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PART TWO

ECONOMIC TRENDS IN 1967 BY COUNTRIES AND SECTORS OF ACTIVITY

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## PART TWO

## ECONOMIC TRENDS IN 1967 BY COUNTRIES AND SECTORS OF ACTIVITY

## Chapter I

## THE ECONOMIC SITUATION IN SELECTED COUNTRIES

## ARGENTINA

1. General features of recent developments

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, due to a sizable increment in agricultural production and relatively larger increases in mining and quarrying and construction. Manufacturing production, on the other hand, was inclined to stagnate (see table II-1 and figure II-1).

As regards the utilization of the product, the main feature was the expansion of investment. Gross domestic investment climbed by 5.2 per cent and investment in construction and machinery increased considerably (5.6 and 12 per cent respectively), but investment in transport equipment declined. Aggregate consumption rose by 1.9 per cent. In private consumption, purchases of household goods increased while those of food, clothing and motor-vehicles declined (see table II-2).

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 favourable trend in the flow of autonomous capital, raised international reserves considerably. The fiscal situation was notable for a rise in tax revenue, and the consequent reduction in the budget deficit, which was smaller, than in 1966.

Wholesale prices rose by 20.6 per cent between the end of 1966 and December 1967, as did their main components except for imported items, which soared by 31.2 per cent. The cost of living rose even more than wholesale prices (27.6 per cent), however, owing to the heavy incidence of perishable and seasonal foods, the prices of which climbed even higher.

Table II-1

ARGENTINA: ANNUAL GROWTH RATES OF THE GROSS DOMESTIC  
PRODUCT BY SECTORS OF ECONOMIC ACTIVITY

(Percentages)

Sector	1965/60	1966/65	1967/66 a/
Agriculture, forestry and fishing	2.8	-2.9	5.4
Crop farming	...	...	...
Stock farming	...	...	...
Forestry	...	...	...
Hunting and fishing	...	...	...
Mining and quarrying	9.0	4.0	10.3
Manufacturing	5.3	-1.3	-0.4
Construction	-1.8	6.2	8.6
Electricity, gas and water	11.6	8.2	7.1
<u>Total for services</u>	<u>2.4</u>	<u>0.1</u>	<u>1.5</u>
Transport and communications	3.3	0.6	1.5
Transport	3.8	0.7	1.4
Communications	-0.5	0.0	2.3
Commerce and finance	3.2	-1.6	1.5
Commerce	3.2	-2.0	1.4
Finance	3.8	1.8	2.1
Ownership of dwellings	1.3	3.6	2.1
Public administration and defence	0.8	0.6	0.0
Other services	1.1	2.7	2.6
<u>Total</u>	<u>3.5</u>	<u>-0.5</u>	<u>2.0</u>

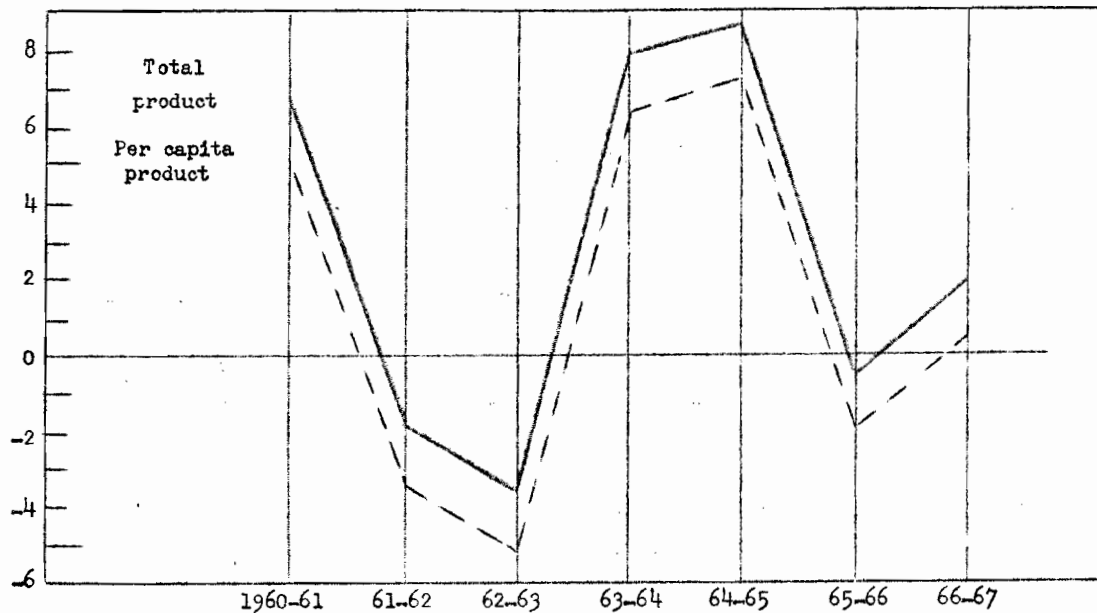
Source: Banco Central de la República Argentina.

a/ Provisional figures.

Figure II-1

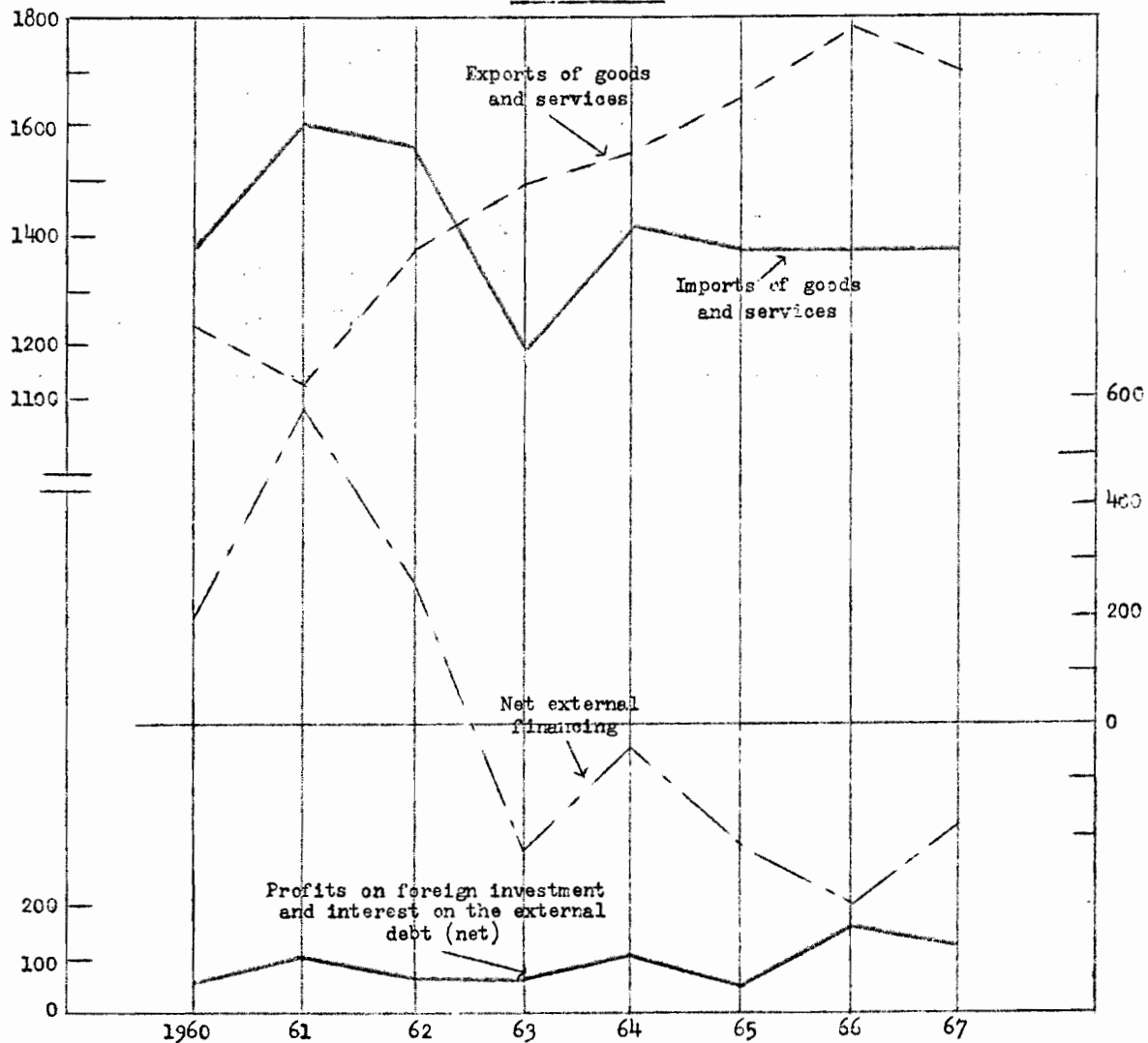
ARGENTINA: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)

Natural scale

EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

Natural scale

/Table II-2

Table II-2

## ARGENTINA: AGGREGATE SUPPLY AND DEMAND, 1960 AND 1965-67

(Millions of pesos at 1960 prices)

	1960	1965	1966	1967 a/	Percentage annual growth rates		
					1960-1965	1965-1966	1966-1967
Aggregate supply	1 075.3	1 258.3	1 248.0	1 272.9	3.2	-0.8	2.0
Gross domestic product	961.2	1 141.9	1 136.1	1 159.0	3.5	-0.5	2.0
Imports of goods and services	114.1	116.4	111.9	113.9	0.4	-3.9	1.8
Aggregate demand	1 075.3	1 258.3	1 248.0	1 272.9	3.2	-0.8	2.0
Exports of goods and services	102.5	134.2	141.1	138.7	5.5	5.1	-1.7
Total investment	218.3	217.6	197.4	207.7	-0.1	-9.3	5.2
Gross fixed investment	208.6	198.0	200.9	214.7	-1.0	1.5	6.9
Construction	87.3	81.9	85.7	91.9	-1.3	4.6	7.2
Machinery and equipment	121.3	116.2	115.1	122.8	-0.9	-0.9	6.7
Changes in stocks	9.7	19.6	-3.4	-7.0			
Total consumption	754.5	966.5	909.5	926.5	3.7	6.3	1.9
General government	86.3	83.4	85.5	85.8	-0.7	2.5	0.4
Private	668.2	823.1	824.0	840.7	4.3	0.1	2.0

Source: Banco Central de la República Argentina.

a/ Provisional figures.

Wages were

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 were then frozen until the end of 1968. The volume of the wage increase differed from one group of workers to another and its effects in real terms also varied, depending on whether the comparison was made 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 not less than 12 per cent for employees of commercial enterprises, but rose by over 5 per cent in construction, since workers in that sector receive a wage supplement to offset the modifications 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. Main sectors of activity

Agricultural activities expanded by 5.4 per cent. This was due to a marked improvement of about 10 per cent in crop production since livestock production dropped by 1 per cent. Wheat output was about 18 per cent higher 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 rise in yield. Maize output thus improved 55 per cent on the average harvest for the decade 1957-66. On the other hand, production of sorghium dropped by 35 per cent owing to a decline in yield. Oil-seeds showed a 12 per cent increase, which was entirely in sunflower seed production, because the output of groundnuts fell off. Industrial crops expanded by 5 per cent; this was attributable to the increases of 30 and 40 per cent in the output of wine grapes and to tobacco, since cotton and sugar cane production fell by 21 and 33 per cent respectively. There was an improvement of approximately 10 per cent in the output of fruit, vegetables and pulses.

/Sheep farming

Sheep farming was largely responsible for the decline in livestock activities, since cattle slaughtering rose nearly 12 per cent and wool production 6 per cent. Fishing activities dropped by 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 13 per cent.

The product of the construction sector expanded by nearly 9 per cent, divided into 8 per cent for private building and 10 per cent for public works. This improvement was due to the credit made available by the Government, the tax reductions granted for house-building, and the encouragement given to plans for constructing roads, and 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 1.5 per cent, and similar increases of 1.5 per cent in transport and communications (despite the 23 per cent reduction in railway goods traffic) and of 1.4 per cent in commerce.

Manufacturing industry remained at 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, had some production capacity lying idle. 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 II-3 and II-4).



Table II-3

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
<u>Total</u>	<u>115.0</u>	<u>129.6</u>	<u>127.9</u>	<u>127.4</u>

Source: Banco Central de la República Argentina.

Table II-4

ARGENTINA: PRODUCTION OF SELECTED INDUSTRIAL ITEMS, 1963-67

	1963	1964	1965	1966	1967
<b>Metal-transforming</b>					
Pig iron <u>a/</u>	424.2	589.4	663.2	520.1	610.5
Crude steel <u>a/</u>	895.3	1 247.5	1 347.1	1 265.6	1 325.7
Rolled steel products <u>a/</u>	759.2	1 329.4	1 542.9	1 274.2	1 326.9
Motor vehicles <u>b/</u>	68.1	104.5	119.8	131.2	130.3
Chassis, lorries, utility vehicles <u>b/</u>	36.2	61.9	74.7	48.2	45.0
Tractors <u>b/</u>	11.4	13.1	13.6	11.3	9.5
<b>Textiles</b>					
Cotton fibres in spinning mills <u>a/</u>	85.2	109.5	115.9	110.3	97.0
<b>Paper</b>					
Cellulose <u>a/</u>	44.0	48.0	63.7	74.0	54.0
Paper pulp <u>a/</u>	36.0	40.0	44.4	39.3	30.0
Production and imports of cellulose and paper pulp <u>a/</u>	-	247.4	285.4	286.6	215.7
Cement <u>a/</u>	2 536.9	2 852.0	3 201.1	3 383.5	3 452.6
Sulphuric acid <u>a/</u>	115.8	163.2	172.2	149.9	156.1
<b>Household goods</b>					
Water heaters <u>b/</u>	74.8	88.6	134.4	125.0	123.5
Cooking stoves <u>b/</u>	197.1	308.0	336.4	330.9	263.8
Refrigerators <u>b/</u>	126.1	147.2	180.0	154.2	140.0
Washing machines <u>b/</u>	65.7	97.1	102.6	106.3	115.0
Sewing machines <u>b/</u>	59.6	74.6	65.4	67.5	59.6
Television sets <u>b/</u>	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.

### 3. The external sector

The value of exports has changed very little since 1963, Provisional Central Bank estimates value exports of goods at 1,485 million dollars, which was 6.7 per cent lower than in 1966 but much the same as in 1965. The decline was mainly due to reduced sales of wheat and wool, although the former 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 salient 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.

Imports remained at their 1966 value, with an increase of approximately 8 per cent in capital goods and a decrease in fuels 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), and the current account showed a surplus of 180.8 million dollars after the movement of foreign exchange under the head of invisibles had been deducted (see table II-5 and figure II-1).

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 loans to the public and private sectors amounted to 410 million dollars. This was less than in 1966, largely because nearly 100 million dollars' worth of debts were refinanced.

Table II-5

ARGENTINA: BALANCE-OF-PAYMENTS ESTIMATES, 1966 AND 1967

(Millions of dollars)

	1966	1967
<u>Current account</u>	<u>252.5</u>	<u>130.8</u>
Trade balance	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)
Invisibles a/	-216.4	-184.2
<u>Capital account (excluding gold and foreign exchange)</u>	<u>-257.2</u>	<u>200.6</u>
1. Movements of non-compensatory capital b/	-221.3	228.2
2. Movements of compensatory capital	-35.9	72.4
<u>Gold and foreign exchange c/</u>	<u>4.7</u>	<u>-481.4</u>

Source: Banco Central de la República Argentina.

a/ Including unilateral transfer payments.

b/ Including errors and omissions.

c/ Including adjustments for devaluation of the pound and other currencies.

The economic policy measures, and particularly the exchange devaluation 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 Argentina and re-imported in 1967, dollars accumulated on the local exchange 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 a net outflow of 221 million dollars was recorded for non-compensatory capital.

/The policy

The policy of building up the reserves was adopted not only as a result of the switch in the direction of the non-compensatory capital movements, 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 blanket increase in prices (which raised the tax base), the establishment of export duties 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, which signifies 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 loans to reserves to the minimum, while maintaining an adequate level of credit, and to prevent the creation of means of payment of domestic origin from overstepping the predetermined limits. However, as a result of devaluation, the salient feature was the assumption by the external sector of the leading role in increasing the money supply, which had formerly been the prerogative of the public sector. 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' vigorous efforts to attract deposits. In the non-banking financial markets, the

/rate of

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 general rise in the prices of food products and exported 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 forcing domestic industries to become more competitive on foreign markets.

/BARBALOS

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. The most recent estimates, measured in current prices and factor costs, set the gross domestic product at 162 million dollars <sup>1/</sup> in 1966 as against 154 million in 1965, and at 170.7 million in 1967 (see table II-6 and figure II-2).

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 estimate 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 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 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.

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<sup>1/</sup> All references to dollars in this section are the West Indian dollar, unless otherwise specified.

Table II-6  
BARBADOS: CONTRIBUTIONS OF SECTORS TO THE GROSS DOMESTIC PRODUCT, 1960-66

	Millions of West Indian dollars at current prices										Percentages				
	1960	1961	1962	1963a/	1964a/	1965a/	1966a/	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	19.0	24.0	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	10.0	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	10.5	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	21.9	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	11.0	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	133.1	151.4	147.3	153.9	162.3	100.0	100.0b/	100.0b/	100.0b/	100.0b/	100.0b/	100.0	

Sources: Economic Survey of Barbados, 1966, table XIII; Development Plan for Barbados, 1965-1968.

a/ Provisional figures.

b/ Errors due to rounding.

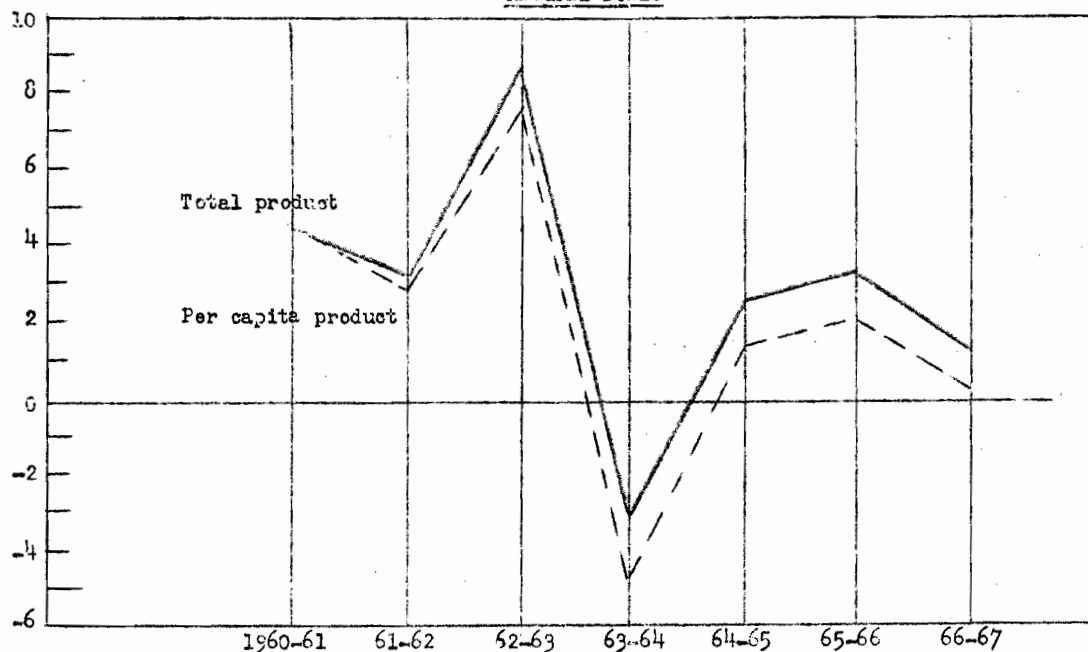


Figure II-2

BARBADOS: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

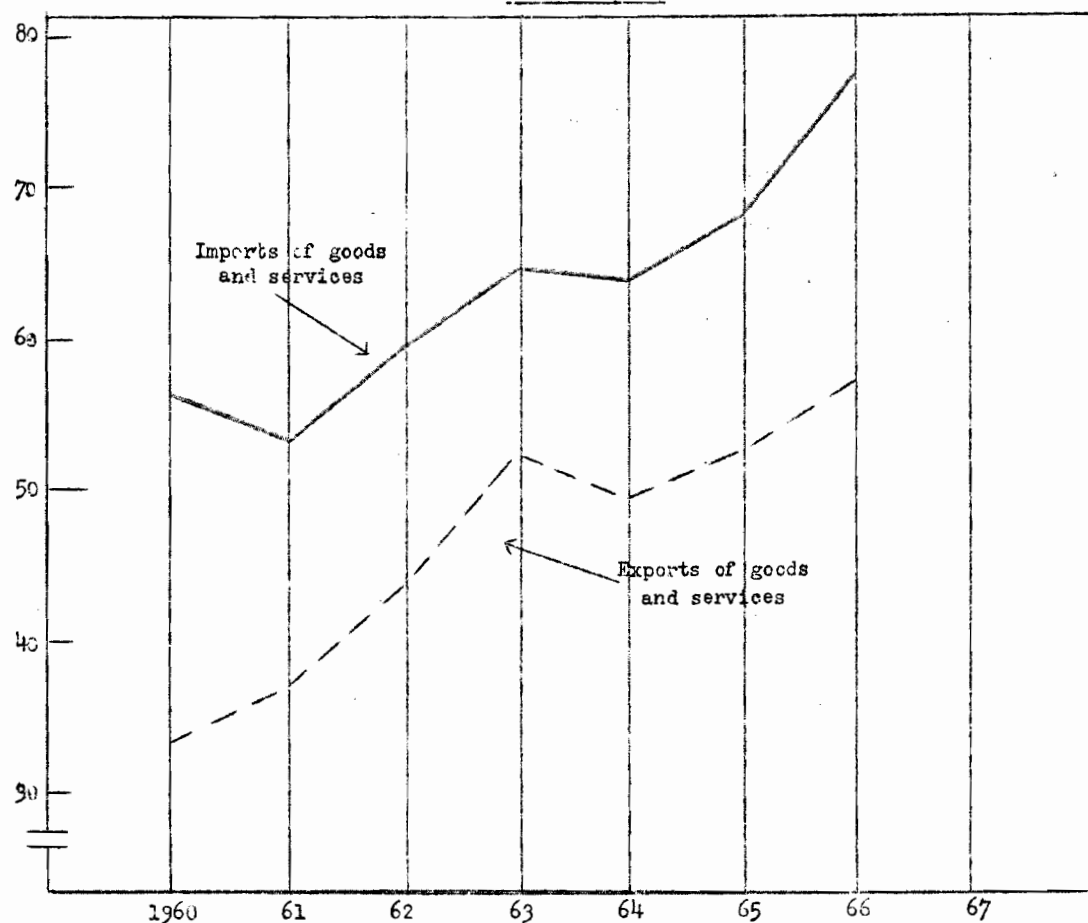
(Annual growth rates)

Natural scale



EVOLUTION OF THE EXTERNAL SECTOR  
(Millions of dollars at current prices)

Natural scale



/Despite efforts

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, which were 242, 219 and 208 United States dollars per ton f.o.b. in 1963, 1964 and 1965. 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 Indian 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 II-2). 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, have been rising steadily at about 10 per cent annually, and they do 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

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 II-7). Since 1963, imports of manufactures have increased at a mean annual rate of over 12 per cent (11 per cent in 1965 and 16.7 per cent in 1966), while the average increase in imports of machinery and transport equipment has been over 15 per cent (32.8 per cent in 1964, 4.7 per cent in 1965 and 17.6 per cent in 1966).

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 92.90 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 II-8).

Table II-7

## BARBADOS: PERCENTAGE COMPOSITION OF IMPORTS

(According to the Standard International Trade Classification)

	1964	1965	1966
0 Food	26.7	27.4	26.0
1 Beverages and tobacco	2.0	1.8	1.8
2 Crude materials, inedible, except fuels	3.3	3.3	3.4
3 Mineral fuels, lubricants and related materials	10.4	10.1	10.0
4 Animal and vegetable oils and fats	0.5	0.7	0.6
5 Chemicals	7.9	7.2	7.5
6 Manufactured goods classified chiefly by material	19.2	20.0	20.8
7 Machinery and transport equipment	16.6	16.3	16.9
8 Miscellaneous manufactured articles	10.1	9.8	9.9
9 Miscellaneous transactions and commodities	3.5	3.4	3.1

Table II-8

BARBADOS: PRODUCT, CONSUMPTION, INVESTMENT AND EXTERNAL SECTOR, SINCE 1960

	Millions of West Indian dollars at current prices						Percentages					
	1960	1961	1962	1963	1964	1965	1966	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	31.8	29.5	34.9	34.6	...	...	0.6	-7.8	-7.2	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	5.4	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	16.9	...	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.

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 II-9).

Table II-9  
BARBADOS: SECTORAL RATES OF GROWTH, 1960-66

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66
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	<u>7.4</u>	<u>3.4</u>	<u>13.8</u>	<u>-2.7</u>	<u>4.5</u>	<u>5.4</u>

Source: Table II-6.

## 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.

Two different features may be noted, however. First, the expansion in 1967 was not reflected in the same increase in real income as in previous years, because prices of tin and other metals declined, following the striking improvement they had been showing. 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 II-10 and figure II-3).

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 born 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, on a lesser scale, in imports.

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 Declaration of Bogotá and of the River Plate Basin Group.

/Table II-10



Table II-10

BOLIVIA: GROSS DOMESTIC PRODUCT BY TYPE OF EXPENDITURE AND GROSS INCOME  
(Millions of pesos at 1960 prices)

	1960	1965	1966 <sup>a/</sup>	1967 <sup>a/</sup>	Annual percentage increase		
					1960-65	1966	1967
General government consumption	387	602	596	600	9.2	-1.0	0.7
Private consumption <sup>b/</sup>	3 763	4 917	5 253	5 540	5.5	6.8	5.5
Gross investment	675	1 125	1 153	1 200 <sup>c/</sup>	10.7	2.5	4.1
Fixed investment	637	970	1 052 <sup>c/</sup>	1 155 <sup>c/</sup>	8.8	8.5	9.8
Changes in stocks	38	155	101 <sup>c/</sup>	45 <sup>c/</sup>	32.5	-34.8	-55.4
Exports of goods and services <sup>d/</sup>	726	824	982	1 172	2.6	19.2	19.3
Imports of goods and services <sup>d/</sup>	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 Secretaría Nacional de Planificación y Coordinación.

a/ Provisional figures.

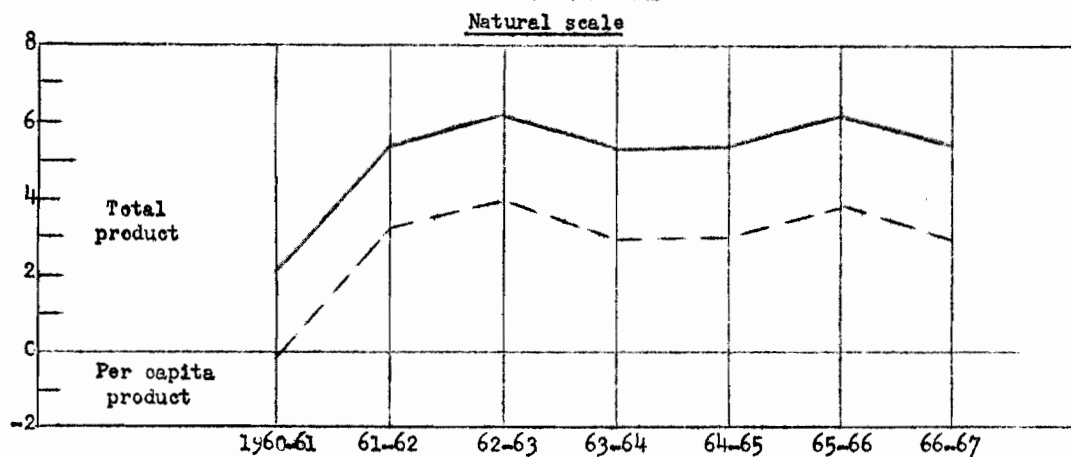
b/ Calculated residually.

c/ ECLA estimates.

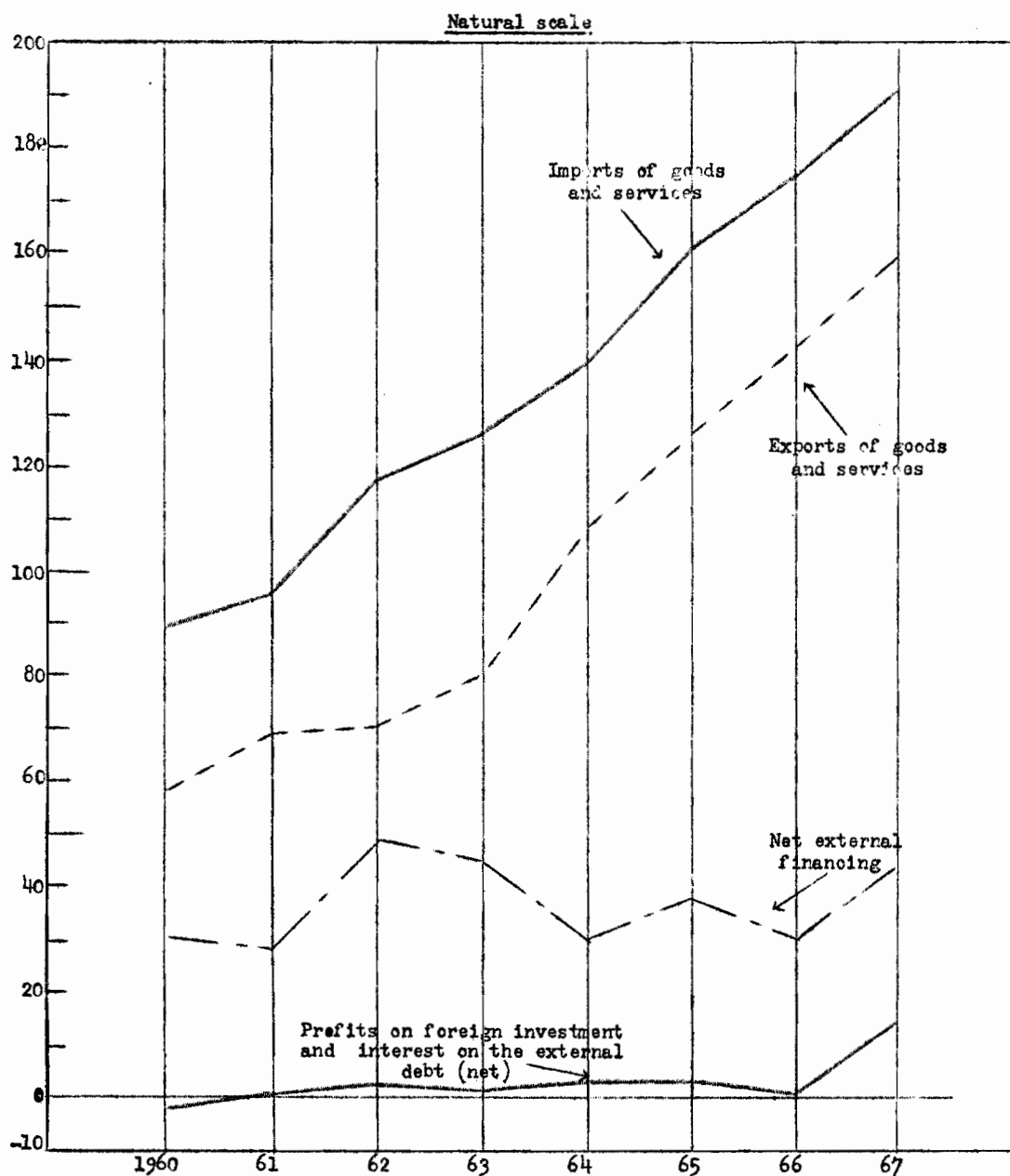
d/ ECLA, on the basis of data obtained from the Banco Central de Bolivia and IMF, Balance of Payments Yearbook.

Figure II-3

BOLIVIA: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67  
(Annual growth rates)



EVOLUTION OF THE EXTERNAL SECTOR  
(Millions of dollars at current prices)



## 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 Pucaraní-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 II-11). 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 Montiaquito - were discovered which open up new prospects for this enterprise.

Table II-11  
BOLIVIA: GROSS DOMESTIC PRODUCT BY SECTORS

Sector	Percentage composition				Annual percentage increase		
	1960	1965	1966	1967 <sup>a/</sup>	1960-65	1966	1967 <sup>a/</sup>
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	84.6
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
Services	10.1	10.2	9.9	10.0	5.3	4.4	6.5
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>5.0</u>	<u>6.3</u>	<u>5.6</u>

Source: ECLA, on the basis of data supplied by the Secretaría Nacional de Planificación y Coordinación.

<sup>a/</sup> Provisional figures.

/Added to

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 (some 20 million dollars, worth annually), 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 (Instituto para la Promoción de Inversiones) and the Bolivian Development Corporation (Corporación Boliviana de Fomento).

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 (Corporación Nacional de Vivienda). Work also continued on a number of government-financed infrastructure works.

### 3. Evolution of the external sector

The value of exports of goods increased by about 15 per cent in 1967, with a rise of some 20 per cent in the volume exported and a drop in unit prices (see table II-12).

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.

Table II-12

BOLIVIA: TRENDS IN THE VOLUME OF EXPORTS OF STAPLE PRODUCTS, 1964-67

(Indexes: 1963=100)

Product	Percentage share in total value 1967 <sup>a/</sup>	1964	1965	1966	1967 <sup>a/</sup>
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
<u>Total</u>	<u>100.0</u>	<u>105.8</u>	<u>107.5</u>	<u>128.3</u>	<u>154.5</u>

Source: ECLA, on the basis of data supplied by the Dirección General de Estadística, the Banco Central de Bolivia and the Banco Minero.

<sup>a/</sup> Estimates.

/The drop

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.

Imports of goods rose by about 10 per cent in 1967, thereby maintaining their rapid and persistent growth over the last few years. Since 1960 they have increased 2.2 times and exports 2.8 times. Nevertheless, the value of imports is still higher than that of exports.

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 it brought the balance-of-payments deficit on current account to 45 million dollars (see table II-13, and figure II-3).

Although in 1967 there was a sharp reduction in official transfer payments, which had reached 20 million dollars in 1966, net capital inflows increased. These, however, were insufficient to cover the negative balance on current account, and it was necessary to draw on international reserves to an estimated amount of 2 million dollars after building the reserves up steadily for several years.

Payments against a contingency credit with the International Monetary Fund (IMF) 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.

Table II-13  
BOLIVIA: BALANCE OF PAYMENTS  
(Millions of dollars)

	1964	1965	1966	1967 <sup>a/</sup>
<u>Current account</u>	<u>-29.9</u>	<u>-38.4</u>	<u>-31.7</u>	<u>-45.2</u>
Exports of goods and services	108.9	125.8	142.0	159.3
Imports of goods and services	138.3	161.7	174.2	190.1
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
<u>Capital account</u>	<u>29.9</u>	<u>38.4</u>	<u>31.7</u>	<u>45.2</u>
Net movements of autonomous (non-compensatory) capital	48.0	51.0	38.8	
Direct investment	1.5	12.5	2.0	} 43.2
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	2.0

Source: ECLA, on the basis of data obtained from the Banco Central de Bolivia and, I.M.F., Balance of Payments Yearbook.

<sup>a/</sup> Provisional figures.



#### 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 on the fiscal budget for 1968. The measures to deal with this situation which are now under consideration include raising the sales tax to 3.5 per cent, levying new taxes on personal services, and the promulgation of a new supplementary aggregate tax law, besides a 25 per cent rise in taxes on beverages and tobacco.

/BRAZIL

## 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 II-14). 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 over 5 per cent, that is, more slowly than in 1966 (see table II-15 and figure II-4).

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.

/Table II-14

Table II-14

BRAZIL: AGGREGATE SUPPLY AND DEMAND

	Thousands of millions of cruzeiros at 1960 prices				Annual percentage growth rates		
	1960	1965	1966	1967 <sup>a/</sup>	1960- 1965	1965- 1966	1966- 1967 <sup>a/</sup>
<b>Aggregate supply</b>	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
<b>Aggregate demand</b>	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 Fundação Getulio Vargas, Instituto Brasileiro de Economia, Centro de Contas Nacionais.

<sup>a/</sup> Preliminary estimates.

Table II-15

BRAZIL: ANNUAL GROWTH RATES OF THE GROSS DOMESTIC PRODUCT,  
BY SECTOR OF ECONOMIC ACTIVITY

(Percentages)

Sector	1965/60	1966/65	1967/66a/
Agriculture, forestry and fishing	5.7	-2.0	9.6
Crop farming	...	...	...
Stock farming	...	...	...
Forestry	...	...	...
Hunting and fishing	...	...	...
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
<u>Total for services</u>	<u>3.6</u>	<u>4.3</u>	<u>4.2</u>
Transport and communications	5.3	5.7	3.6
Transport	...	...	...
Communications	...	...	...
Commerce and finance	3.8	5.5	6.6
Commerce	...	...	...
Finance	...	...	...
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
<u>Total</u>	<u>4.2</u>	<u>4.4</u>	<u>5.0</u>

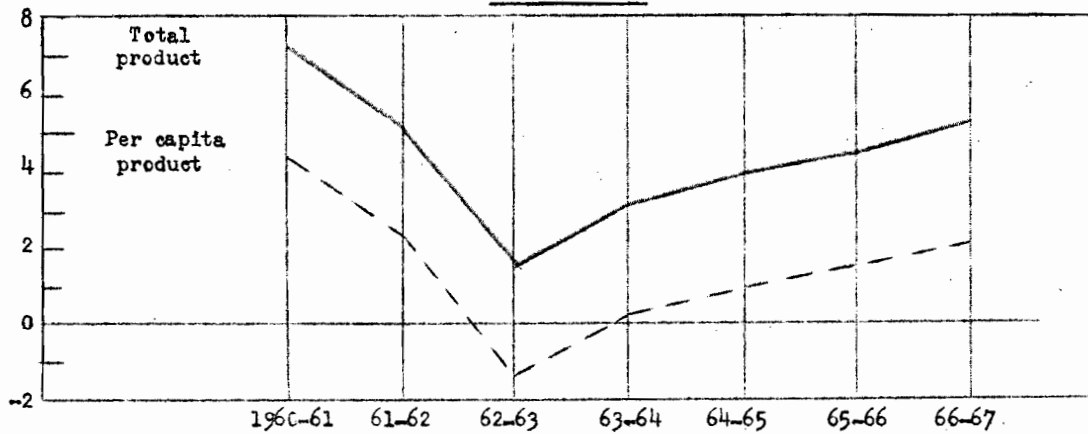
Source: ECLA, on the basis of data supplied by the Fundacao Getulio Vargas,  
Instituto Brasileiro de Economia, Centro de Contas Nacionais.

a/ Preliminary estimates.

