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STRATEGY FOR NON-TRADITIONAL EXPORTS

A first appraisal

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Introduction

Export promotion is a relatively new idea. It emerged when it was recognized that, in view of the difficulties facing the export of primary products, the expansion and diversification of exports of manufactures and semimanufactures by the developing countries constitutes one of the main factors for increasing their trade. The need for this expansion has been widely discussed in various international forums, especially the United Nations Conference on Trade and Development (UNCTAD), and has been recognized in the International Development Strategy. It can be achieved on the one hand by improving conditions of access to the markets of the developed countries and on the other by promoting the exports of the developing countries. Export promotion may thus be considered as the domestic parallel of the efforts being made internationally to obtain better conditions of access to markets. The action taken to make the most of these new opportunities for selling the developing countries' exportable products as well as of the export opportunities already in existance can basically be grouped under the heading of export promotion.

Export promotion has been acquiring greater importance as the developing countries have come to recognize that improved conditions of access to markets will not by themselves bring about a substantial flow of new exports. Consequently, it has become increasingly necessary to adopt measures aimed at developing and stimulating these exports. In many cases, however, the approach to these measures has been of a fragmentary nature, basically aimed at commercial-type promotion and mainly consisting of the provision of services to the exporter in such matters as market studies, standards of presentation of the products, quality control, information services, international fairs, etc., which although they represent indirect financial aid do not play a decisive part in determining export possibilities. Especially in the Latin American countries, the facts show that these measures fail to get to the root of the problems hindering exports of industrial products unless they are accompanied by modifications in the institutional structure and the structure of industry and in the economic policies, which sometimes discourage exports.

Export promotion must therefore be considered from the broader viewpoint of export development, a concept which covers everything connected with the planning of exports, policies to promote them, aspects of the supply for export, export financing, the institutions required, and the marketing of the products. The integrated group of measures which the public sector must adopt in this context, the fixing

/of targets

of targets and priorities for these measures and their subsequent time sequence constitute the strategy for the export of manufactures, which permits the different elements making it up to be assimilated systematically through a process of formulation, implementation and appraisal.

In Latin America there is a clear awareness of the need to promote exports so as to diversify the export structure and make it less vulnerable to the fluctuations in basic commodities, and so as to develop an industrial output capable of competing on international markets, with a view to making more rational use of production capacity and stimulating its development on a broader basis than the local market. These aims have been taken up as a central concern by various international agencies.

The majority of the countries of the region have adopted measures and set up institutions for the promotion of new exports 1/. The international agencies of the United Nations and inter-American systems have also give special attention to providing the Latin American countries with assistance in the promotion of their exports.

All the efforts being made in this field require the preparation of a detailed analysis which will make possible the identification of the structural problems raised by this new strategy and the evaluation of the effects of the various measures taken by Governments. In the present introductory paper an endeavour has been made to bring together the basic elements needed to evaluate, on the basis of the results achieved, the export promotion policies which have been tried out in the region.

The evaluation of export promotion policies may cover three basic aspects: (a) evaluation of the results obtained, using quantitative indicators of the evolution of exports; (b) evaluation of the content of the policy or strategy as such by seeking to identify causal relations and determining the degree to which the policy is appropriate to the country's problems, the different measures included in it and the relation between them, and (c) evaluation of the application of the policy by reviewing the administrative, institutional or other factors which may have affected its full implementation.

Six chapters have been written along these general lines. The first describes the evolution of policies to promote exports of manufactures in their most general context and their relation to other aspects of the national economy such as industrial and trade policy, physical infrastructure, etc. The second chapter describes the various means of stimulation used

1/ See the county monographs prepared by the Economic Commission for Latin America (ECLA/SE/Ex/DRAFT/71 to 83)

in the different countries of the area, indicating their relative importance in the application of the policies and their practical scope. The third chapter studies the institutions responsible for applying the promotion policies and their evolution to fit themselves for the new requirements of external trade. The fourth chapter analyses the development of exports of manufactures by Latin America in recent years, their share in the total trade in manufactures, changes in their structure and geographical destination, and the items which have contributed most to the greater dynamism of total exports. The fifth chapter details aspects of international bilateral and multilateral co-operation in this field. Finally, chapter six offers a first appraisal of the effectiveness of the policies, based on the results obtained and endeavouring to distinguish whether these have been the consequence of the mere application of incentives or the result of a more global strategy.

I. EXPORT DEVELOPMENT POLICIES

1. The evolution of policies for developing exports of manufactures

A new approach towards Latin American development was adopted in the 1960's, when the rate of industrial growth began to show signs of slowing down owing to the virtual disappearance of the momentum provided by the process of import substitution, which was generally conceived solely in terms of the final product. The limitations of the process of substitution, which were even apparent in the larger countries, derived in part from the small effective size of the domestic market in view of the existing level and distribution of income.

As a result of this situation, which was preventing the attainment of higher economic growth rates and was accentuated by the permanent balance-of-payments crises of several countries, systems of regional economic integration were devised.

It was thus that four integration areas came into being in Latin America: the Latin American Free Trade Association (LAFTA), the Central American Common Market (CACM), the Andean Sub-Regional Integration Agreement (AISA) and the Caribbean Free Trade Association (CARIFTA). At their different levels, these integration areas gave rise to a powerful flow of trade in industrial products, as will be seen in greater detail in chapter IV.

As a result, many new products began to appear which, thanks to the larger economic space now open to them, managed to break the vicious circle of limited markets, high costs, and high prices which in turn restricted demand, and this helped to build up from the initially low levels of regional trade.

For a number of reasons, however, after at first provoking a sharp increase in trade owing partly to the displacement of former sources of supply, the various integration schemes began to run out of steam. The limited external competitiveness of their industrial structure resulted in a lack of flexibility that impeded the operation of the integration machinery, and this situation was further aggravated by the lack of export-mindedness within the entrepreneurial sector and by the essentially supervisory mentality of a public sector accustomed to controlling exports of primary products as the traditional source of foreign currency.

/To combat

To combat this situation, the promotion of non-traditional exports, especially of industrial goods, came to occupy an important place among the measures and actions taken by Governments.

The development policies of the various countries included tariff and fiscal incentives aimed originally at offsetting tax burdens on production and subsequently at compensating for the higher costs caused by the inefficiency of the productive sector and for imbalances stemming from exchange policy, the overall purpose being to improve the external competitiveness of the products manufactured.

When these incentives were introduced, one of the pillars on which the expansion of exports was based was the utilization of idle industrial capacity.

By the end of the 1960's, the combined fiscal, tariff, credit, exchange and other incentives adopted by several of the region's more industrialized countries had succeeded in turning the export sector into a permanent and profitable activity unfettered by the contingencies of the domestic market.

In Argentina, Brazil and Colombia the growth of new exports became faster and steadier from 1967 onwards. It is significant that in both Argentina and Brazil 2/ many of the export-oriented measures were adopted during periods of contraction of the industrial product, which resulted in a reduction in utilized capacity.

It was only towards the end of the 1960's that the more comprehensive policies of some of the countries of the region began to bear fruit. These policies, which were based on direct and indirect incentives, sought to promote the export of manufactures in such a way that they would be less affected by the vicissitudes of the domestic market.

The response of enterprises to government incentives aimed at turning the export of industrial goods into a stable and profitable activity has meant that several Latin American countries now have a share in the world trade in manufactures, although there is no guarantee that this trend will be either permanent or self-supporting. The element of uncertainty derives from the fact that the export trade may at present be a profitable business only because of the existence of a broad range of fiscal, credit and exchange incentives.

2/ Carlos V. Doellinger, "Exportaçoes Brasileiras: Diagnóstico e Perspectiv Pesquisa e Planejamento, IPEA, No. 1, June 1971, p.89.

/The future

The future of exports will depend both on the investment policy of enterprises in the light of the potential offered by foreign markets and on the export development policy that Governments apply. This latter will in turn be largely dependent upon the cost-benefit ratio that export incentives represent for the economy as a whole, compared with the cost-benefit ratio of applying import substitution to more technologically sophisticated products under autarkic or regional systems.

In sum, there are grounds for maintaining that the present flow of exports is due more to the introduction of tariff and fiscal incentives that to measures that have gone to the root of the existing problems, the commonest of which, apart from infrastructural shortcomings are problems stemming from the inefficiency of industrial sectors that are mostely protected from outside competition, frequently as a result of difficulties connected with the production and exchange structure. It will therefore be necessary not only to increase production and merge and convert enterprises but also to develop and adapt products, set up marketing networks, provide services and technical assistance for foreign clients, and so on.

2. Non-traditional exports within the context of development plans

The importance attached by the various countries to non-traditional exports is generally related to each country's export-consciousness in this regard, the inelasticity of the import needs of its productive structure and the stage of industrial development reached.

Colombia, for example, which is probably the Latin American country with the most clearly-defined strategy regarding the part to be played in the medium term by non-traditional exports (particularly those considered as dynamic for the development of its economy) counts among its objectives the perfectly natural aim of reducing its present dependence on exports of coffee, petroleum and petroleum products.

With this end in view, and in line with the goals laid down in the Colombian Development Plan, it has prepared the 1972-1975 Four-Year Export Plan, aimed at securing the priority growth of exports other than coffee, petroleum and petroleum products, which in 1960 represented only 10 per cent of total exports but which by 1970 already accounted for 35 per cent. Sixteen groups of non-traditional products have been chosen as those which should be mainly responsible for the greater expansion envisaged, and two annual growth targets have been established for them, i.e., 34 and 48 per cent, respectively.

Brazil's First National Development Plan for 1972-1974 contemplates an expansion of exports of manufactured products at annual rates of over 20 per cent, so that total export earnings will increase by 10 per cent annually. This is considered essential, not only so that Brazil can finance its import needs with its current export earnings, but also so that high rates of growth of the production of manufactures and non-traditional agricultural products will be feasible. For this purpose a production policy geared to the external sector will be adopted as a vital step towards improving efficiency in the production sector.

A study of the 1971-1975 Development and Security Plan which Argentina is putting into practice shows that while it holds out quite favourable prospects for traditional exports such as wheat, meat, maize and sorghum, exports of manufactures are assigned a more vigorous growth - about 13.4 per cent annually - a growth rate of 7 per cent being envisaged for exports of agricultural origin and 24 per cent for exports of purely industrial origin. This faster growth would step up the share of non-traditional exports in total exports from 30.9 per cent in 1970 to 34.3 per cent in 1975.

The Medium-Term Foreign Trade Plan recently prepared by Peru is mainly based on a higher degree of processing of the products now being exported, plus the sale of new export commodities. According to the proposed goals, non-traditional exports would increase from 60 million dollars in 1971 to some 500 million dollars in 1975.

The Venezuelan Fourth National Plan lays down the basic principles for the policies currently being implemented by the Government: reform of the tariff system to include ad valorem taxation; elimination of quantitative restrictions and gradual reduction of tariff protection; establishment of export incentives, and creation of a fund for financing exports.

As regards the plans drawn up by the relatively less developed countries in the region, the "Basic Principles of the 1973-1977 Integrated Change and Development Plan of Ecuador" provide that this country will boost its exports in both the petroleum sector and manufacturing. This will make it possible to diversify exports and prevent the distortions observed in other petroleum exporting countries, so export promotion will constitute a key element of the strategy adopted. According to projections of exports of goods and services, the share of traditional exports (bananas, coffee and cocoa) will shrink from the figure of 65.7 per cent of total exports at which it stood in 1972 to 37.4 per cent in 1977, owing mainly to the smaller proportion of banana sales. Moreover, likewise in accordance with the Integrated Plan, exports of manufactures are scheduled to grow at a rate of 30.3 per cent during this period, so that in 1977 they will account for 14.7 per cent of total exports of goods and services.

/In Uruguay

In Uruguay the feasibility of the 1973-1976 Development Plan largely depends on the expansion of industrial exports. The set for these exports is 334 million dollars, which represents a projected increase of 127 per cent over 1971.

As regards the Central American Common Market countries, the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA) and the Central American Export Promotion Programme (PROMECA) are jointly studying a strategy for the promotion of non-traditional exports at the regional level, with the aim of orienting export policies within the context of the individual countries' development plans.

In the CARIFTA countries, where foreign trade policy has traditionally been based on preferential arrangements with the United Kingdom, the trend is to diversify their export markets in order to cushion the possible effects of the United Kingdom's entry into the European Economic Community (EEC). Exports of manufactures by the CARIFTA countries have thus far been negligible, since they accord preferences, to a greater or lesser extent, to industrial products from the EEC countries. Industrial export policies are therefore still in their infancy and will greatly depend on future trade relations within the context of the enlarged EEC now including the United Kingdom.

Finally, it may be mentioned that other Latin American countries have drawn up economic development plans which cover export activities, and some of these plans are in the process of being revised with a view to up-dating their goals.

3. Exports and industrial policy

The interest shown in increasing and diversifying the volume of exports of manufactures not only influenced the character of the industrial development strategy adopted but also in many cases compelled countries to strengthen the application of policies by taking appropriate measures that changed the orientation of various branches and sectors. As a result of these readjustments, there emerged within the industrial sector an export area composed of a set of higher-productivity enterprises which benefited from the economies of scale resulting from the expansion of the market and gradually grew into a dynamic group which has helped to increase the efficiency of the rest of the manufacturing sector 3/.

3/ For further details, see "El sector industrial latinoamericano y la estrategia internacional de desarrollo" (ECLA/DI/DRAFT/85).

In this context, several countries of the region originally made a big effort to expand the industrial processing of exportable primary products and to make use of surplus installed production capacity. These traditional activities, however, being generally the oldest in the region, suffer in nearly all the countries from the fact that the existing enterprises display a number of distortions and inelasticities which today limit their possibilities of external competition. The efforts made in some countries to change this situation have mainly been in two directions: to modify the conditions of manufacturing supply so as to provide industry with more modern efficient and suitably dimensioned installations, and to ensure the supply of raw materials of appropiate quality and quantity by taking appropriate measures in the primary sector. The advisability of making a careful selection of products and lines when deciding on these modernizations so as to minimize investment costs was not always borne in mind, however, and frequently, in an attempt to cover a wide potential range, resources were too thinly spread and did not succeed in producing the expected results.

An analysis of the achievements in this field shows that they have not been uniform, either by sectors or by countries. In some cases, as for example the leather industry in Brazil, Argentina and Uruguay 4/, exports of dressed and semi-dressed goods increased substantially, together with an incipient but promising volume of manufactures (shoes, leather goods and clothing). As regards these items, the efforts have been along the right lines, and although progress has been slow, partial success has been achieved. Notable progress has also been observed in the textile industry in Brazil and Colombia, in the timber products industry in Brazil, and in the pulp and paper industry in Chile.

Although in these traditional branches Latin America export potential is relatively large and the world market for products based on these raw materials is expanding, however, the efforts of the rest of the countries to adjust national supplies to the quality, quantity and price levels required to gain entry to the international market are not yet satisfactory to say nothing of the problems of access which exist for some products like textiles and footwear, which have managed to compete in the international market but which the developed countries consider to be "sensitive".

4/ As from 1971, Uruguay forbade exports of undressed hides.

/During the

During the 1960's, many countries made tremendous efforts to export food products which had undergone various degrees of processing, made from raw materials which those countries were in a relatively advantageous position to produce. Their structure of industry, however, has prevented full use being taken of these advantages.

After only a little progress had been made in this field it became obvious in nearly all the countries that a development strategy for the export of manufactures would be condemned to failure unless there was a carefully selective policy as regards products or groups of products and a preliminary selection of export markets, so as to channel promotion activities and use to the full the resources at hand. Consequently, studies were made in several countries to identify products and possibilities. These studies consisted of product identification (Mexico 5/ and Venezuela 6/) adjustment of supply and estimates of potential markets (Argentina 7/ and Brazil 8/), or merely of preliminary studies without a strict criterion of selectivity, aimed at identifying potential exports 9/.

Even in the countries which are exporting manufactures to a substantial extent, however, it cannot yet be said that the point has been reached where the need for specialization has been reconciled with the target of diversifying the structure of exports.

In addition to the products from the traditional branches of industry, special mention should be made of the products of the metal-working, metal manufactures and chemical industries. It is in the metal manufactures industries that the greatest progress towards the diversification of exports is to be observed. Growing exports of these manufactures, which are highly processed and have considerable technological complexity, are the best

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5/ Promoción de exportaciones mexicanas de productos manufacturados, UNIDO Nacional Financiera S.A., 1967.

