

ESTUDIOS e INFORMES de la CEPAL

6

Latin American
Development Projections
for the 1980s



UNITED NATIONS

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Introduction

The nature of the projections presented in this study is determined by the problems identified as being most important during consideration of the question of Latin American development. The international strategy and the programme of action for Latin America were in fact designed to deal with the central problems, and the quantitative work was therefore focused on consideration of objectives, goals and policies that will make it possible to overcome the current situation. In order to understand the approach adopted in the projections put forward here it is therefore essential to bear in mind the main conclusions reached in the analysis. In the document "Latin American Development in the 1980s" the Secretariat stresses three fundamental aspects of the situation with regard to the socio-economic process and its evolution.

These aspects are: firstly, the continued existence of production structures and policies that have led to the development of extremely inequitable societies, where the results of growth are concentrated in small sectors of the population and are insufficient to meet requirements that are expanding as a result of the high rate of population growth prevailing in the region; secondly, the decline in, or the low level of, the economic growth rates recorded in the majority of the Latin American countries, whose recovery appears to be influenced by such factors as the instability and uncertainty that to a great extent surround the development of the world economy; and, thirdly, the continuing assymetry in the pattern of foreign relations as regards the nature of the flows of exported and imported goods, deterioration of the terms of trade and growth of the external debt.

The nature, scope and variety of the problems identified determined the type of projections that had to be prepared.

In view of the importance of population issues, a special part of this study is devoted to the situation as regards, and prospects for, population growth, taking account of such factors as population dynamism and spatial distribution of the population, population age structure, trends in the economically active population, and the supply of labour. Only one hypothesis, representing an intermediate position between the high and the low, has been used in the population projections, since, in the time-frame considered here, the changes that the economic options considered here would produce in the demographic variables alter neither the nature nor the relative importance of such fundamental issues as the employment problem.

On the other hand, the macro-economic projections, by sector of activity, employment and sectoral productivity, foreign trade, external financing and indebtedness, have been organized on the basis of two growth scenarios. In general terms, the first of these scenarios corresponds to the continuation of growth trends in the context of the policies

under implementation, which are focused on achieving specific goals; in other words, this is a projection based on a dynamic growth forecast, starting from the initial situation and prospects visualized as a result of implementation of economic policy that has already been established. In the second scenario it is assumed that there will be a major change in traditional policy and, at the same time, that a new international economic order will be established.

The growth rates in the gross domestic product that identify the scenarios correspond, in quantitative terms, to the qualitative hypothesis made in each scenario at the country level. Consequently, the results presented for the region as a whole and for various groups of countries constitute averages that may be influenced to a varying extent by the importance of one or several countries, depending on the socio-economic area under consideration. In any event, in the trends scenario economic growth rates will be lower than in the scenario involving greater internal and external change, which has been called the "normative" scenario, owing, *inter alia*, to the fact that it puts forward hypotheses that depend not only on growth potential and internal effort, but also on substantial changes at the international level in the sphere of external co-operation. The same applies in the case of foreign-trade growth rates, external-financing sums, increases in productivity and employment and, ultimately, numerous aspects that translate the chief hypotheses used in the projections exercise.

For analytical reasons, projections were prepared of four fundamental aspects that were interrelated so as to form a basis for the growth scenarios.

Firstly, population aspects were studied with a view to identifying a number of major problems experienced at the stage of population transition through which Latin America is passing and, at the same time, measuring expansion of the labour force and determining where it is concentrated; the latter is a basic component of analysis of the employment situation and employment prospects.

Secondly, the chief macro-economic variables and requirements for capital formation and external financing in keeping with the proposed economic growth in each scenario were determined. Current income from exports plays an extraordinarily important role in that connexion, since in the global model these resources are the prerequisite for striking a balance between saving and investment and for the external accounts, given the restrictions on external financing.

The patterns of output and labour productivity by sector of economic activity were then examined with a view to ensuring that they matched the global projections comparing the employment balance with labour-force projections.

Lastly, the prospects for growth in exports were explored through analysis of the foreign-trade pattern, both in terms of types of goods and place of destination; particular

importance was attached in that connexion to the ratio between primary goods and manufactured products and to the regional or extra-regional character of foreign trade.

For presentation purposes this document begins with an analysis of population trends and prospects. A brief description of the scenarios follows, and then the chief set of projections on which those scenarios are based is considered: economic growth, internal effort, sectoral structure, productivity and employment and external economic relations.

I. LATIN AMERICAN POPULATION TRENDS AND PROSPECTS

1. Position of Latin America in the world as regards population

Over the past three decades the Latin American population grew at a faster rate than that of any other region of the world. Consequently, its share of world population rose from 6.5% in 1950 to 8.2% in 1980; it is anticipated that by the year 2000 its share will have risen to 9.2% (see tables 1 and 2).

In a number of ways Latin America's population characteristics are similar to those of other developing regions; other characteristics place it in an intermediate position between the developed regions and the other regions. Its crude birth rate is lower than that of Africa and Southern Asia, although it is more than twice that of North America and Europe (see table 3). On the other hand, its mortality rate is slightly lower than that of the two latter regions, and almost half that of Africa.

The drop in mortality rates has not been set off by a corresponding decline in birth rates, which is what is responsible for the high population growth rate observed. Furthermore, although it is anticipated that in the two coming decades there will be a drop in birth rates, those rates will remain relatively high and much closer to the current rates of Africa and Southern Asia than to those of the developed countries.^{1/}

2. The demographic development of Latin America

Between 1950 and 1980 the population of Latin America grew at an annual rate of 2.7% and its level more than doubled, rising from 164.1 million inhabitants to 363.4 million inhabitants. For the region as a whole the rise in the population growth rate began to be noted from the 1940s onwards and reached a peak in the five-year period 1960-1965; subsequently, there has been a slow but steady drop (see table 4).

At the country level, rates of population expansion have been relatively disparate. Argentina, Chile, Cuba, Haiti, Uruguay and the English-speaking Caribbean countries had the lowest growth rates, and their share of the region's population dropped from 24.9% in 1950 to 18.7% in 1980, whereas, at the other extreme, in the same years the population growth rate of Brazil, Mexico and Venezuela rose from 51.6% to 57.1% (see table 5).

^{1/} This is without taking migratory movements into consideration.

Table 1
RELATIVE WORLD POPULATION GROWTH, BY REGION
1950 = 100

Region	1975	1980
World total	160	176
Africa	185	214
Latin America	196	221a/
North America	142	148
Eastern Asia	157	169
Southern Asia	177	201
Europe	121	123
Oceania	167	180
Soviet Union	141	148

Source: World Population Trends and Prospects by Country 1950-2000. Summary Report of the 1978 Assessment. United Nations, ST/ESA/SER,R/33.

a/ Boletín Demográfico N°27, CELADE, January 1981.

Following the drop in crude mortality rates, crude birth rates began to decline too, but only slowly and with a time-lag. The drop in those rates marked the beginning of a "demographic transition" similar to that already experienced by the countries that are now developed, but obviously starting on the basis of higher rates than those countries had in the period of highest population growth. However, the experience gained in various periods and in different places does not make it possible to define this process of transition with any degree of exactitude. There is, in fact, a wide disparity in the pattern of the Latin American countries, although it has general characteristics by which it may be described. For example, it is not possible to speak of a gradual and uniform process for all the countries as their development progresses, especially since some factors that have a bearing on the demographic phenomenon affect them almost simultaneously, virtually regardless of their economic situation.

Various factors were responsible for the drop in mortality, such as progress in sanitary techniques, the rise in income and nutrition levels, higher levels of education and improved living conditions. Without any doubt, there is a

Table 2
WORLD POPULATION BY REGIONS AND PROJECTIONS 1950-2000

Region	1950		1980		1990		2000	
	Thousands	Percentage	Thousands	Percentage	Thousands	Percentage	Thousands	Percentage
<u>Total population</u>	<u>2 513 478</u>	<u>100.0</u>	<u>4 409 640</u>	<u>100.0</u>	<u>5 255 251</u>	<u>100.0</u>	<u>6 155 081</u>	<u>100.0</u>
Africa	218 992	8.7	469 361	10.6	630 373	12.0	828 052	13.4
Latin America <u>a/</u>	164 086	6.5	363 394	8.2	458 364	8.7	564 570	9.2
North America	166 048	6.6	246 350	5.6	270 469	5.1	289 546	4.7
Eastern Asia	673 243	26.8	1 135 850	25.8	1 274 490	24.3	1 405 916	22.8
Southern Asia	706 408	28.1	1 421 712	32.2	1 802 590	34.3	2 205 337	35.8
Europe	391 978	15.6	483 532	11.0	501 170	9.5	520 223	8.5
Oceania	12 648	0.5	22 775	0.5	26 161	0.5	29 620	0.5
Soviet Union	180 075	7.2	266 666	6.1	291 637	5.6	311 817	5.1

Source: United Nations, World Population Trends and Prospects by Country, 1950-2000, ST/ESA/SER.R/33.

a/ CELADE, Boletín Demográfico Nº 27, January 1981.

Table 3
LATIN AMERICA AND OTHER REGIONS OF THE WORLD: SELECTED
DEMOGRAPHIC INDICATORS

Region	Crude birth rate (per thousand) (1975-1980)	Crude death rate (per thousand) (1975-1980)	Life expectancy (years) (1975-1980)
World Total	29.4	11.5	57.4
Africa	46.0	17.1	48.7
Latin America	35.4	8.4	63.4
North America	15.3	9.0	73.2
Eastern Asia	21.7	8.6	64.7
Southern Asia	38.9	14.1	51.8
Europe	14.5	10.6	71.9
Oceania	21.6	9.0	65.7
Soviet Union	18.3	8.9	69.6

Source: Selected Demographic Indicators by Country, 1950-2000: Demographic Estimates and Projections as assessed in 1978. United Nations, ST/ESA/SER.R/38.

relationship between the application of certain technologies and a rise in levels of nutrition, on the one hand, and the economic development of the countries applying them, on the other. However, the increasingly wide-spread diffusion of new methods of sanitation made it possible to extend them gradually to countries with lower levels of development and different economic characteristics from those of the countries that first adopted them. The consequent drop in mortality rates is thus not so closely related to the level of development of the countries in which it occurs as it once was; in addition, the impact of the introduction of those technologies and innovations differs, depending on the demographic characteristics of the recipient country. Thus, the relationships between the mortality patterns of the less developed countries of the region, which have a given income level, cannot be equated with those that occurred in other developing countries that are now economically in the lead, and even less so with those in the present industrialized countries.

