for beef and 380 per cent for transport. This situation was the result of basic structural factors—the stagnation of agricultural production and the struggle of the various social groups to maintain their real income—combined with highly adverse fortuitous factors. The sharp contraction of agricultural production caused an internal food shortage, a drop in exports and an initial rise in domestic prices; concurrently, in the social sphere strikes were intensified.

These and other factors had a severe impact on the public sector, and the central government deficit represented 23 per cent of total expenditure. It was necessary to resort to Central Bank credit and the sale of Treasury bonds to cover most of this deficit.

Economic policy was thus faced with the task of maintaining, as far as possible, a relative equilibrium in the fiscal sector and the balance

of payments, while endeavouring to contain the social pressures. The frequent reshuffling of the authorities directly responsible for implementing this policy prevented continuing action. The new Government which assumed office in March secured congressional approval for an Emergency Act which emphasized fiscal questions, inasmuch as it created new taxes, raised the rates of public utilities, abolished subsidies for stable articles and set some price ceilings. The features of the import policy during the first six months were its comparative liberalization and the exchange adjustments referred to above; between then and the beginning of November there was a ban on all imports except fuels, raw materials and medicines; and the last two months witnessed a steep plunge in the value of the currency, which was devalued from 99 to 200 pesos to the dollar (while the "parallel" market rate was 135 pesos to the dollar), and imports of fuels, agricultural inputs, foods and raw materials were exempted from customs duties.

Venezuela

1. GENERAL TRENDS

The increase in petroleum production, a further considerable expansion of agricultural production and greater industrial output were

the main factors responsible for the Venezuelan economy's return to a higher rate of growth in 1967. Provisional estimates indicate that the domestic product rose by 6 per cent, which compares favourably with the rate of 3.4 per cent in 1966. Petroleum production, which had dropped by nearly 3 per cent in 1966, was up 5 per cent in 1967. This was largely due to the situation created in the world petroleum market by the Middle East conflict, which made it easier for Venezuela to step up its exports to Western Europe. In addition, agricultural production once again showed a considerable increase and industry grew almost 7 per cent as against 5.2 per cent in 1966. As in 1966, the tempo of the expansion of investment seems to have been only moderate, which is partly explained by the drop in housebuilding (see table 173).

As a result of conditions in the petroleum market, external sector trends were relatively favourable (see table 174 and figure XXVIII). Exports of goods and services amounted to 2,560 million dollars and there was a net inflow of autonomous capital, mainly as a result of investment in exploration by the petroleum companies. Consequently, although imports rose 6 per cent, the international reserves also climbed to a level of 872 million dollars by the end of the year. The rise in imports was largely due to industrial inputs, mainly for the motor-vehicle industry.

The problems stemming from the restrictions imposed on imports of Venezuelan petroleum into the United States remained unsolved throughout the year, and Venezuela's share in the United States market continued to decline.

Table 173. Venezuela: aggregate supply and demand, 1960 and 1965-67

	Millions of bolívares at 1960 prices				Annual growth rates		
	1960	1965	1966 ^a	1967 ^a	1960-65	1966 ^a	1967 ^a
<i>Aggregate supply</i>	30,502	38,722	39,615	41,995	4.9	2.3	6.0
Gross domestic product	25,620	33,352	34,486	36,555	5.4	3.4	6.0
Imports of goods and services	4,882	5,370	5,129	5,440	1.9	-4.5	6.1
<i>Aggregate demand</i>	30,502	38,722	39,615	41,995	4.9	2.3	6.0
Exports of goods and services	8,096	9,679	9,374	9,904	3.6	-3.2	5.7
Total investment	4,510	6,439	6,560	6,800	7.4	1.9	3.7
Gross fixed investment	4,607	5,764	6,060	6,400	4.6	5.1	5.6
Construction	3,087	3,358	3,560	3,700	1.7	6.0	3.9
Machinery and equipment	1,520	2,406	2,500	2,700	9.6	3.9	8.0
Total consumption	17,896	22,604	23,681	25,291	4.8	4.8	6.8
General government	3,544	4,539	4,800	5,100	5.1	5.7	6.2
Private	14,352	18,065	18,881	20,191	4.7	4.5	6.9

SOURCES: ECLA, on the basis of data contained in Banco Central de Venezuela, *Cuentas nacionales*, and data supplied by the Central Office for Planning and Co-ordination

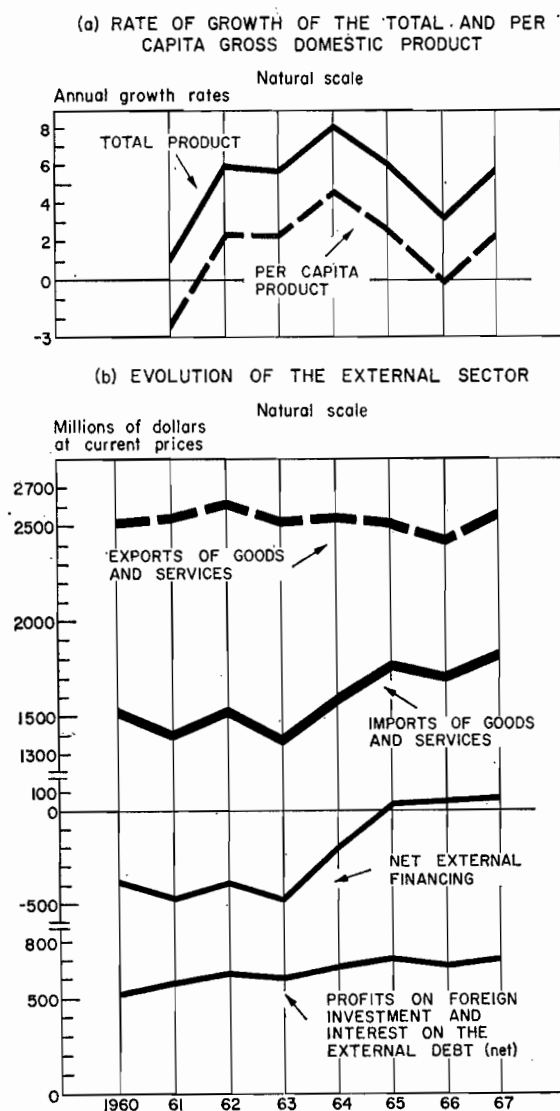
(CORDIPLAN).
^a Provisional figures.

Table 174. Venezuela: balance of payments, 1960 and 1964-67
(Millions of dollars)

	1960	1964	1965	1966	1967
<i>Current account</i>					
Exports of goods and services	2,509.0	2,555.0	2,532	2,441	2,563
Imports of goods and services	-1,505.0	-1,597.0	-1,764	-1,715	-1,828
Net investment income	-522.0	-674.0	-706	-682	-713
Private transfer payments	-88.0	-84.0	-91	-89	-92
Balance on current account	394.0	200.0	-29	-45	-70
<i>Capital account</i>					
Net movement of autonomous capital	-351	29	82	61	182
Net direct investment	-126	-24	3	75	
Net long-term loans	-195	40	86	85	
Other net capital movements	-30	12	-6	-100	
Net official transfer payments	—	1	-1	1	
Errors and omissions	-354	-96	-59	-38	-112
Net compensatory movements (increase —)	311	-133	6	22	

SOURCE: ECLA, on the basis of official statistics.

Figure XXVIII. Venezuela: 1960-67



To overcome this problem, the Government negotiated the construction of desulphurization plants with a number of foreign petroleum companies, since one of the strongest arguments in favour of the restrictions on Venezuelan petroleum is its high sulphur content, which causes air pollution in the cities. The Government signed agreements with the petroleum companies regarding tax adjustments and reference prices, which will guarantee a higher tax revenue and greater price stability. An amendment to the legislation on hydrocarbons was also approved, governing future service contracts between the Venezuelan Petroleum Corporation and the private companies for the production

and marketing of petroleum; public tenders have already been invited so that the first contracts can enter into force in 1968, thus considerably increasing petroleum investment in various zones, particularly in the Gulf of Venezuela area and south of Lake Maracaibo. In the course of 1967 negotiations were initiated with socialist countries regarding the sale of certain special petroleum products which they do not produce locally.

2. PRODUCTION TRENDS

The recovery of economic activity gave a new impetus to commerce, transport and communications, and to services in general, while electricity, gas and water continued to grow at the average rate recorded since 1961 (see table 175 and figure XXVIII). Mining production,

Table 175. Venezuela: gross domestic product by sectors of economic activity, 1960-67

Sectors	Annual growth rates		
	1960-65	1966	1967 ^a
Agriculture, forestry and fishing.	5.5	6.6	6.0
Mining and quarrying	3.6	-2.7	4.6
Mining	-2.0	0.9	-3.8
Petroleum	4.0	-2.9	5.1
Manufacturing	9.5	5.2	6.7
Construction	4.7	7.0	3.0
Electricity, gas and water	11.1	15.2	6.0
Services	4.9	4.5	6.3
Transport and communica-			
tions	7.3	3.4	6.0
Commerce and finance	6.0	3.1	7.2
Ownership of dwellings	2.4	5.2	6.0
Public administration and			
defence	3.8	5.2	6.0
Other services	6.3	5.2	6.0
Over-all rate	5.4	3.4	6.0

SOURCE: Central Office for Planning and Co-ordination (CORDIPLAN).

^a Provisional figures.

on the other hand, fell about 4 per cent, because of the problems of marketing iron ore; and construction increased by only 3 per cent (as against 7 per cent in 1966), despite the strengthening of mechanisms for financing housebuilding. The sector was undoubtedly affected by the reduction in demand for horizontal property after the earthquake in July 1967.

Agricultural production rose 6 per cent in relation to 1966, thus strengthening a trend which over several years has led to self-sufficiency in a series of products, and even to the creation of exportable surpluses in some cases. The most notable increases were in the production of rice, maize, sesame and sugar-cane. Coffee and cocoa remained at the 1966 levels, while the production

of poultry, beef, and milk increased by 9.2, 6.4 and 7 per cent, respectively. The Banco Agrícola y Pecuario invested more than 350 million bolívars to promote, *inter alia*, the production of rice, sesame, maize, sorghum, coffee and cocoa, and the establishment of an agricultural development bank (Banco de Desarrollo Agropecuario) was approved. In addition, a draft bill on agricultural marketing was prepared.

The continued progress made in agriculture over the last few years (see table 175) has been favoured not only by the price policy and the provision of financial assistance, but also by the agrarian reform, under which 131,250 rural families have been settled on 3,407,550 hectares since 1959.

Industrial production grew 6.7 per cent, a rate of increase which, although relatively high, is somewhat less than the average for the period 1961-65. After the progress made during that period, Venezuela is embarking upon import substitution in respect of intermediate and capital goods, which is a more difficult stage of industrial development, particularly with only a medium-sized market. Meanwhile, progress is being made in the projects relating to petrochemical plants undertaken as a joint venture by the State and foreign companies—the first of these, Unicar-Petroquímica, was established with a capital of 135 million bolívars; the aluminium plant which was under construction in Guayana went into operation; and substantial investment in the steel industry for the manufacture of flat steel products is now under discussion.

3. PUBLIC SECTOR AND ECONOMIC POLICY

In the course of 1967 a tax reform came into operation which—although much reduced in scope in the process of legislation—increased public revenue, made it possible to draw up a

bigger fiscal budget for 1968 and has helped to streamline the tax system. In addition, there was an increase of 507 million bolívars in revenue from the petroleum tax, which represents an increase of 10.4 per cent over 1966, mainly as a result of the tax adjustment paid by the petroleum companies.

In addition to the modification of the tax system, economic policy in 1967 was directed towards the streamlining of administration and public services, and further progress was made towards economic integration within the Latin American framework. The most important measures taken to increase the return on public spending were an evaluation of almost all public offices and the establishment of salary levels in accordance with the nature and complexity of the functions performed; the entry into operation of regulations centralizing fellowship programmes and policies; the signing of an agreement with a foreign company for the administration of the national hotel network run by the National Corporation of Tourist Hotels; and the signing of an agreement between the State-owned Línea Aeropostal de Venezuela and the private company, Aerovías de Venezuela, S.A., establishing an equitable distribution of passengers and cargo between the two lines.

With regard to economic integration within the Latin American framework, Venezuela is now fully participating in LAFTA, since in 1967 it agreed upon a national schedule with six countries. In addition, the reciprocal trade treaty with the United States is being reviewed in order to bring it into line with the requirements and commitments assumed by Venezuela in LAFTA. Lastly, further progress has been made in the establishment of the Andean sub-regional grouping, with the signing of a petroleum agreement and the establishment by the Andean Group of the Andean Development Corporation.

Chapter II

MAJOR SECTORS OF ECONOMIC ACTIVITY

A. Agriculture

1. GENERAL TRENDS¹

The growth of agriculture in Latin America, which had been relatively sluggish during the first years of the present decade and virtually stagnant in 1966, gained momentum in 1967, mainly as a result of the recovery of agriculture in two of the largest countries: Argentina and Brazil. In view of the weight carried by these two countries in the regional index, the rate of growth of the gross agricultural product for Latin America as a whole in 1967 was 5.6 per cent, which would seem to indicate a satisfactory margin of per capita growth, even when the increase in population has been taken into account.

However, a more detailed country-by-country analysis (see table 176) reveals that this improvement in the regional index masks the fact that in most of the countries the situation of agriculture continues to be critical. A comparison of 1967 with 1966, when the rate of growth for the region as a whole was almost nil, shows that in both years there were eleven countries in which the growth rate of agriculture did not keep pace with that of the population, although in 1967 there were only five countries in which agriculture actually declined, as against eight in 1966. In both years only nine Latin American countries had agricultural growth rates of more than 4 per cent. Also worthy of note is the extraordinary degree of fluctuation in the indicators, which is largely due to the enormous influence of weather conditions upon the levels of agricultural production. Thus, of the nine countries which in 1966 had an agricultural growth rate of more than 4 per cent, only four (Costa Rica, Ecuador, Panama and Venezuela) recorded a similar rate in 1967. Of the other five, two showed a moderate decline in the rate of increase, while the downturn in the other three was so pronounced that the growth rate was negative in 1967.

¹ This section includes only the most important data on developments in 1967, since the *Economic Survey of Latin America, 1966* (United Nations publication, Sales No.: E.68.II.G.1) contained a more detailed analysis of problems and prospects in the agricultural sector, the main conclusions of which are still completely valid.

Table 176. Latin America: growth of gross agricultural product, 1966 and 1967

Country	Annual growth rates	
	1966	1967
Argentina	-2.2	5.9
Barbados	-0.8	-0.8
Bolivia	1.2	-6.6
Brazil	-2.0	9.6
Chile	7.6	3.1
Colombia	3.3	4.3
Costa Rica	7.9	9.0
Dominican Republic	6.3	-0.7
Ecuador	6.0	4.5
El Salvador	3.4	0.5
Guatemala	5.8	2.0
Guyana	-3.0	...
Haiti	-2.6	1.2
Honduras	2.1	0.0
Jamaica	6.8	-2.3
Mexico	3.2	2.6
Nicaragua	-4.6	3.6
Panama	8.3	6.0
Paraguay	-3.5	2.0
Peru	1.5	3.0
Trinidad and Tobago	-2.0	1.3
Uruguay	8.8	-17.0
Venezuela	6.6	6.0

SOURCE: ECLA, on the basis of official statistics.

The greatest decline was in Uruguay, where the extremely unfavourable weather conditions led to a drop of 17 per cent in the gross sectoral product.

Although production figures were unsatisfactory in several Latin American countries, in some of these countries there were developments in 1967 which hold out the promise of more sustained progress in the future.

In Chile, for example, the Land Reform Act was promulgated half-way through the year, after a lengthy debate in Parliament. Once the Act came into force, it was possible to expand and speed up the operations of the Land Reform Corporation (CORA), with the result that in 1967 about 280,000 hectares of privately-owned land were distributed among 3,800 families, most of whom organized themselves in communities. The 1966 figures were more than doubled, both as regards the amount of land

distributed and the number of families benefited, and as regards the credit advanced for this purpose.

In Peru, work proceeded on the confirmation of the title-deeds of a large number of squatters and settlers in the tropical zone and more than 56,000 hectares in the coastal zone, were allotted to over 10,000 rural families, who had previously worked the land as sharecroppers.

In Colombia, on the other hand, there was a marked decrease in the distribution of land in 1967 in relation to previous years. The Colombian Land Reform Institute has been concentrating its attention on new irrigation works rather than on activities relating to the expropriation and distribution of land. However, the Colombian Congress recently approved certain amendments to the Land Reform Act, which provide for a considerable expansion of INCORA's sphere of action and will thus make it possible to increase the number of families benefiting from the reform. One of these provisions relates to the automatic granting of title to land worked by sharecroppers and small tenant farmers. It is estimated that this measure will affect no less than 60,000 families within the next two years.

Despite these advances, there is still a need in the region as a whole to give a more vigorous impetus to land reform programmes and to the redistribution of agricultural income. There has not been any appreciable improvement in the conditions of poverty and backwardness in which the bulk of the rural population lives, and in some cases the situation may even have got worse. This is one of the greatest obstacles to industrial development in Latin America, since the real size of the domestic markets is well below their potential in terms of the total population of the region.

Further progress was made in 1967 as regards international financing for agricultural development in Latin America. The Inter-American Development Bank gave top priority to agricultural development in its credit programme and authorized loans totalling more than 150 million dollars. This is a strikingly large figure when it is considered that, in the previous six years, total loans for agriculture amounted to only about 425 million dollars, and that the loans granted in 1967 for industry, mining and infrastructure together amounted to about 236 million dollars. The International Bank for Reconstruction and Development also granted a number of large loans in 1967, especially for the development of livestock, including a loan of 40 million dollars to Brazil one of 15.3 million to Argentina and another of 4 million to Ecuador.

2. CHANGES IN OUTPUT OF SELECTED COMMODITIES

From the standpoint of individual commodities, 1967 was a period of recovery for most crops, and for livestock products, it represented a continuation of the moderate growth trend initiated in 1964. Particularly noteworthy was the expansion in dried pulses and cereals, the marked recovery in roots and tubers and the increase in the production of meat. The aggregate growth of these three groups of products led to an improvement in the supply of foodstuffs in 1967 for Latin America as a whole. The downward trend in oilseeds reflected a sharp contraction after two consecutive years of growth, and production of cotton also continued to decline. On the other hand, total production of sugar in the region was higher than in 1966. Despite the extremely competitive nature of the market, coffee made a marked recovery from the low levels recorded in 1966, mainly as a result of the increase in coffee production in Brazil.

(a) *Cereals*

Latin America's production of wheat rose because of significant increases in Argentina (16 per cent), Mexico (28 per cent) and Brazil (23 per cent), while Chile showed a reduction of about 3.4 per cent. These four countries account for approximately 95 per cent of the regional total. Argentina's output reached 6.25 million tons; yields per hectare sown (993 kg) and harvested (1,198 kg) were much the same as in 1966, but lower than in the bumper 1965 harvest (1,733 and 1,838 kg respectively). The larger output was therefore due to an increase in the area under cultivation; but the first estimates had to be modified as a result of weather conditions, and a small consignment of 133,000 tons had to be imported to bridge a temporary gap between uncommitted supplies and consumption. Mexico harvested 2.36 million tons as against 1.85 million in 1966 and 2.09 million in 1965; this increment was due to a substantially increased yield, since the area sown expanded by only 9 per cent.

There was also a striking increase in the production of rice, with a 19.6 per cent rise in Brazil, which produces about two-thirds of the total regional output, 19 per cent in Mexico, and a recovery from the previous year's decline in Peru.

Over 80 per cent of the region's output of maize is grown in Brazil, Mexico and Argentina, and there were increases in all three countries. Thus, output went up 20.4 per cent in Brazil, 1.7 per cent in Mexico as a result of higher yields, despite the restrictions imposed on this crop in

irrigated areas, and 21 per cent in Argentina, with yields of 2,047 kg per hectare sown and 2,466 kg per hectare harvested, compared with 1,795 and 2,150 kg per hectare respectively in 1966.

(b) *Sugar*

Cuba, Brazil, Mexico and the Dominican Republic, in that order, account for about 75 per cent of the region's sugar output. In 1967, Cuba harvested 6.1 million tons of centrifugal sugar. In Brazil the crop was 10 per cent smaller than the year before. In Mexico, the 1966/67 crop was 10.5 per cent over the previous harvest, but fell by about 8 per cent in 1967/68 as a result of restrictions imposed to offset the large harvest of the previous years. Output also rose sharply in the Dominican Republic, and the volume of exports increased 12 per cent.

In general, the sugar-producing countries have followed a policy of self-sufficiency or of fostering sugar exports, and have therefore endeavoured to increase their production capacity in the last few years; they extended their sugar plantations and obtained higher cane or beet yields, through improved methods of sugar extraction, and irrigation. Thus, with the help of favourable weather conditions, Colombia, Ecuador, Venezuela and Chile succeeded in raising their sugar output. Chile continued its campaign to expand sugar-beet cultivation, directed and promoted by Industria Azucarera Nacional S.A. (IANSa), with the result that credit facilities and technical assistance have been provided and support prices established for this product. On the other hand, Argentina imposed restrictions, fixing production ceilings for 1967 at a level 33 per cent below that of the previous year.