6/ Industries Development Corporation (International Services) Co. Ltd., Evaluation of Export Position - Venezuela Industries, 1972.

7/ UNIDO, Perspectivas de exportación para algunos sectores de la industria Argentina, 1970.

8/ UNCTAD/GATT International Trade Centre, The Market for Selected Manufactured Products from Developing Countries (country reports), Geneva, 1969.

9/ Fondo de Promoción de Exportaciones (PROEXPO), Plan Cuatrienal de Exportaciones 1972-1975.

/indicator for

indicator for measuring the level achieved by industry in some of the countries of the region. It is particularly noteworthy that the results obtained in the export of these products by four countries of the region (Argentina, Brazil, Chile and Mexico) are closely linked with the integration process mentioned above. There can be no doubt that this process has induced an important change in the structure of regional exports of manufactures towards goods of greater industrial value added and complexity of production. At the same time, it may be mentioned that the advances recorded in the efficiency of these sectors of industry have been influenced by the establishment of enterprises based on transnational capital, with plants equipped with advanced technologies and of a suitable size to profit from the advantages of the new expanded market.

In this connexion, it should be mentioned that as a large part of the exports are concentrated in the international companies, the limitations on exports imposed by the head offices of these companies constitute a negative factor in addition to the effects on the balance of payments produced by the remittance of profits and the fact that the centre of economic decision-making is taken out of national hands. The same may be also said of the limitations on exports contained in patent and trademark purchase agreements as a condition for the transfer of the technical know-how needed in order to be able to export.

Another of the concerns expressed by the countries is the difficulty of providing domestic inputs and services for the export industry at competitive prices.

A further element recently included in the industrial policy of one country of the region is the granting of facilities to outside enterprises to move their industrial equipment to that country on condition that preference is given to its use for export production.

In Mexico, the need to develop the border area with the United States and to create employment in this depressed area has led to the establishment of the making-up system (régimen de maquila), which involves authorizing border enterprises to import parts and components on a temporary basis so that they can be put together, assembled and finished for re-export. While it is true that figures for trade between the two countries have increased, especially in lines such as clothing, toys and electrical appliances, there has so far been little of what can be considered as genuine exports of manufactures, however, since the proportion of local physical inputs in these exports and the degree of processing of the elements imported are practically nil. The recently sanctioned change in the making-up system, whereby up to 40 per cent of the cost must represent domestically-produced components, may perhaps help to change the situation.

/4. External

4. External marketing

In some Latin American countries, the policies of incentives to external marketing encourage the exports in themselves, regardless of whether the export sales are made by the producer himself or merely by an intermediary, whereas in other countries the incentives to exports are geared to producer-exporter enterprises.

Broadly speaking incentives to exports often compensate for possible disadvantages in production costs, so that the preferences accorded under integration systems, and particularly through the industrial complementarity agreements laid down in the Montevideo Treaty, offer distinct advantages for many producers. Therefore, a considerable proportion of the region's exports of manufactures, and especially those coming under section 7 of the Standard International Trade Classification (SITC), are destined for the Latin American market, sometimes under compensatory trade agreements covering parts and components, as in the motor-vehicle industry.

Several exporting countries in the region are paying increasing attention to the external marketing problems faced by small- and medium-scale producers, either by encouraging the establishment of special enterprises for the external marketing of goods produced by other enterprises, or by promoting links between local producers and enterprises in developed countries which possess efficient distribution machinery.

An attempt is being made in Brazil to ensure that marketing enterprises consist mainly of national capital, so that the decision-making centre is in the exporting country. The possibility is also being explored of declaring the sales made by the manufacturers to these enterprises to be eligible for the same treatment as exports, so that they will receive the benefit of all the incentives offered to exports.

This action is consistent with the objective of bringing a larger number of industrial enterprises into the export field, since Brazil displays a high degree of concentration on export enterprises, 11 of which handle over 50 per cent of the total exports of manufactured porducts 10/. Other studies show that one-third of the international enterprises operating in Brazil export more than a third of all exports of the more sophisticated manufactured products, and generally speaking the decisions on production and marketing policy are linked to the plans and strategies of their head offices. Certain exports of products with a high technological content, such as data-processing equipment, go largely to developed countries.

10/ See Instituto de Pesquisa Economico-Social Aplicada Instituto de Pesquisas, Exportasãos dinámicas brasileiras, 1971, page 89.

/In order

In order to encourage the establishment of its own marketing channels abroad, one Latin American country allows national enterprises to extend to their overseas subsidiaries the incentives which they themselves are given in connexion with profits obtained from marketing export goods.

Lastly, some of the more commercially aggressive countries in the region are making use of the warehouses in Free Zones which exist in some European countries, in order to bring the marketing of certain exports closer to the final consumer and reduce the problems deriving from the distance between production and consumer centres. In addition, a general trend is observable towards divorcing the conquest of new external markets from any differences in ideology.

5. Export infrastructure

This is a problem which adversely affects the capacity of most Latin American countries to compete abroad.

The internal difficulties that stand in the way of exports of manufactures include problems associated with the physical infrastructure, such as internal transport and the supply of certain inputs and electricity, gas and water. The operational efficiency and prices of these items have an adverse effect on the production costs of a large range of goods.

External transport is another highly important factor to which priority has been given. This remains a problem in spite of the huge sums which many countries or groups of countries - such as the Central American States - have invested with the object of reducing port operating costs and thereby lowering the cost of transporting their exports to the sales markets.

6. Policies for promoting exports of primary products

During the 1960's Latin America's share of total world exports dropped from 6.7 to 4.8 per cent, although as regards manufactures its participation increased from 0.4 per cent in 1960 to 0.7 per cent in 1970.

This increase in its albeit very small share of trade in manufactured products has been the result of a policy of giving incentives to exports of non-traditional products (particularly manufactures and semi-manufactures) with the objective of diversifying exports.

/In view

In view of the as yet modest share accounted for by manufactured products 11/ - which average less than 10 per cent of the region's total exports - as well as the problems faced by some countries which have endeavoured to reduce the strong protection extended to their industrial production, the slow progress of regional economic integration, and the difficulty of bringing the operations of international enterprises more closely into line with the needs of the countries in the region, it seems clear that, without detriment to the policy of promoting exports of manufactures, Latin America should not neglect the possibilities available for the export of those primary products which countries of the region are in a comparatively advantageous position to produce and which do not normally require strong incentive measures, although not only production but also transport and external marketing must be efficiently organized.

Without playing down the seriousness of the negative aspects presented by the policies of direct and indirect subsidies adopted by many developed countries to encourage the production and export of agricultural commodities, by their recognized protectionist bias, by their methods of selling surpluses and agricultural reserves, and by the conditions of preferential access which these countries, either individually or in groups, accord to certain developing countries, it must be recognized that the region should try to obtain a bigger share in international trade in those commodities which it has the agricultural, forestry, fishing and mining potential to produce efficiently.

Mention may be made, in this respect, of the steps which some countries of the region are taking to encourage exports of vegetable products (including tomatoes, melons and pineapples) and mining and fisheries products to industrialized countries. It is also worth mentioning some national, regional and international projects in process of execution which are aimed at developing the export of products such as coal and metallurgical coke, processed bauxite, etc. These exports, as well as coming under the quantitatively most important sector of the region's exports, usually also create important sources of employment requiring little training and promote new exports of primary products or of manufactured goods based on raw materials which the countries of the region are quite advantageously placed to produce.

11/ For this purpose these products are considered to be those included in SITC sections 5, 6 (excluding division 68, non-ferrous metals), 7 and 8.

/II. INSTRUMENTS

II. INSTRUMENTS FOR STIMULATING NON-TRADITIONAL EXPORTS

In view of the importance of instruments for encouraging the implementation of policies, and in order to deal with these as sistematically as possible, a distinction has been made between tariff, fiscal, exchange and financial instruments and other types of export promotion instruments, particular attention being given to those which are achieving the greatest impact in the countries where they are in force.

1. Tariff incentives

Tariff incentives are designed above all to prevent the cost of export products and the price paid for them by the importing country from being excesively increased by the taxes levied on external trade in goods in the country of origin, the aim being to facilitate their access to new markets.

These are the incentives which have been longest in force in Latin America. They present two major drawbacks, however: one related to their very nature, which limits them to the exemption from or refund of the customs duties stipulated in the respective provisions, and the other related to their actual application, which tends to involve difficult calculations and cumbersome formalities that often cause entrepreneurs to refrain from using them or lend the authorities to compensate for this by means of tax incentives.

(a) Exemption from export duties

In nearly all the Latin American countries, manufactured goods are exempt from export taxes, which are normally confined to primary commodities. The main purpose of help to cover the country's treasury requirements while indirectly establishing a more favourable rate of exchange for exports of non-traditional goods.

(b) Refund of import duties (drawback)

Drawback means the full of partial refunding of import duties actually paid on imported inputs and is already provided for in the regulations of most countries of the region. In view of the complexity of the practical application of this measure, owing to problems of weighting of the imported component and the limitations that sometimes have to be applied when

/there is

there is a similar locally-manufactured product, exporters prefer other simpler alternatives (as, for instance, those employed in Colombia).

As regards the refunding of import duties paid on machinery and equipment used in producing articles for export, regulations also exist (in Chile, for example) which provide for refunding to enterprises the proportion corresponding to the use of such items for this purpose.

(c) Temporary entry of inputs

Although the legislation of a number of Latin American countries provides for this type of system, its application in practice is fairly limited owing to the lack of suitable regulations, the complications arising from bureaucratic requirements and the resistance put up by the national producers who are afraid that they will suffer from possible improper channelling of products entering the country in this way. The use of this incentive is therefore generally restricted to items that do not receive subsequent processing and are thus easily identifiable, such as containers and packings. This system of suspending duties is in practice more effective when combined with the "industrial deposit" of inputs for subsequent re-export or when governed by the import-export contracts that are applied in Colombia under the "Plan Vallejo".

The system of "Plan Vallejo" contracts employed in Colombia makes it possible, subject to a financial guarantee but without any prior deposit or consular and customs duties, to introduce into the country raw materials that are to be used exclusively in the processing of products for export. Under this system, the processor undertakes to absorb such domestic inputs as are technically and economically usable. Another method employed by Colombia is the "making-up contract", which, like the "Plan Vallejo", is regularly used by exporters. In certain cases, these contracts are open to entrepreneurs whose products, although not directly intended for external markets are to be entirely used by other enterprises in the production of export goods.

In several countries of the region, special systems are also applied to facilitate the entry of inputs which are to be processed in the country for subsequent return to the external supplier. The main purpose of these systems is to make it easier for manufacturers to sign sub-contracting agreements for export purposes so as to engage in making-up work of the kind carried out in Mexico, to which reference has already been made.

/(d) Replacement

(d) Replacement of raw materials and other inputs

Several Latin American countries grant exporters this facility so that they can replace imported inputs on which customs duties have been paid and which have been incorporated in exported products, although some countries impose certain restrictions when a similar national product exists. In Brazil this is the tariff incentive that is most frequently used by export producers, and in Colombia this right can even be passed on by the exporter to the manufacturer of the products exported.

2. Fiscal incentives

Few countries in the region have a flexible exchange policy under which the rate of exchange received by the exporter is more or less directly and permanently related to domestic production costs. Two countries which adjust their rate of exchange in accordance with a set of indicators (Brazil and Colombia), however, acknowledge that this policy has become a key mechanism in their export promotion policy since it avoids both violent fluctuations in profit margins (where they exist) due to increases in domestic salaries and inputs in general, and speculation and periodic pressure on the credit system.

It is observed that when the producer knows that the rate of return on exports bears some relationship to their cost of production, especially when the imported component is not particularly large 12/, his response to the various incentives is more favourable than when the exporter is exposed to sudden readjustments of the rate of exchange.

(a) Indirect taxes

Many of Latin American countries apply various kinds of measures designed to compensate the exporter for the payment of indirect taxes on both production and marketing. The complexity of these incentives generally depends on the degree of sophistication of the tax system.

12/ See "Informe especial sobre las exportaciones de manufacturas" Coyuntura Económica, vol. II, July 1972.

/By means

By means of certain export bonuses, countries also try to make up for problems arising from the difficulty of estimating accurately the real cascade effect of taxation, the value added by the manufacturing process, the increased cost of domestic and imported inputs, shortcomings in the energy and physical infrastructure, the cost of penetration of new markets, the frequent over-valuation of the export rate of exchange, etc.

This being so, it is hard to generalize about the multiple fiscal mechanisms employed by Latin American countries to promote exports. It can probably be stated, however, that the countries which have been most successful in applying fiscal incentives are those that have combined them with a flexible exchange policy. This has enabled the exporter to rely on a set of fiscal incentives that do not need to be modified every time domestic costs fall out of line with returns on exports and has made possible a more consistent attitude towards exports, since it guarantees the producer a yield that maintains a more or less permanent relationship to that which he would get if he switched his production back to the domestic market.

This would suggest that the regular exporter is concerned that his net profit on sales abroad should maintain a favourable relationship to his potential earnings on the domestic market: i.e.,

$$\frac{\text{FOB export price less unit cost for export (after deduction of export incentives)}}{\text{Domestic market price less unit cost for the domestic market (including the relevant taxes)}} > 1$$

In Brazil, which applies indirect taxes on the value added, the export producer is exempted from the tax on industrial production. He is also entitled to a credit equal in value to the taxes on production paid by the supplier of the inputs acquired for processing or packing the products exported, unless a refund of import duties has already been obtained. This encourages the incorporation by the export producer of the largest possible value added and explains why exports are concentrated in the large vertically-integrated enterprises.

Exporters are further entitled to an additional fiscal credit whose percentage is equal to the tax on production that they would have had to pay to sell their products on the domestic market. These credits are based on the FOB value, the CF value, or, if the product is transported and insured by Brazilian enterprises, the CIF value.

/Studies carried

Studies carried out in Brazil 13/ indicate that on average the incentives mentioned above, together with others of lesser importance (without counting credit incentives), enable products to be sold on foreign markets at 64 per cent of the domestic market price without net profits being affected. Appreciable differences occur owing to the varying relationship between the incentives and the value added in the country.

It is interesting that there has been a lack of response to export incentives among Brazilian fruit and vegetable processing enterprises, although Brazil is a major producer in this field and the world's largest exporter of concentrated orange juice. The surveys that have been made 14/ suggest that the factor affecting their export outlook is the high return available on the domestic market thanks to the extensive tariff protection enjoyed by the processed produot, and that this could only be offset by very costly export incentives.

One of the countries that applies a percentage incentive based on the FOB value (or the CIF value when the services are provided by Colombian enterprises) is Colombia, where tax is payable not on the value added but on the sale price. Under Colombian law, exporters of products other than coffee, raw cattle hides and petroleum or petroleum products receive what is known as a tax credit certificate amounting to 15 per cent of the total value of the exported product. These certificates can be used for paying income tax, sales tax or customs duties and are issued idependently of tariff incentives granted under such instruments as the Plan Vallejo, which covers most manufactured products that are exported. Studies on the export protection afforded by the combination of tax credit certificates and the Plan Vallejo suggest that it represents between 25 and 58 per cent for the group of sectors analysed 15/. Mexico adopted a similar system in the form of tax refund certificates.

13/ Helmut Hesse, "Promotion of Manufactured Exports as Development Strategy of Semi-Industrialized Countries: The Brazilian Case", Iberoamerika Institut für Wirtschaftsforschung, University of Göttigen, Federal Republic of Germany, 1972.

14/ John G. Clarke, "Saidas de Mercado de Exportação para Frutas e Vegetais Brasileiros Enlatados", Instituto de Tecnología de Alimentos (ITAL), Campinas, Brazil, 1972 (mimeographed).

15/ See "Informe especial sobre las exportaciones de manufacturas" Coyuntura Económica, op. cit.

/Venezuela is

Venezuela is studying the introduction of a tax refund system based on the value added domestically, while other countries, such as Argentina, are applying a system of reimbursements, based on the export value of goods, that bears a relationship to the value added in the exported product.

In almost all Latin American countries with an export promotion policy, exporters are exempt from taxes on formalities connected with export transactions and the preparation of export documents.

(b) Direct taxation

In many countries export profits are exempt from income tax: in some cases these profits are calculated as a percentage of the value exported (with possible deduction of imported inputs), while in other cases the tax reduction is based on the ratio of the value exported to sales on the domestic market.

In view of its association with the calculation of profits, some countries which wish to promote the use of idle industrial capacity allow more rapid amortization of machinery working more than one shift daily and offer incentives if it is used for export purposes.