Figure 1 shows how, in various periods, the ratio between per capita gross domestic product and life expectancy has evolved in 18 Latin American countries (it is considered that

Table 4
 LATIN AMERICA:a/ GROWTH RATE OF TOTAL POPULATION
 (Per thousand)

Period	Natural growth	Migration	Total growth
1960-1965	28.8	-0.6	28.2
1965-1970	27.7	-0.7	27.0
1970-1975	26.1	-0.5	25.6
1975-1980	24.9	-0.4	24.5
1980-1985	24.3	-0.4	23.9

Source: CELADE, Boletín Demográfico N°27, Santiago, Chile, January 1981.

a/ Excluding the English-speaking Caribbean countries.

life expectancy reflects a country's mortality conditions at a given time). In general terms, it may be observed that as the level of the gross domestic product rises life expectancy increases, but that the correlative rate of increase in life expectancy gradually slows down. This is due to limitations relating to human life itself and to the fact that at relatively high levels of life expectancy it becomes increasingly difficult to raise life expectancy further owing to lack of scientific and technological knowledge and to the extremely high costs involved. In lower income countries, on the other hand, more significant results can be achieved through the introduction of mass measures such as vaccination, use of antibiotics and provision of safe drinking water. Thus, the displacement of the curve representing the relationship between the two variables at different periods of time means that the rise in life expectancy does not depend solely on the level in the per capita gross domestic product, but also on other factors, such as those referred to above. For a given level of per capita gross domestic product, the less developed countries now achieve higher levels of life expectancy than did their predecessors under similar conditions.

Displacements also occur in the curve illustrating the relationship between levels of per capita gross domestic product and crude birth rates, indicating that the demographic behaviour of the Latin American countries differs at equivalent GDP levels (see figure 2). The social mechanism that causes the drop in birth rates is more complex, however. The desire to prolong life is a uniform and prevalent attitude all over the world that offers little scope for variation. This is not true

Table 5

LATIN AMERICA: POPULATION DISTRIBUTION AND GROWTH BY AREAS AND COUNTRIES

Region	1950		1980		Annual growth (percentages) 1950-1980
	Thousands	Percentage of total	Thousands	Percentage of total	
Argentina	17 150	10.5	27 036	7.4	1.37
Bolivia	2 706	1.6	5 570	1.5	2.19
Brazil	52 842	32.2	122 320	33.7	2.55
Colombia	11 597	7.2	25 794	7.1	2.43
Costa Rica	858	0.5	2 213	0.6	2.88
Cuba	5 858	3.6	9 732	2.9	1.53
Chile	6 091	3.7	11 104	3.1	1.82
Ecuador	3 307	2.0	8 021	2.2	2.69
El Salvador	1 940	1.2	4 797	1.3	2.75
Guatemala	2 962	1.7	7 262	2.0	2.73
Haiti	3 097	1.9	5 809	1.6	1.90
Honduras	1 401	0.9	3 691	1.0	2.95
Mexico	26 886	16.3	69 752	19.1	2.90
Nicaragua	1 109	0.7	2 733	0.8	2.74
Panama	825	0.5	1 896	0.5	2.81
Paraguay	1 371	0.8	3 168	0.9	2.54
Peru	7 988	4.9	17 625	4.9	2.40
Dominican Republic	2 361	1.5	5 947	1.6	3.10
Uruguay	2 194	1.3	2 924	0.8	0.90
Venezuela	5 139	3.1	15 620	4.3	3.39
<u>English-speaking</u>					
<u>Caribbean countries</u>	<u>6 344</u>	<u>3.9</u>	<u>10 380</u>	<u>2.9</u>	<u>1.30</u>
<u>Total region</u>	<u>164 026</u>	<u>100.0</u>	<u>363 394</u>	<u>100.0</u>	<u>2.69</u>

Source: CELADE, Boletín Demográfico Nº 27, January 1981.

Figure 1
 EXPECTATION OF LIFE AT BIRTH AND PER CAPITA GROSS DOMESTIC PRODUCT
 IN 1950, 1960, 1970 AND 1979

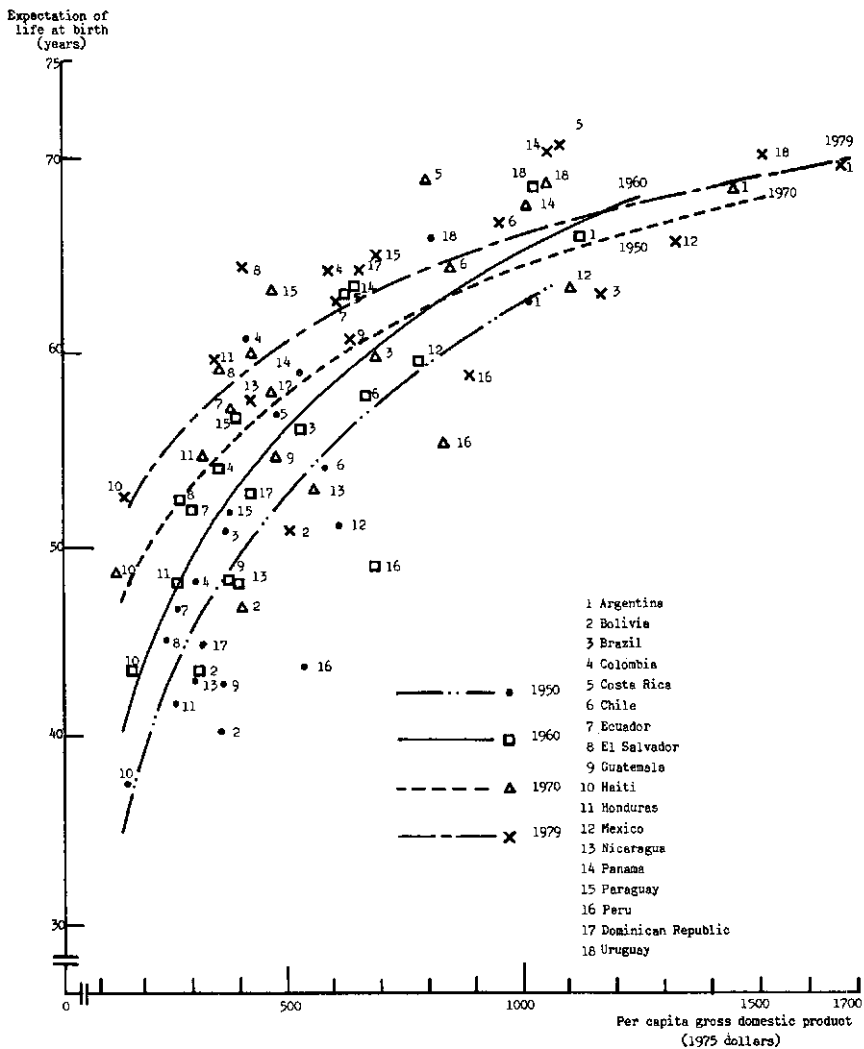
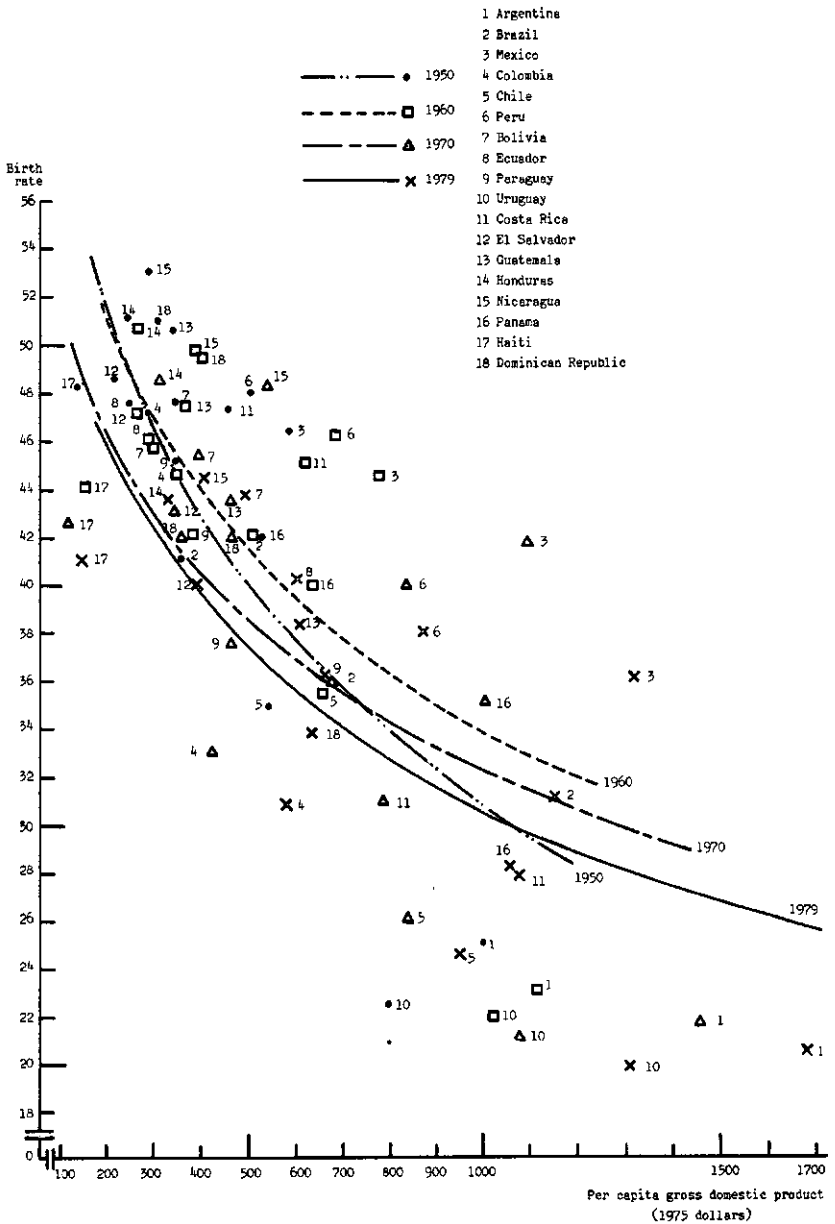


Figure 2
 CRUDE BIRTH RATE AND PER CAPITA GROSS DOMESTIC PRODUCT
 IN 1950, 1960, 1970 AND 1979



of birth-related attitudes. The influence of the different cultural patterns associated with human groups is likewise reflected in a wide variety of attitudes and a slower reaction to changing circumstances, although the experience acquired seems to indicate that in the long term the birth rate is also subject to the general tendency to decline observed in processes of "demographic transition". However, it is possible that traditional attitudes will change more rapidly than they have up until now, owing to the adoption of new policies, such as the dissemination of birth-control practices in a number of countries.

