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LATIN AMERICA AND THE SECOND DEVELOPMENT DECADE

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TABLE OF CONTENTS

/INTRODUCTION

INTRODUCTION

Now that the programme of the Second United Nations Development Decade is entering its first year, ECLA must decide upon a plan of action for promoting the implementation of the International Strategy in so far as it relates to Latin America.

The International Development Strategy adopted by the General Assembly in resolution 2626 (XXV) sets a number of economic and social goals and objectives which the developing countries should achieve during the 1970s. It points out that the developing countries themselves must bear the main responsibility for their development, and defines the role that international co-operation should play in the fields of trade, financing and science and technology in order to impart greater dynamism and effectiveness to the development process.

The Strategy indicates, inter alia, the policy measures to be adopted by the industrialized countries and the concerted action to be taken by the developing countries at the national level.

A particularly important aspect of the Strategy is the provision it makes for periodic review and systematic scrutiny of the progress made towards the achievement of the general objectives and the national targets the countries set themselves and for an appraisal of the application and effectiveness of the policy measures it prescribes.

It would therefore be advisable for the Commission to consider at its fourteenth session how the International Strategy is to be interpreted from the Latin American standpoint, what action will be required both by the countries themselves and by the Commission, and, above all, how the regional appraisal is to be carried out. These points are taken up in the chapter I of this document. Chapter II gives a succinct account of the research and studies carried out on economic growth targets for Latin America, so as to give some idea of what the targets set in the Strategy would mean for the countries or the region. It examines the problems involved in accelerating the over-all growth rate, the structure and social impact of the development process and its requirements in terms of the saving and investment coefficients and foreign trade.

/It is

It is in no way intended to indicate the targets that the region should set itself in the context of the programme for the Second Development Decade. These will emerge from the decisions to be reached at the national level since, as has already been pointed out, it will be for the countries themselves to define their own goals and objectives for development.

The conceptual aspects of Latin American development strategy are dealt with in the other documents that are being submitted to the Commission at its fourteenth session.

A short appraisal of Latin American development in the 1960s is given in document E/CN.12/884 and Add 1, "Trends and structures of the Latin American economy", which discusses the dynamism and stability of the economic growth process, structural changes and the evolution and transformation of the external sector.

The secretariat thought it appropriate to distribute a revised version of the study entitled "Basic aspects of Latin American development strategy" (E/CN.12/836/Rev.1) containing a diagnosis of the problems of development and discussing the basic objectives and policies that should be included in national strategies. In addition, the secretariat is distributing an extract from the recent report by Raúl Prebisch (E/CN.12/891) containing the general introduction to the report and its conclusions and recommendations for action, considering that this will be a valuable contribution to the discussions.

The technical analyses of the projections used in the second part of the present document are given in detail, for each country, in document E/CN.12/865, "Latin America: Macroeconomic projections for the 1970s".

The Conference documents on the mobilization of domestic resources (E/CN.12/876), the regional aspects of national development (E/CN.12/896), and population trends and policy alternatives (E/CN.12/874), summarize the conclusions and findings of more comprehensive studies that the secretariat has been undertaking in a desire to delve more deeply into the problems and policies of Latin American development, using a systematic approach based on the conclusions of the study on the basic aspects of Latin American development strategy. With respect to external problems, document E/CN.12/889, "International economic co-operation and the third session of UNCTAD", examines the trends of international co-operation and the action that should be taken to implement the International Development Strategy.

Lastly, the secretariat is distributing four reports on the progress of integration movements in Latin America covering the Central American Common Market (E/CN.12/885), the Caribbean Free Trade Association (E/CN.12/886), the ALALC area (E/CN.12/887) and the Cartagena Agreement (E/CN.12/888).

Chapter I

THE INTERNATIONAL DEVELOPMENT STRATEGY AND THE ROLE OF ECLA

1. International strategy

(a) Conceptual aspects

The International Development Strategy adopted by the General Assembly in its resolution 2626 (XXV) is the basic instrument of the action programme for the Second United Nations Development Decade.[1/] This document is of special significance because it represents an agreement between Governments, at the highest political level of the United Nations, concerning action to be initiated and measures to be systematically applied with the immediate aim of promoting the economic and social progress of the developing countries during the present decade.

The document makes it clear that, although the developing countries have primary responsibility in this undertaking, they require effective international co-operation in the fields of trade, finance and technology in order to imbue the development process with the dynamism that is necessary to overcome the poverty and insecurity in which so many people live.

The Strategy points to goals and objectives to be achieved in the course of this decade and related measures and policies to be applied on the international and the national planes. The former are specified in greater detail, while the latter are outlined more in the form of basic principles and approaches, which is only logical, seeing that it is the exclusive responsibility of individual Governments to define their national development policies and determine their own growth targets. But there is another feature which give the International Strategy its special character: this is the emphasis on coherence between national and international policy measures if development is to be effectively promoted.

1/ See United Nations, International Development Strategy (United Nations Publication, Sales No.: E.71.II.A.2).

/Basically, the

Basically, the Strategy represents a programme of international co-operation that has the great merit of being geared to the achievement of specific goals and objectives. It incorporates the well known ideas that have been so much discussed in international forums, and in general, the measures and recommendations adopted by UNCTAD and other international agencies, such as GATT. In this respect, the document is a restatement of the commitment accepted by the international community, particularly the developed countries to take practical action on much-discussed subjects that are of key importance for the developing countries.

(b) Goals and objectives for the developing countries

The Strategy lays down quantitative targets for the rate of growth of the product, expansion of foreign trade, external financing and the mobilization of national resources, for the developing countries as a whole. An average annual growth rate in the gross domestic product of at least 6 per cent is set, and the possibility of attaining a higher rate in the second half of the decade is envisaged. The corresponding growth rate per head is fixed at 3.5 per cent, on the assumption that population growth will be somewhat less than the rate at present forecast for the 1970s. It is assumed that the countries will adopt measures to achieve these aims, but it is specifically stated that population policy is to be decided by Governments, and that each one should formulate its own demographic objectives within the framework of its national plan.

It is emphasized that economic growth must go hand in hand with qualitative and structural changes which will substantially reduce existing regional, sectoral and social disparities in the national context of each country, and that each should formulate its objectives and policies on employment, education, health, nutrition, housing, child welfare, and the participation of youth and women in the development process.

In the economic sphere, the Strategy lays down a relatively flexible external growth pattern: exports should grow at a faster pace than the gross domestic product (by somewhat more than 7 per cent), as should imports (by somewhat less than 7 per cent). The logical counterpart of the above rates is an average annual expansion of 0.5 per cent in the ratio of domestic saving to the product.

/(c) Policy

(c) Policy measures

Three types of measures are laid down for achieving the above and other objectives, namely: (i) international co-operation; (ii) regional co-operation; and (iii), general national policy and measures.

The last group relates to the social aspects of development, referred to as "human development"; expansion and diversification of production; and plan formulation and implementation in developing countries.

International co-operation measures relate to: international trade; financial resources for development; shipping and other invisibles on the balance of payments; and external co-operation in science and technology. In addition, special measures in favour of the least developed among the developing countries and of the land-locked countries.

In the field of regional co-operation, it is specified that the developing countries will intensify their efforts to institute the schemes for regional and subregional integration and to expand trade among themselves.

Generally speaking, these provisions reflect the ideas that have already been put forward in UNCTAD and GATT; the degree of the commitment varies, but in nearly all cases, deadlines are set for taking decisions or completing stages specified in previous studies.

The provisions on international trade in the Strategy are especially important, since they should be interpreted as a blue-print for action to enable the developing countries to achieve a growth rate of exports of more than 7 per cent during the decade. Special consideration is given to basic commodities (access to and expansion of the market, international prices and agreements); synthetics and substitutes; surplus disposal; and promotion of exports of manufactures and semi-manufactures.

Under the head of financial resources for development, the Strategy establishes the general principle that the countries must bear the responsibility for financing their development. The measures proposed are a clear indication of the need for concomitant national and international action. For instance, it is pointed out that the developing countries must adopt vigorous measures for the full mobilization of available internal and external resources, and various tax, monetary and administrative

/measures are

measures are listed, and the role of public enterprises as agents which should make increasing contribution to the investment resources, and of that of financial institutions in the mobilization of domestic savings, are mentioned.

As to the flow of financial resources to the developing countries, the Strategy takes up several well known provisions, such as: the financial co-operation should be continuing and long-term; the terms and conditions of loans should be improved, and the assistance should in principle be untied. As regards the amount of this co-operation, it endorses the figure of 1 per cent as a minimum, and that of 0.7 per cent for official development assistance.

It also contains provisions in respect of the treatment of foreign private capital and refers to the need to give further consideration to the question of supplementary financing, and to consider the possibility of linking the allocation of new international reserves with the creation of additional financing for the developing countries.

