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LATIN AMERICA AND THE OIL DEFECIT: THE LONG-TERM BALANCE OF PAYMENTS ADJUSTMENT PROCESS

by

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* The opinions expressed in this paper do not necessarily reflect the position of the Inter-American Development Bank.

INTER-AMERICAN DEVELOPMENT BANK

Economic and Social Development Department

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I. SUMMARY AND CONCLUSIONS

1. The problem of financing the oil deficit is a matter of deep concern for most countries of the world. However, the recent increase in oil prices is only one of the change elements that characterizes the world economy in the present decade. Widespread inflation and the instability of the international monetary system are also important elements at the present time.

2. The long-term adjustment process to correct this situation has to be viewed from the standpoint of the external sector as a whole. The approach that emphasizes the transfer of short-term funds among countries is useful, but it is unilateral and incomplete. For the world as a whole, the adjustment process related to the oil deficit requires an orderly transitional period in which while the import capacity of goods and services of the surplus countries (i.e. the oil exporting countries) increases, this group of countries will be in a position to transfer resources and have available to them attractive and safe investment opportunities in the deficit countries. From the viewpoint of the deficit countries, the adjustment process needs to take place in the same orderly fashion, but in reverse. First, they would have to resort to the international capital markets in order to finance the higher external payments; this would be followed later by a gradual expansion of their exports of goods and services to the surplus countries.

   Eventually, a new basic equilibrium satisfactory to both groups of countries would be achieved.

3. In actual practice, this process is not as easy as it appears in theory. It is now clear that as the financial world begins to bear the full impact of this massive adjustment process in the course of 1974, a serious imbalance has developed in the financial markets, which manifests itself in an excess supply of short-term funds, and a relative scarcity of medium and long-term funds. This situation is further complicated by the prevailing high inflation rates, but even after this problem is partially or totally eliminated, there would be still other potential sources of disequilibrium which might threaten the world economy.

4. As far as the oil deficit is concerned, the situation of Latin America is more favorable than that of other developing regions; however, several countries will confront serious difficulties in the adjustment process. In this connection, the announcement made by Venezuela of her willingness to cooperate with other Latin American countries is a compensatory factor of great importance.

Perhaps as important as the aforementioned situation would be the impact on regional trade and financial flows resulting from the extraordinary increase of foreign exchange going to Venezuela and, to a lesser extent, to Ecuador, Bolivia and Trinidad and Tobago. Nowhere is this clearer than in the case of the Andean Group, not only because of the expanded market represented by these countries, but also because of the new investment opportunities in the area.

5. The possibilities that Latin America may obtain in the near future additional financing from traditional sources are not great. As far as the access to surplus funds from non-Latin American oil exporting countries is concerned, the possibilities will depend on three main factors: first, the investment policies of such countries regarding their surplus funds; second, the policies of the Latin American countries designed to attract these funds; third, the efficacy of the financial mechanisms and instruments through which this resource transfer can be achieved.

6. The measures of a financial nature will not be a cure-all in the adjustment process. In the long-run it is indispensable that Latin America be in a position to generate additional export earnings to cover the higher cost of oil imports. This is so because there are not many opportunities to expand import substitution within the region. Also, if and when the Latin American countries can obtain adequate financing during the initial phase of the adjustment process, the external payments related to these new borrowings may become a heavy burden on the balance of payments unless exports are stepped up.

7. The long-term adjustment process of the Latin American balance of payments will depend to a certain extent on the energy policies to be adopted in each of the countries, as well as on the cooperation and coordination among themselves for the development of existing energy resources.

II. INTRODUCTION

Following the increase in oil prices effective January 1, 1974, the problem of financing the deficits of the countries which are net oil importers became, not without reason, a matter of world concern. As was natural, financial measures to ease the balance of payments position of the deficit countries received most attention, because when faced with a quadrupling of the cost of oil imports compared to 1973, the first reaction of the countries was understandably to seek external funds to finance the higher payments required.

The mobilization of additional external resources is a fundamental aspect of the adjustment process, because without additional external aid this process would be too drastic in many cases. This is why the attitude of countries such as Venezuela which have offered various forms of financial cooperation to other countries of the region, through both bilateral and and multilateral channels, has been most significant in the Latin American context.

In the longer term, however, the structural adjustments to compensate for the effect of the oil crisis will call for an absorption of the higher prices by the various sectors of the economy while, at the same time, maintaining an adequate equilibrium in the external sector as a whole. This is the approach that countries must adopt in formulating and implementing measures and policies to facilitate the adjustment of their economies to the new situation.