It should be mentioned that, except in a few cases no relation is to be observed in industrial development policies between the granting of financial banking and incentives for the import of industrial equipment and the intensive use of this equipment for multiple shifts, although such a procedure could be linked with the penetration of external markets as part of an export strategy.

It is probable that the lack of a policy to promote the intensive use of industrial equipment (especially when it has to be imported), the difficulties of financing working capital (in contrast to the relatively easy conditions which the countries producing capital goods provide for the export of their equipment) and the limited competition in the domestic market have all contributed to the accumulation of idle capacity which could be used to start production flows permanently directed towards the export markets.

/(c) Other

(c) Other fiscal incentives

With the exception of the most developed countries of the region, few countries have provided adequate incentives to compensate new exporters for the effort and expenditure involved in penetrating a new market. It should be mentioned, however, that in order to promote the conquest of new markets the Republic of Argentina grants an additional reimbursement of 5 per cent in respect of the promotion of products for export to non-traditional markets; apart from its selectivity, this stimulus takes the place of the deductions of promotion costs authorized by other systems applied in Latin America.

3. Exchange incentives

It has already been noted how important it is to have a flexible exchange policy to back up the fiscal incentives to export, especially in those countries where there is rapid inflation of domestic prices. While fiscal incentives can correct these disequilibria too, it is abvious that adjustment of the exchange rate is a more flexible and effective measure and also serves as a basis for calculating fiscal incentives, which can then carry out their purpose of offsetting tax and other burdens.

In some countries with less flexible exchange policies, however, recourse has been had to fixing preferential exchange rates for use as a selective exchange instrument to ensure a rate of return high enough to compensate exporters. Argentina and Chile, inter alia, come into this category.

Without prejudice to the foregoing, it should be borne in mind that exchange policy cannot be fully analysed if it is divorced from the various general economic development policies - of which it constitutes an important aspect - applied in each of the countries of the region. This, however, is outside the scope of the present document.

4. Credit incentives

The countries of the region are developing a growing awareness of the importance of offering exporters credit conditions comparable with those required in international competition. Generally speaking, it may be said that the basic aim of credit incentives has been to remedy the problem of the scarcity of cheap financial resources, aggravated in some countries by monetary policies which have restricted domestic credit.

/Furthermore, in

Furthermore, in countries with high rates of inflation, the low interest rates offered have become subsidies of greater worth than their apparent cost. It is worth noting that these incentives can be handled in a discretionary manner, and are therefore appropriate for selective application in accordance with export policies.

It may be said that the incentives aimed at channelling resources towards small- and medium-sized industry which has export potential but does not possess the qualifications traditionally necessary to obtain credits from commercial banks have not fully achieved their objectives. The mere fact of the availability of cheaper resources for this type of loan has not been a sufficient stimulus for the banks to take on new types of risk in connexion with the external markets, and this has contributed to the concentration of credit on enterprises where the risks are covered by traditional guarantees (fixed assets, real guarantees, or the status of branches of major foreign enterprises).

Credit insurance, which is theoretically supposed to supply this type of guarantee for the liquid assets generated by exports (drafts, current accounts, etc.), has only been accepted by the banks as an additional guarantee, partly because of the way this instrument has been put into effect in the region.

It is to be assumed that in Argentina and Brazil the channelling of credit towards the smaller enterprises can be carried out through the commercial export enterprises, especially if these are constituted with the participation of the commercial bank itself. The knowledge these enterprises have of the purchasers and foreign markets could make up for the inadequacy of so-called traditional guarantees.

(a) Export credits

The channelling of credit resources for export has been carried out by creating financing funds, supplied from fiscal resources, such as the Export Financing Fund (FINEX) in Brazil, the Fondo de Promoción de Exportaciones (PROEXPO) in Colombia, the Fondo para el Fomento de las Exportaciones de productos Manufacturados (FOMEX) in Mexico, and also through the use of typical instruments of monetary policy such as rediscounting and selective legal cash reserves (Argentina, Brazil, El Salvador, etc.).

/The machinery

The machinery used to facilitate export credit varies from country to country; thus, as regards pre-shipment financing, mention should be made of the Brazilian credit system, where rediscounting machinery established by the Central Bank of Brazil is based on the undertaking by the producer-exporter enterprise to export a predetermined monthly average to external markets no contract with the importers is required when the entrepreneur registers previous exports.

In Peru, pre-shipment credits are granted for up to 80 per cent of the FOB value of exports, on condition that the enterprise requesting them is constituted mainly by domestic capital, or in default,of this, that all the inputs used are local. In Argentina and Colombia, in contrast, credit is granted on the basis of firm export contracts, pre-shipment credit being granted in Argentina not only to industrial manufacturers but also to export traders.

Mention should be made of the innovation introduced in the early 1960's in the Republic of Argentina whereby the commercial banks are authorized to make authomatic use of part of the legal cash reserves to finance export credits.

Various countries which are already producing capital goods grant medium- and long-term financing (up to seven or eight years) to back up exports of industrial equipment and make them sufficiently competitive.

A large number of the more important exporter countries have set up systems to allow the exporter to consign his goods to an agent for sale by agreement.

(b) Export credit insurance

This machinery to back up the financing of export credits began to operate in a cautious and exploratory manner in several countries of the region in the late 1960's. The system normally involves State coverage, while the trade risks are usually the responsibility of private enterprises operating on a complementary basis. In some countries, these enterprises also administer the coverage of political risks on behalf of the State.

In Latin America, except in a few cases, this type of credit insurance has limitations which render it unattractive both to the bank and to the exporters themselves. The banks look askance at the high co-insurance percentages (risk borne by the exporter himself), the obligation to pay out indemnities for the non-fulfilment of the contractual liabilities of the exporter

/and importer

and importer, and the absence of provisions to deal with non-payment where it is not associated with lack of funds on the part of the purchaser (prolonged overdue payment). The exporters, for their part, object to the cumbersome procedures and the high marginal cost of the premiums owing to the rigid application of blanket coverage.

5. Incentives for marketing abroad

Although one sub-regional grouping has already set up guidelines for the establishment of multinational enterprises which will include marketing among their activities and will have their centre of decision in the sub-region, generally speaking there is no regional movement to promote marketing abroad.

Because of its awareness of the importance of marketing, Brazil provides incentives to offset even the expenditure incurred by enterprises in promoting sales of their products abroad and increased net profits by branches or associated companies of Brazilian export enterprises.

In addition, the problems arising from the lack of an efficient marketing system for non-traditional export products have created in Brazil a climate which favours the creation of what are known as local trading companies. Japanese investors are interested in participating in these enterprises, to which they would contribute capital and, essentially, technical know-how. One of the questions which has given rise to discussion is the extension of fiscal incentives to exports, since there are persons who consider that the various export incentives adopted guarantee a high rate of return to export enterprises and fear that this could give rise to a heavy flow of profits abroad if marketing activity came under the control of foreign investors. It is therefore envisaged that the share of foreign capital in these trading companies should be limited to one-third.

In Argentina, direct incentives to export sales made by industrial or commercial firms have stimulated the establishment of commercial export enterprises, and some banks are also engaging in this activity.

Although the instruments of regional industrial complementarity established under LAFTA are being used with increasing frequency by the relatively more developed countries of Latin America, no substantial progress is to be observed in the establishment of authentically regional marketing channels. A substantial share of intra-regional trade in goods of high technological content is being produced and marketed by the transnational

/enterprises established

enterprises established in the region, which take advantage of national incentives and of the preference margins offered by the regional economic integration instruments.

Except in the sub-regional Andean Group, no pressure has been exerted to obtain a larger regional share in the production and marketing of the goods in which these enterprises trade, although in the individual countries there is a tendency to seek agreements with these enterprises or groups of them, with a view to achieving compensatory trade in accordance with established policies. The agreements on trade in parts and components in the motor-vehicle sector are an example of this.

An initiative which may be considered of interest from the point of view of external marketing, because it solves in advance the problem of building up a clientele abroad, is the system used in Brazil, which consists of offering incentives for the transfer of complete factories from abroad on condition that they aim their production basically at external markets.

Likewise with the aim of assisting the marketing of non-traditional export products abroad, the most enterprising exporting countries have extended the field of operations of their financial intermediary institutions as far as the main importing centres. This allows the extension of credit support and the commercial intelligence service to assist national exporters. The same countries are also utilizing the services provided by free zones and customs warehouses in some industrialized countries to take more advantage of the oopportunities which exist in these markets.

Generally speaking, nearly all the countries of the region provide assistance to promote the participation of their exporters in the fairs and exhibitions held in the main purchasing markets.

6. Other incentives

Among the other instruments used by the countries of the region to promote non-traditional exports, mention may be made of the incentives aimed at making up for disadvantages in the transport of export goods. Mexico, for example, subsidizes transport as far as the Mexican port of exit for goods which are exported directly and also subsidizes the transport of goods being sent to free zones or border areas of the country. Likewise, it provides facilities for the temporary import of the containers and pallets used for transporting and handling merchandise, so as to lower the cost of exportable goods.

/There are

There are also countries which provide compensation for the higher price of certain locally-produced inputs when these are incorporated in export products; sugar in Argentina is an example of this.

Growing interest is to be observed in using the possibilities offered by international industrial sub-contracting. This could be encouraged by the application of the Generalized System of Preferences by the industrialized countries, and there are countries in the region which are planning to set up duty free areas in conjunction with industrial estates whose activity would be basically export-oriented.

III. THE INSTITUTIONS RESPONSIBLE FOR APPLYING POLICIES FOR THE DEVELOPMENT OF NON-TRADITIONAL EXPORTS

1. Public sector bodies

During the 1960's, many countries of the region set up institutions for the promotion of non-traditional exports, since they needed them to apply the instruments through which they had to put new export policies into practice. These institutions, in their turn have been adapting and co-ordinating their activities to fit the new forms and needs of external trade.

The machinery which existed earlier was intended primarily for facilitating and controlling the flow of commodity exports to the industrialized centres. When countries attempted to diversify their exports, they began to appreciate that the export of manufactures was substantially different from traditional exports in its market structure, the type of purchaser and seller, and the channels for marketing abroad. They also saw that competitive ability was not normally determined by the availability of natural resources, but by the capacity to process them efficiently, and they later came to understand that effective marketing abroad was in some respects just as necessary as efficient production for export.

In the face of the need to deal successfully with the challenge of external markets, both regional and extra-regional, the countries found themselves obliged to formulate new external trade policies, more coherent and with more precise objectives than the old ones, and they also had to provide the appropriate institutions to go with them.

In this regard, some countries have established high-level agencies, such as the Consejo de Comercio Exterior in Brazil, the Consejo Directivo de Comercio Exterior in Colombia, the Consejo Superior de Comercio Exterior in Peru, the Governing Council of the Instituto de Comercio Exterior in Venezuela, the Consejo Superior del Instituto de Comercio Exterior e Integración in Ecuador, the Board of Management of the Instituto Mexicano de Comercio Exterior, etc., in which Government ministers take part together with senior officials of the autonomous institutions most directly responsible for export promotion policy.

/Some countries

Some countries of the region expand the base of these councils by extending participation to representatives of entrepreneurs and workers, since it has been observed that joint action by the government and entrepreneurial sectors enables problems to be faced more effectively and the policies adopted to be applied more rapidly. This approach also helps to overcome ways of thinking traditionally directed towards import substitution or the control of external trade activity in primary products. In the medium and small countries of the region, there is even a tendency to give an important place on these bodies to representatives of national agencies connected with regional integration policy.

The existence at the political level of a collegiate body responsible for formulating and co-ordinating the implementation of external trade policy does not, however, do away with the need for an executive agency which, without claiming faculties that rightly belong to other institutions, nevertheless possesses adequate power of orientation, co-ordination and possibly to some extent control over the agencies involved in the development of non-traditional exports.

It is also possible to see that the success of the agencies responsible for the promotion of non-traditional exports has depended to a large extent on their participation in the instruments of financial intermediation. This is the case, for example, with CACEX in Brazil and PROEXPO in Colombia. This experience has been duly noted by the external trade institutes recently set up in Ecuador and Venezuela.

2. Private sector agencies

Most of the trade associations which represent private activity connected with production and trade are concerned to some extent with various aspects of exports. Indeed, in the more developed countries of the region, there are specialized institutions which deal exclusively with exports (Chambers and Associations of exporters).

One element which has served to consolidate entrepreneurial activity in external trade has been provided by the regional economic integration schemes, which through their periodic negotiations or their sectoral meetings, have put entrepreneurs in contact and have led them to co-ordinate their action at the national level so as to make the most of the opportunities available and overcome the problems which have arisen with the expansion of the markets.

/The incentives

The incentives which some countries, like Argentina, have offered to export marketing activities have helped to foster enterprises concentrating on the external sector, while some incentives offered to banking have similarly helped to induce these institutions to give more consideration to the promotion of non-traditional exports.

It should be mentioned that the Andean sub-regional group has instituted representation of the workers, who have begun to show interest in the effort to develop new exports in other countries also.

3. Other machinery

(a) Quality control for exports

During the 1960's, many countries of the region set up or boosted institutes responsible for promoting the establishment and control of standards of quality, with the aim of ensuring a good image for their exports. This has not been an easy task, owing to the frequent need to adapt the mentality of producers, who have traditionally been used to a captive domestic market well protected from external competition, to the standards prevailing on international markets.

Generally speaking, it has been the branches of international enterprises, particularly in the motor-vehicle sector, which have most contributed to introducing the idea of quality control with the object of ensuring their success in regional trade in this sector. It may be noted that in several countries of the region, the agencies responsible for quality control still do not enjoy the requisite support from the public and private sectors, and there are even some countries which have still not established an institution responsible for such control. In some cases, this probably affects the quality of output, owing to deficiencies in domestic inputs.

From the regional point of view, no substantial progress has been observed in co-ordination between the institutions responsible for quality control in the countries of the region (such co-ordination is aimed at achieving mutual recognition of quality certificates and marks, in accordance with the standards established by the institutions), nor do there appear to be any links between the granting of certain export incentives and the fulfilment of specific basic quality control requirements.

/(b) Technological

(b) Technological research and exports

Although the problem of technology is dealt with in another chapter, it is worth noting that in the second half of the 1960's the Latin American countries at an advanced or semi-advanced stage of development were attaching increasing importance to the development of a technological research infrastructure, with a view to gradually reducing their present dependence on the industrialized countries. Within the programmes of work of the institutions set up, however, no important links appear to have been established between export policies and the work of applied technological research, although several institutions, such as the Instituto de Tecnología de Alimentos (ITAL) in Brazil and the Mexican Institute of Technological Research (IMIT), have carried out research on specific products, mainly in the field of agro-industrial exports.

In Central America, the Central American Technological Research Institute for Industry (ICAITI) has contributed to a process of technological adjustment mainly aimed at the integration industries.

Some universities are pursuing research programmes and other subjects connected with external trade.

(c) Statistical information on exports

The analysis of exports of manufactures from Latin America is frequently hindered by the difficulty of obtaining appropriate statistical data, whether it be national, regional or international.

During the 1960's, however, probably partly owing to the undertakings to provide information made with the regional integration agencies, the countries of the region showed considerable progress in the timeliness, homogeneity and discrimination of their statistical data. Special mention may be made of bodies connected with export promotion, such as PROEXPO in Colombia, the Banco Industrial del Perú, the Carteira de Comércio Exterior (CACEX) of the Banco do Brasil, the Ministry of Commerce in Argentina, and the Instituto Mexicano de Comercio Exterior (IMCE), which have given a boost to statistical information.

As regards the markets for their industrial exports, many of the countries of the region still lack sufficiently flexible systems to provide timely and detailed statistics for products with export possibilities.

/IV. TRENDS

IV. TRENDS AND CHARACTERISTICS OF EXPORTS OF MANUFACTURED PRODUCTS IN LATIN AMERICA

1. Summary

During the First United Nations Development Decade, Latin America's exports of manufactures grew at an average rate of 18 per cent annually. From only 269 million dollars in 1960 they rose to 1,428 million in 1970, and to nearly 1,900 million in 1971. This dynamic trend, the pace of which accelerated still further in the second half of the decade, considerably outpaced that observable in other developing or developed regions. In contrast, Latin America's exports of raw materials increased a good deal more slowly than those of other regions, i.e., by only 5 per cent annually.