The Central American countries, with prospects of securing larger quotas in the United States market, have considerably expanded their sugar plantations and introduced new and improved varieties, which is helping to boost production in the area and to build up surplus stocks.

(c) *Coffee*

Over the last five years, rather more than half the region's coffee has been grown in Brazil; an increase of 10 per cent in 1967 brought this country's output to 22 million sacks, which is still below the annual average for the previous five-year period (27 million). On the other hand, Colombia, which accounts for about 17 per cent of Latin America's total output, seems to have reduced its production, since purchases by the Coffee-Growers' Federation—about 70 per cent of total output—were 14 per cent lower between

January and September 1967 than in the same period in 1966. In Central America, El Salvador and Guatemala together produce 8 per cent of the total. El Salvador recorded increases of 13 per cent in 1966/67 and 10 per cent in 1967/68, thus regaining the levels reached in 1963/64 and 1964/65. Moreover, since ratification of its accession to the International Coffee Agreement, El Salvador has produced more than its export quotas, and the surpluses accumulated have been used to cover the shortages in bad crop years such as 1965/66. In Guatemala, coffee production has been a dynamic factor of the economy, in spite of fluctuations in recent years. Thus, in the present decade, production has twice contracted sharply: in 1963/64 and 1966/67. In the latter crop year, highly unfavourable weather conditions caused a 21 per cent reduction in output, which was barely enough to cover Guatemala's quota under the International Coffee Agreement. In the 1967/68 crop year, more regular rainfall boosted production, which is expected to be about 20 per cent higher than the previous year.

(d) *Fibres*

The major cotton producers, contributing nearly 80 per cent of Latin America's total output, are Mexico, Brazil, Nicaragua and Peru. In Mexico, the unfavourable weather conditions in Tampico and the north-western region caused a marked reduction in the area under cultivation and, therefore, a 10 per cent shortfall in production. In Brazil, too, output fell by about 9 per cent. In Nicaragua, production totalled 114,500 tons in 1966/67—a rise of 3.8 per cent—and an increase of 6 per cent is expected in 1967/68, but the 1964/65 levels have not yet been regained. Cotton began to assume importance in the nineteen-fifties, and marked improvements in yield have been obtained through the introduction of up-to-date techniques and constant innovations in methods of cultivation and pest control. Moreover, in the last few years financing has improved, a new cotton law has been enacted and the Cotton Experimental Centre has been organized. Peru's cotton crop fell off by 27 per cent owing to weather conditions, the water shortage in the cotton-growing areas, and a 10 per cent reduction in the area under cultivation, mainly in the central region.

The major wool producers are Argentina and Uruguay. In the former, the wool clip rose by 6 per cent in 1966/67, reaching a volume of 198,000 tons; a decline is expected in 1967/68, however, owing to the reduction in the number of sheep, since the flocks producing coarse wool were cut down on account of marketing difficulties. The wool clip in Uruguay amounted to

81,000 tons in 1966/67, or 8 per cent less than the previous year; here too there were marketing problems, since the high percentage of coarse wool meant a reduction in world demand, which is primarily for fine wool.

(e) Beef

Eight countries (Argentina, Brazil, Mexico, Colombia, Uruguay, Venezuela, Cuba and Paraguay) account for approximately 90 per cent of Latin America's total production of beef. The major producer is Argentina, with about 40 per cent. In 1967 its output rose 1 per cent in volume as the result of various opposing factors: on the one hand, there were adverse weather conditions in the pampa area and difficulties over exports to the United Kingdom; on the other hand, there were tax remissions and, towards the end of the year, a reduction in the tax on meat export. Brazil, with 25 per cent of the total, increased its production by about 5 per cent, while the upward trend continued in Mexico, at a rate of about 3 per cent, thanks to improvements in pasture as a result of increased rainfall and larger sowings of fodder crops. The situation remained unchanged in Colombia, and Venezuela continued to record a moderate increase in production. Uruguay showed the sharpest drop (—17 per cent), as a result of a 5 per cent rise in the mortality rate of cattle and a decrease in their average weight, which led to a ban on slaughtering for consumption during October and November. Cuba proceeded with the execution of its cattle plan, including a large-scale artificial insemination programme aimed at the introduction of a new strain of cattle, a cross between the Cebu and Hollstein breeds, which will be suited to the natural conditions in Cuba and able to satisfy milk and meat requirements. The National Foot and Mouth Disease Control Service was established in Paraguay.

B. Mining

In 1967, the situation of the mining sector in Latin America was essentially the same as in 1966 since, with petroleum excluded, production of basic minerals increased about 2.6 per cent. The following products showed improvements over 1966: coal (13 per cent), sulphur (11 per cent), tin ore (6 per cent), copper ore (3.5 per cent) and bauxite (3 per cent). Output of lead ore also increased slightly. Production of zinc, nitrate, manganese, iron and gold declined. There were sizable increases in Argentina, Bolivia, Jamaica and Peru, and contractions in Surinam and Venezuela (see table 177).

The sluggish tempo of over-all growth, interspersed with sharp fluctuations, which also

Table 177. Latin America: mining production by selected products and countries, 1966 and 1967

(Index: 1960=100, on the basis of 1963 world prices)

	1966	1967 ^a
Coal	117.0	132.6
Iron ore	151.8	143.3
Manganese ore	130.3	101.6
Copper ore	111.0	114.8
Lead ore	104.3	105.1
Zinc ore	113.4	112.6
Tin ore	126.2	134.2
Bauxite	146.9	150.3
Silver	100.1	101.2
Gold	62.7	58.8
Sulphur	130.7	145.2
Nitrate	114.2	95.3
Over-all index	122.2	125.4
Argentina	110.5	121.1
Bolivia	127.9	137.2
Brazil	194.5	194.0
Chile	125.3	127.1
Colombia	87.7	88.1
Guyana	136.2	137.9
Jamaica	155.1	163.0
Mexico	106.8	108.6
Peru	106.1	108.8
Surinam	160.6	155.5
Venezuela	90.6	83.0

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures.

affected the price trends of a few basic minerals, is attributable to the slowing down of the economic growth rate in some Western European countries, the impact of certain technological innovations, and competition from other producing areas, which increased world market supplies, particularly of tin, lead and zinc ores.

Stimuli such as the continued demand for war materials and the strikes in other producing centres, especially the copper strike in the United States (which by the end of 1967 had deprived the market of an estimated 700,000 tons of refined copper), were not strong enough to offset the adverse factors. Prospecting continued, and important new deposits were discovered: tin in Bolivia, copper in Argentina, sulphur in Guatemala and Ecuador, bauxite in Surinam and iron at several places in Brazil and Mexico. Plans for mining expansion and investment are also progressing, though not always as rapidly as had been hoped.

As in the past, mining activities were again centred on three products—copper, iron and bauxite—which account for more than two-thirds of total output (see table 178).

Mining production was also concentrated in a handful of countries, although their respective shares varied between 1960 and 1967 (see table 179).

Table 178. Latin America: percentage composition of mining production, by selected countries and main products, 1960, 1966 and 1967^a

		Coal	Iron ore	Manganese ore	Copper ore	Lead ore	Zinc ore	Tin ore	Bauxite	Silver	Gold	Sulphur	Nitrate
Argentina	.	1960	3.38	6.76	2.70	27.70	18.92	4.05		14.19	0.68	5.40	
	.	1966	15.61	3.52	1.70	26.39	15.32	14.59		16.34	—	3.86	
	.	1967	18.28	3.36	1.63	26.04	14.32	14.81		15.63	—	3.36	
Bolivia	.	1960			2.49	5.47	0.50	78.61		10.28	2.65		
	.	1966			4.31	4.11	2.11	79.00		8.14	0.70	1.64	
	.	1967			4.47	3.79	2.04	80.23		7.32	0.05	2.30	
Brazil	.	1960	47.16	25.31	1.15	1.32		2.97	1.07	0.25	3.46		
	.	1966	61.46	19.22	0.82	1.40		1.36	1.28	0.18	2.54		
	.	1967	62.44	16.93	0.85	1.52		1.51	1.32	0.19	2.63		
Chile	.	1960	7.69	0.31	80.25	9.09	0.02			0.47	0.85	0.13	7.54
	.	1966	12.86	0.10	76.44	0.03	0.03			0.93	0.53	0.18	6.76
	.	1967	12.92	0.09	77.66	0.02	0.02			0.81	0.65	0.19	5.76
Colombia	.	1960	3.92			0.49				0.49	37.26	0.49	
	.	1966	8.02			0.42	0.09			0.36	29.53	1.44	
	.	1967	9.16			0.45	0.09			0.36	27.81	1.40	
Guyana	.	1960		11.22					88.46		0.32		
	.	1966		11.85					87.92		0.23		
	.	1967		11.46					88.31		0.23		
Jamaica	.	1960							100.00				
	.	1966											
	.	1967											
Mexico	.	1960	2.23	2.37	19.01	14.04	9.28	0.38		26.98	4.98	12.66	
	.	1966	5.58	0.90	19.76	12.34	9.75	0.87		23.50	3.27	16.96	
	.	1967	6.11	1.02	17.68	11.84	10.28	0.51		22.93	2.89	19.12	
Peru	.	1960	12.22		53.38	9.01	6.23			17.37	2.17		
	.	1966	17.24	0.01	43.91	9.20	10.75	0.04		17.27	1.36		
	.	1967	16.39	0.01	43.50	9.91	10.14	0.04		18.53	1.32		
Surinam	.	1960							99.45		0.55		
	.	1966							99.71		0.29		
	.	1967							99.74		0.26		
Venezuela	.	1960	98.34										
	.	1966	99.15										
	.	1967	98.91										
TOTAL		1960	5.57	3.04	38.11	4.36	2.78	3.84	9.59	7.84	3.09	2.07	2.45
		1966	21.69	3.07	33.69	3.73	3.20	4.29	12.51	6.67	1.83	2.54	2.14
		1967	21.16	2.70	33.69	3.81	3.22	4.59	12.95	6.78	1.75	2.82	1.80

SOURCE: ECLA, on the basis of official statistics.

^a The values on which the percentages are based have been calculated in terms of 1963 world prices. Some of the figures for 1966 and 1967 are estimates.

Table 179. Latin America: regional percentage composition of mining production, by selected countries and main products, 1960, 1966 and 1967^a

		Coal	Iron ore	Manganese ore	Copper ore	Lead ore	Zinc ore	Tin ore	Bauxite	Silver	Gold	Sulphur	Nitrate	Total
Argentina	.	1960	0.21	2.40	0.08	6.88	7.37	1.14		1.96	0.24	2.83		1.08
	.	1966	3.57	0.13	1.21	7.50	5.09	3.61		2.60	0.00	1.61		1.06
	.	1967	4.34	0.13	1.39	7.63	4.96	3.61		2.57	0.00	1.33		1.12
Bolivia	.	1960			0.29	5.54	0.79	90.46		5.79	3.79			4.41
	.	1966			0.62	5.32	3.20	89.34		5.91	1.83	3.13		4.84
	.	1967			0.69	4.88	3.27	90.49		5.58	0.14	4.21		5.18
Brazil	.	1960	24.25	73.80	0.27	2.68		6.87	0.99	0.28	9.95			8.88
	.	1966	33.81	83.58	0.32	5.00		4.24	1.36	0.37	18.48			13.36
	.	1967	34.68	81.23	0.33	5.17		4.28	1.32	0.36	19.45			12.97
Chile	.	1960	15.37	3.37	68.48	0.67	0.26			1.96	9.00	2.12	100.00	32.52
	.	1966	14.61	1.07	71.78	0.22	0.26			4.43	9.09	2.27	100.00	31.64
	.	1967	12.52	1.03	71.95	0.13	0.21			3.72	11.54	2.00	100.00	31.21
Colombia	.	1960	30.75	0.68		0.34				0.19	36.02	0.71		2.98
	.	1966	26.00	0.74		0.22				0.11	32.27	1.14		2.00
	.	1967	25.76	0.89		0.24	0.06			0.11	31.69	0.99		2.00
Guyana	.	1960		8.41					21.05	0.24				2.28
	.	1966		10.06					18.21	0.33				2.59
	.	1967		11.19					18.00	0.35				2.64
Jamaica	.	1960							48.97					4.70
	.	1966							50.17					6.28
	.	1967							52.04					6.73
Mexico	.	1960	20.89	12.02	7.70	49.66	54.47	1.53		53.13	24.88	94.35		15.43
	.	1966	21.00	4.06	8.08	45.52	42.03	2.80		48.55	24.56	91.85		13.77
	.	1967	21.80	5.09	7.08	41.89	43.02	1.49		45.53	22.22	91.41		13.49
Peru	.	1960	1.84	10.77	23.19	34.23	37.10			36.69	11.61			16.96
	.	1966	0.68	11.67	19.15	36.20	49.41			38.05	10.90			14.69
	.	1967	0.54	12.34	19.90	40.06	48.48	0.13		42.09	10.61			15.41
Surinam	.	1960		0.07					28.99		0.47			2.80
	.	1966							30.26		0.59			3.80
	.	1967							28.64		0.55			3.72
Venezuela	.	1960	0.40	47.61										8.36
	.	1966	0.32	27.32							3.79			5.98
	.	1967	0.36	26.72							1.94			5.53

SOURCE: ECLA, on the basis of official statistics.

^a The values on which the percentages are based have been calculated in terms of 1963 world prices. Some of the figures for 1966 and 1967 are estimates.

1. ALUMINIUM

There were no major changes in the world aluminium market in 1967. Average prices were half a dollar cent higher per pound than in 1966, and preliminary figures point to an increase in regional bauxite production, in which Jamaica plays the leading part (see table 180).

Table 180. Latin America: bauxite production, 1960, 1966 and 1967
(Thousands of tons)

Country	1960	1966	1967
Brazil	121	250	250
Dominican Republic	689	819	900
Guyana	2,511	3,348	3,403
Haiti	346	...	...
Jamaica	5,841	9,061	9,520
Surinam	3,454	5,563	5,415
TOTAL	12,962	19,041	19,488

SOURCE: ECLA, on the basis of official statistics.
* Preliminary estimates.

The installation of an alumina plant at Puerto Kaiser, Jamaica, with an initial output of 875,000 tons, proceeded according to schedule. Early in 1967, the Government concluded an agreement with a United States firm to build an alumina plant at Kingston by stages over a period of ten years. The cost will be about 126 million dollars.

It is planned to work the bauxite deposits in West Surinam, which are estimated to contain reserves of close on 2,000 million tons, with 20 per cent of high-grade ore. Studies are also being made of the hydroelectric potential in the area, with a view to establishing an aluminium smelter to raise total production to 220,000 tons of ingots.

In Guyana, the Demerara Bauxite Company is expanding its bauxite mining operations and alumina plant.

The International Bank for Reconstruction and Development has approved a 22 million dollar loan to Brazil, to be used in building an integrated aluminium plant. This to be set up at

Poços de Caldas (Minas Gerais), near the bauxite deposits, and will have sufficient electric power for refining and smelting. Its initial production will be 25,000 tons of aluminium ingots a year.

In Argentina the potential bauxite reserves are being assessed.

An aluminium plant went into production in Guayana, Venezuela. Its present capacity is 10,000 tons a year, and plans are already afoot to expand it to 22,500 tons. Its capital is derived in equal parts from domestic and foreign sources.

2. SULPHUR AND PHOSPHATES

In view of the growing world demand for sulphur and phosphates, great interest is being taken in expanding production Latin America.

The provisional figures for 1967 indicate that the growth rate of sulphur output was nearly 10 per cent, the major expansion being in Bolivia, which has increased its production tenfold in the last few years. A large deposit has been discovered in Guatemala on the slopes of the volcano Tecuanburro, and studies are being made to determine the volume of reserves and start the work of extraction. In Costa Rica, the Corporación Química de Nicoya is to develop and work a deposit in the province of Guanacaste; the project includes the building of a sulphuric acid plant. It is planned to invest 2.5 million dollars in the establishment of a refinery in Ecuador. This will have a daily capacity of 2,000 tons of sulphur obtainable from the deposits near Tufino in the province of Carchí, which contain an estimated 30 million tons of reserves (see table 181).

Phosphate production tended to decline and the outlook is unfavourable, except for the possibility of exporting phosphate from the rich Sechura deposits in Peru, which would yield 2 to 3 million tons a year for an investment of 100 million dollars, and the Brazilian deposits already surveyed and in exploitation.

A phosphoric acid plant is to be set up in Colombia at a cost of 20 million dollars. It will

Table 181. Latin America: production of native sulphur, 1960-67
(Thousands of tons)

	1960	1961	1962	1963	1964	1965	1966	1967
Argentina	40	23	27	23	22	29	30	27
Bolivia	1	5	7	10	11	10	58	86
Chile	31	41	57	42	44	42	42	42
Colombia	9	10	10	13	12	18	21	20
Mexico	1,336	1,243	1,442	1,553	1,733	1,581	1,701	1,883
TOTAL	1,417	1,322	1,543	1,641	1,822	1,680	1,852	2,058

SOURCE: ECLA, on the basis of official statistics.

* Preliminary estimates.

use 1,500 tons of phosphoric rock a day from the San Vicente de Chucurí deposits in the province of Santander. At Turqueme, in the province of Boyacá, a start has already been made on working a phosphate rock deposit capable of yielding 300 tons a day.

New deposits were found in Brazil, in the state of Pernambuco. They are calculated at 20 million tons, over and above the 60 million ton reserves already proven in the area.

In Chile, the Development Corporation and the United Nations Development Programme completed the studies they have been carrying out in order to make an inventory of phosphate and potassium ore resources.

3. COPPER

As in 1966, the main feature of the copper market in 1967 was the volatility of prices. These reached their peak on the London Metal Market at the end of December (0.60 dollars per pound) and their lowest point in April (0.42 dollars per pound). Factors that contributed to price instability were the protracted copper strike in the United States that began in mid-July, the strikes in other major producing centres, and the hostilities in Asia. Copper is also likely to be in greater demand on international markets, because stocks in the consumer countries are nearly exhausted.

According to provisional data, Latin American copper production increased by about 3.5 per cent in 1967. This improvement was due to Chile and Peru, since output remained static in Mexico (see table 182).

Development programmes made headway, especially in Chile and Peru. In Chile nearly 70 million dollars were invested under the agreements concluded between the State and foreign mining companies as the first step towards the

target of 500 million dollars. A rolling-mill with an annual capacity of 45,000 tons was set up at La Oroya, Peru, at a cost of 4.2 million dollars. Present copper reserves are estimated at 20 million tons of high-grade ore, or 10 per cent of known world reserves. In view of this, the Government plans to treble copper production by 1975 (667,000 tons a year). In order to do so, it will have to work the Cobriza, Antamina, Cuajone, Cerro Verde, Michiquillay, Quellaveco, Chalcabamba and Tintaya deposits. About 36 million tons of 1 per cent copper sulphate have also been found in the Cerro Verde deposit, together with appreciable amounts of copper oxide and other ores. A lixiviating plant with a processing capacity of 10,000 tons of ore a day is to be built over a period of three to four years to use these resources. Lastly, work began in 1967 on the construction of a 10 million-dollar well at the Acari deposit in the Department of Arequipa.

Large deposits have been discovered in the Paramillos and Uspallata area in Argentina, with the technical co-operation of the United Nations Development Programme (Special Fund).

4. TIN

Supply was slightly ahead of demand on the world tin market. The International Tin Council, which bought about 5,500 tons of tin from the United States General Services Administration, prevented the situation from deteriorating and stopped prices from dropping even further in New York and London (they fell nearly 0.10 dollars a pound between 1966 and 1967 on both markets).

There was an increase of nearly 6 per cent in Latin American tin production, attributable to Bolivia (see table 183), where progress is being made with the plans for expansion, which include the construction of a concentrating plant at Catavi to process the tailings from earlier processing operations. The plant is to have a capacity of 1,000 tons a day and is expected to

Table 182. Latin America: copper ore production, 1960, 1966 and 1967

(Thousands of tons of metal content)

	1960	1966	1967 ^a
Argentina . . .	0.6	0.4	0.4
Bolivia ^b . . .	2.2	5.7	6.3
Brazil . . .	2.1	3.0	3.0
Chile . . .	536.4	636.0 ^c	660.0 ^c
Mexico . . .	60.3	56.0	56.0
Nicaragua . . .	4.9	—	—
Peru . . .	184.0	176.4	182.2
TOTAL	790.5	877.5	907.9

SOURCE: ECLA, on the basis of official statistics.

^a Preliminary estimates.

^b Exports.

^c Obtained from the *Boletín Estadístico* of the Copper Corporation, December 1967.

Table 183. Latin America: tin ore production, 1960, 1966 and 1967

(Thousands of tons of metal content)

	1960	1966	1967 ^a
Argentina . . .	242	1,036	1,100
Bolivia . . .	20,542	25,603	27,628
Brazil . . .	1,581	1,219	1,300
Mexico . . .	371	802	556
Peru . . .	6	38	40
TOTAL	22,742	28,698	30,524

SOURCE: ECLA, on the basis of official statistics.

^a Preliminary estimates.

go into operation in 1968. It is also planned to work the Avicaya deposits, which ought to yield 1,300 tons a year. It has been decided to give the Oruro refinery an initial capacity of 10,000 tons a year, and subsequently to increase it to 20,000 tons. Lastly, a big tin deposit, estimated at 2.5 million tons, was discovered at Kelluani.