Another point of particular interest is that of co-operation in science and technology. The Strategy contains various provisions relating to the co-operation that the industrialized countries should provide in order to promote research in the developing countries and the application of technology in accordance with their particular conditions. It refers to the possibility of setting a specified aid and technical assistance target in terms of the gross national product of the developed countries, and includes provisions on facilitating the developing countries access to technology and on the transfer to and use of technology in those countries. Another important point concerns the effort that the developing countries should make to increase their expenditure on research to a minimum average of 0.5 per cent of their gross product.

(d) Review and appraisal of objectives and policies

Over-all progress in the programme for the Second Development Decade and in the implementation of the International Strategy will be subjected to systematic review. The strategy states (paragraph 79): "Appropriate arrangements are necessary to keep under systematic scrutiny

/the progress

the progress towards achieving the goals and objectives of the Decade - to identify shortfalls in their achievement and the factors which account for them and to recommend positive measures, including new goals and policies as needed". In addition, it states (paragraph 20): "The policy measures should be viewed in a dynamic context, involving continuing review to ensure their effective implementation and adaptation in the light of new developments ...". These reviews and appraisals are to be carried on at various levels, involving both developing and developed countries.

At the national level, each developing country will carry out its own review and appraisal. At the regional level, the regional commissions of the United Nations, in co-operation with regional development banks and subregional groupings and with the assistance of other organizations of the United Nations system, will assume the main responsibility. At the sectorial and operational level, this will be done by UNCTAD, UNIDO and the United Nations specialized agencies. Finally, an over-all appraisal will be made by the General Assembly, through the Economic and Social Council, on the basis of the above-mentioned reviews and of comments and recommendations by the Committee for Development Planning.

The over-all appraisal by the Assembly will be made biennially, the second biennial appraisal being in the nature of a mid-term review.

2. Latin America and the International Development Strategy: the role of ECLA

(a) The need to formulate a Latin American interpretation of the International Strategy

At its fourteenth session, the Commission will be called upon to consider various questions in connexion with the formulation of a Latin American action programme to further the objectives of the Second United Nations Development Decade as they relate to the countries of the region.

It will therefore be useful to analyse the significance of the International Strategy for Latin America, the practical action to be taken by the countries and the Commission itself, and, above all, to consider how the system of periodic appraisal provided for in the General Assembly's resolution is to be organized.

/As has

As has been seen, the Strategy's references to growth targets, international co-operation and policies are of an over-all and general nature, relating as they do to groups: the developing countries, the developed countries, the international financial institutions, and the international community. Though the provisions relating to international co-operation are somewhat more specific, those concerning growth targets and national policies either are expressed only in terms of an over-all average or are meant to cover the whole of the developing world.

Since, for practical, technical and conceptual reasons, this is the only possible approach, the countries themselves must fix their own growth targets, just as it is for them alone to determine their national policies; the Strategy that the Governments have agreed upon provides a frame of reference specifying minimum or desirable objectives and giving a number of pointers to those policies that should be more directly geared to international action for the promotion of development.

The Latin American countries should, as soon as possible, decide upon certain fundamental aspects of their development programmes for the 1970s, especially inasmuch as they relate to the International Strategy. The secretariat might set about systematically compiling technical data and studying the countries' interpretation of the Strategy so as to evolve a Latin American version of it which could be fitted, with slight changes, to the varying requirements of the different parts of the region. This regional interpretation will be of capital importance. In the first place, it will help to define a position and attitude for Latin America that show greater understanding than in the past of the problems of its development and external relations. Secondly, it will be a source of valuable information which will enable countries to reach decisions, particularly as regards targets and objectives, with a better grasp of the situation and with the broad technical approach that is essential in such a task. Thirdly, it will serve as a more effective instrument for guiding practical action during the Second Development Decade; and fourthly, it will establish a frame of reference for carrying out the appraisal in the Latin American region.

/It should

It should not really be necessary to stress the importance of this discussion on the regional plane of the interpretation and practical implementation of the International Strategy. Obviously, Latin America's political and economic position in the world picture, the nature of its problems, the way it has developed economically, the stages of development the various countries have reached, and their capacity to speed up the process differ in many fundamental respects from those obtaining in other regions. Consequently, it is only natural that the development targets and objectives that the region sets itself should also differ, both in magnitude and in character, from the very general ones laid down for the developing countries as a whole.

Enough is known in general terms to be able to assess the impact that certain proposals in the Strategy will have on Latin America, and, above all, to single out the fundamentals that will have to be taken into account in formulating the Latin American interpretation of it.

The technical analysis, for example, shows clearly enough that Latin America should aim at a higher regional average growth rate than 6 per cent, and that it should therefore set itself more ambitious development targets for agriculture, industry and other economic and social sectors.

The scale of the problems of unemployment, population growth and the hand-to-mouth existence of the bulk of the population is such that economic growth obviously has to be stepped up to the maximum. Technically speaking, however, this alone would not justify suggesting a higher growth target. There are other factors, too, to which much of the following chapter is devoted. This aspect of the question has, moreover, been dealt with frequently in secretariat documents especially in the study on the fundamentals of development,[2/] and it is the main theme of the recent study by Raúl Prebisch (Development: Latin America's Great Task).

2/ "Basic Aspects of Latin American Development Strategy" (E/CN.12/836/Rev.1).

/A higher

A higher target is, of course, a matter of necessity, and the suggestion it should be raised is justified by the fact that there are conditions and future prospects in Latin America which make a faster growth rate feasible. The average income and domestic savings ratio, for example, are higher in Latin America than in the other peripheral regions and, as recent experience has shown, it has a development capacity that can be rapidly developed. The external sector, with its increasing indebtedness and slow growth of exports, has undoubtedly been a major cause of bottlenecks; and this is precisely where the Strategy is especially relevant to Latin America seeing that the measures and policies it contains are designed to boost export income by more than 7 per cent annually. In chapter II of this study the implications of this fact for any stepping up of the growth rate are discussed.

Latin America definitely has to take a close look at the social objectives of development, which the Strategy sees as inextricably bound up with economic growth; especially since, in the present development process of both Latin America and of other developing areas, examples can be found of relatively rapid economic growth rates that have almost no social repercussions.

The historic structural relationship between economic growth and foreign trade in Latin America is known to be different from that assumed in the corresponding model in the International Strategy. Even in those countries that come closest to the pattern described, exports have failed to keep pace with imports, with the result that external indebtedness has increased, and it has proved impossible to raise the domestic savings ratio, which is an essential condition of growth according to the Strategy.

What the countries have to consider then, are basic aspects of development policy relating to the efficient utilization of external resources. The region has a wide range of experience and studies in this sphere that will be of assistance to the countries in formulating their own policies and in working out the Latin American interpretation of the Strategy.

With the same end in view, the countries will have to examine the Strategy's proposals regarding national and international measures and policies. As to trade and external financing, the General Assembly

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document at least mentions most of the proposals that have already been put forward by the Latin American countries. It would nonetheless appear necessary to look into the current situation and future prospects of international economic policy so as to decide what practical action should be taken by the Latin American countries, especially as regards the machinery and the concrete decisions that are needed at the international and national level in order to carry out the proposals contained in the Strategy. The forthcoming session of UNCTAD is therefore particularly important. These points are dealt with in a special secretariat document.[3/]

There is no need to stress the importance of the provisions regarding the flow of external resources for the countries of the region, or the necessity of considering very carefully how external resources may be used most efficiently for the mobilization of domestic resources, in accordance with the structure and objectives of the process of development, expansion and diversification of exports. The same could be said of other points covered by the General Assembly document. All these considerations, finally suggest that this year, which will see the initial phase of the implementation of the programme for the Second Development Decade, is an appropriate time to discuss its implications for Latin America.

(b) Promotion of the International Development Strategy

It is evident that the implementation of the Strategy will in the final analysis depend on the decisions taken in the developed and the developing countries, and in the corresponding regional and international agencies. But the United Nations also has to take steps to promote and direct its implementation. In this respect, the decision of Governments to establish a system for periodic review and appraisal marks a notable step forward and assigns precise responsibilities to the United Nations system and to ECLA in particular. Moreover, paragraph 20 of the Strategy provides that organizations of the United Nations system will appropriately assist in the implementation of policy measures and in the search for new avenues of international co-operation.

3/ See "International economic co-operation and the third session of UNCTAD" (E/CN.12/889).

/It falls

It falls to the Commission to decide upon a programme of work covering these various issues, one of the most urgent of which is to promote activities in the countries of the region relating to the formulation of development plans, or at least to the identification of the basic components of the goals, objectives and policies mentioned in the International Strategy. The secretariat, for its part, will arrange to collect and organize such information as part of the regional interpretation of the Strategy mentioned earlier.

It may not be out of place here to add that the secretariat is planning to distribute special studies of economic projections covering a large number of countries which have been prepared in collaboration with the Latin American Institute for Economic and Social Planning (ILPES). A regional technical meeting might be convened to discuss these studies with a view to clarifying the methodological and conceptual instruments required for the immediate task of implementing the International Strategy.