The rapid growth of Latin America's exports of manufactures helped to increase the region's participation in this branch of trade, but its share still remained modest both at the world level (0.7 per cent) and compared with the other developing countries (15 per cent). In spite of their vigorous growth, Latin America's exports of manufactures products represented not more than 10 per cent of the region's total exports.

Intra-regional trade in manufactures contributed significantly towards the dynamic trend recorded, with an average annual growth rate of 28 per cent in the 1960's. The greatest momentum was observable in the first half of the decade, when this trade accounted for nearly half the total exports of manufactures. The developed countries absorbed slightly over half the total exports of these goods, an increase being noted in the share of Western Europe and a decrease in that of the United States.

Seventy per cent of Latin America's exports of manufactures come from only three countries: Argentina, Brazil and Mexico. Among the other countries, The Central American States, have considerably stepped up their industrial exports, although these are still at fairly modest absolute levels, while Colombia has recorded substantial increases in both absolute and relative terms. No marked trends are evident in the sectoral composition of industrial exports, although in both Argentina and Brazil those included in SITC sections 6 (manufactured goods classified chiefly by material) and 7 (machinery and transport equipment) seem to have accounted for the largest share. In Mexico the biggest expansion is to be noted in exports included in section 7, which ranked first among the sections 5 to 8.

/During the

During the 1960's, the efforts of the Latin American countries to expand and diversify their exports of manufactures and semi-manufactures were rewarded by an appreciable increase, since the region's exports of manufactured products rose from 269 to 1,428 million dollars 16/ and the cumulative growth rate was 18 per cent annually, with an accelerated increase in the second half of the decade, as shown in table 1.

In comparison with other areas, the growth rate recorded by Latin America was higher than that of the developed countries (11.4 per cent), the socialist countries (10.4 per cent) and the developing countries as a whole (13.9 per cent). The accelerated growth of Latin America's exports of manufactures contrasts with the sluggish evolution of traditional exports of primary products, which registered a cummulative growth of only 5 per cent during the period concerned. Indeed, although in exports of manufactures Latin America showed greater dynamism than the other regions considered, in the case of primary products the rate of growth was lower than that of other regions, with a resultant contraction in its share of world trade. Thus, compared with an expansion of 7 per cent for the developed countries, 9.2 per cent for the socialist countries and 6.1 per cent for the developing countries as a whole, the 5 per cent rate recorded by Latin America caused it to lose ground in total world trade.

In contrast, the rapid expansion of exports of manufactured products helped to increase Latin America's share of world trade in manufactures, although of course in absolute terms this share has been and still is minimal: 0.4 per cent of the world total in 1960 and 0.7 per cent in 1970. The bulk of this trade is conducted by the developed market-economy countries (85 per cent), followed by the socialist countries (10 per cent), while the developing countries as a whole contribute less than 5 per cent. In relative terms, however, Latin America's position in the total for the developing countries as a whole has shown signs of improvement. In 1960 Latin America's share was barely 10 per cent of that total, while in 1970 it had reached 15 per cent, although this is still a modest proportion considering other comparative indicators, such as the contribution to total trade or the stage of industrial development.

16/ Taking manufactured products to mean those covered by SITC sections 5, 6, 7 and 8, except division 68. This classification tends to underestimate exports of manufactures, since it does not include foodstuffs, which appear in other divisions.

/Table 1

Table 1

TRENDS AND CHARACTERISTICS OF WORLD TRADE IN MANUFACTURED PRODUCTS a/

	World total	Developed countries	Developing countries	Socialist countries	Latin America
A. World trade in manufactures					
(i) World exports of manufactures (millions of dollars FOB)					
1960	65 608	55 046	2 519	7 321	269
1961-1965	84 593	70 211	3 460	...	392
1966-1970	146 176	120 394	6 554	15 632	969
1969	165 110	140 170	7 700	17 230	1 080
1970	189 690	161 330	9 220	19 120	1 428
(ii) Percentage share in world exports					
1960	100.0	83.9	3.8	11.2	0.4
1970	100.0	85.0	4.9	10.1	0.7
(iii) Cumulative annual growth rates, 1960-1970					
Manufactured products	11.2	11.4	13.9	10.1	18.1
Primary products	6.3	7.0	6.1	9.2	5.0
(iv) Percentage share of exports of manufactures in total exports of goods					
1960	51.3	64.4	9.2	56.4	3.1
1970	60.9	72.0	17.0	58.1	9.3
B. Intra-regional trade in manufactures					
(i) Intra-regional exports of manufactures (millions of dollars FOB)					
1960		35 316	1 075	4 794	58
1970		121 250	3 005	13 310	655
(ii) Percentage share in total exports					
1960		64.2	42.7	65.5	21.7
1970		75.2	32.6	69.6	45.9
(iii) Growth rates 1960-1970					
Intra-regional exports		13.1	10.8	10.7	28.0
Exports to countries outside the region		7.3	15.7	8.7	13.8

Sources: United Nations, Monthly Bulletin of Statistics, March 1967, March and May 1971 and July 1972, and data supplied by the Statistical Office of the United Nations.

a/ Including SITC sections 5, 6, 7 and 8, except division 68.

/This is

This is borne out by an analysis of the figures for the share of exports of manufactures in total exports of goods. Whereas in 1970 the developing countries as a whole exported 17 per cent in the form of manufactures the proportion for Latin America was only 9.3 per cent, according to the definition used. At all events, whatever the definition, the share of manufactures in total exports is much higher in the developing regions as a whole than in Latin America 17/. The accelerated growth of Latin America's exports of manufactures has helped to narrow the gap, since in 1960 the respective proportions were 9.2 and 3.1 per cent, but there is still an appreciable difference (see table 1).

As regards the destination of Latin America's exports of manufactures, 655 million dollars' worth went to countries within the region in 1970. Intra-regional trade expanded rapidly in the first half of the 1960's and remained steady in the second half. Thus, in 1960 its participation was only 22 per cent, but over the period 1961-1965 it rose to an average of 38 per cent, and from 1966 onwards the average remained virtually stable at around 46 per cent of total exports of manufactures.

The developed market-economy countries, mainly the United States and Western Europe, absorbed 52 per cent of Latin America's exports of manufactures in 1970, and the socialist countries 2 per cent. The part played by other countries as markets for Latin America's manufactures is still negligible and shows no clearly-defined trends. The trend among the developed countries is towards an increasing share for Western Europe and a relative decline in exports to the United States, while Japan's share is no more than 3 per cent, as shown in table 2.

Exports to the United States grew by 14.3 per cent annually during the period 1961-1970, while those to Western Europe rose by 26 per cent. For Latin America, however, the increase was 28 per cent annually - a considerably higher rate than the average growth of 18 per cent recorded for the region's total exports of manufactures.

Although intra-regional trade has registered sizeable increases in Latin America, it is still far from attaining the importance it has gained in the developed and socialist countries. As far as the developing world is concerned, however, intra-regional trade has progressed more rapidly in Latin America than in other regions. In 1960 it represented a smaller proportion than in the developing countries as a whole, but by 1970 it exceeded the percentage shown by this group of countries (see table 1).

17/ Partly owing to the sizeable volume of export by Southeast Asia and Hong Kong.

Table 2

LATIN AMERICA: EXPORTS OF MANUFACTURED PRODUCTS BY DESTINATION a/

Period or year	World total	Developed countries	Developing countries	Socialist countries	Latin America	United States	Western Europe	Japan
			A. Millions of dollars FOB					
1960	269	197	68	4	58	-	-	-
1961-1965	392	215	163	9	150	149	52	10
1966-1970	969	483	467	20	450	288	165	20
1969	1 080	536	520	24	500	328	177	22
1970	1 428	745	659	24	655	379	300	40
		B. Percentage share of each area of destination in the total						
1960	100	73	25	1	22	-	-	-
1961-1965	100	55	42	2	38	38	13	3
1966-1970	100	50	48	2	46	30	17	2
1969	100	50	48	2	46	30	16	2
1970	100	52	46	2	46	27	21	3
			C. Cumulative annual growth rates					
1960-1970	18.1	14.2	25.0	19.6	28.0	14.3b/	26.0b/	20.0b/

Sources: United Nations, Monthly Bulletin of Statistics, March 1967, March and May 1971 and July 1972, and data supplied by the Statistical Office of the United Nations.

a/ Including SITC sections 5, 6, 7 and 8, except division 68.

b/ 1961-1970.

/2. Exports

2. Exports of manufactures by country of origin

In 1972, exports of manufactures by the Latin American countries amounted to over 2,500 million dollars; thus their rapid growth during the 1960's was maintained. In the second half of the decade they rose from 614 million dollars in 1965 to 1,587 million in 1970 18/. Everything seems to indicate that this rate of expansion is likely to continue and increase still further in 1973, for table 3 shows that in the last few years the dynamism of these exports has resulted in appreciable increases in both absolute and relative terms. Thus, between 1965 and 1970 exports increased more than two-and-a-half times, at an annual rate of 21 per cent.

Exports of manufactures expanded much more rapidly than exports of primary products, since their share of total exports doubled in five years, increasing from 5.7 per cent in 1965 to 10.8 per cent in 1970 and 14.9 per cent in 1972. These percentages reflect the size of the effort made by the various countries, and have helped to alleviate the balance-of-payments problems. This contribution is even more significant if a study is made of the statistical classifications of the countries themselves, which include exports of traditional industrial products, non-traditional industrial products and some new primary products 19/. According to these classifications, exports of manufactures amounted to 2,347 million dollars in 1970 and 2,618 million in 1971, which would represent 16 and 17.5 per cent, respectively, of total exports (see table 4).

18/ On the basis of the aforementioned SITC definition. The small discrepancy in the 1970 total shown in table 1 is due to the fact that data were available for a smaller number of Latin American countries in the period 1960-1970.

19/ Some countries such as Colombia and Peru include non-traditional exports other than of industrial origin in this classification. In contrast, Mexico's statistics exclude an important group of border exports of manufactures which are apparently produced by make-up industries. These totals for the region do, however, seem more representative, in view of the above-mentioned underestimation in the SITC.

/Table 3

Table 3

LATIN AMERICA: EXPORTS OF PRIMARY PRODUCTS AND MANUFACTURES, AND TOTAL EXPORTS, BY GROUPS OF COUNTRIES, 1965-1971

(Millions of dollars and percentages)

		Primary products (1)	Manufactures (2)	Total exports (3)	(2)/(3) (percentage)	Exports of manufactures: Share 1965	Share 1970	Annual growth rate 1970-1975	1970-1969	1971-1970
Latin America a/										
Total	1965	10 115.0	614.5	10 729.6	5.7	100.0	100.0			
	1969	11 348.5	1 218.9	13 167.4	9.3					
	1970	13 114.3	1 587.1	14 701.4	10.8					
	1971	13 044.9	1 888.4	11 933.3	12.7					
	1972	14 529.0	2 543.7	17 072.7	14.9			21.0	30.0	19.0
Large countries	1965	3 748.2	371.6	4 119.8	9.0	60.5	65.4			
	1969	4 563.3	744.9	5 308.2	14.0					
	1970	4 847.3	1 037.8	5 835.0	17.6					
	1971	4 765.2	1 334.8	7 000.0	21.9			23.0	39.3	28.6
Medium-sized countries	1965	4 294.5	78.4	4 372.8	1.8	12.7	11.2			
	1969	4 932.4	139.1	5 071.5	2.7					
	1970	5 511.2	177.7	5 688.8	3.1					
	1971	...	...	5 644.9				17.8	27.7	...
Small countries										
Group A	1965	832.9	92.7	975.5	3.5	(15.1)	(15.0)			
	1969	1 063.4	205.1	1 268.5	16.2					
	1970	1 186.1	238.3	1 424.4	16.7					
	1971	...	...	1 500.6				21.0	16.2	...
Group B	1965	669.6	52.8	722.4	7.3	(8.6)	(5.6)			
	1969	808.6	93.5	902.0	10.3					
	1970	895.4	89.1	984.5	8.9					
	1971	...	...					11.0	5.0	...

/Table 3 (concluded)

Table 3 (concluded)

		Primary products (1)	Manufactures (2)	Total exports (3)	(2)/(3) (percentage)	Exports of manufactures				
						Share		Annual growth rate		
						1965	1970	1970-1965	1970-1969	1971-1970
Group C	1965	519.8	19.1	538.9	3.5	(3.1)	(2.8)			
	1969	580.8	36.4	617.2	5.9					
	1970	674.4	44.3	718.7	6.2					
	1971	635.9	44.1	677.0	6.5			18.3	21.7	...
Total A+B+C	1965	2 072.3	164.6	2 237.0	7.4	26.8	23.4			
	1969	2 452.8	334.9	2 787.7	12.0					
	1970	2 755.9	371.7	3 127.6	11.9			17.7	11.0	...

Source: Foreign trade statistics.

a/ All member countries of ECLA.

Group A: Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama.
Group B: Barbados, Guyana, Jamaica, and Trinidad and Tobago.
Group C: Bolivia, Ecuador, Paraguay and Uruguay.

/Table 4

Table 4

LATIN AMERICA: EXPORTS OF MANUFACTURED PRODUCTS, BY THE COUNTRIES' OWN CLASSIFICATIONS

(Thousands of dollars FOB)

	1969	1970	1971	1972	Percentage variation	
					1969-1970	1970-1971
Total	2 005 216	2 347 457	2 618 632	...	17.2	11.6
Argentina a/	569 500	644 100	653 000b/	222 100c/	13.1	1.4
Bolivia	1 700	2 600	3 000b/	...	52.9	15.4
Brazil	495 000	664 986	822 048	1 000 000d/	34.3	23.6
Colombia e/	208 504	221 057	254 030	253 200f/	6.0	14.9
Chile	75 400	107 300	119 600	...	42.3	11.5
Ecuador	20 112	20 371	29 349	...	1.3	47.0
Mexico	198 500	204 900	246 900	...	3.2	20.5
Paraguay g/	4 658	5 174	6 281	...	11.1	21.4
Peru h/	30 825	37 369	35 988	10 200i/	21.1	-9.1
Uruguay	52 500	60 100	56 500	...	14.5	-6.5
Venezuela	46 523	52 015	50 000b/	11 300j/	11.8	-3.9
Costa Rica	36 038	42 713	43 000b/	31 400k/	18.5	0.7
El Salvador g/	64 161	65 622	66 000b/	50 800k/	2.3	0.6
Guatemala g/	65 000	81 000	82 000b/	53 700k/	24.6	1.2
Honduras g/	14 713	14 000b/	16 000b/	1 900k/	-	14.3
Nicaragua g/	18 737	27 793	30 000b/	21 500k/	48.3	7.9
Panama g/	2 467	1 388	1 500b/	...	-43.7	8.1
Dominican Republic g/	5 400	5 900	6 800	...	9.3	15.3
Trinidad and Tobago g/	58 274	55 249	60 000b/	...	-5.2	8.6
Barbados g/	6 288	7 770	7 700b/	...	23.6	-
Guyana g/	3 781	4 100	3 800e/	...	8.4	-
Jamaica g/	25 135	21 950	27 436	...	-12.7	25.0

Source: ECLA, on the basis of the respective countries' classifications and the SITC.

Note: The definitions on which these classifications are based are not comparable between one country and another.

a/ Including traditional industrial products.

b/ Estimates.

c/ January-June.

d/ Estimates prepared by the Statistics Unit of the Carteira de Comercio Exterior (CACEX/NUCEX), Brazil.

e/ January-October.

f/ January-December.

g/ SITC sections 5, 6, 7 and 8, except division 68.

h/ Including new primary products.

i/ January-May.

j/ January-March.

k/ January-August.

/As regards

As regards the contribution of these exports to industrial development, no figures are available on the basis of which a valid opinion can be given. According to some estimates, however, despite the boom in Brazil's industrial exports, these still represent only 3 per cent of its gross industrial output 20/. Of course, this percentage varies considerably between the different sectors of industry. Estimates for Colombia show that in 1968 industrial exports represented 2.85 per cent of its gross industrial output; however, the textile industry exported about 20 per cent of its production, the paper industry 14 per cent.

One feature of this export process has been its concentration in a small number of countries, mainly Argentina, Brazil, Colombia and Mexico. In order to examine this point, the region has been divided into three groups of countries: large, medium-sized and small.

(i) Large countries. The weight carried by the three largest countries - Argentina, Brazil and Mexico - in exports of manufactures is evident from every point of view. In absolute terms, the 1,334 million dollars worth of manufactured goods which they exported in 1971 accounted for 70 per cent of the total for Latin America as a whole. In 1965, these three countries exported 60 per cent of the regional total, but their exports - especially those of Brazil - expanded so rapidly that their share in 1970 was 65 percent. The rapid growth of about 30 per cent in 1971 means that much of the progress achieved by Latin America in this field is attributable to the efforts of this particular group of countries.