There are other component of the demographic situation that cannot be reduced to uniform behaviour patterns; take, for example, the different population growth trends of the Latin American countries grouped by decreasing level of life expectancy at birth (see table 6).

In the period 1975-1980, in the group of countries with the highest life expectancy those with the lower per capita gross domestic product had the highest fertility and birth rates,^{2/} which, together with a lower mortality rate, results in rates of natural population increase twice those of Argentina and Uruguay and, in turn, gives rise to higher dependency indexes. In view of the fact that the life expectancy of all these countries is virtually the same (approximately 70 years), the trends described indicate that the most important phase of the process of demographic transition is still under-way in Costa Rica and Panama, whereas in Argentina and Uruguay there seems to be a greater deceleration, with natural population growth rates close to those of the developed countries (10.2 and 12.4 per thousand, respectively).

In the second group, which includes countries with a life expectancy of between 61.8 and 66.2 years, namely, Brazil, Chile, Colombia, El Salvador, Mexico, Paraguay and Venezuela, the position of Chile stands out clearly, since it is close to that of Argentina and Uruguay with regard to all demographic variables (see table 6). The other countries of the group display wide disparities. If, for example, for the purposes of comparison the vegetative growth rate is taken as an indicator, it will be seen that in the period 1975-1980 El Salvador, Mexico, Paraguay and Venezuela showed annual growth rates of 29.1 to 32.6% per thousand inhabitants; these are high levels of growth which, on the one hand, result in high dependency indexes and give rise to serious problems relating to the creation of new sources of employment and, on the other hand,

^{2/} In 1979 their per capita gross domestic product was somewhat over US\$ 1 000, in 1975 dollars, whereas Argentina and Uruguay had per capita gross domestic product levels of US\$ 1 309 and US\$ 1 679, respectively.

Table 6
LATIN AMERICA: CLASSIFICATION OF COUNTRIES BY LIFE EXPECTANCY PERIOD 1975-1980

	Life expectancy (years)	Global fertility rate (per thousand)	Crude birth rate (per thousand)	Crude death rate (per thousand)	Natural growth rate (per thousand)	Population aged 65 and over as a percentage of total population (percentage)	Dependency index (percentage)	Per capita gross domestic product in 1979 (1975 dollars)
<u>Over 69 years</u>								
Costa Rica	69.7	4.6	29.0	5.3	23.8	3.5	76.6	1 077
Panama	69.7	4.1	31.3	6.0	25.4	4.0	81.2	1 058
Uruguay	69.5	2.9	20.3	10.1	10.2	9.9	59.6	1 309
Argentina	69.2	2.9	21.2	8.9	12.4	8.4	57.5	1 679
<u>61.8 to 66.5 years</u>								
Venezuela	66.2	4.7	36.9	6.2	30.8	2.7	84.1	2 350
Chile	65.7	3.1	25.4	8.1	17.4	5.6	64.3	949
Mexico	64.4	5.4	38.3	7.8	30.5	3.5	95.1	1 319
Paraguay	64.1	5.2	36.7	7.7	29.1	3.4	87.7	680
Colombia	62.2	4.3	32.1	8.2	23.8	3.3	79.5	585
El Salvador	62.2	6.0	42.1	9.4	32.6	3.4	95.3	402
Brazil	61.8	4.5	33.3	9.3	24.1	3.9	78.6	1 157
<u>55.0 to 60.0 years</u>								
Dominican Republic	60.3	5.0	36.7	9.0	27.7	2.7	95.7	647
Ecuador	60.0	6.3	41.6	10.4	31.2	3.6	93.1	601
Guatemala	57.8	5.7	41.1	10.9	30.2	2.8	90.0	616
Peru	57.6	5.5	38.6	11.6	27.0	3.4	86.1	878
Honduras	57.1	7.1	47.0	11.8	35.2	2.7	102.4	347
Nicaragua	55.2	6.6	46.6	12.2	34.5	2.4	102.4	418
<u>Less than 55.0 years</u>								
Haiti	50.7	5.9	41.8	15.7	26.1	3.6	89.1	158
Bolivia	48.6	6.4	44.8	17.5	27.4	3.3	87.3	502

Source: CEPAL, on the basis of data from CELADE, Boletín N° 27, Santiago, Chile, January 1981.

are not in any way in keeping with values relating to life expectancy or with the per capita gross domestic product. An example in that connexion is the case of Brazil and Mexico, which are the countries with the greatest population (53% of the population of Latin America in 1980); whereas there is no significant difference in their per capita gross domestic product, namely, US\$ 1 157 and US\$ 1 319, their natural population growth rates are 24.1 and 30.5 per thousand, respectively; likewise, Colombia, which has a per capita GDP level that is approximately half that of Brazil, has a natural growth rate that is virtually the same as that of Brazil (23.8 per thousand).

The third group, which is made up of countries with a life expectancy of 55 to 60 years, includes the Dominican Republic, Ecuador, Guatemala, Honduras, Nicaragua and Peru. In general terms, it may be said that this group displays a greater degree of homogeneity in its demographic indicators than the two above-mentioned groups. In this group there is a certain correlation between natural population growth rates and the per capita gross domestic product; moreover, with regard to the former variable, attention should be drawn to the explosive growth rates reached in Honduras and Nicaragua, since they are around 35 per thousand; dependency indexes that even exceed 100% may also be noted. Nevertheless, it cannot be said that very definite trends can be made out; although it is true that birth and death rates tend to be higher in cases where per capita GDP levels are generally low, this does not shed any light on the transitional phases in which the natural growth rates begin to enter a cycle of decline. For example, in that connexion, although the countries with the lowest life expectancy in the region, Bolivia and Haiti, display relatively high birth rates, they show a relatively low rate of vegetative growth (approximately 27 per thousand) and lower dependency indexes than those of the preceding group, owing to their high level of mortality (17.5 and 15.7 per thousand); however, judging by their vegetative-growth rate and their dependency index, it could not be said that their demographic situation is more satisfactory, and, furthermore, the logical trend would be for mortality rates to drop and, probably, for there to be a relatively prolonged acceleration in the natural population growth rate.

In all this spectrum one fact becomes absolutely clear. With the exception of Argentina and Uruguay and, to a lesser extent, Chile, the Latin American countries are facing rates of population growth that constitute a real challenge to development strategies and policies, particularly strategies and policies with a view to improving the employment situation and provision of basic services for human development. There is no doubt that natural population growth rates of 24 to 35 per thousand (with the exception of those of the three countries mentioned above) call for high rates of economic growth and implementation of policies with a substantial social content.

3. Structure of population by age

The patterns of past demographic behaviour referred to above have given each of the Latin American countries its distinct population dynamics, whose socio-economic repercussions differ not only with regard to the quantitative differences noted but also with regard to the level and quality of each country's development. Population structure by age is one of the major components of population dynamics, since it has a considerable impact on more important issues that have to be dealt with in the economic and social sphere. For example, a bigger share of the population in the younger age group means that education requirements are greater; whereas if there is a larger share in the working age group it will be necessary for there to be greater employment absorption in order to raise private income and improve income distribution.

Consideration of the population structure by age reveals widely varying situations from country to country. If dependency indexes ^{3/} are taken as a basis for comparison, it may be noted that in most countries the indexes in question were over 80% in the period 1975-1980 (see table 6); however, the differences in the share of the economically active population (EAP) are considerable, and currently in Latin America they are inversely correlated to the natural population growth rate rather than to the per capita gross domestic product. In Argentina and Uruguay, where demographic growth is slow and the population is relatively old, the dependency indexes are the lowest in the region (57.5% and 59.6%). This index is also significantly lower in Chile (64.3%) than in the rest of Latin America, but in Chile it is accompanied by a lower per capita GDP level than those of the two countries mentioned above. Brazil and Mexico, which have gross domestic product levels higher than that of Chile, are significantly different in that the dependency index of the former is under 80% and its rate of natural increase is 24.1 per thousand, whereas in the latter country these indicators are 95% and 30.5 per thousand, respectively. Indexes similar to those of Mexico are found in countries at lower levels of economic development, such as the Dominican Republic, Ecuador and El Salvador. However, in these latter countries absorption of the expanding labour force into the labour market gives rise to very different problems, in view of their restricted resources and the scale and structure of their production systems.

Honduras and Nicaragua are in a special position, since in the regional context they have one of the lowest levels of per capita gross domestic product and the highest rate of natural population increase; these factors have contributed to

^{3/} Defined as the ratio between the sum of the population from 0 to 14 years of age and 65 and over and the population aged 15 to 64 years.

producing a high proportion of young people, to the extent that, together, young people and the population aged over 65 years exceed the number of economically active persons, leading to dependency indexes of over 100%.