(c) Review of progress and periodic appraisal of the objectives and policies of the Second Development Decade

Under the procedures established in the Strategy, ECLA is to assume the main responsibility for appraisals at the regional level, in co-operation with regional development banks and subregional groupings and with the assistance of other organizations of the United Nations system. ECLA, then, will have to undertake a regional appraisal in early 1973 for submission, in good time, to the Economic and Social Council, which is responsible for preparing the over-all biennial appraisal for the consideration of the General Assembly.

The secretariat is examining a number of the technical and practical aspects of the studies and reports it will be called upon to prepare to enable the Commission to carry out its responsibility for the regional appraisal. Noteworthy in this respect are matters relating to the nature and scope of the appraisal to be undertaken by ECLA, the methods and technical approaches to be used, the procedures to be instituted with Governments in order to obtain the national appraisals they undertake, and co-ordination with other organizations of the United Nations system and the financial and economic institutions of the region. Since there

/may be

may be a number of different approaches to the question of the nature and scope of the appraisal to be undertaken by ECLA, it is important to develop fairly detailed guidelines to prevent unnecessary duplication of effort.

First, the appraisal as such will, as provided in the Strategy, be regional in scope, but it will nevertheless consider individual sectors, problems and situations and refer to countries or groups of countries, for otherwise it would be too general to be of any use. Secondly, it will refer directly to the specific points contained in the Strategy in examining the progress achieved with respect to the over-all goals and objectives of the Strategy and the goals and objectives set by the countries of the region themselves. It will, of course, examine the implementation of measures and policies and the progress made in their adoption with a view to identifying the factors hampering the development process and providing technical data for suggesting new measures and such adjustments as may prove necessary.

Reviewing the progress achieved in relation to the goals and objectives is conceptually a much easier task than appraising measures and policies. This is the kind of work that ECLA has been engaged in since its foundation and that will now need to organize more systematically. The main stumbling-block in this respect is the shortage of technical and statistical information.

In contrast, it will be necessary to delve more deeply in appraising the measures and policies of both developed and developing countries and, in particular, in studying the effect of these policies on the process of economic growth and social development. This is a somewhat difficult task because the International Strategy contains a number of different levels of commitment on the part of Governments with respect to the adoption of measures. In this respect, it would be most useful if the developed countries and the financial agencies could prepare programmes or provide some indication of what they intend to do to fulfil their commitments with regard to the objectives and measures that have been agreed upon.

/The secretariat

The secretariat is presenting to the Commission at the present session a short document summarizing the conclusions of a comprehensive study on the trends and development of the Latin American economy during the 1960s.[4/] The study looks at the Latin American development process from three standpoints: the dynamism or stability of economic growth, structural change, and the social implications of growth. This study, which was not intended to be an appraisal of the scope required under the International Strategy, has nevertheless been extremely useful, for it has yielded a great deal of valuable experience in this kind of work. It has provided an inventory of the data available and an introduction to the conceptual problems of what the various indicators represent and how their meaning is to be interpreted.

The secretariat will continue to study the conceptual and methodological aspects of the appraisal with a view to identifying the topics to be covered, the most significant indicators, the methodology and the sources of information to be used. It is planning to convene a technical meeting to consider these problems in conjunction with Latin American government officials with a view to developing general guidelines which, besides assisting countries to formulate their own national appraisals, will help to facilitate work in preparing the regional appraisal.

It cannot be forgotten that the shortage of statistical information is a serious obstacle to work in this connexion, and it will therefore be necessary to take appropriate action at the national and the regional level to improve the statistical services.

All due attention is being given to the question of the co-ordination of work on the appraisal with United Nations Headquarters and the specialized agencies, the idea being that the regional commissions should be the central hub of activity as regards the regional appraisals.

Another point of special importance is the question of co-ordination with regional organizations. The secretariat will endeavour to prevent duplication of effort by taking full advantage of all the work done by the

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4/ "Trends and structures of the Latin American economy" (E/CN.12/884).

/Committee on

Committee on the Alliance for Progress (CIAP), the Inter-American Development Bank (IDB) and the International Bank. Talks have been held with these institutions and the secretariat is convinced that it is of mutual interest to continue to step up co-ordination activities in order to spare Governments unnecessary work and to make greater use of the studies and data prepared in these institutions.

/Chapter II

Chapter II

THE ECONOMIC GROWTH TARGETS FOR LATIN AMERICA IN RELATION TO THE INTERNATIONAL DEVELOPMENT STRATEGY

1. The over-all growth targets

The International Development Strategy provides that the average annual rate of growth in the gross product of the developing countries should be at least 6 per cent, with the possibility of attaining a higher rate in the second half of the Decade.

Although the Latin American countries will decide upon their own targets, from which the average rate for the region as a whole can be determined, it is worth considering the over-all significance for Latin America of a minimum target of 6 per cent, and also Latin America's potential and prospects for accelerating its rate of growth during the 1970s.

These and other matters relating to the Second Development Decade are dealt with in the basic documentation presented to the Commission at the present session, especially the revised study on basic aspects of development strategy 1/ and the study containing macroeconomic projections.2/ The report by Raúl Prebisch delves more deeply into these issues and specifically tackles the problem of speeding up the growth rate using a quantitative approach based on macroeconomic projections.

There is available, therefore, a stock of research and information that can help, at least when considering the region as a whole, to shed light on the essential components of the growth targets and their internal and external requirements.

1/ "Basic Aspects of Latin American Development Strategy" (E/CN.12/836/Rev.1).

2/ "Latin America: Macroeconomic projections for the 1970s" (E/CN.12/865).

/The research

The research leads to the conclusion that a target of 6 per cent is inadequate if Latin America intends to make progress in overcoming the serious economic and social problems faced by the countries of the region. It is not just a question of raising the growth rate, but of laying the basic institutional foundations of a structure that will increase the social impact of development as it relates to absorbing labour in productive activities, ensuring a more equitable distribution of property and income, and resolving the problems of sectoral imbalances and backward regions within countries.

It may be useful to look at past and recent trends in Latin America's growth rate. The region's total gross domestic product has grown over the past twenty years at an average annual rate of close to 5.4 per cent.[3/] Out of a group of nineteen countries studied, six had a growth rate of 6 per cent or more, only two were between 5 and 6 per cent, and the remaining eleven were below the regional average (see table 1).

The countries with the highest growth rates include two of the largest countries which together contain slightly more than 60 per cent of Latin America's population. As a whole, the region roughly maintained the growth rate of the 1950s during the 1960s, but a number of countries improved their relative positions, as can be seen in table 2.

Over the past three years, growth has quickened in Latin America and the relatively high rate of 6.5 per cent has been achieved, although with notable differences between countries. The provisional estimates available on Brazil's rapid growth carry a great deal of weight in the regional total. But, even excluding Brazil, the region's growth rate improved (see table 1).

International comparisons show that the growth rates achieved in the past by the region as a whole are above the average achieved in other developing areas, especially if the oil-producing countries are left out of account. They are close to the rates achieved by the industrialized countries, and higher than those recorded in the early days of their development. Nevertheless, the rate is much lower than that achieved in the socialist countries, Japan, and even in some developing countries.

3/ The trend of slightly over 5 per cent during most of the period moved upwards as a result of the acceleration in the growth rate over the past three years.

/Table 1

Table 1

LATIN AMERICA: TREND OF THE GROSS DOMESTIC PRODUCT AT MARKET PRICES, 1950-1970 a/

(Percentage average annual growth rate)

Country	Over-all growth rate			Per capita growth rate		
	1950-60	1960-70	1967-70	1950-60	1960-70	1967-70
Argentina	3.1	3.7	5.4	1.0	2.1	3.8
Bolivia	0.8	5.6	5.6	-2.0	3.2	3.1
Brazil	6.8	5.8	8.6	3.7	2.9	5.6
Central America						
Costa Rica	7.1	6.8	7.3	3.2	2.9	3.3
El Salvador	4.7	5.8	3.7	1.9	2.5	0.3
Guatemala	3.8	5.2	5.5	0.9	2.2	2.5
Honduras	3.5	5.2	4.7	0.5	1.7	1.2
Nicaragua	5.3	6.7	4.5	2.3	3.6	1.5
Colombia	4.6	5.2	6.4	1.4	1.8	2.8
Chile	4.0	4.3	2.8	1.5	1.8	0.5
Ecuador	4.9	4.7b/	5.2b/	1.8	1.2b/	1.7b/
Haiti	1.9	0.5	3.6	-1.2	-1.8	1.1
Mexico	5.8	7.2	7.6	2.7	3.6	3.9
Panama	4.8	8.0	7.6	1.9	4.6	4.2
Paraguay	2.7	4.7	4.8	0.1	1.3	1.2
Peru	5.3	4.9	3.0	2.9	1.7	-0.1
Dominican Republic	5.7	3.7	5.8	2.5	0.4	2.3
Uruguay	2.1	1.3	4.0	0.7	0.0	2.7
Venezuela	7.6	5.8	5.0	3.6	2.4	1.5
Total	5.4	5.5	6.7	2.5	2.5	3.8
Total, excluding Brazil	4.7	5.3	5.7	2.0	2.3	2.9

Source: ECLA, on the basis of official statistics.

a/ Provisional estimates for the period 1967-1970.

b/ The figures for Ecuador do not include 1970 when, judging from partial information, there was a substantial increase in the product.