The purpose of this document is to examine, in the light of recent events, certain aspects of this process and the prospects regarding the equilibrium of the external sector of the Latin American countries.

There is one point which should be particularly noted in this connection. Although this document revolves around what is known as the "oil crisis", this is not the only problem of external origin which the economic policy of the Latin American countries and, therefore, the countries of the world, presently have to face. The oil crisis has to be considered in the context of the entire world economy in this decade, which began with symptoms of a serious disequilibrium --evidenced by, among others, highly significant manifestations, the desintegration of the Bretton Woods monetary system-- which are having far reaching effects on the further economic development of the countries, but whose final results are still in an evolutionary process. The "oil crisis" is just one further element in this process of change.

As a consequence, the adjustment of the external sector of the Latin American economies in the years ahead must take as a frame of reference, the entire range of these changes and not just the individual element of the new oil price.

III. NATURE OF THE EXTERNAL SECTOR ADJUSTMENT PROCESS

The bulk of the recent studies on the measures to be taken by the countries to cope with the oil crisis has placed special emphasis on mechanisms by which the additional foreign exchange earnings of the oil exporting countries can be recycled through the capital markets and other mechanisms to provide financing for the deficit countries.

This approach is useful, but it is also unilateral and incomplete. From both the point of view of the countries with balance of payments surpluses --the oil exporters-- and from that of the deficit countries --the net oil importers-- the problems raised by the balance of payments adjustment process are much more complex. As the volume of resources involved is unprecedented, it would be out of the question to expect that over the medium term the oil exporting countries will be able to absorb into their economies, in terms of real resources, the additional foreign exchange earnings flowing into them. The most optimistic estimates consider that no more than 20 per cent of these earnings, which would be the equivalent of US$10-15 billion, could be absorbed by imports of goods and services in 1974.

This would leave in 1974 alone, a balance of US$54 billion which would have to be recycled in one way or another in order to avoid a serious dislocation of international trade and finance. Considering the amounts that will accumulate year after year, the totals assume alarming proportions which could jeopardize the stability of the financial system and, therefore, the world economy.

It must be stressed that this would not be a state of affairs that would benefit the oil exporting countries. It is in the interest of these countries that the world's balance of payments adjustment be an orderly process in which, as their capacity for importing goods and services increases, they may transfer resources and have available to them attractive and secure opportunities for investing their surplus funds on terms and conditions that are in line with the requirements and absorptive capacity of the deficit countries. All this within a process that makes it possible to maintain a relative equilibrium between trade and financial flows.

From the viewpoint of the deficit countries the adjustment process needs to take place in the same orderly fashion, but in reverse. To begin with, these countries will not be able to immediately finance their balance of payments deficits with additional exports, or by a sharp cutback in their imports; they will instead have to turn to the capital markets in search of short, medium and long-term funds tailored to the requirements of their particular adjustment processes. This could be followed by a gradual expansion of their exports of goods and services to the surplus countries. Ultimately, a new basic equilibrium satisfactory to both groups of countries will be achieved.

A "dynamic" balance of payments equilibrium at world level calls for an orderly behavior on the part of the different countries throughout the adjustment process. However, this is not a sufficient requirement. Financial mechanisms and instruments to facilitate this process are also needed.

In actual practice, this process is not as easy as it appears in theory. It is now clear that as, in the course of 1974, the financial world begins to bear the full impact of this massive adjustment process while the world is facing at the same time other major problems (especially world inflation), the effects of a serious financial disequilibrium are already making themselves felt. This disequilibrium is apparent, particularly, in the excess supply of short-term funds, and the relative scarcity of medium and long-term funds.

Some experts believe that this inbalance cannot be corrected until world inflation is not significantly reduced. This is only partially true, since even if satisfactory progress is made in the fight against inflation, there will still be two potential sources of disequilibrium. The first is that under normal monetary conditions, excess funds from surplus countries would tend to flow mainly to countries with a strong balance of payments rather than to those with weak currencies and real financial problems.

The other potential source of disequilibrium is that some of the countries most seriously affected by the oil crisis might feel tempted, or even forced, in extreme cases, to apply import restrains, while at the same time trying to expand exports. It is obvious that this type of policy if applied by several countries would not contribute to restore equilibrium, but rather, to worsen disequilibrium conditions.

This is, in brief, the nature of the problem which most countries of the world, and therefore, the Latin American countries, have to come to grips with. In other words, the long-term adjustment process of the external sector of the Latin American countries must be approached from the angle of their balance of payments as a whole, i.e. by taking into consideration both the current account and the capital account.