Figure II-4

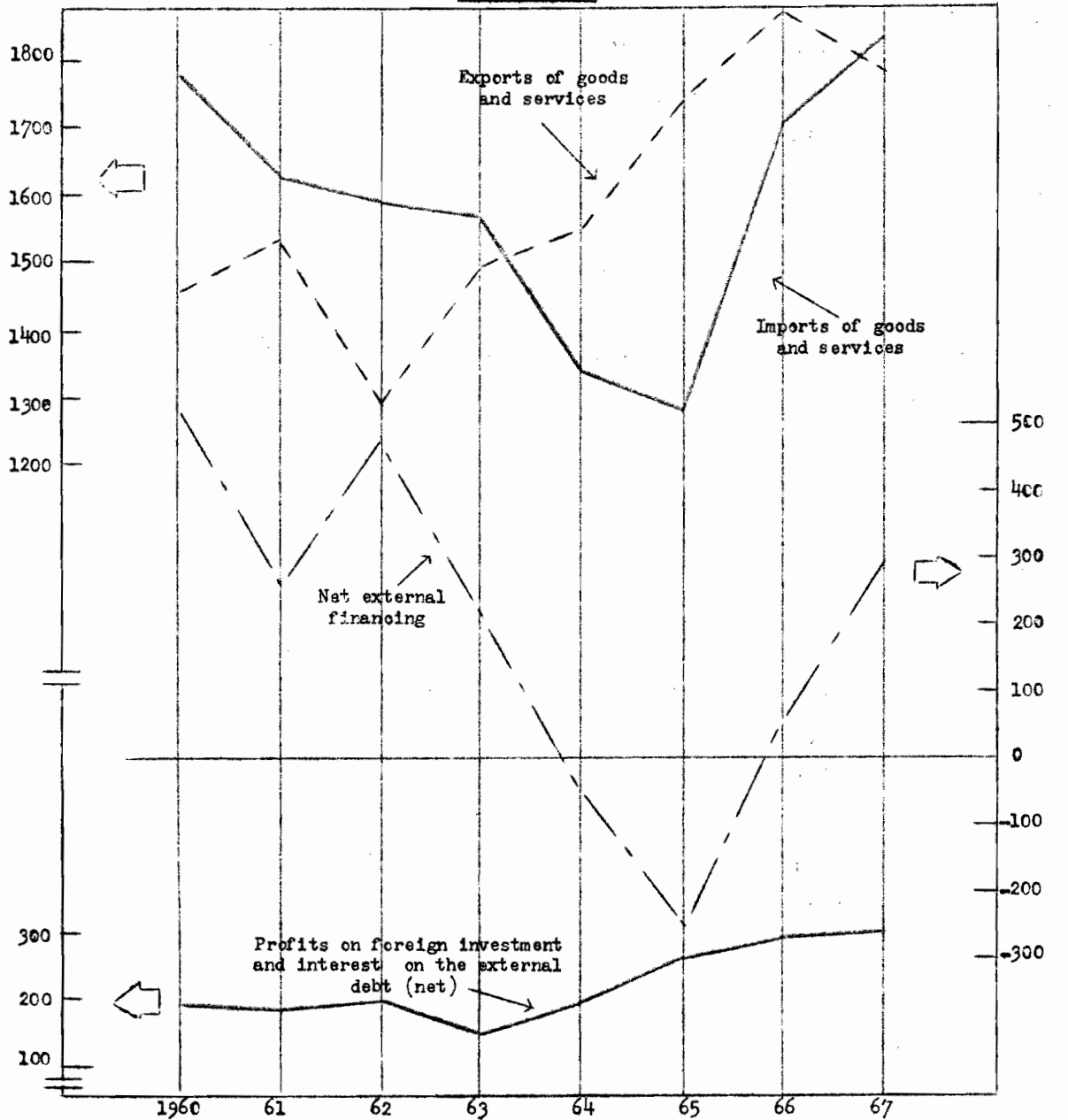
BRAZIL: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)

Natural scale

EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

Natural scale

/Crop farming

Crop farming production increased by 11.8 per cent, livestock production by 6 per cent and 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 beans and onions, and of about 20 per cent in 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 II-16).

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 led to 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.

At the beginning of the year manufacturing was in the throes of a veritable depression, which dated from the middle 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 over 10 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 25 per cent increase in petroleum output; the production of coal also expanded appreciably, while that of iron ore, and more especially manganese, contracted. (See table II-17.)

Table II-16

BRAZIL: TRENDS IN AGRICULTURAL PRODUCTION  
(Percentage variations)

Products	Estimates for 1966/67
	Production in 1965/66
<u>Crop farming production</u>	<u>-11.8</u>
Cotton <u>a/</u>	-9.3
Peanuts <u>b/</u>	-19.0
Rice <u>c/</u>	-19.6
Potatoes	+25.9
Onions	+62.8
Beans	+42.9
Maize	+20.4
Soya	+39.1
Sisal	-4.6
Coffee <u>d/</u>	+9.5
Sugar-cane	-10.0
Others <u>e/</u>	6.5
Livestock production	6.0
Timber production	4.0
Total agricultural production <u>f/</u>	9.6

Source: ECLA, on the basis of official statistics.

a/ Cottonseed.

b/ Unshelled peanuts.

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 per cent was based on the trends followed by the annual average rates for the following products, taken as a representative sample for the "others" item: bananas, tobacco, oranges, manioc and tomatoes (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 (Instituto Brasileiro de Estatística, Anuário Estatístico do Brasil, 1967).

Table II - 17

BRAZIL: MINING TRENDS

Product	Percentage increase in volume of output, 1967/66	Weighting <sup>a/</sup>
Petroleum	+26.0	53.7
Coal <sup>b/</sup>	+11.3	25.3
Iron <sup>b/</sup>	-9.0	13.1
Manganese <sup>b/</sup>	-43.0	7.9
Weighted total	+12.2	100.0

Sources: Petrobras; Banco Central, Boletim (November 1967).

<sup>a/</sup> The weightings are based on the production value of these item in 1966.

<sup>b/</sup> Estimates based on output from January to September 1967.

/The rate



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 authorized 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 an obligatory 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 more fluid liquidity position greatly benefited the private sector in the form of an increase in real credit.

/It was

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 dropped from a rate of 30.8 per cent in 1966 to 17.5 per cent in 1967, and that of the wholesale price index from 25.1 to 14.4 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 II-18).

As regards the fiscal position, the expenditure deferred from the previous financial year and the over-estimation of current revenue - especially 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 additional tax revenue expected on the basis of the initial estimates is due to the policy aimed at levelling up the development of different areas, which provides greater tax incentives for investment in the 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 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 reductions of customs duties imposed by the new tariff of March 1967.

Table II-18

BRAZIL: ANNUAL PERCENTAGE VARIATIONS IN THE 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: Fundação Getúlio Vargas.

a/ Variation from November to November.

The capital account shows declines in direct foreign investment (from 170 million dollars in 1966 to 130 million in 1967) and in credit from foreign financing agencies (from 260 million to 180 million dollars). Payments under the head of amortization of the external debt were also lower (447 million dollars in 1966 and 369 million in 1967), but there were increases in the balance of other net capital movements - from 43 million to 282 million dollars - and in drawings on international monetary reserves - from 43 million to 91 million dollars - (see table II-19 and figure II-4).

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 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.

/Table II-19

Table II-19

## BRAZIL: BALANCE-OF-PAYMENTS ESTIMATES, 1966-67

(Millions of dollars)

	1966	1967
<u>A. Merchandise</u>	<u>438</u>	<u>230</u>
Exports (f.o.b.)	1 741	1 630
Imports (f.o.b.)	-1 303	-1 400
<u>B. Services</u>	<u>-552</u>	<u>-510</u>
Freight and insurance (net) *	-81	-90
Net payment of profits and interest on foreign investment <u>a/</u>	-290	-290
Other services (net)	-188	-196
<u>C. Net private transfer payments</u>	<u>32</u>	<u>-32</u>
Current transactions (A+B+C)	-89	-314
<u>D. Capital movements</u>	<u>89</u>	<u>314</u>
Direct investment (net) <u>a/</u>	170	130
Credits from Washington-based financing agencies <u>b/</u>	260	180
Amortization of the external debt <u>c/</u>	-447	-369
Other net capital movements <u>d/</u>	43	282
Variations in the gross monetary reserves <u>e/</u>	43	91
<u>E. Errors and omissions</u>	<u>20</u>	-

Sources: For 1966: IMF, Balance of Payments Yearbook, vol. 19; for 1967: ECLA estimates on the basis of the Central Bank bulletins and the CIAP report, "Domestic efforts and the needs for external financing for the development of Brazil" (CIAP/162, 29 September 1967).

a/ Including reinvestment of profits.

b/ Estimates based on information supplied by the agencies themselves.

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.

CENTRAL AMERICA

1. Evolution of the Central American economy in 1967

For the second year running the rate of growth of the Central American economy was weak. This was because of 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 rate of growth of the population, there was a consequent levelling-off of real per capita income (see tables II-20 to II-25). It contrasted 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 output of cotton and coffee 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 greater 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 the Central American countries, Guatemala suffered the largest drop in the total value of exports to the rest of the world (22 per cent).

Table II-20

CENTRAL AMERICA: AGGREGATE SUPPLY AND DEMAND

	Millions of dollars at 1963 prices				Annual percentage growth rates		
	1963	1965	1966	1967 <sup>a/</sup>	1960-1965	1965-1966	1966-1967
<u>Aggregate supply</u>	<u>3 364</u>	<u>4 762</u>	<u>5 035</u>	<u>5 268</u>	<u>7.2</u>	<u>5.7</u>	<u>4.6</u>
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
<u>Aggregate demand</u>	<u>3 364</u>	<u>4 762</u>	<u>5 035</u>	<u>5 268</u>	<u>7.2</u>	<u>5.7</u>	<u>4.6</u>
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 <sup>b/</sup>	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 <sup>b/</sup>	2 246	3 022	3 126	3 303	6.1	3.4	5.7

Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Including changes in stocks.

Table II-21

## COSTA RICA: AGGREGATE SUPPLY AND DEMAND

	Millions of colones at 1960 prices				Annual percentage growth rates		
	1960	1965	1966	1967 <sup>a/</sup>	1960-1965	1965-1966	1966-1967
<u>Aggregate supply</u>	<u>3 562</u>	<u>4 979</u>	<u>5 203</u>	<u>5 601</u>	<u>6.1</u>	<u>6.5</u>	<u>7.3</u>
Gross domestic product	2 811	3 773	4 019	4 352	6.1	6.5	8.3
Import of goods and services	751	1 206	1 184	1 249	9.9	-1.8	5.5
<u>Aggregate demand</u>	<u>3 562</u>	<u>4 979</u>	<u>5 203</u>	<u>5 601</u>	<u>6.1</u>	<u>6.5</u>	<u>8.3</u>
Export 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 <sup>b/</sup>	2 172	3 036	3 115	3 312	6.9	2.6	6.3

Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Including changes in stocks.

Table II-22  
EL SALVADOR: AGGREGATE SUPPLY AND DEMAND

	Millions of colones at 1960 prices				Annual percentage growth rates		
	1960	1965	1966	1967 <sup>a/</sup>	1960-1965	1965-1966	1966-1967 <sup>a/</sup>
<u>Aggregate supply</u>	<u>1 772.1</u>	<u>2 421.9</u>	<u>2 615.9</u>	<u>2 711.5</u>	<u>6.4</u>	<u>8.0</u>	<u>3.7</u>
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
<u>Aggregate demand</u>	<u>1 772.1</u>	<u>2 421.9</u>	<u>2 615.9</u>	<u>2 711.5</u>	<u>6.4</u>	<u>8.0</u>	<u>3.7</u>
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 <sup>a/</sup>	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.

<sup>a/</sup> Provisional figures.



Table II-23

## GUATEMALA: AGGREGATE SUPPLY AND DEMAND

	Millions of quetzales at 1960 prices				Annual percentage growth rates		
	1960	1965	1966	1967 <sup>a/</sup>	1960-	1965-	1966-
					1965	1966	1967
<u>Aggregate supply</u>	<u>1 172.7</u>	<u>1 617.4</u>	<u>1 683.4</u>	<u>1 751.7</u>	<u>6.6</u>	<u>4.1</u>	<u>4.1</u>
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
<u>Aggregate demand</u>	<u>1 172.7</u>	<u>1 617.4</u>	<u>1 683.4</u>	<u>1 751.7</u>	<u>6.6</u>	<u>4.1</u>	<u>4.1</u>
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 statistic.

<sup>a/</sup> Provisional figures.

Table II-24  
HONDURAS: AGGREGATE SUPPLY AND DEMAND

	Millions of lempiras at 1960 prices				Annual percentage growth rates		
	1960	1965	1966	1967 <sup>a/</sup>	1960-1965	1965-1966	1966-1967 <sup>a/</sup>
<u>Aggregate supply</u>	<u>909.0</u>	<u>1 260.3</u>	<u>1 358.4</u>	<u>1 397.5</u>	<u>6.8</u>	<u>7.8</u>	<u>2.9</u>
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
<u>Aggregate demand</u>	<u>909.0</u>	<u>1 260.3</u>	<u>1 358.4</u>	<u>1 397.5</u>	<u>10.9</u>	<u>15.7</u>	<u>1.1</u>
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 <sup>b/</sup>	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 <sup>b/</sup>	6.0	6.0	3.3

Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Including changes in stocks.

Table II-25

## NICARAGUA: AGGREGATE SUPPLY AND DEMAND

	Million of cordobas at 1960 prices				Annual percentage growth rates		
	1960	1965	1966	1967 <sup>a/</sup>	1960-1965	1965-1966	1966-1967 <sup>a/</sup>
<u>Aggregate supply</u>	<u>3 075.8</u>	<u>5 212.0</u>	<u>5 516.3</u>	<u>5 823.1</u>	<u>11.1</u>	<u>5.8</u>	<u>5.6</u>
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
<u>Aggregate demand</u>	<u>3 075.8</u>	<u>5 212.0</u>	<u>5 516.3</u>	<u>5 823.1</u>	<u>11.1</u>	<u>5.8</u>	<u>5.6</u>
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 <sup>a/</sup>	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.

<sup>a/</sup> Provisional figures.

/In Honduras

In Honduras the increase in exports in 1967 was only slight, after the high rate of growth in the previous three years brought about by the expansion of banana production. The increase in banana exports was only small but, together with the greater exports of meat, 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 decline 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 made up 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 over-all result was that the Costa Rican economy grew more than 8 per cent in 1967, which is double the average growth rate for the area.

Intra-area trade maintained its high growth rate in 1967 (25 per cent), thus attenuating the 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 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 II-26 to II-31 and figures II-5 to II-9).

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.

Table II-26

CENTRAL AMERICA: ANNUAL GROWTH RATES OF GROSS DOMESTIC PRODUCT BY SECTOR OF  
ECONOMIC ACTIVITY

(Percentages)

Sector	1965/60	1966/65	1967/66 <u>a/</u>
Agriculture, forestry and fisheries	4.8	3.6	2.7
Crop farming	...	...	...
Stock farming	...	...	...
Forestry	...	...	...
Hunting and fishing	...	...	...
Mining and quarrying	8.1	5.5	-2.4
Manufacturing	9.3	8.0	7.9
Construction	5.7	4.4	5.5
Public utilities (electricity, gas and water)	11.3	10.9	6.8
<u>Total for services</u>	<u>6.6</u>	<u>4.6</u>	<u>4.2</u>
Transport and communications	6.6	5.2	6.3
Transport	...	...	...
Communications	...	...	...
Commerce and finance	7.7	4.9	4.0
Commerce	...	...	...
Finance	...	...	...
Ownership of dwellings	<u>a/</u>	<u>a/</u>	<u>a/</u>
Public administration and defence	3.5	2.6	2.5
Other services <u>b/</u>	6.3	4.9	4.5
<u>Total</u>	<u>6.5</u>	<u>5.0</u>	<u>4.4</u>

Source: ECLA, on the basis of official statistics.

a/ Provisional figures.

b/ Ownership of dwellings included in "Other services".

Table II-27

COSTA RICA: ANNUAL GROWTH RATES OF GROSS DOMESTIC PRODUCT BY  
SECTOR OF ECONOMIC ACTIVITY

(Percentages)

Sector	1965/60	1966/65	1967/66 a/
Agriculture, forestry and fisheries	2.7	7.9	9.0
Crop farming	...	...	...
Stock farming	...	...	...
Forestry	...	...	...
Hunting and fishing	...	...	...
Mining and quarrying	-	-	-
Manufacturing	9.6	10.2	11.1
Construction	7.8	-10.9	7.0
Public utilities (electricity, gas and water)	7.3	5.8	7.0
<u>Total for services</u>	7.0	5.6	7.0
Transport and communications	6.9	5.8	7.0
Transport	...	...	...
Communications	...	...	...
Commerce and finance	...	...	...
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
<u>Total</u>	<u>6.1</u>	<u>6.5</u>	<u>8.3</u>

Sources: ECLA, on the basis of official statistics.

a/ Provisional figures.

b/ Finance included in "Other services".

Table II-28

EL SALVADOR: ANNUAL GROWTH RATES OF GROSS DOMESTIC PRODUCT BY SECTOR OF ECONOMIC  
ACTIVITY

(Percentages)

Sector	1965/60	1966/65	1967/66 <sup>a/</sup>
Agriculture, forestry and fisheries	5.9	3.4	0.5
Crop farming	...	...	...
Stock farming	...	...	...
Forestry	...	...	...
Hunting and fishing	...	...	...
Mining and quarrying	-8.1	0.0	0.0
Manufacturing	9.7	9.3	8.4
Construction	9.0	6.3	6.7
Public utilities (electricity, gas and water)	11.3	12.9	11.6
<u>Total for services</u>	<u>5.5</u>	<u>5.2</u>	<u>2.8</u>
Transport and communications	3.6	4.0	4.0
Transport	...	...	...
Communications	...	...	...
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
<u>Total</u>	<u>6.6</u>	<u>5.5</u>	<u>3.4</u>

Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Provisional figures.

Table II-29

## GUATEMALA: ANNUAL GROWTH RATES OF GROSS DOMESTIC PRODUCT BY SECTOR OF ECONOMIC ACTIVITY

(Percentages)

Sector	1965/60	1966/65	1967/66 <u>a/</u>
Agriculture, forestry and fisheries	4.7	5.8	2.0
Crop farming	...	...	...
Stock farming	...	...	...
Forestry	...	...	...
Hunting and fishing	...	...	...
Mining and quarrying	-3.6	13.3	5.0
Manufacturing	9.9	5.7	6.0
Construction	2.3	7.8	5.0
Public utilities (electricity, gas and water)	13.8	13.3	5.6
<u>Total for services</u>	<u>6.5</u>	<u>3.1</u>	<u>3.7</u>
Transport and communications	8.0	4.1	5.6
Transport	...	...	...
Communications	...	...	...
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	5.5	3.1	3.5
Public administration and defence	-0.4	-4.1	3.5
Other services	5.3	5.0	3.5
<u>Total</u>	<u>6.5</u>	<u>4.5</u>	<u>3.6</u>

Source: ECLA, on the basis of official statistics.

a/ Provisional figures.

/Table II-30



Table II-30

HONDURAS: ANNUAL GROWTH RATES OF GROSS DOMESTIC PRODUCT BY SECTOR OF  
ECONOMIC ACTIVITY

(Percentages)

Sector	1965/60	1966/65	1967/66 <sup>a/</sup>
Agriculture, forestry and fisheries	5.3	2.1	0.0
Crop farming	...	...	...
Stock farming	...	...	...
Forestry	...	...	...
Hunting and fishing	...	...	...
Mining and quarrying	20.0	3.4	-1.1
Manufacturing	7.2	9.7	9.0
Construction	6.9	3.0	5.2
Public utilities (electricity, gas and water)	10.6	13.2	3.8
<u>Total for services</u>	<u>3.5</u>	<u>5.4</u>	<u>4.8</u>
Transport and communications	7.1	6.0	5.8
Transport	...	...	...
Communications	...	...	...
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
<u>Total</u>	<u>5.3</u>	<u>4.7</u>	<u>3.5</u>

Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Provisional figures.

Table II-31

NICARAGUA: ANNUAL GROWTH RATES OF GROSS DOMESTIC PRODUCT BY SECTOR OF  
ECONOMIC ACTIVITY

(Percentages)

Sector	1965/60	1966/65	1967/66 <u>a/</u>
Agriculture, forestry and fisheries	5.6	-4.6	3.6
Crop farming	...	...	...
Stock farming	...	...	...
Forestry	...	...	...
Hunting and fishing	...	...	...
Mining and quarrying	4.1	6.8	-4.7
Manufacturing	9.1	7.2	6.3
Construction	-1.3	27.6	-0.5
Public utilities (electricity, gas and water)	16.1	12.8	4.1
<u>Total for services</u>	<u>10.5</u>	<u>6.4</u>	<u>3.7</u>
Transport and communications	6.3	8.4	10.6
Transport	...	...	...
Communications	...	...	...
Commerce and finance	9.8	6.8	4.2
Commerce	8.9	5.7	4.3
Finance	18.6	14.9	4.1
Ownership of dwellings	<u>b/</u>	<u>b/</u>	<u>b/</u>
Public administration and defence	8.2	7.4	-5.7
Other services <u>b/</u>	(31.0)	4.9	4.5
<u>Total</u>	<u>8.1</u>	<u>3.8</u>	<u>3.8</u>

Source: ECLA, on the basis of official statistics.

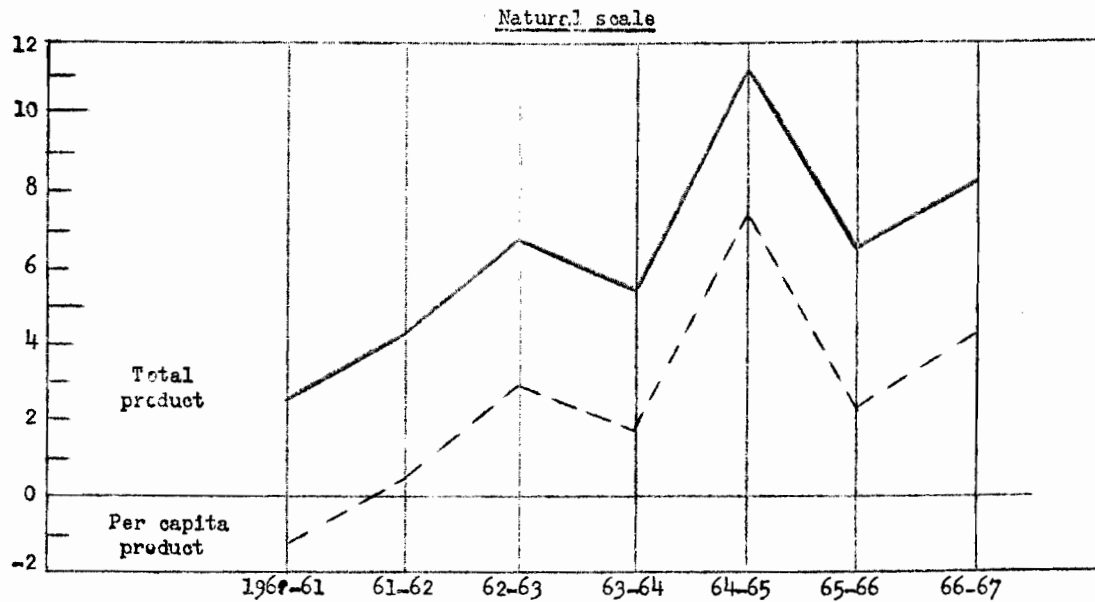
a/ Provisional figures.

b/ Ownership of dwellings included in "Other services".

Figure II-5

COSTA RICA: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)



EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

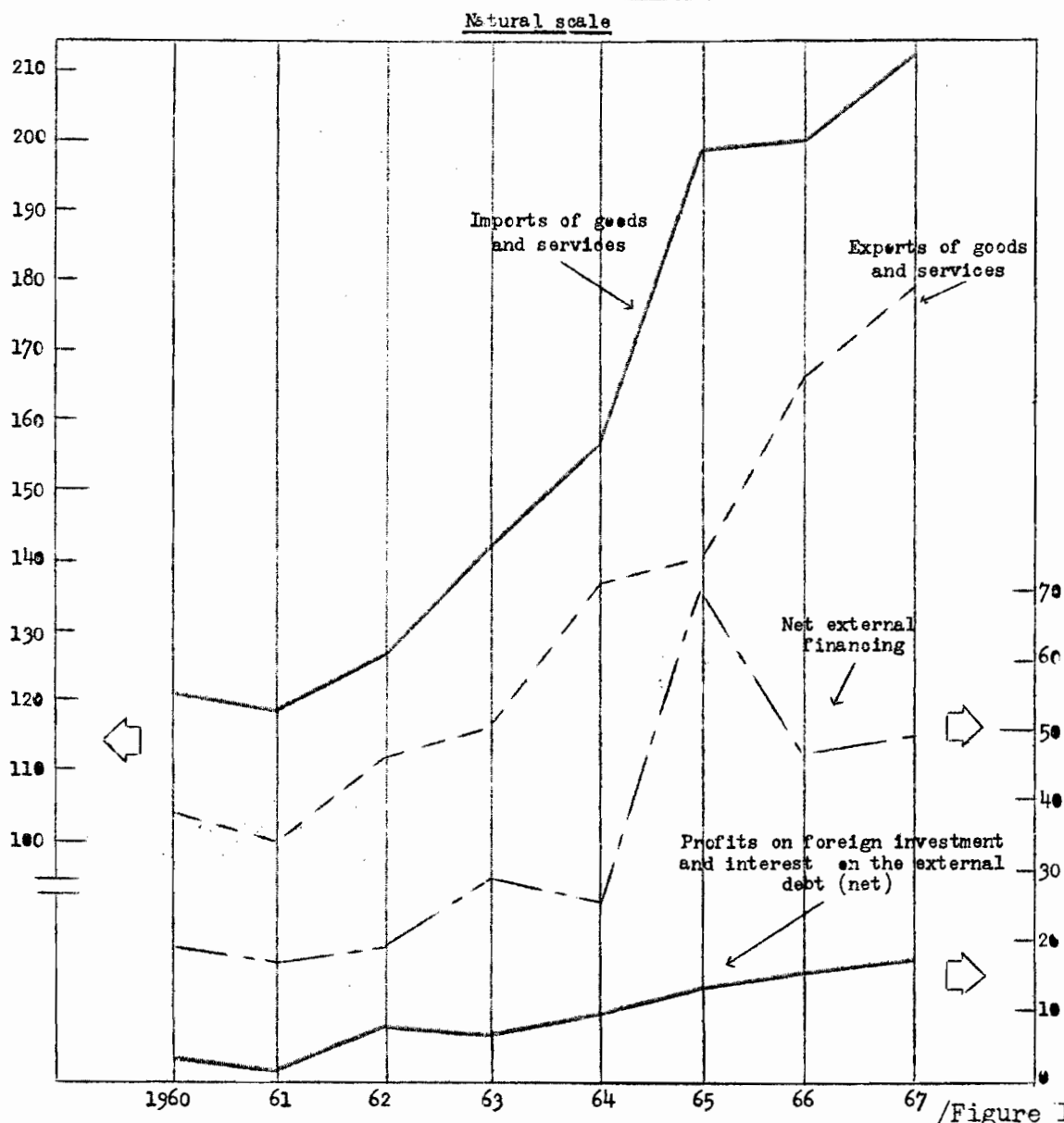
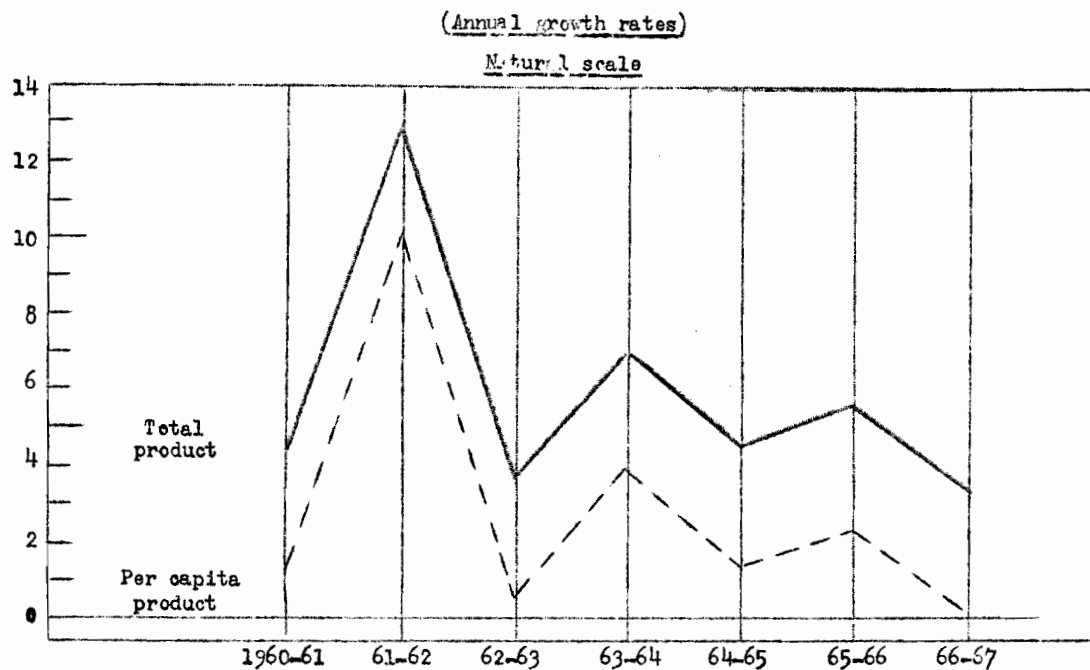
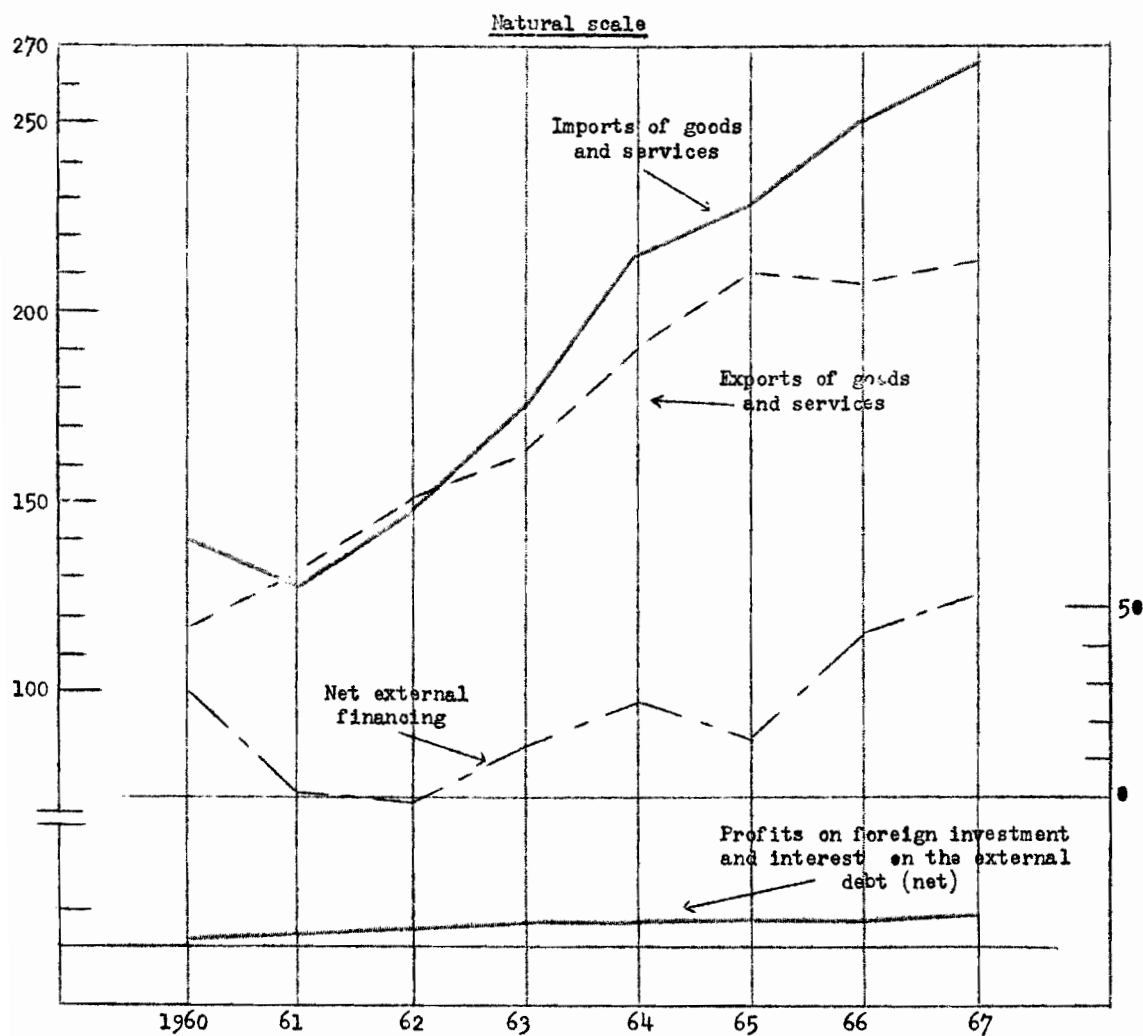


Figure II-6

EL SALVADOR: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67



EVOLUTION OF THE EXTERNAL SECTOR  
(Millions of dollars at current prices)



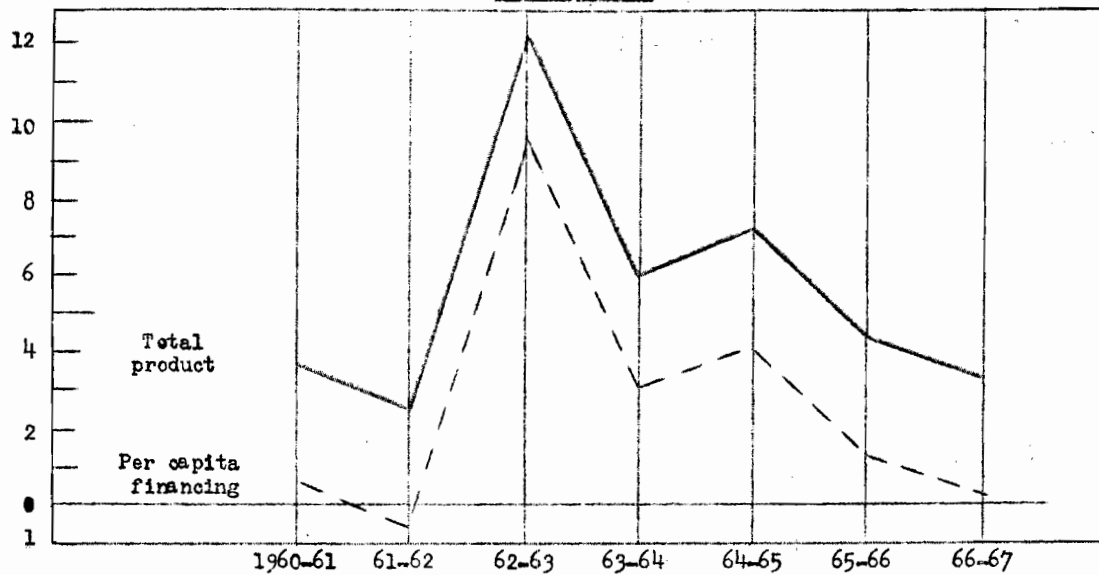
/Figure II-7

Figure II-7

GUATEMALA: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)