/Table 2

Table 2

LATIN AMERICA: BREAK-DOWN OF COUNTRIES ACCORDING TO GROWTH RATE a/

Percentage average annual growth rate of the gross domestic product				
0 to 3.4	3.5 to 4.4	4.5 to 5.4	5.5 to 6.4	6.5 and over
		1950-1959		
Bolivia	Chile	Colombia	Domin. Republic	Brasil
Haiti	Honduras	El Salvador	Mexico	Costa Rica
Uruguay	Guatemala	Panama		Venezuela
Paraguay		Ecuador		
Argentina		Nicaragua		
		Peru		
(5)	(3)	(6)	(2)	(3)
		1960-1969		
Haiti	Argentina	Ecuador	Bolivia	Costa Rica
Uruguay	Domin. Republic	Paraguay	Brazil	Nicaragua
	Chile	Peru	El Salvador	Mexico
		Colombia	Venezuela	Panama
		Guatemala		
		Honduras		
(2)	(3)	(6)	(4)	(4)

Source: ECLA, on the basis of official statistics.

a/ The countries are listed in ascending order of growth rate.

/If account

If account is taken of population growth, however, Latin America is no longer in such a favourable position and the difference between it and the more rapidly growing areas is considerably greater.

The figures for per capita growth show how much ground Latin America still has to cover to catch up with the economic and technological expansion of the world at large, and point up all too clearly how in terms of levels of living it is lagging further and further behind the high-income countries.

These superficial comparisons, however, must not be allowed to lead to over-simplified conclusions such as the all-too-frequently quoted argument that Latin America's basic problem is not so much the difficulty of raising the economic growth rate as the high rate of population increase in most countries of the region. Nor can it be concluded that the 6 per cent target established in Strategy is a satisfactory rate simply because it is somewhat above the rate Latin America has achieved over the past twenty years.

A brief word is in order here regarding estimates for national accounts statistics and although it may seem trivial it raises an issue that can no longer be ignored. It is not beyond the realms of probability that, if stricter criteria were applied, it would be found that actual rates of economic growth are somewhat lower than those shown in conventional statistics. The disproportionate amount of labour employed in some services, the incompleteness of the statistics for measuring the modern sector, the estimates that have to be indirect owing to the lack of statistical data, the weighting structure used in the indexes, which is distorted by the high costs of substitution or by inflationary trends - all these factors in varying degrees make the time series less meaningful.

To take an example, if international comparisons were to be made on the basis of prevailing prices in the developed countries or the world market, the weight of large components of the domestic product might change significantly, and if other appropriate adjustments were made, comparisons of growth rates might yield less favourable results.

/Be that

Be that as it may, however, it is essential even at this general level of comparison to analyse matters in depth in order to avoid jumping to conclusions.

Thus, Latin America's growth rate might be expected to be much higher than that of other developing regions because of more favourable factors such as the average level of income, and saving capacity. There is no reason why developing countries, particularly Latin America, should have to go through the same stages as the countries which now have higher income levels did in the past, and in fact they are not doing so. Thanks to training and more knowledge in every field, combined with the potential or actual availability of scientific and technological advances, should enable them to push ahead more rapidly today than the present developed countries did in the past.

Moreover, it should be remembered that the enormous gap between the average economic performance of the countries at the centre and those at the periphery makes it essential to raise the growth rates of developing countries. If these rates are not substantially stepped up, any contribution they may make towards narrowing the gap will be minimal. This is one of the precise reasons why the Strategy points to the need for a rapid acceleration of the growth rates of developing countries. For the same reason, the United Nations Committee for Development Planning set minimum targets of 6 to 7 per cent in its technical report.

It is interesting to note that both thinking and practice on this matter have been gradually changing both at the international level and in the developing countries; there is more readiness to accept the fact that it is feasible for developing countries to attain higher growth rates, and the industrialized countries have committed themselves to making this possible. The proposals of the United Nations Committee for Development Planning are an indication of this new attitude, which is in sharp contrast with that sustained at the beginning of the 1950s, when the modest annual growth rate of 5 per cent was established as a target for the end of that decade.

/These changes

These changes of attitude are probably influenced by many different factors; the International Strategy is imaginative when it states that the countries' development plans should be both realistic and ambitious enough to have an impact on the imagination of the people (paragraph 78).

There are some objective developments which have triggered off this change in technical approach, e.g., the economic expansion achieved by socialist countries, Japan, and some developing countries, including a few Latin American States; and, in particular, the careful assessment of the potential economic and technological development capacity of the Latin American countries, which holds out possibilities of more dynamic and far-reaching progress.

The first conclusion which may be drawn from past and recent economic trends in Latin America is that a 6 per cent growth target for the region as a whole does not represent a radical change in its rate of growth, in over-all terms, although this is not in any way intended to diminish the importance of such a growth rate.

The fact is that, of the nineteen countries considered in table 2, at least eight have recorded an average growth during the past decade, which has been close to or above that target, and it has been attained by the region as a whole in the last three years. This brings into focus a subject of particular interest from the technical and practical angle: an appraisal of the prospects of this dynamic growth process continuing steadily within the context of existing situations and policies.

This analysis will not be attempted here; it would be necessary to study other factors in depth, to consider the specific situation of each of the countries and to venture into hypotheses involving important contingent variables.

To sum up, it should be borne in mind that this improvement has not spread to all countries, and that in Latin America, in particular, irregular trends and ups and downs have been frequent owing to external factors. At present, the favourable trend is accompanied by an increase in export earnings and heavy external borrowing. If these factors do not persist, as has frequently been the case in the absence of stable external conditions that would guarantee the expansion of export earnings and adequate financial co-operation, the growth rate will decline again, as is already happening in some countries, unless some new factors intervene, such as the changes in policy suggested in the International Strategy.

One thing that is being demonstrated by Latin America's experience is that the economies of the countries of the region are capable of attaining high growth rates; this is most propitious and should encourage them to persevere in their efforts to reach more ambitious targets.

Thus far, the question that has been discussed is the necessity and the possibility of attaining higher growth targets in the light of present trends in Latin America. Stress must now be laid on another angle: the need for higher growth rates if the all too well-known social problems are to be overcome.

Raúl Prebisch's study analyses development strategy setting specific targets with a view to remedying the distortions in the distribution of the labour force and overcoming open and disguised unemployment. He maintains that the annual growth rate must be raised to 8 per cent by the end of the 1970s and sustained at that level in the 1980s. This implies an average growth rate of about 7 per cent for the region as a whole in the present decade.

In the secretariat document on basic aspects of development strategy,[5/] an examination of the growth targets indicates that Latin America should double its gross domestic product by the end of the 1970s, which means an average annual increase of just over 7 per cent. The report then goes on to consider what internal and external resources would be required to reach a target of this magnitude.

Lastly, it should be pointed out that most of the national development plans prepared in Latin America in recent years envisage growth targets of from 6 to over 7 per cent for the domestic product (see table 3).

5/ "Basic Aspects of Latin American Development Strategy" (E/CN.12/836/Rev.1), op.cit.

/Table 3

Table 3

LATIN AMERICA: PLANNING OFFICE TARGETS FOR THE GROWTH RATE OF THE GROSS DOMESTIC PRODUCT

Country	Period	Percentage average annual growth rate
Argentina	1970-74	5.6
Brazil	1969-73	7.0 to 9.0
Central America		
Costa Rica	1969-72	7.7
El Salvador	1968-72	6.0
Honduras	1968-71	7.2
Nicaragua	1965-69	7.0
Colombia	1969-77	7.5
Chile	1970-80	5.1 to 6.4
Ecuador		
Mexico	1970-76	6.5
Peru	1971-75	7.5
Dominican Republic	1968-85	7.0 to 7.3
Uruguay	1965-74	4.0
Venezuela	1970-74	6.3

Source: Planning Office of each country.

The International Strategy also fixes economic growth targets in terms of population, indicating that the average annual rate of growth of gross product per head in developing countries should be about 3.5 per cent, with the possibility of accelerating it during the second half of the decade. It is explained in the document that this figure was calculated on the assumption of a 2.5 per cent annual population increase, which is less than at present forecast in demographic surveys. It is therefore assumed that population policies during the 1970s will have some effect on demographic growth.

The Strategy makes it quite clear that each developing country must formulate its own demographic objectives within the framework of its national development plan.