5. IRON

Provisional figures indicate that regional iron production dropped more than 2 million tons below its 1966 level, mainly because of falling output in Venezuela and Brazil (see table 184).

Table 184. Latin America: iron ore production, 1960, 1966 and 1967

(Thousands of tons of metal content)

	1960	1966	1967 ^a
Argentina . . .	58	54	54
Brazil . . .	6,355	15,813	14,300
Chile . . .	3,804	7,837	7,722
Colombia . . .	178	310	350
Dominican Republic .	82	—	—
Guatemala . . .	4	—	—
Mexico . . .	521	1,319	1,543
Peru . . .	3,947	4,877	4,835
Venezuela . . .	12,474	11,418	10,467
TOTAL	27,423	41,628	39,271

SOURCE: ECLA, on the basis of official statistics.

^a Preliminary estimates.

Large-scale projects were launched in the course of the year. The Government of Venezuela signed a contract with the Orinoco Mining Company to build an ore concentration plant in Ciudad Guayana for inauguration in two years' time. The plant is to have a initial capacity of 1 million tons a year and will produce bricks with a high iron content (86.5 per cent). The initial investment is estimated at over 50 million dollars, and Venezuela may put up 25 per cent of the capital. Studies are also being made with an eye to installing a pelletizing plant in the same area with a yearly capacity of 1 million tons.

In Brazil, the Companhia Vale do Rio Doce began to build a pelletizing plant with a capacity of 2 million tons a year, and a new port is to be constructed at Santa Cruz in Guanabara for exporting iron and coal. The port for shipping iron ore at Tubarão has been completed and it can take 100,000-ton ships with a loading capacity of 10 million tons a year. In Bahia and Rio Grande do Norte, large deposits of iron ore have been found and are now being assessed.

In Chile, studies are being made with a view to setting up iron ore processing plants at Algarrobo and Romeral. They would go into operation in 1970 and 1972 respectively.

In Mexico, new surveys estimate the Peña Colorado iron reserves at more than 130 million tons, which makes this deposit the country's main source of iron ore. Nearly 64 million dollars are to be invested to work the deposit up to a maximum annual output of 2 million tons.

In Chile and Colombia, the steel plants are to be expanded so as to bring their annual capacity up to 1 million and 500,000 tons of steel respectively, at a cost of 130 million and 93 million dollars.

6. ZINC

The world zinc market was affected by the sharp drop in United States consumption, the increase in world production in spite of the strikes in the United States and the voluntary cut in production agreed upon by the smelters there and in other countries, and a fall in producers' prices at mid-year, in various countries, including the United States. To judge by the provisional figures for 1967, production in Latin America was slightly less than in 1966 (see table 185).

Table 185. Latin America: zinc ore production, 1960, 1966 and 1967

(Thousands of tons of metal content)

	1960	1966	1967 ^a
Argentina . . .	35.4	26.6	25.0
Bolivia ^b . . .	4.0	16.7	17.1
Chile . . .	1.1	1.4	1.1
Colombia . . .	0.2	0.3	0.3
Guatemala . . .	10.0	—	—
Mexico . . .	262.4	219.2	220.0
Peru . . .	178.1	257.8	253.5
TOTAL	491.2	522.0	517.0

SOURCE: ECLA, on the basis of official statistics.

^a Preliminary estimates.

^b Exports.

In Bolivia, the first steps were taken to work the Matilde mine, at a cost of 2 million dollars. In 1969 the mining of 100,000 tons of concentrates is expected to begin; this is equivalent to 55,000 tons of metal. Plans are being made in Peru to produce 382,000 tons of concentrate a year by 1970 and about 510,000 tons by 1975.

7. LEAD

World lead production remained at the same level as in 1966, since the decline in United States output as a result of the strikes was offset by the increase in other countries. The producers' price in the United States remained at 0.14 dollars a pound throughout the year, that is 1 dollar cent less than the average for 1966.

Lead ore output in Latin America expanded by about 1 per cent, according to the first

figures, with increase in Peru and Brazil and decreases in Mexico and Bolivia (see table 186).

Table 186. Latin America: lead ore production, 1960, 1966 and 1967

(Thousands of tons of metal content)

	1960	1966	1967 ^b
Argentina	26.7	30.0	31.0
Bolivia ^b	21.4	21.3	19.8
Brazil	10.0	20.0	21.0
Chile	2.4	0.9	0.5
Colombia ^c	1.1	0.9	1.0
Guatemala	8.6	—	—
Honduras	5.4	—	—
Mexico	190.7	182.1	167.0
Peru	131.6	144.8	162.6
TOTAL	398.0	400.0	402.9

SOURCE: ECLA, on the basis of official statistics.

^a Preliminary estimates.

^b Exports.

^c Lead concentrate.

C. Manufacturing

1. THE GENERAL SITUATION IN 1967

In 1967 there was a further accentuation of the declining trend in the growth rate of manufacturing which has been apparent since 1955. The rate of 3.2 per cent was well below the rate for 1966 and the average rates for 1955–60 and 1960–65 (6.4 and 5.8 per cent, respectively).

The trends followed by manufacturing in Latin America are very much affected by developments

in Argentina and Brazil, which together account for about 55 per cent of the value of production in this sector. In Argentina in 1967 manufacturing contracted for the second year running (–0.4 per cent), and in Brazil the growth rate was only 1.8 per cent, while in both countries the over-all economic growth rate was much higher (see table 187).

Industrial development in these two countries has been characterized in the last few years by sharp fluctuations, caused by general economic conditions and serious problems in respect of inflation and disequilibrium in the balance of payments. In addition, the process of import substitution has lost momentum and the establishment of new export industries has not yet provided the stimulus afforded by import substitution in previous decades.

In Mexico and Venezuela—where for the last twenty years industrial development has been steady and vigorous, and where in addition to import substitution activities important export industries have been developed—the industrial growth rates in 1967 were 8 and 6.7 per cent respectively, these rates being higher than the over-all economic growth rates. The two countries together accounted for more than one-fourth of total Latin American industrial production in 1967.

The 7.0 per cent rate in Peru approached the average over-all growth rate for the period 1960–65. In Colombia, on the other hand, the 4.3 per cent rate of industrial expansion was

Table 187. Latin America:^a evolution of industrial production, 1955–67

(Annual growth rates)

Country	1955–60	1960–65	1961	1962	1963	1964	1965	1966	1967 ^b
Argentina	3.7	5.3	9.7	–4.5	–4.6	15.1	12.7	–1.3	–0.4
Bolivia	–4.3	5.6	–0.7	9.9	6.4	10.7	6.0	7.3	6.5
Brazil	10.3	3.7	11.1	8.1	–0.3	5.1	–4.7	11.8	1.8
Chile	3.2	7.3	8.6	11.5	4.2	6.0	6.4	7.5	2.0
Colombia	6.1	5.6	5.9	6.8	4.7	5.8	4.6	6.6	4.3
Costa Rica	7.7	9.6	2.1	7.7	13.6	14.5	10.5	10.2	11.1
Dominican Republic . . . . .	...	–0.5	–11.3	21.8	2.8	4.4	–20.3	19.7	14.1
Ecuador	5.6	6.6	0.0	5.8	6.1	16.6	4.5	0.7	6.5
El Salvador	6.6	9.7	5.2	11.7	9.9	11.5	10.5	9.3	8.4
Guatemala	6.2	9.9	5.9	4.4	17.3	12.2	10.2	5.7	6.0
Honduras	5.7	7.2	14.2	3.8	4.4	6.0	7.9	9.7	9.0
Mexico	8.1	8.0	3.5	6.5	9.2	14.2	7.1	11.1	8.0
Nicaragua	3.9	9.1	7.1	14.0	13.2	3.3	8.3	7.2	6.3
Panama	6.7	12.6	16.2	24.6	12.4	5.0	5.9	10.3	11.2
Paraguay	1.2	4.3	9.5	0.6	2.3	4.0	5.3	4.1	8.6
Peru	6.1	7.7	5.9	8.6	7.5	5.6	11.1	10.0	7.0
Uruguay	1.0	0.9	–2.5	0.2	–1.0	7.5	0.6	0.8	–4.0
Venezuela	7.7	9.5	5.7	11.1	8.3	11.4	11.1	5.2	6.7
TOTAL	6.4	5.8	7.9	3.9	1.6	10.2	5.3	6.3	3.2

SOURCE: ECLA, on the basis of official statistics.

^a Excluding Cuba and Haiti, because of lack of information.

^b Preliminary estimates.

lower than the growth rate for the economy as a whole.

In Chile fairly substantial advances were made in the traditional industries, particularly beverages and textiles, and only in furniture and fixtures were there a decline. In the intermediate industries, the manufacture of pulp and paper, metallurgical products and petroleum products showed sizable increases, whereas the manufacture of leather, rubber and non-metallic mineral products declined. In the metal-transforming industries, more metal products were produced but less machinery and transport equipment.

The industrial growth rates for 1967 in the remaining Latin American countries, considered to be economically relatively less developed, ranged from slightly more than 6 per cent in the case of Guatemala and Nicaragua to over 11 per cent in Costa Rica and the Dominican Republic. These countries together account for only 7 per cent of total industrial production in Latin America. Special mention should be made of Uruguay, where in 1967 manufacturing production declined by 4 per cent.

Industrial growth in the Central American Common Market countries has been particularly dynamic in the last few years, mainly because of the stimulus provided by the expansion of the markets and planned investment in integration industries. As a result, the share of manufacturing in the total gross domestic product rose from 14.5 per cent in 1963 to 16 per cent in 1967. El Salvador, Costa Rica and Honduras had the highest industrial growth rates in the area (see table 188).

So far as its internal structure is concerned, the evolution of industry varied a great deal from one Latin American country to another. Generally speaking, progress was made in the intermediate goods and metal-transforming industries (mainly the steel, chemical, pulp and paper, and motor-vehicle industries), while there was a tendency towards stagnation in the traditional industries.

In 1967 there was an increase in foreign invest-

ment in industry in Latin America, mainly in those branches which would supply the future Latin American common market, although there was also greater foreign investment in established industries, principally those producing for the home market.

From another standpoint, there is a widespread conviction that exports of manufactures might help to overcome many of the obstacles delaying industrial development in Latin America. Several Governments adopted measures which, in one way or another, are designed to support export activities. Basic legislation governing sales abroad was passed; official agencies were established with jurisdiction over exports and for purposes of export promotion, such as the Export Promotion Fund in Colombia and the National Export Service in Argentina; and systems already established were modified in order to make them more comprehensive and to improve existing regulations, as occurred in Brazil and Chile, where the basic provisions had been established in 1966, and in Mexico.

Efforts went beyond the mere improvement of the institutional framework and some progress was made in boosting exports. For example, partial data indicate that in 1967 exports of manufactures from Brazil exceeded 150 million dollars. Sales of soluble coffee, which amounted to 9.5 million dollars in 1966, more than doubled. For machinery and vehicles, and their parts and accessories—an important item in Brazil's exports—an increase of between 40 and 50 per cent is expected over the 33.3 million dollars earned in 1966. There was also a sizable expansion in steel products. Not enough information is available to indicate whether similar results have been obtained in other countries.

2. THE IRON AND STEEL INDUSTRY

Production of ingot steel, which is a good indicator of iron and steel production in Latin America, rose 5.1 per cent in 1967 in relation to 1966. This rate is lower than for 1966, but higher than for 1965 (see table 189).

The largest increases were obtained in Mexico,

Table 188. Central America: share of manufacturing in the total gross domestic product, 1963-67

	1963	1964	1965	1966	1967
Central America	14.5	15.1	15.1	15.5	16.0
Costa Rica	15.1	16.3	16.2	16.7	17.2
El Salvador	15.7	16.3	17.2	17.8	17.6
Guatemala	13.7	14.5	14.1	14.3	14.6
Honduras	14.9	15.0	15.0	15.7	16.5
Nicaragua	13.7	13.3	13.1	13.5	13.9

SOURCE: ECLA, on the basis of official statistics.

Table 189. Latin America: steel production, 1965-67
(Thousands of tons of ingot steel)

	1965	1966	1967	Percentage variation in 1967
Argentina .	1,368	1,267	1,326	* 4.6
Brazil .	2,983	3,713	3,667	-1.2
Chile .	477	577	638	10.6
Colombia .	242	216	256	18.5
Mexico .	2,455	2,763	3,023	9.4
Peru .	94	80	79	-1.2
Venezuela .	625	537	703	30.9
TOTAL	8,244	9,153	9,692	5.9
Annual percentage variation .	2.6	11.0	5.9	

SOURCE: Latin American Iron and Steel Institute.

Chile and Venezuela. Colombia also had a high growth rate for 1967, which reflected a recovery after the drop in production in 1966. Argentina, on the other hand, was unable to recapture the 1965 level of output.

In Mexico production has grown steadily for the last few years and, if this trend continues, output should be about 4 million tons by 1970. In the plans for expanding the steel industry, consideration is being given to the possibility of Mexico becoming a regular exporter of certain types of rolled products. In 1967, 115,000 tons of these products were exported, mainly to the United States, but this volume was less than in 1966, when they amounted to 141,000 tons. The production of primary iron (pig iron and sponge iron) rose 14.9 per cent, while that of rolled products increased 9 per cent.

Chile is another country in which the industry enjoyed steady growth. The second blast furnace was in operation in 1967, but both furnaces had to operate below capacity because the steel-making capacity was too small. The programme for expanding steelmaking will be completed by 1970, and in 1968 a start will be made on a tin rolling mill which will go into operation at the end of 1969.

In Venezuela there was an increase of 12 per cent in 1967 in relation to 1965. This was the result of improvements introduced in the operation of the Orinoco plant and to greater domestic and external demand, especially for seamless steel tubes. Meanwhile, decisions have yet to be made regarding the installation of a flat products rolling mill and the plant still has a considerable margin of idle capacity.

In Colombia output was up 18.5 per cent, after having declined in 1966 because the lining of the blast furnace at the Paz del Río plant had to be changed. A similar thing happened at the San

Nicolás plant in Argentina. The Paz del Río plant produces 85 per cent of Colombian steel and the San Nicolás plant 60 per cent of Argentine steel.

The drop in the tonnage produced in Brazil can be partly explained by the decline in recent years of the growth rates of the steel industry and of construction. This led to a temporary reduction in domestic demand for steel, which affected the steel companies to such an extent that some of them had sizable deficits in 1966. This contraction was partly offset by the export of 134,000 tons of rolled steel products in the first half of 1967, which exceeded the total exports of 130,000 tons in 1966. The implementation of the National Housing Plan and the stepping up of shipbuilding make it likely that domestic steel consumption will soon recover its former high levels.

Lastly, the decline in ingot steel production in Peru can be accounted for by certain difficulties which occurred in the supply of electricity to the iron and steel furnaces.

The greater demand for steel in Latin America has provided a stimulus for carrying out many projects for expanding integrated and semi-integrated plants. Some of these plant expansions are already under way, but most of them have yet to secure the necessary financing. Private capital in Latin America has shown interest in investing in non-integrated or rerolling mills, but not in integrated plants, for which capital has mostly been provided by the State, either directly or through development agencies.

In *Argentina*, the Government approved the plan for expanding the San Nicolás plant to raise annual production from 1 to 2 million tons. It also approved the construction of a plant with an annual capacity of 1,350,000 tons under a plan put forward by Propulsora Siderúrgica, S.A. The company ACINDAR, which is at present semi-integrated, submitted a plan for transforming the company into an integrated plant with an annual capacity of 700,000 tons of ingot steel. Investment is estimated at about 165 million dollars.

In *Brazil*, there was almost no expansion of the integrated plants. The Government established the Advisory Group on the Steel Industry for the purpose of drawing up a development programme for the sector, but the Group has not yet issued its report.

In *Colombia*, the company Acerías Paz del Río proceeded with the installation of equipment which will increase its rolling capacity for flat products. It is hoped that these installations will go into operation in the course of 1968.

In *Chile*, the Compañía de Acero del Pacífico

proceeded with its plan for expanding the Huachipato plant to raise production from 700,000 to 1 million tons a year. Having built another blast furnace, in 1967 the company endeavoured to secure external financing for the installations it still needs.

In *Mexico*, Altos Hornos de Mexico obtained a new loan from the Export-Import Bank to raise its annual productive capacity to 2 million tons. The total cost of the plan is estimated at 63 million dollars, which includes the installation of a fourth blast furnace at the Monclova plant. The Compañía Fundidora de Hierro y Acero de Monterrey finished installing its third blast furnace with a nominal daily capacity of 2,500 tons, a 275-ton open-hearth furnace and a new billet rolling mill. These new installations will raise the plant's annual capacity to 1 million tons of ingot steel. Hojalata y Láminas S.A. will soon start work on the installation of a new plant in the state of Puebla, with a capacity of 300,000 tons of ingot steel.

In *Peru*, the Chimbote plant completed the installation of a blast furnace with an annual capacity of 200,000 tons, which will go into operation as soon as work is finished on the new dock. In addition, tests were carried out in the steelworks with LD converters and with the continuous casting installations. At the end of the year a contract was signed for the purchase of a flat products rolling mill which should be in operation by 1970.

In *Venezuela*, Siderúrgica del Orinoco proceeded with studies on the installation of a flat products rolling mill in the Matanzas plant, which will have an annual capacity of about 500,000 tons.

3. THE MOTOR-VEHICLE INDUSTRY

In 1967 the rate of growth of production and assembly of motor-vehicles dropped to 2.6 per cent, as against 11.1 per cent in 1965 and 8.6 per cent in 1966. This contraction was due to the situation in Argentina and Brazil, which together account for about two-thirds of total production in Latin America and which manufacture over 95 per cent of the components, in terms of the weight of the vehicles (see table 190).

In 1967 output in Argentina fell 2.3 per cent in relation to 1966 and sales dropped 2.7 per cent as a result of a downward shift in demand, particularly in the last quarter. In 1967, 130,326 passenger cars were produced, as against 131,378 in 1966, and 44,992 light utility vehicles, lorries and chassis as against 48,275 in 1966. Stocks on 31 December amounted to 13,195 vehicles, of which 6,800 were passenger cars and 6,395 were light utility vehicles, lorries and medium-weight

Table 190. Latin America: production and assembly of motor-vehicles, 1966 and 1967

	1966	1967	Percentage variation	Degree of integration ^a
Argentina .	179,453	175,318	-2.3	D
Brazil .	224,574	227,552 ^b	1.3	D
Chile .	7,096	12,991	83.1	A
Colombia .	2,210	3,100	40.3	A
Mexico .	113,170	118,000 ^b	4.3	B
Peru .	13,170	18,000 ^b	36.7	A
Venezuela .	60,500	61,000 ^b	0.8	A
TOTAL	600,173	615,961	2.6	

SOURCE: Brazil, Argentina, Mexico and Peru: motor-vehicle manufacturers' associations; Chile: Department of Industry and Trade; Colombia: assembly enterprises; Venezuela: Central Office for Planning and Co-ordination (CORDIPLAN).

^a Degree of integration of domestically manufactured parts in terms of the weight of the vehicles:

A = up to 30 per cent;

B = between 31 and 60 per cent;

C = between 61 and 90 per cent;

D = more than 90 per cent.

^b Estimates based on data for eleven months.

chassis. There was an increase in the production of small, cheap cars and a decline in that of larger cars.

In Brazil the production of motor-vehicles amounted to 227,552 units in 1967 (1.3 per cent more than in 1966), which represented 37 per cent of total production and assembly in Latin America. While the number of passenger cars produced rose from 120,119 in 1966 to 134,652 in 1967 (12 per cent), the number of commercial vehicles, lorries and buses dropped from 104,455 to 93,900 (10 per cent).

Production in Mexico was up 4.3 per cent in relation to 1966 and totalled about 118,000 units (82,400 passenger cars and 35,600 lorries, buses and commercial vehicles). Sales rose 10.5 per cent in relation to 1966, which was less than the 17.4 per cent increase in 1966 in relation to 1965. Passenger car sales were up 7.4 per cent and lorries and other vehicles 18 per cent; of the passenger cars the largest increase was in respect of smaller cars. This did not, however, solve the problem of piled-up stocks, and the companies had to offer their surplus stock at reduced prices, a situation which will probably not persist, however, since the manufacture of motor-vehicles is subject to quotas designed to ensure the stability of the market.

Of the remaining producer countries, Chile, Peru and Colombia showed sizable increases in production, but the proportion of national parts used in the assembly of the vehicles remained very low. In Venezuela, on the other hand, where the proportion of national parts is about 30 per cent, there was only a slight increase in 1967.

In the main producer countries a number of

firms changed hands, or progress was made in negotiations to this end, indicating a trend towards concentration of the industry. Ford Motor Co., for example, bought the controlling interest in Willys Overland do Brasil from the Kaiser Jeep Co. of California; Chrysler Co. increased its holdings in Simca do Brasil from 50 to 92 per cent by buying the shares held by the French Simca Company and 50 per cent of the shares held privately; and Renault bought the Kaiser Co.'s shares in Industrias Kaiser de Argentina and took over the administration of the company.