Lastly, it is necessary to stress the impact of these high population growth rates in producing population age structures that, in themselves, give rise to problems of particular significance in the economic and social field. In 1980 Latin America had a population under the age of 14 years representing 40% of its total population, whereas the economically active population was 55.8% and the population over 65 years of age 4.2%; it is thus easy to visualize the task that has to be faced in order to provide gainful employment to a population segment on whose work another population segment representing nearly 80% of the former segment depends. Moreover, it should not be forgotten that this average conceals extreme situations, such as those already mentioned, in which the number of economically inactive persons is equal to, or exceeds, the number of those that are potentially in a position to work. For example, it will suffice to point out that in 1975 in the developed regions 4/ only one quarter of the population was under the age of 15 years, whereas the dependency ratio was 60%.

4. Urbanization

The accelerating process of urbanization in Latin America is closely related to the trends noted in the "demographic transition" of the various individual countries. It was possible to establish on the basis of estimates for the 1950s that approximately half of the increase in the rural population emigrated to the cities. However, despite this accelerated urbanization process, Latin America is at a slighter higher level than the average level of urbanization reached by the world population. In the region as a whole, the urban population rose from 57.5% in 1970 to 64.4% in 1980. It is estimated that in the 1970s approximately 86.7% of the total population increase took place in the cities.

There were considerable differences from country to country in spatial terms. Three groups of countries may be distinguished in that connexion. The first group is made up of Argentina, Chile and Uruguay, which in the past three decades have shown annual population growth rates below 20 per thousand, urban growth equal to, or below, 30%, and expansion of the economically active population of below 20 per thousand; in all the countries in question the total and urban population growth rates began to decline before the 1970s, and, furthermore, the rural population dropped even in absolute terms.5/ These countries also have

4/ The Year Book of Labour Statistics, ILO, 1978.

5/ With the exception of Cuba, where it is growing at rates close to zero.

urban population percentages exceeding 80% of the total (see table 7). In short, these are countries in which population trends have consistently been ahead of those of most countries of the region.

At the other extreme, in the group made up of Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Venezuela, there are still extremely high population growth rates (29 or more per thousand in 1975-1980) and the urban segment is still growing at annual rates of 45 per thousand or more. The countries in question simultaneously show relatively high rates of rural population growth (20 per thousand or more in 1975-1980), with the exception of Mexico and Venezuela, where the rate in question has dropped to a little over 10 and 5 per thousand, respectively, and urban population percentages are significantly higher (66% and 79%), in contrast with the average of under 45% for the remaining countries of the group. In short, these are countries in which there has been a lag in the development of population phenomena in comparison with the average situation in the region and where rates have been higher than those of the countries in the first group at an equivalent point in time.

The remaining countries, which are not considered in the preceding groups, make up a whole that is close to the regional average. Brazil and Colombia stand out owing to the fact that, in addition to being the countries with the largest populations in this group, they already have declining total, urban and rural population growth rates; the rural population growth rate dropped to below 10% per thousand in Brazil and is close to zero in Colombia. At the same time, the share of the urban population is around 65% of the total, a proportion that is close to the regional average and is particularly noteworthy owing to its decentralization in a large number of urban centres. There is no question that this aspect is extremely important, in view of the fact that, just as it will be necessary in the future to conduct a differentiated analysis at the country level, given the disparities observed, in a number of countries, such as those referred to above, it is possible that it will also be necessary to make a differentiated analysis of the regions of which those countries are composed.

5. Prospects for population growth in Latin America

It could be seen from the retrospective analysis that there are marked differences in the economic and social situation of the individual countries and, within that spectrum, significant variations with regard to population growth rates. The mechanisms expressing the interrelationship between demographic behaviour and development level are still not well known; but it is accepted that in the long term such a relationship develops and that mutual influence is exerted. However, population evolution, at least in the course of periods that are not long enough for demographic behaviour to

Table 7
LATIN AMERICA (19 COUNTRIES): URBAN POPULATION AS A
PERCENTAGE OF TOTAL POPULATION^a, 1970 AND 1980

Country	1970			1980		
	Urban	Rural	Total	Urban	Rural	Total
Argentina	78.5	21.5	100.0	82.7	17.3	100.0
Bolivia	34.9	65.1	100.0	40.2	59.8	100.0
Brazil	55.8	44.2	100.0	64.1	35.9	100.0
Colombia	59.2	40.8	100.0	67.6	32.4	100.0
Costa Rica	38.8	61.2	100.0	45.8	54.2	100.0
Chile	75.2	24.8	100.0	81.1	18.9	100.0
Ecuador	39.5	60.5	100.0	44.3	55.7	100.0
El Salvador	39.5	60.5	100.0	44.4	55.6	100.0
Guatemala	33.7	66.3	100.0	38.4	61.6	100.0
Haiti	19.8	81.2	100.0	25.0	75.0	100.0
Honduras	33.2	66.8	100.0	40.2	59.8	100.0
Mexico	58.9	41.1	100.0	66.4	33.6	100.0
Nicaragua	47.0	53.0	100.0	54.3	45.7	100.0
Panama	47.8	52.2	100.0	54.4	45.6	100.0
Paraguay	37.2	62.8	100.0	42.1	57.9	100.0
Peru	58.0	42.0	100.0	65.5	34.5	100.0
Dominican Republic	39.4	60.6	100.0	47.2	52.8	100.0
Uruguay	80.8	19.2	100.0	84.8	15.2	100.0
Venezuela	72.0	28.0	100.0	78.9	21.1	100.0
Latin America (19 countries)	57.5	42.5	100.0	64.4	35.6	100.0

Source: CELADE, *Boletín Demográfico* N° 23, January 1979.

a/ Defined as such in the case of each individual country.

react to changes in the economic situation or to other factors that may affect it, displays some inertia, which is also related to the slowness with which changes in the different demographic variables act on population trends. Thus, it may be considered that for all practical purposes trends in the principal demographic variables for the next two decades are already determined, and that, if changes occur, they will not be very significant unless unusual events that are impossible to forecast occur or, because of lack of sufficient knowledge, inadequate consideration has been given to the possible impact of intensive population policies now being carried out.

It must be borne in mind that often it is not easy to detect changes in demographic behaviour as rapidly as is necessary. The basic data, most of which are taken from periodic censuses, are usually difficult to collect, and their processing takes a long time. Thus, there are delays in making the results available, which has a bearing on the timeliness of the estimates and therefore on the correctness of the future trends. The effects of programmes, activities and investment with direct or indirect impact on the demographic behaviour of various sectors of the population (such as family planning programmes) are slow to manifest themselves, but once they have evolved their impact spreads gradually. Thus, despite the complexity of determining the impact of such aspects on

Table 8
LATIN AMERICA (19 COUNTRIES): TOTAL POPULATION, 1980-2000
(In thousands at mid-year)

Country	1980	1990	2000	Annual growth rate (per thousand)		
				1980- 1990	1990- 2000	1980- 2000
<u>Large countries</u>						
Argentina	27 036	30 277	33 222	11.4	9.3	10.4
Brazil	122 320	153 171	187 494	22.7	20.4	21.6
Mexico	69 752	91 976	115 659	28.0	23.2	25.6
Subtotal	219 108	275 424	336 375	23.1	20.2	21.7
<u>Medium-sized countries</u>						
Colombia	25 794	31 820	37 999	21.2	17.9	19.6
Chile	11 104	13 061	14 934	16.4	13.5	14.9
Peru	17 625	23 355	30 703	28.5	27.7	28.1
Venezuela	15 620	21 284	27 207	31.4	24.9	28.1
Subtotal	70 143	89 520	110 843	24.7	21.4	23.1
<u>Small countries</u>						
Bolivia	5 570	7 314	9 724	27.6	28.9	28.3
Costa Rica	2 213	2 776	3 377	22.9	19.8	21.4
Ecuador	8 021	10 949	14 596	31.6	29.2	30.4
El Salvador	4 797	6 484	8 708	30.6	29.9	30.3
Guatemala	7 262	9 676	12 739	29.1	27.9	28.5
Haiti	5 809	7 509	9 860	26.0	27.6	26.8
Honduras	3 691	5 105	6 978	33.0	31.7	32.4
Nicaragua	2 733	3 778	5 154	32.9	31.5	32.2
Panama	1 896	2 346	2 823	21.5	18.7	20.1
Paraguay	3 168	4 231	5 405	29.4	24.8	27.1
Dominican Republic	5 947	7 534	9 329	23.9	21.6	22.8
Uruguay	2 924	3 166	3 448	8.0	8.6	8.3
Subtotal	54 031	70 868	92 141	27.5	26.6	27.0
<u>Latin America</u> (19 countries)	<u>343 282</u>	<u>345 812</u>	<u>539 359</u>	<u>24.2</u>	<u>21.3</u>	<u>22.8</u>

Source: CEPAL, on the basis of data from CELADE, Boletín Demográfico Nº 27, January, 1981.

demographic trends, it is not very likely that there will be significant variations in the projections presented below as regards long-term trends, all the more so in the case of those variables that depend on births that have already occurred, as in the case of the economically active population, which absorbs population increments after a given period of time. Likewise, the general drop anticipated in birth rates will bring about a certain decline in the overall population growth rate (see table 8). In that connexion, the countries that are exceptions, namely, Bolivia, Haiti and Uruguay, are self-explanatory; whereas it is anticipated that in the first two countries there will be a substantially greater drop in mortality rates than in birth rates (it should be remembered that the former are the highest in the region), it is expected that in Uruguay, whose population growth rate has dropped to the lowest in the region, the migration rate will not be at the high negative level it was at in the past (see table 9).