Table 1 of the Statistical Annex shows the shares of each of these three countries, those of Brazil and Mexico being particularly high, although an appreciable part of Mexico's industrial exports was in the form of border trade under "make-up" system, i.e., the assembly of imported components 21/. Moreover, the national statistics for Argentina and Brazil indicate considerably higher levels owing to the problems of definition that have already been referred to. On this basis, Argentina's exports amounted to

20/ The Promotion of Manufactured Exports as Development Strategy of Semi-Industrialized Countries: The Brazilian Case, op. cit., p. 252, and Bela Balassa and colleagues, Estructura de la protección en países en desarrollo, Centre for Latin American Monetary Studies (CEMLA), p. 31, et seq.

21/ For a more detailed description of this process, see section 3 of this chapter.

644 million and 653 million dollars in 1970 and 1971, respectively, and those of Brazil to 665 million and 822 million dollars for the same years. Official estimates 22/ put Brazil's exports of manufactures and semi-manufactures in 1972 at over 1,000 million dollars.

A major factor in these countries is the share of exports of manufactures in total exports, since these account for over a fifth of the latter. This proportion, which was a mere 9 per cent in 1965, rose steadily to 17.6 per cent in 1970 and 21.9 per cent in 1971. Here again, the national classifications show the percentage to be even higher - about 25 per cent, or a quarter of all exports.

(ii) Medium-sized countries. Considering their industrial potential, the group of countries described as of medium size - Colombia, Chile, Peru and Venezuela - have played a fairly modest role in the region's exports of manufactures. In 1965, their exports in this category amounted to a bare 78 million dollars and in 1970 to only 178 million, with Colombia, which has been applying a vigorous export promotion policy, accounting for over 40 per cent of the total. All in all, this group of countries lost ground in relation to Latin America as a whole, insofar as its share of the regional total dropped from 12.7 per cent in 1965 to 11.2 per cent in 1970.

Table 1 of the Statistical Annex shows the share of each of the four countries of the group between 1965 and 1970. In the case of Colombia, the national classification of non-traditional exports gives figures of 221 million dollars in 1970, 254 million dollars in 1971, and 157 million dollars for the first five months of 1972. However, 64 per cent of these "minor" exports - to distinguish them from coffee and petroleum - are made up of basic products of vegetable, animal or mineral origin and only 36 per cent of semimanufactures or manufactured products. The inclusion of non-traditional basic products likewise increases the exports of Chile and Peru to more than double those listed under the more restrictive SITC classification, and it raises those of Venezuela considerably too.

The share of exports of manufactures in the total exports of this group of countries is minimal, amounting to 3.1 per cent in 1970 compared with 1.8 per cent in 1965. Note should be taken of the low absolute volume of these exports, which, even for all four countries together, fails to

22/ Carteira de Comércio/Exterior/Núcleo de Estadística (CACEX/NUCEX).

/equal that

equal that of any one of the large countries. The primary exports of this group, however, are fairly high and amount to more than those of all the large countries together (see table 3), thanks to exports of petroleum from Venezuela and copper from Chile. In this group of countries - except perhaps in Colombia - pressure to diversify exports would therefore appear not to have been as strong because of their large revenue from traditional exports. Furthermore, the Andean Pact does not yet seem to have had any major effect on the exports of manufactures of this group of countries.

(iii) Small countries. This group comprises three sub-groups: the Central American and Caribbean countries excluding CARIFTA, the CARIFTA countries, and the group of countries formed by Bolivia, Ecuador, Paraguay and Uruguay. In global terms, the group increased its exports of manufactures from 165 million dollars in 1965 to 372 million dollars in 1970. Despite the substantial increase in absolute terms and the relatively high level of these exports in terms of the level of the countries' industrial development, however, the growth rate was not sufficient to maintain their position in the region as a whole, since their share in total Latin American exports dropped from 26.8 per cent in 1965, to 23.4 per cent in 1970.

In 1970, exports of manufactures represented 12 per cent of total exports, which represents a favourable trend since 1965 when they amounted to 7.4 per cent. It is significant that this group of countries exports a larger percentage of manufactures than the intermediate-size countries and that, in absolute terms, they export more than twice as many manufactured goods. A major factor in this phenomenon is the considerable flow of exports among countries of the Central American Common Market, which absorbs about 60 per cent of the group's trade in manufactures.

A look at the trends in the three sub-groups reveals substantial differences. Sub-group A, which includes the Central American countries, the Dominican Republic and Haiti, registered the most rapid growth during the period 1965-1970, with exports of manufactures amounting to 238 million dollars in 1970. This growth rate was similar to that of Latin America as a whole where, as has already been pointed out, the influence of the three largest countries of the region was particularly strong, and it enabled the sub-group to maintain its position in the region with 15 per cent of total exports of manufactures. Most exports of manufactures - about 90 per cent - went to other countries within the same sub-group. The effect of the Central American Common Market is thus reflected in the

absolute trade figures, in the growth rate of trade, and in the share of manufactures in the total exports of these countries, which rose from 9.5 per cent in 1965 to 16.7 per cent in 1970. These figures are very similar to those of the three largest Latin American countries during the same period, although the level of industrialization of the latter is far greater than that of the Central American countries.

Sub-group B, comprising Barbados, Guyana, Jamaica and Trinidad and Tobago showed no clear-cut trends during the period under consideration. Though there was an expansion from 1965 onwards, this (as can be seen from table 3) was followed by a recession in 1969 and 1970. As a result, this group of countries lost ground in the region as a whole, since it accounted for only 5.6 per cent of total exports of manufactures in 1970 compared with 8.6 per cent in 1965. The share of exports of manufactures in total exports rose slightly from 7.3 to 8.9 per cent during the period.

Finally, sub-group C, consisting of Bolivia, Ecuador, Paraguay and Uruguay, exported 44 million dollars worth of manufactures in 1970 - more than twice the figure for 1965 - but its growth rate was slower than the average for Latin America, and consequently, its share in the regional total dropped to 2.8 per cent. On the other hand, the share of exports of manufactures in total exports, although still small, rose from 3.5 percent in 1965 to 6.2 and 6.5 per cent in 1970 and 1971 respectively.

3. Exports of manufactures according to destination 23/

Previous sections have shown that, although exports of manufactures have grown rapidly in recent years, they account for only between 10 and 12 per cent of the region's total exports, in which primary commodities continue to predominate. The latter are sold mainly outside the region, less than 10 per cent going to regional markets. By contrast, Latin America's exports of manufactures are more or less equally divided between regional markets and the rest of the world. In 1970 and 1971, exports to the rest of the world, which had expanded extremely quickly, reached 51.6 and 54.5 per cent of the total, respectively, and exports within the region 48.4 and 45.5 per cent, thereby reflecting the decline in the intra-regional trade that has been noticeable for some time, particularly among the LAFTA countries (see table 2 of the Statistical Annex).

23/ For further details, see the monographs on Argentina, Bolivia, Brazil, CARIFTA, Central America, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela (ECLA/SE/EX/DRAFT/71 to 83) which were prepared as background material for this document.

/Because of

Because of the weight they carry in the region as a whole, the three largest countries - Argentina, Brazil and Mexico - contributed to this trend; Brazil's share of the regional trade in manufactures, for example, dropped from almost 60 per cent in 1965 to 43 per cent in 1970 and 1971, with a corresponding increase in its share in exports to the rest of the world. The tendency was less marked in Argentina, but in 1971 its exports of manufactures to the rest of the world moved up to 56 per cent of the total, and it is believed that the introduction of the generalized system of preferences in that year could further encourage the trend. In the case of Mexico, 72 per cent of its industrial exports went to the rest of the world in 1965 and 77 per cent in 1971, but much of this is attributable to the re-exportation of products made up from components imported into border areas.

The inference could perhaps be drawn that, although the large countries participate actively in the opportunities offered by regional markets and in the trade liberalization systems, they are also in a position to compete on external markets in terms of quality, design and price, and that, because of their size and dynamism, these markets nowadays offer better possibilities for selling Latin America's industrial exports. A further stage of regional trade liberalization and the strengthening of the integration systems could modify these trends, but an analysis of these aspects falls outside the scope of this chapter.

Among the medium-sized countries, the tendency is towards an expansion in the trade in manufactures within the region itself, although Colombia does export almost half its manufactures to the rest of the world. In the smallest countries (mainly Central American countries 90 per cent of whose trade is with members of the Central American Common Market) there is likewise a considerable volume of regional trade. Paraguay and Uruguay, however, registered a high percentage of exports of manufactures to the rest of the world, consisting largely of essencial oils, quebracho extract and wool tops.

/4. Exports

4. Exports of manufactures by products 24/

Of Latin America's total exports of manufactures, those figuring in sections 6 and 7 of the SITC - manufactures goods classified chiefly by material, and machinery and transport equipment - have recorded most progress over the last five years and have accounted for more than 60 per cent of total exports of manufactures. Exports of chemical products (section 5) account for around 25 per cent and miscellaneous manufactured articles (section 8) account for around 14 per cent.

In the three largest countries, exports under sections 6 and 7 of the SITC acquire even greater importance, since they account for nearly 75 per cent of the total, as may be seen from table 1 of the Statistical Annex. As an example of the main products exported under section 6, which are noteworthy for their volume, special mention may be made of those under division 67: semimanufactures of iron and steel (blanks, sheets, sections, tubes, etc.). In 1970, Brazil exported 98 million dollars worth of these, Mexico 30 million and Argentina 28 million. If these figures are compared with those for 1965 (Brazil doubled the value of its exports, Mexico increased it by 40 per cent and Argentina increased it five times), it may be observed that the growth rate is closely linked with the investment made in the steel sector in these three countries, which enabled them in this very short time to cut down imports of the above-mentioned groups of items to only a few very specific products for which the domestic market was still very small, and to generate surpluses which were sold on the regional market and even outside the region.

Exports of semimanufactures from the traditional branches of industry - textiles, hides and wood - have lost importance in relative terms but continue to be an important part of the total. Some of them, however,

24/ For further details, see the country monographs referred to earlier. These give information for a series of generally traditional products of the agro-industrial and fisheries, sectors which, for methodological reasons, were not dealt with in the text. Among the most important of these products in 1971 were the following: Peru, fish meal to the value of 277.5 million dollars, fish fats and fish oils to the value of 52.3 million, and sugar to the value of 69.7 million; Brazil, processed meat to the value of 50.9 million dollars, soluble coffee to the value of 49.7 million and fruit and vegetable juices to the value of 36.9 million; Ecuador, sugar to the value of 13.5 million dollars and processed seafoods to the value of 3.8 million; Argentina, processed meat to the value of 124.2 million dollars and cattle feed to the value of 15.5 million, etc.

registered figures which suggest that some action is taking shape in the countries to strengthen industrial supply so as to add value to export products from the agricultural sector. Generally speaking, export of yarns and fabrics (wool and cotton) from these countries registered lower growth rates than metal products: in 1971 they came to a value of 32 million dollars in Brazil, 27 million in Mexico, and only 5 million in Argentina. Between 1965 and 1970, the dressing of hides in Argentina increased more than 7 times (from 5 to 36 million dollars), while in Brazil it increased rather more than 3 times (to 16 million dollars in 1971). In semi-processed wood products (sawn wood, panels, sheets, plywood, etc.), however, Brazil made notable progress, attaining exports of 24 million dollars four times the 1965 figures), although it should be borne in mind that this result is still modest if the country's export potential in this field is taken into account. Exports of pulp and paper from these countries have still not achieved significant levels.

This same group also includes a number of products which have come to be exported in fairly considerable amounts in recent years, such as glass and glass manufactures (Mexico 9 million dollars worth and Brazil 7 million), hand tools (Brazil 5 million dollars worth and Argentina 2 million), metal containers (Mexico 4 million dollars worth) and domestic appliances (Mexico again 4 million dollars worth).

In the case of the products included under group 7 of the SITC, whose development is particularly dynamic, progress differed from one country to another. In exports of electrical machinery, Mexico's export figure of 54 million dollars is in striking contrast with the figure of only 2 million dollars worth of exports recorded in 1965, while Brazil's figures for the same year were 21 million dollars (four times the value of 1965 exports) and those of Argentina 8 million. In the case of Mexico, however, it should be pointed out that these figures are distorted, since the data for 1970 include exports from the free perimeters and frontier areas where "made-up" goods (television sets, radio receivers, sewing machines, radio parts, etc.) account for a high percentage of sales.

For non-electrical equipment and machinery, Argentina recorded in 1970 both the highest absolute figure (48 million dollars worth) and the largest increase (four times the 1965 figures). Approximately one-half of this figure is accounted for by exports of office machines (typewriters and calculating machines), sales of which received a sharp boost from the complementarity agreements signed within LAFTA, while other major items, in order of importance, are agricultural machinery (5 million dollars worth)

/and machine-tools

and machine-tools and equipment for various industries (foodstuffs, plastics, etc.). Mexico, for its part, exported 40 million dollars worth of non-electrical machinery, including 12 million dollars worth of parts and components for office machines. Brazil's results were lower for these items, with exports worth 35 million dollars, or only double the 1965 figure; of these, 11 million were accounted for by machinery and equipment for special industries.

Promising figures were also achieved for transport equipment. Mexico exported 36 million dollars worth in 1970, the progress towards this figure having been achieved almost exclusively in the last five years of the 1960's. As might be expected, the motor-vehicle industry accounted for most of this (27 million dollars), but the aeronautics industry made important progress, since in 1970 its exports reached a value of 6 million dollars. In Brazil, exports of transport equipment in the same year were worth 15 million dollars, of which rather more than 9 million was accounted for by the motor-vehicle industry, while in Argentina more than 96 per cent of the 10 million dollars worth of exports of transport equipment was also accounted for by this industry. These achievements are mainly due to the complementarity agreements for the motor-vehicle industry, to certain bilateral agreements, and to decisions taken by the terminal enterprises of the motor-vehicle industry in accordance with the investment policies and division of markets decided upon by their head offices.

Among the varied goods included in section 8 of the SITC, manufactures of clothing, footwear and printed matter were most prominent, but in many cases the value of exports of these products (with the exception of printed matter) did not even reach one million dollars per country in 1965. In clothing, the results of an intelligent promotion policy applied by these countries are to be seen, for in 1970 Argentina exported 16 million dollars worth, Mexico 11 million and Brazil 3 million. Similar efforts in footwear are producing very promising results, since Brazil achieved exports worth 8 million dollars and Mexico 3 million. The achievements in both sectors are the result of the appropriate incentives adopted by the countries and the effort made to adjust manufacturing supply to the conditions required by the new markets by endeavouring, at least in the leading enterprises, to solve the problems of size and efficiency inherited from the traditional structure. Exports of printed matter continued to grow, reaching a value of 38 million dollars in Mexico and 17 million in Argentina. Another item of considerable importance, because of its technological complexity, is scientific and precision instruments, even though the export figures are still modest and the three countries together exported only about 7 million dollars worth of such instruments in 1970.

/As regards

As regards chemical products, in 1970 Mexico exported 81 million dollars worth of a very wide range of products in which the most important were medicinal and organotherapeutic products (antibiotics, vitamins, hormones, medicaments, etc.), manures and fertilizers, toluene and xylene, phosphoric acid and various specialities for industrial use. In the same year Argentina's exports, consisting mainly of antibiotics, medicaments and serums, were worth 55 million dollars, while Brazil's exports were worth 39 million.

As regards the four medium-sized countries - Colombia, Chile, Peru and Venezuela - section 6 of the SITC covers 66 per cent of their total exports of manufactures, chemical products account for 16 per cent, section 7 covers 11 per cent, and section 8 accounts for the remaining 7 per cent.

Among the products included in section 6 - manufactured goods classified chiefly by material - which are exported by this group of countries are intermediate iron and steel goods, pulp and paper, and yarns, fabrics and made-up clothing.