With regard to new projects or undertakings in Chile, Ford began construction of an assembly plant at Casablanca in the central zone, and Fiat announced that it would be transferring its installations from Africa to Rancagua, less than 100 kilometres from Santiago.

In Peru, production began early in 1967 at the Isuzu Motors del Perú S.A.'s diesel truck assembly plant with an initial capacity of 40 units a month and at the Nissan Motor del Perú S.A. passenger car assembly plant with an initial monthly capacity of 100 vehicles, which it is planned to double at an investment cost of 1 million dollars; Industria Automotriz Peruana S.A. started to assemble Rambler, Peugeot and Renault cars, with an initial monthly capacity of 300 units and at an investment cost of 2 million dollars; the Toyota Motor Company of Japan installed an assembly plant at an investment cost of more than 1 million dollars; and Standard-Triumph International of Coventry, England, is installing an assembly plant for Heralds and Spitfires at an investment cost of 100,000 pounds sterling. In previous years, several other assembly plants, such as those belonging to Ford, General Motors, Chrysler, etc., had been established, taking advantage of the exemptions from customs duties afforded by the Government of Peru.

The countries belonging to the Andean Group are negotiating a mutual agreement for the compensatory exchange of motor-vehicle parts, which are to be considered as domestically produced.

4. THE PULP AND PAPER INDUSTRY

Preliminary data indicate that the apparent consumption of paper, paperboard and pulp rose by 5 per cent in 1967, as against an average annual increase of 10.4 per cent in 1960-66 (see table 191).

While the still sizable imports in this sector increased by 2.1 per cent in 1967, Latin American production, which accounts for about 65 per cent of total supply, grew 5.5 per cent, the increase in the manufacture of pulp being greater than in that of paper and paperboard.

The production of pulp was 100,000 tons higher than in 1966, an increase of 5.9 per cent; but this was below the growth rate in previous years, mainly because the recently established plants had already attained a high capacity utilization in 1966. An exception was Mexico, for which 1966 was not a very good year in this sector but which was able to increase its pulp production by 6 per cent in 1967.

The devaluation of the currency at the beginning of 1967 was responsible for a drop in imports in Argentina—a country which buys 40 per cent of Latin America's pulp imports—but this was offset by an increase in imports in other countries in the region. The result was that the increase for the region as a whole was very small in relation to 1966. Pulp exports expanded only slightly, partly because of the reduction in Chile's exports to the Argentine market. For the second year running, the recovery of the domestic market in Brazil meant that there were practically no surpluses available for export.

Table 191. Latin America: trends in production, imports and apparent consumption of paper and paperboard and pulp, 1960-67

(Thousands of tons and index: 1960=100)

	Production				Imports ^a				Apparent consumption			
	Paper		Pulp		Paper		Pulp		Paper		Pulp	
1960 .	1,553	100	806	100	893	100	343	100	2,446	100	1,149	100
1961 .	1,783	115	925	115	911	102	385	112	2,694	110	1,310	114
1962 .	1,888	122	1,121	139	857	96	315	92	2,745	112	1,336	116
1963 .	2,015	130	1,192	148	786	88	331	97	2,801	115	1,523	133
1964 .	2,214	143	1,308	162	844	95	373	109	3,108	127	1,681	146
1965 .	2,377	153	1,478	183	1,015	114	385	112	3,390	139	1,863	162
1966 .	2,664	172	1,649	205	1,173	131	414	121	3,837	157	2,063	180
1967 ^b .	2,800	180	1,750	217	1,200	134	420	122	4,000	164	2,170	189

SOURCES: Foreign trade yearbooks and paper and paperboard manufacturers' associations.

^a Net imports (imports minus exports).

^b Preliminary estimates of the ECLA/FAO/UNIDO Forest Industries Advisory Group for Latin America.

In contrast with the 13 per cent increase in the apparent consumption of paper and paperboard in 1966—the highest in the present decade—the information available indicates that in 1967 there was an increase of about 4 per cent over 1966, which was met by a slight increase in production, mainly on the part of the large- and medium-size producers, except for Argentina, since net imports remained at more or less the same level as in 1966.

Newsprint and paper for the manufacture of corrugated-board boxes for banana exports continued to make up the bulk of imports, representing about 80 per cent of total purchases abroad. Exports amounted to 80,000 tons in 1966 and 90,000 tons in 1967, small amounts being exported from Mexico and Colombia in addition to the now traditional exports from Chile. Most of these exports were to other Latin American countries.

Several projects relating to the pulp and paper industry were launched in 1967. Both local and foreign or mixed companies have undertaken feasibility studies, some of which have borne fruit while others are awaiting a final decision at the beginning of 1968. With a few exceptions, the new projects tend to favour units which are larger in size and more economical to operate than those established in the past. Whereas almost all the paper mills previously established in Latin America were small, now a daily capacity of 100 tons is regarded as the minimum and it goes up to as much as 500 tons. The fact that the local and regional markets are continually expanding is a guarantee that the capacity created will be used.

In the next three years the amount of new capacity created in the pulp and paper industry will probably be as follows:

	Tons
Long-fibre pulp	240,000
Short-fibre pulp	145,000
Paper and paperboard	600,000
	<hr/> 985,000

The capital required for installing the new units is estimated at about 345 million dollars.

In general, recent pulp and paper projects in Latin America are based on conventional processes and equipment, although a number of innovations already in use or under study for the manufacture of pulp might well afford advantages for the Latin American industry.

5. THE CHEMICAL INDUSTRY

In 1967 the chemical industry recovered its former rate of expansion after the downturn in

1966 resulting from the recession which affected this branch in Argentina and Brazil, the main producer countries. Although the growth rate was under 2 per cent in Argentina, in Brazil—where the chemical industry represents about one-fifth of manufacturing production—it recovered in relation to 1966. In Mexico there was a sizable increase in chemical production in 1967, particularly in sulphuric acid, and considerable progress was made in the Central American countries, which are still at an early stage of development.

The projects launched in *Argentina* in 1967 for expanding existing chemical plants and establishing new ones include the Petrosur S.A. project for establishing in Campana (Buenos Aires) a complex for producing 70,000 tons of ammonia per year, as well as urea and ammonium sulphate, for use as fertilizers. In addition, Electroclor S.A. continued to expand its polyvinyl chloride plants in San Lorenzo (Santa Fé).

In *Brazil*, Union Carbide do Brasil is increasing the capacity of its Cubatão plants to reach an annual capacity in 1968 of 62,000 tons of polyethylene, 70,000 tons of ethylene, 16,000 tons of acetylene and 15,000 tons of benzene. Empresa Carioca de Produtos Químicos S.A., in São Paulo, has almost completed the installation of the first dodecylbenzene plant. Utrafertil began construction of its complex for the production of fertilizers: ammonia, ammonium nitrate and phosphoric acid. Alba, a subsidiary of the Borden Company of the United States, is constructing a formaldehyde and synthetic resin plant in Recife (Pernambuco) with a capacity of 16,000 and 11,400 tons respectively, which will go into operation in mid-1968. The same firm is expanding its programme for producing methanol in its Cubatão plant, at an investment cost of 5 million dollars.

In *Colombia*, Petroquímica del Atlántico S.A. is planning to build a complex in Barranquilla for the production of 300,000 tons of ammonia a year and 130,000 tons of urea. In Barrancabermeja, Ecopetrol, a decentralized public enterprise, has almost completed the construction of a complex with an annual capacity of 20,000 tons of ethylene and 10,000 tons of propylene. Poliolefinas Colombia Ltda. (Dow Chemical Co.) is installing a polyethylene plant with an annual capacity of 15,000 tons, which will be completed in 1968. The Planta Colombiana de Soda (Banco de la República) began operations at its new soda ash plant in Cartagena, which has an annual capacity large enough to supply 60,000 tons of sodium carbonate and 32,000 tons of caustic soda. It is planned to double this capacity by 1970 and to add an extra unit with

an annual capacity of 17,500 tons of electrolytic caustic soda. This should open up export possibilities, since consumption within the country is already completely covered.

In *Chile*, the State-owned Petroquímica Chilena S.A. is building a petrochemical complex in Concepción to be completed in 1968, which will produce 30,000 tons of ethylene and 15,000 tons of polyethylene per year. In addition, Petrodow S.A., a new company financed with State and private capital (Dow Chemical Co.), will install in Concepción a polyvinyl chloride plant using ethylene supplied by the Petroquímica Chilena S.A. complex.

In *Mexico*, Hules Mexicanos S.A. began production of styrene-butadiene synthetic rubber (SBR) at the end of 1966 at a plant situated in Altamira with an annual capacity of 40,500 tons. Negromex S.A. began operations in mid-1967 at a plant in Salamanca for the production of stereo-regular synthetic rubber on the basis of SBR and cispolybutadiene, with an annual capacity of 30,000 tons. Petróleos Mexicanos (Pemex) is installing at Minatitlán a complex which by 1970 will have an annual capacity of 78,000 tons of benzene, 95,000 tons of cyclohexane and 9,000 tons of ethylbenzene, and is building another complex with an annual capacity of 27,000 tons of ethylene oxide and 49,000 tons of acetaldehyde. Pemex is proceeding with plans for establishing new ammonia plants, with the installation of the Camargo complex which will have an annual capacity of 132,000 tons and is already in production, and the construction in Veracruz of a first unit with a daily capacity of 1,000 tons, which is expected to be in operation in 1968. In Monterrey a start was made in 1967 on the construction of a new soda ash plant belonging to Industrias del Alkali S.A. Its annual capacity will be as much as 130,000 tons, all of which will go to supply the home market, particularly the glass industry. With this unit, plus the expansions of the Sosa Texcoco plant near Mexico City, Mexico will be able to supply its own needs for soda ash. Lastly, Fosfato del Golfo S.A. will produce 132,000 tons of diammonium phosphate at Minatitlán.

In *Peru*, the National Fertilizer Corporation, with the assistance of the Inter-American Development Bank and the Tennessee Valley Authority, has begun a vast study of fertilizer requirements in the country and is planning to construct an industrial complex to exploit the large phosphate reserves and potassium deposits in Sechura, and the natural gas available in the vicinity. In addition, an agreement was signed with Kaiser Aluminium to exploit and market 2 million tons of concentrated phosphoric rock

(with 33 per cent P_2O_5) from the Sechura deposits. It has been announced that operations will begin within the next two years.

In *Venezuela*, the State-owned Venezuelan Petrochemical Institute is expanding the ammonia plant in its Morón industrial complex with a view to raising its annual capacity to 200,000 tons. Similarly, it is planning to establish a complex at Zulia for manufacturing, among other basic products, 170,000 tons of ethylene a year, 82,000 tons of propylene and 50,000 tons of low-density polyethylene.

In 1967 the signatories of the Bogotá agreement agreed to co-ordinate their development programmes for the chemical industry on the basis of projects already under way or under consideration, relating to, among other important products, styrene, carbon black, polyvinyl chloride, butanol, polyisoprene, methanol and vinyl acetate.

In addition, Colombia and Venezuela signed an agreement to participate jointly in two projects for the production of ammonia and urea. Colombia, through Petroquímica del Atlántico, and Venezuela, through Nitrógeno Venezolano, agreed to provide 20 per cent of the investment in the other's plant. These two plants will supply between 500,000 and 550,000 tons of nitrogen a year, in the form of ammonia and urea.

D. Energy

Total energy consumption in 1967 amounted to about 620 kilogrammes of petroleum equivalent per capita. This is a standard unit for measuring the energy generated by coal, petroleum products, natural gas, hydroelectricity and vegetable fuels. The total for the first four alone, which are the commercial sources of energy, is only 500 kilogrammes of petroleum equivalent, which, in per capita terms, represents not more than 44 per cent of the corresponding world figure.

Nearly 50 per cent of the energy consumed was in the form of liquid petroleum products, followed by vegetable fuels with approximately 22 per cent, natural gas with 14 per cent, hydroelectricity with about 10 per cent and coal with 4.5 per cent. Comparison of the energy figures for 1956 and 1967 shows that consumption of vegetable fuels and coal has dropped sharply since it represented 26.4 and 66 per cent of the total in 1956. Utilization of liquid petroleum products has also declined slightly since 1956, when it was 53.5 per cent. On the other hand, consumption of natural gas and, to a lesser extent, hydroelectricity has shot up from the low levels of 6 and 7.4 per cent recorded in 1956.

Table 192. Latin America: electric energy generation, installed capacity, 1966 and 1967
(Megawatts)

Country	Public supply						Country total					
	1966			1967			1966			1967		
	Hydro	Thermal	Total	Hydro	Thermal	Total	Hydro	Thermal	Total	Hydro	Thermal	Total
Argentina . . .	393.7	3,382.2	3,775.9	395.0	3,485.0	3,880.0	420.0	5,023.4	5,443.4	420.0	5,130.0	5,550.0
Bolivia . . .	121.0	18.0	139.0	121.0		140.0	144.0	71.0	215.0	144.0	73.0	217.0
Brazil . . .	5,150.0	1,260.0	6,410.0	5,440.0	1,260.0	6,700.0	5,623.7	2,089.8	7,713.5	5,870.0	2,130.0	8,000.0
Chile . . .	598.2	292.9	891.1	598.2	292.9	891.1	710.2	782.4	1,492.6	710.2	782.4	1,492.6
Colombia . . .	1,100.7	482.5	1,583.1	1,250.7	510.0	1,760.7	1,165.0	770.0	1,935.0	1,315.0	805.0	2,120.0
Costa Rica . . .	134.9	43.9	178.8	166.9	43.9	210.8	142.5	56.8	199.3	174.5	56.8	231.3
Cuba . . .	0.0	666.0	666.0	0.0	666.0	666.0	0.0	1,100.0	1,100.0	0.0	1,100.0	1,100.0
Dominican Republic . . .	7.5	123.3	130.8	15.3	123.3	138.6	(7.5)	(173.0)	(180.5)	15.3	173.0	188.3
Ecuador . . .	(93.0)	(115.0)	(208.0)	100.0	120.0	220.0	(110.0)	(145.0)	(255.0)	117.0	153.0	270.0
El Salvador . . .	108.7	45.9	154.6	108.7	45.9	154.6	108.9	62.8	171.7	108.9	62.8	171.7
Guatemala . . .	40.6	75.5	116.1	40.6	78.0	118.6	44.6	86.5	131.1	44.6	95.0	139.6
Guyana . . .	0.0	23.0	23.0	0.0	25.0	25.0	0.0	60.0	60.0	0.0	65.0	65.0
Haiti . . .	0.0	23.0	23.0	0.0	20.0	20.0	0.0	60.0	60.0	0.0	35.0	35.0
Honduras . . .	32.0	27.5	59.5	32.0	27.5	59.5	32.7	44.3	77.0	32.7	47.0	79.7
Jamaica . . .	(22.0)	(93.0)	(115.0)	22.0	93.0	115.0	(22.0)	(183.0)	(205.0)	22.0	183.0	205.0
Mexico . . .	2,499.0	2,302.0	4,801.0	2,520.0	2,364.0	4,884.0	2,619.0	3,088.0	5,707.0	2,640.0	3,161.0	5,801.0
Nicaragua . . .	50.5	50.9	101.4	50.5	65.9	116.4	55.5	85.3	140.8	55.5	104.0	159.5
Panama ^a . . .	9.2	104.5	113.7	15.2	106.5	121.7	10.3	125.0	135.3	16.3	130.0	146.3
Paraguay . . .	1.0	37.0	38.0	1.0	43.0	44.0	1.0	60.0	61.0	1.0	66.0	67.0
Peru . . .	528.0	230.0	758.0	574.0	239.0	813.0	590.0	879.0	1,469.0	660.0	921.0	1,581.0
Surinam . . .	0.0	28.0	28.0	0.0	30.0	30.0	25.0	40.0	65.0	25.0	45.0	70.0
Trinidad and Tobago . . .	0.0	203.0	203.0	0.0	(203.0)	(203.0)	0.0	253.0	253.0	0.0	253.0	253.0
Uruguay . . .	236.0	224.0	460.0	236.0	224.0	460.0	236.0	224.0	460.0	236.0	224.0	460.0
Venezuela . . .	(380.0)	(1,350.0)	(1,730.0)	(380.0)	1,350.0	1,730.0	(380.0)	(1,910.0)	(2,290.0)	(380.0)	1,910.0	2,290.0
TOTAL	11,506	11,201	22,707	12,067	11,435	23,502	12,448	17,372	29,820	12,988	17,705	30,693

SOURCE: ECLA, on the basis of official statistics.

^a Excluding the Canal Zone.

Only five countries—Bolivia, Colombia, Mexico, Trinidad and Tobago, and Venezuela—themselves produce all the petroleum they need for refining and domestic consumption and Colombia is the only country to be self-supplying in coal. The others are all obliged to import to some extent. In electricity, the lack of intra-regional trade tends to keep national consumption and production evenly balanced. As regards natural gas, the fact that the producing centres are far from the consumer markets and that in many cases the gas cannot be carried overland causes transport problems and limits utilization. Consequently, half the output is reinjected, and only 30 per cent of the gas reaches the consumers in the form of energy, while the remainder is flared.

Proven reserves of petroleum and natural gas are fairly small in most of the Latin American countries, but there are good prospects of substantial increases, particularly in natural gas. The known hydroelectric reserves are plentiful and also renewable, but in 1967 only about 2 per cent of the estimated hydroelectric generating capacity was used. As regards vegetable fuels, about 25 per cent consist of industrial residues such as bagasse and the waste from the oil extraction and wood industries.

1. ELECTRICITY

(a) Installed capacity

Generating capacity did not expand very much in 1967, but the installations set up in the last few years have proved capable of meeting demand in most countries, since the power stations are being used more efficiently. In the last two years, the utilization coefficient rose by over 6 per cent. The major electricity companies in Latin America often have a certain amount of capacity lying idle and are therefore able to increase the supply of electricity, which is several years ahead of demand. An important contribution is also being made to capacity by the growing inter-connexion of networks. Moreover, substantial additions to installed capacity are scheduled to be brought into service in the next two years.

At the end of 1967 installed capacity amounted to 30.7 GW compared with 29.8 GW in 1966 (see table 192). In accordance with the policy of using the extensive resources available, the bulk of the increase was in hydroelectric capacity. The main additions were as follows: in Brazil, 160 MW to the Paulo Alfonso power station and the inauguration of 100 MW at the Xavantes plant; in Colombia, 150 MW to the hydroelectric plant of El Colegio; in Argentina, 30 and 15 MW to the thermal plants of Barranquera and Concep-

ción del Uruguay respectively; in Costa Rica, 32 MW to the Cachi hydroelectric plant; in Nicaragua, 15 MW to the thermal plant of Chinandega; in Mexico, 41 MW to the thermal plants of La Laguna and 28 MW to the hydroelectric plant of El Retiro; in Peru, 20 and 23.5 MW to the hydroelectric plants of Pahuilca and Aricota.

With the additions made in 1967, the hydroelectric capacity available for the public supply outstripped thermoelectric capacity by about 600 MW. The gap will widen considerably in 1968, when the first units of the large-scale hydroelectric projects of Jupíá, Guri, Malpaso, Rapel and Boa Esperança go into production.

The public utility companies had 77 per cent of installed capacity, as in the previous year, and the share of hydroelectric power in the total increased from 50.4 to 51.1 per cent.

(b) Generation

It will be seen from table 193 that electric energy generation rose from 106,300 GWh in 1966 to 114,700 GWh in 1967. This growth rate of 7.3 per cent was very similar to the rate in 1965–66. There was a notable expansion of just over 9.1 per cent in the energy generated for public utility purposes.

Table 193. Latin America: energy generation, total and per capita, 1967

Country	Total (GWh)	Per capita (kWh)
Argentina	16,508	718
Bolivia	587	136
Brazil	35,300	410
Chile	7,100	770
Colombia	6,700	356
Costa Rica	753	477
Cuba	4,250	542
Dominican Republic	900	235
Ecuador	760	142
El Salvador	515	166
Guatemala	535	116
Guyana	230	332
Haiti	115	24
Honduras	233	106
Jamaica	950	536
Mexico	20,926	458
Nicaragua	400	213
Panama	572	450
Paraguay	195	92
Peru	4,810	388
Surinam	267	710
Trinidad and Tobago	1,080	1,050
Uruguay	1,863	686
Venezuela	9,200	985
TOTAL	114,749	451

SOURCE: ECLA, on the basis of official statistics.

Total generation in Latin America gave an average of 451 kWh per capita in 1967. This is 4.5 per cent more than in the previous year. The figures vary from country to country, ranging from 24, 92, 106 and 116 kWh for Haiti, Paraguay, Honduras and Guatemala to 718, 770, 985 and 1,050 kWh for Argentina, Chile, Venezuela and Trinidad and Tobago. In Chile the copper industry, which produces energy for its own use, carries appreciable weight in the total and the same is true of the petroleum industry in Venezuela and in Trinidad and Tobago.

The share of the public electricity supply in total energy generation remained constant at about 80 per cent, as did the share of hydroelectric power, which was 52 per cent.

Utilization of thermal and hydroelectric plants for the public electricity supply amounted to 3,270 and 4,470 hours, respectively. For the self-suppliers the figures were 2,860 and 5,970 hours. Hydroelectric plants were used intensively by self-suppliers, but their share of installed capacity was very small (see table 194).