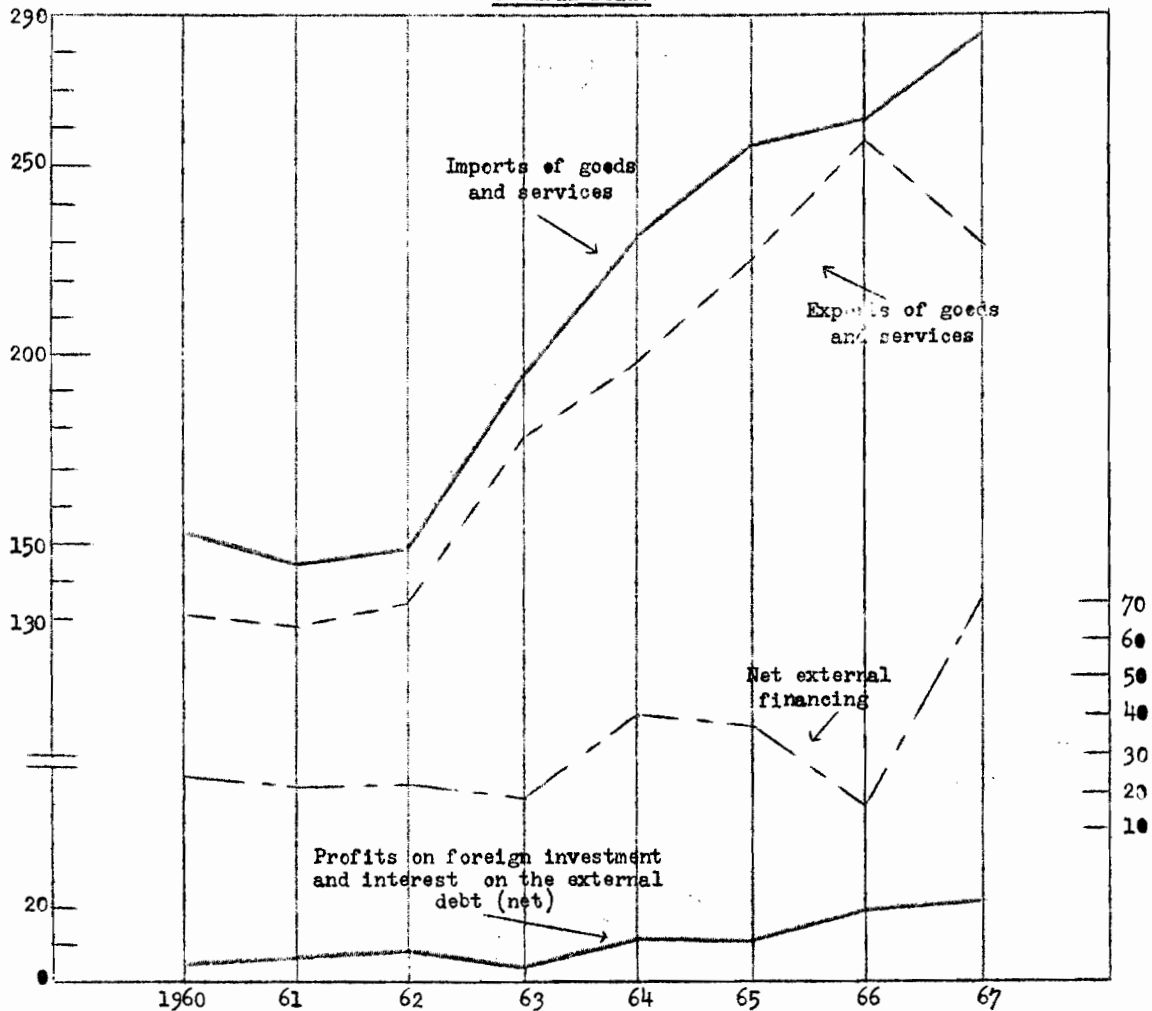
Natural scale



EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

Natural scale

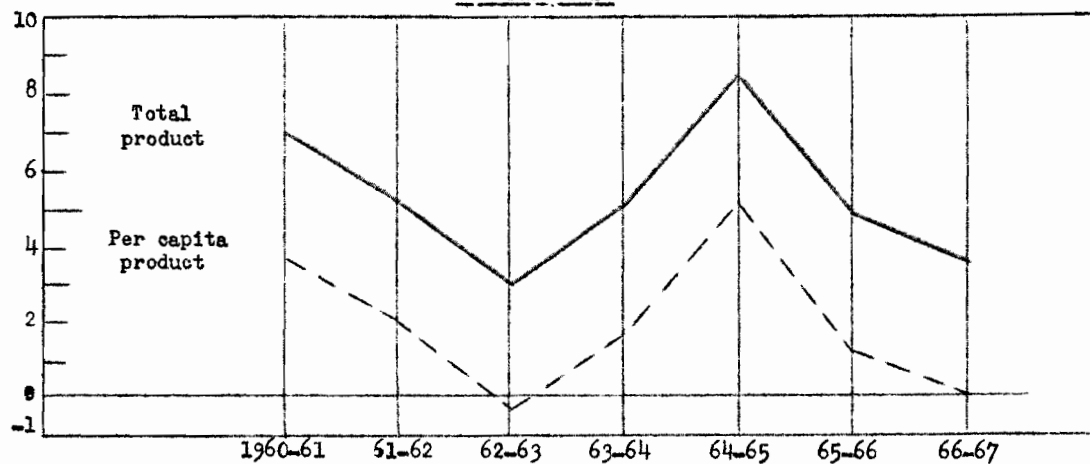


/Figure II-8

Figure II-8

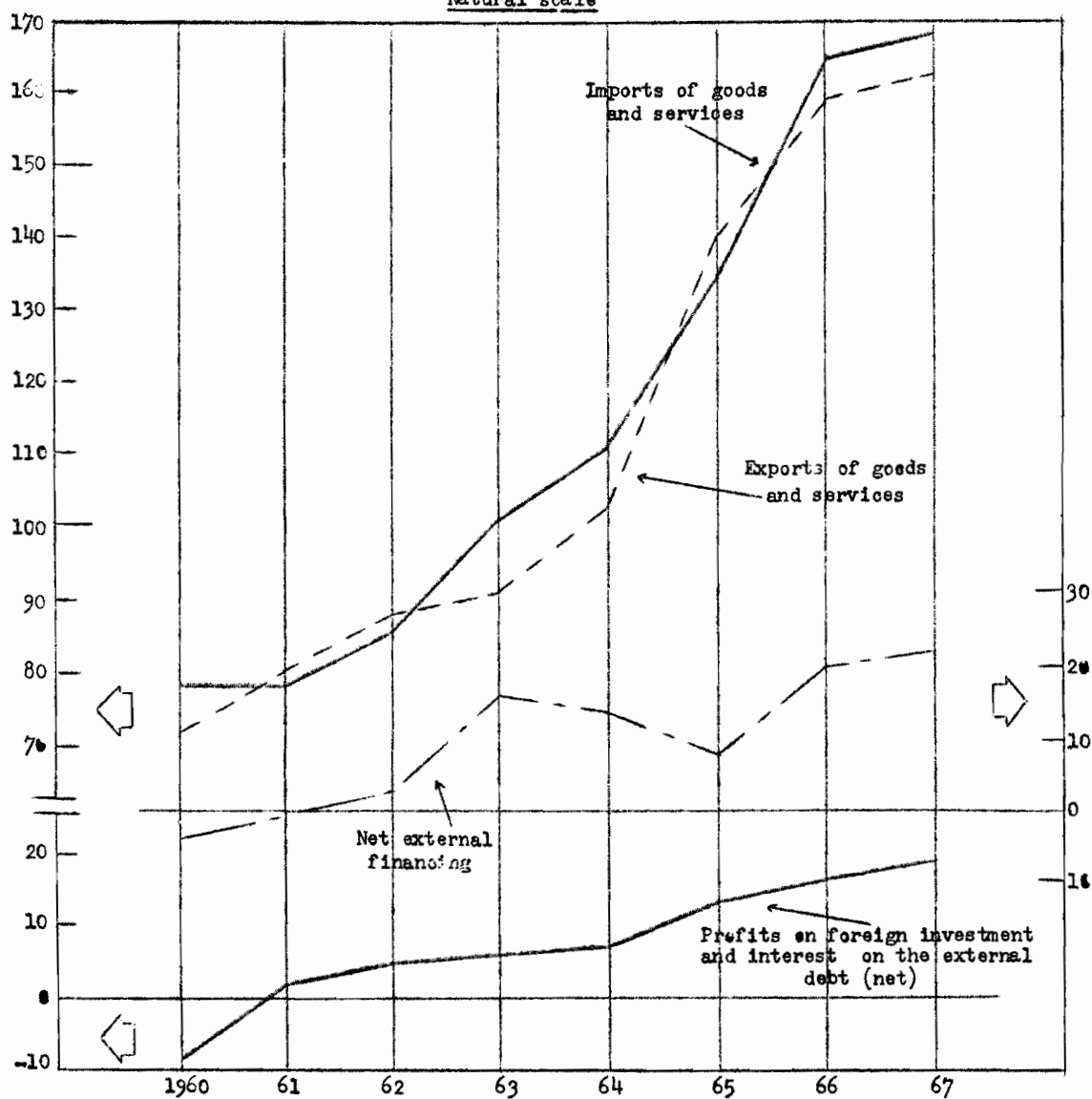
HONDURAS: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)

Natural scale

EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

Natural scale

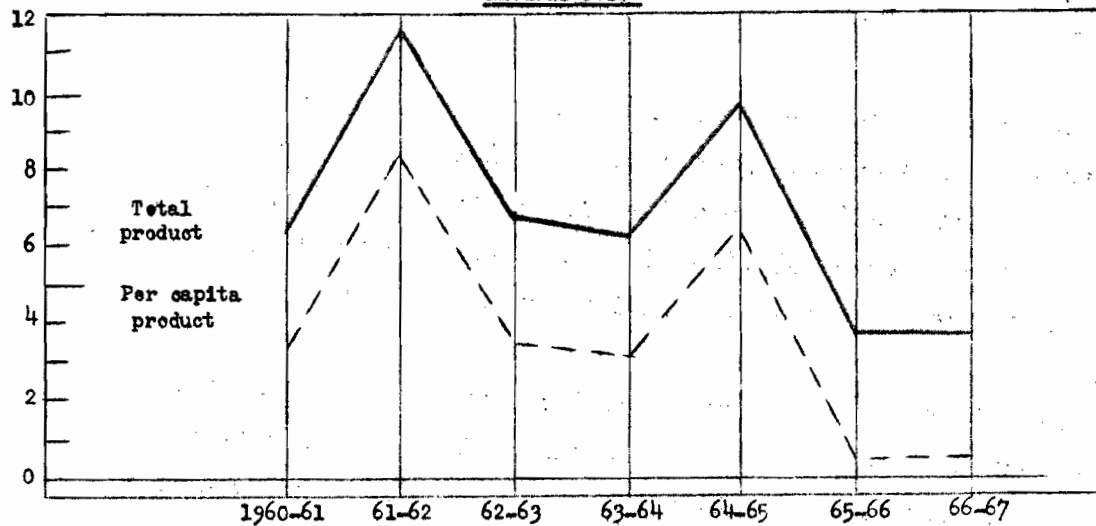
/Figure II-9

Figure II-9

NICARAGUA: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)

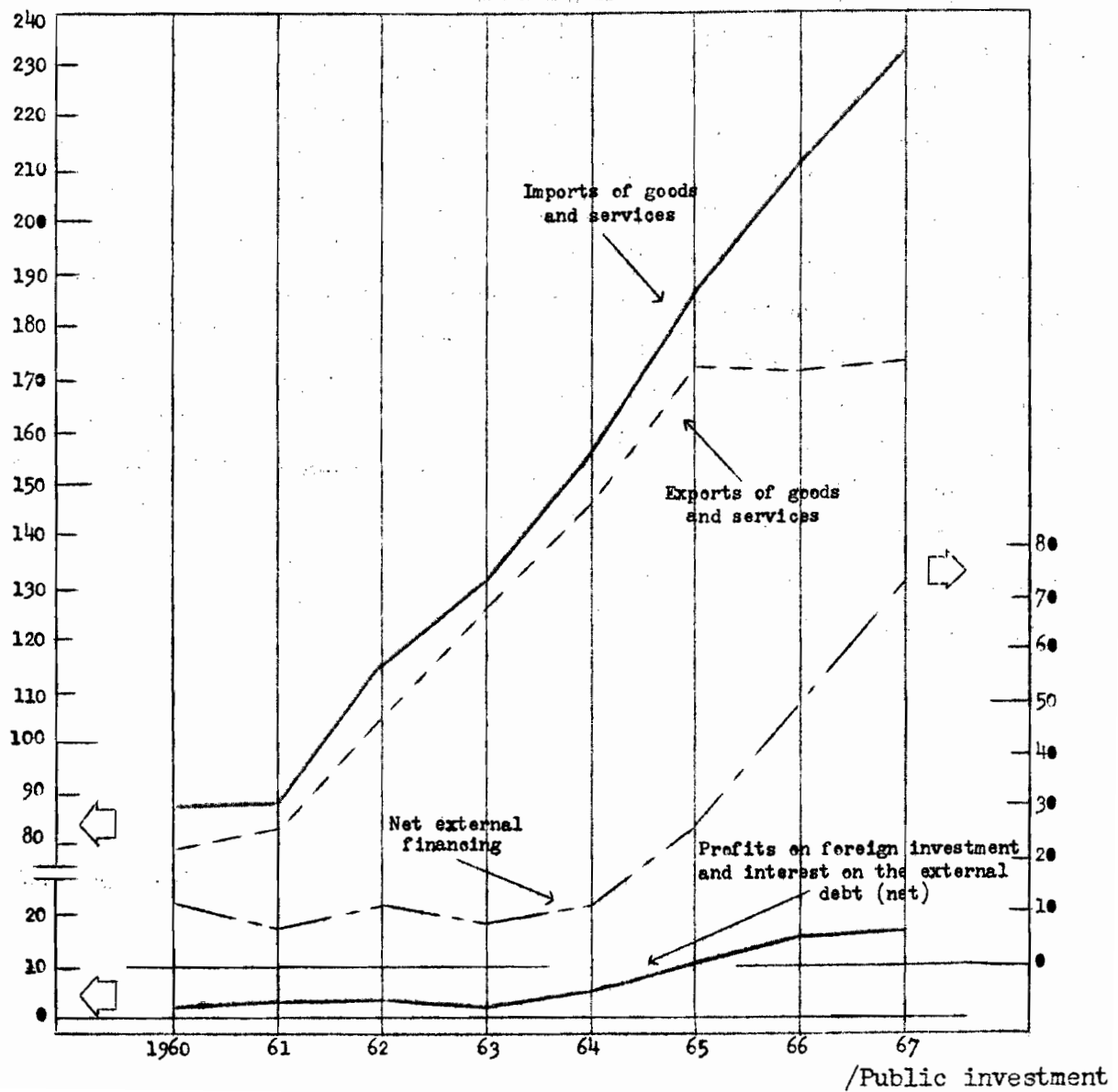
Natural scale



EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

Natural scale



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 II-20). In the rest of the area, the fact that greater external financing was available to the public sector made it possible to improve on the low levels of investment 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 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.

Net capital inflows were sufficient in any case 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 there was an accentuation of the weakening trend in the growth of exports first started in 1966. 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 II-32). 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, 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 II-33).

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 rising 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.

/Table II-32

Table II-32

CENTRAL AMERICA: F.O.B. VALUE OF EXPORTS AND VARIATIONS  
IN QUANTUM AND IN UNIT VALUE OF MAJOR PRODUCTS, 1963-67

	1963	1964	1965	1966 <sup>a/</sup>	1967 <sup>a/</sup>
<u>Millions of dollars</u>					
<u>Total</u>	<u>590.2</u>	<u>675.8</u>	<u>772.2</u>	<u>843.5</u>	<u>845.3</u>
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
<u>Annual percentage variations</u>					
<u>Quantum</u>					
<u>Total</u>		<u>9.4</u>	<u>11.3</u>	<u>12.6</u>	<u>5.4</u>
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
<u>Unit value</u>					
<u>Total</u>		<u>4.3</u>	<u>1.5</u>	<u>-2.2</u>	<u>-4.5</u>
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.

<sup>a/</sup> Provisional figures.

Table II-33

CENTRAL AMERICA: F.O.B. VALUE AND VOLUME OF EXPORTS OF MAJOR AGRICULTURAL PRODUCTS, 1963-67

Product and country	Millions of dollars					Thousands of tons				
	1963	1964	1965	1966	1967 a/	1963	1964	1965	1966	1967 a/
<b>Cotton</b>	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	-	-	-	-	-	-	-	-	-	-
<b>Bananas</b>	70.1	71.2	84.7	109.3	116.0	720.1	731.0	911.3	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
<b>Coffee</b>	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
<b>Fresh meat</b>	20.7	19.7	17.7	24.2	26.2	20.6	29.3	25.2	22.0	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.

Exports of

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 in 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, as a result of 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 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 II-34).

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 II-34

CENTRAL AMERICA: BALANCE-OF-PAYMENTS SUMMARY, 1963-67

(Millions of dollars)

	1963	1964	1965	1966	1967 <u>a/</u>
Total exports <u>b/</u>	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 <u>c/</u>	-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 <u>d/</u>
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.

/Within this

Within this general trend for the area, there were of course divergencies 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 of current account of some 256 million dollars for the area as a whole (see table II-34). 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 greater 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 II-35, and figures II-5 to II-9).

Table II-35

## CENTRAL AMERICA: BALANCE-OF-PAYMENTS SUMMARY, BY COUNTRY, 1963-67

(Millions of dollars)

	1963	1964	1965	1966	1967 <sup>a</sup>
<b>A. GUATEMALA</b>					
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
Change 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
<b>B. EL SALVADOR</b>					
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	142.8	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	-31.3	0.2
Long-term	15.1	16.8	24.6	39.2	24.3
Change in stocks (increase -)	-14.9	-3.0	-10.6	11.3	12.0
Errors and omissions	-0.4	-4.2	-4.0	1.4	-
<b>C. HONDURAS</b>					
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
Change 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

/Table II-35 (concluded)

Table II-35 (concluded)

	1963	1964	1965	1966	1967 <sup>a/</sup>
<b>D. NICARAGUA</b>					
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 <sup>b/</sup>	-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
<b>E. COSTA RICA</b>					
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 <sup>b/</sup>	-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.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Including transfer and factor payments.



#### 4. Agricultural production

Preliminary estimates indicate that agricultural production in the area continued to expand in the crop year 1967/68,<sup>2/</sup> trends showing a 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 a total of about 260,000 tons, which 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 recovery in cotton production was due partly to an expansion of the area under cultivation because of the improvement in world prices, and partly to better credit and technical support 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 II-36).

Coffee production was more stable. Except for the crop years 1965/66 and 1966/67, when 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 lands 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 years' - will tend to aggravate the problem.

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2/ Apparent discrepancies between agricultural data based on crop years and data on the value added of the sector are basically due to the different methods applied in order to distinguish between the crop year and the calendar year.

Table II-36

CENTRAL AMERICA; CROP PRODUCTION FOR EXPORT, 1962/63-1967/68

(Thousands of tons)

	1962/63	1963/64	1964/65	1965/66	1966/67 <sup>a/</sup>	1967/68 <sup>b/</sup>
<u>Central America</u>						
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
<u>Guatemala</u>						
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
<u>El Salvador</u>						
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
<u>Honduras</u>						
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
<u>Nicaragua</u>						
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
<u>Costa Rica</u>						
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.

<sup>a/</sup> Provisional figures.<sup>b/</sup> Estimates.<sup>c/</sup> Costa Rica only.

/Lastly, banana

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;<sup>3/</sup> 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 countries in the area. This decline was in general due to adverse weather conditions (see table II-37).

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.

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3/ 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 II-37

CENTRAL AMERICA: CROP PRODUCTION FOR HOME CONSUMPTION, 1962/63-1967/68

(Thousands of tons)

	1962/63	1963/64	1964/65	1965/66	1966/67 <sup>a/</sup>	1967/68 <sup>b/</sup>
<u>Central America</u>						
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
<u>Guatemala</u>						
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
<u>El Salvador</u>						
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
<u>Honduras</u>						
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
<u>Nicaragua</u>						
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
<u>Costa Rica</u>						
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.

<sup>a/</sup> Provisional figures.<sup>b/</sup> Estimates.

/In view

In view of the large quantities of rice imported into all the Central American countries, these countries are trying to introduce changes into 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 had 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 the case of Honduras, for example.

In livestock production in the area there was a high rate of slaughter in 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 because if 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 tyres 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 El Salvador Industrial Development Institute (Instituto Salvadoreño de Fomento Industrial) 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

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

## COLOMBIA

### 1. Major sectors of production

The growth pattern of the Colombian economy during the year 1967 was characterized by the reduction 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 II-38) 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 II-39 and figure II-10).

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 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.

/Table II-38



Table II-38  
COLOMBIA: AGGREGATE SUPPLY AND DEMAND, 1960 AND 1965-67

	Quantum (millions of pesos at 1960 prices)				Annual growth rates (percentages)		
	1960	1965	1966	1967 <sup>a/</sup>	1960- 1965	1965- 1966	1966- 1967
<u>Aggregate supply</u>	<u>30 738</u>	<u>37 089</u>	<u>40 302</u>	<u>40 272</u>	<u>3.8</u>	<u>8.7</u>	<u>-0.1</u>
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
<u>Aggregate demand</u>	<u>30 738</u>	<u>37 089</u>	<u>40 302</u>	<u>40 272</u>	<u>3.8</u>	<u>8.7</u>	<u>-0.1</u>
Exports of goods and services	4 012 <sup>b/</sup>	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

Sources: ECLA, on the basis of data provided by the Banco de la República, Departamento de Investigaciones Económicas, Cuenta Nacionales.

a/ Provisional figures.

b/ ECLA estimates.

Table II-39

COLOMBIA: GROSS DOMESTIC PRODUCT BY SECTORS OF ECONOMIC ACTIVITY

(Annual percentage growth rates)

Sector	1965/60	1966/65	1967/66 <sup>a/</sup>
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
<u>Total for services</u>	5.5	6.1	3.9
Transport and communications	5.4	6.3	2.2
Transport	4.5	5.6	2.0
Communications	11.1	9.8	3.4
Commerce and finances	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
<u>Total</u>	<u>4.4</u>	<u>5.3</u>	<u>4.0</u>

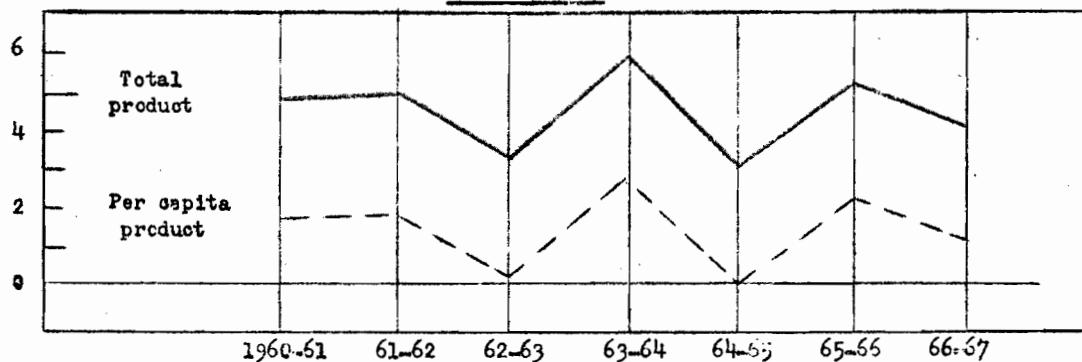
Source: ECLA, on the basis of data supplied by the Banco de la República, Departamento de Investigaciones Económicas, Cuentas Nacionales.

<sup>a/</sup> Provisional figures.

Figure II-10

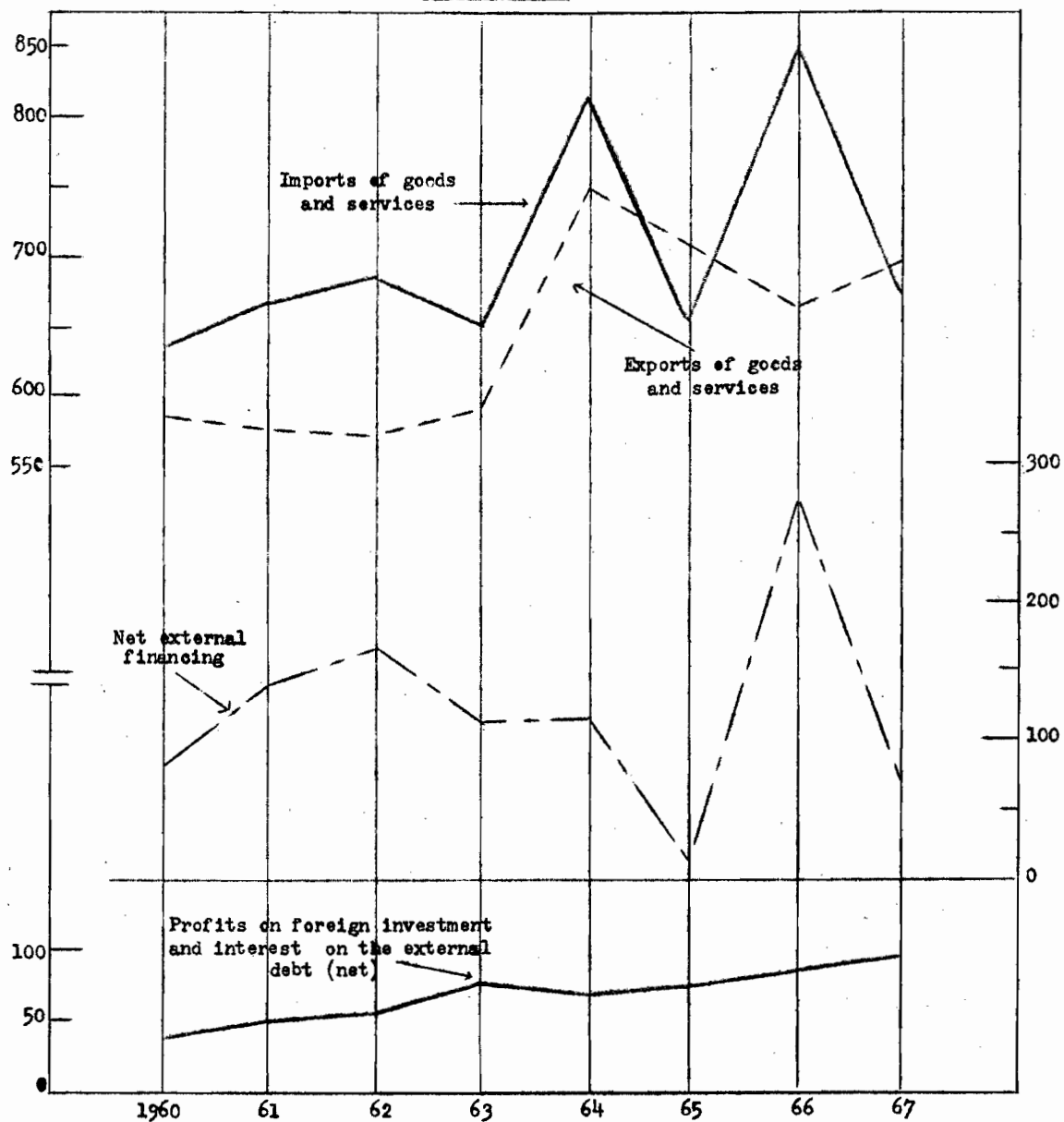
COLOMBIA: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)

Natural scale

EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

Natural scale

/Weather conditions

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 a higher proportion was represented by supervised credit, provided mainly by such agencies as the Fondo Financiero Agrario, the Colombian Land Reform Institute (Instituto Colombiano de la Reforma Agraria - INCORA) and the 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 exploration 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 (Instituto Colombiano de Seguros Sociales) 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. This 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 minor 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. In consequence of this economic policy, the foreign exchange situation was considerably eased, 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 II-40 and figure II-10).

## 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.

Table II-40

COLOMBIA: BALANCE OF PAYMENTS, 1960 AND 1964-67

(Millions of dollars)

	1960	1964	1965	1966	1967 <sup>a/</sup>
<u>Current account</u>					
Exports of goods and services	589	749	709	662	694
Imports of goods and services	-634	-819	-654	-853	-675
Net returns on investment	-40	-73	-79	-86	-95
Private transfer payments	-	5	4	-	4
Balance on current account	-85	-138	-20	-277	-72
<u>Capital account</u>	85	138	20	277	72
Movements of autonomous (non compensatory) 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	
Net movements of compensatory capital (increase -)	-4	17	-43	55	-57
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: IMF, Balance of Payments Yearbook, vol.18.

<sup>a/</sup> Preliminary estimates.

/Prior to

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 loss inevitable implied 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 corresponding to 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

revenue, which was 15 per cent higher than in the preceding year, to judge from the figures for January-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



## CHILE

In 1967, the Chilean economy departed from its trend during 1965 and 1966 in two ways. The growth of the product slowed down to about 3 per cent from 6 per cent in the previous two years (see table II-41 and figure II-11), 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 the monetary policy was tightened up. In addition, inventories of industrial goods stood at fairly high levels at the beginning of 1967, owing to stockpiling during the two preceding years. In view of this and other 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 that supply the building sector (see table II-42).

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 on the supply side.

### 1. Production and employment

It is estimated that agricultural production expanded by 3.1 per cent in 1967 (see table II-43). 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; this was largely due to the 3 per cent reduction in wheat, which accounts for 75 per cent of all grains. Sugar-beet production on the other hand, was a little over 45 per cent higher, and output of other industrial crops also increased (see table II-43).

Table II-41

CHILE: ANNUAL GROWTH RATES OF THE POPULATION AND TOTAL AND  
PER CAPITA GROSS DOMESTIC PRODUCT

(Percentages)

Period	Gross domestic product	Population	Per capita product
1960-64	5.0	2.2	2.8
1964-67	4.8	2.3	2.5
1964-65	5.0	2.3	2.7
1965-66	6.6	2.3	4.3
1966-67 <u>a/</u>	2.8	2.4	0.4

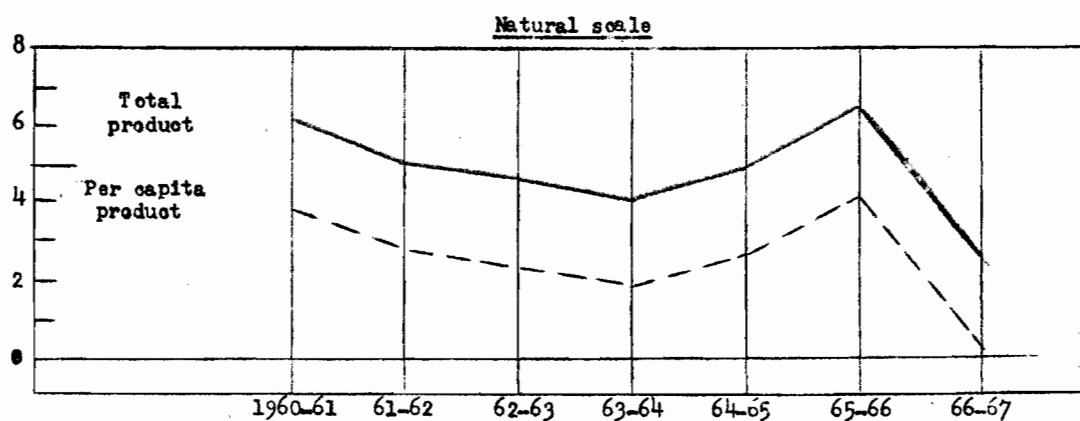
Source: ECLA, on the basis of official statistics.

a/ Preliminary estimates.

Figure II-11

CHILE: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)



EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

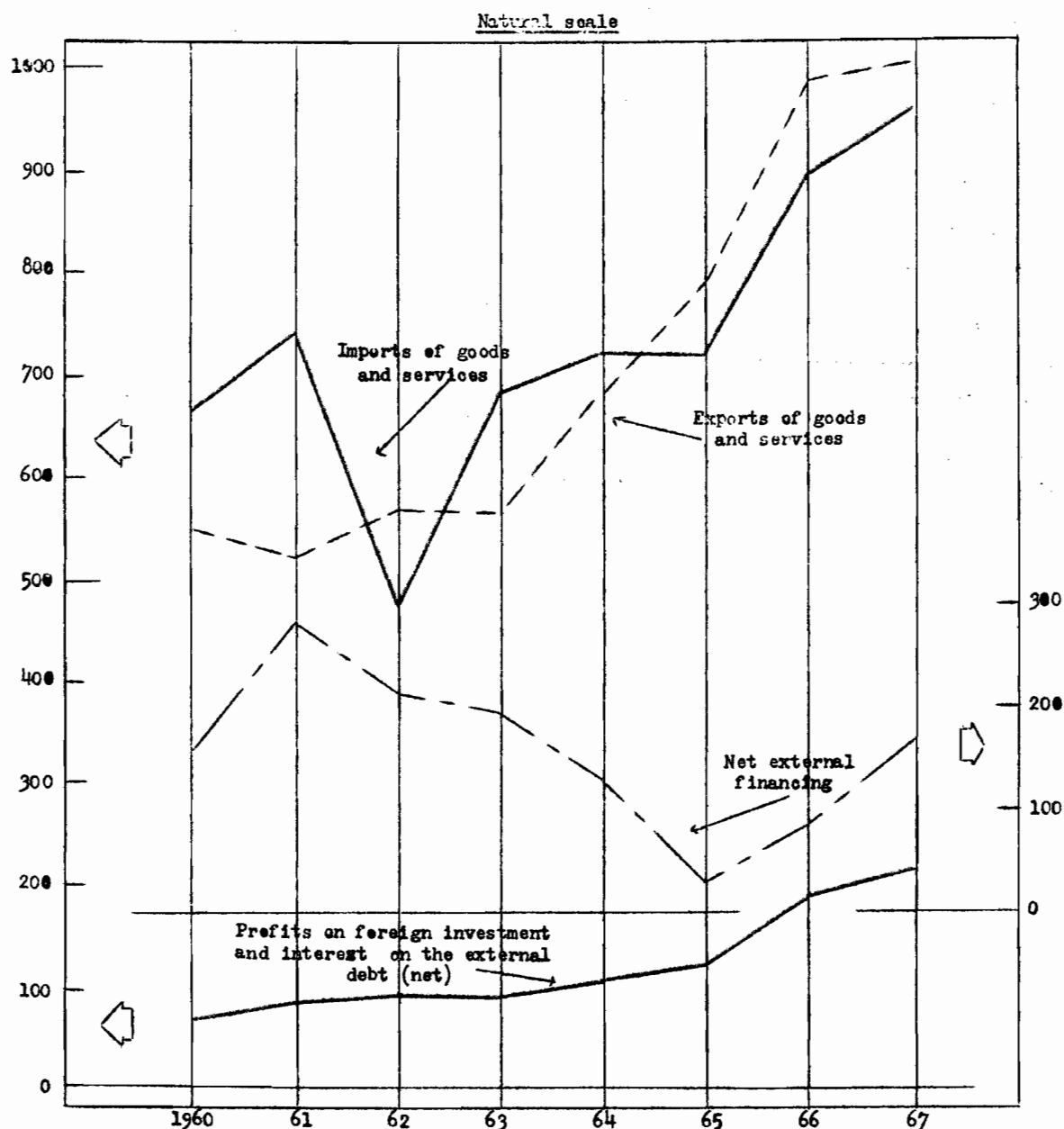


Table II-42

CHILE: AGGREGATE SUPPLY AND DEMAND

	Millions of escudos at 1960 prices				Percentage annual growth rates		
	1960	1965	1966	1967 a/	1960-1965	1965-1966	1966-1967
<u>Aggregate supply</u>	<u>4 857</u>	<u>6 050</u>	<u>6 563</u>	<u>6 724</u>	<u>4.5</u>	<u>8.5</u>	<u>3.5</u>
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
<u>Aggregate demand</u>	<u>4 857</u>	<u>6 050</u>	<u>6 563</u>	<u>6 724</u>	<u>4.5</u>	<u>8.5</u>	<u>3.5</u>
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 Presidencia de la República; Oficina Nacional de Planificación, Cuentas Nacionales de Chile 1960-1966, August 1967; IMF, 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 II-42

CHILE: ANNUAL GROWTH RATES OF THE GROSS DOMESTIC  
PRODUCT BY ECONOMIC SECTORS OF ACTIVITY

(Percentages)

Sector	1960-64	1964-67	1964-65	1965-66	1966-67 a/
Agriculture, forestry and fishing	3.0	2.7	-2.3	7.6	3.1
Crop farming					
Stock farming					
Forestry					
Hunting and fishing					
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
Transport			-	-	-
Communications			-	-	-
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
<u>Total</u>	<u>5.0</u>	<u>4.8</u>	<u>5.0</u>	<u>6.6</u>	<u>2.8</u>

Sources: ECLA, on the basis of official statistics; Oficina Nacional de Planificación, Cuentas Nacionales de Chile, 1960-1966. August 1967.

a/ Preliminary ECLA estimates.

/Livestock production

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 that produce raw materials and intermediate goods, because of weaker demand in the construction sector, earlier stockpiling and long-standing 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 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 CORVI houses that were begun in 1967, CORVI's budget in

/real terms

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, during the third quarter of the year, it slackened off, 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 accounts 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, owing either to their staying longer at school in the first instance, or to their 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

Export on current account (see table II-44 and figure II-11) made less progress than formerly, whereas imports and net remittances abroad maintained the same extremely high level.

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.<sup>4/</sup> The price obtained by the small and medium-sized companies was lower than in 1966, however, in spite 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, underwent a 28 per cent decrease owing to reductions in fish meal and processed copper sales. During the first nine months of 1967, anchoveta shipment 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 markets, where this type of copper is in demand. Exports of other items obtained good results, especially newsprint and paperboard, which are developing well in accordance with the plan for expansion. 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.

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<sup>4/</sup> Including some sales at the United States internal market prices.



Table II-14  
CHILE: BALANCE OF PAYMENTS, 1960-67  
(Millions of dollars)

	1960	1964	1965	1966	1967 a/
<u>I. Current account</u>					
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
<u>II. Capital account</u>					
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: IMF, Balance of Payments Yearbook, vol. 17 and 18.

a/ Estimated by Banco Central de Chile.

/Imports of

Imports of capital goods and spare parts rose considerably in 1967, principally because of investment made for purposes of expansion by the large copper-mining companies, and of some other projects, including one for the transport sector, which were reflected in a 28.3 per cent increase in public and private purchases of equipment. Then, too, the stagnation in petroleum production made it necessary to import more crude and fuel oil, which increased 12.3 per cent. Smaller amounts of raw materials were bought for industry, partly because of the reduced rate of activities and 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 remained high as in the previous year.

The balance of payments recorded a heavier deficit on current account because of the increase in remittances abroad, particularly transfers of the profits of foreign firms, which together amounted to 215 million dollars as against 185 million in 1966. Another factor was the rise in profits as a result of higher copper prices and the reduction of 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.

From the balance-of-payments capital account, it appears that the decrease in the 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, the decline was essentially due to a reduction in the drawings on credits provided by the Agency for International Development (AID) 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 structure of the country, such as expanding education, increasing exports and carrying through land reform.

/Progress was

Progress was made towards the first policy objective 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 the earlier policy 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, 1.25 million 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, where new steps were taken including the establishment of the Andean Development Corporation (Corporación Andina de Fomento).

## 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 II-45 and figure II-12).

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 pressures (the cost of living rose by 4 per cent) (see table II-46).

### 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.

Table II-45

**ECUADOR: EVOLUTION OF GROSS DOMESTIC PRODUCT, 1960-67**  
(Suores at 1960 market prices)

Year	Gross domestic product (millions of suores)	Per capita gross domestic product (suores)	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: For 1960-66: Banco Central del Ecuador. For 1967: provisional ECLA estimates.

Table II-46

**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 <sup>a/</sup>	1966	1967	1964-65	1965-66	1966-67
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 <sup>a/</sup>	12.7	2.4	9.5	8.4
Public	4.5	4.3	4.4 <sup>a/</sup>	4.7	-2.8	8.3	13.8
Private	7.5	7.6	8.0 <sup>a/</sup>	8.0	5.5	10.2	5.4
Total consumption <sup>b/</sup>	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 <sup>b/</sup>	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.

<sup>a/</sup> Provisional figures.

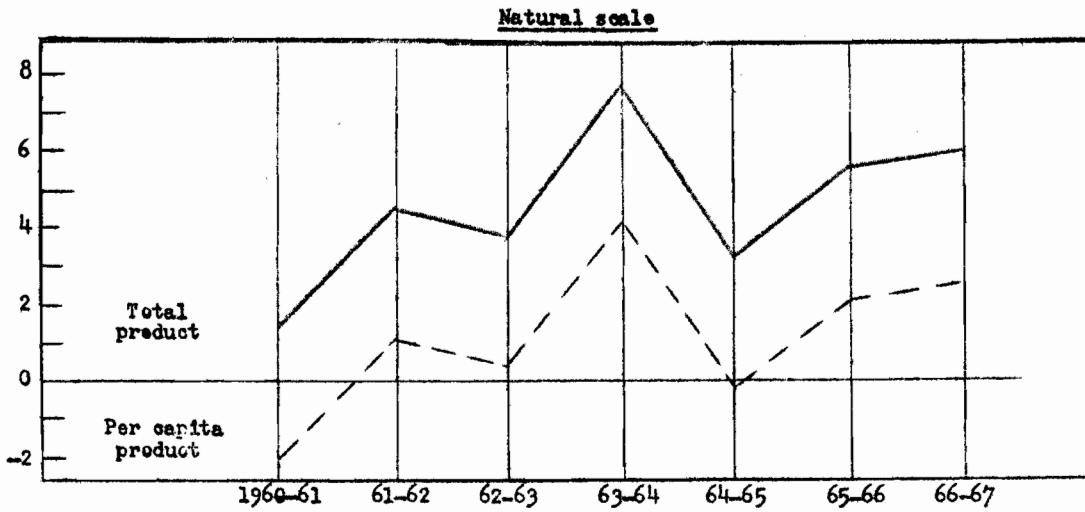
<sup>b/</sup> Including changes in stocks.