The classification of countries in the tables containing the demographic projections was established on the basis of their economic scale, with the purpose of providing a basis for the analysis and projections of Latin American development presented in the second part of this paper. Therefore, even

Table 9

LATIN AMERICA: POPULATION GROWTH RATES, 1975-1980 AND 1955-2000

Country	Per capita gross domestic product 1979 (1975 dollars)	Global fertility rate		Crude birth rate (per thousand)		Crude mortality rate (per thousand)		Migration rate (per thousand)		Total growth rate ^{a/} (per thousand)	
		1975-	1995-	1975-	1995-	1975-	1995-	1975-	1995-	1975-	1995-
		1980	2000	1980	2000	1980	2000	1980	2000	1980	2000
<u>Large countries</u>											
Argentina	1 679	2.87	2.46	21.24	18.13	8.85	9.51	0.27	0.22	12.65	8.84
Brazil	1 319	4.50	3.28	33.26	26.92	9.13	7.23	-	-	24.13	19.69
Mexico	1 157	5.40	3.25	38.26	27.29	7.76	5.25	-0.77	-0.46	29.72	21.59
<u>Medium-sized countries</u>											
Colombia	585	4.31	3.00	32.06	24.32	8.23	6.86	-2.45	-0.69	21.38	16.78
Chile	949	3.10	2.50	23.41	20.05	8.05	7.15	-0.31	-0.23	17.05	12.67
Peru	878	5.49	4.60	38.56	34.36	11.56	7.53	-	-	27.00	26.83
Venezuela	2 350	4.74	3.27	36.93	27.04	6.17	4.85	4.18	0.97	34.94	23.19
<u>Small countries</u>											
Bolivia	502	6.39	5.50	44.84	39.56	17.48	9.76	-1.53	-0.88	25.83	28.72
Costa Rica	1 077	3.57	2.87	29.05	23.79	5.27	5.05	-	-	23.79	18.74
Ecuador	601	6.29	4.72	41.60	33.46	10.43	5.59	-0.86	-0.16	30.31	27.72
El Salvador	402	6.01	4.45	42.06	34.22	9.44	5.23	-3.36	-	29.27	28.99
Guatemala	616	5.68	4.31	41.11	33.62	10.91	6.28	-	-	30.21	27.34
Haiti	158	5.92	5.15	41.84	39.13	15.70	10.31	-2.37	-1.41	23.77	27.41
Honduras	347	7.14	5.00	48.60	37.99	11.81	6.26	-	-	35.24	31.73
Nicaragua	418	6.57	5.04	46.64	38.05	12.18	6.62	-1.66	-0.88	32.80	30.55
Panama	1 058	4.12	2.85	31.35	23.86	5.96	5.50	-0.92	-0.61	24.47	17.75
Paraguay	680	5.20	3.75	36.75	29.50	7.67	6.11	3.76	-	32.83	23.40
Dominican Republic	647	5.00	3.20	36.66	27.92	9.00	5.98	-2.08	-1.31	25.59	20.63
Uruguay	1 309	2.89	2.55	20.29	18.80	10.11	9.95	-4.51	-0.36	5.67	8.49
<u>Total Latin America</u>	<u>1 096</u>	<u>4.62</u>	<u>3.39</u>	<u>33.87</u>	<u>27.34</u>	<u>8.95</u>	<u>6.78</u>	<u>-0.40</u>	<u>-0.17</u>	<u>24.52</u>	<u>20.40</u>

Source: CEPAL, on the basis of data from CELADE, *Boletín Demográfico* N° 27, January 1981.

a/ Equals the difference between the birth and death rates, plus (+) the migration rate.

although this classification is not strictly in keeping with a demographic perspective, it is useful for the purpose of considering the relationships between certain demographic variables and a number of areas of economic growth.

However, since it is a question of country averages, it is necessary to stress the most significant or atypical trends in a given case, where necessary. Thus, for example, although the drop in the population growth rate anticipated in Latin America in the coming two decades would appear to be a prolongation of the transition process mentioned earlier, it is nevertheless true that its scale and intensity will be strongly influenced by the course taken by Mexico. It is expected that the population growth rate in the region will drop from 24.5 per thousand in the period 1975-1980 to 24.2 and 21.3 in the 1980s and 1990s,^{6/} whereas in Mexico it will drop from 29.7 to 28.0 and 23.2, respectively. In other words, it is only once Mexico's population growth rate has significantly dropped that the region's population growth rates will also do so, while nevertheless maintaining much higher levels than the current levels of any developed country.

There will continue to be considerable disparities with regard to overall population growth within the individual groups of countries. These disparities will be much more marked in the 1980s and 1990s, and in the second half of the 1990s the differences in question will become less pronounced, with lower rates that will be closer to per capita GDP product levels. In this context, there will be a particularly sharp drop in the rates in question above all in Mexico and Venezuela and in general in the countries with higher per capita GDP levels, namely, Brazil, Chile, Costa Rica and Panama. Moreover, in connexion with this aspect, the drop in migratory movements will be greater in Paraguay and Venezuela.

In any event, if the individual groups of countries are considered as a whole, it may be noted that the potential for reducing the population growth rate is apparently greater in the large and medium-sized countries and that there is very little potential in the small countries in that connexion (see table 8). This suggests that the larger economies would be in a better position to modernize, tackle the rapid urbanization process and raise their population's educational and health levels, which are factors that unquestionably have an impact on fertility, birth and death rates; however, these trends also imply an improvement in distribution of income, since, if this does not take place, it will not be possible to extend the socio-economic benefits referred to the lowest-income population segments, which are precisely the ones where the highest population growth rates are generated. In that connexion, it has been noted in a number of surveys of Latin American countries that households with incomes on the borderline of critical poverty have twice the number of dependents below the age of 14 years that non-poor households have; this applies in both

^{6/} If Mexico were excluded, the latter rates would be approximately 23.1 and 21.1 per thousand.

urban and rural areas. Moreover, this bears out the assertion that fertility rates are closely related to the income levels of the poorest groups and that the relatively uneven distribution of income in a number of countries would appear to be a factor that contributes to those countries' high birth rates. It also bears out the views of authors who claim that, although the relationships between income levels and birth rates are indirect, such relationships are nevertheless relatively uniform and provide reasonable degree of accuracy with regard to demographic transition trends (see figure 2). Furthermore, it supports the conclusion drawn by a number of authors that development policies should take account of the impact of education, health and other socio-economic processes on population growth, rather than continuing to treat birth rates as an external variable in development plans.

Among the countries with larger economies, Argentina will continue to have a declining population growth rate as a result of a drop in the birth rate and a small increase in mortality (a unique case in the region) arising from its population's ageing process; towards the end of the century its annual rate of population growth will drop to 8.8 per thousand, thus only slightly exceeding that of Uruguay, whose demographic traits are extremely similar. In Mexico there will be a sharper drop in the birth rate than in Brazil, with the result that the birth rate will level off in both countries in the period 1995-2000; the differences noted in overall population growth in the period in question will therefore be attributable to the continuing presence of disparities in mortality rates (see table 9). These projections take on greater importance when account is taken of the fact that the drop anticipated in the rate of expansion of the birth rate in Mexico is the sharpest in the region (almost 11 points per thousand between 1975-1980 and 1995-2000) and that, nevertheless, together these countries will continue in the year 2000 to have 56% of the population of Latin America (19 countries) and to have population growth rates of approximately 20 per thousand, which is an extremely high figure when compared with the former situation in countries that are now developed at a point when they had per capita GDP levels similar to those that the two countries in question will have at the end of the century.

In the medium-sized countries the most outstanding aspect is the drop anticipated in the birth rate of Venezuela; this will be the sharpest drop after that of Mexico and will amount to 9.9 points per thousand between the five-year periods 1975-1980 and 1995-2000, which, together with an equally marked drop in the migration rate, will lead to a population increase, which although relatively high (23.2 per thousand in 1995-2000) will be more in keeping with its per capita GDP level, which will continue to be the highest in the region. The rate of population growth in Colombia and Chile will continue to drop; in the former country there will be a greater drop in the birth rate, but the negative effect of the migration rate will also decrease, with the result that towards the period 1995-2000

the differences will be maintained at rates of 16.8 and 12.7 per thousand, respectively. It should, in any event, be noted that when compared with those of Venezuela these figures are relatively low; the same is so in comparison with those of Peru, where birth and death rates will offset each other and there will not be a reduction in the population growth rate between 1975-1980 and 1995-2000, when there will be an average of 27 per thousand.

Reference has already been made to a number of outstanding traits in the small countries. In Uruguay, which currently has the lowest population growth rate in the region (5.7 per thousand in 1975-1980), the rate will rise to 8.5 in the five-year period 1995-2000. but this will be almost entirely owing to the drop in the negative effect of the migration rate (from -4.5 to -0.4 per thousand) between the abovementioned periods. The other two countries in which there will be a rise in the population growth rate are Bolivia and Haiti, but for entirely different reasons; on the one hand, their birth rates will not drop significantly (particularly in Haiti, which has the lowest per capita income) and will be the highest in the region at the end of the century and, on the other hand, they will experience the most drastic drops in their mortality rates. This is thus the situation in the two countries that are lagging furthest behind in the demographic transition that Latin America is experiencing.

In general, the countries with small economies will continue to have the highest population growth rates in the region. The exceptions will be Costa Rica, Panama and Uruguay, which recorded a per capita gross domestic product of over US\$ 1 000 (1975 dollars) in 1979, whereas in the other countries it was between US\$ 350 and US\$ 680 (only US\$ 160 in Haiti). However, there will in any event be an inverse correlation between the per capita gross domestic product and the rate of population growth. At the same time, in the countries in question as a whole there will be a drop in the birth rate of almost 20% and a decrease in the mortality rate of somewhat over 40%, which, together with a general drop anticipated in net migration, which is normally negative (except in Paraguay in the period 1975-1980), would mean that there will be only a slight reduction in the overall population growth rate. Thus, between the 1980s and 1990s that rate will drop from 27.5 to 26.6 per thousand, which are certainly high figures even in the context of the developing countries of other regions.

It is not superfluous to reiterate that the projections presented here largely reflect what could be interpreted as long-term population inertia, adjusted in a number of ways by elements that have recently become known and that are expected to have a certain impact on future population trends. For example, the drop projected in Mexico's birth rate is largely based on the policy of promoting the strengthening of responsible parenthood that is being practiced in that country, which in general means having a smaller number of children and

providing those children with enhanced living conditions. An endeavour has been made to measure this aspect through the birth rate, but there is obviously a high degree of uncertainty, particularly if account is taken of the fact that in the future the policy in question could be accompanied by more advanced techniques that are simple to absorb, especially by low-income population segments.

6. Growth of the economically active population (EAP)

In recent years the phase of demographic transition through which Latin America is passing, which is marked by high growth rates that are in the process of declining in most countries, has had the most impact with regard to the relative increase in the EAP and expansion of the labour supply.