Table 194. Latin America: utilization of power stations, 1967

	Generation (GWh)	Capacity (MW)	Average utilization (hours)
<i>Public supply</i>	91,324	23,502	3,890
Hydro plants	53,955	12,067	4,470
Thermal plants	37,369	11,435	3,270
<i>Self-suppliers</i>	23,425	7,191	3,260
Hydro plants	5,498	921	5,970
Thermal plants	17,927	6,270	2,860
TOTAL, LATIN AMERICA	114,749	30,693	3,740

SOURCE: ECLA, on the basis of official statistics.

(c) Interconnexions

No headway was made with international interconnexions in Latin America in 1967. The only one in existence links up small communities on the border of Uruguay and Brazil, and little power is exchanged over it.

There are, however, plans for this kind of interconnexion on a bigger scale and to be carried out in a relatively short space of time. Under one project, the Acaray power station in Paraguay will transmit energy to the Argentine and Brazilian regions of Misiones and Foz de Iguacu. In 1968, a start will be made on the exploration of the possibilities of comprehensive electric power integration in Central America. This long-term project is to be supported by other shorter-term undertakings which will link up some of the countries bilaterally.

Considerable progress has been made with

national interconnexions in a number of countries, as table 195 shows. Two new and important systems in Venezuela and Colombia are soon to be added. The transmission line between the Central and Guayana generating centres will be virtually completed in 1968 when the Guri hydroelectric plant is put into operation. Early in the year, moreover, the frequency in the Caracas area is to be switched from 50 to 60 cycles. This will pave the way for the foregoing interconnexion and for the subsequent inclusion of the Andes and Lake Maracaibo generating systems.

Table 195. Latin America: proportion of installed public supply capacity in interconnected systems, 1967

Country	Percentage
Argentina ^a	64
Brazil ^b	64
Chile	92
Costa Rica	80
El Salvador	98
Guatemala	77
Honduras	73
Mexico ^c	44
Nicaragua	95
Panama ^d	76
Uruguay	90

SOURCE: ECLA, on the basis of official statistics.

^a Greater Buenos Aires system.

^b Centro Sur system.

^c Central system.

^d Excluding the Canal Zone.

In Colombia, the first steps have already been taken to link up two of the major systems by a transmission line which will carry energy from El Colegio in the Bogotá grid to the Corporación del Valle del Cauca system (Cali and adjacent areas). It is also hoped shortly to amalgamate the systems of Medellín, Bogotá and Corporación del Valle del Cauca. The complete interconnexion will take three years or so and will have an aggregate final capacity of 1,400 MW, that is to say, 80 per cent of the total public supply capacity at the present time.

In *Bolivia*, improvements were made in the joint operation of the Cochabamba system belonging to the Empresa Nacional de Electricidad and the Oruro system owned by Bolivian Power. These were linked up at the beginning of 1967, in the interests of the principal mining area in the country, which uses large quantities of electric power.

Paraguay will put the Puerto Sajonia and Acaray power plants into parallel operation with the completion of the transmission line from Acaray to Asunción. These plants will represent

virtually the whole of the generating capacity available for public supply purposes.

(d) *Expansion of generating capacity*

Current plans for the construction of electric power plants provide for an increase of about 19.2 GW in installed capacity by the mid-nineteen-seventies. This increment is little less than total public supply capacity in 1967, and 75 per cent of it is based on water power. Thermal capacity will exceed hydro capacity in only five countries, namely, Argentina, Ecuador, Cuba, El Salvador and the Dominican Republic, and, of these, only the first two have abundant hydroelectric resources (see table 196).

In *Argentina*, SEGBA will be enlarging installed capacity in the capital by 250 MW in 1969 and the Compañía Italo-Argentina de Electricidad plans to add a similar amount, both in the form of thermoelectric energy. The hydroelectric plants will comprise Chocón (1,100 MW) in 1973, Nihuil 2 and 3 (74 and 50 MW) in 1968 and 1970, Ullún (40 MW) in 1969 and F. Ameghino (46.7 MW) in 1968. In addition a contract was awarded for the construction of an atomic power station of 300 MW, using natural uranium, at Atucha (Province of Buenos Aires).

The principal projects in *Brazil* are Jupiá (1,400 MW), whose first units are to be put into service in 1968 and the rest completed by 1973; Jaguará (600 MW) and Estreito (787 MW), to start operation in 1969; Boa Esperança (108

MW) in the Nordeste for 1968, and additions of 300 MW, 258 MW and 300 MW respectively to the power stations of Peixoto, Tres Marias and Xauantes. Part of the financing has already been obtained for the Ilha Solteira hydroelectric plant of 2,560 MW, whose first units are to be put into operation in 1973.

In *Colombia* progress is being made with such projects as El Colegio, which will add a further 150 MW to the level of capacity in 1967, Urrea (150 MW) in the Alto Sinú, Betania (150 MW), Saldaña (300 MW), San Francisco (200 MW), Rio Prado (51 MW), Central Térmica del Norte (600 MW) and Nare (700 MW); the first 280 MW of the Nare plant are scheduled to go into production in 1968. It is also likely that a 320 MW power station will be built at Anchicayá in the near future.

The Rapel power station in *Chile* (360 MW) will be put into operation in 1968, followed by El Toro (400 MW), which is already under construction.

In *Paraguay* the first 45 MW of the Acaray power station will shortly be brought into operation. This plant will exceed the total 1967 installed capacity for public supply purposes, and will be immediately enlarged by a further 45 MW, for which funds have already been made available.

In *Uruguay* it is planned to instal 80 MW in 1968 in the Montevideo thermal plant.

Table 196. Latin America: installation programmes to be started in 1968
(Megawatts)

Country	Thermo-electricity	Hydro-electricity	Total	Date of completion
Argentina	880	1,373	2,253	...
Bolivia	12	133	145	1970
Brazil	336	5,330	5,666	1972
Chile	100	760	860	1968
Colombia	668	2,112	2,780	...
Dominican Republic	190	—	190	1970
Ecuador	232	117	349	1975
Paraguay	—	154	154	1975
Peru	270	650	920	1970
Uruguay	80	270	350	1968
Venezuela	310	2,000	2,310	1976
Costa Rica	40	60	100	1974
Cuba	500	—	500	1970
El Salvador	93	60	153	1974
Guatemala	45	160	205	1974
Honduras	10	80	90	1974
Mexico	837	1,020	1,857	1971
Nicaragua	40	50	90	1973
Panama ^a	80	140	220	1974
TOTAL	4,723	14,469	19,192	

SOURCE: ECLA, on the basis of official statistics.

^a Excluding the Canal Zone.

In 1968, *Venezuela* will incorporate the first 575 MW of the Guri power station on the river Caroní. In addition, the Electricidad de Caracas company is to put in two turbines with a capacity of 70 MW, which will burn natural gas and diesel fuel.

It is planned to increase installed capacity in *Central America* by 859 MW by 1974 as part of the drive for a rapid expansion of electricity supplies. In 1967, *Costa Rica* was the only country to improve slightly on the average per capita figure for generation in Latin America. The main additions planned for 1968-74 are, in *Costa Rica*, the Tapantí hydro plant (60 MW), which is already under construction, and the thermal plant at Limón (40 MW); in *El Salvador*, a 33 MW thermal plant for 1969, a second thermal plant of 60 MW and a 60 MW hydro plant at Poza del Silencio; in *Guatemala*, a gas-fired thermal plant (12.5 MW) for 1968, another thermal plant (33 MW) for 1969, the hydro plant of Jurún-Marinalá (60 MW) for 1971 and the Atitlán hydro plant of 100 MW; in *Honduras*, a diesel-run thermal plant (10 MW) for 1968 and the hydro plant (80 MW) on the river Lindo; in *Nicaragua*, a 40 MW thermal plant to be put into service shortly, and a 50 MW hydro plant for Santa Bárbara; in *Panama*, the Minas thermal plant (40 MW), scheduled for 1968, and also two other thermal plants of 40 and 33 MW plus the hydro plant at El Bayano (140 MW).

In *Mexico*, capacity is to be expanded by almost 1,000 MW in 1968. The major projects are the 720 MW Malpaso hydro plant and the 82 MW Tijuana thermal plant. Other important short-term projects are the hydro plant of La Villita (300 MW) for 1971 and the thermal plants of Salamanca and Valle de México, both of 300 MW, for 1969 and 1970 respectively.

(e) External financing

The total number and the amount of individual loans made by international financing agencies for electric power development were higher than in past years, reaching about 280 million dollars. This points to a steady rate of construction in future, since the many major power stations that are already being built (Jupia, Guri, Rapel, El Toro, etc.) are not included.

During 1967, the Inter-American Development Bank granted five loans amounting to 76 million dollars in all for electric power development. The bulk of this sum was intended for the construction of power stations, and the remainder for studying projects in the same field. Itemized, the loans are as follows:

(i) Loan of 26.65 million dollars to the Empresa Agua y Energía Eléctrica of Argentina

for adding two units of 30 MW each to the "9 de Julio" thermal plant in the Mar del Plata area, linking up this system with the Necochea system and expanding the transmission and distribution networks. The same loan is also to be used for building a 15.4 MW hydroelectric plant on the river Hondo, linking it up with the Santiago del Estero system, and extending and improving transmission and distribution in the Mendoza area;

(ii) Loan of 34 million dollars to Centrais Elétricas de São Paulo S.A. as part of the financing for building the first stage of the Ilha Solteira hydroelectric plant on the river Paraná, fifty-five kilometres upstream from the Jupia hydro plant (1,400 MW) that is currently under construction. The first stage will cost roughly 229 million dollars and will have an aggregate capacity of 1,760 MW comprising 11 units of 160 MW each; during the second stage capacity is to be raised to 2,560 MW;

(iii) Loan of 145 million dollars to the National Electricity Service in Paraguay to cover 58 per cent of the cost of adding another 45 MW to the Acaray power station;

(iv) Loan of 225,000 dollars to the same Service for studying the expansion of the Acaray power station by a further 45 MW to raise its capacity to 135 MW altogether;

(v) Loan to the National Fuel and Energy Department in Argentina for establishing a Rural Electrification Department to carry out the national rural electrification programme.

The International Bank for Reconstruction and Development granted a total of 205.6 million dollars for electric power development between July 1966 and June 1967. The recipients were Brazil, 100.6 million; Chile, 60 million; Guatemala and Venezuela, 15 million each; Peru, 10 million; and Nicaragua, 5 million. The Brazilian loan was divided among the Companhia Brasileira de Energia Elétrica, Companhia Força e Luz de Paraná, Companhia Paulista de Força e Luz, and Companhia Força e Luz de Minas Gerais for the expansion of their respective systems. The credits to Chile will help to defray the cost of building the El Toro hydroelectric plant (400 MW), adding a fifth unit (70 MW) to the Rapel power station, and setting up the corresponding transmission lines. The loan to Venezuela will be used for building a 400 kV line, 570 kilometres long, between Guri and Santa Teresa, while Guatemala will spend the funds on doubling electricity supplies in the central part of the country. In Peru, the Empresas Eléctricas Asociadas will be enabled to improve their transmission and distribution lines, and finally, Nicaragua will build the projected

thermal plant at Chinandega, and enlarge its transmission network.

2. PETROLEUM

(a) Production trends

In 1967 world output of crude petroleum averaged 35 million barrels a day, which represented an increase of 7.4 per cent over 1966. Latin America showed a similar increase (7 per cent), thus recovering the ground it had lost in 1966. The increment was 5.1 per cent in Venezuela (compared with a decrease of nearly 3 per cent in 1966) and about 12 per cent in the rest of the region as a whole (see table 197).

Bolivia's output was nearly three times the previous year's figure. The expansion was also very marked in Ecuador and Brazil (39 and 26 per cent, respectively), and somewhat more modest in Trinidad and Tobago and Argentina. The sizable increment in those countries was mainly due to the intensive exploration and drilling programme carried out in previous years.

As regards Venezuela, Latin America's leading producer, the stimulus to increase production, which rose 5.1 per cent in 1967, was provided mainly by the greater demand arising from the Middle East crisis.

Colombia and Chile were the only countries whose output contracted (−1.3 and −0.5 per cent), while Peru's production has remained at the same level for the past four years. The deterioration in Colombia is only temporary, pending development of the new Orito oilfields—with a capacity of 150,000 barrels of crude petroleum a day—discovered in the Putumayo

region, besides the expected increases in the areas bordering on Ecuador. In Chile, no new reservoirs are being developed in place of wells that are nearing depletion, despite the exploration and drilling carried out in various parts of the country, particularly in the province of Arauco.

Production of natural gas, which is closely associated with petroleum, increased by approximately 11 per cent, the largest increments being in Mexico, Venezuela, Brazil and Argentina (see table 198).

(b) Consumption trends

From 1960 to 1967, aggregate consumption of the main petroleum products and natural gas rose by an average of 6.4 per cent annually (3.5 per cent per capita). For a clearer appreciation of the different characteristics of this growth, the countries of the region may be grouped in three categories according to the volume of petroleum products and natural gas consumed in 1967: the countries in the first group consumed more than 10 million tons of petroleum equivalent; those in the second, from 1 to 5 million tons; and those in the third, less than 1 million tons (see table 199). The first group comprises, in order of importance, Mexico, Argentina, Brazil and Venezuela, which together consumed a little over 75 million tons of petroleum in 1967, or 78 per cent of total demand in the region. Altogether these four countries showed an increase of 5.9 per cent in their consumption compared with 1966, this rate was lower than the average for the region, because of the small increases in Argentina (3.6 per cent) and Venezuela (5.4 per cent), which were partly due to a decline in the consumption of fuel oil.

Table 197. Latin America: crude oil production, 1960 and 1964–67
(Thousands of cubic metres)

Country	1960	1964	1965	1966	1967 ^a
Argentina	10,178	15,943	15,625	16,656	18,242
Bolivia	569	504	534	850	2,274 ^b
Brazil	4,708	5,265	5,460	6,750	8,509
Chile	1,150	2,176	2,020	1,976	1,966
Colombia	8,867	9,953	11,628	11,423	11,280
Cuba	25	18	29	50	135
Ecuador ^c	438	444	453	452	572
Mexico ^d	17,293	20,589	21,008	21,466	24,000
Peru	3,063	3,676	3,668	3,661	3,690
Trinidad and Tobago	6,735	7,900	7,769	8,683	10,300
Venezuela	165,613	197,428	201,533	195,628	205,600
TOTAL	218,639	263,896	269,727	267,555	286,568
TOTAL, EXCLUDING VENEZUELA	53,026	66,468	68,194	71,927	80,968

SOURCES: ECLA, on the basis of statistics and other information from official sources.

^a The data for Argentina, Bolivia, Brazil, Chile, Mexico and Venezuela are final figures, while those for other countries are estimates based on incomplete data, generally for ten or eleven months.

^b More than 80 per cent was contributed by the Bolivian Gulf Oil Co., and was extracted mainly from its Sica-Sica reservoir.

^c Excluding consumption on the oilfields.

^d Including absorption liquid.

Table 198. Latin America: gross production of natural gas, 1960 and 1964-67
(Millions of cubic metres)

Country	1960	1964	1965	1966	1967 ^a
Argentina	3,550	6,586	6,236	5,932	6,400
Bolivia	168	194	212	314	305
Brazil	535	532	683	789	875
Chile	2,194	6,281	6,215	6,653	7,040
Colombia	2,338	2,398	2,650 ^a	2,800 ^a	3,100
Ecuador	185	196	200 ^a	250 ^a	300
Mexico	9,665	13,735	13,965	14,985	17,200
Peru	1,952	1,650	1,750 ^a	1,900 ^a	2,100
Trinidad and Tobago	2,765	2,995	3,263	3,655	3,700
Venezuela	31,561	39,270	40,846	41,274	45,780
TOTAL	54,913	73,837	76,020	78,552	86,800

SOURCE: ECLA, on the basis of official statistics.

^a Provisional figures, with some estimates.

Table 199. Latin America: gross consumption of main petroleum products and natural gas, 1960 and 1964-67
(Thousands of tons of 10,700 kcal/kg petroleum equivalent)

Country	1960	1964	1965	1966	1967 ^a
Argentina	13,820	18,228	18,992	19,482	20,191
Bolivia	293	417	444	470 ^a	510
Brazil	12,433	16,290	15,504	16,391	17,431
Chile ^b	2,481	3,382	3,570	3,972	4,252
Colombia	3,038	3,921	4,192	4,601	4,937
Costa Rica	190	221	256	283 ^a	310
Dominican Republic	312	412	443 ^a	470 ^a	492
Ecuador	522	638	686 ^a	736 ^a	793
El Salvador	196	313	326 ^a	342 ^a	359
Guatemala	461	565	578 ^a	603 ^a	636
Haiti	88	91	93 ^a	101 ^a	110
Honduras	191	212	222 ^a	234 ^a	258
Jamaica	754	803	1,253 ^a	1,360 ^a	1,463
Mexico	15,663	20,445	21,567	24,421	26,310
Nicaragua	179	279	288 ^a	300 ^a	313
Panama	343	508 ^a	534 ^a	558 ^a	580
Paraguay	103	139	175	183 ^a	227
Peru	2,346	3,316	3,740 ^a	4,017	4,229
Uruguay	1,210	1,303	1,521	1,329	1,434
Venezuela ^c	7,913	9,862	10,547	11,090	11,692
TOTAL^d	62,536	81,345	84,391	90,943	96,527

SOURCE: ECLA, on the basis of official statistics.

^a Estimates.

^b Including estimated consumption of natural gas on the Magallanes oilfields.

^c Excluding deliveries to ships.

^d Excluding Cuba, and Trinidad and Tobago, because of lack of information.

The second group consists of Colombia, Chile, Peru, Jamaica and Uruguay, with a total consumption of over 16 million tons of petroleum equivalent and a share of 17 per cent in the total for Latin America. This group's consumption rose by 6.8 per cent, and the rate was higher than the regional average in every country except Peru, where it was only 5.3 per cent.

In the third group, comprising Ecuador, Bolivia, Paraguay, the Central American countries, the Dominican Republic and Haiti,

consumption expanded by 7 per cent over 1966, i.e., the highest rate in the region. This increase was mainly due to the larger consumption of diesel and fuel oil in the recently installed refineries in Central America and Paraguay, and to deliveries to foreign ships.

In the structure of consumption, natural gas ranks third, with 23 per cent of the total volume of liquid and gaseous hydrocarbons consumed in the region; fuel oil is first, with 26 per cent, and gasoline second, with 24 per cent (see table 200).

Table 200. Latin America: gross consumption of main petroleum products and natural gas, 1966 and 1967
(Thousands of tons of 10,700 kcal/kg petroleum equivalent)

Country	1966							1967 ^a						
	Total	Liquid gas	Gasoline	Kerosene	Gas and diesel oil	Fuel oil	Natural gas	Total	Liquid gas	Gasoline	Kerosene	Gas and diesel oil	Fuel oil	Natural gas
Argentina.	19,482	636	3,451	1,047	3,591	6,840	3,917	20,191	682	3,710	1,102	3,787	6,710	4,200
Bolivia	470	—	148	62	66	111	83	510	—	158	62	68	120	102
Brazil	16,391	958	5,282	789	3,889	5,383	90	17,431	1,035	5,700	805	4,200	5,600	91
Chile	3,972	177	936	333	571	1,455	500	4,252	207	975	350	640	1,560	520
Colombia.	4,601	130 ^a	1,709	314	587	974	887	4,937	160	1,855	320	607	1,075	920
Costa Rica ^a	283	2	75	16	170	20	—	310	2	80	18	180	30	—
Dominican Republic ^a	470	—	171	40	—	259	—	492	—	180	42	—	270	—
Ecuador	736	1	295	63	146	231	—	793	1	310	65	158	259	—
El Salvador ^a	342	5	82	39	81	135	—	359	6	88	40	85	140	—
Guatemala ^a	603	5	144	59	108	287	—	626	6	150	61	114	295	—
Haiti ^a	101	1	35	6	—	59	—	110	1	38	7	—	64	—
Honduras ^a	234	1	54	21	93	65	—	258	2	57	22	97	80	—
Jamaica ^a	1,360	—	120	70	170	1,000	—	1,463	—	128	75	180	1,080	—
Mexico	24,421	1,650	4,825	2,145	3,056	4,167	8,578	26,310	1,880	5,150	2,300	3,290	4,290	9,400
Nicaragua ^a	300	1	97	35	—	167	—	313	2	100	36	—	175	—
Panama ^a	558	—	175	43	90	250	—	580	—	180	45	95	260	—
Paraguay ^a	183	—	45	27	20	91	—	227	—	50	32	30	115	—
Peru	4,017	31	1,148	593	761	1,404	80	4,229	34	1,210	610	780	1,510	85
Uruguay	1,329	22	284	175	280	568	—	1,434	24	290	175	285	660	—
Venezuela ^c	11,090	437 ^a	2,461	576	875	775	5,966	11,692	460	2,600	578	979	650	6,425
TOTAL ^d	90,943	4,057	21,537	6,452	14,554	24,241	20,101	96,517	4,502	23,009	6,745	15,575	24,943	21,743
Cuba	—	—	—	—	—	—	—	5,700	—	900	200	1,000	3,600	—

SOURCE: ECLA, on the basis of official statistics.

^a Estimates.

^b Including fuel oil.

^c Excluding deliveries to ships.