/Figure II-12

Figure II-12

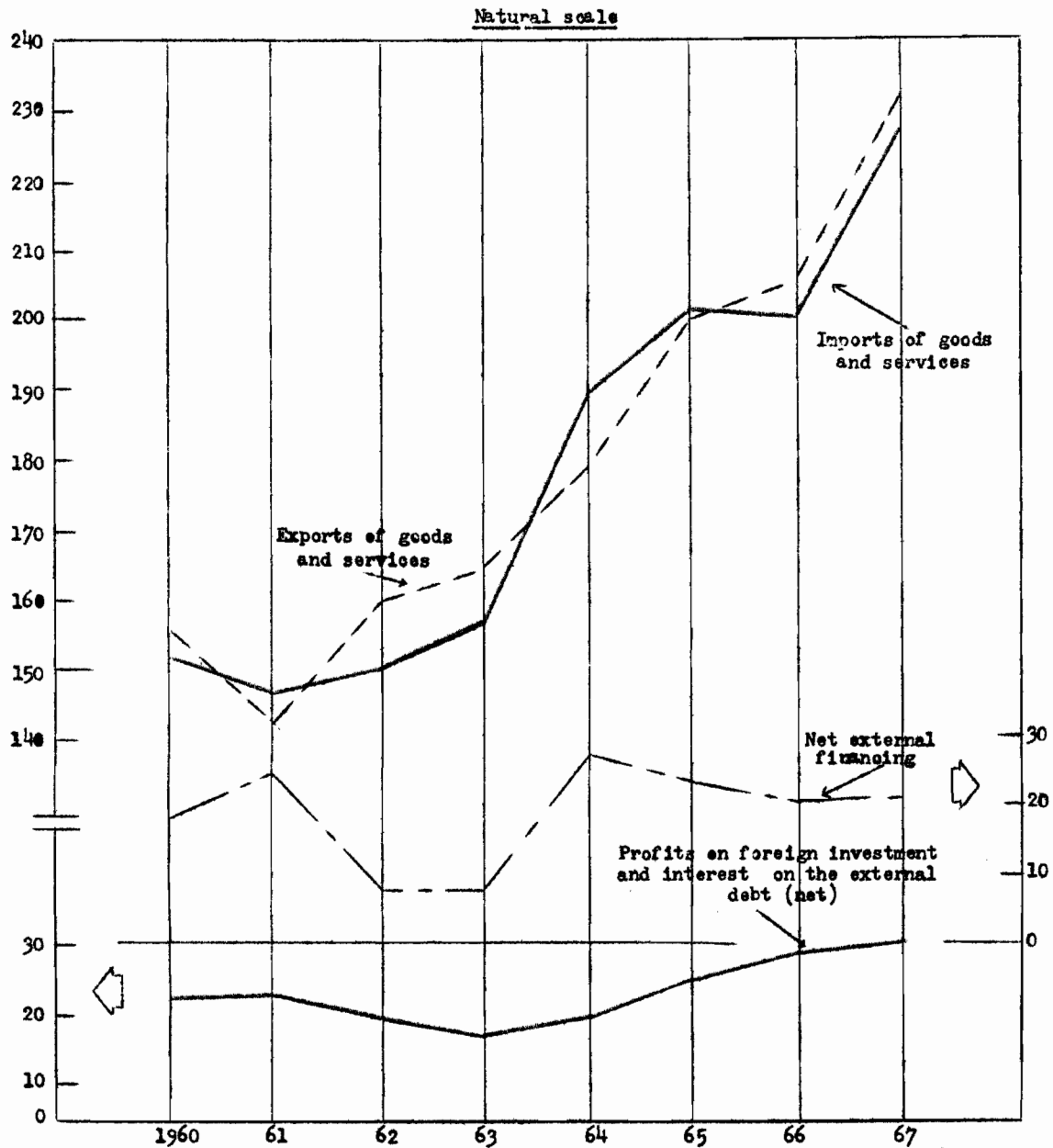
ECUADOR: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)



EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)



/There was

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 II-47).

## 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 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 II-48 and figure II-12).

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 Agreement, and partly to agreements signed with countries not parties to the Agreement. A rise in world prices was responsible for the increase in the value of cocoa exports.

Table II-47

ECUADOR: GROWTH RATES OF GROSS DOMESTIC PRODUCT BY SECTORS, 1964-67 <sup>a/</sup>

(At factor cost)

Sector	Annual growth rates		
	1964-65	1965-66	1966-67
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
<u>Total basic goods and services</u>	<u>2.8</u>	<u>4.3</u>	<u>5.5</u>
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
<u>Total services</u>	<u>5.8</u>	<u>5.4</u>	<u>6.8</u>

Source: Up to 1966: data from the Memorias del Banco Central del Ecuador. For 1967: provisional ECLA estimates based on national indicators.

<sup>a/</sup> Calculations based on series expressed in terms of sucres at 1960 prices.

Table II-48

ECUADOR: BALANCE OF PAYMENTS, 1964-67

(Millions of dollars at current prices)

Sector	1964	1965	1966	1967 <sup>a/</sup>
<u>Current account</u>	-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
<u>Capital account</u>	-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: IMF, Balance of Payments Yearbook, vol. 18.

<sup>a/</sup> Provisional ECLA estimates.

/Despite the



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 II-49), but there too, there is a risk of restrictive measures being applied. In view of this situation, efforts are being made to place Ecuadorian bananas in a better competitive position through the introduction of improved varieties (replacement of Gross Michel by Cavendish) and the enlargement of the banana fleet. Furthermore, as part of an attempt to broaden export markets, seven trade 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 restrict expenditure and, by means of surcharges on imports and increased use of external financing, to obtain additional income. In 1967, the estimated public-sector deficit seems to have been 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.

Table II-49

ECUADOR: VOLUME OF BANANA EXPORTS BY AREAS OF DESTINATION, 1960-66  
(Volume percentages)

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.

GUYANA

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 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 per capita (see table II-50 and figure II-13). 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 attained in recent years was based on a large-scale programme of public works, which have considerable impetus to the public sector and construction - both of which expanded by about 60 per cent in the three-year period 1963-66 -, and on the impact this had 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, pursued a rapid upward trend. However, the economic boom in the last few years generated sufficient resources to finance the extra expenditure without levying new or higher taxes. The current Development Programme includes Plans for public investment of 200 million Guyanese dollars in 1966-72.

Fixed capital formation increased by 33 per cent in 1964, and by the same percentage 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 II-51).

Table II-50

GUYANA: COMPOSITION AND GROWTH OF THE GROSS PRODUCT BY MAIN SECTORS, 1962-66

(Absolute values at current prices)

Main sectors	Percentage share					Annual growth rates		
	1962	1963	1964	1965	1966b/	1964	1965	1966b/
Agriculture a/	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 a/	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
<u>Gross domestic product</u>	<u>100.00</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>10.0</u>	<u>8.8</u>	<u>8.9</u>

Source: ECLA, on the basis of official statistics.

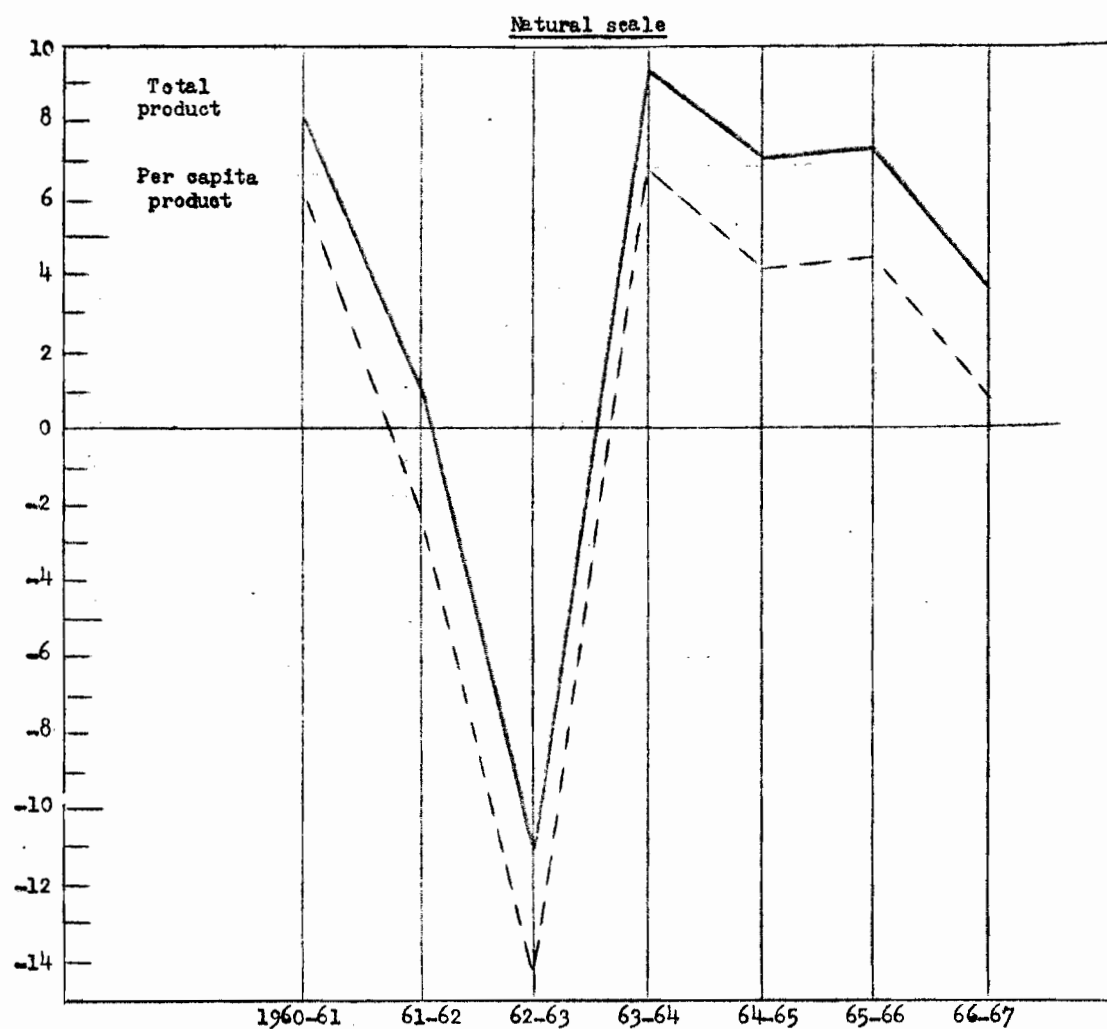
a/ Sugar cane and unhulled rice are classified under agriculture, while processed sugar and rice are included in manufacturing. The percentage share of these commodities in the total gross product is as follows:

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

b/ Provisional figures.

## GUYANA: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)



## EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

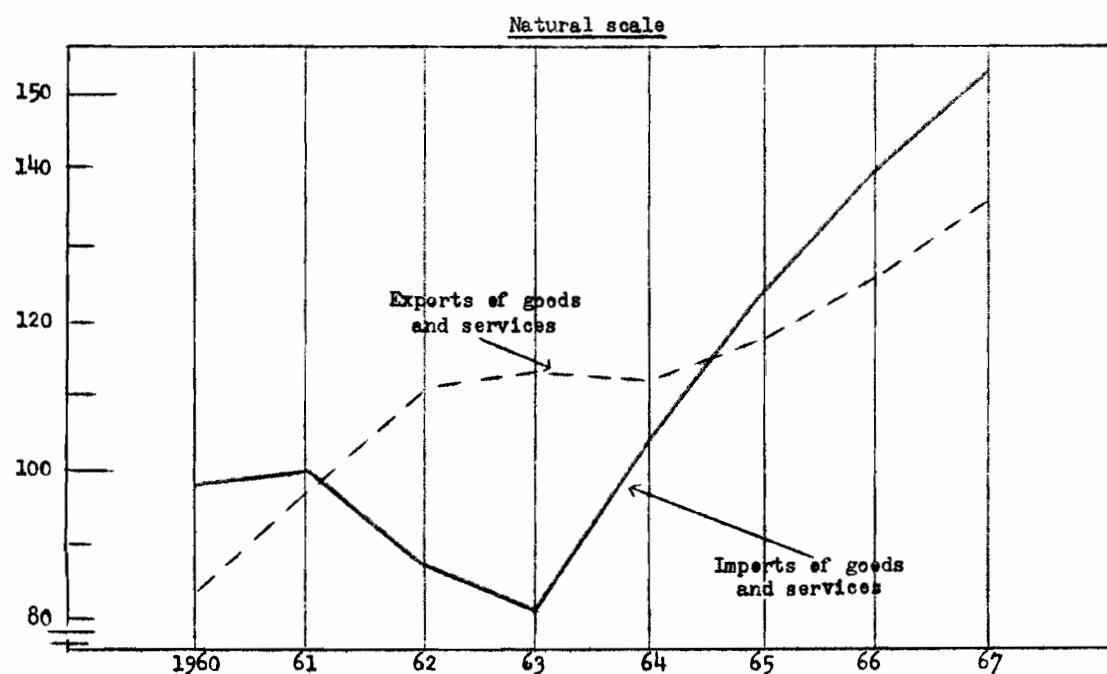


Table II-51

GUYANA : COMPONENTS OF AGGREGATE SUPPLY AND DEMAND, 1962-66

(Millions of Guyanese dollars at current prices)

	1962	1963	1964	1965	1966 <sup>a/</sup>
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	52.8	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.

<sup>a/</sup> Provisional figures.

/Another of

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 low level to which consumption had sunk during the economic recession.

The upturn in bauxite production, which is one of the export staples, was another factor that 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 II-13).

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 devaluated on a par with sterling, and thus became equivalent to 0.50 United States dollars.

/HAITI

## 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 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 II-14). As a result, the present levels of the product are lower than those 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. In view of this, employment in industry probably declined, though this was masked to some extent by the reduction in the number of hours worked. As a result of this situation, there was a falling-off in the utilization of various inputs and services. 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.

/Figure II-14

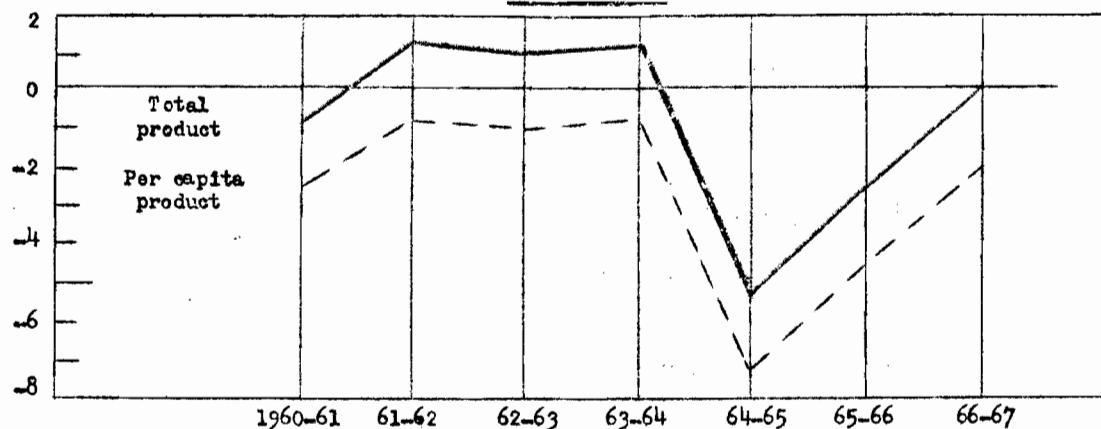


Figure II-14

HAITI: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)

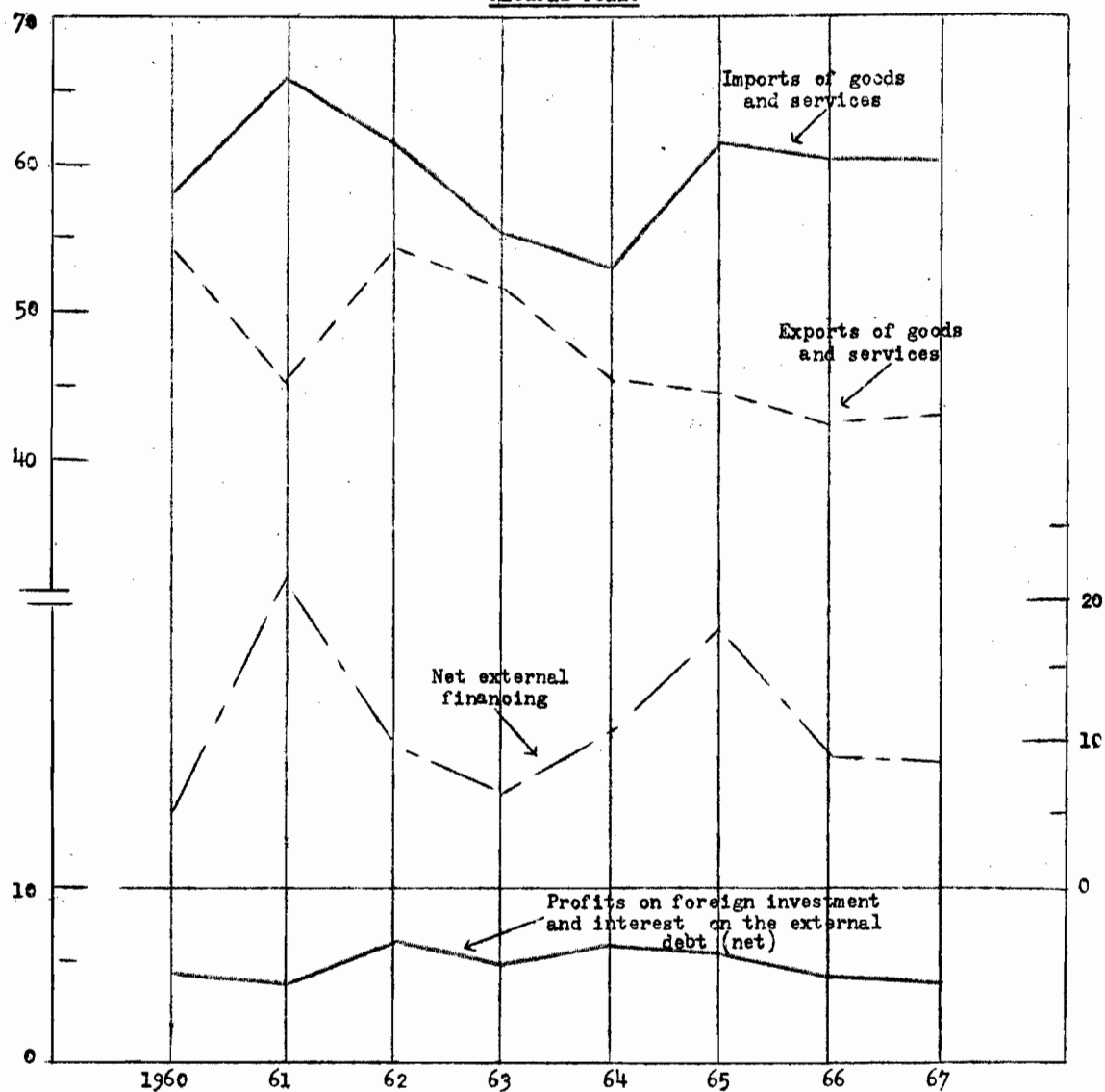
Natural scale



EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

Natural scale



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 II-52 and figure II-14). 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.

Table II-52

## HAITI: BALANCE OF PAYMENTS, 1964-67

(Millions of dollars at current prices)

	1964	1965	1966	1967 <sup>a/</sup>
<u>Current account</u>				
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
<u>Capital account</u>				
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: IMF, Balance of Payments Yearbook, vol.19.

<sup>a/</sup> Preliminary ECLA estimates.

## JAMAICA

The Jamaican economy grew at a fairly rapid rate over the period 1964-66 with the gross domestic product at current market prices increasing at an average of almost 8 per cent per year (see table II-53 and figure II-15). The rate fell off somewhat during 1967 to a little less than 6 per cent over the previous year's level. This is due to a levelling-off in the upsurge of economic activity, which began during the second half of 1963 under the spur of increased export earnings mainly in response to booming sugar prices, large new investments in the mining sector, and the establishment of an oil refinery. With the drop in sugar prices, exports took a secondary role and the impetus to growth was provided by new investment, which continued to expand, 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 a peak of 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 fared even worse than agriculture for the home market. In the former category are sugar, bananas and citrus fruit.

During 1963-66, the production of sugar-cane rose slowly at an average annual rate of about 3 per cent owing to 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 II-54). 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 increased use of fertilizers since 1960. Production during 1967 was severely affected by the drought, and, up to November, was estimated at 178,000 tons. This is well below the figure of 188,000 tons for the same period in 1966.

Table II-53

JAMAICA: GROSS DOMESTIC PRODUCT AT FACTOR COST, 1960-67

Sector	Millions of Jamaica pounds at current prices					Annual percentage growth rate			
	1960	1964	1965	1966 <sup>a/</sup>	1967 <sup>b/</sup>	Average 1960-64	1964-65	1965-66	1966-67
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	19.3	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 <sup>c/</sup>	44.7	61.1	68.0	73.6	78.6	8.1	12.9	8.2	6.8
Gross domestic product at factor cost	215.4	272.7	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.

<sup>a/</sup> Provisional figures.

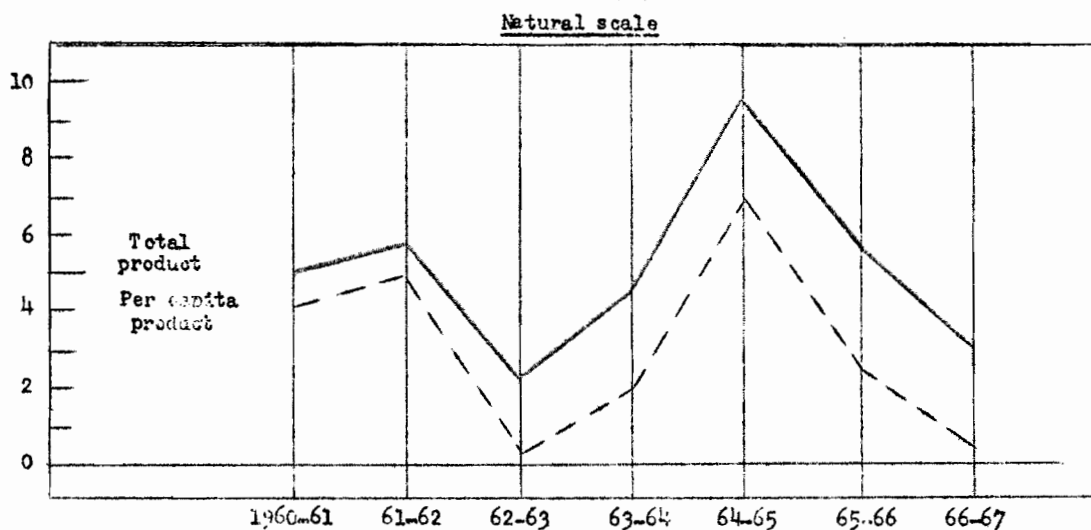
<sup>b/</sup> ECLA estimates.

<sup>c/</sup> Including electricity, gas and water, financial institutions, ownership of dwellings and miscellaneous services.

Figure II-15

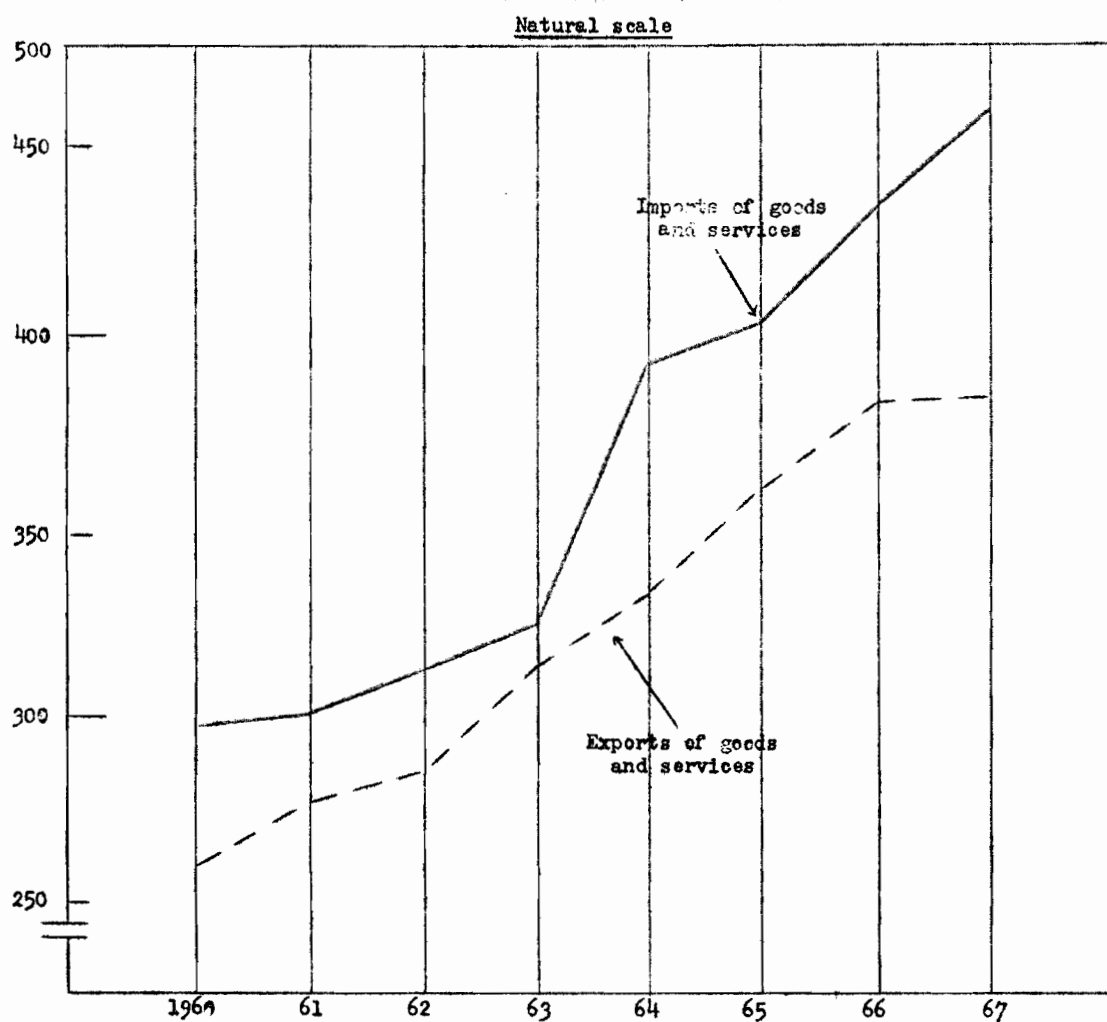
JAMAICA: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)



EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)



/Table II-54

Table II-54

JAMAICA: PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES, 1963-66

Commodity	Unit	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: Official statistics.

a/ Provisional figures.

b/ Crop year.

/The other

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, 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 agricultural 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 production 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 this trend continued during 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 about 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



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 II-55 shows that output of bauxite grew rapidly between 1963 and 1966, averaging nearly 8 per cent per annum.

However, production tapered off during 1966 and is estimated to have had a growth rate of about 5 per cent during 1967. However, new 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 capacity.

The growth of manufacturing during the nineteen-sixties fluctuated somewhat 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 about 7 per cent during 1967 (see table II-56).

/Table II-55

Table II-55

JAMAICA: BAUXITE AND ALUMINA PRODUCTION, 1963-67  
(Thousands of long tons)

Year	Bauxite	Alumina
1963	6 903	708
1964	7 811	745
1965	8 514	741
1966	8 918	792
1967 <sup>a/</sup>	9 370	825

Source: Official statistics.

<sup>a/</sup> Provisional figures.

Table II-56

JAMAICA: PRODUCTION OF SELECTED INDUSTRIAL PRODUCTS, 1963-66

Product	Unit	1963	1964	1965	1966 <sup>a/</sup>
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: Official statistics.

<sup>a/</sup> Provisional figures.

/During the

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, but 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 relatively 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 and tobacco, and manufactured goods, which mainly pass to consumers, 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 annual 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. Allowing an average of 7 per cent for depreciation, this leaves about 7 per cent of the gross domestic product in the form of

/net domestic

net domestic savings. Gross domestic investment during the three-year period averaged 19.5 per cent per year, which indicates that there has been an annual inflow of external capital amounting to about 4.5 per cent of the gross domestic product. In view of the comparatively low rate of domestic savings, it is evident that growth of the economy has been largely dependent on external capital.

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 II-57).

### 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, after reaching their peak in 1963, which was the record year for exports during the sixties. The main export components on the visible side 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 II-58).

There was no significant expansion in visible exports in 1967. The provisional figure of 62.8 million Jamaica pounds for the first nine months of the year is slightly less than that of 64 million Jamaica pounds for the first nine months of 1966. The main responsibility for this lies with the poor sugar crop, which reduced exports; between January and December 1967 these fell short of the 1966 figure for the same period by about 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.

Table II-57

JAMAICA: PRODUCT, CONSUMPTION, INVESTMENT AND THE EXTERNAL SECTOR, 1960-67

	Millions of Jamaica pounds at current prices					Annual growth rate			
	1960	1964	1965 <sup>a/</sup>	1966 <sup>b/</sup>	1967 <sup>c/</sup>	Average 1960-64	1964- 1965	1965- 1966	1966- 1967
Gross domestic product at market prices	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.

<sup>a/</sup> Provisional figures.

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

<sup>c/</sup> ECLA estimates.

Table II-58

JAMAICA: EXPORTS OF SELECTED PRODUCTS, 1962-66

Product	1962		1963		1964		1965		1966	
	Millions of Jamai- ca pounds	Per- cent- age	Millions of Jamai- ca pounds	Per- cent- age	Millions of Jamai- ca pounds	Per- cent- age	Millions of Jamai- ca pounds	Per- cent- age	Millions of Jamai- ca pounds	Per- cent- age
<u>Total exports</u>	<u>62.2</u>	<u>100.0</u>	<u>70.2</u>	<u>100.0</u>	<u>75.6</u>	<u>100.0</u>	<u>74.9</u>	<u>100.0</u>	<u>79.0</u>	<u>100.0</u>
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	6.5	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: Official statistics.

/The most

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 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 II-59).

This pattern of imports seems to have continued during 1967, but at a higher level. Visible imports 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 II-60, which shows a constant and growing deficit for visible trade (see also figure II-15). 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 consistent positive net balance, which reflects the steady increases in earnings from tourism. Under transfer payments, remittances from migrants accounted for about 7 million Jamaica pounds in 1962, and increased to 48 million in 1963, thereafter falling steadily to about 6 million in 1966.



Table II-59

JAMAICA: VALUE OF IMPORTS GROUPED ACCORDING TO THE STANDARD INTERNATIONAL  
TRADE CLASSIFICATION (SITC), 1962-66

SITC section	1962		1963		1964		1965		1966	
	Millions of Jamai ea pounds	Per- cent- age	Millions of Jamai ea pounds	Per- cent- age	Millions of Jamai ea pounds	Per- cent- age	Millions of Jamai ea pounds	Per- cent- age	Millions of Jamai ea pounds	Per- cent- age
<u>Total imports</u>	<u>79.6</u>	<u>100.0</u>	<u>80.5</u>	<u>100.0</u>	<u>103.3</u>	<u>100.0</u>	<u>103.2</u>	<u>100.0</u>	<u>114.6</u>	<u>100.0</u>
0. Food	16.2	20.4	17.1	21.2	20.8	20.1	20.4	19.8	22.4	19.5
1. Beverages and tobacco	1.8	2.3	1.6	2.0	1.7	1.7	1.6	1.6	1.7	1.5
2. Crude materials	2.5	3.1	2.6	3.2	3.4	3.3	3.4	3.3	3.1	2.7
3. Mineral fuels	7.4	9.3	7.3	9.1	11.6	11.2	9.0	8.7	9.6	8.4
5. Chemicals	6.5	8.2	7.0	8.7	9.1	8.8	8.9	8.6	9.6	8.4
6. Manufactured goods	20.1	25.3	21.3	26.5	26.2	25.4	27.8	26.9	31.3	27.3
7. Machinery and transport equipment	18.1	22.7	16.6	21.0	21.5	21.0	22.8	22.1	27.6	24.1
8. Miscellaneous manufactured articles	6.5	8.2	6.5	8.1	8.2	7.9	8.4	8.1	8.4	7.3

Source: Official statistics.

Table II-60  
JAMAICA: BALANCE OF PAYMENTS, CURRENT ACCOUNT, 1962-66  
(Millions of Jamaica pounds)

	1962	1963	1964	1965	1966
Merchandise					
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	-32.2
Services (net)	+2.5	+2.0	+2.5	+8.3	+12.9
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	-10.6	-15.0

Source: Official statistics.

/The balance

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 balance on the global account, i.e., current and capital, is achieved through capital inflows.

The deficit on current account seems to have increased in 1967. It is estimated that visible exports stagnated and visible imports increased, while migrant's remittances probably decreased. Only tourism is expected to show increased earnings, but these would not be large enough to prevent the deficit from expanding.

#### 4. Other developments

Three days after the 14.3 per cent devaluation of sterling on 18 November 1967, the Jamaica pound was devalued to bring it back to parity with sterling. 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 restored to normal.

The decision to devalue should benefit agriculture, as well as 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. The growth of the market for Treasury bills, and its success in floating 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. 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 II-61 and figure II-16).

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, counter-balanced 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, although at a lower rate than in previous years. In consequence of the combination of all these trends with the contraction in sales of goods, the total value of exports of goods and services (2,200 million dollars) stood only just 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 II-62). 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.

Table II-61

MEXICO: ANNUAL GROWTH RATES OF THE GROSS DOMESTIC PRODUCT,  
BY SECTORS OF ECONOMIC ACTIVITY

(Percentages)

Sector	1965/60	1966/65	1967/66 a/
Agriculture, forestry and fishing	4.3	3.2	2.6
Crop farming	...	...	...
Stock farming	...	...	...
Forestry	...	...	...
Hunting and fishing	...	...	...
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
<u>Sub-total for services</u>	5.8	7.3	6.1
Transport and communications	3.2	4.3	5.0
Transport	...	...	...
Communications	...	...	...
Commerce and finance	...	...	...
Commerce	6.1	8.0	6.4
Finance	b/	b/	b/
Ownership of dwellings	b/	b/	b/
Public administration and defence	6.5	6.1	5.0
Other services b/	6.0	7.3	6.1
<u>Total</u>	<u>6.1</u>	<u>7.5</u>	<u>6.3</u>

Source: Banco de México, S.A.

a/ Provisional figures.

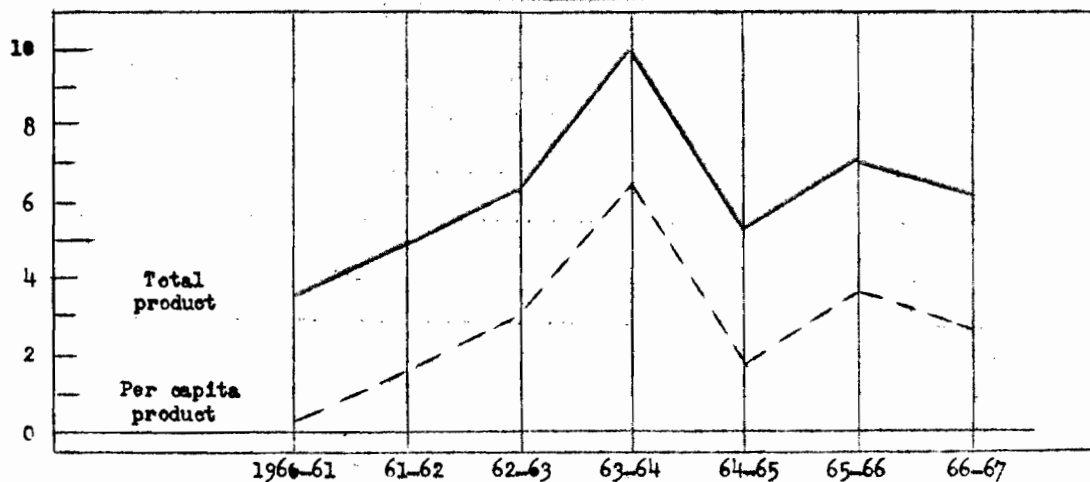
b/ Including finance and ownership of dwellings.