Since the external sector has traditionally been one of the bottlenecks in Latin America's development programs, and external financing has played a role of strategic importance for many countries in the past, this is an aspect of highly critical interest for the region. The much higher cost of oil has added a new dimension to this old problem.

IV. THE MAGNITUDE OF THE OIL DEFICIT

The starting point for formulating adjustment policies must, of course, be to determine the magnitude of the oil deficit in relation to an appropriate index. The three chief indexes could be the following:

i. The degree of self-sufficiency in oil and oil products.

ii. The ratio of the oil and oil derivatives deficit to total imports.

iii. The ratio of that deficit in relation to a country's international monetary reserves.

With regard to the first item, the relatively dynamic picture presented by oil production as against consumption must be borne in mind. This is clearly illustrated by comparing the figures of 1970 and 1973 shown in Table 1. In the short period that has elapsed since that year, the following important changes have already taken place:

a. Mexico and Argentina have switched from a slight surplus situation to one of deficit;

b. Venezuela, Colombia and Trinidad and Tobago decreased their position as net exporters;

c. Ecuador has passed from a deficit situation into one of considerable surplus;

d. Brazil, Peru and Chile have increased their external dependency for the supply of their oil requirements; and

e. The share of the domestic production in relation to total consumption has diminished considerably in the regional countries as a whole, The foregoing can undoubtedly be projected into the future and is of obvious significance in the analysis of the adjustment process. For instance, it is known that Mexico currently has a program underway for expanding oil production; Peru is shortly to start work on an oil pipeline to exploite recently identified oil reserves which can transform the country into a net exporter in a short period of time 1/, and Argentina possesses reserves which would enable it, too, to substantially boost its production. These are all factors which must be taken into account in projecting the adjustment process, since the oil deficit is by no means a static situation, either from the viewpoint of oil production itself or from that of development of other energy sources such as coal and hydroelectric resources.

Table 2 shows the ratio of oil imports to the countries' total imports in 1972 and 1973, before the substantial increase in oil prices registered in the early months of 1974. Roughly speaking, the oil figure is now four times larger in relation to the total, which means that for the deficit countries of Latin America as a whole the cost of oil imports may amount to some 20 per cent of total imports. However, this percentage is not a good enough measure of the problem in a dynamic sense. For instance, the proportion for Uruguay could run as high as 30 per cent, and for Brazil it could be 35 per cent; but considering economic prospects in the two countries the problem acquires quite a different dimension: while for Brazil it might not pose major difficulties at the medium term, for Uruguay, it might involve a much more acute problem in the long-run.

Table 3 shows the estimated additional cost of Latin American oil imports in 1974, compared with gross international reserves as of the end of 1973. Using this index alone, the situation seems tolerable in the short term for some countries such as Brazil, Argentina, Mexico, Nicaragua, Panama and Peru, for all of which the additional cost of oil represents less than 25 per cent of their gross reserves as of the end of 1973. However, the picture is fundamentally different for countries such as Chile, Honduras, Jamaica, El Salvador and Costa Rica, particularly if their external debts are taken into consideration. For all these countries the deficit represents a very high percentage of their international monetary reserves as of the end of 1973. This is most important since the monetary reserves constitute the first line of defense in the adjustment process. Once the first line is exhausted, an immediate need to obtain additional resources from abroad arises.

This trend has to be evaluated considering the degree of participation of petroleum and its derivatives in the total energy consumption in each of the countries. As can be observed in Table 4, in all of the countries of Latin America, with very few exceptions, the utilization of petroleum and its derivatives represents a high percentage of the total energy consumption, especially in Argentina, Chile, Jamaica, Panama, Peru and Uruguay. The comparison of these percentages with the aforementioned indicators, evidences the serious consequences of the large increase in the world prices of petroleum.

1/ As of the end of June 1974, production at the rate of 70,000 barrels/day had been attained in Peru's eastern oilfield which were only waiting for the laying of the pipeline.

The foregoing analysis has sought to focus attention on the chief elements by which the magnitude of the oil deficit can be established, this being the basis for programming the adjustment process of the external sector. The data presented highlights the diversity of situations that characterize the problem in each individual country, which has obvious implications for the adjustment process.

V. RECENT TRENDS IN LATIN AMERICA'S BALANCE OF PAYMENTS

In order to analyze the balance of payments prospects of Latin America in the face of the oil crisis, it is necessary to examine first the behavior of this sector of the regional economy in the recent past, as a basis for extrapolating and projecting some of the structural trends.