Latin America at present has the highest regional population growth rates, far in excess of those of higher-income countries. The annual increase for the region as a whole is 2.86 per cent, compared with 1.37 per cent for the United States and Canada, 1.24 per cent for the Soviet Union, 1.05 per cent for Japan, a mere 0.89 per cent for Western Europe and even less (0.72 per cent) for Eastern Europe.

The secretariat document on the basic aspects of development strategy looks into population trends and projections for Latin America and discusses in general terms the place that population policy should occupy in development policy. The subject is dealt with in somewhat greater detail in another special document submitted to this session.6/

It is worth noting that population growth in Latin America seems to have reached a transitional stage, for, though still high, growth rates are tending to level off. Table 4 illustrates this trend in the region as a whole and in a large number of countries.

6/ See "Tendencias demográficas y opciones políticas de población en América Latina" (E/CN.12/874).

/Table 4

Table 4

LATIN AMERICA: POPULATION GROWTH, BY COUNTRY

(Percentage average annual growth rate)

	1970 population (in thousands)	1940-50	1950-60	1960-70	1970-80	1980-85
Argentina	24 352	1.89	2.01	1.56	1.48	1.30
Chile	9 780	1.64	2.41	2.44	2.25	2.19
Cuba	8 341	1.92	2.14	2.04	1.91	1.80
Uruguay	2 889	1.22	1.46	1.29	1.19	1.18
Brazil	93 245	2.42	3.00	2.86	2.89	2.88
Colombia	22 160	2.51	3.16	3.39	3.54	3.34
Mexico	50 718	3.00	3.07	3.47	3.48	3.42
Peru	13 586	1.78	2.32	3.09	3.15	3.13
Venezuela	10 755	3.69	3.30	3.34	3.37	2.98
Costa Rica	1 798	3.21	3.80	3.84	3.95	3.82
Ecuador	6 028	2.18	3.03	3.38	3.42	3.41
El Salvador	3 441	1.64	2.71	3.20	3.61	3.79
Guatemala	5 179	2.82	2.90	2.96	2.93	3.01
Honduras	2 583	2.18	2.90	3.40	3.55	3.58
Nicaragua	2 021	2.41	2.85	3.02	3.38	3.50
Panama	1 406	2.55	2.93	3.25	3.26	3.27
Paraguay	2 419	1.87	2.67	3.35	3.63	3.58
Dominican Republic	4 348	2.73	3.11	3.34	3.61	3.66
Bolivia	4 658	1.85	2.06	2.34	2.58	2.61
Haiti	5 229	1.81	2.04	2.37	2.72	2.92
Barbados	256	1.66	1.00	0.95	0.23	-0.86
Guyana	744	2.09	2.92	2.81	2.93	2.89
Jamaica	1 996	1.34	1.64	2.05	1.78	1.52
Trinidad and Tobago	1 070	2.17	2.77	2.56	1.59	1.27
Other countries	5 149	1.53	1.31	2.12	1.62	1.51
Total for the region	284 151	2.34	2.76	2.86	2.92	2.88

Source: Boletín Demográfico del CELADE, Año III, Nº 6, July 1970. The growth rates beyond 1960 are based on the average of the projections.

/During the

During the 1960s, the annual population increase was 2.86 per cent. It is difficult to judge how this might be affected by the spread of birth control, which is going to be the dominant factor in future trends. Projections for the region as a whole suggest that the population growth rate might range from 2.7 to 2.8 per cent up to 3.1 to 3.2 per cent. Table 4 takes a rate lying between these two extremes.

On this basis, the over-all economic growth rate laid down in the Strategy (6 per cent) would drop to 3 per cent in per capita terms, which is rather lower than the figure it sets for the developing countries. Latin America might make better progress if the actual population increase turned out to be lower than current projections give reason to expect. Moreover, the average per capita economic growth rate would be better than that indicated in the Strategy if the region set itself a higher over-all target rate.

2. Structure and social impact of the development process

Taking a long-term view of the development process in Latin America, the countries in which economic growth has been relatively intense and economic and social change most marked are what stands out most. Even in these cases, however, the social effects of economic growth, as regards absorbing labour in productive activities and improving income distribution and the living conditions of the vast mass of the rural population and much of the urban population, have been but limited in scope or have proceeded much more slowly than might justifiably have been expected.

Hence, it is particularly important to find out more about the forms, structure and operation of the Latin American economies as they relate to these social objectives and to other political and national issues that cannot be ignored in development strategies.

In fact, the first essential step in considering development policy is to identify the social objectives and goals that basically form the image of society so that they are taken very much into account when examining the economic, technological, sectoral and regional options involved in the production and distribution process and the resulting allocation of resources. From this standpoint, the growth rate is more

/an end-result

an end-result of the process of growth, than a basic premise decided upon more or less arbitrarily. While it is certain that at the technical level both approaches must be complementary to each other, it is no less certain that in practice each of them may give rise to a different concept of development strategy.

There is a great deal of concern at present regarding the concentration of economic activity, property and income, the scale and nature of unemployment, and the marked disparities and imbalances between sectors and regions that continue to exist and are even becoming more pronounced, despite the progress of over-all growth, in the developing countries in general, and in Latin America in particular. Hence, the view is gaining ground that a strategy option satisfying certain specified social and national objectives may be preferable to an option that seeks to accelerate the over-all growth rate but is less effective at the social and national level.

This is probably an over-simplification and not at all the whole story, but the issue it raises must be taken into account in national planning.

The International Strategy refers to this issue, noting that qualitative and structural changes in society must go hand in hand with rapid economic growth, and offers general guidelines on the objectives and policies that countries should formulate with respect to a more equitable distribution of income and wealth and on such specific issues as employment, nutrition, education, health, housing and social welfare.

It is essential to take a closer look at this approach, which to some extent involves a choice between speeding up the economic growth rate and ensuring that growth is effective from the social standpoint.

On the other hand, it is a well-known fact that the attainment of specific social objectives within definite time-limits may conflict with the subsequent rapid acceleration of the growth of the whole economy, or of productivity. This is not intended to imply that no favourable situations exist where production capacity may in some degree be available to facilitate those objectives, without any such conflict occurring. This is a development policy theme about which there has been a great deal

/of theoretical

of theoretical argument and of which the region has had some practical experience also. It is worth while to recall that some attempts of this kind have been frustrated by inflation for want of foresight or because the measures taken did not go to the structural heart of the problem.

On a general plane, it is useful to consider the region's potential capacity for attaining a more dynamic growth rate, and why this rapid expansion is a must if those social objectives - employment being one of the most important - are to be more fully achieved.

Looking at the problem in this context, instead of adopting an approach which presents a choice between the acceleration of growth and the attainment of social objectives, what is needed is to consider the feasibility of a strategy of which both these goals would be complementary aims, e.g., a strategy that would take full advantage of the economic growth potential and promote, within that dynamic context, the structural changes that must be made and the new orientation that must be given to development in order to achieve both a higher growth rate and social improvements.

To put it in a nutshell, what is required is maximum growth with a new structure and a different slant to economic and social development.

Of course, as stated in the International Strategy, each country must formulate its own policy to deal with this problem, and there will probably be as many solutions as there are cases, since they will depend on the conditions prevailing in each country and the decisions it adopts.

3. Rapid growth or gradual expansion

It is generally thought that, because of the magnitude and the structural character of the internal and external obstacles to development, only gradual progress can be made towards accelerating growth, the results of which will be slow to permeate the social fabric. This seems to be the predominant feature of many of the proposals in the International Strategy, i.e., those relating to the raising of the domestic savings coefficient and to the changes to be made in international economic co-operation.

/It is

It is understandable that, inasmuch as raising the growth rate depends on the intensive mobilization of domestic resources and institutional reforms, it may not be easy to increase investment and expand production immediately. It should be remembered, however, that there is a risk of a programme with gradual and relatively modest goals breeding frustration in time, since lasting results cannot be achieved without fundamental changes and reforms in depth, which are necessarily slow. There is no intention of questioning the justification for a programme for rapidly accelerating economic growth; the aim is rather to take a critical look at the targets that are relatively modest since they involve growth by gradual stages.

In view of the favourable factors described above in regard to the actual and potential capacity for expanding production and the immediate possibilities of improving productivity and efficiency, and also the flexibility with which the Latin American economies have responded to circumstances and stepped up their growth rates, it must be concluded that, in principle, more ambitious and shorter-term proposals are warranted. Clearly, if this kind of solution is adopted, a larger volume of external financial resources may be required in the first stages of development programmes.

In this, as in other respects, which of the different options is technically and practically feasible will depend on the conditions prevailing in each country. Be that as it may, it has been worth while to make this general statement because it emphasizes that the long-drawn-out and gradual adoption of the policy measures on trade and financing laid down in the Strategy will prevent the developing countries from taking advantage of their potential for more rapid growth, just as national policies have.