Figure II-16

MEXICO: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)

Natural scale



EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

Natural scale

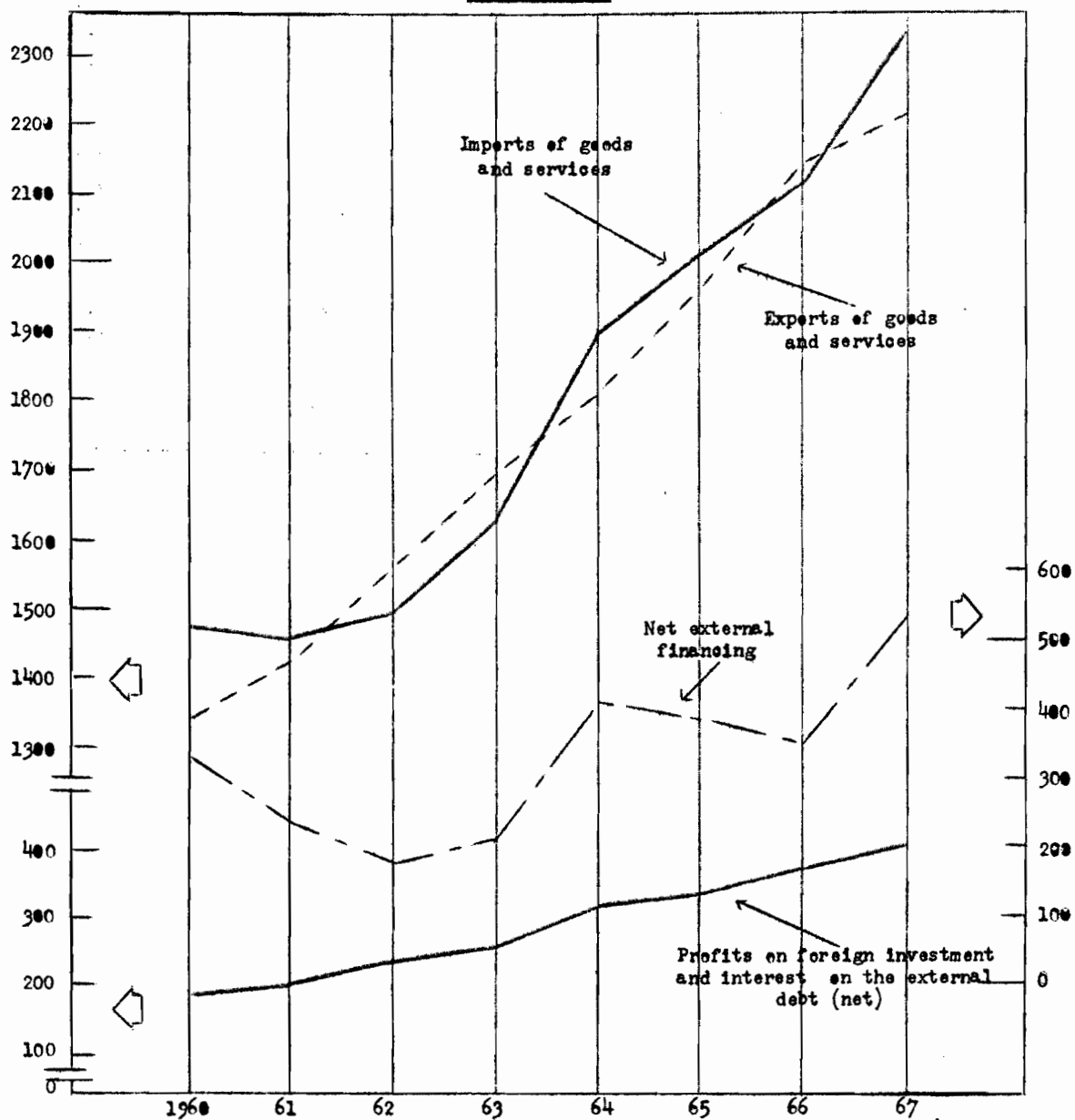


Table II-62  
MEXICO: AGGREGATE SUPPLY AND DEMAND, 1960-67  
(Millions of pesos at 1960 prices)

	1960	1965	1966	1967 <sup>a/</sup>	Annual percentage growth rates		
					1960-1965	1965-1966	1966-1967
<u>Aggregate supply</u>	<u>174 214</u>	<u>233 463</u>	<u>249 285</u>	<u>265 753</u>	<u>6.0</u>	<u>6.8</u>	<u>6.6</u>
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
<u>Aggregate demand</u>	<u>174 214</u>	<u>233 463</u>	<u>249 285</u>	<u>265 753</u>	<u>6.0</u>	<u>6.8</u>	<u>6.6</u>
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.

<sup>a/</sup> Provisional figures.

/Total gross

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 pesos <sup>5/</sup> (see table II-63). 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 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 buoyancy 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 II-64).

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<sup>5/</sup> Incomplete data available indicate an increase of about 13 per cent in real terms.



Table II-63  
MEXICO: GROSS FIXED INVESTMENT, 1964-67  
(Thousands of millions of pesos)

	1964	1965	1966	1967 <sup>a/</sup>
<u>Total</u>	<u>36.6</u>	<u>39.0</u>	<u>45.6</u>	<u>53.1<sup>b/</sup></u>
Public	17.5	16.4	21.4	24.0
Private	19.1	22.6	24.2	29.1
<u>Total</u>	<u>36.6</u>	<u>39.0</u>	<u>45.6</u>	<u>53.1</u>
Construction <sup>c/</sup>	...	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.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> The breakdown is an ECLA estimate based on incomplete data.

<sup>c/</sup> Including deforestation.

Table II-64

MEXICO: REAL INCOME AND EXPENDITURE OF THE FEDERAL GOVERNMENT, 1964-67

(Millions of pesos)

Item	1964	1965	1966	1967 a/
<b>A. Current income</b>	<b>17 297</b>	<b>20 093</b>	<b>20 864</b>	<b>22 896</b>
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	2 651	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>B. Current expenditure</b>	<b>14 203</b>	<b>18 548</b>	<b>18 198</b>	<b>19 973</b>
Balance on current account (A - B)	3 094	1 545	2 666	2 923
<b>C. Capital expenditure</b>	<b>5 685</b>	<b>9 715</b>	<b>8 163</b>	<b>7 406</b>
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
<b>D. Total Federal Government expenditure (B + C)</b>	<b>19 888</b>	<b>28 263</b>	<b>26 361</b>	<b>27 379</b>
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.

/The same

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 II-65).

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 II-66).

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 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 II-70 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.

Table II-65  
MEXICO: TOTAL BANK FINANCING, 1963-67 <sup>a/</sup>

(Millions of pesos)

	1963	1964	1965	1966	1967 <sup>b/</sup>
	<u>End-of-year balances</u>				
<b>Total financing</b>	<b>61 252</b>	<b>74 435</b>	<b>87 374</b>	<b>104 630</b>	<b>120 895</b>
To enterprises and private persons	52 294	61 579	66 901	77 243	90 922
To the Federal Government	8 958	12 856	20 473	27 386	29 973
	<u>Annual variations</u>				
<b>Total</b>	<b>7 976</b>	<b>13 183</b>	<b>12 939</b>	<b>17 256</b>	<b>16 265</b>
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	2 275	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
<b>To the Federal Government</b>	<b>3 345</b>	<b>3 898</b>	<b>7 617</b>	<b>6 913</b>	<b>2 586</b>
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., Informes anuales.

<sup>a/</sup> Including credits and securities issued by the share certificate pool (Fondos Comunes de Certificados de Participación) of Nacional Financiera, S.A.

<sup>b/</sup> Provisional figures.

Table II-66

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.

## 2. Foreign trade and the balance of payments

### (a) Exports

The total value of exports of goods dropped by 3.8 per cent in 1967, i.e., to an estimated level of 1,148 million dollars (see table II-67). Coffee prices 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 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,<sup>6/</sup> also dropped steeply.

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<sup>6/</sup> Sales to these markets dwindled from 167,000 bags in the 1965/66 crop year to 33,950 in 1966/67.

Table II-67  
MEXICO: EXPORTS OF GOODS, 1964-67  
(Millions of dollars)

	1964	1965	1966	1967
<b>Total</b>	<b><u>1 054</u></b>	<b><u>1 114</u></b>	<b><u>1 192</u></b>	<b><u>1 148</u></b>
<b>Agricultural commodities</b>	<b><u>599</u></b>	<b><u>640</u></b>	<b><u>662</u></b>	<b><u>592</u></b>
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
<b>Mining products</b>	<b><u>182</u></b>	<b><u>185</u></b>	<b><u>185</u></b>	<b><u>190</u></b>
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
<b>Manufactures</b>	<b><u>124</u></b>	<b><u>132</u></b>	<b><u>162</u></b>	<b><u>152</u></b>
Processed foods	38	37	42	41
Textiles	33	26	39	27
Chemical products	26	36	41	46
Others	27	33	40	38
<b>Unclassified</b>	<b><u>149</u></b>	<b><u>157</u></b>	<b><u>183</u></b>	<b><u>214</u></b>

Source: Banco de México, S.A.

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. In the upshot, the aggregated 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, which have not yet gained a firm foothold in foreign markets. Moreover, exports of production goods

/- such as



- 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 II-68). This implies a decrease of 10 per cent, 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-vehicles engines, steel tubes, aluminium ingots, propeller boats and artificial fibre thread and yarns. 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.<sup>7/</sup>

(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 II-69). The increment in the import quantum was much the same, since import prices remained virtually stable.

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<sup>7/</sup> See Plácido García Reynoso, "Análisis de las consecuencias de la ALALC y del mercado común latinoamericano", Comercio Exterior, vol. XVIII, N° 1, (México, D.F., January 1968).

Table II-68  
MEXICO: TRADE WITH LAFTA COUNTRIES, 1963-67 <sup>a/</sup>  
(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 <sup>b/</sup>	57.7	38.5

Source: Dirección General de Estadística.

<sup>a/</sup> Covering all countries members of LAFTA as at the end of 1967.

<sup>b/</sup> Provisional figures.

Table II-69

MEXICO: IMPORTS OF GOODS, 1964-67

(Millions of dollars)

	1964	1965	1966	1967 <sup>a/</sup>
<u>Total b/</u>	<u>1 493</u>	<u>1 560</u>	<u>1 605</u>	<u>1 749</u>
Consumer goods	<u>189</u>	<u>190</u>	<u>200</u>	<u>202</u>
Non-durable	98	90	89	...
Durable	91	100	112	...
Fuels and lubricants	<u>34</u>	<u>32</u>	<u>51</u>	<u>50</u>
Raw materials and intermediate goods	<u>630</u>	<u>677</u>	<u>673</u>	<u>690</u>
For agriculture	53	10	47	...
For industry	578	637	626	...
Construction materials	<u>40</u>	<u>27</u>	<u>29</u>	<u>28</u>
Capital goods	<u>593</u>	<u>622</u>	<u>649</u>	<u>775</u>
For agriculture	56	51	44	...
For industry	434	489	523	...
For transport	103	82	81	...
Others	<u>2</u>	<u>4</u>	<u>4</u>	<u>4</u>

Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Including free-zone imports.

/The 19.4 per

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 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 the restrictive measures whereby imports of motor-vehicles were kept under control, as well as 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). The position improved in respect of other items in the services account, since net income from border trade rose from 204 million dollars to 231 million, and remittances of profits abroad decreased to an appreciable extent. Even so, the increment in current income available for imports of goods was only 10 million dollars (whereas it had been 92 million in 1966), because of the drop in exports. Owing to the expansion of imports, the balance-of-payments deficit on current account increased from 329 million dollars in 1966 to 463 million in 1967 (see table II-70 and figure II-16).

Table II-70

MEXICO: BALANCE OF PAYMENTS, 1964-67  
(Millions of dollars)

Item	1964	1965	1966 <sup>a/</sup>	1967 <sup>b/</sup>
Balance of goods and services	-429	-375	-329	-463
Exports of goods and services	1 800	1 989	2 155	2 200
Exports of merchandise	1 054	1 114	1 192	1 148
Tourism	241	275	328	364
Border trade	463	500	547	595
Other items <sup>c/</sup>	62	100	129	93
Imports of goods and services	-1 925	-2 067	-2 241	-2 409
Imports of merchandise	-1 493	-1 560	-1 605	-1 749
Tourism	-100	-119	-136	-172
Border trade	-277	-295	-343	-364
Other items	-55	-93	-157	-124
Net returns on foreign investment	-324	-298	-284	-254
Direct investment	-236	-236	-204	-162
Interest on public debt	-88	-62	-80	-92
Movements of capital and errors or omissions	429	375	329	463
Long-term capital (net)	518	172	285	464
Net direct investment	162	214	186	174
Long-term loans	755	370	557	648
Amortization payments	-371	-369	-463	-434
Other long-term capital	-28	-43	5	76
Short-term capital (net)	115	-54	153	-4
Errors and omissions	-160	236	-102	43
Variations in official international reserves (increase - )	-44	21	-7	-40

Sources: For 1964, IMF, Balance of Payments Yearbook; for 1965 to 1967, Banco de México, S.A., and ECLA.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Preliminary estimates.

<sup>c/</sup> Adjusted output gold and silver, seasonal workers' remittances, and other items.

/Capital inflows

Capital inflows reached high levels, surpassed only in 1964, largely as a result of the increases in medium- and long-term credits, which rose from 557 million dollars to 648 million. These were used by the Government to grant larger loans for financing imports of machinery and equipment for State enterprises. 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 162 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 II-71 and also table II-61). The slackening of pace in 1967 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.<sup>8/</sup> 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.

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<sup>8/</sup> Output of cement in 1967 (5.5 million tons) represented 95 per cent of production capacity (5.8 million tons).

Table II-71  
MEXICO: OVER-ALL AND SECTORAL INDEXES OF  
INDUSTRIAL PRODUCTION, 1960-67  
(Base: 1950=100)

Year	Over-all index	Mining	Petroleum and coke	Manufac- turing	Construc- tion	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	205.3	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 <u>a/</u>	333.4	137.6	326.1	353.8	349.2	471.6

Source: Banco de México, S.A.

a/ Provisional figures.

/Manufacturing output

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 II-72).

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, and 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 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 raised 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), cellulose and mechanical pulp (7.6 per cent) and paper (9 per cent).



Table II-72

MEXICO: INDEX OF MANUFACTURING PRODUCTION AND VOLUMES OF  
OUTPUT OF SELECTED PRODUCTS, 1964-67

(Thousands of tons)

	1964	1965	1966	1967 <sup>a/</sup>
Index of manufacturing production (1950 = 100)	278.0	297.8	327.6	353.8
Volume				
Fig and sponge iron	1 130.0	1 159.0	1 402.0	1 611.0
Steel ingots	2 326.0	2 455.0	2 787.0	3 023.0
Cement	4 339.0	4 198.0	4 823.0	5 544.0
Sheet glass (thousands of square metres)	11 462.0	10 759.0	12 496.0	13 670.0
Sulphuric acid	415.0	515.0	608.0	706.0
Caustic soda	95.0	104.0	110.0	118.0
Rolled products	1 769.0	1 948.0	2 166.0	2 362.0
Cellulose and mechanical pulp	281.0	338.0	353.0	374.0
Paper and board	529.0	591.0	633.0	691.0
Artificial fibres	31.0	35.0	40.0	46.0
Tyres (thousands of units)	3 118.0	3 350.0	3 908.0	4 115.0
Cotton textiles	120.0	126.0	134.0	143.0
Beer (millions of litres)	925.0	1 020.0	1 163.0	1 227.0
Vegetable oils	321.0	335.0	350.0	396.0
Sugar	1 815.0	1 983.0	2 011.0	2 249.0

**Sources:** For index of manufacturing production: Banco de México, S.A.;For volumes of output: Nacional Financiera, S.A.; Ministry of Industry and Commerce; and  
information supplied directly by chambers of industry.<sup>a/</sup> Provisional figures based on official statistics and information supplied directly by producers' associations.

/Difficulties due

Difficulties due to fortuitous circumstances <sup>2/</sup> 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 1.9 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 II-73).

(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 II-74).

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<sup>2/</sup> A fire at the leading refinery brought operations to a temporary standstill.

Table II-73

MEXICO: PRODUCTION IN THE MINING AND  
METAL-WORKING SECTORS, 1964-67

(Thousands of tons)

Mining products	1964	1965	1966	1967 <sup>a/</sup>
<u>Non-ferrous metals</u>				
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
Iron ore	1 211	1 442	1 319	1 543
<u>Non-metallic minerals</u>				
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	...
Index of mining production <sup>b/</sup> (1950 = 100)	134.3	133.3	135.3	137.6

Sources: Ministry of Industry and Commerce; Dirección General de Estadística and Secretaría del Patrimonio Nacional, Consejo Nacional de Recursos Naturales no Renovables.

<sup>a/</sup> Previsional figures.

<sup>b/</sup> Estimates prepared by Banco de México, S.A.

Table II-74

MEXICO: INDEXES AND VOLUMES OF AGRICULTURAL PRODUCTION, 1963/64 TO 1967/68

Production	1963/64	1964/65	1965/66	1966/67 <sup>a/</sup>	1967/68 <sup>b/</sup>
<u>Indexes: 1959-61 = 100</u>					
Agricultural production	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
<u>Major crops</u> <u>(Thousands of tons)</u>					
<u>Grown for export</u>					
Ginned cotton	476.0	540.0	591.0	508.0	458.0
Coffee	174.0	159.0	180.0	162.0	180.0
Raw hennequen	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
<u>Grown for domestic consumption</u>					
Palay 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 Dirección General de Economía Agrícola and Banco de México.

a/ Provisional figures.

b/ Estimates.

/Cotton production

Cotton production suffered most, as the result of cyclones in the Tampico area and droughts and pests in the north-east (Michoacán). 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 the 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 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

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 storm 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), when output barely exceeded 2 million tons. This suggests that substantial stocks must have 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

## 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 II-75 and figure II-17). As in previous years, the expansion achieved 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 II-76).

The special structure of the economy of Panama, and the fact that its operation is so strongly influenced by developments in the external sector, help to explain why the relatively high and steady growth rate of the domestic product was not accompanied by a more rapid diversification process, with the result that basic problems still exist which are strikingly reflected in urban unemployment. 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.

Table II-75

PANAMA: AGGREGATE SUPPLY AND DEMAND, 1960-67

	Millions of balboas at 1960 prices				Annual percentage growth rates		
	1960	1965	1966	1967 <sup>a/</sup>	1960-1965	1965-1966	1966-1967 <sup>a/</sup>
<u>Aggregate supply</u>	<u>567.1</u>	<u>861.2</u>	<u>951.4</u>	<u>1 022.6</u>	<u>8.7</u>	<u>10.5</u>	<u>7.5</u>
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
<u>Aggregate demand</u>	<u>567.1</u>	<u>861.2</u>	<u>951.4</u>	<u>1 022.6</u>	<u>8.7</u>	<u>10.5</u>	<u>7.5</u>
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: Dirección de Estadística y Censo, Cuentas Nacionales; Dirección General de Planificación y Administración, Informe Económico 1967; ECLA estimates, based on incomplete indicators.

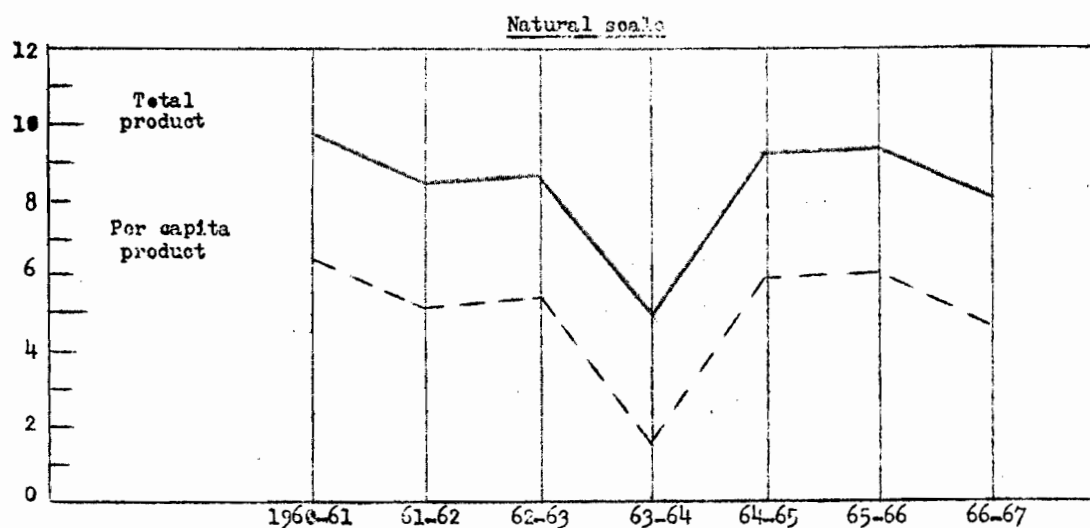
<sup>a/</sup> Preliminary estimates.



Figure II-17

PANAMA: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)



EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

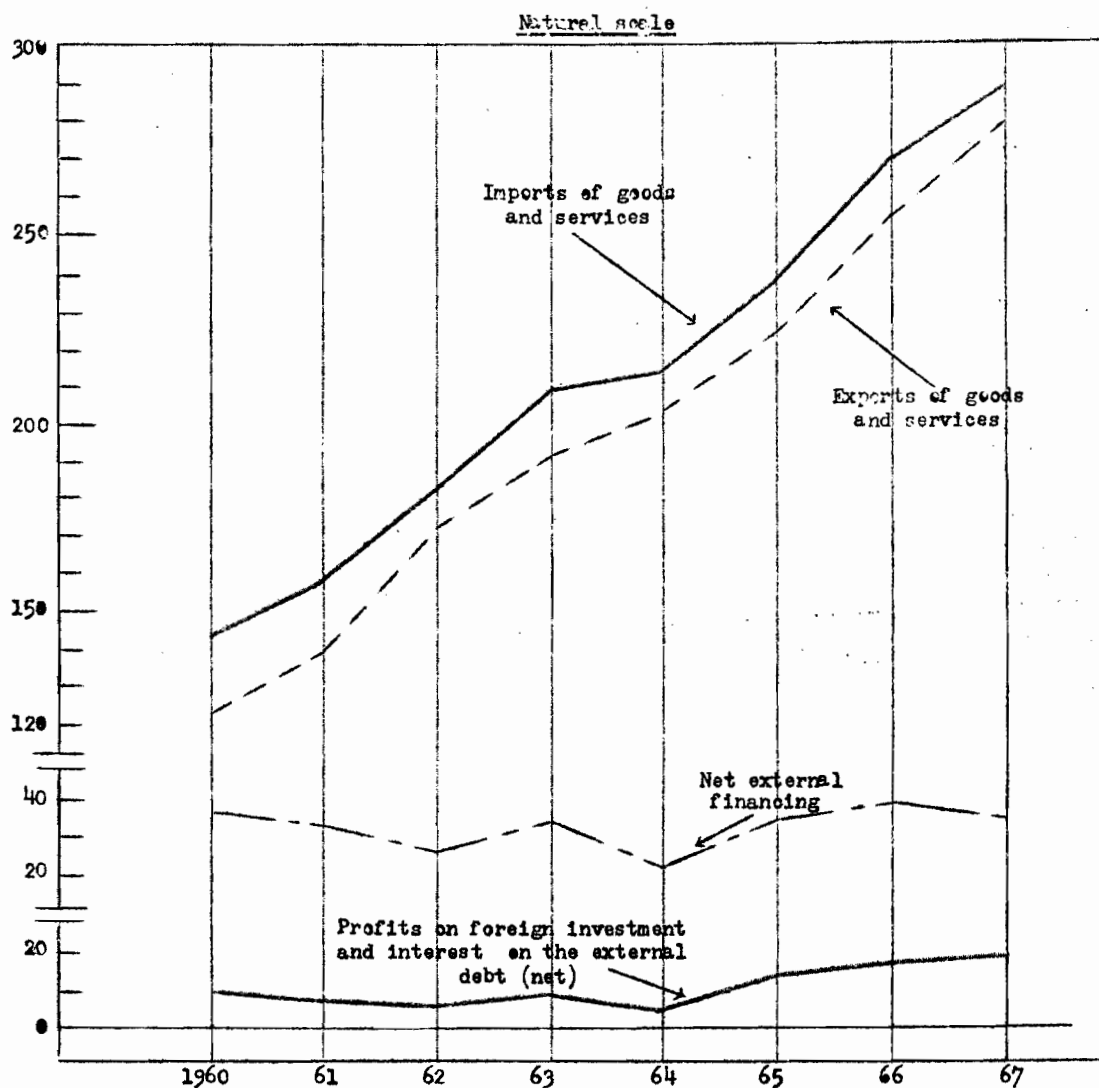


Table II-76

## PANAMA: BALANCE OF PAYMENTS, 1964-67

(Millions of dollars)

	1964		1965		1966		1967 a/	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
<b>CURRENT ACCOUNT</b>								
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	75.8	12.6	80.1	12.5	88.5	13.7	94.0	14.5
<u>Total goods and services</u>	<u>203.6</u>	<u>214.1</u>	<u>225.7</u>	<u>240.3</u>	<u>256.5</u>	<u>271.9</u>	<u>279.5</u>	<u>289.3</u>
Net payments of profits and dividends on foreign investment 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
<u>Total</u>	<u>203.6</u>	<u>226.5</u>	<u>225.7</u>	<u>261.3</u>	<u>256.5</u>	<u>276.1</u>	<u>279.5</u>	<u>315.5</u>
Balance on current account	-	22.9	-	35.6	-	39.6	-	36.0
<b>CAPITAL ACCOUNT</b>								
	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967 a/</u>				
<u>Movements of autonomous capital</u>	<u>40.3</u>	<u>32.5</u>	<u>38.1</u>	<u>45.8</u>				
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				
Net errors and omissions	-17.4	3.1	1.5	-9.8				
<u>Total movement of capital</u>	<u>22.9</u>	<u>35.6</u>	<u>39.6</u>	<u>36.0</u>				

Source: IMF, Balance of Payments Yearbook, Vol. 19.

a/ Preliminary estimates.

/There was

There was a considerable increase in public investment levels, which rose from 18.4 million balboas (at 1960 prices) in 1966 to 32.2 million in 1967. Although a large proportion of the financing of the projects for which these resources were used came out of external funds, current public saving was much greater than in the preceding year, and therefore played a much more important role. Generally speaking, the biggest increases took place in investment in infrastructure projects and specific services. Between 1966 and 1967 budget appropriations rose from 2.6 million to 7.1 million balboas for electric power projects, from 3.1 million to 9.2 million for transport projects, and from 4.1 million to 11.1 million for housing programmes. Central government income 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 II-77) 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 tyre 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.

Table II-77

PANAMA: ANNUAL GROWTH RATES OF THE GROSS DOMESTIC PRODUCT BY  
SECTORS OF ECONOMIC ACTIVITY

Sector	1965/60	1966/65	1967/66 <sub>a</sub> /
Agriculture, forestry and fishing	5.9	8.3	6.0
Crop farming	...	...	...
Stock farming	...	...	...
Forestry	...	...	...
Hunting and fishing	...	...	...
Mining and quarrying	12.7	15.0	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
<u>Sub-total for services</u>	<u>8.3</u>	<u>8.4</u>	<u>8.3</u>
Transport and communications	14.1	10.6	12.4
Transport	...	...	...
Communications	...	...	...
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
<u>Total</u>	<u>8.3</u>	<u>9.3</u>	<u>8.1</u>

Sources: Dirección de Estadística y Censos, Cuentas Nacionales; Dirección General de Planificación y Administración, Informe Económico 1967; ECLA estimates, based on incomplete indicators.  
a/ Preliminary figures.

/Agriculture showed

Agriculture showed favourable trends, with a production increment of nearly 9 per cent (see table II-77). This was mainly due to increases of 16 per cent and 15 per cent in output of coffee and tobacco, respectively, and to the incorporation of new banana-growing areas in Bocas del Toro. As regards fisheries, the twofold increase achieved between 1965 and 1966 in both the volume and value of production was maintained and even slightly improved upon 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 is important not only because it provides information on the cultivable area, but also because it facilitates the allocation of land to agricultural workers. In addition, great impetus was given to the small-scale rural development programme, which consisted mainly in 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 figure 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 sectors of destination, 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 the 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 - which began to be refined 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, divided into 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

## PARAGUAY

The evolution of the Paraguayan economy was relatively favourable 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 the Acaray dam and several road works; and imports outstripped the 1966 level by 13 per cent (see table II-78 and figure II-18).

### 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 past in respect of land settlement and the promotion of specific projects - for example, the wheat programme and the pest-control campaign -, and which were supplemented in 1967 by the establishment of a national service for foot-and-mouth disease control (Servicio Nacional de Lucha contra la Fiebre Aftosa). On the other hand, some agricultural exports - meat in particular - were affected by the drop in prices.

An analysis by products (see table II-79) 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 and consequently substantial increases were obtained (54 and 57 per cent). 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.

Table II-78  
PARAGUAY: AGGREGATE SUPPLY AND DEMAND  
(Millions of guaraníes at 1960 prices)

	1960	1965	1966	1967 <sup>a/</sup>	Annual percentage growth rates		
					1960-1965	1965-1966	1966-1967
<u>Aggregate supply</u>	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
<u>Aggregate demand</u>	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 Secretaría Técnica de Planificación and the Banco Central.

<sup>a/</sup> Provisional figures.

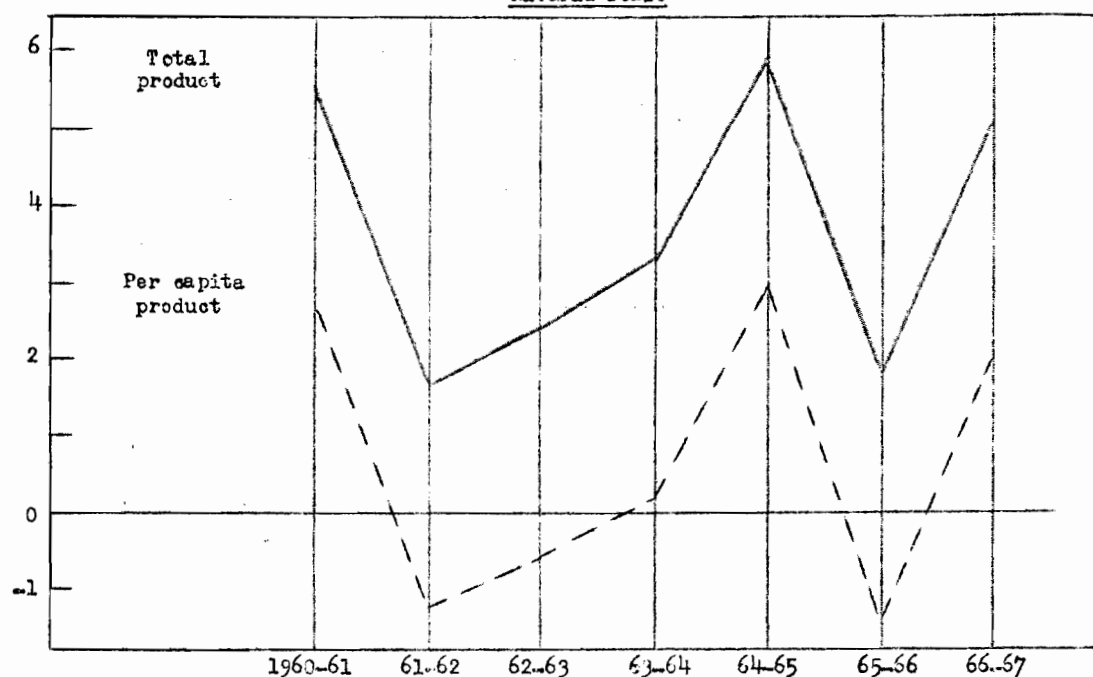


Figure II-18

PARAGUAY: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)

Natural scale



EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

Natural scale

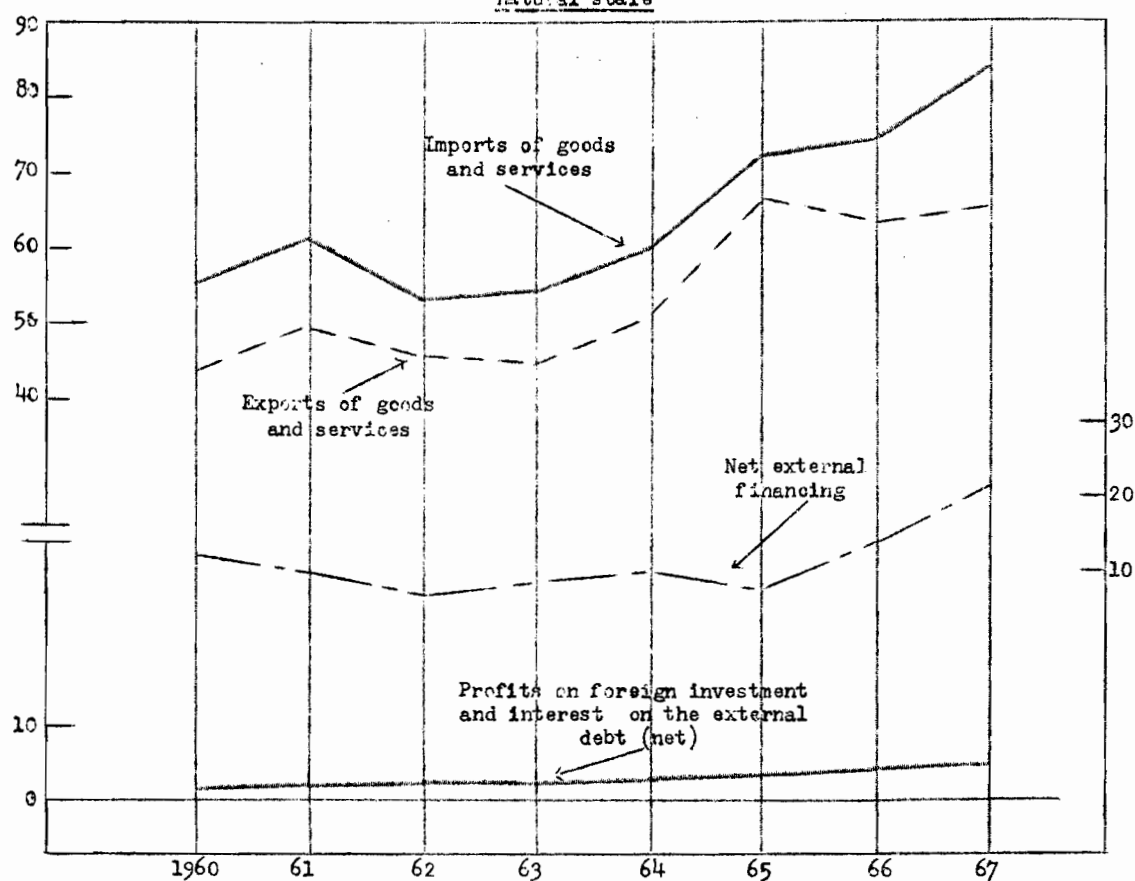


Table II-79

PARAGUAY: AREA, HARVESTED YIELD AND OUTPUT FOR SELECTED CROPS

(Provisional figures)

Crop	Area harvested (hectares)		Yield (kg/ha)		Output (tons)		Percent- age varia- tion
	1965/66	1966/67	1965/66	1966/67	1965/66	1966/67	
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.

Manufacturing and mining output was more than 8 per cent higher than in the preceding year. This aggregate result was the outcome of widely varying trends (see table II-80) which had different causes. Thus, exports provided a stimulus in the case of industrial oils and canned meat, but were a depressive factor in the case of maté. Domestic demand spurred production of cotton fabrics, beverages and matches, and 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, was affected by the obsolescence of the techniques employed, with the discovery of woods that mature more rapidly than quebracho. All these factors in conjunction led to a drop in prices, the closing of five factories - only the one in Puerto Casado continued in operation - and the impossibility of meeting the export quota fixed with Argentina. In addition, new lines of activity have started up, including the manufacture of petroleum products and canned foodstuffs, which might subsequently prove to be dynamic elements in the sector,

In mining and quarrying the most important products are limestone for the production of lime and cement, rough-hewn stone for construction and roadbuilding and crushed stone for asphalt and building; consequently, the growth of this sector was closely linked with that of 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).

Table II-80

PARAGUAY: ANNUAL GROWTH RATES OF THE GROSS DOMESTIC  
PRODUCT, BY SECTOR OF ECONOMIC ACTIVITY

(Percentages)

Sector	1965/60	1966/65	1967/66 <sup>a/</sup>
1. Agriculture, forestry and fishing	4.4	3.5	2.0
1a. Crop farming	3.8	4.9	...
1b. Stock farming	5.9	1.8	...
1c. Forestry	4.0	0.7	...
1d. Hunting and fishing	5.7	0.0	...
2. Mining and quarrying	9.5	69.7	8.6
3. Manufacturing	4.3	4.1	8.6
4. Construction	4.6	13.9	25.0
5. Electricity, gas and water	2.5	6.8	5.4
<u>Total for services</u>	<u>4.5</u>	<u>4.0</u>	<u>5.4</u>
6. Transport and communications	3.5	5.1	5.4
6a. Transport	...	...	...
6b. Communications	...	...	...
7. Commerce and finances	5.1	4.8	5.4
7a. Commerce	...	...	...
7b. Finance	...	...	...
8. Ownership of dwellings	3.0	2.9	5.4
9. Public administration and defence	3.8	1.4	5.4
10. Other services	4.8	3.5	5.4
<u>Total</u>	<u>4.5</u>	<u>1.7</u>	<u>5.3</u>

Source: ECLA, on the basis of data supplied by the Secretaría de Planificación.

<sup>a/</sup> Provisional figures.

/In 1967

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. This 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 - excluding 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 declined more than 30 per cent in relation to 1966, owing to smaller demand in the Río Plata market.

On the other hand, imports of goods, also according to the customs registers, were 15 per cent higher than in 1966. The most important component was capital goods, which accounted for 36 per cent of total imports, with an increase of 3.7 per cent 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 amounted to 29 per cent of the total.

This imbalance between imports and exports sharpened the previous trend towards a cumulative balance-of-payments deficit on current account. In 1967 the deficit was more than 20 million dollars. The maintenance of relatively high import levels despite the stagnation of current export earnings 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 II-81 and figure II-18).

Table II-81

PARAGUAY: BALANCE OF PAYMENTS, 1964-67

(Millions of dollars at current prices)

<u>Current account</u>											
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 movement of autonomous capital								
Year	Official transfer payments	Direct investment	Loans	Other autonomous movements	Total autonomous capital	Errors and omissions	Net compensatory financing	Total net movement 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: IMF, 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.

### 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 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 transport passenger 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. In this connexion, the Development Plan for 1967-68 was put into effect, and during the year headway was also made in the institutional field, as well as in major programmes. A public administration accounting and auditing act was passed; a national council for educational planning (Consejo Nacional de Planeamiento de la Educación) was set up; a national industrial development council (Consejo Nacional de Desarrollo Industrial) 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

The Development Plan contains a number of important investment projects which will be carried out in the period 1966-70, to a value of 133.6 million dollars, of which 59.5 million is from domestic sources and 124.1 million will be from 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 Paraguarí-Encarnación, the improvement of routes 2 and 7 Asunción-Fuerto 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 II-82 and figure II-19).

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, where cotton was replaced by other crops with a better short-term yield.

During the year, further steps were taken to 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 Tijones 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 products, such as coffee, milk, and wool and other animal fibres.

Table II-82

PERU: GROSS DOMESTIC PRODUCT BY TYPE OF EXPENDITURE, 1963-67

(Millions of dollars at 1960 prices)

Type of expenditure	1963	1964	1965	1966	1967 <sup>a/</sup>
Gross domestic product	70 553	74 814	80 800	85 300	89 800
Total investment	16 775	16 578	19 310	20 120	...
Fixed investment	15 837	16 485	19 360	20 990 <sup>b/</sup>	22 070 <sup>b/</sup>
Changes in stocks	938	93	-50	-870	...
Total consumption	55 256	59 687	66 482	72 523 <sup>b/</sup>	...
General government	7 986	8 936	10 053	10 760 <sup>b/</sup>	10 953 <sup>b/</sup>
Private	47 270	50 751	56 429	61 763 <sup>b/</sup>	...
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 Instituto Nacional de Planificación.