Despite the appreciable economic growth recorded in many countries of the region, there is no doubt that underemployment continues to exist and has become worst in a number of cases. Therefore, in spite of the fact that the problem exists to varying extents from country to country, it is clear that the rate and characteristics of past economic growth have not made it possible to absorb the expanding labour supply productively and thus to reduce, or at least halt the exacerbation of, situations where there is poverty and indigence.

The continuing existence of a high proportion of inactive persons in the population segment that is of working age means that technical and human resources are being wasted to a certain extent. Policies with a view to providing new members of the labour force with appropriate employment and to improving utilization of those who remain redundant are thus a challenge, not only as regards achieving more satisfactory growth rates, but also as regards establishing an economic system that will make it possible to meet the demand for employment in a dynamic manner; in other words, by combining requirements relating to production through use of modern technology with the expansion of employment resulting from population growth. Of course, this is extremely complex, since, on the one hand, raising production levels calls for productivity gains, which are linked to use of capital-intensive technology and, on the other hand, for the availability of a labour force that has skills in keeping with those resources. Since a considerable drop in the birth rate is anticipated, the proportion of the population aged under 14 years will drop, and, on the other hand, the proportion of the population of working age will increase considerably and there will be a slight increase in the proportion of the population of over 65 years of age (see table 10); the need to equip the members of the labour force with appropriate skills, as an ideal way of facilitating their incorporation into the production process, will become more pressing.

Table 10

LATIN AMERICA: TOTAL POPULATION AND AGE STRUCTURE

	1980		2000		Increase 1980-2000		1980-2000 (annual growth rate, per cent)
	Thousands	Percentage of total	Thousands	Percentage of total	Thousands	Percentage of total	
<u>Total</u>	<u>353 014</u>	<u>100.0</u>	<u>551 076</u>	<u>100.0</u>	<u>198 061</u>	<u>100.0</u>	<u>2.3</u>
0 - 14 years	140 849	40.0	192 107	34.9	51 257	25.9	1.6
15 - 64 years	196 864	55.8	332 017	60.2	134 792	68.0	2.6
65 years and over	14 941	4.2	26 952	4.9	12 011	6.1	3.0

Source: CELADE, Boletín Demográfico N° 27, January 1981.

Achievement of higher levels of absorption of labour with adequate productivity levels and less differentiation according to the activities carried out would make it possible to attain two extremely important goals: on the one hand, there would be a trend towards improved primary distribution of income and, on the other hand, if there is a significant drop in dependency indexes, from 79% in 1980 to 66% by the year 2000, the burden that the inactive population represents will be much more tolerable.

In the region as a whole the proportion of the economically active population in relation to the total population will rise from 55.8% in 1980 to 60.2% in the year 2000; however, if its contribution to the anticipated population increase in the period in question is considered, that proportion rises to 68%. A preponderant role will be played in that connexion, by trends in the large and medium-sized countries, in whose population increases the share of the economically active population will rise to 70% and 65%, respectively, while it will only be 61% in the small countries (see table 11). There is an inverse relationship between these percentages and the ascending order of the overall population growth rate these groups will have, starting with the larger groups;^{7/} in other words, where there is a lower population growth rate, the maturing (over 14 years of age) and ageing of the population (over 65 years of age) is accentuated. A situation will thus develop in which there will continue to be greater pressure in the small countries as regards the dependency ratio; or, considering the problem from a different viewpoint, the population increase in the countries in question over the two forthcoming decades will result in a proportion of members of the population under the age of 14 years (35%) that is higher than in the medium-sized (27%) and large (23%) countries; this is a phenomenon with different connotations relating to such questions regarding development of youth as nutrition and education.

The share of the economically active population in the total population will drop in Argentina, Bolivia and Uruguay in the five-year periods 1975-1980 and 1995-2000. This will be so in Argentina and Uruguay owing to their low demographic growth rate and to the ageing of their population; but those two countries will in any event maintain relatively high proportions that will be similar to those of the more developed regions ^{8/} (see table 12). In Bolivia, on the other hand, this

7/ In the period 1980-2000 these rates will be: large countries, 21.7; medium-sized countries, 23.1; and small sized countries, 27.0 per thousand.

8/ In 1975 in these regions approximately 64.5% of the population was between the age of 15 and 64 years and 10.5% was over the age of 65 years. (See Year Book of Labour Statistics, op.cit.)

Table 11
LATIN AMERICA: POPULATION GROWTH BETWEEN 1960-2000
(Thousands)

Country	Age (years)			Total	Percentage of total for Latin America	Percentage of total for each country		
	0-14	15-64	65 and over			0-14	15-64	65 and over
<u>Large countries</u>								
Argentina	910.6	4 079.6	1 195.1	6 185.3	3.2	14.72	65.96	19.32
Brazil	15 658.8	44 957.6	4 557.4	65 173.8	33.1	24.03	68.98	6.99
Mexico	10 822.6	33 112.2	1 972.2	45 907.0	23.1	23.57	72.13	4.30
Total	27 392.0	82 149.4	7 724.7	117 266.1	59.8	23.36	70.05	6.59
<u>Medium-sized countries</u>								
Colombia	2 245.5	9 149.4	809.9	12 204.8	6.2	18.40	74.96	6.64
Chile	573.3	2 859.6	396.6	3 829.5	1.9	14.97	74.67	10.36
Peru	4 960.6	7 623.0	492.2	13 077.8	6.7	37.93	58.31	3.76
Venezuela	3 132.9	7 763.1	691.5	11 587.5	5.9	27.04	67.00	5.96
Total	10 912.4	27 397.1	2 390.2	40 699.6	20.7	26.81	67.32	5.87
<u>Small countries</u>								
Bolivia	1 813.7	2 209.6	130.9	4 154.2	2.1	43.66	53.19	3.15
Costa Rica	233.2	841.7	89.1	1 164.0	0.6	20.04	72.31	7.65
Ecuador	2 462.5	3 879.0	233.2	6 574.7	3.4	37.45	59.00	3.55
El Salvador	1 372.1	2 320.1	218.9	3 911.1	2.0	35.08	59.32	5.60
Guatemala	1 830.0	3 364.2	282.2	5 476.4	2.8	33.42	61.43	5.15
Haiti	1 747.7	2 202.5	101.1	4 051.3	2.1	43.14	54.37	2.49
Honduras	1 187.3	1 971.0	128.9	3 287.2	1.7	36.12	59.96	3.92
Nicaragua	958.8	1 404.0	58.3	2 421.1	1.2	39.60	58.00	2.41
Panama	134.3	719.1	73.2	926.6	0.5	14.49	77.61	7.90
Paraguay	685.2	1 458.2	93.4	2 236.8	1.1	30.65	65.17	4.18
Dominican Republic	647.8	2 552.0	182.8	3 382.6	1.7	19.15	75.45	5.40
Uruguay	104.0	305.2	114.8	524.0	0.3	19.85	58.24	21.91
Total	13 176.6	23 226.6	1 706.8	38 110.0	19.5	34.60	60.90	4.50
<u>Latin America</u> (19 countries)	51 481.0	132 773.1	11 821.7	196 075.7	100.0	26.26	67.71	6.03

Source: CEPAL, on the basis of data from CELADE, Boletín Demográfico No 27, January 1981.

Table 12
 LATIN AMERICA (19 COUNTRIES): POPULATION STRUCTURE AND INCREMENTS, BY AGE, 1980-2000
 (Percentage of total for each country)

Country	1975-1980			1995-2000			Increment 1980-2000		
	0-14 years	15-64 years	65 and over	0-14 years	15-64 years	65 and over	0-14 years	15-64 years	65 and over
<u>Large countries</u>									
Argentina	28.13	68.49	8.38	25.87	63.56	10.57	14.72	65.96	19.32
Brazil	40.11	56.00	3.89	34.45	60.59	4.97	24.03	68.98	6.99
Mexico	45.24	51.25	3.51	37.48	58.81	3.71	23.57	72.13	4.30
<u>Medium-sized countries</u>									
Colombia	40.93	55.72	3.35	33.64	61.97	4.39	18.40	74.96	6.64
Chile	33.83	60.85	5.32	28.76	64.69	6.55	14.97	74.67	10.36
Peru	42.81	53.74	3.45	40.75	55.78	3.47	37.93	58.31	3.76
Venezuela	42.98	54.31	2.70	36.81	59.56	3.63	27.04	67.00	5.96
<u>Small countries</u>									
Bolivia	43.31	53.40	3.29	43.68	53.10	3.23	43.66	53.19	3.15
Costa Rica	39.83	56.64	3.53	32.35	62.81	4.84	20.04	72.31	7.65
Ecuador	44.61	51.79	3.61	42.05	54.45	3.50	37.45	59.00	3.55
El Salvador	45.42	51.20	3.38	41.29	54.96	3.76	35.08	59.32	5.60
Guatemala	44.53	52.64	2.83	39.93	56.34	3.72	33.42	61.43	5.15
Haiti	43.49	52.91	3.60	43.48	53.36	3.16	43.14	54.37	2.49
Honduras	47.92	49.41	2.67	42.80	53.95	3.25	36.12	59.96	3.92
Nicaragua	48.18	49.40	2.42	44.68	52.91	2.41	39.60	58.00	2.41
Panama	40.81	55.18	4.01	32.16	62.60	5.24	14.49	77.61	7.90
Paraguay	43.28	53.27	3.44	38.58	57.68	3.74	30.65	65.17	4.18
Dominican Republic	46.15	51.10	2.75	36.27	60.12	3.61	19.15	75.45	5.40
Uruguay	27.48	62.64	9.88	26.23	61.80	11.97	19.85	58.24	21.91

Source: CEPAL, on the basis of data from CELADE, Boletín Demográfico N° 27, January 1981.

phenomenon will result from a higher population growth rate, which will mean that a higher proportion of young people will have to be supported (43.7% in 1995-2000).