As regards exports of semimanufactures of iron and steel by the countries of this group, Venezuela's achievements are of note, for as a result of investment in the steel sector it was able to export 15 million dollars worth of surpluses - especially iron ingots and blanks, tubing and accesories - in 1970, while Chile only exported slightly more than 3 million dollars worth in that year and its annual marketing volume has been variable. In intermediate textile products (cotton yarns and fabrics), Colombia continues to maintain a high value of exports, although they do not seem to be increasing in accordance with the expectations aroused at the beginning of the decade, since from slightly less than 11 million dollars worth in 1965 exports increased only to a little less than 13 million in 1970, with sharp declines in intermediate years. It has not proved possible to separate exports from the fluctuations of the domestic market in this branch of industry, and this has become the factor which limits the capacity of expansion of the sector.

Chile is the leading Latin American country as regards exports of pulp and paper: in 1970 its exports exceeded 15 million dollars, which was more than double the 1965 figures, more than 60 per cent of this figure being accounted for by paper and paperboard (cardboard and newsprint) and the rest by pulp (mainly long-fibre sulphate chemical pulp). In 1969 Colombia exported rather more than 5 million dollars worth of pulp and

/paper, thus

paper, thus showing a picture of manifest decline, since in the previous three years of the five-year period it had exported 7 million, 9 million and 10 million dollars worth respectively. In the same year, Peru contributed slightly more than 2 million dollars worth to regional exports under this heading.

As regards chemical products, Chile exported 16 million dollars worth (especially chemical products for industrial use) and Colombia 10 million.

Lastly, in the machinery and transport equipment group, special mention need be made only of the notable progress made by Chile, the value of whose 1970 exports was two and one-half times the 1965 figures, reaching rather more than 10 million dollars. More than 7 million of this was accounted for by transport equipment, and of this most was composed of parts and components for the motor-vehicle industry, as a result of the agreements in force with Argentina. In Colombia, section 7 of the SITC accounted for 5 million dollars worth of exports, of which 4 million were for office, textile, and leather processing machinery, parts and components.

In the group of small countries, with the exception of the five countries belonging to the central American Common Market which are analysed separately, only Uruguay deserves special mention, mainly for its exports of semi-processed leather products (dressed and semi-dressed), which earned 19 million dollars. This was due to a policy of renovation and equipment of the tanning industry, to government incentives aimed at industrial integration, and to the discouragement of exports of the primary product, even going so far as to forbid exports of raw hides. As regards yarns, fabrics and made-up clothing, the reaction of the sector was not so satisfactory, since only an increase in exports of wool tops was noted, the remaining items registering the same figures as in the 1960's.

V. INTERNATIONAL

V. INTERNATIONAL CO-OPERATION: BILATERAL AND MULTILATERAL

The International Development Strategy refers to the steps that have to be taken by developing and developed countries and by international agencies in order to promote the exports of developing countries. The foregoing pages examined some of the efforts that have been made by Latin American countries in this respect; this chapter now turns to the steps taken by the developed countries and by international agencies.

1. Steps taken by the developed countries

In addition to the recognition by the international community of the need for the developing countries to expand and diversify their exports, such international forums as UNCTAD and the United Nations Economic and Social Council have appealed to the developed countries to assist the developing countries in their attempts to promote the export of non-traditional products. This assistance could be provided either directly and bilaterally or by supporting the multilateral programme of international agencies.

As the third session of UNCTAD in 1972, representatives of developed countries described the type of assistance that their respective Governments had granted or were prepared to grant in this area.

Japan, for example, is taking steps to promote the marketing of the products of developing countries and to enhance their competitiveness on the world market. The Japan External Trade Organization finances an annual exhibition and trade fairs aimed at promoting the sale of primary, manufactured and semimanufactured products from developing countries. In order to further the expansion of the exports of developing countries, the Japanese Government is considering the possibility of organizing a floating trade exhibition aboard a ship that would visit Japanese and other ports in order to exhibit and sell those countries' products. In addition, a training programme on export promotion is organized every year for students from developing countries.

Belgium has organized two seminars (1968 and 1969) with a view to familiarizing Latin American commercial attachés with current export marketing problems. In 1969 and 1971 another two seminars

/were organized

were organized on international trade and export promotion which dealt with the expansion of exports of manufactures and semimanufactures and analysed the role of the Belgium Government in export promotion and the relations between Latin American exporters and the European Economic Community.

France, Sweden and Switzerland, inter alia, also provide training in this field and offer study programmes on their respective markets as outlets for the exportable products of the developing countries.

The Netherlands Government has established a centre for the promotion of imports from developing countries which assists the latter by providing them with information on outlets for their industrial products in developed countries, especially in Western Europe, and supplies exporters with information or assistance regarding trade fairs and exhibitions, trade regulations, fiscal measures, trade prospects, addresses of importers and markets. The centre also gives direct assistance to exporters, export organizations and regional agencies that wish to break into the Western European market. The purpose of the centre, which is attached to the Ministry of Foreign Affairs of the Netherlands, is: (a) to provide a complete information as possible regarding the possibilities for marketing products from developing countries; (b) to serve as an intermediary between potential exporters and buyers of products; (c) to take other measures to contribute to the growth of imports from developing countries; and (d) to maintain contact with the UNCTAD/GATT International Trade Centre.

The United States has established an office for export development assistance within the Agency for International Development (AID), which has already assisted over 25 developing countries in all aspects of export development programmes: exchange and tariff policies, financial resources, investment planning and identification and development of products.

AID has also sponsored a series of seminars on export at the New York World Trade Centre. These seminars have been attended by participants from developing countries and have contributed to a better understanding of the requirements for processing products and selling them on the markets of the developed countries. AID has further financed market-research trips to developed countries and visits to Washington to make contact with officials specializing in this field.

The assistance which the United States is prepared to grant Latin America in this connexion has been described on a number of occasions - at the meeting of the Trade Group of the Special Committee for Consultation and Negotiation (CECON) in October 1970, at the meeting of CECON itself in March 1971, and at the meeting of governmental experts on export promotion in February 1972 (documents CIES/CECON - COMERCIO 34 and CIES/CECON/90). This assistance concentrates on the five areas where external aid seems most useful: preparation of a comprehensive export strategy, product development, market research, export promotion, and training.

The United States has collaborated on projects aimed at identifying exports of products with comparative advantages, increasing national market-research capability and training personnel. For the financial year 1973, the Administration has asked Congress for an extra 3 million dollars to help increase the exports of the developing countries. In addition to its bilateral assistance, the United States is giving financial and technical support to a number of multilateral programmes.

Most of the developed countries, and especially the Scandinavian countries, are also collaborating with the developing countries by means of direct contributions to international agencies specializing in the field, particularly the UNCTAD/GATT International Trade Centre.

The Socialist countries have indicated that long-term trade agreements and agreements on technical co-operation, payments and economic co-operation are useful means of enabling developing countries to organize exports to the markets of those countries on a stable basis.

2. Steps taken by international agencies

(a) At the world level

United Nations export promotion activities come under a programme established in 1967 with a view to co-ordinating existing activities and resources in this field. The United Nations agencies participating in the programme are the Department of Economic and Social Affairs, the four regional economic commissions and the United Nations Economic and Social Office in Beirut (UNESOB), the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Industrial Development

/Organization (UNIDO),

Organization (UNIDO), the General Agreement on Tariffs and Trade (GATT), the UNCTAD/GATT International Trade Centre (ITC), the Food and Agriculture Organization of the United Nations (FAO) and the International Labour Organisation (ILO).

The United Nations Economic and Social Council and the trade and Development Board periodically study the reports submitted to them by the Secretary-General on the activities carried out by the above agencies and co-ordination among them. On taking note of the latest of these reports (document E/4940), the Council recognized that the growing need of the developing countries for United Nations assistance in the promotion and development of exports required a corresponding increase in resources so as to attain the objectives of the Second United Nations Development Decade concerning the expansion of the trade of developing countries. The Economic and Social Council therefore adopted a resolution recommending that the developed countries should give their full support to the regional economic commission in their export promotion activities, as well as to the UNCTAD/GATT International Trade Centre and other agencies and institutions participating in the United Nations Export Promotion Programme.

Noteworthy work is being carried out in Latin America by the UNCTAD/GATT International Trade Centre, whose activities are mainly concentrated on the following areas: (i) improvement of the national institutional infrastructure for the development of exports; (ii) creation of institutions and services specializing in the development and marketing of exports; (iii) identification and definition of market opportunities, and processing and adaptation of products for export through market research; (iv) export marketing and development strategies; (v) multinational product promotion activities; (vi) export development measures in general; and (vii) training in export development and marketing.

UNIDO's contribution to export development includes direct assistance to countries for the establishment and development of export-oriented industries. In addition, this organization engages in such supporting activities as: (a) identification and selection of manufacturing industries with export potential; (b) policies and measures for the development of the industrial export sector; (c) measures to improve the efficiency of exports; (d) promotion of international sub-contracting agreements; (e) adaptation and development of products for export-oriented industries.

/FAO assists

FAO assists countries in adjusting their production and making the necessary changes for promoting the export of fishery products and products of forestry and forest industries and in marketing exports of agricultural and agro-industrial products.

(b) At the Latin American level

From the very start, the Economic Commission for Latin America (ECLA) has recognized that the external sector is a key to the economic development of the region. For the first session of UNCTAD in 1964, ECLA conducted a series of studies in collaboration with UNCTAD to determine the immediate and future prospects for increasing Latin American exports of manufactures and semimanufactures. The export of manufactures to world markets was also discussed at the Latin American Symposium on Industrialization (1966), which was jointly sponsored by ECLA and UNIDO. The United Nations Export Promotion Programme has designated the regional economic commissions, including ECLA, as initiative centres, which means that the secretariats of these commissions must establish their own export centres or programmes.

ECLA has adopted an integrated approach to export promotion: that is to say, it stresses the industrial production aspects, along with the institutional and administrative aspects, fiscal and financial incentives and marketing channels, within the framework of a coherent export promotion policy. This policy, or global strategy, takes into account the interrelationships between sectoral measures and policies throughout the process of exportation, in order to improve their efficiency and thereby achieve a steady increase in the volume of manufactures exported 25/.

ECLA's integrated interdisciplinary approach and the importance it attaches to export policies and to planning 26/ mean that its activities in this field, in which Governments have not yet received sufficient international technical assistance, are complementary to those of other regional agencies that are providing commercial and promotional information.

25/ In July 1971, ECLA organized a Meeting of Experts on the Formulation and Implementation of Strategies for the Export of Manufactures, at which these concepts were discussed on the basis of specially prepared documents (ST/ECLA/Conf. 37/L.1-L.37).

26/ See also ECLA, "Report on the Meeting of Experts on the Formulation and Implementation of Strategies for the Export of Manufactures" (ST/ECLA/Conf. 37/L.37).

ECLA has worked in close liaison with the UNCTAD/GATT International Trade Centre, and several projects have been organized jointly. It has also collaborated with UNIDO and UNDP and with various regional and sub-regional agencies working in this field.

The Inter-American Export Promotion Centre (CIPE) was set up by the Organization of American States in 1967 to collaborate with the Member States in their various attemps to promote, expand and diversify their exports, particularly of manufactures and semimanufactures. CIPE operates through three technical services: technical assistance, information and promotion. In order to co-ordinate its work with that of other regional and world agencies, meetings are held periodically with representatives of such agencies in order to exchange information, hold consultations and avoid unnecessary overlapping.

The Inter-American Marketing Centre (CICOM), which is attached to the Organization of American States, holds courses on marketing at both the inter-American and the national level and conducts research in related fields.

The Inter-American Development Bank (IDB) has a project for financing intra-regional exports of capital goods produced in one Latin American member of country of the Bank and exported to another.

LAFTA has compiled a list of regulations on export incentives currently used in member countries with a view to their co-ordination and standardization.

The Central American Export Promotion Programme (PROMECA) is planning to work on the regional co-ordination of export development and promotion, the promotion and regional harmonization of incentives for non-traditional Central American exports, Central America's external trade policy on the promotion of exports, and commercial documentation and information.

3. Conclusions

Since the first session of UNCTAD in 1964, the international community has come to realize the importance for the economic growth of developing countries of the expansion and diversification of their exports. The maeasures adopted by those countries, which have been described in previous sections, have been complemented by an increasing.

/volume of

volume of technical assistance from both developed countries and international agencies. This assistance reflects the priority that the developing countries have assigned to this problem, whose solution requires increasing external collaboration as more and more aspects of the process of diversifying their exports structure are revealed.

It would be an over-simplification to suggest that all the foregoing remarks are covered by the term "export promotion", which is so often used. As the many vain attempts to restrict efforts to surely commercial type promotion have demonstrated, the matter is far more complex. The strictly commercial approach is, of course, useful in its proper place, but it does not offer any significant contribution unless the proper economic conditions and climate for exports already exist. Great importance must therefore be attached to basic measures for improving the exchange, financial, fiscal and industrial aspects of the economic structure so as to lay the foundation of a potentially successful export promotion programme.

This fact has recently been recognized by the developing countries themselves and also by those affording them international co-operation. Whereas the efforts of both were originally directed mainly towards trade promotion and market research, both bilateral and multilateral assistance nowadays takes the form of export strategies, integrated approaches or integrated programmes, wherein each agency endeavours to gain a comprehensive grasp of the problems and of their interrelationship within a particular context. Should the countries concerned so desire, it would therefore be highly advisable for international co-operation also to include assistance in over-coming domestic or supply problems that prevent the expansion of exports, for in this way assistance with the external problems involved in breaking into new markets would be complemented and backed by assistance in creating the basic domestic conditions required for the export of Latin American manufactures and semimanufactures.

/VI. EVALUATION

VI. EVALUATION OF THE RESULTS OBTAINED AND OF THE POLICIES APPLIED

Chapter IV of this study contains the most illuminating data on the evolution of Latin America's exports of manufactures, and some conclusions are advanced which are closely related to the comments in chapter I on the development of policies for the promotion of these exports.

The most striking fact that emerges now from the evaluation of those data and policies is the opposite trend of Latin America's exports of manufactures to that of its exports of primary products: while the region has the highest rate of growth in the world for the former (18 per cent annually), it has the lowest rate (5 per cent annually) for the latter, notwithstanding its continuing dependence on these commodities, which represent about 90 per cent of total exports classified according to the SITC. Since, moreover, the inelasticity of its trade in traditional primary products is even more pronounced than in other developing regions, probably because of discriminatory preferential agreements and subsidized production in the industrialized countries, it is difficult to question its decision to try to mitigate such dependence by promoting the accelerated growth of its exports of manufactured products, without prejudice to redoubling its efforts to eliminate those obstacles.

The relationship between demand trends for both types of products and policies for the promotion of exports of manufactures is perhaps more evident in the medium-sized countries, i.e., Chile, Colombia, Peru and Venezuela. Taken together, these countries, fail to reach the volume of exports of manufactures of any of the three major countries in the region, but their exports of primary products amount to more than the total for the three major countries. It may therefore be concluded that because of the high per capita export coefficients of some of these medium-sized countries - especially Chile and Venezuela - it has not been so urgent to adopt measures for the diversification of exports. Colombia, in contrast, which does not present such high coefficients, does have important advances to show in this respect, and its exports of manufactures represent 40 per cent of the total for the medium-sized countries.

As we saw in greater detail in chapter IV, the first steps in connexion with foreign trade in manufactures were taken mainly within the integration systems, particularly LAFTA and the Central American Common

/Market, but

Market, but in the last few years these systems have gradually lost some of their importance compared with the developed countries, especially those with market economies (of Latin America's trade in manufactures, 46 per cent goes to countries in the region, 52 per cent to developed market-economy countries, and the remaining 2 per cent to countries with centrally-planned economies).

This situation is accounted for by the following factors: the economic expansion of these markets is more rapid than that of the Latin American markets; access to the latter has not been given sufficient stimulus owing to the stagnation of the above-mentioned integration systems in recent years, and, lastly, industries in the region are attaining a higher level of complementarity with those of the developed countries. It may be recalled, in this respect, that 70 per cent of Latin America's total exports of manufactures are concentrated in Argentina, Brazil and Mexico, which compete with one another.

On the other hand, the rising trend of trade with the developed countries could be further accentuated if more use was made of international subcontracting, other special agreements (of the type covering make-up industries) and the Generalized System of Preferences. The GSP, however, does not yet justify the formulation of special trade and industrial policies by the countries in the region, although of course they should try to take full advantage of the opportunities offered by the System 27/.

The previous chapter shows that exports coming under SITC sections 6 (manufactured goods classified chiefly by material) and 7 (machinery and transport equipment) represent over 60 per cent of the total manufactures exported. It is interesting to note that exports from section 6 consist mainly of steel products, as a result of the heavy investment in this sector which has enabled it to produce exportable surpluses. It is also worth noting the importance acquired by SITC section 7, since this section covers more sophisticated products with a higher percentage of value added.