With some exceptions, the trends observed over the past decade in the region's consolidated balance of payments have been relatively favorable. According to the figures given in Table 5, the current account deficit was maintained at a relatively low and stable level up to 1967, amounting to US$1.7 billion in that year, as against US$1.3 billion in 1961. From 1968 onward, however, as Latin America increased its rate of growth, the current account deficit jumped to US$2.9 billion in 1970 and to US$4.4 billion in 1972. In brief, these figures are the result of the following trends.

First, the deficit on the services account has grown continuously, rising from US$2.2 billion in 1960 to US$3.9 billion in 1970 and US$5 billion in 1972. Second, the trade balance has displayed a variable trend that warrants more detailed comments. Following for the most part traditional lines of behavior, this balance increased from a surplus of US$9 million in 1960 to a peak of US$2.4 billion in 1965; since then, however, it declined gradually, reaching a US$180 million deficit in 1971. In 1972 and 1973 the trade balance returned to a surplus, but this was primarily due to essentially cyclical and speculative factors connected with the international commodity markets.

It proved possible for the current account deficit of the region's balance of payments to be absorbed without major problems, mainly by the inflow of capital during the greater part of the period under review, which together with the inflow of short-term capital, permitted an increase in the region's international monetary reserves from US$2.8 billion in 1960 to US$ 4 billion in 1968 and US$5 billion in 1972.

In summary, there has been a deterioration in the region's balance of payments current account, as a result of the deficits registered in both goods and services movements. Long-term capital inflows have been the compensatory factor in the balance of payments.

VI. BALANCE OF PAYMENTS PROSPECTS

In the light of the foregoing analysis, what are the prospects for maintaining the equilibrium of the region's balance of payments during the adjustment period? Before embarking on an analysis of this problem, certain important observations must be made.

The first is that preparing a balance of payments projection on a country-by-country basis in order to try to arrive at a more or less satisfactory regional result would be beyond the scope of this paper. Also, the changing circumstances in today's world make it impossible to draw up projections that would be reasonably reliable. These circumstances include, for instance:

a. the dynamic, though still confused, state of the commodity markets;

b. worldwide inflation and the uncertainty regarding the prospects of the world economy;

c. the instability of the international monetary system and the evolutionary approach adopted for international monetary reforms; and

d. the unadequate amount that has been learned up to the present as to the policies of the oil exporting countries regarding the disposition of their foreign exchange surpluses.

The following analysis seeks only to present certain assessments of a general nature regarding the possible course of events.

The second observation called for is that, for obvious reasons, this part of the analysis relates solely to the countries of the region that are net oil importers; in other words, it does not include Venezuela, Ecuador, Bolivia, Colombia and Trinidad and Tobago.

Third, it is assumed that the countries' general objective during the adjustment process is mainly to maintain a "dynamic equilibrium" in their economies. This must be interpreted to mean keeping a relative equilibrium in the basic balance of the balance of payments by seeking to maintain, at the same time, the rate of economic growth of recent years. Of course, one might include as a reasonable hypothesis that one of the ways of maintaining the equilibrium of the external sector could be the reduction of the rate of economic growth; and in certain cases this could in fact happen, if appropriate compensatory measures are not adopted. We have deliberately discarded this as an initial hypothesis since, in some cases, the correction of the deficit through contractionary measures might tend to worsen the problem.

1. Prospects in the financing field

If the countries of Latin America were able to obtain, in adequate volume and at reasonable terms, additional external funds to pay the higher cost of oil imports over the coming years, the problem would perhaps be much more manageable and the adjustment process would be enormously facilitated. This might be possible in some cases, but to examine these possibilities more thoroughly at the country level, a clear distinction would have to be made between private and public capital. It would also be necessary to differentiate between the region's traditional sources of capital and possible new sources.

Perhaps the prospects are not very favorable with regard to Latin America's traditional sources of financing. While these have up to the present been able to provide financial resources, both public and private, in sufficient volume to maintain the regional balance of payments equilibrium, it is doubtful whether they will be able to do so in the future, since these sources have also been affected by the oil crisis, and this situation is further complicated by inflation and the prevailing current instability of the monetary system. Under these conditions, the traditional sources would unlikely be able to provide more resources and it would also be doubtful if, in global terms, the previous levels of external financing could be maintained. As regards official capital this situation would require a rationing system in which, quite logically, preference would be given to the less developed countries. Consequently, the larger and more developed countries would have to turn increasingly to private and commercial sources, including direct investment.