^d Excluding Cuba, which is listed separately because of lack of data relating to 1966, and Trinidad and Tobago.

Natural gas consumption rose 8.2 per cent in 1967, or faster than that of other petroleum products except liquid gas, for which demand increased by 11 per cent. Moreover, 47 per cent of the total natural gas consumption was accounted for by the petroleum industry itself (excluding reinjected gas), and practically all of it in countries such as Bolivia and Chile, whose oilfields are far from the centres of consumption.

After liquid gas and natural gas, the biggest increases in consumption were in diesel and gas oil (7 per cent) and gasoline (6.8 per cent). Consumption of kerosene, which is used less and less for domestic purposes every year, rose by 4.5 per cent.

Lastly, demand for fuel oil rose by only about 3 per cent, compared with 4 per cent in 1966. This smaller increase was mainly due to the reduced consumption in countries such as Argentina, Venezuela and Mexico, all major producers and consumers of natural gas. Pipelines carry natural gas fairly cheaply to industrial and domestic centres in these countries, which are thus able gradually to replace fuel oil.

(c) Refining

Following an average annual increase of 10.3 per cent in the five-year period 1955–1960, Latin America's refining capacity showed a modest growth rate of 6.1 per cent in the next five-year period, which fell to about 5.9 per cent in 1966 and 1967. This reflects the tendency of the Latin American countries to allow the rate of expansion of their refineries to be determined by the growth of domestic consumption.

The average utilization coefficient of the region's refining capacity climbed steadily from 82 per cent in 1955 to 92 per cent in 1966. The

degree of utilization varies, however, from country to country. Bolivia and Chile, for example, in eleven years utilized, on the average, less than 65 per cent of the nominal capacity of their refineries, compared with 80 to 97 per cent in other countries, according to varying demand on internal and external markets. The external market is particularly important in the case of big net exporters of petroleum products like Venezuela and Trinidad and Tobago.

In 1967, refineries in the region (excluding Aruba, Curaçao, the Central American countries and Paraguay, for which no data are available) processed 177.9 million cubic metres of crude petroleum, which is 5 million cubic metres, or 2.7 per cent, more than the volume refined in 1966 (see table 201).

The biggest increases occurred in Chile, Mexico and Brazil, and the smallest in Argentina and Uruguay.

The output of Chile's refineries has enabled the Empresa Nacional de Petróleo (ENAP) to cover virtually all the country's requirements of motor spirit, aviation gasoline and kerosene, and 95 per cent of its diesel oil consumption and 75 per cent of its fuel oil consumption.

Moreover, if the evolution of crude petroleum production is compared with that of refining over the period 1960–67 in countries which are both producers and net importers, it will be noted that in Argentina the share of locally produced crude in the total volume of crude refined increased steadily from 74.7 per cent in 1960 to 87.6 per cent in 1967. This trend reveals that Argentina's petroleum policy is to promote complete self-sufficiency in crude for its refineries in the near future. The opposite was true of Brazil and Chile, i.e., the share of domestic crude diminished,

Table 201. Latin America: volume of crude petroleum refined, 1955, 1960 and 1965–67^a
(Thousands of cubic metres)

Country	1955	1960	1965	1966	1967 ^a
Argentina	9,537	13,629	19,495	20,566	20,852
Bolivia	338	359	512	550 ^a	605
Brazil	4,089	10,412	17,841	20,035	22,100
Chile	753	1,727	2,746	3,405	3,898
Colombia	2,248	4,221	5,325	5,657	6,000
Cuba	574	3,736	4,400 ^a	4,800 ^a	5,200
Ecuador	319	674	873	917	980
Mexico	13,028	17,028	21,444	20,963	23,260
Peru	2,356	2,637	3,300 ^a	3,413	3,560
Trinidad and Tobago	6,130	13,092	21,806	22,927	21,760
Uruguay	1,302	1,508	1,867	1,910	1,960
Venezuela	31,140	51,339	68,210	68,107	67,700
TOTAL	71,814	120,362	167,819	173,250	177,875
TOTAL, EXCLUDING VENEZUELA	40,674	69,023	99,609	105,143	110,175

SOURCE: ECLA, on the basis of official statistics.

^a Estimates, except for Argentina, Chile and Venezuela.

because crude petroleum output failed to keep pace with demand and domestic refining capacity.

(d) *Exploration and drilling*

In 1966, the last year for which data are available, there was a contraction in world prospecting and drilling activities, although expenditure on these in 1966 went up 4.6 per cent compared with 1965, owing to a rise in the cost of marine seismic surveying and the use of more advanced and more expensive techniques.

Latin America was no exception in this general slackening of activity. In fact, its share of 11.1 per cent in world geophysical activities in 1966 (see table 202) was nearly 11 per cent below the 1965 figure, with an 18 per cent rise in costs. The use of the electrical method of prospecting increased 41.9 per cent compared with 1965, but

there was a drop in surveying by seismic, magnetic and gravity methods. It is noteworthy, however, that of the 782 crew/months of seismic prospecting, 18 were devoted to exploratory activities in marine areas at a cost of 6.7 million dollars. Table 203 gives data on specific types of exploration activities and their trends over a six-year period.

Following an average annual increase of 4.2 per cent in the number of wells drilled over the five-year period 1955–60, there was a virtual stagnation in drilling activities during the ensuing six years (1960–66). This was reflected in a sharp reduction of about 6 per cent, which represents a net annual decline of 1.5 per cent over the whole period 1955–66. The situation varied greatly from country to country, however (see table 204).

Table 202. Latin America: approximate share of world geophysical activities, 1966
(Percentages)

	Seismic		Gravity	Aerial magnetometry	Other methods	Total
	Total	Marine				
Cost	9.8	3.3	29.9	44.4	...	10.6
Crew/months	9.5	2.1	25.3	10.3	44.0	11.1

SOURCE: *World Oil*.

Table 203. Latin America: geophysical activities, by method, 1960–66
(Crew/months)

Method	1960	1961	1962	1963	1964	1965	1966
Seismic	896	790	877	858	849	838	782
Gravity	260	187	206	238	223	250	174
Magnetic	24	10	8	33	36	13	12
Other methods	—	—	16	24	25	31	44
TOTAL	1,181	987	1,107	1,153	1,133	1,132	1,012

SOURCE: *World Oil* (15 August of each year); 1966: *World Oil* (November 1967).

Table 204. Latin America: number of wells drilled annually, 1955, 1960 and 1964–66

Country	1955	1960	1964	1965	1966
Argentina	284	1,167	506	555	712
Bolivia	21	43	31	28	52
Brazil	73	233	233	225	331
Chile	58	56	99	47	37
Colombia	117	173	78	77	52
Cuba	95	3	15	15	...
Ecuador	212	72	52	49	43
Mexico	330	762	631	361	297
Peru	219	150	137	160	158
Trinidad and Tobago	213	312	190	214	268
Venezuela	1,163	444	621	694	394
Other countries	—	—	—	4	13
TOTAL	2,785	3,415	2,593	2,429	2,357

SOURCES: *World Oil*; and Ministry of Mines and Hydrocarbons, Venezuela, *Petróleo y otros datos estadísticos*.

The tapering off of drilling operations in Venezuela, Colombia and Mexico is explained by the fact that these countries are using a large part of the capital previously invested in exploration and drilling activities for building and enlarging maintenance and secondary recovery facilities. These include water injection, gas "repressurization", various thermal methods, the use of nitrogen, etc. Other countries, such as Argentina, Bolivia, Brazil, and Trinidad and Tobago, are continuing their efforts to maintain an intensive programme of exploratory activities.

(e) *Off-shore prospecting*

The trend in Latin America to intensify exploration of the continental shelf surrounding its coasts is part of a world pattern. These sections of the continental shelf are believed to hold out tremendous oil prospects, particularly in the Gulf of Mexico, and also in certain parts of the Atlantic and Pacific Oceans.

On a world scale, the reserves of hydrocarbons that may exist in the sedimentary formations at no great depth—up to about 200 metres under the sea—are estimated at between a quarter and double the amount of the known land reserves. Future prospecting may well raise these figures, mainly through new geophysical exploration methods and, in particular, drilling activities which make it possible to reach the deeper sedimentary strata.

World production of hydrocarbons from these under-water deposits amounts to about 15 per cent of total output. The figures are considerably smaller in Latin America if output from Lake

Maracaibo is excluded, but production is expected to rise rapidly during the nineteen-seventies.

Practically all oil-producing countries are making tremendous efforts to speed up their off-shore prospecting activities, and some have already started drilling operations and begun to get some of the oil out. Much of the seismic exploration launched in the past two years in the Central American States and some of the countries in the West Indies is following the same lines.

In Latin America as a whole, this exploratory work is being carried on most actively; in general it is designed to continue the search under the sea for sedimentary formations which are already known and being worked on land. Such is the case, for example, in Mexico (in extensive areas of the Gulf of Mexico), Peru, Brazil, Argentina (Gulf of San Jorge) and Venezuela, where a group of enterprises, including the Venezuelan Petroleum Corporation, is surveying 20,000 square kilometres at a cost of 1.5 million dollars. Under-water exploration on the coasts of Central America and the West Indies is also being carried on intensively, although so far with little or no result.

(f) *Foreign trade in petroleum and petroleum products*

In 1967 the only significant increases in Latin American oil exports occurred in Venezuela in the second half of the year—as a result of supply problems in the Middle East—and in Bolivia; in both cases they consisted mainly of crude oil.

Table 205. Latin America: gross imports and exports of crude petroleum and petroleum fuels, by selected countries, 1965-67
(Volume in thousands of tons)

Country	1965		1966		1967 ^a	
	Crude	Petroleum products	Crude	Petroleum products	Crude	Petroleum products
<i>Imports</i>						
Argentina . .	3,552.1	1,051.0	3,402.3	729.4	2,408.0	544.0
Brazil . .	10,247.3	625.2	10,966.0	671.0	10,375.0	747.7
Chile . .	703.8	888.0	1,275.3	870.0	1,792.0	750.0
Mexico . .	—	487.5	—	730.6	...	...
Peru . .	77.0	681.0	125.0	914.0	...	...
Uruguay . .	1,629.0	170.0	1,683.6	120.9	1,580.0	...
<i>Exports</i>						
Bolivia . .	35.7 ^b	23.7	40.9 ^b	20.0	1,400.0	...
Colombia . .	5,627.2	722.0	4,920.7	927.0	...	...
Mexico . .	1,039.5	2,771.6	1,457.1	1,158.0	...	...
Peru . .	344.0	160.0	279.0	148.0	339.0	...
Venezuela . .	121,390.1	47,169.0	117,920.5	47,138.0	126,500.0	47,800

SOURCES: Foreign trade yearbooks and other publications.

^a Provisional figures or estimates.

^b Exports by Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) only.

Table 206. Latin America: imports and exports of crude petroleum and petroleum fuels by selected countries, and their share in total foreign trade, 1965-67
(Value in millions of dollars, and percentages)

Country	1965		1966		1967 ^a	
	Value	Percentages	Value	Percentages	Value	Percentages
<i>Imports</i>						
Argentina . . .	102.9	8.6	92.0	8.2	76.9	6.8
Brazil . . .	181.9	16.6	189.8	12.7	206.3	12.5
Chile . . .	26.2	4.3	37.4	4.9	42.0	5.0
Mexico . . .	25.7	1.6	35.5	2.2	37.6	2.1
Peru . . .	21.0	2.9	26.0	3.2	27.0	3.2
Uruguay . . .	24.0	1.6	31.7	1.9	...	...
<i>Exports</i>						
Bolivia . . .	0.7 ^b	0.0	6.6	4.4	23.0	13.8
Colombia . . .	96.8	17.9	81.4	16.1	80.0	16.0
Mexico . . .	40.1	3.6	39.6	3.3	39.5	3.4
Peru . . .	8.5	1.3	7.7	1.0	8.5	1.1
Venezuela . . .	2,304.1	93.7	2,214.8	91.7	2,320.9	92.0

SOURCE: Foreign trade yearbooks.

^a Provisional figures and estimates.

^b Exports by Yacimientos Petroliferos Fiscales Bolivianos (YPFB) only.

Such major importers as Brazil and Argentina were able to reduce their purchases abroad thanks to the increase in domestic production. On the other hand, owing to the continued expansion of available refining capacity in these and other Latin American countries, the proportion of crude in total imports of hydrocarbons rose perceptibly. Except in Cuba and Trinidad and Tobago, the proportion of crude was 84 per cent in 1967, compared with 83 per cent the year before, and 81 per cent in 1965 (see table 205).

In Peru the gap between domestic consumption and primary production of hydrocarbons is still widening, the net negative balance in 1967 being 19 million dollars. Conversely, Mexico struck a more or less even balance between its exports and its imports (see table 206).

In Trinidad and Tobago oil extraction increased substantially in 1967 to 178,000 barrels a day. This represents nearly half the volume refined on the island and an increment of 50 per cent over output in 1964.

In 1967, the Latin American countries that were short of petroleum stepped up their purchases from suppliers in the region itself. Imports of crude and petroleum products from Venezuela were 4 per cent more than in 1966, although Brazil, Jamaica, Peru and Uruguay bought less. Moreover, 16.5 per cent of all Venezuela's exports of crude and petroleum products went to Latin America (see table 207).

(g) Development of bituminous shale

Bituminous shale constitutes an immense reserve of hydrocarbons, since such rock deposits

Table 207. Venezuela: exports of crude petroleum and petroleum products to Latin America and rest of world, 1967

	Thousands of barrels	Percentage variation
Argentina . . .	18	14.2
Brazil . . .	57	-24.6
Panama . . .	98	12.1
Trinidad . . .	190	30.0
Other countries . . .	180	-10.0
TOTAL, LATIN AMERICA	543	4.0
United States . . .	1,380	-2.0
Canada . . .	390	35.7
Puerto Rico . . .	154	2.0
Europe and other countries . . .	816	10.6
TOTAL EXPORTS	3,283	5.6

SOURCE: ECLA, on the basis of official statistics.

are found in many parts of the world, including Latin America, notably in Brazil, Argentina and Chile, in addition to the very rich deposits of asphaltic rock in Venezuela.

The shale varies widely in composition and structure, although it normally contains no more than 10 per cent of hydrocarbons and more often from 6 to 8 per cent. Its economic use on an industrial scale² opens up highly encouraging prospects for increasing the domestic supply in countries poor in liquid and gaseous hydrocarbons. This is precisely the case in Brazil, in

² The first plant in the world to operate on a commercial scale, which processes sand from Athabasca, in Alberta, Canada, went into production at the end of September 1967. It has a capacity of some 7,000 cubic metres per day and cost 230 million dollars.

the south of which are found the extensive deposits of the Irati formation, with a low moisture and a high (more than 7 per cent) hydrocarbon content. In this case, after completion of the laboratory work and pilot plant activities, Petróleo Brasileiro is now building a prototype extraction plant at São Mateus do Sul, using a method of its own. It is estimated that this plant will cost about 45 million new cruzeiros (some 15 million dollars). Its daily production capacity will be approximately 160 cubic metres of heavy oil, 7 tons of liquid gas, 36,500 cubic metres of gas and 20 tons of sulphur. The annual output of hydrocarbons will be equivalent to over 80,000 cubic metres of crude petroleum, which is very small considering the large and ever-growing Brazilian demand for hydrocarbons, but fairly significant in terms of gas, of which there is a shortage in Brazil. The sulphur also represents an important contribution which will make it possible to double present output.

The final cost of fuels obtained by this method is high, but it can very probably be reduced by mechanizing excavation and expanding the scale of industrial operations.

(h) *Notable developments in 1967*

The following are some notable developments not only directly connected with exploration, extraction and transport of hydrocarbons but also in the legislation relating to them.

(i) *Exploration, extraction and transport*

Argentina. A new oilfield was discovered in the Aguada del Chivulo area of Neuquén province. Tests carried out thus far in a layer 2,123 to 2,152 metres below the well head have yielded 48 cubic metres of petroleum and 43,000 cubic metres of gas per day per 6 mm hole. Bids were called for in order to expand the refinery belonging to Yacimientos Petrolíferos Fiscales (YPF) at Luján de Cuyo, in the province of Mendoza, which has a daily capacity of 6,000 cubic metres, by adding 1,800 cubic metres a day to the present capacity (7,200 m³/day) of the crude oil tower, a flash tower (8,500 m³/day), a hydro-cracking plant (3,000 m³/day), and a gasoline catalytic reforming plant (1,500 m³/day). The expansion of the La Plata refinery was completed and a further increase of 3,500 barrels a day is contemplated for 1968.

Bolivia. The Monteagudo oilfield was discovered west of Camiri; its total potential is provisionally estimated at 4,800 barrels of high-gravity crude oil per day, but there is good reason to expect that it will be even higher. An agreement was signed at Yacuiba between YPF (Argentina) and YPFB (Bolivia) for the sale of

not less than 4,000 and not more than 15,000 barrels a day of Bolivian petroleum as a monthly average, and a similar transaction is being negotiated between Bolivia and Brazil.

Brazil. A discovery well opened up new prospects for production at the Aracas oilfield in the Recôncavo Bahiano area. Off-shore prospecting by the marine seismic method was carried out in the Bareirinhas basin (between the States of Sergipe and Alagoas) and the Espírito Santo basin. A detergent plant with a capacity of 15,000 tons, which cost 4 million dollars, was opened near São Paulo. The Refinaria e Exploração de Petróleo União de São Paulo secured permission to raise its output of gasoline to 32,000 barrels a day.

Chile. The Concepción-San Fernando pipeline for petroleum products (300 kilometres long), which links up with the San Fernando-Santiago-Concón pipeline, was put into service, as was also the gas pipeline to Punta Arenas (200 kilometres). Petroleum prospecting has started in Arauco province, with no results so far.

Colombia. The third extension of the Barranca Bermeja refinery started operating in October 1967; the plant had a daily capacity of 42,000 barrels, and will now produce 72,000 with the possibility of reaching 75,000. It comprises several new units, including a vacuum distillation plant and a catalytic cracking plant. The refinery has been equipped for the production of chemical products (fertilizers and plastics), and an output of 15,000 tons of polyethylene and 10,000 tons of sulphur is expected. Preparatory work has begun on the installation of the necessary equipment in the Orito oilfields (Putumayo area) to produce an initial 50,000 barrels of crude per day. PETROCOL, the Colombian petroleum enterprise established in 1966, was authorized to build a refinery at Neiva with an output of 5,000 barrels a day. In November 1967 a decree was published establishing a new dollar exchange rate for petroleum investments; the rate is now 16.25 pesos to the dollar instead of 7.67. This is expected to give a boost to exploration and drilling, which were virtually at a standstill in the last few months of 1967.

Ecuador. The capacity of the wells drilled in Lake Agrio, near the Colombian border, has turned out to be 6,000 barrels of crude petroleum a day, which will double the country's output. Talks have begun between Ecuador and Colombia with a view to according special treatment to the Putumayo area, which would be developed as a single oil-bearing area by the companies operating there. Such an arrangement would eventually facilitate the transport of petroleum

from this rich area of the Amazon to the Pacific coast.

Panama. Congress approved a bill covering, *inter alia*, the expansion of the Panama refinery and the installation of a plant for the production of anhydrous ammonia and urea.

Peru. The refinery at La Pampilla, which began to be built in 1966, was inaugurated on 17 December 1967; it has a capacity of 20,000 barrels a day and cost 800 million soles to build. To keep this refinery operating at capacity, the Empresa Petrolera Fiscal (EPF) would have to import crude petroleum and exchange the LCT type extracted locally, which cannot be used in La Pampilla, for the HCT type from Venezuela, which contains more gasoline. EPF is planning to double the size of the refinery at Iquitos, which is now producing 1,000 barrels a day, and to build another with a capacity of 5,000 barrels a day in the south.

Venezuela. An important step towards the protection of Venezuela's foreign markets for fuel oil, especially in the United States, was the signing of an agreement for the establishment of a desulphurization plant producing 100,000 barrels a day with one of the two big companies owning refineries in Venezuela, and the continuation of talks on the same lines with the other big company. More than 150 million dollars would be invested in these installations, which would yield heavy fuel of the type required to retain the United States markets, which are mainly on the eastern seaboard. The question is how to reduce the sulphur content of fuel oil so as to comply with the regulations for the prevention of air pollution in the large towns along the east coast of the United States. To meet these standards, the sulphur content of Venezuelan residual fuels must be reduced from over 2 per cent to 1 per cent, and eventually to 0.5 and 0.3 per cent.

Hydrogen obtained from natural gas is used in this process; as a result, more use is likely to be made of this fuel, most of which was wasted until recently, but 60 to 65 per cent of which is now being used. New gas pipelines will have to be built for the purpose, in addition to those linking the refineries with the oil-bearing area of Lake Maracaibo, in order to carry 600 million cubic metres of gas annually a distance of some 400 kilometres.

This project involves the installation of costly specialized equipment based on various industrial processes, which will raise the cost per barrel of fuel oil by some 40 dollar cents, or 20 to 25 per cent more than present prices. However, it has the advantage of making for the simultaneous

production of large quantities of sulphur (perhaps as much as 150,000 tons a year in the two refineries), an important product for Venezuela's petrochemical industries, most of which has hitherto had to be imported. Desulphurization plants may also be added to the refineries at Aruba and Curaçao,³ which would further improve the prospects for Venezuela's heavy fuel exports.