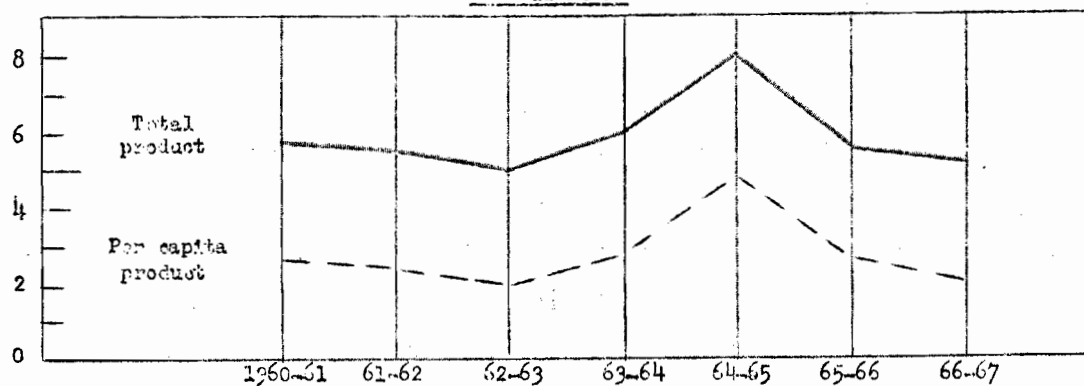
<sup>a/</sup> Provisional figures.

<sup>b/</sup> ECLA estimates. Private consumption was obtained by subtraction.

Figure II-19

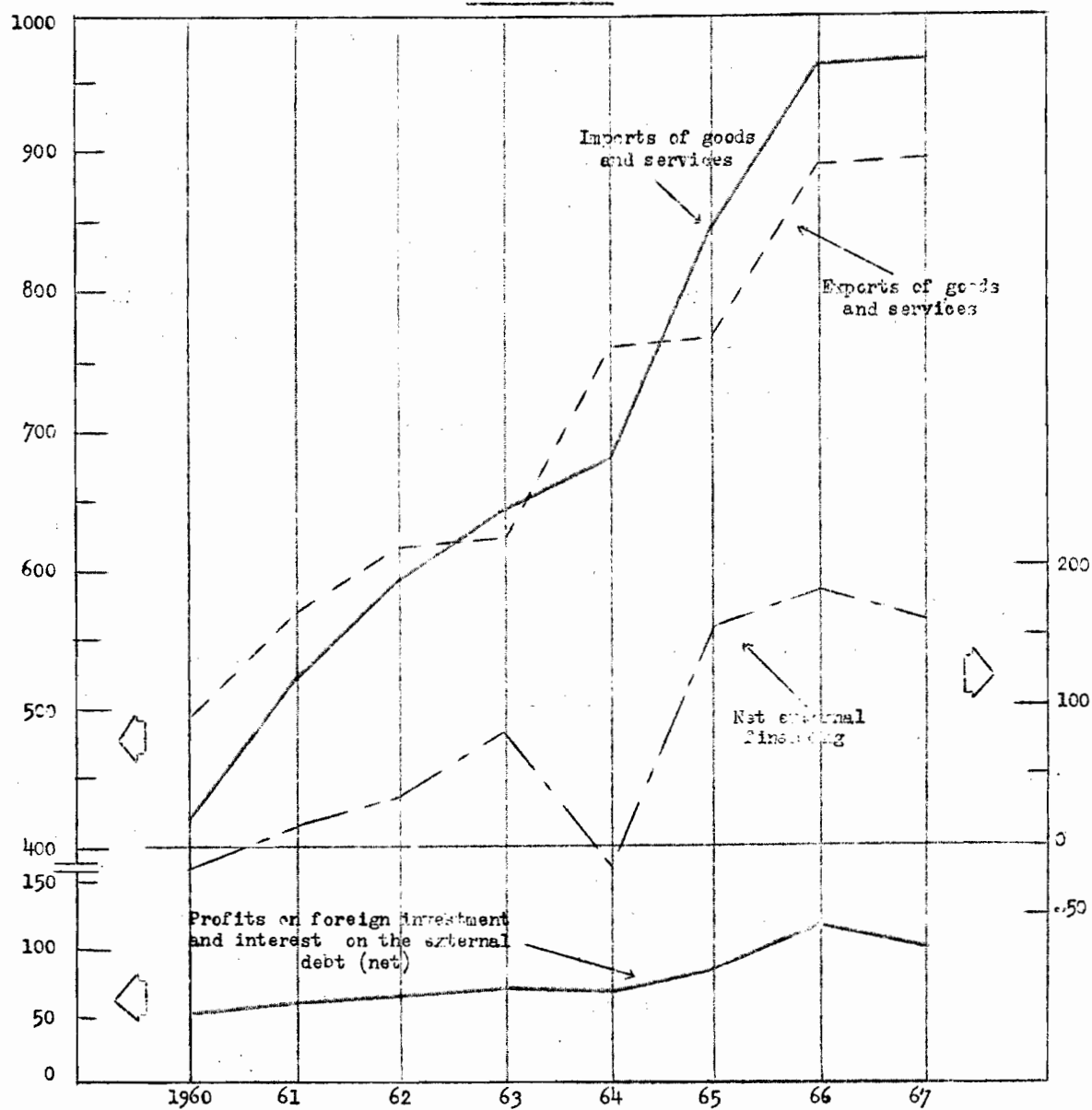
PERU: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)

Natural scale

EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

Natural scale

/The volume

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 the Cuacone 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 despite 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.

There was a slackening of the growth rate of manufacturing in relation to previous years, but even so an increase of 7 per cent was recorded. This was determined by a marked rise 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 thence forward 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

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 materials, in the private sector, and to a slackening in the pace of execution of public works (see table II-83).

## 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 II-84).

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 drop slowly until they reached an all-time low 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 exports, since coffee and sugar exports increased.

Table II-83

PERU: GROSS DOMESTIC PRODUCT BY MAIN SECTORS OF ECONOMIC ACTIVITY, 1963-67

Sector	Percentages			Annual growth rates			
	1963	1965	1967 <sub>a</sub> /	1964	1965	1966	1967 <sub>a</sub> /
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
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>6.0</u>	<u>8.0</u>	<u>5.6</u>	<u>5.3</u>

Source: ECLA, on the basis of data supplied by the Instituto Nacional de Planificación.

<sub>a</sub>/ Provisional figures.

Table II-84

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	4.8	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
<u>Total</u>	<u>100.0</u>	Value	<u>123.5</u>	<u>123.1</u>	<u>141.3</u>	<u>140.3</u>
		Volume	<u>109.6</u>	<u>107.7</u>	<u>106.2</u>	<u>109.8</u>

Source: ECLA, on the basis of data supplied by the Superintendencia de Aduanas and the Instituto Nacional de Planificación.

/In contrast

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 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 nonetheless 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 II-85 and figure II-19).

### 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 by 20.7 per cent - the largest increase in the last two decades -, a proportion which was not matched by the increase in wages.



Table II-85  
PERU: BALANCE OF PAYMENTS, 1964-67  
(Millions of dollars)

	1964	1965	1966	1967 <sup>a/</sup>
<b>A. Current account</b>	<b>13.7</b>	<b>-161.0</b>	<b>-183.2</b>	<b>-163.4</b>
1. Exports of goods and services	763.8	771.9	891.6	896.5
2. Imports of goods and services	686.4	852.1	964.2	964.9
3. Net payments of profits and interest	70.3	86.2	117.7	102.5
4. Net private transfer payments	6.6	5.4	7.1	7.5
<b>B. Capital account</b>	<b>-13.7</b>	<b>161.0</b>	<b>183.2</b>	<b>163.4</b>
1. Net movements of autonomous capital	44.0	203.9	220.6	117.6
i) Direct investment	10.5	27.8	30.0	...
ii) Long-term loans	60.7	156.7	192.2	...
iii) Other net movements of capital	-29.6	8.7	-22.8	...
iv) Official transfer payments	2.4	10.7	21.4	...
2. Errors and omissions	-32.7	-28.4	-59.8	-14.3
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 Superintendencia Nacional de Aduanas and the Banco Central de Reserva.

<sup>a/</sup> Provisional figures.

The policy of containing 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; nonetheless, 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

## DOMINICAN REPUBLIC

The economy of the Dominican Republic, having made up in 1966 most of the sharp declines in the indexes of economic activity resulting from the political situation in the previous year, in 1967 once more resumed its slow rate of growth, the absolute levels being generally comparable to the 1964 levels (see table II-86). 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 II-87 and figure II-20). The biggest decline was in agriculture for home consumption, since there was a drop in the production of maize, potatoes, yuca, sweet potatoes and peanuts, but little change in that of the other products, while in production for export there were declines in cocoa and tobacco but increases in coffee and particularly in sugar. The increase in the production of sugar - a product which accounts for more than half of total exports - reflected not only a greater physical volume, 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 foodstuffs, 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 Development Bank. Another important factor in the development of the industrial sector was the growing volume of public investment, the consequences of which were quite 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.

Table II-86

DOMINICAN REPUBLIC: STRUCTURE AND GROWTH RATE OF THE DOMESTIC PRODUCT,  
BY TYPE OF EXPENDITURE, 1964-67 <sup>a/</sup>

(Percentages)

	1964	1965	1966	1967	1964-65	1965-66	1966-67
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 <sup>b/</sup>	95.1	93.5	91.5	90.9	-15.4	9.8	2.2
Central government	12.9	13.2	11.6	11.0	-12.1	-0.9	-3.0
Private <sup>b/</sup>	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.

<sup>a/</sup> The calculations are based on series expressed in terms of Dominican pesos at 1960 prices.

<sup>b/</sup> Including changes in stocks.

Table II-87  
DOMINICAN REPUBLIC: STRUCTURE AND GROWTH RATE OF THE GROSS PRODUCT,  
BY SECTORS, 1964-67 <sup>a/</sup>

	Percentage share				Annual growth rates		
	1964	1965	1966	1967	1964-65	1965-66	1966-67
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
<u>Total goods and basis services</u>	<u>53.5</u>	<u>52.6</u>	<u>53.2</u>	<u>53.5</u>	<u>-15.5</u>	<u>13.5</u>	<u>3.5</u>
Trade 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
<u>Total services</u>	<u>46.8</u>	<u>48.6</u>	<u>47.3</u>	<u>46.6</u>	<u>-10.8</u>	<u>9.3</u>	<u>1.3</u>
Gross domestic product <sup>b/</sup>	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.

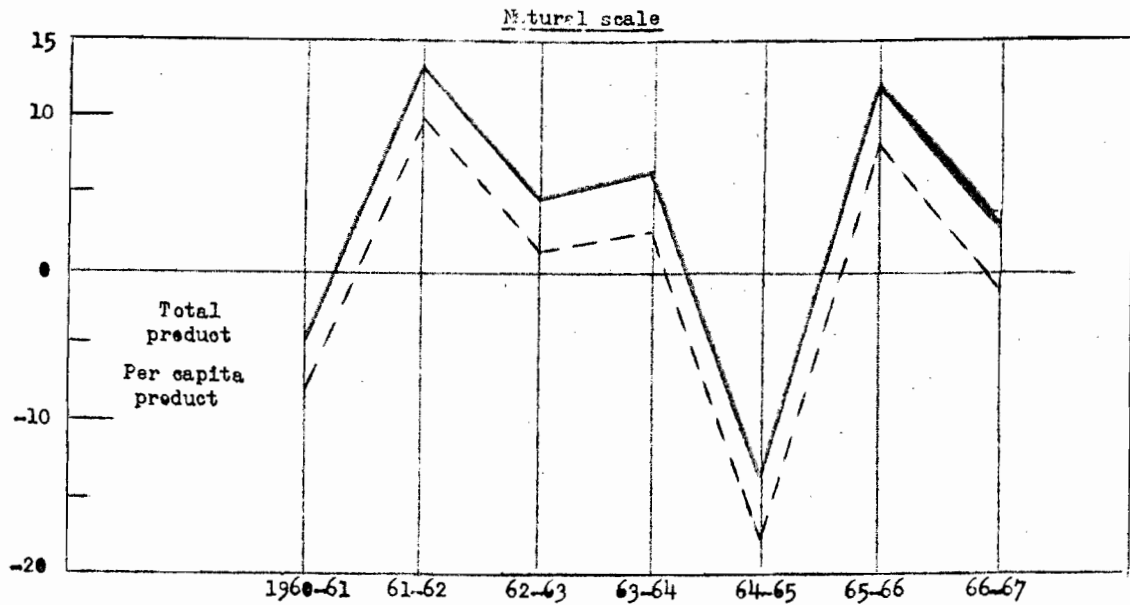
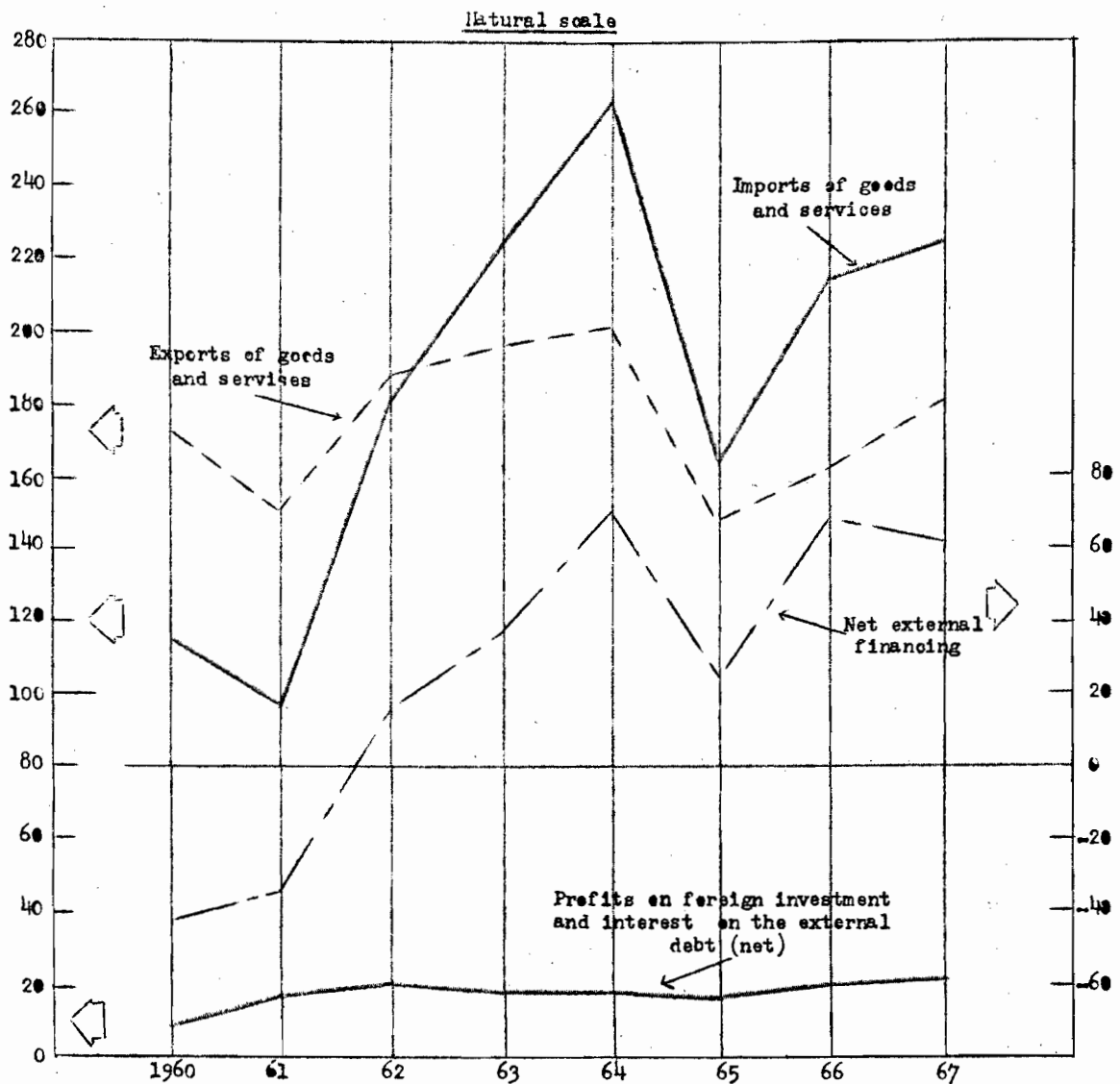
<sup>a/</sup> The calculations are based on series expressed in Dominican pesos at constant prices.

<sup>b/</sup> The columns do not add up to 100.0 because the figures have been extrapolated from the gross domestic product.

Figure II-20

## DOMINICAN REPUBLIC: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)

EVOLUTION OF THE EXTERNAL SECTOR  
(Millions of dollars at current prices)

/In 1967

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.

In the balance of payments there was a reversal of the 1966 trend, with 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, grew 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 autonomous capital was less than the deficit on current account (see table II-88 and figure II-20).

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 consolidated public sector 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 tax revenue. Moreover, current expenditure maintained its downward trend, as a result of the restrictions imposed on the purchase of goods and services - which were down to 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; the reduction of the fiscal deficit and the restriction of credit thus made it possible to reduce the amount of money in circulation.

Table II-88

## DOMINICAN REPUBLIC: EVOLUTION OF THE BALANCE OF PAYMENTS, 1964-67

(Millions of dollars at current prices)

	1964	1965	1966	1967 <u>a/</u>
<b>CURRENT ACCOUNT</b>				
<u>Balance on current account</u>	<u>-70.5</u>	<u>-27.1</u>	<u>-68.2</u>	<u>-63.8</u>
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
<b>CAPITAL ACCOUNT</b>				
<u>Net external financing</u>	<u>70.5</u>	<u>27.1</u>	<u>68.2</u>	<u>63.8</u>
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	
Compensatory financing	12.9	2.4	32.2	-3.4
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: IMF.

a/ Provisional ECLA estimates.

/TRINIDAD AND

## 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 prices climbed by 2.5 per cent on an average from 1966 to 1967.

These over-all trends are the result of adverse developments in the external sector. This sector is so important that, in 1966-67, exports at current prices accounted for 42.5 per cent of the total supply of goods and services compared with 40.1 per cent 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 rose 2.9 per cent in 1967. This was due to the fact that exports of petrochemical products were still expanding rapidly (45 per cent) and that the International Coffee Agreement increased the exportable coffee quota. With these two exceptions, exports faced unfavourable market conditions and dropped considerably in value. Petroleum products, sugar and cocoa were affected by the decline.

Exports of petroleum products have increased in volume in recent years 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 develop 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 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



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 was sent after the preferential Commonwealth market had 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 33 million 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 market supplies.

In the nineteen-sixties, the rise in total imports was largely due to purchases of petroleum for refining, which came to account for about half their value in terms of current prices. In 1967, petroleum imports dropped by 10.9 per cent to 407 million Trinidad-Tobago dollars.

In 1967 these fluctuations in foreign trade culminated in the first credit balance since 1961, which is estimated at 53 million Trinidad-Tobago dollars (31 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 are thought to have been higher in 1967 because of the new petrochemical industry and the fact that the external debt doubled to 125 million Trinidad-Tobago dollars between 1962 and 1966. The fragmentary data available on the other services show that the services deficit on current account was about 42 million Trinidad-Tobago dollars in 1967 as against 33.3 million the year before. The net result was a reduction in the deficit on current account for the third year in succession (to 9 million Trinidad-Tobago dollars from over 137 million in 1965) (see table II-89 and figure II-21).

Table II-89

TRINIDAD AND TOBAGO: BALANCE OF PAYMENTS, 1963 AND 1965-67

(Millions of Trinidad and Tobago dollars)

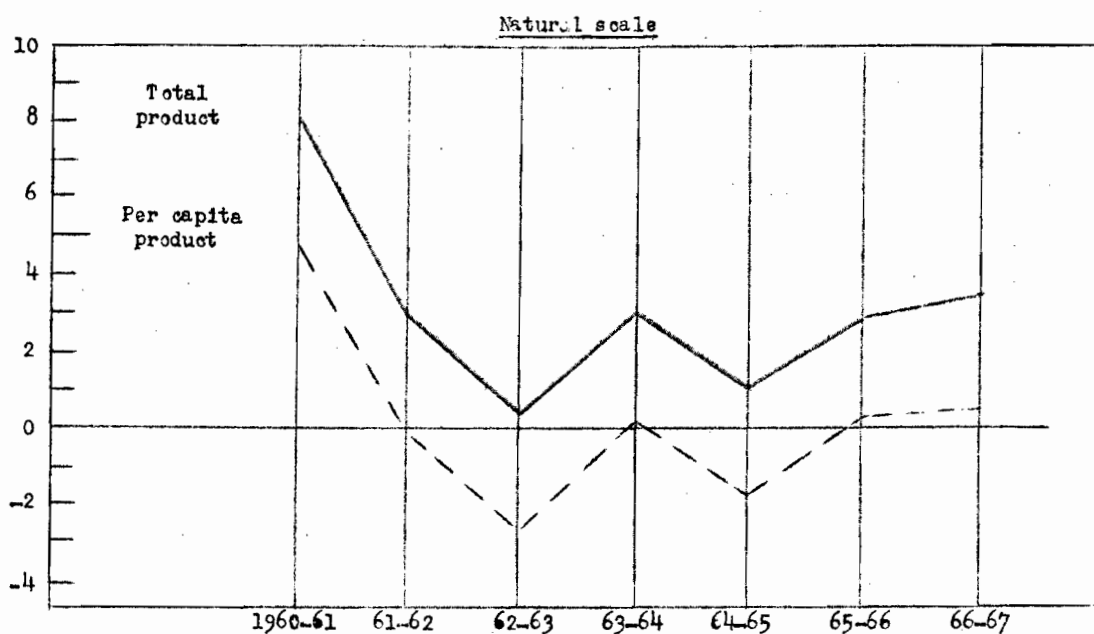
	1963	1965	1966	1967
Imports, c.i.f.	644.0	812.7	783.1	715.0
Exports, f.o.b.	595.0	708.2	730.5	768.0
<u>Balance on merchandise account</u>	<u>-49.0</u>	<u>-104.5</u>	<u>-52.6</u>	<u>53.0</u>
Investment income	-115.8	-103.3	-106.2	...
Other services	63.5	99.9	72.3	...
Private transfer payments	1.6	0.6	0.6	...
<u>Balance on services account</u>	<u>-50.7</u>	<u>-32.8</u>	<u>-33.3</u>	<u>-42.0</u>
<u>Balance on current account</u>	<u>-99.7</u>	<u>-137.3</u>	<u>-85.2</u>	<u>-9.0</u>
Private capital	95.3	102.4	62.5	...
Non-monetary public sector (including transfer payments)	33.1	27.0	11.9	(9.0)
Monetary sector (including errors and omissions)	-28.7	7.9	11.5	-2.0

Source: Central Statistical Office, Trinidad and Tobago.

Figure II-21

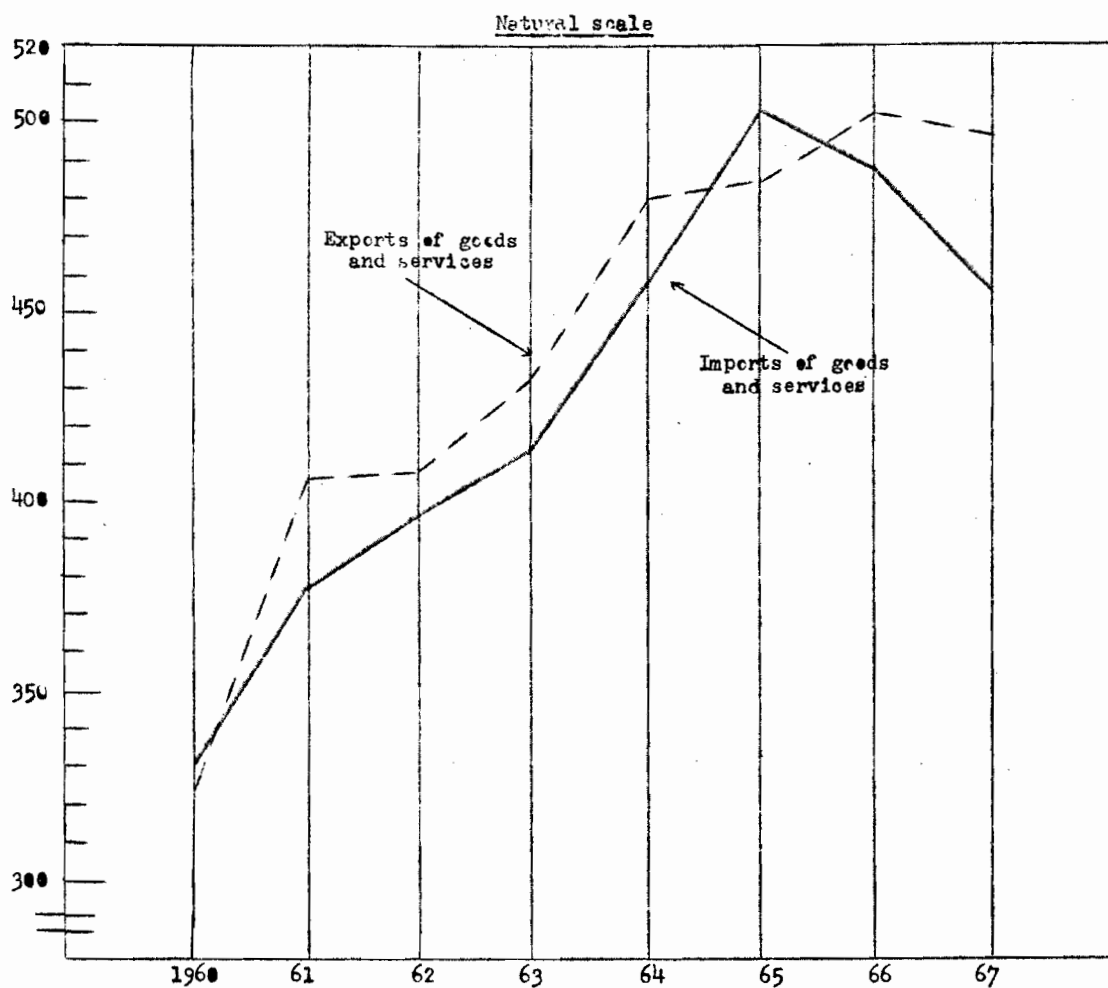
TRINIDAD-TOBAGO: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)



EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)



## 2. Trends in the domestic economy

The sectoral structure of the economy has been gradually changing in the course of the last few years. According to estimates of the gross domestic product at current prices and at factor cost, 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 II-90 and figure II-21).

The variations in sectoral growth rates and contributions to the product were specially important because of their bearing on unemployment. It is reckoned 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 1967, 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). Thus, in 1967 sectoral trends did little to remedy the unemployment problem or, at best, were less favourable than in the immediately preceding years.

## 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 seabed near the present oilfields. 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 its dwindling 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 II-91).

Table II-90

TRINIDAD AND TOBAGO: GROSS DOMESTIC PRODUCT AT FACTOR  
COST (AT CURRENT PRICES)

(Percentage growth rates)

Sector	1960-66	1966-67
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
<u>Total</u>	<u>5.6</u>	<u>5.3</u>

Source: Central Statistical Office, Trinidad and Tobago.

Table II-91

TRINIDAD AND TOBAGO: CRUDE PETROLEUM AND REFINING OUTPUT, AND  
GROSS DOMESTIC PRODUCT OF PETROLEUM SECTOR

	1963	1964	1965	1966	1967	Percentage variation		
						1963- 1965	1965- 1966	1966- 1967
Production of crude oil (millions of barrels)	49.0	50.0	50.0	55.6	63.0	2.0	11.1	14.2
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 and 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.

/As the

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 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.

#### 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, where output of pork, dairy produce and poultry expanded rapidly. 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 difficulties, among others, the International Bank for Reconstruction and Development granted a loan of 8.6 million dollars in mid-1967 to defray the costs in foreign exchange 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-Tobago has a fairly small

/share of

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 prices on the world market, was reduced even further.

Coffee output rose and stocks dropped slightly as a result of the increase in Trinidad-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 import 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 (e.g. 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 been satisfactory on the whole, 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-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 was a good deal higher latterly because of the contracts entered into by the petrochemical industry. There is no definitive information on employment trends in manufacturing during 1967, but they are unlikely to exceed the existing estimates in relative terms.

#### /6. Investment

#### 6. Investment and consumption

Gross fixed investment increased during the first few years of the decade, and, by 1965, stood at 319.5 million current Trinidad-Tobago dollars. 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 (28 per cent in 1965, 22.4 per cent in 1966 and 18.6 per cent in 1967) show that it has been sharply reduced in the last two years.

These fluctuations were 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 pace 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 installation of a petrochemical plant and a further reduction in agricultural investment for export, private investment fell steeply by 8.1 per cent in 1966 and 12.6 per cent in 1967 (see table II-92).

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 increased 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 tariff and tax measures 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-Tobago in 1967 was roughly 1 million; at mid-year it was estimated at 1,018,400, which represents an increase of about 2.4 per cent over 1966. Population growth thus seems to be slowing down, since it averaged 3 per cent annually before 1965. 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.



Table II-92

TRINIDAD AND TOBAGO: PRODUCT, CONSUMPTION, INVESTMENT AND EXTERNAL SECTOR

	Percentage annual growth rates			
	Average 1960-64	1964-65	1965-66	1966-67
<u>Gross domestic product at market</u>				
<u>prices</u>	5.8	2.8	7.3	5.9
Total investment	...	...	...	...
Gross fixed investment	1.1	14.3	-11.0	-12.0
Public	12.3	6.3	-20.4	-10.2
Private	-1.7	7.0	-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	6.3
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.

/Emigration has

Emigration has been increasing in the last few years, especially to the United States. The movement first began to be appreciable in 1964 when 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 in spite of the tremendous efforts made by the public and private sectors, all they could do was to keep pace with the additions to the labour force. From June 1966 to June 1967, the labour force increased from 351,500 to 368,200 persons, while the number of unemployed rose from 46,700 to 51,200. 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 4,500 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 limited 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, inter alia, 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; it now fixes its own discount rates but these have not yet begun to exert a strong influence on the economy. 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-Tobago Central Bank operates.

/In November

In November 1967, the United Kingdom Government announced the devaluation of sterling by 14.3 per cent. As a member of the sterling area, the Government of Trinidad-Tobago decided to devalue in line with sterling. The new par value of the Trinidad-Tobago dollar is 0.4443335 grammes of fine gold or 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, (a) to preserve markets for export commodities and facilitate import substitution when import prices rose, and (b) 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

## URUGUAY

For the past ten years the growth trend of the Uruguayan economy had 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 population 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 domestic product (see table II-93) and an unprecedented upswing in prices, which rose as much as 136 per cent for the consumer. Parallel with this 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 unfavourable 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 drastically and output of crops declined by an average of 24 per cent in volume and that of livestock by 13 per cent (see table II-94 and figure II-22).

There were particularly sharp reductions in cereals (36 per cent), oil-seeds (17 per cent) and fruits 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 compared with the previous year and the wool clip was 8 per cent smaller. As might have been expected, the contraction of agricultural output had a heavy impact on exports and domestic supply.

Table II-93  
URUGUAY: AGGREGATE SUPPLY AND DEMAND, 1960-67

	Millions of pesos at 1960 prices				Annual percentage growth rates		
	1960	1965	1966	1967 a/	1960-1965	1965-1966	1966-1967 a/
<u>Aggregate supply</u>	<u>16 299</u>	<u>15 856</u>	<u>16 448</u>	<u>15 775</u>	<u>-0.5</u>	<u>3.7</u>	<u>-4.1</u>
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
<u>Aggregate demand</u>	<u>16 299</u>	<u>15 858</u>	<u>16 448</u>	<u>15 775</u>	<u>-0.5</u>	<u>3.7</u>	<u>-4.1</u>
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 investment	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.

Manufacturing declined by about 4 per cent, mainly owing to a contraction of demand as a result of the loss of purchasing power of wage-earners and the obstacles to exports of meat and wool. In the same sector, 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 caused declines in textiles (10 per cent), construction materials (7 per cent) and the metal-transforming and electronics industries (12 per cent). An exception to this general picture of recession was the chemical industry, which expanded by 15 per cent as a result of the more extensive use of fertilizers and veterinary products.

Table II-94  
URUGUAY: ANNUAL GROWTH RATES OF THE GROSS DOMESTIC  
PRODUCT, BY SECTORS OF ECONOMIC ACTIVITY  
(Percentages)

Sector	1965/60	1966/65	1967/66 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
Forestry	...	...	...
Hunting and fishing	2.4	0.0	0.0
Mining and quarrying	b/	b/	b/
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
<u>Sub-total for services</u>	<u>1.1</u>	<u>1.3</u>	<u>-2.9</u>
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
<u>Total</u>	<u>0.9</u>	<u>2.6</u>	<u>-5.0</u>

Source: ECLA, on the basis of data supplied by the Banco de la República Oriental del Uruguay.

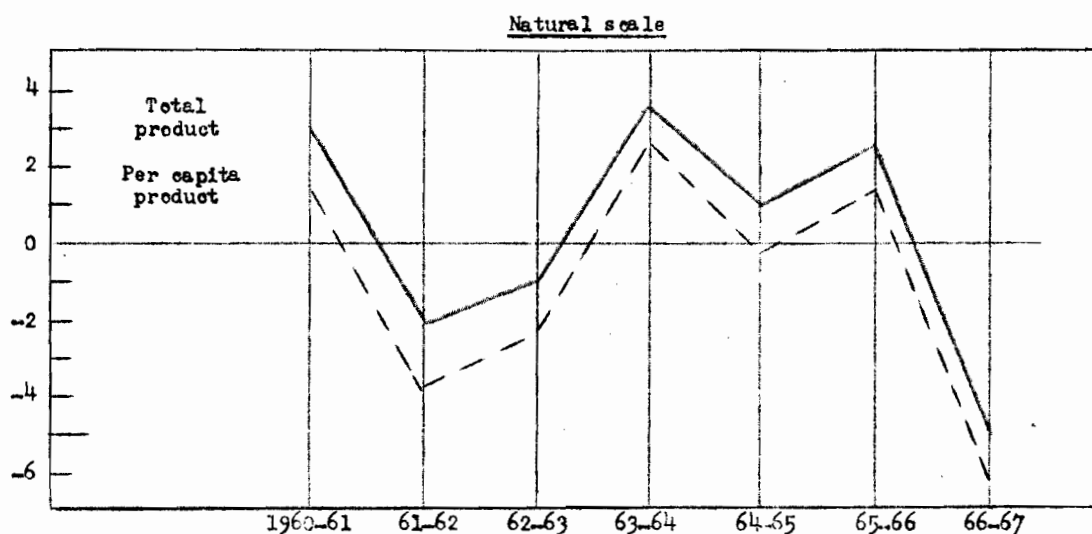
a/ Preliminary estimates.

b/ Included in manufacturing.

Figure II-22

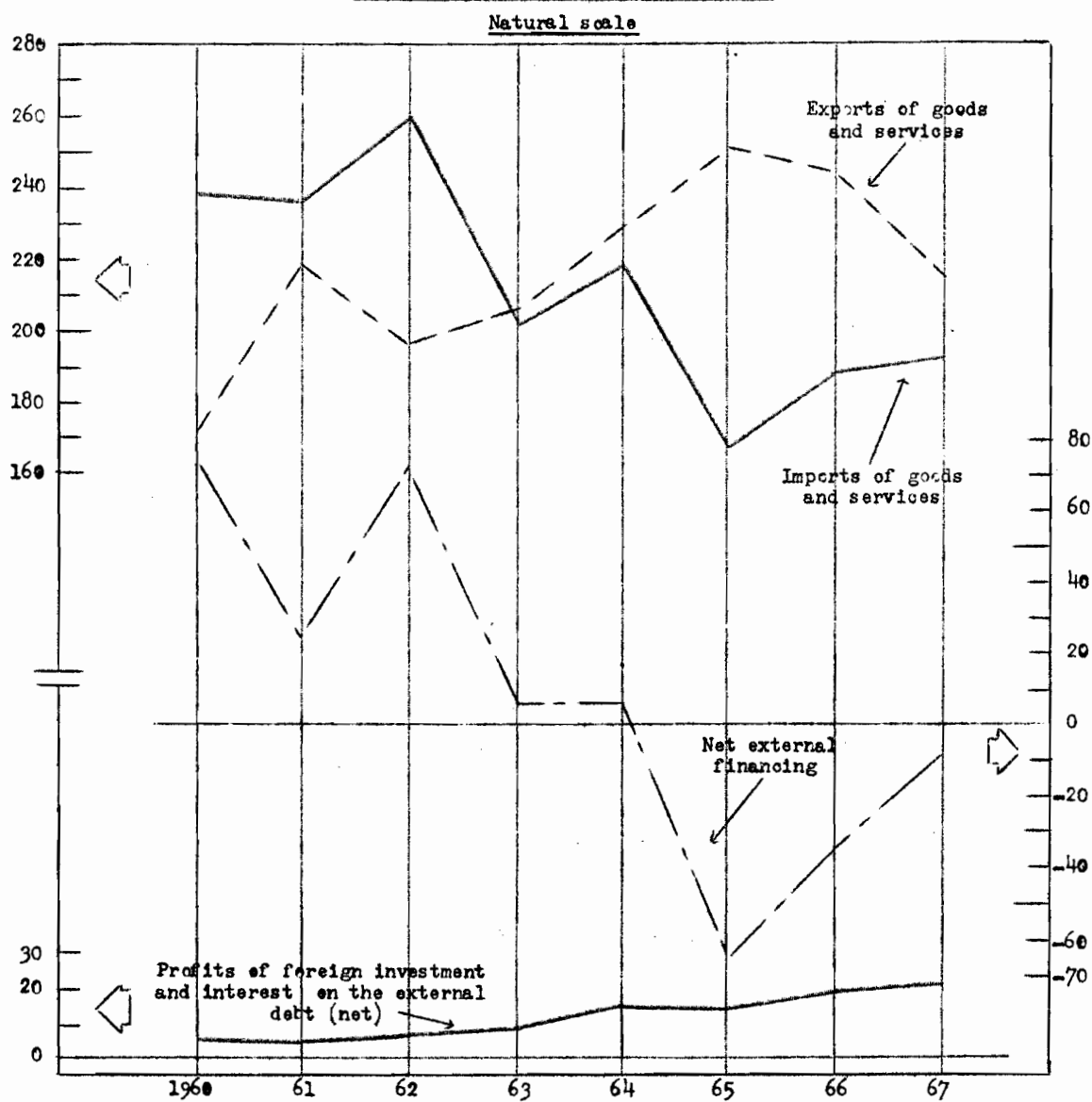
URUGUAY: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)



EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)



/There was

There was a downturn of 6 per cent in construction 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 a growth 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 drop of 4 per cent in commerce, as a result of the decline in the goods producing sectors, which was to some extent offset by the increase in imports; sales to foreign tourists had a positive effect, because of the favourable price relationship with bordering 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 II-95 and figure II-22). 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 in view 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 the previous year.