There is considerable, but not easily quantifiable, potential for financing from non-traditional sources: specifically, the oil exporting countries. Although some concrete offers have been made, it is not presently possible to assess their magnitude regarding the impact in the region. The most specific offers have come from Venezuela, which has offered various forms of cooperation to the other Latin American countries, both through bilateral and multilateral channels. This is a compensatory factor of fundamental importance for Latin America.

However, perhaps as important as this official offer could be the impact which the considerably improved economies of the oil exporting countries of the region might have on other Latin American countries with which they maintain close commercial and financial relations. Here, two aspects must be taken into account: first, the income or market effect, in that the oil exporting countries (Venezuela in particular) have greatly increased their external purchasing power. Nowhere is this clearer than in the case of the Andean Group, in which the enormous resources of Venezuela, plus the much increased ones of Ecuador and Bolivia 1/, could have a very considerable influence on the economic development of the Group, both as regards market expansion and from the angle of the possibilities for capitalization of the area as a whole. Taking into account the volume of the additional resources available to the Latin American oil exporting countries (US$7.6 billion/year) compared with the deficit of the oil importing countries (somewhat less than US$2.7 billion/year), this source could certainly be a compensatory factor of significant importance.

1/ And Peru as well, in a few years.

Neither should one ignore the resources of the Arab countries. It is possible that official funds from these sources may be less readily available to Latin America than to other developing regions of the world which are in even less favorable position --Asia and Africa-- but as far as private investments are concerned, including direct investments in projects, bond issues, etc., the possibilities of financing for Latin America could be more promising, especially for the larger and more developed countries which offer more opportunities of this nature.

To sum up, while it may be that traditional sources of external financing for Latin America might offer in the near future fewer possibilities than before, the new sources, especially those located in the region, may constitute a quite considerable compensatory factor. This possibility, at the same time, depends on two strategic elements: first, on the policy of the oil exporting countries regarding employment of their surplus resources, both in geographic and sectoral terms and as regards terms and conditions, and second, on the policy adopted by the Latin American countries themselves to attract these resources. Finally, and this is most important, the ease with which these transfers of both public and private resources can be effected will depend on the efficacy of the financial mechanisms available for the purpose.

One final point should also be noted. The measures of a financial nature to facilitate the adjustment process are not a cure-all. In the middle and long-run, all countries will have to place more or less emphasis on increasing their exports of goods and services. This is necessary not only because eventually it will be essential to generate new export earnings to pay the higher cost of oil, but because even if the countries are able to obtain adequate external financing during the adjustment period, the service of these capital inflows would constitute an additional problem if exports are not stepped up.

2. Prospects in the goods and services trade field

Within the possibilities for adjutment through the current account items the following three alternatives must be considered:

a. increasing of exports;

b. reduction of imports; and

c. a combination of a and b.

A distinction must also be made between merchandise and services. As regards the merchandise item, it can be stated that, in general, the possibilities of reducing imports are not great in Latin America. The trade and industrialization policies which the Latin American countries have been pursuing over several decades have been oriented mainly to import substitution. This process has now reached a stage where a further reduction of imports --which currently run at around 12 - 13 per cent of gross domestic product-- would be difficult to achieve without seriously affecting essential imports such as raw materials for industry (including fuels), food and capital goods. This is particularly certain at this stage in which Latin America as a whole --with few exceptions-- is growing rapidly. Despite the oil crisis, this impetus will probably be maintained in the future, which could require a further increase in imports rather than a scaling down.

Consequently, efforts to eliminate the oil deficit will have to be oriented, in most cases, more toward increasing exports than substituting imports. The sooner such efforts are gotten under way the better it will be for the region's economy, since delay would only mean postponing the structural solution.

The above statement is demonstrated by the figures already presented in section IV of this document, where it is pointed out that precisely because of the higher rates of economic growth of the past six years, Latin America's imports have been expanding faster than its exports, to the extent that the region's trading account surplus had been practically eliminated in 1971, and had even become a deficit by 1972.(See Table 5) This picture would not be improved by excluding from the regional figures the net oil exporting countries (Venezuela, Ecuador, Bolivia and Trinidad and Tobago). What is more, the region's imports have been rising faster than the region's gross domestic product. In 1970-72, for example, the increase of the region's imports in real terms averaged 8.9 per cent per year, as compared to 5.8 per cent for exports and 6.6 per cent for the regional gross domestic product. (See Table 6)

The foregoing does not mean that the possibilities for import substitution have been exhausted. On the contrary, in a process of dynamic growth new opportunities are always generated. What it does mean is that in view of the region's already low import coefficient, the margin for further import substitution is smaller.