Moreover, the new refinery of the Venezuelan Petroleum Corporation at Morón, with a capacity of more than 14,000 barrels a day, was inaugurated early in January 1968. It is a modern plant, but on a relatively small scale, and it will probably soon be followed by a much larger one with a capacity of not less than 100,000 barrels a day.

(ii) Reforms in legislation

Argentina. Act No. 17319, which was passed on 23 June 1967, authorizes private enterprises to take part in petroleum development activities, either through prospecting in unexplored areas—and eventually obtaining concessions for the development of any oilfields discovered—, through concessions for the development of known oilfields, or through contracts for the exploration and development of areas reserved to the State enterprises. The Act also provides for transport concessions.

The maximum exploration concession that can be granted to any individual or corporation is 50,000 square kilometres on land and 75,000 square kilometres on the continental shelf, and the maximum development concession is 1,250 square kilometres. The maximum duration of the exploratory period is fourteen years on land and seventeen off the coast, while the usual period is granted for development. Royalties are also the normal 12 per cent, but may be reduced to 5 per cent by the Executive, depending on the productivity, conditions and location of the wells. State participation in the profits is 55 per cent, but it may be reduced, in order to encourage the first applications for concessions, to 47 per cent. This is a relatively low proportion in comparison with Venezuela, and not very different from that charged by other Latin American oil-producing countries. The State enterprise retains control of nearly all areas with proven reserves, which constitute 31 per cent of the sedimentary basins, i.e., over 376,000 square kilometres. The first call for bids for the allocation of concessions covers

³ One desulphurization plant treating 30,000 barrels a day and costing 15 million dollars had already been built at Curaçao in 1967, and it is planned to build another with a capacity of 75,000 barrels a day at Aruba.

10 million acres in Samborombón bay, a further 10 million off Bahía Blanca—in both cases for off-shore prospecting on the continental shelf—and 5 million acres in the Salado basin, that is, on land in the Province of Buenos Aires. The twenty-five bids presented were opened on 8 November in the presence of representatives of nine firms or groups of enterprises. The investment involved is estimated at some 25 million dollars.

Ecuador. The establishment of an Ecuadorian State petroleum corporation (Corporación Estatal Petrolera Ecuatoriana) under the Ministry of Petroleum and Mines is awaiting legislative approval. Its activities would range from exploration to the marketing of petroleum products and would also include the manufacture of petrochemicals. It would be empowered to carry on these activities on its own, through contracts, or in association with national or foreign private enterprises.

Peru. Further efforts were made to settle the question of the development of the Brea and Pariñas oilfields. Act No. 14696 of 1 November 1963 had declared null and void the legal instruments providing for their development, and subsequently, under Act No. 14863 of 12 February 1964, the Executive was empowered to resolve the questions that remained pending and to lay down whatever regulations for development would best safeguard the country's interests. As the Executive had not exercised these powers by July 1967, Congress called upon it to do so within thirty days. In compliance with this Act, the President of the Republic announced his intention of calling for international bids; however, since the International Petroleum Company, which is at present developing these oilfields, declared that it would not be submitting a bid, the Executive directed the Empresa Petrolera Fiscal to seek a solution to the problem, by taking over the exploitation of the oilfields itself if necessary.

Venezuela. On 7 August 1967 Venezuela amended its Hydrocarbons Act, which had been in force since 1943, with the aim of increasing Venezuelan participation in the petroleum industry and of obtaining more revenue from this sector. Under the Act as amended, the Venezuelan Petroleum Corporation and all other autonomous institutions and public enterprises are authorized to sign contracts with private firms for the development of the areas assigned to them. The bases for such contracts must in each case be approved by the legislature, subject to a prior report by the National Energy Council. Final approval will be given by the President of the Republic with the agreement of his Ministers.

This reform facilitates the adoption of new arrangements for economic and legal relations between the State and the petroleum companies. In particular, it provides for the formation of semi-public companies by the Venezuelan Petroleum Corporation and private firms, which may be either production or integrated companies, depending on whether their activities end with the distribution of the oil extracted or with its sale. It also permits the conclusion of direct service contracts, whereby the Venezuelan Petroleum Corporation would entrust a private company with the production and sale of petroleum subject to payment by the company of all costs and profits in proportion to the productivity or rates of return of the development operations, with the Corporation reserving the right to contribute up to a certain proportion of the private company's capital.

E. Transport

1. RAIL TRANSPORT

Rail transport is still characterized by operational problems and a persistent loss of relative importance vis-à-vis other means, such as motor-vehicle transport. The railway administrations are also continuing their efforts to improve services and reduce budget deficits. For instance, more use is gradually being made of containers and piggybacking, and this may imply a first step towards rational integration of rail and lorry transport, to the undoubted benefit of both.

Broadly speaking, data available for ten countries indicate that less freight was carried in 1967 than in 1966, except in Mexico, where the volume of goods traffic remained the same in absolute terms (see table 208).

In Bolivia, Paraguay and Uruguay the average length of haul was greater than in 1966, whereas in Mexico it was less. Passenger traffic showed signs of declining in terms of numbers of passengers carried, except in Bolivia and Mexico, where the previous year's levels seem to have been maintained; but the number of traffic units and the average length of journey increased (see table 209).

Although the work of reorganizing and modernizing the railways in *Argentina* continued, the incomplete statistics to hand indicate a reduction of traffic in 1967.

In *Bolivia*, under the terms of the treaty signed with *Argentina* in October 1967, the Yacuiba-Santa Cruz line, which is 579 kilometres long and had been managed until then by a joint Argentine-Bolivian commission (Comisión Mixta Argentina-Boliviana), was incorporated into the network controlled by the Bolivian National

Table 208. Latin America: railway freight traffic in selected countries, 1965-67
(Millions of tons and ton/kilometres)

Country	1965			1966			1967		
	Tons	Ton/km	Average length of haul (km)	Tons	Ton/km	Average length of haul (km)	Tons	Ton/km	Average length of haul (km)
Argentina	23.4	14,185	606	21.9	13,514	617	...	...	...
Bolivia ^{a, b}	0.9	249	277	0.9	234	260	0.8 ^c	216 ^c	270 ^c
Brazil ^b	54.8	18,769	342	54.6	19,331	354	...	...	...
Chile	20.0	2,624	131	21.0	2,723	130	13.0 ^{c, d}	2,030 ^{c, d}	156 ^{c, d}
Colombia	3.1	890	287	3.3	1,114	338	3.2 ^c	993 ^c	323 ^c
Ecuador ^e	0.3	75	25	0.3	76	25	...	...	...
Mexico	32.7	14,589	446	32.9	14,845	451	35.6 ^c	15,789 ^c	443 ^c
Paraguay ^f	0.94	19	202	0.78	16	205	0.74	17	229
Peru ^g	0.14	15	104	0.12	13	104	0.06 ^c	5 ^c	86 ^c
Uruguay	1.6	464	288	1.6	468	284	1.4 ^h	389 ^h	285 ^h

SOURCES: Argentina: Latin American Railways Association (ALAF); Bolivia: Bolivian National Railways (information supplied directly); Chile: ALAF and Chilean State Railways; Colombia: Colombian National Railways (information supplied directly); Ecuador: ALAF; Mexico: Mexican National Railways (information supplied directly); Paraguay: Carlos Antonio Lopez Railway (information supplied directly); Peru: Ministry of Public Works (information supplied directly); Uruguay: State Railways Administration (information supplied directly).

^a Bolivian National Railways.

^b Including luggage and parcels.

^c Estimates based on figures for nine months for Bolivia and Mexico, ten months for Chile and Colombia, and six months for Peru.

^d Chilean State Railways.

^e Guayaquil-Quito-Simbambé-Cuenca.

^f Carlos Antonio Lopez Railway.

^g Peruvian State Railways only.

^h Estimates.

Table 209. Latin America: railway passenger traffic in selected countries, 1965-67
(Millions of passengers and passenger/kilometres)

Country	1965			1966			1967		
	Passengers	Passenger/kilometres	Average length of journey (km)	Passengers	Passenger/kilometres	Average length of journey (km)	Passengers	Passenger/kilometres	Average length of journey (km)
Argentina	497.8	15,229	306	492.0	15,097	307	...	...	...
Bolivia ^a	1.3	166	128	1.2	172	143	1.3 ^b	176 ^b	135 ^b
Brazil ^c	405.7	16,633	410	339.3	13,724	404	...	...	...
Colombia	6.5	513	79	5.8	491	85	4.9 ^b	423 ^b	86 ^b
Chile	23.9	2,229	93	21.1	2,069	96	20.8 ^{b, c}	2,006 ^{b, c}	96 ^{b, c}
Ecuador ^d	3.0	52	17	3.3	52	16	...	...	...
Mexico	33.3	2,984	90	33.8	3,121	92	33.6 ^b	3,172 ^b	94 ^b
Paraguay ^e	0.4	35	88	0.2	20	100	0.1	14	140
Peru ^f	0.7	56	80	0.8	59	75	0.3 ^b	26 ^b	87 ^b
Uruguay	9.1	551	61	10.8	708	66	9.9 ^g	622 ^g	63 ^g

SOURCES: As for table 208.

^a Bolivian National Railways.

^b Estimates based on figures for nine months for Bolivia and Mexico, ten months for Chile and Colombia, and six months for Peru.

^c Chilean State Railways.

^d Guayaquil-Quito-Simbambé-Cuenca.

^e Carlos Antonio Lopez Railway.

^f Peruvian State Railways.

^g Estimates.

Railways. The modernization of passenger transport proceeded, and ten rail cars purchased from West Germany were brought into use. A programme for partly dieselizing freight transport also exists, and will be implemented upon the arrival of the following locomotives, purchased against a Japanese credit: twenty 1,970 HP diesel-electric engines and four 550 HP diesel-hydraulic engines for shunting, to be used on the western network; five diesel-hydraulic engines for the eastern network; and two 1,340

HP rail motor-trains which will go into service in 1968.

One of the outstanding events of 1967 in Brazil was the completion of the São Paulo-Brasília line. To improve the efficiency of rail transport services, 145 wagons were received as part of a previously purchased consignment, and 280 metre-gauge and 200 wide-gauge wagons were brought into use. The improvement of track and infrastructural facilities also continued.

Financing provided by the International Bank

for Reconstruction and Development enabled Colombia to proceed with the modernization of its railways.

In Chile, electrification was completed as far as Chillán in the southern network, and a start was made on the programme for the Chillán-Laja line (404 kilometres); 90 kilometres of track were relaid with welded rails; new sections of track equipped with electric signalling were brought into service; and negotiations are under way for the purchase of twenty-four main-line and marshalling-yard electric locomotives, and eighteen electric rail cars of various types. In addition, the construction of 2,300 wagons has been started in Chile, and miscellaneous railway equipment is to be purchased with a credit from the Export-Import Bank.

Mexico is carrying out its programme for the modernization of the railway network—including relaying of track and construction of infrastructural facilities and rolling stock—in which 210 million pesos were invested between September 1966 and August 1967. There are no plans for lengthening any of the lines, so that action will have to be concentrated on their improvement and upkeep.

Traffic continued to decrease in Paraguay, where the reorganization and reconditioning of the Carlos A. López railway is under study.

Lastly, it is worth while noting the importance that the Latin American countries are attaching to international railway connexions. Inter-country agreements to encourage freight and passenger traffic and improve the railways involved have already been finalized, or are in process of negotiation, with a view to promoting regional economic integration.

As a sequel to meetings held by Bolivian and Chilean railway authorities to discuss traffic on the Arica-La Paz railway, steps are being taken to modernize this line, and a substantial improvement has already been achieved in freight forwarding and delivery times.

An *ad hoc* committee set up by the Latin American Railways Association (ALAF) carried out a pre-feasibility study in order to obtain the requisite financing for the construction of the Aiquile-Florida section (300 kilometres) to link up Bolivia's western and eastern networks. The construction of this line would interconnect Bolivia, Brazil and Chile, via what is known as the Santos-Arica Transcontinental Railway.

Another point to be noted is that the Ministry of Transport, Communications and Tourism of Uruguay considers it a matter of immediate interest to establish a ferry-boat service across the River Uruguay capable of carrying cars,

lorries and railway wagons between the Argentine ports of Colón and Concordia and the Uruguayan ports of Paysandú and Salto.

2. SHIPPING

No headway was made in 1967 in expediting the expansion and securing the integration of shipping activities in Latin America. The Latin American shipping companies' plans for pooling their efforts in order to provide joint services on a region-wide basis have failed to advance beyond the stage of talks.

An *ad hoc* committee set up by the Latin American Free Trade Association prepared a draft body of regulations for the Water Transport Agreement signed by the LAFTA countries at the end of 1966, which would only need completing in certain respects to make application of the basic provisions of the Agreement a practical possibility. These regulations elucidate several vital points which in the Agreement itself are touched upon only in very general terms, such as the concept of multilateralism; they put forward proposals for the organization of a Latin American freight conference system; they define the share of vessels sailing under third countries' flags in the traffic to which the Agreement relates; and they clarify a number of more specific questions, such as the operation of agencies established under the Agreement, nationality criteria and principles of equitable treatment. Other issues, however, are shirked, like those relating to petroleum and petroleum products, or dealt with on very general lines, as in the case of the gradual application of multilateralism. Lastly, no procedures are laid down for the operation of the consultation machinery for which provision is made in article 9 of the Agreement.

As regards the viability of this set of regulations, there has been some divergency of views among the countries concerned, mainly with respect to the scope of the Agreement, the concept of multilateralism and the structure of the system of shipping conferences to which intra-regional traffic should be subject. Owing to these differences of opinion, Mexico is the only country to have ratified the Agreement so far.

Meanwhile, some regional lines have already begun to expand their services among the countries signatories of the Agreement, in anticipation of its enforcement. For example, Empresa Líneas Marítimas Argentinas has started a service routed right round South America, and the Uruguayan company Fletes Marítimos S.A. has begun to run a service to the Pacific coast of South America, as far as Chile and Peru.

Table 210. Latin America: merchant marines, 1966 and 1967^a
(Numbers of units and thousands of tons gross weight)

Country	On 1 January 1966						On 1 January 1967					
	Total			Tankers			Total			Dry-cargo boats ^b		
	Number of units	Gross tonnage	Number of units	Number of units	Gross tonnage		Number of units	Gross tonnage	Number of units	Gross tonnage	Number of units	Gross tonnage
Argentina	189	1,361	126	63	694		181	1,304	122	655	59	649
Brazil	211	1,501	163	48	614		216	1,565	165	902	51	663
Chile	44	370	38	6	120		42	356	37	254	5	102
Colombia-Ecuador	32	232	27	5	40		34	272	27	203	7	69
Mexico	36	380	14	22	304		35	350	17	90	18	261
Paraguay	21	20	17	3	4		21	20	18	17	3	4
Peru	26	197	20	6	49		32	279	23	189	9	91
Uruguay	16	160	11	5	66		17	165	12	99	5	66
Venezuela	33	377	20	13	283		34	402	22	90	12	312
TOTAL LAFTA COUNTRIES	608	4,599	437	171	2,173		612	4,715	443	2,499	169	2,216
Cuba	30	188	28	2	6		47	272	45	266	2	6
Guatemala	2	6	2	—	—		2	6	2	6	—	—
Nicaragua	6	24	6	—	—		6	24	6	24	—	—
Dominican Republic	3	10	3	—	—		3	10	3	10	—	—
TOTAL	649	4,825	476	173	2,179		670	5,026	499	2,803	171	2,222

SOURCES: Institute for the Study of Ibero-American Merchant Marines, *La Marina Mercante Iberoamericana*, Buenos Aires, 1966 and 1967.

^a Including self-propelled merchant vessels of over 1,000 tons gross weight, except in the case of Paraguay, where boats of over 300 tons gross weight are included.

NOTE: Totals do not always exactly correspond to partial data, because of rounding.

^b Including passenger boats, bulk cargo boats, lighters, etc.

The gross tonnage of the merchant marines owned by the LAFTA countries rose from 4,598,685 tons at the beginning of 1966 to 4,714,607 tons in 1967, i.e., by 2.5 per cent. The increase was bigger in the case of dry-cargo boats (3 per cent) than for tankers (2 per cent). If four other Latin American countries are taken into account—Cuba, the Dominican Republic, Guatemala and Nicaragua—the growth rate is 4.2 per cent, and this is attributable solely to the marked expansion of the Cuban fleet, from 187,684 to 272,363 tons (see table 210).

The following LAFTA countries enlarged their merchant marines: Brazil, by 4.3 per cent; Colombia and Ecuador, by 17.2 per cent; and Venezuela, by 6.6 per cent. The Argentine, Chilean and Mexican fleets decreased in size, and that of Paraguay underwent no change; Peru's grew considerably, owing to the decision to enlarge the national merchant fleet under an ambitious programme of purchases.

In any event, the Latin American shipping lines as a whole have not made sufficient progress to be able to carry much more cargo than before, although the position may alter in the course of the next few years in view of the orders for new craft already placed by Mexico and Peru, and Brazil's and Chile's plans for expanding their merchant fleets.

The most hopeful feature of the maritime transport situation in 1967 was the improvement of major ports on the Atlantic coast of South America. The reorganization of the Argentine ports—in particular, Buenos Aires—and of Montevideo and some of the most important Brazilian ports has enabled vessels to make great reductions in their running costs and in the length of their stay in port. For instance, according to an estimate of the effects of the improvements in the port of Buenos Aires, port costs have been cut by 30 per cent and the time spent in port has been halved. Similarly, certain surcharges established for Montevideo were abolished, and consequently the shipping conferences that imposed surcharges at Argentine ports lifted them from 1967 onwards. These advances were achieved largely through changes in the systems of work in the various ports, with very little investment in specialized equipment.

3. ROAD TRANSPORT

(a) *International highways*

The Meeting of American Chiefs of State in April 1967 laid renewed stress on the need to complete the preparatory studies and forge ahead with the construction of international highways (the Darien Gap, the Carretera Bolivariana

Marginal de la Selva, the Pan American Transversal Highway, the Amazon-Pacific road link, etc.).

At the technical level, the Latin American Road Transport Association (ALATAC) convened its first congress of Latin American road transport entrepreneurs at Rio de Janeiro in April 1967. The countries represented were Argentina, Brazil, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela, and major operational questions were discussed from the technical and economic standpoint, with a view to the development and regional integration of the sector.

Furthermore, in December 1967 the Pan American Highway Congress held its tenth session at Montevideo, and several recommendations were adopted with respect to the most important multinational projects and the establishment of an office to promote them. The Congress also recommended the preparation and adoption of an inter-American handbook of standard traffic regulations and a model traffic act.

Of the total length of the Carretera Marginal de la Selva (7,385 kilometres), which runs from Maracaibo (Venezuela) to the frontier of Bolivia and Paraguay, where it joins the Trans-Chaco highway and goes on to Asunción, 21.6 per cent has been built so far. This proportion includes many stretches of previously existing roads (see table 211). It is estimated that the construction of the remaining 6,294 kilometres will entail investment amounting to approximately 350 million dollars, or 500 million if approach roads are included. The Governments of Argentina and Brazil have shown interest in linking up their road networks with this highway through its extension from Santa Cruz (Bolivia) to various points on the frontiers between Argentina and Bolivia and Bolivia and Brazil. In addition, the extension of the Cruzeiro do Sul highway towards Pucallpa and of the Rio Branco-Brasilia highway towards Iñapari and Manu will afford Brazil two other means of access to the Carretera Marginal de la Selva, in Peruvian territory.

As regards the projected Caribbean Circuit highway, running from east to west through Venezuela and Colombia, the feasibility study for the Santa Marta-Río Hacha-Paraguachón section in Colombia is now ready, and the building and paving of this part of the road, with the corresponding bridges, are scheduled for completion in 1970, together with the construction of bridges over the Magdalena and Hacha rivers. Still within Colombian territory, work is also proceeding on other sections of the Carib-

Table 211. South America: progress on the Carretera Marginal Bolivariana de la Selva, October 1967
(Kilometres)

Country	Length of section	Already built			To be built		
		Paved	Unpaved	Total	Paved	Unpaved	Total
Venezuela	680	365	—	365	315	—	315
Colombia	1,455	59	364	423	3	1,029	1,032
Ecuador	938	—	160	160	367	411	778
Peru	2,402	47	479	526	770	1,106	1,876
Bolivia	1,643	55	—	55	626	962	1,588
Paraguay	773	—	68	68	—	705	705
TOTAL ^a	7,891	526	1,071	1,597	2,081	4,213	6,294

SOURCE: Tenth Pan American Highway Congress (Montevideo, Uruguay, December 1967), report submitted by the Sub-Committee on the Carretera Marginal Bolivariana de la Selva.

^a Approximate totals. Data are not yet available on the links between Ecuador and Peru, Peru and Bolivia, and Bolivia and Paraguay.

bean Circuit including those linking up Sincerín, Toluviéjo, Tolú, Coveñas, Lorica and Cereté, and connecting Montería with Puerto Rey. The road works falling to the share of Venezuela, which comprise the Paraguaipoa-Maracaibo-Caracas section, are very nearly finished.