Table II-95  
URUGUAY: BALANCE OF PAYMENTS  
(Millions of dollars)

	1964	1965	1966	1967 a/
<b>CURRENT ACCOUNT</b>				
<u>Exports</u>				
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
<u>Total goods and services</u>	<u>230.1</u>	<u>252.5</u>	<u>246.1</u>	<u>216.7</u>
<u>Imports</u>				
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
<u>Total goods and services</u>	<u>220.5</u>	<u>168.3</u>	<u>190.0</u>	<u>193.6</u>
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
<b>CAPITAL ACCOUNT</b>				
<u>Movements of autonomous capital</u>	<u>46.2</u>	<u>49.3</u>	<u>6.3</u>	<u>10.0</u>
Net direct investment	...	...	...	...
Net loans	17.9	27.0	16.4	...
Official transfer payments	5.3	3.8	4.7	...
Other movements	23.0	18.5	-14.8	...
<u>Net errors and omissions</u>	<u>-140.8</u>	<u>-111.3</u>	<u>-22.9</u>	...
Compensatory financing	100.7	-6.2	-18.8	-10.8
<u>Total capital movements</u>	<u>6.1</u>	<u>-68.2</u>	<u>-25.4</u>	<u>-0.8</u>

Source: IMF, Balance of Payments Yearbook, Vol. 18.

a/ Preliminary estimates.

### 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 92 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. 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, as far as possible, maintaining 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 of an Emergency Act which

/emphasized fiscal

emphasized fiscal questions, inasmuch as it created new taxes, raised the rates of public facilities, abolished subsidies for staple 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 violent 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

## 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, investment seems to have grown at only a moderate rate, which is partly explained by the drop in housebuilding (see table II-96).

As a result of conditions in the petroleum market, external sector trends were relatively favourable (see table II-97 and figure II-23). 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. 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.

Table II-96  
VENEZUELA: AGGREGATE SUPPLY AND DEMAND

	Millions of bolívares at 1960 prices				Annual percentage growth rates		
	1960	1965	1966 <u>a/</u>	1967 <u>a/</u>	1960-1965	1965-1966 <u>a/</u>	1966-1967 <u>a/</u>
<u>Aggregate supply</u>	3 050.2	3 872.2	3 961.5	4 199.5	4.9	2.3	6.0
Gross domestic product	2 562.0	3 335.2	3 418.6	3 655.5	5.4	3.4	6.0
Imports of goods and services	488.2	537.0	512.9	544.0	1.9	-4.5	6.1
<u>Aggregate demand</u>	3 050.2	3 872.2	3 961.5	4 199.5	4.9	2.3	6.0
Exports of goods and services	809.6	967.9	937.4	990.4	3.6	-3.2	5.7
Total investment	451.0	643.9	656.0	680.0	7.4	1.9	3.7
Gross fixed investment	460.7	576.4	606.0	640.0	4.6	5.1	5.6
Construction	308.7	335.8	356.0	370.0	1.7	6.0	3.9
Machinery and equipment	152.0	240.6	250.0	270.0	9.6	3.9	8.0
Total consumption	1 769.6	2 260.4	2 368.1	2 529.1	4.8	4.8	6.8
General government	354.4	453.9	480.0	510.0	5.1	5.7	6.2
Private	1 435.2	1 806.5	1 888.1	2 019.1	4.7	4.5	6.9

Source: ECLA, on the basis of data contained in Banco Central de Venezuela, Cuentas Nacionales, and data supplied by CORDIPLAN.

a/ Provisional figures.

Table II-97

## VENEZUELA: BALANCE OF PAYMENTS, 1960 AND 1964-67

(Millions of dollars)

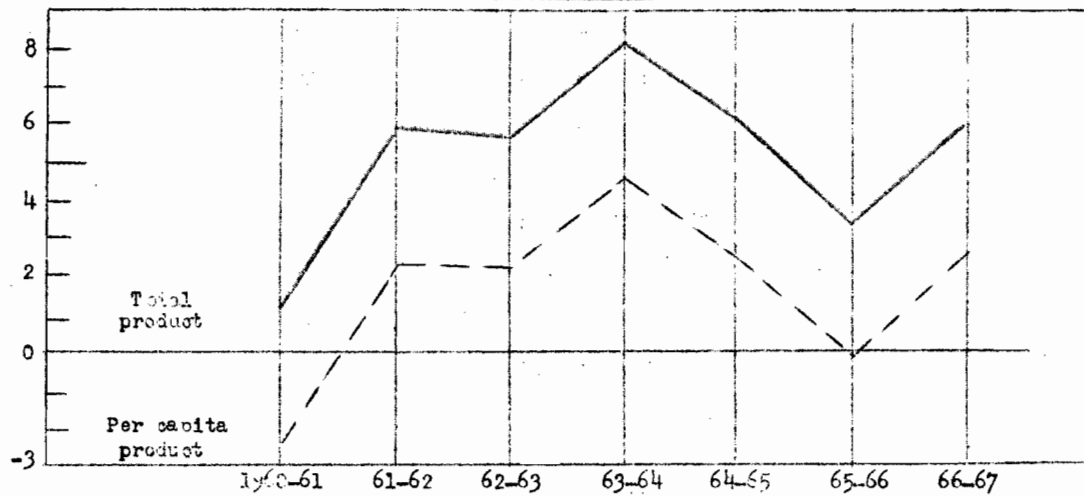
	1960	1964	1965	1966	1967
<b>I. Current account</b>					
a) Exports of goods and services	2 509.0	2 555.0	2 532	2 441	2 563
b) Imports of goods and services	-1 505.0	-1 597.0	-1 764	-1 715	-1 828
c) Net investment income	-522.0	-674.0	-706	-682	-713
d) Private transfer payments	-88.0	-84.0	-91	-89	-92
<u>Balance on current account</u>	<u>394.0</u>	<u>200.0</u>	<u>-29</u>	<u>-45</u>	<u>-70</u>
<b>II. Capital account</b>					
a) Net movement of autonomous capital	-351	29	82	61	182
i) Net direct investment	-126	-24	3	75	
ii) Net long-term loans	-195	40	86	85	
iii) Other net capital movements	-30	12	-6	-100	
iv) Net official transfer payments	-	1	-1	1	
b) Errors and omissions	-354	-96	-59	-98	
c) Net compensatory movements (increase -)	311	-133	6	22	-112

Source: ECLA, on the basis of official statistics.

## VENEZUELA: RATE OF GROWTH OF THE TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 1960-67

(Annual growth rates)

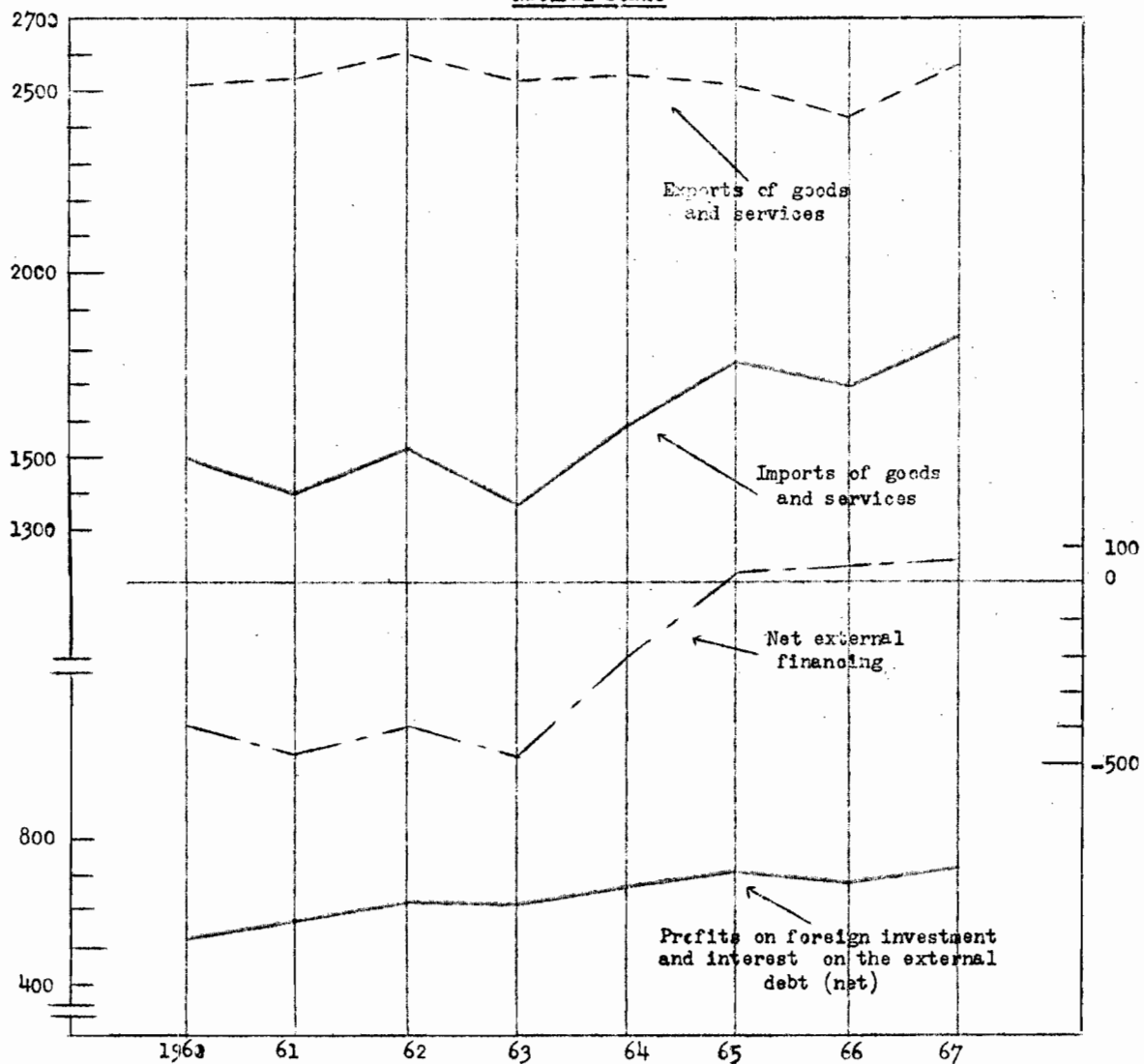
Natural scale



## EVOLUTION OF THE EXTERNAL SECTOR

(Millions of dollars at current prices)

Natural scale



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 (CVP) 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 II-98 and figure II-23). Mining production, 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 Pecuário invested more than 350 million bolívares 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.



Table II-98

VENEZUELA: GROSS DOMESTIC PRODUCT, BY SECTOR OF ECONOMIC ACTIVITY

Sector	Annual percentage growth rates		
	1965/60	1966/65	1967/66a/
1. Agriculture, forestry and fishing	5.5	6.6	6.0
1a. Crop farming	...	...	...
1b. Stock farming	...	...	...
1c. Forestry	...	...	...
1d. Hunting and fishing	...	...	...
2. Mining and quarrying	3.6	-2.7	4.6
2a. Mining	-2.0	0.9	-3.8
2b. Petroleum	4.0	-2.9	5.1
3. Manufacturing	9.5	5.2	6.7
4. Construction	4.7	7.0	3.0
5. Electricity, gas and water	11.1	15.2	6.0
<u>Total for services</u>	<u>4.9</u>	<u>4.5</u>	<u>6.3</u>
6. Transport and communications	7.3	3.4	6.0
6a. Transport	...	...	...
6b. Communications	...	...	...
7. Commerce and finance	6.0	3.1	7.2
7a. Commerce	...	...	...
7b. Finance	...	...	...
8. Ownership of dwellings	2.4	5.2	6.0
9. Public administration and defence	3.8	5.2	6.0
10. Other services	6.3	5.2	6.0
<u>Total</u>	<u>5.4</u>	<u>3.4</u>	<u>6.0</u>

Source: CORDIPLAN.

a/ Provisional figures.

/The continued

The continued progress made in agriculture over the last several years (see table II-98) 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 the process of 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 bolívares -; 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 bolívares in revenue from the petroleum tax, which represents an increase of 10.4 per cent over 1966, mainly as a result of the tax adjustments 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

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 constitution of the Andean Development Corporation.

## Chapter II

### MAJOR SECTORS OF ECONOMIC ACTIVITY

#### A. AGRICULTURE

##### 1. General trends <sup>1/</sup>

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 II-99) 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 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 fluctuations in the indicators, which is largely due to the enormous influence of weather conditions upon the levels of agricultural production.

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<sup>1/</sup> 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 II-99

LATIN AMERICA: GROWTH OF THE GROSS AGRICULTURAL  
PRODUCT, 1966 AND 1967

(Annual rates)

Country	Agricultural sector	
	1966	1967
Argentina	-2.9	5.4
Barbados	-0.8	-0.8
Bolivia	1.2	-6.6
Brazil	-2.0	9.6
Colombia	3.3	4.3
Costa Rica	7.9	9.0
Chile	7.6	3.1
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	8.7
Paraguay	-3.5	2.0
Peru	0.0	4.2
Dominican Republic	6.3	-0.7
Trinidad and Tobago	-2.0	1.3
Uruguay	8.8	-17.0
Venezuela	6.6	6.0

Source: ECLA.

/Thus, of

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. The greatest decline was in Uruguay, where the fall in output caused by 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 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 were allotted to over 10,000 rural families in the coastal zone, 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 (INCORA) 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 450 million dollars approximately, 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 dollars to Argentina and another of 4 million dollars to Ecuador.

## 2. Changes in output of selected commodities

From the standpoint of individual commodities in particular, 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

in the supply of foodstuffs in 1967 for Latin America as a whole. The downward trend in oil-seeds 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 (18 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 6.38 million tons, compared with 5.4 million in 1966 and 11.26 in 1965; yields per hectare sown (993 kg) and harvested (1,224 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



(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

total output, seems to have reduced its production, since purchases by the Coffee-Growers' Federation - about 70 per cent of total output - dropped by 14 per cent between January and September 1967 compared with 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 surplus 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 the 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 even so, the 1964/65 levels will not be 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

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 4.7 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 Service for the Control of Foot and Mouth Disease 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 did better than in 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 increase 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 II-100).

The sluggish tempo of over-all growth, interspersed with sharp fluctuations, which also affected the price trends of a few 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 have been 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 also progressed, 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 II-101).

Mining production was also concentrated in a handful of countries, although their respective shares varied between 1960 and 1967. (See table II-102.)

Table II - 100

LATIN AMERICA: GROSS MINING PRODUCTION BY SELECTED PRODUCTS AND COUNTRIES, 1966 AND 1967

(Index: 1960 = 100, on the basis of 1963 world prices)

Product and country	1966	1967 <sup>a/</sup>
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
<u>Total</u>	<u>122.2</u>	<u>125.4</u>
Argentina	110.5	121.1
Bolivia	127.9	137.2
Brazil	194.5	194.0
Colombia	87.7	88.1
Chile	125.3	127.1
Guyana	136.2	137.9
Jamaica	155.1	163.0
Mexico	106.0	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.

<sup>a/</sup> Provisional figures.

Table II - 101  
LATIN AMERICA: COMPOSITION OF MINING PRODUCTION, BY SELECTED COUNTRIES AND MAIN PRODUCTS, 1960, 1966 AND 1967 a/  
(Percentages, on the basis of 1963 world prices)

		Coal	Iron ore	Manganese ore	Copper ore	Lead ore	Zinc ore	Tin ore	Bauxite	Silver	Gold	Sulphur	Nitrate
Argentina	1960	16.22	3.38	6.76	2.70	27.70	18.92	4.05		14.19	0.68	5.40	
	1966	15.61	2.67	3.52	1.70	26.39	15.32	14.59		16.34	-	3.86	
	1967	18.28	2.55	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	17.31	47.16	25.31	1.15	1.32		2.97	1.07	0.25	3.46		
	1966	11.74	61.46	19.22	0.82	1.40		1.36	1.28	0.18	2.54		
	1967	12.60	62.44	16.93	0.85	1.52		1.51	1.32	0.19	2.63		
Colombia	1960	57.35	3.92			0.49				0.49	37.26	0.49	
	1966	60.14	8.02			0.42	0.09			0.36	29.53	1.44	
	1967	60.72	9.16			0.45	0.07			0.36	27.81	1.40	
Chile	1960	2.63	7.69	0.31	80.25	9.09	0.02			0.47	0.85	0.13	7.54
	1966	2.14	12.86	0.10	76.44	0.03	0.03			0.93	0.53	0.18	6.76
	1967	1.89	12.92	0.09	77.66	0.02	0.02			0.81	0.65	0.19	5.76
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												

(Conclusion) Table II - 101

	Coal	Iron ore	Manganese ore	Copper ore	Lead ore	Zinc ore	Tin ore	Bauxite	Silver	Gold	Sulphur	Nitrate
Mexico												
1960	7.54	2.23	2.37	19.01	14.04	9.28	0.38		26.98	4.98	12.66	
1966	7.07	5.58	0.90	19.76	12.34	9.75	0.87		23.50	3.27	16.96	
1967	7.61	6.11	1.02	17.68	11.84	10.28	0.51		22.93	2.89	19.12	
Peru												
1960	0.62	12.22		53.38	9.01	6.23			17.37	2.17		
1966	0.21	17.24	0.01	43.91	9.20	10.75	0.04		17.27	1.36		
1967	0.17	16.39	0.01	43.50	9.91	10.14	0.04		18.53	1.32		
Surinam								99.45		0.55		
1966								99.71		0.29		
1967								99.74		0.26		
Venezuela										1.40		
1960	0.26	98.34								0.60		
1966	0.25	99.15								0.78		
1967	0.30	98.91										
Total												
1960	5.57	17.26	3.04	38.11	4.36	2.78	3.84	9.59	7.84	3.09	2.07	2.45
1966	4.64	21.69	3.07	33.69	3.73	3.20	4.29	12.51	6.67	1.83	2.54	2.14
1967	4.75	21.16	2.70	33.69	3.81	3.22	4.59	12.95	6.78	1.75	2.82	1.80

Source: ECLA.

a/ 1966 and 1967: preliminary estimates.

Table II - 102  
LATIN AMERICA: REGIONAL COMPOSITION OF MINING PRODUCTION, BY COUNTRIES AND MAIN PRODUCTS, 1960, 1966 AND 1967  
(Percentages, on the basis of 1963 world prices)

		Coal	Iron ore	Manganese ore	Copper ore	Lead ore	Zinc ore	Tin ore	Bauxite	Silver	Gold	Sulphur	Nitrate	Total
Argentina	1960	3.15	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	0.05	7.50	5.09	3.61		2.60	0.00	1.61		1.06
	1967	4.34	0.13	1.39	0.05	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		4.94
	1967				0.69	4.88	3.27	90.49		5.58	0.14	4.21		5.18
Brazil	1960	27.60	24.25	73.80	0.27	2.68		6.87	0.99	0.28	9.95			8.88
	1966	33.81	37.84	83.58	0.32	5.00		4.24	1.36	0.37	18.48			13.36
	1967	34.68	36.25	81.23	0.33	5.17		4.28	1.32	0.36	19.45			12.97
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
Chile	1960	15.37	14.49	3.37	68.48	0.67	0.26			1.96	9.00	2.12	100.00	32.52
	1966	14.61	18.75	1.07	71.78	0.22	0.26			4.43	9.09	2.27	100.00	31.64
	1967	12.52	19.71	1.03	71.95	0.13	0.21			3.72	11.54	2.00	100.00	31.21
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



Table II - 102 (conclusion)

		Coal	Iron ore	Manganese ore	Copper ore	Lead ore	Zinc ore	Tin ore	Bauxite	Silver	Gold	Sulphur	Nitrate	Total
Mexico	1960	20.89	1.90	12.02	7.70	49.66	54.47	1.53		53.13	24.88	94.35		15.43
	1966	21.00	3.54	4.06	8.08	45.52	42.03	2.80		48.53	24.56	91.85		13.77
	1967	21.80	3.94	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	0.07	19.90	40.06	48.48	0.13		42.09	10.61			15.41
Surinam	1960								20.99		0.47			2.80
	1966								30.26		0.59			3.80
	1967								28.64		0.55			3.72
Venezuela	1960	0.40	47.61								3.79			8.36
	1966	0.32	27.32								1.94			5.98
	1967	0.36	26.72								2.45			5.53

Source: ECLA.  
a/ 1966 and 1967 preliminary 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 II-103).

Progress was made by the plans to set up an alumina plant at Puerto Kaiser, Jamaica, with an initial output of 875,000 tons. 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 would be about 126 millions 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 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 Demerera Bauxite Company is expanding its bauxite mining operations and alumina plant.

Table II-103  
LATIN AMERICA: BAUXITE PRODUCTION, 1960, 1966 AND 1967  
(Thousands of metric tons)

Bauxite	1960	1966	1967 <sup>e/</sup>
Brazil	121.0	250.0	250.0
Guyana	2 511.0	3 348.0	3 403.0
Haiti	346.0	...	...
Jamaica	5 841.0	9 061.0	9 520.0
Dominican Republic	689.0	819.0	900.0
Surinam	3 454.0	5 563.0	5 415.0
<u>Total</u>	<u>12 962.0</u>	<u>19 041.0</u>	<u>19 488.0</u>

Source: ECLA.

<sup>e/</sup> Provisional estimate.

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 is 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 demand for sulphur and phosphates, great interest is being taken in expanding production in Latin America.

The provisional figures for 1967 indicate that sulphur output increased nearly 10 per cent, the major expansion being in Bolivia, which has doubled its production 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, and will also build a sulphuric acid plant. It is planned to invest 2.5 million dollars in the establishment of refinery in Ecuador. It will have 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 II-104).

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.

Table II-104  
LATIN AMERICA: PRODUCTION OF NATIVE SULPHUR, 1960-67

(Thousands of tons)

	1960	1961	1962	1963	1964	1965	1966	1967 a/
Argentina	40.0	23.0	27.0	23.0	22.0	29.0	30.0	27.0
Bolivia	1.0	5.0	7.0	10.0	11.0	10.0	50.0	86.0
Colombia	9.0	10.0	10.0	13.0	12.0	18.0	21.0	20.0
Chile	31.0	41.0	57.0	42.0	44.0	42.0	42.0	42.0
Mexico	1 336.0	1 243.0	1 442.0	1 553.0	1 733.0	1 581.0	1 701.0	1 883.0
<u>Total</u>	<u>1 417.0</u>	<u>1 322.0</u>	<u>1 543.0</u>	<u>1 641.0</u>	<u>1 822.0</u>	<u>1 674.0</u>	<u>1 852.0</u>	<u>2 050.0</u>

Source: ECLA.

a/ Provisional estimate.

A phosphoric acid plant is to be set up in Colombia at a cost of 20 million dollars. It will use 1,500 tons of phosphoric rock a day from the San Vicente de Chucurí deposits in the province of Santander. A start has already been made on working a phosphate rock deposit capable of yielding 300 tons a day at Turqueme in the province of Boyacá.

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 inventory of known phosphate and potassium ore resources by the Development Corporation (CORFO) and United Nations Development Programme was completed.

### 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 war 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

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 II-105).

Development programmes made good 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. Nearly 36 million tons of 1 per cent copper sulphate have also been found in the Cerro Verde deposits, 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 those deposits. Lastly, work began in 1967 on the construction of a 10 million dollar well at the ACARI deposit in the Department of Arequipa.

Table II-105

LATIN AMERICA: COPPER ORE, PRODUCTION 1960, 1966 AND 1967

(Thousands of tons)

	1960	1966	1967 <sup>a/</sup>
Argentina	0.6	0.4	0.4
Bolivia <sup>b/</sup>	2.2	5.7	6.3
Brazil	2.1	3.0	3.0
Chile <sup>c/</sup>	536.4	636.0 <sup>d/</sup>	660.0 <sup>d/</sup>
Mexico	60.3	56.0	56.0
Nicaragua	4.9	-	-
Perú	184.0	176.4	182.2
<u>Total</u>	<u>790.5</u>	<u>877.5</u>	<u>907.9</u>

Source: ECLA.

<sup>a/</sup> Provisional estimate.

<sup>b/</sup> Exports.

<sup>c/</sup> Recoverable metal content.

<sup>d/</sup> Obtained from the Boletín Estadístico of the Corporación del Cobre, December 1967.

/Large deposits

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, due to Bolivia (see table II-106), 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 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 II- 107.)

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.

Table II-106  
LATIN AMERICA: TIN ORE, <sup>a/</sup> PRODUCTION 1960, 1966 AND 1967  
(Thousands of tons)

	1960	1966	1967 <sup>b/</sup>
Argentina	212.0	1 036.0	1 100.0
Bolivia	20 542.0	25 603.0	27 628.0
Brazil	1 581.0	1 219.0	1 300.0
Mexico	371.0	802.0	556.0
Peru	6.0	38.0	40.0
<u>Total</u>	<u>22 742.0</u>	<u>28 698.0</u>	<u>30 524.0</u>

Sources: ECLA.

<sup>a/</sup> Metal content.

<sup>b/</sup> Provisional estimate.

Table II-107  
LATIN AMERICA: IRON ORE PRODUCTION, <sup>a/</sup> 1960, 1966 AND 1967  
(Thousands of tons)

	1960	1966	1967 <sup>b/</sup>
Argentina	58.0	54.0	54.0
Brazil	6 355.0	15 813.0	14 300.0
Colombia	178.0	310.0	350.0
Chile	3 804.0	7 827.0	7 722.0
Guatemala	4.0	-	-
Mexico	521.0	1 319.0	1 543.0
Peru	3 947.0	4 877.0	4 835.0
Dominican Republic	82.0	-	-
Venezuela	12 474.0	11 418.0	10 467.0
<u>Total</u>	<u>27 423.0</u>	<u>41 628.0</u>	<u>39 271.0</u>

Sources: ECLA.

<sup>a/</sup> Metal content.

<sup>b/</sup> Provisional estimates.

/In Brazil,

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 has been completed at Tubarão and it can take 100,000 ton ships with a loading capacity of 10 million tons a year. In Bahia and Rio Grande del Norte, large deposits of iron ore have been found and are now 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, the findings of the new surveys show that the Peña Colorado iron reserves total more than 130 million tons, and are thus 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 were 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 II-108).

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 close to 510,000 tons by 1975.



Table II-108  
LATIN AMERICA: ZINC ORE PRODUCTION,<sup>a/</sup> 1960, 1966 AND 1967  
(Thousands of tons)

	1960	1966	1967 <sup>b/</sup>
Argentina	35.4	26.6	25.0
Bolivia	4.0	16.7	17.1
Colombia	0.2	0.3	0.3
Chile	1.1	1.4	1.1
Guatemala	10.0	-	-
Mexico	262.4	219.2	220.0
Peru	178.3	257.8	253.5
<u>Total</u>	<u>491.2</u>	<u>522.0</u>	<u>518.0</u>

Source: ECLA.

a/ Metal content.

b/ Provisional estimates.

c/ Exports.

## 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, 0.01 dollars less than the average for 1966.

Lead ore output in Latin America increased by about 1 per cent, according to the first figures, with increases in Peru and Brazil offset by decreases in Mexico and Bolivia (see table II-109).

Table II.109  
LATIN AMERICA: LEAD ORE PRODUCTION,<sup>a/</sup> 1960, 1966 AND 1967  
(Thousands of tons)

	1960	1966	1967 <sup>b/</sup>
Argentina	26.7	30.0	31.0
Bolivia <sup>c/</sup>	21.4	21.3	19.8
Brazil	10.0	20.0	21.0
Colombia <sup>d/</sup>	1.1	0.9	1.0
Chile	2.4	0.9	0.5
Guatemala	8.6	-	-
Honduras	5.4	-	-
Mexico	190.7	132.1	167.0
Peru	131.6	144.8	162.6
<u>Total</u>	<u>398.0</u>	<u>400.0</u>	<u>402.9</u>

Source: ECLA.

<sup>a/</sup> Metal content.

<sup>b/</sup> Provisional estimates.

<sup>c/</sup> Exports.

<sup>d/</sup> Lead concentrates.

### 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 II-110).

Industrial development in these two countries has been characterized in the last few years by sharp fluctuations, caused by general economic conditions, and by 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 7.3 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 lower than the growth rate for the economy as a whole.

Table II-110  
LATIN AMERICA: EVOLUTION OF INDUSTRIAL PRODUCTION <sup>a/</sup>  
(Annual growth rates)

Country	1955-60	1960-65	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67 <sup>b/</sup>
Argentina	3.7	5.7	9.7	-4.5	-4.6	15.1	12.7	-1.3	-0.4
Bolivia	-4.3	6.5	-0.7	9.9	6.4	10.7	6.0	7.3	6.5
Brazil	10.3	3.9	11.1	8.1	-0.3	5.1	-4.7	11.8	1.8
Colombia	6.1	5.6	5.9	6.8	4.7	5.8	4.6	6.6	4.3
Costa Rica	7.7	9.7	2.1	7.7	13.6	14.5	10.5	10.2	11.1
Chile	3.2	7.3	8.6	11.5	4.2	6.0	6.4	7.5	2.0
Ecuador	5.6	6.6	0.0	5.8	6.1	16.6	4.5	0.7 <sup>b/</sup>	6.5
El Salvador	6.6	9.8	5.2	11.7	9.9	11.5	10.5	9.3	8.4
Guatemala	6.2	10.0	5.9	4.4	17.3	12.2	10.2	5.7	6.0
Honduras	5.7	7.3	14.2	3.8	4.4	6.0	7.9	9.7	9.0
Mexico	8.1	8.1	3.5	6.5	9.2	14.2	7.1	11.1	8.0
Nicaragua	3.9	9.2	7.1	14.0	13.2	3.3	8.3	7.2	6.3
Panama	6.7	12.8	16.2	24.6	12.4	5.0	5.9	10.3	10.9
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
Dominican Republic	...	-0.5	-11.3	21.8	2.8	4.4	-20.3	19.7	14.1
Uruguay	1.0	1.0	-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
<u>Total</u>	<u>6.4</u>	<u>5.8</u>	<u>7.9</u>	<u>3.9</u>	<u>1.6</u>	<u>10.2</u>	<u>5.3</u>	<u>6.3</u>	<u>3.2</u>

Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Excluding Cuba and Haiti, because of lack of information.

<sup>b/</sup> Preliminary estimate.

In Chile fairly substantial advances were made in the traditional industries, particularly beverages and textiles, and only in furniture and fixtures was 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 II-111).

Table II-111

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.

/From the

From the point of view of its internal structure, 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 investment 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 the 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 the 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 II-112).

The largest increases were obtained in Mexico, 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.

Table II-112  
LATIN AMERICA: STEEL PRODUCTION, 1965-67  
(Thousands of tons of ingot steel)

	1965	1966	1967	Variation 1967/66
Argentina	1 368	1 267	1 326	4.6
Brazil	2 983	3 713	3 667	-1.2
Colombia	242	216	256	19.0
Chile	477	577	638	10.6
Mexico	2 455	2 763	3 023	9.4
Peru	94	80	79	-1.2
Venezuela	625	537	703	30.1
<u>Total</u>	<u>8 244</u>	<u>9 153</u>	<u>9 692</u>	<u>5.9</u>
Annual percentage variation	2.6	11.0	5.9	

Source: Instituto Latinoamericano del Hierro y del Acero.

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 plus 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 steelmaking 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 product's rolling mill and the plant still has a considerable margin of idle capacity.

In Colombia there was a 19 per cent increase in production after the decline 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



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

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 product's 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 II-113.)

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 chassis. There was an increase in the production of small, cheap cars and a decline in that of larger cars.

Table II-113

LATIN AMERICA: PRODUCTION AND ASSEMBLY OF MOTOR-VEHICLES, 1966-67

	1966	1967	Percentage variation	Degree of integration a/
Argentina	179 453	175 318	-2.3	D
Brazil	224 574	227 552 b/	1.6	D
Colombia	2 210	3 100	40.3	A
Chile	7 096	12 991	83.1	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
<u>Total</u>	<u>600 171</u>	<u>615 961</u>	<u>2.6</u>	

Sources: Brazil, Argentina, Mexico and Peru: motor-vehicle manufacturers' associations;  
Chile: Department of Industry and Trade; Colombia: assembly enterprises;  
Venezuela: CORDIPLAN.

a/ Degree of integration of nationally 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.

In Brazil the production of motor-vehicles amounted to 227,552 units in 1967 (1.6 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

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 Brazil 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, Ford de Chile began construction of an assembly plant in Casablanca in the central zone of Chile, and Fiat announced that it would transfer its installations in Chile from Arica to Rancagua.

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

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 nationally 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 II-114).

Table II-114

#### 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 <sup>a/</sup>				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 <sup>b/</sup>	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.

<sup>a/</sup> Net imports (imports - exports).

<sup>b/</sup> Preliminary estimate of the ECLA/FAO/UNIDO Forest Industries Advisory Group for Latin America.

/While the

While the still sizable imports in this sector increased by 2.1 per cent in 1967, Latin American production, which supplies about 65 per cent of the total, 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 in Mexico, 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 - which 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 surplus available for export.

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 a 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 rises 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:

Long-fibre pulp	240,000 tons
Short-fibre pulp	145,000 tons
Paper and paperboard	600,000 tons
	<hr/>
	985,000 tons

The capital required for installing the new units is estimated at about 345 million dollars.

In general, the 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 because of 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 Campaña (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, Electrocolor 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, 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 by 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,



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 Corporation of Fertilizers, 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 Sulia 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 kg 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 kg of petroleum equivalent, which, in per capita terms, is not more than 44 per cent of world consumption.

Nearly 50 per cent of the energy consumed was in the form of liquid petroleum products, followed by vegetable fuels with slightly less than 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 from 53.5 per cent (1956). On the other hand, consumption of natural gas, and, to a lesser extent, of hydroelectricity has shot up from the low levels of 6 and 7.4 per cent in 1956.

Only five countries - Bolivia, Colombia, Mexico, Trinidad and Tobago, and Venezuela - produce all the petroleum needed for refining and domestic consumption themselves, 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 the gas cannot be carried overland in many cases 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 a substantial increase, particularly in natural gas. The known hydroelectric reserves are plentiful and also renewable, but in 1967

/only about

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 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 interconnexion 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 II-115). 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 Concepción 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, hydroelectric capacity available for public utilities outstripped thermal capacity by about 600 MW. The gap will widen considerably in 1968, when the first units of the large-scale hydroelectric projects of Jupiá, Guri, Malpaso, Rapel and Boa Esperança go into production.

Table II-115

## LATIN AMERICA: ELECTRIC ENERGY GENERATION, INSTALLED CAPACITY, 1966 AND 1967

(MW)

Country	Public utilities						Country total					
	1966			1967			1966			1967		
	H	T	Total	H	T	Total	H	T	Total	H	T	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
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
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
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	2 493.0	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
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
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
<b>Total</b>	<b>11 506</b>	<b>11 201</b>	<b>22 707</b>	<b>12 067</b>	<b>11 435</b>	<b>23 502</b>	<b>12 448</b>	<b>17 372</b>	<b>29 820</b>	<b>12 988</b>	<b>17 705</b>	<b>30 693</b>

a/ Excluding the Canal Zone.

/The public

The public utilities had 77 per cent of installed capacity as in the previous year, and hydro power's share of the total increased from 50.4 to 51.1 per cent.

(b) Generation

It will be seen from table II-116 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 utilities.

Total generation in Latin America was 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-Tobago.

The public utilities' share of total energy generation remained constant at about 80 per cent, as did the share of hydropower which was 52 per cent.

Utilization of thermal and hydroelectric plants by the public utilities 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 II-117.)

(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 Iguazu. In 1968, a start will be made with the exploration of the possibilities of comprehensive electric power integration in Central America. This long-term project is to be supported by others, shorter in scope, linking up some of the countries bilaterally.

Table II-116

LATIN AMERICA ENERGY GENERATION, TOTAL AND PER CAPITA, 1967

Country	1967		KWh per capita
	Total (GWh)	Population	
Argentina	16 508	23 031	718
Bolivia	587	4 334	136
Brazil	35 300	86 096	410
Colombia	6 700	18 823	356
Costa Rica	753	1 583	477
Cuba	4 250	7 830	542
Chile	7 100	9 236	770
Ecuador	760	5 368	142
El Salvador	515	3 105	166
Guatemala	535	4 611	116
Guyana	230	693	332
Haiti	115	4 868	24
Honduras	233	2 480	106
Jamaica	950	1 767	536
Mexico	20 926	45 701	458
Nicaragua	400	1 879	213
Panama	572	1 269	450
Paraguay	195	2 116	92
Peru	4 810	12 385	388
Dominican Republic	900	3 846	235
Surinam	267	376	710
Trinidad and Tobago	1 080	1 031	1 050
Uruguay	1 863	2 709	686
Venezuela	9 200	9 352	985
<u>Total</u>	<u>114 742</u>	<u>254 491</u>	<u>451</u>

Source: ECLA, on the basis of official statistics.

Table II-117

LATIN AMERICA: UTILIZATION OF POWER STATIONS

	Generation (GWh)	Capacity (MW)	Utilization (Hours)
<b>Public utilities</b>			
Hydropower stations	53 955	12 067	4 470
Thermal power stations	37 369	11 435	3 270
<u>Total for public utilities</u>	<u>91 324</u>	<u>23 503</u>	<u>3 840</u>
<b>Self-supplying</b>			
Hydropower stations	5 498	921	5 970
Thermal power stations	17 927	6 270	2 860
<u>Total for self-suppliers</u>	<u>23 425</u>	<u>7 191</u>	<u>3 260</u>
<b>TOTAL</b>	<u>114 749</u>	<u>30 693</u>	<u>3 740</u>

Source: ECLA, on the basis of official statistics.

Fair progress has been made with national interconnexions in a number of countries, as table II-118 shows. Two new and important systems in Venezuela and Colombia are soon to be added to them. 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, the frequency in the Caracas area is also to be switched from 50 to 60 cycles. This will pave the way for the interconnexion and for the subsequent inclusion of the Andes and Lake Maracaibo generating systems.