This being the position, consideration should be given to the possibilities for expanding the region's exports in the medium term. The trends in the past decade to this respect were not all that favorable. For instance, in the period between 1967 and 1970, the value of exports expressed in current dollars increased at an average of 8.6 per cent per annum, but more than half of this increase was due to higher prices of exports, while the increase in volume terms was barely 4 per cent per annum. In the years preceding 1967, the increase in exports in volume terms was even slower.

The opportunities for the future in this area lie in the type of export-promotion programs which have already been set in motion in some countries of the region. The Brazilian, Colombian and Mexican programs can be mentioned by way of example, but other countries have also initiated similar programs. One can conclude that thanks to its industrial base and its endowment of natural resources, Latin America should be able to have a much more dynamic export sector, but for this aim to be achieved, a greater effort will be needed than in the past.

As regards the services items in the balance of payments, what is also expressed in Section V of this document is worth repeating, namely that, while exports of services have shown more dynamic behavior than those of merchandise, imports of services have always outstripped them. The result has been a deficit which has consistently increased in absolute terms, reaching around US$5 billion in 1972. In view of these past trends, a reduction of this deficit is hard to envisage.

Summing up, the correction of the oil deficit through the current account must rely more on export expansion than on import substitution. On the other hand, perhaps prospects for expansion and diversification of exports might be brighten in the merchandise account than in the services sector.

Going over the long-term prospects of the balance of payments in Latin America in the light of the so called "energy crisis" it would be worthwhile mentioning the importance that each of the countries adopt investment energy policies, production and prices oriented towards an efficient assignment of the resources among the various energy alternatives, compatible with the orderly and accelerated growth of the various sectors of their economies. Furthermore, the adjustment process of the balance of payments in Latin America will not only depend on the energy policies of each of the countries, but on the degree of cooperation and coordination among themselves in the development of conventional and non-conventional energy resources available in the region.

Table 1

LATIN AMERICA: PRODUCTION, CONSUMPTION OF PETROLEUM AND NATURAL GAS

(thousand metric tons of petroleum equivalent)

	Production (A)		Consumption (B)		Production/ Consumption (A/B)-%	
	1970	1973	1970	1973	1970	1973
Oil Producing Countries						
Argentina	20,519	21,232	20,136	24,506	101	87
Bolivia	1,150	2,390	500	635	230	376
Brazil	8,199	9,021	23,413	37,989	35	24
Colombia	11,073	10,043	4,997	7,334	222	137
Chile	1,620	1,575	4,424	4,793	37	33
Ecuador	198	10,305	1,100	1,367	18	754
Mexico	25,414	22,793	21,703	30,760	117	74
Peru	3,844	3,564	4,584	5,041	84	71
Trinidad and Tobago	7,304	8,275	1,700	2,362	430	350
Venezuela	193,659	169,719	6,407	12,680	302	134
Subtotal	272,980	258,917	88,964	127,467	307	203
Non-producing Countries						
Barbados	-	-	131	111	-	-
Costa Rica	-	-	419	760	-	-
Dominican Republic	-	-	480	1,547	-	-
El Salvador	-	-	528	525	-	-
Guatemala	-	-	156	115	-	-
Haiti	-	-	120	138	-	-
Honduras	-	-	376	552	-	-
Jamaica	-	-	1,410	1,948	-	-
Nicaragua	-	-	473	524	-	-
Panamá	-	-	544	1 105	-	-
Paraguay	-	-	192	193	-	-
Uruguay	-	-	1,410	1,670	-	-
Subtotal			6,239	9,188	-	-
TOTAL	272,980	258,917	95,203	136,655	260	189

Source: 1970 - ECLA, *Economic Survey of Latin America*, 1973, Chapter I, Table 7
1973 - IDB, based on official data.

Table 2

LATIN AMERICA: NET EXPORTS AND IMPORTS OF PETROLEUM AND NATURAL GAS

(in millions of US$ and as a percentage of total exports and imports)