/4. Targets

4. Targets for agricultural and industrial production

(a) Agricultural production

Growth in agricultural production in Latin America as a whole has been somewhat slower than the target established in the International Development Strategy; it sets an annual rate of 4 per cent, and, judging by the national accounts estimates, the average increase in the region has been 3.7 per cent over the last decade.[7/]

In fact these estimates are not strictly comparable. The rate prescribed in the Strategy is the rate required to expand agricultural production enough to satisfy domestic demand linked with the over-all 6 per cent target growth rate; but the rate for Latin America has been determined not only by the domestic demand produced by a much smaller growth of income than that connected with the 6 per cent target, but also by trend of exports into which a relatively large share of production still rose.

Many countries are developing faster than the regional index implies, as can be seen in table 5; and production to meet domestic demand has also grown more rapidly (see table 6).

Naturally the production target for Latin America during this decade will depend on the development of domestic demand for consumer goods and certain industrial goods, on export trends, and on the proportion of agricultural products imported.

Under present conditions, domestic demand is the most important factor in determining the growth rate in this sector, because, as recent technical studies have shown, the prospects for speeding up the growth of traditional agricultural exports are positively gloomy and imports from outside the area account for a relatively small proportion of demand - less than 10 per cent.

This is an over-all/evaluation for the region as a whole and it does not necessarily reflect the situation and prospects in individual countries.

7/ Other statistical estimates give lower growth rates.

/Table 5

Table 5

LATIN AMERICA: TREND OF AGRICULTURAL PRODUCTION

(Percentages)

Country	Average annual growth rate		
	1951-53 to 1959-61	1959-61 to 1966-68	1966-68 to 1969
Argentina	1.8	2.3	2.2
Bolivia	0.3	2.7	3.6
Brazil	4.8	4.1	4.4
Central America			
Costa Rica	3.6	4.8	7.4
El Salvador	3.9	2.7	1.6
Guatemala	3.4	3.9	3.9
Honduras	2.4	4.6	1.0
Nicaragua	2.8	5.7	1.0
Colombia	3.3	3.1	5.5
Chile	3.1	2.9	0.2
Ecuador	3.3	3.0	2.3
Mexico	4.9	4.3	2.6
Panama	4.1	5.6	5.6
Paraguay	2.3	2.7	2.7
Peru	3.7	2.4	-0.1
Dominican Republic	4.6	1.1	5.0
Uruguay	-0.3	0.7	3.0
Venezuela	4.7	6.1	4.2
Total	3.7	3.7	3.5

Source: ECLA, on the basis of national accounts estimates.

/Table 6

Table 6

LATIN AMERICA (11 COUNTRIES): AGRICULTURAL PRODUCTION, FOREIGN TRADE AND APPARENT CONSUMPTION, 1955-1965 a/

(Annual rates in percentages)

Sector	Production	Exports	Extra-regional imports	Apparent consumption
Crop-growing	4.5	3.5	4.3	4.8
Livestock	3.1	-	3.0	3.1
Total	4.1	3.4	4.0	4.2

Source: Estimates of the Joint ECLA/FAO Agricultural Division.

a/ Excluding Argentina, Uruguay and Caribbean countries.

/Exports are

Exports are decisive for certain items and will become increasingly important as the aims and policies of the International Development Strategy are accomplished.

The studies that have been carried out provide a certain amount of information that is useful in giving some idea of the principal factors involved in achieving the agricultural production targets as they relate to over-all conditions in Latin America.

For instance, it may be estimated that if the product were to grow at a rate of 6 to 7 per cent per year, domestic demand for agricultural products would grow at a rate of 4 to 4.5 per cent; and if exports were to continue at the same rate as in the past, total agricultural production would increase at a rate of just over 4 per cent.

However, if this growth in domestic demand is to be achieved, the economic growth rate proposed would have to lead to a greater increase in real income for the great bulk of the population whose incomes are now very low. This is because, as is well known, demand for foodstuffs is relatively inelastic in the higher and middle income groups, compared with the low income groups, where it is much more elastic.

If the economic growth rate were to rise more rapidly - for example, if it were to reach 8 per cent by the end of this decade - and if greater strides were made towards attaining the social goals already mentioned, agricultural production would have to grow faster; its growth rate might rise as high as 5 per cent but it would subsequently drop to 4.5 per cent, because the higher the income, the greater the inelasticity of demand for foodstuffs.

Studies carried out in the Joint ECLA/FAO Agriculture Division for a group of sixteen countries provide additional data to support this analysis which are more representative of the prevailing trends in Latin America because they exclude Argentina and Uruguay.

Agricultural production did better in this group of countries than in the others (see table 6). Production and apparent consumption increased by over 4 per cent, with sharply diverging trends in crop and livestock production; estimates for the latter, on a per capita basis, show that its growth was comparatively sluggish.

/Assuming a

Assuming a growth rate of 6 to 7 per cent a year for this group of countries, domestic demand for agricultural products might expand by 4.5 to 5 per cent a year, according to whether consumption by the low-income groups grew much faster than consumption by the high-income groups or only a little faster.

In short, if the economic growth rate of Latin America were to reach 7 per cent a year in this decade and employment and income distribution were to follow more dynamic and equitable trends, domestic demand for agricultural products would exceed the 4 per cent growth target established in the International Strategy; but if export performance continues to be as poor as in the past, agricultural output will expand hardly more than the target 4 per cent.

The prospects of a relatively slow growth in agricultural output pose serious development policy problems. Slow growth here makes it more difficult to speed up the growth rate of productivity and of agricultural income, and also to solve the unemployment problem; consequently, there is less prospect of a rapid rise in the level of living of the rural population.

Hence, the speeding up of the growth rate of the economy as a whole and agrarian, institutional and social reforms in the rural economy are essentially interdependent components of a single development process. At the same time, the growth of traditional exports and of exports of processed agricultural products, as provided for in the policy measures of the International Strategy, will make a valuable contribution to the solution of the problems mentioned above, quite apart from helping to achieve a balance-of-payments equilibrium.

Two further aspects should be mentioned, despite the general nature of these comments. One concerns the changes that will have to be made in the structure of demand and agricultural output; the other, the evaluation of the region's capacity to achieve production targets under the institutional and technological conditions required by a suitable policy.

As regards the first point, important changes should be anticipated: in respect of the growth target of 4.5 to 5 per cent in domestic demand, it is estimated that demand for agricultural products will grow by 3.7 per cent

/a year

a year, while demand for livestock products will grow faster, by about 4.8 per cent. As regards the second point, an over-all evaluation shows that it is in the livestock sector that it would be somewhat difficult to satisfy demand and a greater effort would have to be made to introduce new techniques and raise the level of productivity.

(b) Manufacturing

The stage reached by industrial development in many countries, and the extent of import substitution might give the impression that there has been a rapid growth in manufacturing in the region. This is undoubtedly true for several countries, as is shown in table 7.

However, the data for the region as a whole show that development has been relatively slow - no more than 6.5 per cent a year; only in the last few years has the rate risen to 7.5 per cent and the renewed dynamism of industry in Brazil is mainly responsible for that.

The International Strategy fixes a growth target of 8 per cent, linked to a growth target of 6 per cent for the gross product. It is worthy of note that Latin America is coming close to the 8 per cent target when its over-all growth rate is more than 6 per cent.

If Latin America sets itself higher over-all growth targets than the Strategy does, its industry will have to grow proportionately faster.

Analyses of sectoral projections would appear to show that to achieve an over-all growth of 7 per cent, the total combined output of manufacturing, construction and mining would have to grow by somewhat more than 8 per cent and manufactures by around 9 per cent. For the over-all economic growth rate to be higher, say 8 per cent, the above three sectors would have to expand by 9.7 per cent and manufacturing by even more.

5. Speeding up the economic growth rate and the question of domestic and external financing

(a) Analysis of projections

Earlier in this document, it was argued that it is necessary to set higher targets for the growth rate of Latin America than those laid down in the International Development Strategy for the developing countries as a whole. It is now time to take a look at the implications of these higher targets in terms of investment, domestic saving, external financing and foreign trade.

/Table 7

Table 7

LATIN AMERICA: TREND OF MANUFACTURING PRODUCTION

Country	Average annual growth rate		
	1951-53 to 1959-61	1959-61 to 1966-68	1966-68 to 1969
Argentina	5.0	4.1	6.2
Bolivia	-1.3	7.9	7.0
Brazil	9.9	5.2	10.0
Central America			
Costa Rica	7.2	9.3	8.7
El Salvador	5.7	10.1	4.8
Guatemala	5.1	7.7	8.0
Honduras	6.0	8.5	7.7
Nicaragua	6.7	10.7	9.9
Colombia	6.8	5.5	6.3
Chile	4.8	5.9	2.9
Ecuador	4.5	6.0	4.8
Mexico	6.3	8.8	7.8
Panama	8.6	11.8	11.3
Paraguay	2.0	5.0	5.6
Peru	6.9	8.7	3.6
Dominican Republic	5.4	2.9	4.5
Uruguay	2.5	1.1	3.4
Venezuela	10.1	6.9	5.1
Total	7.0	5.9	7.4

Source: ECLA, on the basis of national accounts estimates.