/Table II-118



Table II-118

LATIN AMERICA: PROPORTION OF INSTALLED PUBLIC UTILITY CAPACITY  
IN INTERCONNECTED SYSTEMS

Country	Percentage
Argentina <u>a/</u>	64
Brazil <u>b/</u>	64
Costa Rica	80
Chile	92
El Salvador	98
Guatemala	77
Honduras	73
Mexico <u>c/</u>	44
Nicaragua	95
Panama (excluding the Canal Zone)	76
Uruguay	90

Source: ECLA, on the basis of official statistics.

a/ Greater Buenos Aires system.

b/ Centro Sur system.

c/ Central system.

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 have a final capacity of 1,400 MW, that is to say, 80 per cent of the aggregate public utilities' capacity at the present time.

/In Bolivia,

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 represent virtually the whole of the generating capacity available for the public utilities.

(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 is slightly less than the total capacity of the public utilities in 1967, of which 75 per cent 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 II-119.)

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 thermal energy. The hydroelectric plants will consist of 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 Mariás 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.

Table II-119  
LATIN AMERICA: INSTALLATION PROGRAMMES  
(Megawatts)

Country	Thermal	Hydraulic	Total	Period
Argentina	880.0	1 373	2 253.0	1963/..
Bolivia	12.0	133	145.0	1968/70
Brazil	336.0	5 330	5 666.0	1968/72
Chile	100.0	760	860.0	1968/..
Colombia	663.0	2 112	2 760.0	1963/..
Ecuador	232.0	117	349.0	1963/75
Paraguay	-	154	154.0	1962/75
Peru	270.0	650	920.0	1963/70
Uruguay	80.0	270	350.0	1963/..
Venezuela	310.0	2 000	2 310.0	1968/76
Costa Rica	40.0	60	100.0	1963/74
Cuba	500.0	-	500.0	1963/70
El Salvador	93.0	60	153.0	1968/74
Guatemala	45.5	160	205.5	1963/74
Haiti	...	...	...	1968/74
Honduras	10.0	80	90.0	1968/74
Mexico	837.0	1 020	1 857.0	1968/71
Nicaragua	40.0	50	90.0	1968/73
Panama (excluding the Canal Zone)	80.0	140	220.0	1968/74
Dominican Republic	190.0	-	190.0	1968/70
Guyana	...	...	...	...
Jamaica	...	...	...	...
Surinam	...	...	...	...
Trinidad and Tobago	...	...	...	...
<u>Total</u>	<u>4 723.0</u>	<u>14 469</u>	<u>19 192.0</u>	

Source: ECLA, on the basis of official statistics.

/In Colombia

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 1969. It is also expected that 320 MW power station will be built at Anchicayá in the near future.

The 360 MW Rapel power station in Chile 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 of the public utilities 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.

In 1968, Venezuela will incorporate the first 575 MW of the Guri power station on the river Caroní. In addition, the Electricidad de Caracas power company is to put in two turbines with a capacity of 70 MW, which will burn natural gas and diesel fuel.

Installed capacity in Central America is scheduled to be increased 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 hydroelectric plant (60 MW), which is already under construction, and the thermoelectric 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 hydroelectric plant at Poza del Silencio; in Guatemala, a gas thermal plant (12.5 MW) for 1968, another thermal plant (33 MW) for 1969, the hydroelectric plant of Jurún-Marinalá (60 MW) for 1971 and the Atitlán hydroelectric plant of 100 MW; in Honduras, a diesel-run thermal plant (10 MW) for 1968 and the hydroelectric plant (80 MW) on the river Lindo; in Nicaragua, a 40 MW thermal plant is shortly to be put into service and a 50 MW hydroelectric plant is planned for Santa Bárbara; in Panama the Minas thermal plant (40 MW) is scheduled for 1968, and there are also to be two thermal plants of 40 and 33 MW plus the hydroelectric plant of El Bayano (140 MW).

/In México,

In Mexico, capacity is to be expanded by almost 1,000 MW in 1968. The major projects are the 720 MW Malpaso hydroelectric plant and the 82 MW Tijuana thermal plant. Other important short-term projects are the hydroelectric 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, being close to 280 million dollars. This points to a steady rate of construction in future, since the many major power stations that are already being built (Jupiá, 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 hidroelectric plant on the river Hondo, linking it up with the Santiago del Estero system, and extending an 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 55 kilometres upstream from the Jupiá hydroelectric plant 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

- (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 Curi 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 plan 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 35,000 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 II-120).

/Table II-120

Table II-120  
LATIN AMERICA: CRUDE OIL PRODUCTION, 1960 AND 1964-67  
(Thousands of m<sup>3</sup>)

Country	1960	1964	1965	1966	1967 a/
Argentina	10 178	15 543	15 625	16 656	18 242
Bolivia	569	504	534	850	2 274 b/
Brazil	4 508	5 265	5 460	6 750	8 509
Colombia	8 867	9 953	11 628	11 423	11 280
Cuba	25	18	29	50	135
Chile	1 150	2 176	2 020	1 976	1 966
Ecuador c/	438	444	453	432	572
Mexico d/	17 233	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	9 968
Venezuela	165 613	197 428	201 533	195 628	205 600
<u>Total</u>	<u>218 639</u>	<u>263 901</u>	<u>269 727</u>	<u>267 555</u>	<u>286 236</u>
<u>Total (excluding Venezuela)</u>	<u>53 026</u>	<u>66 473</u>	<u>68 194</u>	<u>71 927</u>	<u>80 636</u>

Sources: ECLIA, on the basis of official statistics for each country. The data for Cuba were obtained from other publications.

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/ Net output.

d/ Including absorption liquid.

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 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

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 II-121).

Table II-121

## LATIN AMERICA: GROSS PRODUCTION OF NATURAL GAS, 1960 AND 1964-67

(Millions of m<sup>3</sup>)

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
Colombia	2 338	2 398	2 650 a/	2 800 a/	3 100
Chile	2 194	6 281	6 215	6 653	7 040
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-Tobago	2 765	2 995	3 263	3 655	3 700
Venezuela	31 561	39 270	40 846	41 274	45 780
<u>Total</u>	<u>54 913</u>	<u>73 837</u>	<u>76 018</u>	<u>78 552</u>	<u>86 800</u>

Source: ECLA, on the basis of official statistics.

a/ Many of these figures are estimates.

/(b) Consumption



(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 of 10,700 cal/kg; those in the second, from 1 to 5 million tons; and those in the third, less than 1 million tons (see table II-122). The first group comprises, in order of importance, Mexico, Argentina, Brazil and Venezuela, which together consumed 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.

The second group would include 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.

Table II-122

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 <sup>a/</sup>
Argentina <sup>b/</sup>	13 820	18 228	18 992	19 482	20 191
Bolivia <sup>b/</sup>	293	417	444	470 <sup>a/</sup>	510
Brazil <sup>b/</sup>	12 433	16 290	15 504	16 391	17 431
Colombia <sup>b/</sup>	3 038	3 921	4 192	4 601	4 937
Costa Rica	190	221	256	283 <sup>a/</sup>	310
Chile <sup>a/</sup>	2 481	3 382	3 570	3 972	4 252
Ecuador	522	638	686 <sup>a/</sup>	736 <sup>a/</sup>	793
El Salvador	196	313	326 <sup>a/</sup>	342 <sup>a/</sup>	359
Guatemala	461	565	578 <sup>a/</sup>	603 <sup>a/</sup>	636
Haiti	88	91	93 <sup>a/</sup>	101 <sup>a/</sup>	110
Honduras	191	212	222 <sup>a/</sup>	234 <sup>a/</sup>	258
Jamaica	754	803	1 253 <sup>a/</sup>	1 360 <sup>a/</sup>	1 463
Mexico <sup>b/</sup>	15 663	20 445	21 567	24 421	26 310
Nicaragua	179	279	288 <sup>a/</sup>	300 <sup>a/</sup>	313
Panama	343	508 <sup>a/</sup>	534 <sup>a/</sup>	558 <sup>a/</sup>	580
Paraguay	103	139	175	183 <sup>a/</sup>	227
Peru <sup>b/</sup>	2 346	3 316	3 740 <sup>a/</sup>	4 017	4 229
Dominican Republic	312	412	443 <sup>a/</sup>	470 <sup>a/</sup>	492
Uruguay	1 210	1 303	1 521	1 329	1 434
Venezuela <sup>b/ d/</sup>	7 913	9 862	10 547	11 090	11 692
<u>Total</u>	<u>62 536</u>	<u>81 345</u>	<u>84 391</u>	<u>90 943</u>	<u>96 517</u>
Cuba	4 000				5 700

Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Estimates.

<sup>b/</sup> Including consumption of natural gas.

<sup>c/</sup> Including estimated consumption of natural gas on the Magallanes oilfields.

<sup>d/</sup> Excluding deliveries to ships.

/In the

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 II-123). 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.

Table II-123  
LATIN AMERICA: GROSS CONSUMPTION OF MAIN PETROLEUM PRODUCTS AND NATURAL GAS, 1966-67  
(Thousands of tons of 10 700 kcal./kg. petroleum equivalent)

Country	1966					1967a/						
	Total	Liquid gas	Gasoline	Kerosene	Gas and diesel oil	Fuel oil	Total	Liquid gas	Gasoline	Kerosene	Gas and diesel oil	Fuel oil
Argentina	15 565	636	3 451	1 347	3 591	6 840	15 991	682	3 710	1 102	3 787	6 710
Bolivia	387	-	148	62	66	111	408	-	158	62	68	120
Brazil	16 301	958	5 282	789	3 889	5 383	17 340	1 035	5 700	805	4 200	5 600
Colombia	3 714	130a/	1 709	314	587	974	4 017	160	1 855	320	607	1 075
Costa Rica a/	283	2	75	16	170	20	310	2	80	18	180	30
Chile	3 472	177	936	333	571	1 455	3 732	207	975	350	640	1 560
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	b/	59	110	1	38	7	b/	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	15 843	1 650	4 825	2 145	3 056	4 167	16 910	1 880	5 150	2 300	3 290	4 290
Nicaragua a/	300	1	97	35	b/	167	313	2	100	36	b/	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	3 937	31	1 148	593	761	1 404	4 144	34	1 210	610	780	1 510
Dominican Republic a/	470	...	171	40	b/	259	492	...	180	42	b/	270
Uruguay	1 329	22	284	175	280	568	1 434	24	290	175	285	660
Venezuela a/	5 124	437a/	2 461	576	875	775	5 267	460	2 600	578	979	650
Petroleum products	70 842	4 057	21 537	6 452	14 554	24 241	74 774	4 502	23 009	6 745	15 575	24 943
Natural gas	20 101						21 743					
Total	90 943						96 517					
Cuba							5 700	-	900	200	1 000	3 600

Source: ECLA, on the basis of official statistics.

a/ Estimates.

b/ Including fuel oil.

/In 1967,

In 1967, refineries in the region (excluding Aruba, Curaçao, the Central American countries and Paraguay, for which no data are available) processed 180.2 million cubic metres of crude petroleum, which is 7 million cubic metres, or 3.5 per cent, more than the volume refined in 1966 (see table II-124).

Table II-124

LATIN AMERICA: VOLUME OF CRUDE PETROLEUM REFINED, 1955, 1960 AND 1965-67 <sup>a/</sup>

(Thousands of m<sup>3</sup>)

Country	1955	1960	1965	1966	1967 <sup>a/</sup>
Argentina	9 537	13 629	19 495	20 566	20 852
Bolivia	338	359	512	550 <sup>a/</sup>	590
Brazil	4 089	10 412	17 841	20 035	22 100
Colombia	2 248	4 221	5 325	5 657	6 000
Cuba	574	3 736	4 400 <sup>a/</sup>	4 800 <sup>a/</sup>	5 200
Chile	753	1 727	2 746	3 405	3 898
Ecuador	319	674	873	917	980
Mexico	13 028	17 028	21 444	20 963	23 260
Peru	2 356	2 637	3 300 <sup>a/</sup>	3 413	3 560
Trinidad-Tobago	6 130	13 092	21 806	22 927	24 100
Uruguay	1 302	1 508	1 867	1 910	1 960
Venezuela	31 140	51 339	68 210	68 107	67 700
<u>Total</u>	<u>71 814</u>	<u>120 362</u>	<u>167 819</u>	<u>173 250</u>	<u>180 200</u>
<u>Total excluding Venezuela</u>	<u>40 674</u>	<u>69 023</u>	<u>99 609</u>	<u>105 143</u>	<u>112 500</u>

Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Estimates, except for Argentina, Chile and Venezuela.

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, as well as 95 per cent of its diesel oil consumption and 75 per cent of its fuel oil consumption.

/Moreover, if

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, 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 two-fold contraction in world prospecting and drilling activities: the number of crew/months dropped by 5.5 per cent and that of wells drilled by 8.7 per cent, compared with an increase of 5.2 per cent in the former and a decrease of only 7.1 per cent in the latter in 1965. Despite this slackening in geophysical activities, expenditure in 1966 went up 4.6 per cent compared with 1965, owing partly to a rise of 22.3 per cent in the cost of marine seismic surveying and partly to 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 II-125) 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 II-126 gives data on specific types of exploration activities and their trends over a six-year period.

Table II-125

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 II-126

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
<u>Total</u>	<u>1 181</u>	<u>987</u>	<u>1 107</u>	<u>1 153</u>	<u>1 133</u>	<u>1 132</u>	<u>1 012</u>

Source: World Oil, 15 August of each year; 1966: World Oil, November 1967.

/Following an

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 II-127).

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 vast 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.



Table II-127

LATIN AMERICA: NUMBER OF WELLS DRILLED, 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
Colombia	117	173	78	77	52
Cuba	95	3	15	15	...
Chile	58	56	99	47	37
Ecuador	212	72	52	49	43
Mexico	330	762	631	361	297
Peru	219	150	137	160	158
Trinidad-Tobago	213	312	190	214	268
Venezuela	1 163	444	621	694	394
Other countries	-	-	-	4	13
<u>Total</u>	<u>2 785</u>	<u>3 415</u>	<u>2 593</u>	<u>2 429</u>	<u>2 357</u>

Sources: World Oil; and Ministry of Mines and Hydrocarbons, Venezuela, Petróleo y otros datos estadísticos.

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 (which is granting new concessions in the 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

(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.

Such important importers as Brazil and Argentina were able to reduce their purchases abroad thanks to the increase in domestic production. On the other hand, in view of 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 tables II-128 and II-129).

Table II-128

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
<u>Imports</u>						
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	...	...
<u>Exports</u>						
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	46 680.0	117 920.5	46 086.0	127 500.0	46 500.0

Sources: Foreign trade yearbooks and other publications.

a/ Includes some estimates.

b/ Exports by Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) only.

Table II-129

## 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 <sup>a/</sup>	
	Value	Percent- ages	Value	Percent ages	Value	Percent ages
<u>Imports</u>						
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	26.0	3.2
Uruguay	24.0	1.6	31.7	1.9	...	...
<u>Exports</u>						
Bolivia	0.7 <sup>b/</sup>	0.0	6.6	4.4	...	...
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	6.0	0.9	5.0	0.6	5.5	0.7
Venezuela	2 304.1	93.7	2 214.8	91.7	2 330.9	92.0

<sup>a/</sup> Many of the figures are estimates.<sup>b/</sup> Exports by Yacimientos Petroliferos Fiscales Bolivianos (YPFB) only.

In Peru the gap between domestic consumption and primary production of hydrocarbons is still widening, the net negative balance in 1967 being 20 million dollars. Conversely, in Trinidad and Tobago oil extraction increased substantially in 1967 to over 10 million cubic metres, which represents half the volume refined on the island and an increment of 50 per cent over the 1964 production. Mexico's exports once again more or less balanced its imports, which shows the residual and compensatory nature of its foreign trade in hydrocarbons.

As regards the origin of imports, most of the Latin American countries that were short of petroleum received a higher proportion of their imports from suppliers in the region itself than has been the case in previous years.

/(g) Development

(g) Development of bituminous shale

Bituminous shale constitutes an immense reserve of hydrocarbons, since such rock deposits 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. Nevertheless, its economic use on an industrial scale<sup>1/</sup> opens up highly encouraging prospects for increasing domestic supply in countries poor in liquid and gaseous hydrocarbons. This is precisely the case in Brazil, in 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 (PETROBRAS) 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. Thus, the annual output of hydrocarbons is 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 a fairly significant amount 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 there is good reason to expect a substantial reduction 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.

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<sup>1/</sup> 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.

(i) Exploration, extraction and transport

Argentina. A new oil field 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 Luyán 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 m<sup>3</sup>/day) of the crude oil tower, a flash tower (8,500 m<sup>3</sup>/day), a hydro-cracking plant (3,000 m<sup>3</sup>/day), and a naphtha catalytic reforming plant (1,500 m<sup>3</sup>/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 oil field 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 Refineria e Exploração de Petróleo União de São Paulo secured permission to raise its output of naphtha to 32,000 barrels a day.

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

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 now is 16.25 pesos to the dollar instead of the former 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.

Chile. The Concepción-San Fernando pipeline for petroleum products (300 kilometres long), which links up with the San Fernando-Santiago-Concén pipeline, was put into service, and also the gas pipeline to Punta Arenas (200 kilometres). Petroleum prospecting was started in Arauco province, with no results so far.

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 been started 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, the building of which was started 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

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 discussions along 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 markets - which are mainly on the eastern seaboard - of Venezuela's largest customer.

The question is how to reduce the sulphur content of fuel oil so as to comply with the regulations prohibiting air pollution in the large towns along the east coast of the United States. In order to comply with these regulations, the sulphur content of Venezuelan residual fuels must be drastically 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. A favourable aspect of the project is 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,<sup>2/</sup> which would further improve the prospects for Venezuela's heavy fuel exports.

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<sup>2/</sup> 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.

/Moreover, the

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. The Argentine Act N° 17319, which was passed on 23 June 1967, authorizes private enterprises to take part in petroleum development activities, either through prospecting in unexplored areas - obtaining eventual concession for the development of any oilfields discovered -, through concessions for the development of known oilfields, or through the exploration and development under contract 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 a normal period is granted for development. Royalties are also the normal 12 per cent, but may be reduced to 5 per cent by the Executive, taking into account 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, 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



for the allocation of concessions covers 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 oil basin, that is, on land in the Buenos Aires province. 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 either on its own or 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 the legal instruments providing for their development, the null and void 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, subject to the approval of Congress. As the Executive had not exercised these powers by July 1967, Congress called upon it to do so within a period of 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 submit a bid, The Executive directed the Empresa Petrolera Fiscal to seek a final solution to the problem, even by taking over the exploitation of the oilfields itself if necessary.

/Venezuela.

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 operation of the petroleum and subsidiary industries and of improving 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 the company's paying all costs and profits in proportion to the productivity of rates of return on the development operations, 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 media, such as motor-vehicle transport. Managements are also continuing their efforts to improve services and reduce budget deficits. For instance, more use is gradually being made of containers and the piggy-back system, 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 suggest 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 II-130).

The number of traffic units increased in Colombia and Mexico but was reduced in Bolivia, while 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 II-131).

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 Empresa Nacional de Ferrocarriles de Bolivia. The modernization of passenger transport proceeded, and ten rail cars purchased from Western 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 h.p. diesel-electric engines and four 550 h.p. diesel-hydraulic engines for shunting, to be used on the western network; five diesel-hydraulic engines for the eastern network; and two 1,340 h.p. rail motor-trains which will enter service in 1968.

Table II-130

LATIN AMERICA: RAILWAY FREIGHT TRAFFIC IN SELECTED COUNTRIES,  
1965, 1966 AND 1967

(Millions of tons and ton/kilometres)

Country	1965			1966			1967		
	Millions of tons	Ton/km	Average length of haul	Millions of tons	Ton/km	Average length of haul	Millions of tons	Ton/km	Average length of haul
Argentina	23.4	14 185	606	21.9	13 514	617	...	...	...
Bolivia <u>a/</u> <u>b/</u>	0.9	249	277	0.9	234	260	0.8 <u>a/</u>	216 <u>c/</u>	270 <u>a/</u>
Brazil <u>b/</u> <u>d/</u>	54.8	18 769	342	54.6	19 331	354			
Colombia	3.1	890	287	3.3	1 114	338	3.2 <u>a/</u>	993 <u>a/</u>	323 <u>a/</u>
Chile	20.0	2 624	131	21.0	2 723	130	13.0 <u>f/g/</u>	2 030 <u>f/g/</u>	156 <u>f/g/</u>
Ecuador <u>h/</u>	0.3	75	25	0.3	76	25			
Mexico	32.7	14 589	446	32.9	14 845	451	35.6 <u>a/</u>	15 789 <u>a/</u>	443 <u>a/</u>
Paraguay <u>i/</u>	0.94	19	202	0.78	16	205	0.74	17	229
Peru <u>j/</u>	0.14	15	104	0.12	13	104	0.06 <u>k/</u>	5 <u>k/</u>	86 <u>k/</u>
Uruguay	1.6	464	288	1.6	468	284	1.4 <u>l/</u>	389 <u>l/</u>	285 <u>l/</u>

Sources: Argentina: Latin American Railways Association (ALAF); Bolivia: Empresa Nacional de Ferrocarriles (direct information); Brazil: Anuario Estatístico do Brasil, 1967; Colombia: Ferrocarriles Nacionales de Colombia (direct information); Chile: ALAF and Ferrocarriles del Estado; Ecuador: ALAF, Mexico: Ferrocarriles Nacionales de México (direct information); Paraguay: Ferrocarril Carlos Antonio López (direct information); Peru: Ministry of Public Works (direct information); Uruguay: Administración de los Ferrocarriles del Estado (direct information).

a/ Empresa Nacional de Ferrocarriles.

b/ Including luggage and parcels.

c/ Estimates based on figures for nine months.

d/ Including all railways.

e/ Estimates based on figures for ten months.

f/ Empresa de los Ferrocarriles del Estado y Anexados.

g/ Estimates based on figures for first ten months.

h/ Guayaquil-Quito-Simbabé-Cuenca.

i/ Ferrocarril Carlos Antonio López.

j/ Ferrocarriles del Estado only.

k/ Six months only.

l/ Estimates.

Table II-131

## LATIN AMERICA: RAILWAY PASSENGER TRAFFIC IN SELECTED COUNTRIES, 1965, 1966 AND 1967

(Millions of passengers and passenger/kilometres)

Country	1965			1966			1967		
	Millions of passengers	Passenger/kilometres	Average length of journey	Millions of passengers	Passenger/kilometres	Average length of journey	Millions of passengers	Passenger/kilometres	Average length of journey
Argentina	497.8	15 229	306	492.0	15 097	307	...	...	...
Bolivia <u>a/</u>	1.3	166	128	1.2	172	143	1.3 <u>b/</u>	176 <u>b/</u>	135 <u>b/</u>
Brazil <u>c/</u>	405.7	16 633	410	339.3	13 724	404	...	...	...
Colombia	6.5	513	79	5.8	491	85	4.9 <u>d/</u>	423 <u>d/</u>	86 <u>d/</u>
Chile	23.9	2 229	93	21.1	2 069	96	20.8 <u>e/f/</u>	2 006 <u>e/f/</u>	96 <u>e/f/</u>
Ecuador <u>g/</u>	3.0	52	17	3.3	52	16	...	...	...
Mexico	33.3	2 984	90	33.8	3 121	92	33.6 <u>b/</u>	3 172 <u>b/</u>	94 <u>b/</u>
Paraguay <u>h/</u>	0.4	35	88	0.2	20	100	0.1	14	140
Peru <u>i/</u>	0.7	56	80	0.8	59	75	0.3 <u>j/</u>	26 <u>j/</u>	87 <u>j/</u>
Uruguay	9.1	551	61	10.8	708	66	9.9 <u>k/</u>	622 <u>k/</u>	63 <u>k/</u>

Sources: As for table II-130.

- a/ Empresa Nacional de Ferrocarriles.
- b/ Estimates based on figures for nine months.
- c/ Including all railways.
- d/ Estimates based on figures for ten months.
- e/ Empresa de los Ferrocarriles del Estado y Anexados.
- f/ Estimates based on figures for first ten months.
- g/ Guayaquil-Quito-Simbambé-Cuenca.
- h/ Ferrocarril Carlos Antonio López.
- i/ Ferrocarriles del Estado only.
- j/ Six months only.
- k/ Estimates.

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 consignment previously purchased, and 280 metre-gauge and 200 wide-gauge wagons were brought into use. The improvement of track and infrastructural facilities also continued.

/Financing provided

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, 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 afoot for the purchase of twenty-four main-line and marshalling-yard electric locomotives, and eighteen electric rail cars of various types. Domestic industry, in addition, has begun the construction of 2,300 wagons, 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 worthwhile noting the importance that the Latin American countries are attaching to international railway connexions. So far, inter-country agreements to encourage freight and passenger traffic and improve the railways involved have 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

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 (LAFTA) prepared a draft body of regulations for the Water Transport Agreement signed by the countries members of LAFTA 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 participation 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 dissension 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

Meanwhile, some regional lines have already begun to expand their services among the countries signatories to the Agreements, in anticipation of its enforcement. For example, the 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.

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 total figures are 4,825,087 tons for 1966 and 5,025,488 for 1967. The implied growth rate of 4.2 per cent is attributable solely to the marked expansion of the Cuban fleet, from 187,684 to 272,363 tons (see table II-132).

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 increase the national merchant marine by means of 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 ports of Brazil has enabled vessels to make great reductions in their operational costs and in the length of their stay in port. For instance, according to an estimate of the effects of the improvements at 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 eliminated, and consequently the shipping conferences that imposed surcharges at Argentine ports lifted them as from 1967. These advances were achieved largely through changes in the systems of work at the various ports, with very little investment in specialized equipment.



Table II-132

LATIN AMERICA: MERCHANT MARINES <sup>a/</sup>  
(Numbers of units and thousands of tons gross weight)

Country	As at 1 January 1966				As at 1 January 1967			
	Total		Dry-cargo boats b/		Total		Dry-cargo boats b/	
	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	666	181	1 304	122	655
Brazil	211	1 501	163	887	216	1 565	165	902
Colombia-Ecuador	32	232	27	192	34	272	27	203
Chile	44	370	38	251	42	356	37	254
Mexico	36	380	14	76	35	350	17	90
Paraguay	21	20	18	17	21	20	18	17
Peru	26	197	20	149	32	279	23	189
Uruguay	16	160	11	94	17	165	12	99
Venezuela	33	377	20	94	34	402	22	90
<b>Total LATFA countries</b>	<b>608</b>	<b>4 599</b>	<b>437</b>	<b>2 426</b>	<b>612</b>	<b>4 715</b>	<b>443</b>	<b>2 499</b>
Cuba	30	188	28	181	47	272	45	266
Guatemala	2	6	2	6	2	6	2	6
Nicaragua	6	24	6	24	6	24	6	24
Dominican Republic	3	10	3	10	3	10	3	10
<b>Total</b>	<b>649</b>	<b>4 825</b>	<b>476</b>	<b>2 646</b>	<b>670</b>	<b>5 026</b>	<b>499</b>	<b>2 803</b>
<b>Total</b>					<b>171</b>	<b>2 172</b>	<b>171</b>	<b>2 222</b>

Sources: Instituto de Estudios de la Marina Mercante Iberoamericana, La Marina Mercante Iberoamericana, Buenos Aires, 1966 and 1967.

Notes: Totals do not always exactly correspond to partial data, owing to rounding.

a/ Including self-propelled merchant vessels of over 1 000 tons gross weight, except in the case of Paraguay, where boats of over 500 tons gross weight are included.

b/ Including passenger boats, bulk cargo boats, lighters, etc.

### 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 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 (Asociación Latinoamericana de Transporte Automotor por Carretera - 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 Bolivariana 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 II-133). 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 construction of the Cruzeiro do Sul highway to Pucallpa and the Rio Branco highway from Brasilia to Iñapari and Manu will afford Brazil two other means of access to the Carretera Marginal de la Selva, in Peruvian territory.

Table II-133

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	335	-	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	1 137	55	-	55	626	962	1 588
Paraguay	773	-	68	68	-	705	705
<u>Total a/</u>	<u>7 585</u>	<u>496</u>	<u>1 071</u>	<u>1 597</u>	<u>2 081</u>	<u>4 213</u>	<u>6 294</u>

Source: Tenth Pan American Highway Congress (Montevideo, Uruguay, December 1967),  
"Informe del Subcomité de la Carretera Bolivariana Marginal 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.

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 Caribbean Circuit including those linking up Sincerín, Teluviejo, Toldí, 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.

A Pan Amazon highway sub-committee (Subcomité Vial Panamazónico), on which Brazil, Colombia, Ecuador, Peru and Venezuela are represented, 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

provide infrastructural facilities for the economic and social development of the Amazon Basin. To this end, it is planned to build a highway along 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) as to 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 II-134). 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 their 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 II-135). According to the firm of consultants, the average cost of construction on the Panamanian section is a little under 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).

Table II-134

PAN AMERICAN TRANSVERSAL HIGHWAY: LENGTH AND COST OF SELECTED SECTIONS

Country	Section	Length (Kilometres)	Estimated cost (dollars)
Peru	Lima-Masca Abancay-Desaguadero	1 652	US\$ 60 000 000
Bolivia	Desaguadero-La Paz- Oruro-Caficada Oruro	1 467	US\$ 45 000 000
Paraguay	Sargento Rodriguez- Asunción-Puerto Ströessner	1 095	US\$ 40 000 000
Brazil	Foz do Iguazu-Curitiba- Parana	772	-

Source: Tenth Pan American Highway Congress (Montevideo, Uruguay, December 1967).  
"Subcommittee on the Pan American Transversal Highway in South America.  
Report of the Permanent Secretariat" (OAS/Ser.K/1.10.1, doc.11).

Table II-135

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")	
1. Colombia	421	124 121	140 603	159 359	
2. Panama	320	58 900	71 408	80 237	
<u>Total</u>	<u>741</u>	<u>183 021</u>	<u>212 011</u>	<u>239 596</u>	321 per km <sup>2</sup>

Source: Tenth Pan American Highway Congress (Montevideo, Uruguay, December 1967).  
"Report of the Darien Subcommittee" (OAS/Ser.K/1.10.1, doc.9).

/(b) National

(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 roads calculated to serve the integration movement as 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 source 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 are paved and 18,400 improved roads. 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 II-136).

Table II-136

## CENTRAL AMERICA AND PANAMA: HIGHWAYS, DECEMBER 1967

(Kilometres)

Country	Total	Paved	Metalled	Earth roads
<u>Total for Central America and</u>				
<u>Panama</u>	<u>55 108</u>	<u>7 017</u>	<u>11 432</u>	<u>32 659</u>
<u>Total for Central America</u>	<u>48 238</u>	<u>5 497</u>	<u>17 350</u>	<u>25 391</u>
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	1 546	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.

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 implementation of an arterial road plan (Plan Vial de Carreteras Principales) 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 7.0 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-Coascorán and La Cuchilla-El Portezuelo projects (12.5 million colones in the aggregate).

/In Colombia's

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 between January and December 1967 its road system, measuring 42,817 kilometres, was extended by another 1,398 kilometres. Of this increase, 233 kilometres corresponded to paved roads, 493 kilometres to metalled roads, and the remainder to non-metalled and earth roads. According to estimates, 1,025 million soles seem to have been 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. Thus the cumulative growth rate is showing a definite downward trend, since the additional road sections built in 1965 and 1966

/amounted to



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-Aceguá, 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 road network had amounted to 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 transport \*

##### (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, the year 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 fares are now available on many routes to and from Latin America.

\* The background data for this section have been supplied by the International Civil Aviation Organization (ICAO).

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 II-137). This estimate is the aggregate 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 II-138).

The consistently high rate of 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-jets in service was increased from 53 to 75 during the year and turbo-props 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.

Table II-137

## LATIN AMERICA: TRAFFIC AND CAPACITY ON ALL SCHEDULED AIR TRANSPORT SERVICES, 1966 AND 1967

(Total operations of airlines registered in the region)

Year	Selected traffic item	Traffic (thousands of ton/kilometres)			Available capacity (ton/km)	Weight load factor (percentage)	Years	Annual percentage (+) or decrease (-) in total traffic (percentage)
		Passenger (including excess baggage)	Freight	Mail				
<u>Total operations (international and domestic)</u>								
1966		978 283	272 439	25 844	1 276 566	2 190 671 a/	58.3	1966/65 +8.4
1967 b/		...	...	...	1 416 810	...	...	1967/66 +11.0
<u>International operations</u>								
1966		514 170	140 376	15 056	669 602	1 212 602 a/	55.2	1966/65 +14.6
1967 b/		...	...	...	780 775	...	...	1967/66 +16.6
<u>Domestic operations</u>								
1966		464 113	132 063	10 788	606 964	978 069 a/	62.1	1966/65 +2.3
1967 b/		...	...	...	636 035	...	...	1967/66 +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/ Provisional ICAO estimates.

b/ Includes an adjustment made by ICAO to certain reported airline figures which appear to exclude the capacity offered for the carriage of freight.

Table II - 138

LATIN AMERICA: TRAFFIC ON SCHEDULED AIR TRANSPORT SERVICES IN 1967 AS COMPARED WITH 1966

(Millions of ton/kilometres)

Country and sub-region	Total operations (Passenger, freight, mail)		Domestic operations (Passenger, freight, mail)		International operations (Passenger, freight, mail)	
	1967 <u>a/</u>	1966	1967 <u>a/</u>	1966	1967 <u>a/</u>	1966
Mexico	210.2	207.1 <u>a/</u>	120.0	113.9 <u>a/</u>	90.2	93.2 <u>a/</u>
Costa Rica	15.3	14.4	2.0	2.1 <u>b/</u>	13.3	12.3
El Salvador	18.1	15.7 <u>a/</u>	<u>c/</u>	<u>c/</u>	18.1	15.7 <u>a/</u>
Guatemala	11.9	10.0 <u>a/</u>	3.2	2.4 <u>a/</u>	8.1	7.6 <u>a/</u>
Honduras	14.4	12.6	2.2	2.2	12.2	10.4
Nicaragua	5.1	5.0 <u>a/</u>	1.0	0.9 <u>a/</u>	4.1	4.1
Panama	8.8	10.2 <u>a/</u>	4.8	2.7 <u>a/</u>	4.0	7.5 <u>a/</u>
Barbados	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>
Cuba	34.8	32.8 <u>b/</u>	15.9	15.6 <u>b/</u>	18.9	17.2 <u>b/</u>
Haiti	0.1	0.1 <u>a/</u>	0.1	0.1 <u>a/</u>	<u>c/</u>	<u>c/</u>
Jamaica	8.7	5.5 <u>a/</u>	1.0	0.9 <u>a/</u>	7.7	4.6 <u>a/</u>
Dominican Republic	7.1	4.7 <u>a/</u>	-	0.5 <u>a/</u>	7.1	4.2 <u>a/</u>
Trinidad and Tobago	35.4	32.2	0.5	0.5 <u>a/</u>	34.9	31.7
Others	30.4	26.6	13.9	13.7	16.5	12.9
<u>Total for Northern Sub-Region</u>	<u>322.7</u>	<u>376.9</u>	<u>164.6</u>	<u>155.5</u>	<u>235.1</u>	<u>221.4</u>
<u>Percentage change 1967/66</u>	<u>+6.0</u>		<u>+5.9</u>		<u>+6.2</u>	
Argentina	155.1	121.6	76.1	59.7	79.0	61.9
Bolivia	6.3	5.8	4.6	4.1	1.7	1.7
Brazil	360.1	327.3 <u>b/</u>	165.2	164.2 <u>b/</u>	194.9	163.1 <u>b/</u>
Colombia	186.5	176.4	113.4	115.7	73.1	60.7
Chile	80.9	72.2	54.6	53.5	26.3	18.7
Ecuador	23.0	17.3 <u>b/</u>	5.9	5.6 <u>a/</u>	17.1	11.7 <u>a/</u>
Guyana	1.5	1.4 <u>a/</u>	1.5	1.4 <u>a/</u>	<u>c/</u>	<u>c/</u>
Paraguay	3.7	3.5 <u>a/</u>	1.4	1.3 <u>a/</u>	2.3	2.2
Peru	73.0	64.4 <u>a/</u>	14.8	14.5 <u>a/</u>	58.2	49.9
Uruguay	6.9	8.6 <u>a/</u>	1.4	1.6 <u>a/</u>	5.5	7.0 <u>a/</u>
Venezuela	119.5	100.5	32.0	29.2	87.5	71.3
Others	0.6	0.7 <u>a/</u>	0.5	0.7 <u>a/</u>	0.1	<u>c/</u>
<u>Total for Southern Sub-Region</u>	<u>1 017.1</u>	<u>899.7</u>	<u>471.4</u>	<u>451.5</u>	<u>545.7</u>	<u>448.2</u>
<u>Percentage change 1967/66</u>	<u>+13.0</u>		<u>+4.4</u>		<u>+21.8</u>	
<u>Total for the two sub-region</u>	<u>1 416.8</u>	<u>1 276.6</u>	<u>636.0</u>	<u>607.0</u>	<u>780.8</u>	<u>669.6</u>
<u>Percentage change 1967/66</u>	<u>+11.0</u>		<u>+4.8</u>		<u>+16.6</u>	

Source: ICAO, Digest of Statistics, N° 128 - Series T-N° 26 - Traffic, and Addenda and Corrigenda Nos. 1 and 2.

a/ ICAO estimates.

b/ Provisional data.

c/ No scheduled services.

/(b) Infrastructural

(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 adopted by the International Civil Aviation Organization (ICAO) for the Caribbean area 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 the regional plans of ICAO 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 conducive to 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 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, as well as 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 communications 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 II-139). 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 share of the Export-Import Bank was so large; 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 IBRD and AID loans dropped from 12.4 per cent to 6.2 per cent, and from 31.5 per cent to 12.7 per cent, respectively.

Table II-139

LATIN AMERICA: FOREIGN LOANS TO THE TRANSPORT SECTOR, 1966 AND 1967

(Millions of dollars)

	Source of loan		Rail transport		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 <sup>a</sup>	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 (EXIMBANK)	10.0	9.8	-	-	-	6.0 <sup>b</sup>	31.4	79.7	41.4	95.5	31.9	51.7
<u>Total</u>	<u>10.0</u>	<u>9.8</u>	<u>69.6</u>	<u>83.6</u>	<u>14.0</u>	<u>6.0</u>	<u>36.1</u>	<u>85.2</u>	<u>129.7</u>	<u>184.6</u>	<u>100.0</u>	<u>100.0</u>

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.: E 68.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.

/As regards

As regards the distribution of credits by sectors, the most outstanding development of the year 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 issued 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 (UNDP), the Government of Bolivia and IBRD signed an agreement to carry out a joint study of all transport media 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.