Countries	Net Exports				Net Imports			
	US$		%		US$		%	
	1972	1973	1972	1973	1972	1973	1972	1973
Petroleum producing countries								
Argentina	-	-	-	-	59	167	3.1	9.0
Bolivia	40	64	19.1	28.3	-	-	-	-
Brazil	-	-	-	-	513	930	10.7	13.5
Colombia	59	62	7.9	6.1	-	-	-	-
Chile	-	-	-	-	68	70	7.2	7.4 1/
Ecuador	40	271	11.9	57.0	-	-	-	-
Mexico	-	-	-	-	127	288	4.3	6.9
Peru	-	-	-	-	43	46	5.4	4.4
Trinidad and Tobago	63	154	11.3	26.8	-	-	-	-
Venezuela	2,924	4,215	78.7	92.9	-	-	-	-
Subtotal	3,126	4,766	56.2	68.9	810	1,501	7.1	10.1
Non-producing countries								
Barbados	-	-	-	-	3	4	2.1	6.7
Costa Rica	-	-	-	-	13	25	3.5	6.7
Dominican Republic	-	-	-	-	38	57	10.3	11.7
El Salvador	-	-	-	-	12	17	4.3	4.5
Guatemala	-	-	-	-	14	38	4.3	11.4
Haiti	-	-	-	-	3	5	4.6	7.0
Honduras	-	-	-	-	15	18	7.8	6.9
Jamaica	-	-	-	-	43	64	6.9	9.5
Nicaragua	-	-	-	-	14	17	6.4	5.2
Panama	-	-	-	-	36	73	8.2	14.9
Paraguay	-	-	-	-	6	7	7.2	8.5
Uruguay	-	-	-	-	35	46	16.5	16.1
Subtotal	-	-	-	-	232	369	7.0	9.3
TOTAL	3,126	4,766	56.2	68.9	1,042	1,872	5.4	7.8

1/ Total imports of 1972

Source: 1972 - ECLA, Economic Survey of Latin America, 1973, Chapter I, Table 7
1973, IDB based on official data.

Table 3

LATIN AMERICA a/ : IMPACT OF PETROLEUM AND DERIVATIVES IN THE BALANCE OF PAYMENTS, 1974

(In million of US$)

I. Net petroleum importing countries

Countries	Net import of petroleum 1972	1973	1974 (Estimate)	Annual Increase 1973	Annual Increase 1974	Gross Intern. Reserves 1973 b/	1974 Cost Increases/gro intern. reserv 1973 (%)
Argentina	59	167	370	108	203	1,318	15
Barbados	3	4	10	1	6	18 c/	33
Bra il	513	930	2,675	417	1,745	6,417	27
Chile	68	70	362	2	292	306 c/	95
Costa Rica	13	25	68	12	43	42	102
Dominican Rep.	38	57	39	19	-18	88	d/
El Salvador	12	17	46	5	29	62	47
Guatemala	14	38	102	24	64	212	30
Haiti	3	5	12	2	7	17	41
Honduras	15	18	50	3	32	42	76
Jamaica	43	64	174	21	110	127	87
Mexico	127	288	120	161	-168	1,356	d/
Nicaragua	14	17	46	3	29	117	25
Panama	36	73	94	37	21	942	22
Paraguay	6	7	20	1	13	31	42
Peru	43	46	140	3	94	551	17
Uruguay	35	46	138	11	92	232	40
Subtotal	1,042	1,872	4,466	830	2,696	11,878	23

II. Net petroleum exporting countries

Countries	Net export of petroleum 1972	1973	1974 (estimate)	Annual Increase 1973	Annual Increase 1974	Gross Intern. Reserves 1973	1974 Income increases/gro intern. reserv 1973
Bolivia	40	64	204	24	140	72	194
Colombia	59	62	99	3	37	534	69
Ecuador	40	271	787	231	516	241	214
Trinidad & Tobago	63	154	482	91	328	48	683
Venezuela	2,924	4,215	10,760	1,291	6,545	2,420	270
Subtotal	3,126	4,766	12,332	1,640	7,566	3,315	228

III. Regional Resumé

	Net export of petroleum 1972	1973	1974 (estimate)	Annual Increase 1973	Annual Increase 1974	Gross Intern. Reserves 1973	1974 Net Inc Increases/gro intern. reser 1973 %
Total	2,084	2,894	7,866	810	4,870	15,190	32

a/ IDB member countries

b/ Source: International Monetary Fund, International Financial Statistics, August 1974

c/ Estimate figures based on official data

d/ Negative amount

Table 4

LATIN AMERICA: CONSUMPTION OF COMMERCIAL ENERGY
(million metric tons of petroleum equivalent)

Petroleum Producing Countries		Total Energy Consumption	Petroleum and Derivatives participation in total energy consumption (in %)
Argentina		21,295	76.5
Bolivia		631	85.7
Brazil		27,382	77.5
Colombia		5,242	56.8
Chile		5,089	49.7
Ecuador		1,272	97.1
Mexico		26,476	56.9
Peru		5,056	83.5
Trinidad and Tobago		1,499	50.8
Venezuela		9,067	49.7
	Subtotal	103,009	67.2
Non Producing Countries			
Barbados		178	98.9
Costa Rica		499	84,3
Dominican Republic		751	99,1
El Salvador		466	92,8
Guatemala		917	97,0
Haiti		94	100.0
Honduras		391	94.0
Jamaica		2,016	99,4
Nicaragua		517	94.7
Panamá		870	100.0
Paraguay		1,886	92,2
Uruguay		1,657	91.9
	Subtotal	10,242	95,2
	TOTAL	113,251	100.0