/It should

It should be emphasized that all that is being attempted here is to give a rough outline for the region as a whole, without trying to decide what growth target Latin America should set itself for the Second Development Decade, for this target will be the result of the decisions made by the individual countries, as is provided in the Strategy. The basic idea is to clarify the nature of the structural changes and the domestic and external policy measures that are needed in order to step up economic growth, and to identify the factors that are common denominators of the problems of most of the Latin American countries.

The basic technical work examines, as is the usual practice, a number of hypotheses for each of the eighteen countries considered.8/ At this stage, comments will be confined to the aggregate results of two basic hypotheses regarding the growth of the gross domestic product: one of a low growth rate (5.5 per cent), which means that past trends would continue during the 1970s; and the other of an accelerated growth rate, at an annual average of approximately 7 per cent over the decade. Three hypotheses were used with respect to exports: a low growth rate, a medium rate and a relatively high rate. Given existing conditions, even the low growth hypothesis - an annual increment in the purchasing power of exports of slightly more than 4 per cent - assumes an improvement over past trends, although it tends to project into the 1970s the rather more favourable trends recorded in the 1960s.

The high growth hypothesis for exports (6 per cent) was arbitrary chosen as a means of demonstrating the effect of exports on the acceleration of the growth rate and of showing the tremendous effect that the achievement of the target of slightly over 7 per cent set by the International Strategy for the exports of the developing countries as a whole would have on Latin America.

8/ See "Latin America: Macroeconomic projections for the 1970s", op.cit.

Import requirements were estimated on the basis of past trends in the ratios between imports, the product and investment. The projections hence take account of the trends of import substitution in some countries, and the trend for imports to grow more rapidly than the product in others. The estimates can be taken as a rough guide to minimum requirements for the group of countries as a whole.

The last point is that financial servicing - remittances of interest and profits - on foreign loans and investment have been calculated on the basis of existing terms and conditions, but adding in the service payments that will have to be made in respect of the additional indebtedness that is expected to be contracted to cover the potential deficits projected in the balance of payments.

With these clarifications in mind - the details of which can be found in the document referred to above - it is now appropriate to look at the most important conclusions that can be derived from the anaysis of the projections.

(b) Projections on the low growth rate hypothesis (5.5 per cent) for the product

Tables 8 and 9 summarize these projections for the region as a whole. Table 8 is particularly interesting as it shows the clear contrast between the historical trend, on the one hand, and recent experience and projections for the 1970s, on the other.

Should the gross domestic product continue to increase as in the past, the investment coefficient would not rise above the average for the past decade and would even be lower than that of the last few years. Provisional estimates suggest that the coefficient climbed as high as 19.6 per cent in 1970, while the product grew by more than 6 per cent; therefore, on the basis of the lower growth rate postulated in the projections, the investment coefficient would have to be just over 18 per cent. Moreover, the realization of these projections would not entail any greater efforts to mobilize domestic resources, since the domestic savings coefficient has also been on the upswing.

/Table 8

Table 8

LATIN AMERICA: ANALYSIS OF ECONOMIC GROWTH PROJECTIONS

Slow growth hypothesis (5.5 per cent)

	Past trends 1951-53 to 1966-68	1966-68 to 1969	Projections 1966-68 to 1975	Projections 1975 to 1980
Annual growth rate (percentage)				
Gross domestic product	5.2	6.0	5.8	5.5
Total gross investment	4.6	8.8	5.5	5.6
Imports of goods and services, according to past trends	3.2	7.3	3.9	4.4
Exports of goods and services (low hypothesis)				
i) Purchasing power	3.1	6.4	4.7	4.0
ii) Volume	4.6	6.1	4.8	4.0
Percentage ratio to gross domestic product		1966-68	1975	1980
Total gross investment		18.6	18.1	18.1
Imports of goods and services		11.5	9.9	9.4
Exports of goods and services (low hypothesis)				
i) Purchasing power		11.9	11.7	10.8
ii) Volume		12.6	10.9	10.2

Source: ECLA.

/Table 9

Table 9

LATIN AMERICA: PROJECTIONS OF POTENTIAL NATIONAL SAVINGS GAP AND BALANCE-OF-PAYMENTS DEFICIT

Slow growth hypothesis (5.5 per cent) for the product

	Potential national saving gap		Potential balance-of-payments deficit		
	Number of countries	Millions of dollars	Number of countries	Potential trade balance (millions of dollars)	Potential balance-of-payments deficit (millions of dollars)
1975					
Countries with a deficit	14	1 454	12	1 083	2 610
Countries with a surplus	4	-984	6	-2 303	-553
Total	18	470	18	-1 220	2 057
1980					
Countries with a deficit	13	2 068	15	1 810	4 882
Countries with a surplus	5	-1 612	3	-2 846	-1 279
Total	18	456	18	-1 036	3 603

Source: ECLA.

/This conclusion

This conclusion is illustrated to some extent by the data given in the first two columns of table 9, which show the gap between domestic savings and gross investment. The projections regarding savings were based on the historical data on the ratio of saving to domestic income. The table indicates that, by 1980, thirteen countries would have a savings deficit totalling about 2,000 million dollars and five countries a surplus of some 1,600 million. The latter would therefore be in a position to finance a more rapid growth rate, while the former would either have to step up their savings coefficient, or else rely on external financing, even to maintain their growth rate.

The balance-of-payments projections in table 9 are based on the slow growth hypothesis for exports. It is clear from the last three columns of the table that several countries will probably have trade and balance-of-payments surpluses, which is in principle, an indication that they could sustain a higher growth rate.

The other significant fact is remittances of interest and profits on external capital would reach a substantial figure, if such a programme were put into effect. In 1980, fifteen countries would have a potential foreign trade deficit of some 1,800 million dollars, which would be swelled by another 3,000 million dollars in interest and profits on the external debt and foreign investment.

In short, as seems logical, the over-all projection figures broadly reproduce the trend over the past decade. They illustrate cases of countries that would be in a position to accelerate their growth. The same conclusion is applicable to the region as a whole, seeing recent saving and investment trends. Let us then examine the accelerated growth hypothesis.

(c) Projections on the accelerated growth hypothesis (7 per cent) for the product

Under this hypothesis it is assumed that growth of the product will be accelerated to an average annual rate of 7.3 per cent in the second half of the decade. Tables 10 and 11 summarize the results for the region as whole.

/Table 10

Table 10

LATIN AMERICA: ANALYSIS OF ECONOMIC GROWTH PROJECTIONS

Accelerated growth hypothesis (7 per cent) for the product

	Past trends 1951-53 to 1966-68	1966-68 to 1969	Projections 1966-68 to 1975	Projections 1975 to 1980
Percentage annual growth rate				
Gross domestic product	5.2	6.0	6.7	7.3
Total gross investment	4.6	8.8	10.1	7.3
Imports of goods and services, according to past trends	3.2	7.3	7.8	6.3
Exports of goods and services				
(a) Medium growth hypothesis				
(i) Purchasing power	3.1	6.4	5.8	4.8
(ii) Volume	4.6	6.1	5.7	4.8
(b) Relatively high growth hypothesis				
(i) Purchasing power	3.1	6.4	6.5	6.0
(ii) Volume	4.6	6.1	6.4	5.9
Percentage ratio to gross domestic product		1966-68	1975	1980
Total gross investment		18.6	23.9	23.9
Imports of goods and services		11.5	12.4	11.9
Exports of goods and services				
(a) Medium growth hypothesis				
(i) Purchasing power		11.9	11.2	10.0
(ii) Volume		12.6	11.8	10.5
(b) Relatively high growth hypothesis				
(i) Purchasing power		11.9	11.7	11.1
(ii) Volume		12.6	12.3	11.6

Source: ECLA.

/Table 11

Table 11

LATIN AMERICA: PROJECTIONS OF POTENTIAL DOMESTIC SAVING GAP AND BALANCE-OF-PAYMENTS DEFICIT

Accelerated growth hypothesis (7 per cent) for the product

Years and groups of countries	Potential domestic savings gap		Potential balance-of-payments deficit: Medium growth hypothesis for exports			Potential balance-of-payments deficit: Relatively high growth hypothesis for exports		
	Number of countries	Millions of dollars	Number of countries	Potential trade balance (millions of dollars)	Potential balance-of-payments deficit (millions of dollars)	Number of countries	Potential trade balance (millions of dollars)	Potential balance-of-payments deficit (millions of dollars)
1975								
Countries with a deficit	18	10 405	15	2 270	5 902	13	1 492	4 337
Countries with a surplus	0	0	3	-119	157	5	-313	616
Total	18	10 405	18	2 151	6 059	18	1 179	4 953
1980								
Countries with a deficit	18	14 899	18	4 624	11 071	14	2 522	6 262
Countries with a surplus	0	0	0	0	0	4	-543	1 584
Total	18	14 899	18	4 624	11 071	18	1 979	7 846

Source: ECLA.