Among the large countries, it is interesting to note the course taken by the economically active population in Brazil and Mexico. Towards the end of the century its share of the total population will level off at around 60% owing to the sharp drop anticipated in Mexico's population growth rate, whose scale may be appreciated if it is borne in mind that that rate will decline from 29.7 to 21.6 per thousand between 1975-1980 and 1995-2000, whereas in Brazil the corresponding figures will be 24.1 and 19.7, respectively. Thus, in marginal terms the increases in the economically active population in the period 1980-2000 will represent 72% of the total population in Mexico and 69% in Brazil; these are certainly high percentages that will call for a considerable effort in the field of employment. Furthermore, although the increases in the population under the age of 14 years will be moderate, by the end of the century that population segment will nevertheless represent 35% of the total population, a proportion that will considerably exceed that of Argentina (26%), which will be the closest to the current proportion of the developed countries.

With the exception of Peru, in the medium-sized countries there will also be major changes in the population structure by age. In the period 1995-2000, the share of the economically active population in Chile, Colombia and Venezuela will reach levels very similar to those of the large countries (between 59% and 64%), but it is only in Chile that the proportion of young people (below the age of 14 years) will drop below 30%; it should be stressed once again that Venezuela's structure by age will become closer to that of the first two countries as a result of a significant drop in its birth, migration and overall population growth rates.^{9/} In Peru, on the other hand, the moderate drop in the birth rate will be offset by the drop in the death rate with the result that its population growth rate and its population structure by age will hardly change.

Among the small countries, the share of the economically active population in the total population will be the highest in those countries with the highest per capita gross domestic product, such as Costa Rica, Panama and Uruguay (somewhat over 60% in 1995-2000); in addition to those countries there is the Dominican Republic, which will have a similar proportion, but in this case owing to the marked drop in its birth rate which will be comparable only to that projected for Mexico and Venezuela (see table 9). Apart from these countries, and Bolivia and Haiti, which are lagging behind in the demographic process and whose population structure by age will remain

^{9/} The latter will drop from 34.9 to 23.2 per thousand between the five-year periods 1975-1980 and 1995-2000, representing the greatest reduction projected at the country level.

practically constant, there will be a small amount of progress in the other small countries with regard to the share of their economically active population in the total population, since the countries in question will continue to have a high proportion of young people, even exceeding 40%, and a proportion of EAP of approximately 55% until the last five years of the century (see table 12). However, there is an important difference; the high population growth rates these countries will have in comparison with the other countries will probably give rise to more pressing problems both from the point of view of employment and social questions.

If the contribution made by each group of countries to the increase in the region's population between 1980 and 2000 (see table 13) is considered, it may be seen that their age composition is closely linked to overall population growth levels. In other words, if population growth rates are low, the population's potential for ageing is greater; in the large countries the percentages corresponding to the age groups between 15 and 64 years (61.9%) and 65 years and over (65.3%) are thus above the average contribution (15.7%). In the medium-sized countries there is a virtual balance among the various age groups, whereas in the small countries, whose population growth rates are the highest, there would be high proportions of young people and declining shares for the higher age groups.

In short, although in the countries with larger economies the economically active population will represent a higher proportion of the total population, the lower population growth rate of those countries will in any event have a lower impact on demand for employment than in the other groups of countries and, on the other hand, will enable them to reduce further their dependency index, as the proportion of young people gradually becomes smaller.

In general, an attempt has been made in these projections to group together the most relevant situations and prospects confronting the various countries as regards population questions. An endeavour has also been made to link such questions with economic growth, which is considered in chapter 2 of this paper, particularly as it relates to employment. However, it should be stressed that it is not possible to make more categorical generalizations than those made, particularly in view of the fact that there is a considerable degree of uncertainty in this field, owing not only to its frequently rather unclear relationship with the economic and social trends in individual countries, but also to the sensitivity displayed by demographic variables in a number of cases to changes in techniques and policies with a view to controlling births and reducing mortality.

Table 13
 LATIN AMERICA (19 COUNTRIES): AGE STRUCTURE OF POPULATION
 IN THE PERIOD 1980-2000

(Percentages of Latin American total)

	Age (years)			Total
	0-14	15-64	65 and over	
Large countries	53.2	61.9	65.3	59.7
Medium-sized countries	21.2	20.6	20.2	20.8
Small countries	25.6	17.5	14.5	19.5
Total	100.0	100.0	100.0	100.0

Source: CEPAL, on the basis of data from CELADE, Boletín Demográfico N° 27, January 1981.

II. MACROECONOMIC, SECTORAL AND EXTERNAL- SECTOR PROJECTIONS: ANALYSIS OF THE DEVELOPMENT SCENARIOS

1. The scenarios

The Latin American development projections have been divided into two scenarios. Basically, these two scenarios differ in that the first one calls for an extrapolation of historical trends in the context of development of the current structure; the second scenario, on the other hand, calls for materialization of internal structural reforms and substantial changes in the method of organization and functioning of external relations and the world economy. The changes in question are related to the proposals set forth in the International Development Strategy for the Third United Nations Development Decade, adopted at the end of 1980 by the United Nations General Assembly.

The first scenario, which is called the trends scenario, is focussed on prospects relating to the development process in the event that the internal and external factors with the greatest impact on economic dynamism continue to behave more or less as they have over recent decades, and that the economic changes currently under way take place.

According to the Secretariat's study, although this scenario is based on the assumption that there will be a relatively high rate of economic growth, this rate of growth will not be high enough to provide an adequate solution to the employment problem and to bring about a balance in external accounts. Thus, in this alternative social problems are not dealt with adequately and the asymmetrical nature of external relations remains essentially unchanged.

In the 1970s economic growth reached an annual rate of somewhat below 6%. However, in the first four years of that decade the economic growth rate was above 7%. Subsequently, from 1976 onwards, a basic characteristic of the economic process was its marked instability and a considerable slackening of expansion. It is obvious that trends in the external sector influenced the course followed by the Latin American countries, although to varying degrees in the one direction or the other. It must, at the same time, be acknowledged that internal policy has been the other major factor responsible for greater or lesser economic dynamism. In actual fact, the situations created from the middle of the 1970s onwards led in general to expansion of the external debt, which had repercussions later on, particularly owing to the impact of debt-servicing on the balance of payments, leading to a new area of external vulnerability.

Therefore, in this trend scenario at the country level a growth rate was adopted that is adapted to particular national situations and is, in general, closer to long-term trends than was the case in the first four years of the 1970s. However, it

should be stressed that a growth rate following the established trend implies that the policy endeavour made by Governments over recent years will be pursued, which would make it possible to overcome the slackening of growth recorded in the period 1975-1980 at least in part. Thus, for the region as a whole the growth rate for established trends results in an annual average rate of 6%. The slight increase in comparison with the historical long-term rate is basically due to the greater impact on the regional product of the countries with larger economies and populations, whose growth rates are above average.

Employment problems have a particular impact on the scale and nature of social problems. Considerable diversity is noted in the pattern of product per person employed, both from one production sector to another and within the individual production sectors. These factors, together with the concentration of the means of production and land ownership, generate an extremely inequitable income distribution. Furthermore, this process is accelerated by the high rate of expansion of the labour force. In order to assess the probable trends in such social questions, hypotheses have been adopted in the trends scenario that make it possible to consider employment prospects and trends in production disparities. In this scenario demographic and labour-force projections assume that current trends will continue, particularly with regard to employment rates of women. With regard to growth rates of the product per person employed, these are slightly higher than those of the 1970s owing to the acceleration of the variable in question over recent decades. Thus, assuming that there will be no major changes in the current development modality, distribution of income will continue to depend largely on trends in production disparities and in employment and underemployment, and these latter variables will in turn depend on the level of economic dynamism and sectoral increases in productivity.

The internal disequilibrium that has normally been characteristic of most Latin American economies, took on new connotations in the 1970s, particularly in the latter half of the 1970s. The considerable trade-balance deficits and the deterioration in the terms of trade experienced by a number of countries substantially raised the level of external indebtedness, which in many cases made it necessary to reverse to a great extent the trend towards rapid expansion of import that manifested itself early in the 1970s. However, despite the considerable efforts made by many countries, neither a reduction in the growth rate of imports nor a sharp increase in the growth rate of exports made it possible to overcome the current-account deficit in the region's balance of payments, and the level of indebtedness has continued to rise. In this scenario it is assumed that governments will continue to endeavour to achieve equilibrium in their balances of payments and that, as a result of a lower rate of growth in the volume of imports, particularly fuel, and a great effort in the field of exports, there will be a reduction in the deficits, all of

which will reduce the scale of net external financing to levels regarded as acceptable in the long term. This will make it possible to restrict indebtedness levels to a certain extent and gradually to reduce the burden of debt-servicing. In any event, in view of the fact that in this scenario the form taken by international and interregional relations will basically not change, the required increase in the volume of exports will call for an increasing effort in the field of deliberate policies.

Generally speaking, the second scenario reflects the proposals put forward in the International Development Strategy for the 1980s; it is therefore a normative scenario and not an extrapolation of current trends. It makes the assumption that institutional and structural changes will be made in the international economic order, in intra-regional relations and at the national level. It is unquestionable that this scenario represents an extraordinary challenge as regards existing knowledge and experience in the field of economic and social policy. Moreover, its materialization represents a sensitive political task.

The need to accelerate economic growth is one of the basic elements of the scenario, in the context of a comprehensive strategy aimed at achieving an equitable distribution of income and a higher level of well-being for the entire population. A high degree of economic dynamism is required, inter alia, owing to the scale and seriousness of social problems, which will become greater, as already mentioned in the dynamic trends scenario.

Taking account, on the one hand, of social requirements and the possibilities afforded by a major reform of the international and regional economy and, on the other hand, current difficulties, a higher rate of economic growth at the country level than was on average somewhat over 7% per year was adopted; this rate would make it possible to double the gross domestic product for the region as a whole by the end of the 1980s. However, owing to the prevailing situation, the growth rate could be somewhat below that average early in the decade and somewhat above it in the second half of the decade.