Source: United Nations Energy Supplies series J (Preliminary data)

Table 5

LATIN AMERICA: BALANCE OF PAYMENTS SUMMARY
(Millions of US$)

		1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1972 a/	1973 a/
A.	Current Account	-1,290.0	-1,308.0	-440.0	-777.0	-516.0	-1,201.0	-1,701.0	-2,273.7	-2,317.6	-2,907.2	-4,280.0	-4,449.0	-3,700.7	-2,682,0
	1. Balance of Trade	901.0	1,194.0	2,074.0	2,164.0	2,415.0	1,890.0	1,480.0	1,004,7	1,383.3	786.7	- 195.2	271.4	937.2	3,168,1
	Exports (F.O.B.)	8,461.0	9,020.0	9,607.0	10,318.0	10,844.0	11,443.0	11,380,0	12,038.2	13,419.3	14,637.2	15,277.0	17,988.6	16,950.8	24,269.7
	Imports (F.O.B.)	7,560.0	7,326.0	7,533.0	8,154.0	8,429.0	9,553.0	9,900.0	11,033,5	12,036.0	13,827.0	15,453.1	17,760.0	16,055.4	21,100.8
	Non-monetary gold	b/	b/	b/	b/	b/	b/	b/	b/	b/	-22.6	-19.1	42.9	41.9	- 0.8
	2. Balance of services	-2,097.0	-2,430.0	-2,471.0	-2,923.0	-2,927.0	-3,118.0	-3,241.0	-3,297.0	-3,730,8	-3,937.1	4,285.9	-4,960.7	-4,866.2	-6,207,7
	3. Transfers	- 94.0	-72.0	- 43.0	- 18.0	- 4.0	27.0	60.0	18.6	29.9	243.2	201.1	240.3	228.1	357.3
B.	Capital Account	1,151.0	1,427.0	384.0	1,651.0	666.0	1,756.0	1,560.0	1,917.5	3,297.3	2,551.9	3,972.2	3,537.5	2,750.5	2,037,1
	1. Long Term Capital	1,036.0	921.0	870.0	1,595.0	1,018.0	1,687.0	1,694,0	2,355.2	3,620.1	2,623.2	3,450.8	5,379.1	4,965.8	6,691.3
	2. Short term Capital	115.0	506.0	-486.0	56.0	-352.0	69.0	-134.0	- 437.7	-322.8	-71.3	521.4	-1,841.6	- 2,215.3	- 4,654.2
C.	Errors and Omissions	139.0	-119.0	56.0	-874.0	-150.0	-555.0	141.0	356.2	979.7	355.3	307.8	911.6	950.3	644.8

a/ Exclude Barbados, Chile and Panama
b/ Included in exports and imports
Source: IMF., Balance of Payments Yearbook

Additional Information

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1972 a/	1973 a/
Basic Balance (A + B.1)	-254.0	-387.0	430.0	818.0	502.0	486.0	-7.0	81.5	1,302.5	- 284.0	-829.2	930.1	1,265.1	3,955.6
Net change of international reserves c/	-120.0	-459.0	468.0	126.0	421.0	-67.0	272.0	471.4	- 555.9	-1,167.8	935.9	3,815.5	3,349.6	5,492.8

c/ Source: IMF., International Financial Statistics

Table 6

LATIN AMERICA: SUMMARY COMMODITY TRADE STATISTICS, 1970-1972

(millions of dollars, indexes, and percentages)

		Actual Values			Percentage change from preceding years			Average annual variation
	Unit of Account	1970	1971	1972	1970	1971	1972	1970-72
EXPORTS								
Value	Million US$	14,637	15,277	17,989	9.3	4.4	17.8	10.5
Quantum index	1963 - 100	139	139	158	3.7	0.0	13.7	5.8
Unit value index	1963 - 100	115	120	124	5.5	4.3	3.3	4.4
IMPORTS								
Value	Million US$	13,828	15,453	17,761	15.1	11.8	14.9	13.9
Quantum index	1963 - 100	154	164	182	9.2	6.5	11.0	8.9
Unit value index	1963 - 100	115	121	125	5.5	5.2	3.3	4.7

Source: IDB, *Economic and Social Report in Latin America*, 1973