The Sub-Committee on the Pan Amazon Highway, made up of representatives from Brazil, Colombia, Ecuador, Peru and Venezuela, met for the first time in March 1967 at Bogotá, to discuss a project for road links between the Amazon and the Pacific, the aim of which is to provide infrastructural facilities for the economic and social development of the Amazon Basin. To this end, it is planned to build a highway through the Putumayo river basin which will serve as an outlet from the Amazon Basin to the Pacific coast. This project comprises road links between Olmos and Marañón and between Villavicencio, Mitu and Leticia, in Colombia; others between Ayacucho and Río Negro and between Yabitas and Pinichín, in Venezuela, whereby the Amazon Basin will be connected with the Orinoco; and the Sanqueanga-La Tagua highway, together with the Pongo de Mansariche dam, between Ecuador and Peru.

The Sub-Committee on the Pan American Transversal Highway submitted to the Tenth

Pan American Highway Congress information furnished by the countries concerned (Peru, Bolivia, Paraguay and Brazil) on the course that the highway will follow in their respective territories, together with an estimate of building costs. About 145 million dollars will have to be invested, and it is hoped that external financing will be available (see table 212). As early as 1966 the Inter-American Development Bank granted a loan of 370,000 dollars for a technical and economic study on a 200-kilometre stretch of the Trans-Chaco highway and another of 140,000 dollars for engineering studies relating to the first 100 kilometres of the same section.

In December 1966 the firm of consultants engaged by the Darien Sub-Committee submitted reports on the surveying and designing of the Darien Gap sections of the Pan American Highway, which will link up Chepo in Panama with Palo de las Letras on the Colombia-Panama frontier, and Palo de las Letras with Las Animas in Colombia. Although the delegations of Colombia and Panama raised objections to the unit prices quoted in the budget estimates, both the estimates and the blueprints were approved (see table 213). According to the firm of consultants, the average cost of construction on the Panamanian section is a little under

Table 212. Pan American Transversal Highway: length and cost of selected sections

Country	Section	Length (kilometres)	Estimated cost (millions of dollars)
Peru	Lima-Nasca-Abancay-Desaguadero	1,652	60
Bolivia	Desaguadero-La Paz-Oruro-Cañada Oruro	1,467	45
Paraguay	Sargento Rodríguez-Asunción-Puerto Ströessner	1,095	40
Brazil	Foz do Iguazu-Curitaba-Parana	772	—

SOURCE: Tenth Pan American Highway Congress (Montevideo, Uruguay, December 1967), report submitted by the Sub-Committee on the Pan American Transversal Highway in South America.

Table 213. Colombia and Panama: estimated cost of Darien Gap road works
(Thousands of dollars)

Country	Length of road section (kilometres)	Earthwork, structures, and metalling	Earthwork, structures, base and asphalt covering (double surfacing)	Earthwork, structures, base and concrete paving (8")	Cost per square kilometre
Colombia .	421	124,121	140,603	159,359	
Panama .	320	58,900	71,408	80,237	
TOTAL	741	183,021	212,011	239,596	321

SOURCE: Tenth Pan American Highway Congress (Montevideo, Uruguay, December 1967), report submitted by the Darien Sub-Committee.

167,000 dollars per kilometre of unpaved road, and about 234,000 dollars if paving is included. On the Colombian side, the average cost is estimated at 337,000 dollars, or 294,000 dollars without paving. Up to the present, final blueprints are to hand for a total length of 263 kilometres, made up of the following sections: in Panama, Chepo-Río Aibir (60 kilometres) and Santa Fe-Palo de las Letras (136 kilometres); and in Colombia, Las Animas-Bahía Solano (167 kilometres).

(b) *National highways*

In *Argentina* Act No. 17520 was passed, establishing and organizing a toll system whose yield will be earmarked for the national highways programme. Rates of increase in road building in 1967 were 9.3 per cent for paved roads (1,357 kilometres) and 6.8 per cent for earthwork and metalling (597 kilometres). These are the highest figures achieved under the road plan that was started in 1959.

The Inter-American Development Bank authorized a 34-million-dollar loan to Argentina for road links with Chile and Bolivia, and for a bridge over the River Paraná which will connect the town of Corrientes with Barranqueras, in the Argentine Chaco. The Inter-American Development Bank will finance 47 per cent of the costs of this project, which is considered to be its most ambitious undertaking in the field of road infrastructure for regional integration purposes.

By December 1966 *Brazil* had a federal road network 36,987 kilometres in length, of which 13,803 kilometres were paved. In 1967, a further 2,719 kilometres were built, 1,016 kilometres were paved and more than 4 million square metres were repaired. The National Highways Department drew up a road plan for 1968-71, on the basis of domestic demand and of installed capacity in the road building industry. During the period in question, according to the plan, new federal roads with a total length of 13,000 kilometres are to be built, and an additional 8,000 kilometres are to be paved. The sources of the necessary funds are expected to be domestic investment (2,500 million new cruzeiros) and foreign loans (55 million dollars from IDB and 35 million from IBRD).

By the end of 1967, the road network of *Central America and Panama* totalled about 55,100 kilometres, of which 7,000 have been paved and 18,400 have been improved. The cumulative annual growth rate for the past two years, in terms of kilometres of paved road, is estimated at about 5 per cent (see table 214).

In particular, *Costa Rica's* public investment programme amounted to 95.8 million colones in 1967, of which 42.8 million were to be used for the improvement of the Inter-American Highway and the construction of the El Coco-San Ramón section: according to estimates, however, it was possible to invest only about 15 million. Work also proceeded on the implemen-

Table 214. Central America and Panama: highways, December 1967
(Kilometres)

Country	Total	Paved	Surfaced	Earth roads
Total for Central America and Panama	55,108	7,017	18,432	29,659
Total for Central America	48,238	5,497	17,350	25,391
Costa Rica	17,394	1,255	3,921	12,218
El Salvador	8,727	1,167	2,195	5,365
Guatemala	11,724	1,653	7,020	3,051
Honduras	3,727	457	1,946	1,324
Nicaragua	6,666	965	2,268	3,423
Panama	6,870	1,520	1,082	4,268

SOURCE: ECLA, on the basis of official statistics.

tation of the Arterial Road Plan which had been launched in 1964, and on the execution of a project for canalizing the Tortuguero lakes on the Atlantic seaboard.

The National Highway Programme of El Salvador was expanded by 7 million colones to cover the improvement of 124 kilometres of major roads. A number of external credits, to a total value of 32 million colones, are at present being negotiated, and will be used for road construction and repair works, of which the most important are the La Unión-Sirama-Goascorán and La Cuchilla-El Portezuelo projects (12.5 million colones in the aggregate).

In Colombia's budget for 1967, approval was given to investment in highways, under the direction of the Ministry of Public Works, totalling 1,104 million pesos. Of this sum, 727.2 million pesos had been utilized by November 1967: 20.3 million for local roads and 19 million for contributions to regional projects. The main sources of funds were the tax on gasoline (which yielded about 620 million pesos), other budget appropriations, and external credit. According to the latest inventory, drawn up in July 1967, the cumulative increase in 1966 had been about 1,800 kilometres, or 4.2 per cent, including national and departmental highways and municipal and other roads.

In Mexico, earthwork, surfacing and paving were carried out in 1967 over 7,024 kilometres. The greater part of this figure (5,486 kilometres) represented projects executed in co-operation with the states, and a smaller proportion (548 kilometres) corresponded to federal highways. In the public works budget for 1967, 1,589 million pesos were allocated to road building, and 402 million to maintenance. Of this investment, 80 per cent was financed with federal resources and the remainder with contributions from the states and the private sector. The expenditure involved—totalling 1,991 million pesos—exceeded the corresponding figure for 1966 by 193 million; this was because construction outlays increased by 223 million pesos, since expenditure on maintenance and modernization decreased slightly, despite the greater length of roadway, in terms of kilometres, to which attention was given. It should be noted that the main reason for the rise in expenditure on road building was that investment was channelled into higher-quality work (paving). The amount of earthwork and surfacing done in 1967 was less than in 1966 (5,149 as against 6,200 kilometres).

Available data for Peru show that its road system, measuring 42,817 kilometres, was extended by another 1,398 kilometres in 1967. Of this increase, 233 kilometres corresponded to

paved roads, 493 kilometres to metalled roads, and the remainder to non-metalled and earth roads. It is estimated that 1,025 million soles were invested in 1967, as against 893 million in the previous year.

During 1967 new highways with a total length of 90 kilometres were built in Uruguay. There is, therefore, an undoubted downward trend in road building, since the additional road sections built in 1965 and 1966 amounted to 273 and 168 kilometres, respectively. Somewhat better progress was made in modernizing existing highways. Work of this kind was carried out over 500 kilometres in the course of 1966 and 1967, mainly on Highway 5 (Montevideo-Rivera) and Highway 6 (Salto-Tacuarembó-Melo-Acegúa, on the Brazilian frontier). These two highways, which run up and down and across Uruguay respectively, are of considerable importance from the standpoint of regional road infrastructure integration programmes.

Through the National Highway Council, the Ministry of Public Works of Venezuela has been devoting attention to a long-term (ten-year) transport plan. The investment scheduled for 1967 totalled 571.3 million bolívares—242.4 million for road building, 9 million for construction of freeways, and 164.6 million for maintenance. By the end of 1966 the length of the road network totalled 34,976 kilometres; and during the first nine months of 1967, 559 kilometres of new road were built, 338 kilometres were rebuilt and improved, and 698 kilometres were paved or repaved. As regards freeways, only 12 kilometres were built and/or paved.

4. AIR TRANSPORT⁴

(a) *Growth of air traffic and modernization of the air transport fleet*

Whereas in 1966 an increasing number of towns in Latin America were linked by non-stop or direct flights to the United States, 1967 saw the proliferation of non-stop jet services over even greater distances to gateways in Europe such as Lisbon, Madrid and Paris. At the same time two airlines joined the already large group of international carriers registered in the region: PAISA of Panama and SLM of Surinam. The expansion of the Latin American air network was accompanied by continued improvements in the fare structure; as a result of the implementation, in May 1967, of the recommendations of an International Air Transport Association (IATA) traffic conference held in Honolulu, excursion

⁴ The background data for this section were supplied by the International Civil Aviation Organization (ICAO).

fares are now available on many routes to and from Latin America.

In 1967 demand for air transport in Latin America amounted to approximately 1,420 million ton/kilometres, which represented an 11 per cent increase over 1966 (see table 215). This estimate is the sum of all traffic (passenger, cargo and mail) carried on the scheduled international and domestic services of all the airlines registered in the region. There are substantial variations from one country to another; for instance, traffic increased by more than 50 per cent for the Dominican Republic and Jamaica and decreased by nearly 20 per cent for Uruguay. There is also a sharp contrast between international and domestic operations, as the former have grown by 16.6 per cent since 1966 (the world average growth rate for international services was 15 per cent in the same period) and the latter have increased by less than 5 per cent (as compared to a world average of 22.6 per cent). This disparity is more apparent in the southern sub-region (with an increase of 21.7 per cent for international operations as against 4.4 per cent for domestic operations), and is partly due to the continued stagnation of freight traffic on domestic services, which, in contrast to the trend in other regions, has declined over the last ten years (see table 216).

The consistent increase of international air transport operations in Latin America paralleled the modernization of the air transport fleet registered in the region. Piston-engined aircraft were numerically somewhat less preponderant in 1967 (they represented 80 per cent of the total number of aircraft in service instead of almost 90 per cent in 1965) and they were operated mainly on domestic services. The number of turbo-props in service was increased from 53 to 75

during the year and turbo-jets from 96 to 106, the largest additions being made to the turbine-engined fleets of Argentina, Brazil, Cuba, Mexico and Puerto Rico, while Costa Rica and Nicaragua took delivery of their first turbo-jets. At the end of the year 40 new turbine-engined aircraft were on order, 17 of them for Brazil and 10 for Chile.

(b) *Infrastructural facilities and ground services for air transport*

During 1967 the construction of new airports with modern terminal facilities was completed at Jujuy (Argentina), Concepción (Chile) and Cuzco (Peru). Work was also completed on new terminals at the airports of Port-au-Prince (Haiti) and Guadalajara (Mexico), and existing terminals were improved in several places in Central America and the Caribbean area.

At the international level, the new regional plan for the Caribbean area adopted by the International Civil Aviation Organization (ICAO) was brought into operation. In addition, at the Third South American/South Atlantic Regional Air Navigation Meeting, held by ICAO at Buenos Aires in October 1967, the regional plan for that area was brought up to date.

With respect to the flight information services specified in ICAO's regional plans for Latin America as a whole, a redistribution of air space among the Caribbean air traffic control centres has been effected, so as to facilitate the transmission of meteorological and other essential information for air safety from information centres to aircraft in flight. At present, flight information services are provided throughout the air space specified in the plans, except in the flight information areas of Haiti (Port-au-Prince) and Bolivia. In Bolivia's case measures

Table 215. Latin America: traffic and capacity on all scheduled air transport services, 1966 and 1967

Selected traffic item		Traffic (thousands of ton/kilometres)				Available capacity (ton/kilometres) ^a	Weight load factor (percentage)	Annual increase in total traffic (ton/kilometres)	
		Passenger (including excess baggage)	Freight	Mail	Total				
Year									
Total operations									
1966	.	.	978,283	272,439	25,844	1,276,566	2,190,671	58.3	8.4
1967 ^b	1,416,810	...	...	11.0
International operations									
1966	.	.	514,170	140,376	15,056	669,602	1,212,602	55.2	14.6
1967 ^b	780,775	...	...	16.6
Domestic operations									
1966	.	.	464,113	132,063	10,788	606,964	978,069	62.1	2.3
1967 ^b	636,035	...	...	4.8

SOURCE: International Civil Aviation Organization (ICAO), *Digest of Statistics*, No. 128—Series T—No. 26—Traffic, and Addenda and Corrigenda Nos. 1 and 2.

^a Includes an adjustment made by ICAO to certain

reported airline figures which appear to exclude the capacity offered for the carriage of freight.

^b Provisional ICAO estimates.

Table 216. Latin America: traffic on scheduled air transport services, 1966 and 1967

(Millions of ton/kilometres)

Country and sub-region	Total operations		Domestic operations		International operations	
	1966	1967 ^a	1966	1967 ^a	1966	1967 ^a
Mexico	207.1 ^a	210.2	113.9 ^a	120.0	93.2 ^a	90.2
Costa Rica	14.4	15.3	2.1 ^b	2.0	12.3	13.3
El Salvador	15.7 ^a	18.1	c	c	15.7 ^a	18.1
Guatemala	10.0 ^a	11.3	2.4 ^a	3.2	7.6 ^a	8.1
Honduras	12.6	14.4	2.2	2.2	10.4	12.2
Nicaragua	5.0 ^a	5.1	0.9 ^a	1.0	4.1	4.1
Panama	10.2 ^a	8.8	2.7 ^a	4.8	7.5 ^a	4.0
Cuba	32.8 ^b	34.8	15.6 ^b	15.9	17.2 ^b	18.9
Dominican Republic	4.7 ^a	7.1	0.5 ^a	—	4.2 ^a	7.1
Haiti	0.1 ^a	0.1	0.1 ^a	0.1	c	c
Jamaica	5.5 ^a	8.7	0.9 ^a	1.0	4.6 ^a	7.7
Trinidad and Tobago	32.2	35.4	0.5 ^a	0.5	31.7	34.9
Others	26.6	30.4	13.7	13.9	12.9	16.5
Total for northern sub-region	376.9	399.7	155.5	164.6	221.4	235.1
Percentage increase 1967/1966		6.0		5.9		6.2
Argentina	121.6	155.1	59.7	76.1	61.9	79.0
Bolivia	5.8	6.3	4.1	4.6	1.7	1.7
Brazil	327.3 ^b	360.1	164.2 ^b	165.2	163.1 ^b	194.9
Chile	72.2	80.9	53.5	54.6	18.7	26.3
Colombia	176.4	186.5	115.7	113.4	60.7	73.1
Ecuador	17.3 ^b	23.0	5.6 ^a	5.9	11.7 ^a	17.1
Guyana	1.4 ^a	1.5	1.4 ^a	1.5		
Paraguay	3.5 ^a	3.7	1.3 ^a	1.4	2.2	2.3
Peru	64.4 ^a	73.0	14.5 ^a	14.8	49.9	58.2
Uruguay	8.6 ^a	6.9	1.6 ^a	1.4	7.0 ^a	5.5
Venezuela	100.5	119.5	29.2	32.0	71.3	87.5
Others	0.7 ^a	0.6	0.7 ^a	0.5		0.1
Total for southern sub-region	899.7	1,017.1	451.5	471.4	448.2	545.7
Rate of increase		13.0		4.4		21.8
Total for the two sub-regions	1,276.6	1,416.8	607.0	636.0	669.6	780.8
Rate of increase		11.0		4.8		16.6

SOURCE: International Civil Aviation Organization (ICAO), *Digest of Statistics*, No. 128—Series T—No. 26—Traffic, and Addenda and Corrigenda Nos. 1 and 2.

^a ICAO estimates.

^b Provisional data.

have been taken to provide these services in the course of 1968.

The countries on the west coast of South America have brought modern facilities into service and applied advanced techniques to establish circuits between their respective teleprinter centres and direct oral communication between air traffic control centres in Chile, Colombia, Ecuador, Panama and Peru. In the Central Caribbean area a number of micro-wave and cable circuits have been brought into operation, and they provide an efficient system of communication between the air traffic control centres concerned. It is still unlikely, however, that similar progress will be made on the eastern seaboard of South America.

With regard to radio navigational aids, the ICAO regional plans call for 249 very high frequency (VHF) omni-directional radio beacons (VOR), of which 145 are now in operation, 64 new ones having been installed during 1967.

5. FOREIGN LOANS FOR TRANSPORT PURPOSES

Total loans granted by international credit institutions for transport purposes increased by 42.3 per cent in relation to the previous year's figure, which had fallen far short of the 298.5 million dollars loaned in 1965 (see table 217). The Inter-American Development Bank greatly expanded its operations, lending 73 per cent more than in 1966. Even so, in relative terms its contribution to the total was only 5.2 per cent bigger, because the Export-Import Bank accounted for so large a share; it rose from 31.9 per cent in 1966 to 51.7 per cent in 1967, while the amount of credit granted more than doubled. The proportions represented by loans from the International Bank for Reconstruction and Development and the Agency for International Development dropped to 6.2 and 12.7 per cent, respectively.

As regards the distribution of credit by sectors, the most outstanding development of the year

Table 217. Latin America: foreign loans to the transport sector, 1966 and 1967
(Millions of dollars)

Source of loan	Rail transport		Highways		Shipping and ports		Air transport		Total		Percentage	
	1966	1967	1966	1967	1966	1967	1966	1967	1966	1967	1966	1967
International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA)	—	—	2.1	11.4	14.0	—	—	—	16.1	11.4	12.4	6.2
Inter-American Development Bank (IDB)	—	—	31.4 ^a	54.3	—	—	—	—	31.4	54.3	24.2	29.4
Agency for International Development (AID)	—	—	36.1	17.9	—	—	4.7	5.5	40.8	23.4	31.5	12.7
Export-Import Bank (EXIM-BANK).	10.0	9.8	—	—	—	6.0 ^b	31.4	79.7	41.4	95.5	31.9	51.7
TOTAL	10.0	9.8	69.6	83.6	14.0	6.0	36.1	85.2	129.7	184.6	100.0	100.0

SOURCES: Reports received directly from IDB, IBRD and EXIMBANK for the whole of the year 1967; list of AID loans up to September 1967; data for 1966, *Economic Survey of Latin America, 1966* (United Nations publication, Sales No.: E68.II.G.1).

^a Including two loans to Peru for highways, totalling 3.9 million dollars, and forming part of bigger loans for land settlement and community development purposes.

^b The figure relates to a loan to the island of Antigua in the West Indies.

was the marked increase in loans to the air transport sector to finance purchases of jet aircraft. They were granted, mainly by EXIMBANK, to Brazil (8.3 million dollars), Chile (23 million), Colombia (25.5 million), Mexico (4 million) and Venezuela (18.8 million). In addition, AID extended credits to Paraguay (4.7 million) and Uruguay (775,000 dollars) for air transport infrastructure projects. Although loans for road building rose from 69.6 million to 83.6 million dollars, their share in the total, which had been 53.6 per cent in 1966, fell to 45.3 per cent in 1967.

In this connexion, mention may be made of a loan of 34 million dollars to Argentina for integration highways, and two others to the Central American Bank for Economic Integration (11.5 million and 3.7 million) to enable it to finance regional infrastructure projects. These credits were granted by IDB.

For rail transport, only one loan was granted by EXIMBANK, to Chile (9.8 million dollars) for purchases of railway equipment. Financing was also provided by IBRD (175,000 dollars) for a feasibility study on the expansion of the port of Corinto carried out by the Government of Nicaragua. The island of Antigua (West Indies) also obtained a loan of 6 million dollars for port works.

In April 1967, the United Nations Development Programme, the Government of Bolivia and IBRD signed an agreement to carry out a joint study of all types of transport in Bolivia and to prepare a ten-year plan for the co-ordination of their development. It is estimated that the cost of this study will be a little over one million dollars, 77 per cent of which will be contributed by UNDP and the rest by Bolivia, while IBRD will act as the executing agency.