For want of comparable statistical data, no attempt is made here to develop the comments made in other chapters regarding exports of traditional industrial products. This does not mean, however, that we

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27/ The conclusions of the Seminar on the Generalized System of Preferences organized jointly by UNCTAD and ECLA at Santiago, Chile, in October 1972 are in keeping with this view.

are overlooking their intrinsic importance and that assigned to them by the countries in the region, which are seeking a higher degree of processing for traditional raw materials through many of the promotion measures analysed in previous chapters.

After a study of the quantitative data which reveal a predominating trend in the Latin American economies towards opening themselves unilaterally to other regions through their secondary and tertiary sectors, the next step is to analyse the nature of the strategy which the countries in the region have formulated and appear to be implementing in order to achieve such results..The term "unilateral" is used to indicate that the countries of the region have agreed to compete abroad with their products, but, except within the context of the r gional agreements, they continue to protect themselves from external competition in their domestic markets. Some of these countries have made sporadic attempts to modify their tariff protection policy in the interests of greater efficiency, but this trend seems to have been adondoned. Brazil's latest development plan contains no indication of any changes in present levels of protection although Venezuela does envisage a gradually regressive protectionist policy based on tariffs rather than, as hitherto, on quantitative restrictions.

The opening up towards external markets seemed to gain more momentum from the second half of the 1960's, when some basic promotion instruments were adopted by various countries in this connexion: Decree 9588/67 and the exchange and tariff reform of March 1967 in Argentina, the introduction of arrangements for foreign exchange adjustment and the system of incentives in Brazil, as from 1965, and Legislative Decree 444 of 22 March 1967 setting up the Export Promotion Fund in Colombia. At the same time, it should be noted that in these, as in other countries of the region, some instruments of this kind already existed: in Mexico, for example, FOMEX has been in existence since 1962.

The object of the foregoing comments is to show that these promotion instruments are perhaps the clearest indication that an export promotion strategy exists. Within the present context of Latin America's productive structure 28/, the entry into force of these instruments would be a precondition for the existence of a new external

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28/ It is assumed that manufacturing industry in the region is not in a position to compete on the world market without the help of exogenous incentives (tariff preferences), endogenous incentives (fiscal incentives), or both types at the same time, in order to offset higher costs due to lower productivity, inadequate scale of production, tax and social security pressures, the high cost of inputs, insufficient financial market, etc.

sector strategy. It remains to be determined whether their adoption constitutes the whole strategy, in that reliance is placed basically on the spontaneous reaction of the productive and commercial sector, or whether, in spite of the apparently neutral character of the export incentives, the government authorities utilize them for promoting what, explicitly or implicitly, are considered to be priority sectors.

The choice of sectors, the adoption of instruments and their appropriate handling would therefore help to shape a strategy which would represent more than the mere adoption of incentives basically concerning exchange, fiscal and credit conditions.

Of course, the area of research thus defined is not isolated, since the strategy forms part of another more general strategy covering monetary, anti-inflationary, industrial development, agricultural and other policies, but the area must be identified so as not to bring the whole economy within the concept of export promotion, with the consequent risk of this concept being submerged.

It should be noted that the above-mentioned stages (choice of sectors, approval of instruments and appropriate handling) do not necessarily describe a chronological process that may be observed in the region, but rather a logical process which can only be verified afterwards, i.e., after a period of co-existence in which the instruments may have been adopted before the sectors have been chosen, or, in other words, a period in which the choice was based on the instruments. At all events, however, the appropriated handling would always be the last phase, since unless an adequate policy for first identifying sectors with export potential is adhered to, such handling could become merely arbitrary.

It is not easy to determine whether an export development strategy really exists in a country, since it may be that it has been expressly formulated but not put into execution or, conversely, that it is being implemented without having been officially announced.

Useful aid in establishing the characteristics of the strategies implemented is provided by study of:

/(i) the

(i) the chapters on the external sectors in the relevant national development plans;

(ii) the public institutions set up to formulate and implement trade policies, the absence of such institutions or their lack of co-ordination;

(iii) fiscal, financial, exchange and marketing instruments; and

(iv) the handling of these instruments.

Venezuela's Fourth Plan for the Nation, 1970-1974 and Colombia's 1972-1975 Four Year Export Plan would seem to illustrate the first of these points, since they involve a choice of sectors which are to be promoted and selection of the necessary measures for this purpose. Whereas, however, the broad spectrum of sectors covered by the Colombian plan could detract from its selective aim, the Venezuelan plan distinguishes between three groups of industrial sectors, of which the first, composed of intensive activities in the petroleum refining, petrochemical, steelmaking and energy resources fields, is considered the net exporting sector. In Argentina, the 1971-1975 National Development and Security Plan relies for the fulfilment of its quantitative non-traditional export goals on the development of those sectors which have shown themselves to be most dynamic in previous years, but it does not envisage selective policies for them. Brazil's 1972-1974 National Development Plan contains no provisions in this respect, either despite the fact that exports of manufactures are heavily concentrated among a small number of enterprises and sectors in this country.

The institutional factor is a valuable analytical tool, if the nature and real functions of the institutions established in the region can be identified irrespective of the programme objectives which were originally mentioned as justification for their establishment.

First and foremost, a distinction should be drawn between agencies that formulate policies and those which implement them, as well as, among the former, between those which can adopt the basic

measures for their ultimate implementation 29/ and those having merely advisory functions.

The existence of agencies responsible for both formulating and adopting basic policies is a good sign of the existence of a strategy.

In Brazil, where outstanding results have been obtained in exports of non-traditional products, the Foreign Trade Council is composed of Ministers and high-level government officials with wide decision-making powers 30/.

The importance of the purely advisory agencies should not *a priori* be underestimated, however since it depends partly on factors which are difficult to estimate such as prestige, political influence, technical capacity, etc. Moreover, it is possible to see a link between relative weakness of these institutions and vagueness at the highest political level in this regard. Some of these agencies could in fact serve as instruments through which industrial groups with export potential could exert pressure to secure greater support for their sector.

Among the executive agencies, distinction should be made, between those which carry out complementary promotional functions and those working in areas here considered to be of a substantive nature, although some do both. This is the case of PROEXPO in Colombia, for example, which works in connexion with fairs, trade missions and market studies but also has considerable powers in the financing of exports

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29/ This would involve study of the delegation of legislative powers to the Executive, as happens in many countries in the tariff protection field. As regards incentives, the Executive (or even the Minister of Finance, as in Brazil) is usually empowered to change the amount of the incentives at its discretion.

30/ See the previous footnote. Another example is the recent provision permitting the importation of complete industrial plants for the production of manufactured goods for export. This measure was adopted through a legislative decree of the Executive, despite the magnitude of its repercussions on local industry and the opposition it encountered in this sector.

and even their direct marketing. CACEX, the external trade department of the Banco do Brasil, is considered to be the executive agency of Brazilian export promotion policy. It will be seen below how a financial agency is able to reach this level of authority.

The creation of institutions for the marketing of non-traditional products may be another indicator that the government authorities are not fully satisfied with the fiscal and exchange incentives for exports. The need for these institutions was graphically expressed by small and medium-sized Brazilian industrialists when they stated that they could now compete in terms of prices thanks to the fiscal incentives, but asked where, to whom, what and when they should sell 31/.

As we have already seen, the major national and international enterprises are making intensive use of the export incentives, mainly thanks to the fact that efficient external marketing channels are open to them. Colombia's official assistance in this context is provided through PROEXPO, an agency empowered to act in a subsidiary form in direct marketing. In Brazil, the problem has long been under discussion, together with that of the extension of fiscal incentives to export traders, who are at present excluded from them. After abortive attempts with export consortia, a solution is now being sought by encouraging the constitution of trading companies with a limited share of foreign capital (principally Japanese) and the relevant technical know-how. The close coonexion (between this topic and the magnitude of the fiscal incentives suggests that it would be a good idea to come back to it when the latter are dealt with later.

The policy of boosting exports of manufactures through fiscal incentives has already been described as one of the pillars of the present strategy for the development of non-traditional exports. This study endeavours to link this policy with others of more selective nature, but it should be borne in mind that the most important background to this matter lies in the structural problems of economic development which the region has had.

31/ A. Nilson Quezado C. and Etiene F. Cracco, "Os incentivos ás exportações de manufacturados: análise e sugestao", Revista de Administración de Empresas, Vol. 12, 1 March 1972.

It has already been said that the analysis of this material lies outside the limits of this study, but as we have seen, the level of fiscal incentives for exports is closely connected with the already existing tariff and monetary stabilization policies, which generally speaking, have existed alongside the application of these incentives. In the countries of South America, this has been because, in addition to the problems of scale and the pressure of taxes and social contributions, the existing tariff protection measures have generated high domestic prices and anti-inflationary policies have in their turn produced a contraction of domestic demand which has led industrialists to export in order to recover the costs of the fixed assets thus immobilized.

To these factors should be added the process of regional integration and the policy of the international enterprises operating in the region. This policy is closely linked to the progress made by the integration process, for the head offices of the international enterprises which have tradionally provided many of the goods negotiated under the trade liberalization machinery decided to enter this process in order to keep and extend their share of the market and take advantage of the economies of scale and the profits from protection against imports from third countries. Their influence boosted trade, mainly owing to the complementarity agreements, but now the countries are prevailing upon these enterprises to export to other regions and thus fight against the restrictive export policies of the head offices.

Tracing an export development policy beyond the creation of fiscal incentives for exports is a particularly arduous task, owing to the lack of reliable data. Fiscal incentives do not seem to discriminate in any way, since all exporters of non-traditional products are exempt from paying export duties and the indirect taxes on production and marketing, and they also benefit from a fiscal credit, which may or may not be negotiable, equivalent to a percentage of the value of their exports 32/. This indiscriminate treatment may be seen in the Colombian

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32/ This is taking an average view of the systems of incentives. Some countries, like Paraguay and the Central American countries, limit their incentives to exemption from the payment of export dues, while Argentina provides for the cash payment of the reimbursements of internal taxes.

/system, which

system, which grants the same fiscal credit whatever the value added of the product exported.

The strictly neutral nature of fiscal incentives does not by itself reveal the existence of the strategy which we are looking for, but the level achieved by them and the capacity of the system to adapt to changes in the economic situation could indeed do so.

The cases of Argentina and Brazil seem to be good examples of the above. In these countries, the application of anti-inflationary measures towards the middle of the 1960's produced a strong contraction in the domestic market. Simultaneously, exchange and fiscal incentives for exports were introduced, allowing exports at marginal costs and the recovery of part of the fixed costs. Exporting appeared to be the only way to recover the cost of the idle capacity produced by the decline in domestic demand.

This policy obviously called for consecutive answers to two important questions: first, what degree of inefficiency was the system of incentives supposed to compensate for, and secondly, what was the system's answer to the recovery of internal demand to be, in order that industrialists should not again forget about foreign markets once the domestic market had been reactivated.

In fact, both questions acquired great significance once domestic demand had recovered, since, as already stated, when demand was poor it was only necessary to offer a level of incentives high enough to offset a percentage of the fixed costs.

When demand recovered both systems reacted positively, and there was a qualitative change in the nature of the incentives, which were raised to guarantee exporters returns similar to or higher than those obtained in the domestic market, so that they would maintain their rates of exports.

It has already been observed that at present fiscal incentives consist in exemptions from customs duties and taxes on the production and marketing of the product exported, plus a fiscal credit which offsets disadvantageous production and infrastructure costs and gives profits comparable with those obtained on the domestic market.

While fiscal exemptions place all enterprises in the same tax situation as far as exports are concerned, those whose production costs are closest to the costs prevailing on the international market

/obtain the

obtain the biggest benefit from fiscal credit, and this is possibly why a few national or international enterprises are making intensive use of the incentives system. The other causes of this phenomenon have already been analysed in other sections of this chapter (marketing network, complementarity agreements, decisions of head offices, production of the goods for which demand is more dynamic, etc.), but all these suggest that the tax authorities should take these enterprises into account in fixing the incentives.

Refinancing and export credit insurance are other important incentives introduced by several countries of the region; these are of the type described above and show the existence of selective policies, because of their discretionary application.

The case of these incentives is worthy of consideration, for they were established, at least formally, to provide credit for small and medium-sized entrepreneurs, yet apparently only the relatively large enterprises of the region are making effective use of them. The reason for this should be sought in the operational arrangements of the official refinancing agencies, which hold the intermediary financial bodies responsible for the credits they grant, thus encouraging them to operate only with export enterprises which have won their confidence. As has occurred in other countries outside the region, credit insurance is considered by the banks merely as an additional guarantee which is not sufficient on its own to warrant the granting of credit to an exporter who does not otherwise qualify as an eligible customer.

This could also lead to the selection of exporting enterprises not by planning agencies, but by trade credit bodies, generally private. In any case, however, this selection would coincide with that resulting from the incentives system, which also tends to be oriented towards the most efficient enterprises.

Since the systems of incentives established in the region in order to place the small and medium-sized enterprises in a suitable position to export have not really succeeded in solving their financing problems and their lack of marketing networks, recourse is now being had to institutions which have proved their effectiveness in some highly industrialized countries. We have already seen that in Brazil consideration is being given to the setting up of trading companies to solve not only the marketing problems already noted, but also the problems of organizing and financing the production, transport and storage of exportable products. The projects now under discussion in this connexion would limit the share of foreign investors in the capital and management of these companies and would provide

that the fiscal incentives for export would be paid to industrialists when they sold their products to the trading companies which would only be entitled to collect incentives in respect of the value added by them. These two measures are aimed at avoiding foreign control of external trade in manufactures and preventing excessive remittances of profits abroad.

From this analysis it may be concluded that, in accordance with their overall development strategies, there are countries in the region which are formulating and applying strategies for the development of their exports. It may also be said that this strategy has up till now been based on fiscal incentives for exports but these alone have not been sufficient to achieve significant results. Proof of this is provided by the countries which have authorized these incentives but, because they did not accompany them with other economic and commercial measures, have not succeeded in appreciably increasing their exports of manufactures, or at least, not as much as other countries in the region.

It has been seen that the countries of the region have tried to improve the institutional infrastructure with a view to applying the strategy, and that the greater the co-ordination and the power of decision of the institutional machinery, the greater the quantitative results obtained.

It has also been seen that although this was not the explicit aim of the strategies when they were formulated, the tariff, fiscal and financial incentives operating in the region have led to a selection of products and exporting enterprises, especially international enterprises. Various factors have contributed to this selection, including the higher efficiency of such enterprises which allows them to make better use of the fiscal incentives, the existence of marketing channels, and the technical and financial capacity to gain high credit-worthiness.

It has also been observed that the countries appear dissatisfied with these limitations of their systems of incentives, even though better results have been achieved here than in other regions of the world, and this will lead to a search for new institutions to make external trade in manufactures accessible to small and medium-sized national entrepreneurs with potential export capacity.

/A final

A final glance at this picture shows that the strategy applied to date appears to lead towards another which is frankly selective and which would not only take into account the above-mentioned elements (efficiency, marketing channels, and credit capacity) but also export potential deriving from other factors which should be first identified and then appropriately stimulated, while at the same time an endeavour would be made to integrate export incentives with an industrial policy aimed at making the sector more efficient and hence less dependent on fiscal-type solutions.

International co-operation in the field of export development is taking a definite shape, but it is still considered to be inadequate for the countries of Latin America and the developing countries in general. Increased financial resources have been insistently requested for example, for technical assistance and for the creation of machinery for the refinancing and reinsurance of export credits. In bilateral co-operation, the improvement or introduction of generalized systems of preferences is required, and complaints are being made about the conditions of access to markets in general. The countries of the region are consciously trying to avoid a repetition in industrial exports of what happened with their primary exports, i.e., that these products should be bought in their place of origin instead of being sold by them in the countries of their destination.