/The mobilization

The mobilization of domestic resources and the proportion of external resources in the financing of growth will be examined first.

As was only to be expected, stepping up the growth rate would necessitate considerably increased investment; this would have to grow more rapidly than the domestic product in the first half of the decade, and later at the same rate (see table 10). Consequently, the saving coefficient would rise from 18.6 to 24 per cent by 1975 and would subsequently remain at that figure in view of the steady growth projected for the product up to 1980.

Obviously, the increase in investment could not be financed with external funds. notwithstanding the region's high level of indebtedness - with its only-too-well-known results - the inflow of foreign resources has represented from 1.5 to 1.7 per cent of the gross domestic product in recent years. Therefore, the acceleration of economic growth will depend on the capacity to mobilize domestic saving or on the effectiveness of the measures and institutional changes that must be taken to increase the proportion of investment resources.

The gross domestic saving coefficient has risen in the last few years and may now be 17.9 per cent of the gross product, but it is still far from satisfying these investment requirements. This is clear from the figures presented in the first two columns of table 11, which show that if the past ratio of saving to domestic income is maintained, there would be a saving gap of about 10,000 and 15,000 million dollars in 1975 and 1980 respectively.

These are the gaps which must be filled by mobilizing domestic investment resources and by external financing, which in its turn will depend on the balance-of-payments projections.

The International Strategy, taking up two UNCTAD recommendations, provides that the industrialized countries should endeavour to provide by 1972 annual net transfers of financial resources equal to 1 per cent of their gross national product, and that those which cannot achieve this target by 1972 will endeavour to attain it not later than 1975.

/In his

In his study, Raúl Prebisch estimates the external resources which Latin America could obtain if this target was achieved gradually by 1975 and the region were to continue to receive its present 15 per cent share of those resources throughout the decade.

In relation to the projections now being discussed, this would mean a net inflow of external financing - according to the standard national accounts definition - equal to 2 per cent of the product in 1975 and 1.7 per cent in 1980.

If for the purposes of this analysis that volume of external resources were included in the projections, the gross domestic savings coefficient would have to rise from 17.9 per cent in 1969 to 21.9 per cent in 1975 and 22.2 per cent in 1980 (see table 12).

This might mean that the growth of aggregate consumption would have to be held down in the early years of the programme. To prevent this from affecting the low-income groups, whose consumption should grow at an accelerated pace, investment resources would have to be mobilized by curtailing the consumption of the high-income groups. The severity and scope of this policy would partly depend on the stepping up of investment; several hypotheses might be considered on this point.

This approach, which is summarized in table 12, represents only one of several possible variants whose practical effects should be analysed in conjunction with each other. Thus, if a lower level of external indebtedness is assumed, the domestic saving coefficient would have to be raised, and consideration would have to be given to the assignment of resources and the distribution of consumption by social strata.

However that may be, the analysis shows that if Latin America were to set itself the target of pushing up its growth rate within a relatively short period to the 7 per cent considered here, it would have to raise the domestic savings coefficient by more than the annual 0.5 per cent laid down in the Strategy. On the other hand, to judge from the total figures, the Latin American countries as a whole would be in a better position than developing countries in other regions to attain the 6 per cent target; for one thing, their savings coefficient is higher, i.e., 17.5 per cent compared with an average of 15 per cent for all the developing countries.

/Table 12

Table 12

PROJECTION OF DOMESTIC AND FOREIGN FINANCING OF INVESTMENT

Accelerated growth hypothesis (7 per cent)

(Percentage coefficients in relation to gross domestic product)

Year	Gross national saving	Net inflow of foreign capital	Gross investment
1966-1968	17.1	1.5	18.6
1969	17.9	1.7	19.6
1975	21.9	2.0	23.9
1980	22.2	1.7	23.9

Source: ECLA.

/To complete

To complete this analysis, the balance-of-payments projections remain to be discussed. The first point to consider is the import requirements that are linked to this accelerated growth. As may be seen from table 10, imports would be likely to grow more rapidly than the product during the first stage, which is largely explained by intensely dynamic growth of investment with a high content of external supplies; in the second stage, they would expand more slowly, although still by more than 6 per cent annually.

The medium growth hypothesis for exports, which is given first consideration in these projections, assumes an average growth of just over 5 per cent annually, i.e., below the rate for imports. In these circumstances, the potential trade gaps are rapidly widening.

Table 11 shows that by 1980 the potential trade gap would be 4,600 million dollars, and the balance-of-payments deficit would be 11,000 million. The difference between these two figures represents the magnitude of the potential burden of external financing, in payments of interest and profits alone, and this emphasizes what a tremendous problem this heavy servicing burden represents in any attempt to stabilize the balance of payments.

If the foregoing analysis is to be properly interpreted, it must be borne in mind that it relates to a hypothetical situation: it is assumed first, that there will be no change in the present terms and repayment periods for borrowing; and, secondly, that the external indebtedness and foreign investment will be equal to the potential deficit on the balance-of-payments - implying the effective implementation of a programme regardless of the enormous differences noted above in the trends of exports and imports. This way of analysing the situation provides a useful basis for discussing exactly how these potential deficits and gaps could be covered or adjusted.

There are three principal ways this could be done: external financing, exports, and import substitution.

Table 13 gives rough results for two possible solutions. The figures for the contribution to be expected from each of these three sources are adjusted so as to indicate what their contribution would be in relation to a given growth of demand for imports.

/Table 13

Table 13

WAY IN WHICH DEMAND FOR IMPORTS COULD BE MET

Accelerated growth hypothesis (7 per cent)

	Recent trend 1966-1968 to 1969	Projections covering 1966-1968 to 1980	
		Option A a/	Option B b/
Imports:			
Annual growth of demand	7.3	7.2	7.2
Way in which demand for imports could be met:			
Projected exports (intermediate hypothesis)	6.6	5.1	5.1
New exports of manufactures	-	0.5	0.5
Additional import substitution	-	1.1	1.7
Net inflow of financial resources	0.7	0.5	-0.1

Source: ECLA.

a/ Service payments on external debt = amortization 4 per cent, interest 2 per cent.
b/ Service payments on external debt = amortization 4 per cent, interest 6 per cent.

/The table

The table also presents the two alternative rates of external debt servicing that were examined by Raúl Prebisch: alternative A (4 per cent amortization and 2 per cent interest); and alternative B (4 per cent amortization and 6 per cent interest). In both cases it is assumed that the net inflow of capital will be the same as the projected figure discussed earlier in connexion with the achievement of the 1 per cent target for industrialized countries.

As can be seen from table 13, over 70 per cent of the growth in demand for imports would be met by the projected growth of exports, which would expand by over 5 per cent annually. Under alternative A, net external resources would cover 0.5 points of the 7.2 per cent potential growth rate of imports.

The remaining 1.6 points would thus have to be covered by a further increase in exports or by more intensive import substitution. In his study, Raúl Prebisch considers the possibilities of new industrial exports and prospects for them, concluding that a further 0.5 points of the demand for imports could be covered by them.

This leaves, then, 1.1 per cent of the expanded demand for imports to be covered by greater import substitution. In this connexion, it should be noted that the projected demand for imports already takes account of past import substitution, which means that this replacement of additional imports represents a considerable effort. Nevertheless, the detailed studies that have been made domonstrate that such an effort can be made within the context of regional industrial integration programmes.

Under alternative B, the net inflow of external financing is a negative figure, despite the large increment in net capital inflows; therefore, in order to cover the demand for imports it would be necessary either to expand exports even further or to step up import substitution even further. The table covers this latter possibility only for purposes of illustration. As a matter of fact, there are a number of complementary possibilities which emerge when the analytical model is applied to individual countries.

With a more satisfactory hypothetical growth rate for exports, it would be possible to meet the accelerated demand for imports with less external indebtedness or with a more flexible economic growth structure

/as regards

as regards external relations. The figures in the last six columns of table 11 give an idea of the scale on which the trade and balance-of-payments deficits might be expected to decrease if exports expanded at a faster pace.

The figures in table 11 were calculated on the basis of a growth rate for exports of slightly more than 6 per cent; this is of course quite a bit higher than the rate in the 1960s, and it would involve keeping up throughout the 1970s the high growth rate of exports that has been achieved in the past few years.

The 1 per cent rise in the growth rate of exports would be of considerable help in solving the problem raised in table 13. Thus, it is perhaps superflous again to stress the importance of achieving the objectives and applying the policy measures laid down in the International Strategy for co-operation in trade and external financing, and particularly the significance, for stepping up the tempo of development in Latin America, of increasing the purchasing power of exports by an average of 7 per cent per year during the 1970s, which is the figure set in the Strategy for the developing countries as a whole.