STATISTICAL ANNEX

Table 1 (continued 1)

Country	Year	Total primary products (SITC sections 0 to 4 plus division 68)	SITC sections 5	6	7	8	Total manufactures	Total exports
Total for group	1965	4 294 465	17 024	49 392	6 615	5 340	78 371	4 372 836
	1969	4 932 351	22 177	91 322	15 277	10 342	139 118	5 071 469
	1970	5 511 157	...	...	...	...	177 658	5 688 815
	1971	5 478 298	...	...	...	...	167 502	5 644 933
				Small countries				
Group A								
Guatemala	1965	159 760	6 408	12 122	1 957	5 547	26 034	185 794
	1969	189 960	14 525	33 232	4 030	13 608	65 395	255 355
	1970	209 026	19 476	39 476	5 308	16 896	81 156	290 182
	1971	224 011					75 989	300 000
El Salvador	1965	156 524	7 604	14 536	1 964	8 072	32 176	188 700
	1969	137 948	14 024	28 537	6 300	15 300	64 161	202 109
	1970	162 695	13 680	29 712	6 172	16 058	65 622	228 317
	1971	157 800					72 200	230 000
Honduras	1965	120 527	2 448	1 941	-	1 658	6 047	126 574
	1969	151 118	4 990	4 672	6	5 014	14 682	165 800
	1970	157 093	4 921	4 315	4	4 467	13 707	170 800
	1971	185 600					9 400	195 000
Nicaragua	1965	140 764	2 176	2 569	-	2 591	7 336	148 100
	1969	140 011	6 914	7 494	376	3 953	18 737	158 748
	1970	150 830	9 526	11 930	318	6 019	27 793	178 623
	1971	153 800					29 000	182 800
Costa Rica	1965	95 367	5 797	4 365	617	5 678	16 457	111 824
	1969	154 170	8 687	13 237	3 587	8 719	34 230	188 400
	1970	188 450	11 404	16 777	4 648	9 884	42 713	231 163
	1971	184 500	...	...	...	...	47 300	231 800
Panama	1965	77 442	30	391	1	136	558	78 000
	1969	111 633	121	1 495	41	810	2 467	114 100
	1970	110 312	106	880	21	381	1 388	111 700
	1971	115 600	...	...	...	...	2 400	118 000
Dominican Republic	1965	132 560	3 890	250	-	-	4 140	136 700
	1969	178 600	4 900	500	-	-	5 400	184 000
	1970	207 700	5 350	550	-	-	5 900	213 600
	1971	236 200	6 500	300	-	-	6 800	243 000

/Table 1 (continued 2)

Table 1 (continued 2)

Country	Year	Total primary products (SICT sections 0 to 4 plus division 68)	SITC sections				Total manufactures	Total exports
			5	6	7	8		
Haiti	1965	...	...	...	...	...	...	36 800
	1969	...	...	...	...	...	...	37 200
	1970	...	...	...	...	...	...	40 300
	1971	...	...	...	...	...	...	46 200
Total group A d/	1965	882 944	28 353	36 174	4 539	23 682	92 748	975 692
	1969	1 063 440	54 161	89 167	14 340	47 404	205 072	1 268 512
	1970	1 186 106	64 463	103 640	16 471	53 705	238 279	1 424 385
	1971	1 257 511					243 089	1 500 600
Group B								
Barbados	1965	26 946	127	238	35	404	804	27 750
	1969	22 429	655	826	2 848	1 959	6 288	28 717
	1970	22 729	1 048	913	3 250	2 559	7 770	30 499
	1971	25 700					8 800	34 500
Guyana	1965	98 450	868	3 598	-	84	4 550	103 000
	1969	113 219	722	2 410	30	619	3 781	117 000
	1970	130 900	850	2 250	-	1 000	4 100	135 000
	1971	108 550	1 000	1 600	-	1 200	3 800	112 350
Jamaica	1965	198 475	3 077	4 594	114	7 740	15 525	214 000
	1969	263 865	6 957	4 949	479	12 750	25 135	289 000
	1970	317 050	6 363	4 000	1 189	10 398	21 950	339 000
	1971	318 564	6 877	6 126	1 040	13 393	27 436	346 000
Trinidad and Tobago	1965	345 716	21 222	4 412	2 481	3 827	31 942	377 658
	1969	409 055	44 459	5 975	432	7 408	58 274	467 329
	1970	424 751	37 800	8 175	469	8 805	55 249	480 000
	1971	458 400					59 600	518 000
Total group B	1965	669 587	25 294	12 842	2 630	12 055	52 821	722 408
	1969	808 568	52 793	14 160	3 789	22 736	93 478	902 046
	1970	895 430	46 061	15 338	4 908	22 762	89 069	984 499
	1971	911 214					99 636	1 010 850
Group C								
Bolivia	1965	111 351	-	826	-	23	849	112 200
	1969	176 800	-	1 000	-	-	1 000c/	177 800
	1970	188 400	-	1 000	-	-	1 000c/	189 400
	1971	173 000	-	1 000	-	-	1 000c/	174 000

/Table 1 (concluded)

Table 1 (concluded)

Country	Year	Total primary products (SITC sections 0 to 4 plus division 68)	SITC sections 5	6	7	8	Total manufactures	Total exports
Ecuador	1965	175 306	1 557	416	-	921	2 894	178 200
	1969	185 008	1 899	498	-	695	3 092	188 100
	1970	230 317	1 423	232	-	528	2 183	232 500
	1971	228 079	1 748	266	-	2 007	4 021	232 100
Paraguay	1965	52 446	4 685	119	-	15	4 819	57 265
	1969	46 294	3 816	828	-	14	4 658	50 952
	1970	58 896	4 135	1 024	-	15	5 174	64 070
	1971	58 923	5 007	1 258	-	16	6 281	65 204
Uruguay	1965	180 698	841	9 142	43	476	10 502	191 200
	1969	172 717	1 859	22 747	1 181	1 832	27 619	200 336
	1970	196 759	2 491	28 329	1 824	3 306	35 950	232 709
	1971	172 871	4 768	25 481	1 416	1 157	32 822	205 693
Total group C	1965	519 801	7 083	10 503	43	1 435	19 064	538 865
	1969	580 819	7 574	25 073	1 181	2 541	36 369	617 188
	1970	674 372	8 049	30 585	1 824	3 849	44 307	718 679
	1971	632 873	11 523	28 005	1 416	3 180	44 124	676 997
Total groups A+B+C	1965	2 072 332	60 730	59 519	7 212	37 172	164 633	2 236 965
	1969	2 452 827	114 528	128 400	19 310	72 681	334 919	2 787 746
	1970	2 755 908	118 573	149 563	23 203	80 316	371 655	3 127 563
	1971	2 801 598					386 849	3 188 447
Total Latin America d/	1965	10 115 044	188 543	277 267	72 411	76 313	614 534	10 729 578
	1969	11 948 474	299 372	514 270	232 320	172 977	1 218 939	13 167 413
	1970	13 114 334	...	...	...	...	1 587 089	14 701 423
	1971	13 044 920					1 888 385	14 933 305

a/ Figures provided by CACEX (Banco do Brasil).

b/ Banco de la República de Colombia.

c/ Estimate.

d/ Excluding Cuba and Haiti.

/Table 2

Table 2

SHARE OF LATIN AMERICA AND REST OF WORLD IN TOTAL EXPORTS

(Percentages)

Country	Year	Latin America a/			Rest of world		
		Primary products	Manufactures	Total	Primary products	Manufactures	Total
Large countries							
Argentina	1960	15.4	25.3	15.8	84.6	74.7	84.2
	1965	14.8	49.0	16.7	85.2	51.0	83.3
	1969	18.3	52.6	23.0	81.7	47.4	77.0
	1970	15.9	52.0	20.9	84.1	48.0	79.1
	1971	17.3	44.2	21.3	82.7	55.8	78.7
Brazil	1960	6.6	26.4	7.0	93.4	73.6	93.0
	1965	8.7	59.4	12.7	91.3	40.6	87.3
	1969	7.4	46.8	11.2	92.6	53.2	88.8
	1970	5.8	42.6	11.5	94.2	57.4	88.5
	1971	5.0	42.9	12.6	95.0	57.1	87.4
Mexico	1960	1.4	18.7	3.6	98.6	81.3	96.4
	1965	2.6	28.3	6.7	97.4	71.7	93.5
	1969	3.1	28.5	8.6	96.9	71.5	91.4
	1970	3.3	24.4	9.0	96.7	75.6	91.0
	1971	4.4	22.7	10.6	95.6	77.3	89.4
Medium-sized countries							
Colombia	1960	1.1	52.2	1.9	98.9	47.8	98.1
	1965	7.9	51.2	10.6	92.1	48.8	89.4
	1969	7.8	43.9	11.4	92.2	56.1	88.6
	1970	9.1	50.1	13.5	90.9	49.9	86.5
	1971	10.6	55.0	15.9	89.4	45.0	84.1
Chile	1960	3.6	81.8	7.7	96.4	18.2	92.3
	1965	6.4	63.3	8.3	93.6	36.7	91.7
	1969	8.2	77.7	10.6	91.8	22.3	89.4
	1970	10.5	64.9	12.8	89.5	35.1	87.2
	1971	11.8	81.0	14.8	88.2	19.0	85.2
Peru	1960	9.7	36.1	9.9	90.3	63.9	90.1
	1965	9.3	30.4	9.5	90.7	69.6	90.5
	1969	6.1	64.9	6.8	93.9	35.1	93.2
	1970	5.9	49.2	6.5	94.1	50.8	93.5
	1971	8.3	59.3	9.1	91.7	40.7	90.9
Venezuela	1960	8.5	32.3	8.6	91.5	67.7	91.4
	1965	13.3	42.3	13.5	86.7	57.7	86.5
	1969	16.2	66.4	16.8	83.8	33.6	83.2
	1970	14.1	60.0	14.6	85.9	40.0	85.4
	1971	10.9	57.6	11.4	89.1	42.4	88.6

/Table 2 (continued 1)

Table 2 (continued 1)

Country	Year	Latin America a/			Rest of world		
		Primary products	Manufactures	Total	Primary products	Manufactures	Total
		Small countries					
(a) Central American Common Market, Panama and the Caribbean							
Guatemala	1960	3.6	61.8	5.3	96.4	38.2	94.7
	1965	9.5	91.0	20.9	90.5	9.0	79.1
	1969	13.4	93.9	34.0	86.6	6.1	66.0
	1970	13.9	95.3	36.7	86.1	4.7	63.3
	1971	10.6	95.8	32.2	89.4	4.2	67.8
El Salvador	1960	5.9	93.9	10.8	94.1	6.2	89.2
	1965	8.8	98.6	24.1	91.2	1.4	75.9
	1969	9.4	97.5	37.4	90.6	2.5	62.6
	1970	6.8	96.6	32.7	93.2	3.4	67.3
	1971	6.6	96.6	34.9	93.4	3.4	65.1
Honduras	1960	17.4	50.0	18.1	82.6	50.0	81.9
	1965	13.0	88.3	16.6	87.0	11.7	83.4
	1969	11.3	89.8	18.2	88.7	10.2	81.8
	1970	10.1	89.5	16.4	89.9	10.5	83.6
	1971	5.8	89.5	9.8	94.2	10.5	90.2
Nicaragua	1960	6.6	17.1	7.2	93.4	82.9	92.8
	1965	3.6	99.7	8.4	96.4	0.3	91.6
	1969	11.0	98.1	21.3	89.0	1.9	78.7
	1970	14.7	97.9	27.7	85.3	2.1	72.3
	1971	14.5	98.1	27.8	85.5	1.9	72.2
Costa Rica	1960	4.4	80.0	5.3	95.6	20.0	94.7
	1965	6.8	94.7	19.7	93.2	5.3	80.3
	1969	7.5	97.3	23.8	92.5	2.7	76.2
	1970	6.3	98.2	23.3	93.7	1.8	76.7
	1971	7.1	98.5	25.8	92.9	1.5	74.2
Panamá	1960	-	100.0	0.5	100.0	-	99.5
	1965	1.3	91.6	1.9	98.7	8.4	98.1
	1969	4.5	88.9	6.3	95.5	11.1	93.7
	1970	3.1	76.0	4.0	96.9	24.0	96.0
	1971	9.1	89.4	10.7	90.9	10.6	89.3
Dominican Republic	1960	0.4	-	0.4	99.6	100.0	99.6
	1965	1.4	5.7	1.5	98.6	94.3	98.5
	1969	0.4	3.7	0.5	99.6	96.3	99.5
	1970	0.9	3.4	0.9	99.1	96.6	99.1
	1971	0.8	2.9	0.9	99.2	97.1	99.1

/Table 2 (continued 2)

Table 2 (continued 2)

Country	Year	Latin America a/			Rest of world		
		Primary products	Manufactures	Total	Primary products	Manufactures	Total
Barbados	1960	3.4	71.4	5.4	96.6	28.6	94.6
	1965	1.9	62.2	3.6	98.1	37.8	96.4
	1969	0.9	12.6	3.5	99.1	87.4	96.5
	1970	0.9	10.3	3.3	99.1	89.7	96.7
	1971	0.8	9.1	2.9	99.2	90.9	97.1
Guyana	1960	13.9	28.6	14.5	86.1	71.4	85.5
	1965	10.4	15.8	10.7	89.6	84.2	89.3
	1969	12.5	21.2	12.8	87.5	78.8	87.2
	1970	10.8	22.0	11.1	89.2	78.0	88.9
	1971	12.1	23.7	12.5	87.9	76.3	87.5
Jamaica	1960	-	20.0	1.0	100.0	80.0	99.0
	1965	0.8	8.8	1.4	99.2	91.2	98.6
	1969	1.6	31.4	4.2	98.4	68.6	95.8
	1970	2.1	60.1	5.9	97.9	39.9	94.1
	1971	2.0	51.0	5.9	98.0	49.0	94.1
Trinidad and Tobago	1960	1.0	46.0	3.6	99.0	54.0	96.4
	1965	2.5	20.4	4.0	97.5	79.6	96.0
	1969	6.8	23.0	6.8	93.2	77.0	91.2
	1970	8.1	33.5	11.0	91.9	66.5	89.0
	1971	8.1	33.5	11.0	91.9	66.5	89.0
(b) Four South American countries							
Bolivia	1960	12.3	100.0	12.4	87.7	-	87.6
	1965	2.0	88.7	2.7	98.0	11.3	97.3
	1969	9.1	90.0	9.6	90.9	10.0	90.4
	1970	10.1	90.0	10.6	89.9	10.0	89.4
	1971	13.9	90.0	14.4	86.1	10.0	85.6
Ecuador	1960	5.2	41.7	5.8	94.8	58.3	94.2
	1965	4.9	80.6	6.2	95.1	19.4	93.8
	1969	7.6	97.0	9.0	92.4	3.0	91.0
	1970	8.3	91.6	9.0	91.7	8.4	91.0
	1971	8.6	87.0	9.9	91.4	13.0	90.1
Paraguay	1960	38.7	-	33.0	61.3	100.0	67.0
	1965	31.9	5.3	29.7	68.1	94.7	70.3
	1969	36.0	7.1	33.4	64.0	92.9	66.6
	1970	32.9	11.8	31.2	67.1	88.2	68.8
	1971	31.3	9.1	29.1	68.7	90.9	70.9
Uruguay	1960	1.0	33.7	3.1	99.0	66.3	96.9
	1965	7.8	18.2	8.4	92.2	81.8	91.6
	1969	14.0	24.7	15.5	86.0	75.3	84.5
	1970	9.2	30.0	12.5	90.8	70.0	87.5
	1971	19.5	31.3	21.4	80.5	68.7	78.6

/Table 2 (concluded)

Table 2 (concluded)

Country	Year	Latin America a/			Rest of world		
		Primary products	Manufactures	Total	Primary products	Manufactures	Total
Total Central American Common Market	1960	6.7	65.2	8.8	93.3	34.8	91.2
	1965	8.3	95.0	18.4	91.7	5.0	81.6
	1969	10.7	95.8	28.0	89.3	4.2	72.0
	1970	10.4	96.2	28.4	89.6	3.8	71.6
	1971	8.9	96.6	26.9	91.1	3.4	73.1
Total LAFTA	1960	7.8	31.1	8.5	92.2	68.9	91.5
	1965	10.2	44.0	11.9	89.8	56.0	88.1
	1969	10.9	43.5	13.6	89.1	56.5	86.4
	1970	10.0	40.6	13.1	90.0	59.4	86.9
	1971	10.0	38.5	13.6	90.0	61.5	86.4
Total Latin America b/	1960	7.4	33.7	8.2	92.6	66.3	91.8
	1965	9.4	48.9	11.7	90.6	51.1	88.3
	1969	10.3	50.4	14.0	89.7	49.6	86.0
	1970	9.6	48.4	13.8	90.4	51.6	86.2
	1971	9.5	45.5	14.1	90.5	54.5	85.9

Source: Official foreign trade statistics.

a/ Including exports to the 24 member countries of ECLA.

b/ Excluding Cuba and Haiti.