The demographic and labour-force projections are similar to those in the trends scenario, but since the higher level of economic dynamism calls for an increase in the rate of expansion of the product per employed person, elasticity in the expansion of employment is lower. However, it will be high enough to cope with the expansion of the labour force, although current underemployment levels will continue. The higher level of economic dynamism will permit implementation of redistributive policies of a greater scope than the current ones; together with the reduction in employment disequilibria, these policies will form a sounder basis for action with a view to attenuating social problems. At the same time, it will be necessary to promote expansion of capital formation in order to raise productive capacity and the economy's level of efficiency. In that connexion, it is assumed that policies of a diverse nature

will be put forward that will basically be in keeping with the aim of achieving a significant improvement in distribution of income and with saving requirements in order to meet investment needs, which will ultimately make it necessary to restrain or reduce the level of consumption of upper-class population segments, in which a large proportion of income is concentrated. The restructuring of the international economic order and expansion of regional co-operation will be the basis of the scenario as regards external variables. Growth in imports will reach an annual rate of nearly 8% which calls for a level of elasticity above unity. Although this level of elasticity is somewhat below that of the 1970s, it is relatively high if account is taken of the fact that fuel imports will grow at a level of elasticity below zero. Growth will thus be achieved with a rising ratio between imports and product; this assumption is compatible with an increase in trade and the establishment of conditions that will result in a higher level of economic efficiency.

It is at the same time assumed that net external financing will return to the average relative values of the past decade and that debt-servicing levels will drop to proportions of exports levels similar to those of the early 1970s. The purchasing power of exports will therefore rise at an annual rate of approximately 8%. Achievement of these levels of dynamism will have to be based on diversification of products and of areas of destination of the exports. Diversification of products calls for a sharp increase in the proportion of manufactured goods, while changes in place of destination will be accompanied by a new role for intra-regional trade, whose current share of total trade will virtually double. These and other changes will gradually reduce the relative size of the balance-of-payments deficits and lead to a greater degree of symmetry in the region's external economic relations.

2. Macroeconomic and sectoral projections

(a) Macroeconomic projections

The difficult situation facing most Latin American countries imposes certain conditions on the economic prospects for the 1980s which will affect the scenarios reviewed here. It is useful to stress the common areas connected with the domestic effort and with energy.

In the past five years, Latin American countries have made a noteworthy effort by adopting policies and measures designed to limit the effects of the world recession and inflation on their domestic economies. This effort is expressed, *inter alia*, in the maintenance of a relatively high level of investment, the raising of the level of domestic saving, the attempt to control the growth of imports (particularly of fuels), and an exceptional growth of exports. Now the growth rates proposed in the two scenarios imply savings and investment efforts which differ in intensity

and nature but are in any case similar or greater than those already made in the long term. The continued growth trend assumes an improvement in the economic growth rate in respect of the recent evolution. The annual growth rate of 6% for this decade in the trend scenario may rightly be defined as a dynamic prognosis, in the sense that it will require a greater effort than in the past, although the process would continue in the framework of the prevailing policy.

On the other hand, the growth of the product proposed in the normative scenario, with the gradual speeding up of growth to reach 6.8% annually by 1985 and 7.5% by 1990, implies the introduction of new external conditions and will require an appreciably greater domestic effort than in past decades, and an important structural transformation.

The trend scenario involves a major effort as regards the expansion of foreign trade, which certainly has implications for the rate of accumulation. To achieve the requirements of savings-investment, assuming an external financing which does not adversely affect the balance of payments, will require higher growth rates of exports and imports than of the product (see tables 14 to 17). In these circumstances, and taking into account that trade with the OECD countries exceeds 70% of the regional total, one can understand the importance of the economic performance of the countries. Judging by various technical studies, the growth prospects of these countries in the next few years are clearly unfavourable, since the forecast is for slow economic growth, high unemployment and inflation rates, continued and even greater deficits in the balance of payments, exchange rate instability, etc., and this is spurring the use of protectionist measures in the industrialized countries which would further hinder trade flows and international co-operation, and ultimately the domestic accumulation process.

If this situation continues, in order to uphold the prognosis of dynamic growth, Latin America would have to make efforts at the domestic level to increase its exports at a rate similar to that of imports in order to improve the balance-of-payments situation and reduce the high percentage of exports (44% in 1979) devoted to servicing the external debt. In this case, the growth of exports calls for regional solidarity aimed at winning greater access to markets and at increasing trade within the region, while the drops in import elasticity could be brought about by taking better advantage of the margin of substitution, particularly as regards food and fuels, which in some countries are very significant items.

For the normative scenario, in which -as has already been mentioned- the gradual introduction of a new international economic order is assumed, the levels of investment, domestic savings and exports are well above those of recent decades.

The investment requirements of both scenarios are high. In the trend scenario, investment would represent about 23% of the gross domestic product; in the normative scenario, they

Table 14
 LATIN AMERICA (19 COUNTRIES)^{a/}: EVOLUTION OF GROSS DOMESTIC PRODUCT AND EXTERNAL SECTOR

Period	<u>Annual growth rates</u> (Percentages) ^{b/}									
	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effects	Imports of goods and services	Net payment of profits and interest	Net external financing ^{c/}	Gross national saving	Gross domestic income
<u>Historical evolution</u>										
1950-1960	5.3	6.2	4.9	4.7	-	3.4	-	-	4.6	4.7
1960-1970	5.4	6.2	5.2	4.1	-	4.0	-	-	6.1	5.4
1970-1975	6.3	10.1	6.6	0.7	-	8.7	-	-	8.6	7.0
1975-1979	4.9	4.9	4.5	8.8	-	6.1	-	-	6.0	5.1
<u>Trend scenario</u>										
1979-1990	5.9	5.1	6.1	6.3	-	6.2	-	-	5.2	5.9
1990-2000	6.1	6.2	6.0	6.0	-	6.1	-	-	6.2	6.1
<u>Normative scenario</u>										
1979-1990	7.0	8.6	6.5	7.6	-	7.7	-	-	9.0	7.1
1990-2000	7.9	8.0	8.0	8.0	-	8.3	-	-	8.0	8.0

Source: CEPAL, on the basis of official data.

a/ Excluding Cuba and the English-speaking Caribbean countries.

b/ Based on values at 1975 prices.

c/ Including net private transfer payments.

Table 15
 LATIN AMERICA (LARGE COUNTRIES)^{a/}; EVOLUTION OF GROSS DOMESTIC PRODUCT AND EXTERNAL SECTOR

Period	<u>Annual growth rates</u> (Percentages) ^{b/}									
	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effects	Imports of goods and services	Net payment of profits and interest	Net external financing ^{c/}	Gross national saving	Gross domestic income
<u>Historical evolution</u>										
1950-1960	5.4	7.4	4.8	2.9	-	2.7	-	-	5.2	4.9
1960-1970	5.8	6.8	5.4	5.2	-	4.0	-	-	7.2	5.7
1970-1975	7.6	11.2	7.1	4.4	-	10.1	-	-	8.9	7.6
1975-1979	5.1	4.5	4.4	13.2	-	5.4	-	-	6.0	5.0
<u>Trend scenario</u>										
1979-1990	6.3	5.5	6.4	7.5	-	6.6	-	-	5.9	6.3
1990-2000	6.4	6.5	6.4	6.4	-	6.0	-	-	6.6	6.4
<u>Normative scenario</u>										
1979-1990	7.3	8.5	6.8	8.5	-	7.7	-	-	9.1	7.3
1990-2000	8.0	8.0	8.0	7.8	-	8.0	-	-	8.0	8.0

Source: CEPAL, on the basis of official data.

^{a/} Comprises: Argentina, Brazil and Mexico.

^{b/} Based on values at 1975 prices.

^{c/} Including net private transfer payments.

Table 16
 LATIN AMERICA (MEDIUM-SIZED COUNTRIES)^{a/}: EVOLUTION OF GROSS DOMESTIC PRODUCT AND EXTERNAL SECTOR

Period	<u>Annual growth rates b/</u>									
	<u>(Percentages)</u>									
	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effects	Imports of goods and services	Net payment of profits and interest	Net external financing ^{c/}	Gross national saving	Gross domestic income
<u>Historical evolution</u>										
1950-1960	5.9	3.9	5.6	6.5	-	4.3	-	-	5.8	5.1
1960-1970	4.5	4.1	5.0	3.0	-	2.8	-	-	2.9	4.4
1970-1975	2.5	6.6	5.6	-4.9	-	7.4	-	-	7.7	5.6
1975-1979	4.4	6.5	4.6	4.2	-	7.0	-	-	6.8	5.4
<u>Trend scenario</u>										
1979-1990	4.3	3.3	5.3	3.3	-	5.6	-	-	2.4	4.6
1990-2000	4.6	4.6	4.7	5.0	-	5.6	-	-	4.5	4.7
<u>Normative scenario</u>										
1979-1990	6.5	9.3	6.4	5.7	-	8.4	-	-	8.5	6.7
1990-2000	7.9	8.0	8.1	8.4	-	8.9	-	-	8.0	8.1

Source: CEPAL, on the basis of official data.

a/ Comprises: Colombia, Chile, Peru and Venezuela.

b/ Based on values at 1975 prices.

c/ Including net private transfer payments.

Table 17
 LATIN AMERICA (12 COUNTRIES)^{a/}: EVOLUTION OF GROSS DOMESTIC PRODUCT AND EXTERNAL SECTOR

Annual growth rates b/
(Percentages)

Period	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effects	Imports of goods and services	Net payment of profits and interest	Net external financing ^{c/}	Gross national saving	Gross domestic income
<u>Historical evolution</u>										
1950-1960	3.5	3.9	3.8	3.2	-	4.3	-	-	-0.7	6.1
1960-1970	4.6	7.2	4.4	5.6	-	6.5	-	-	7.1	4.7
1970-1975	5.6	9.0	4.9	6.7	-	6.7	-	-	8.7	5.5
1975-1979	4.6	4.9	5.4	5.3	-	6.7	-	-	3.5	5.1
<u>Trend scenario</u>										
1979-1990	5.0	4.1	4.8	6.7	-	5.4	-	-	5.2	8.2
1990-2000	5.3	5.4	5.4	5.6	-	5.6	-	-	5.4	5.3
<u>Normative scenario</u>										
1979-1990	6.5	8.5	5.5	7.8	-	6.6	-	-	10.4	6.4
1990-2000	7.8	7.8	7.8	8.0	-	8.1	-	-	7.8	7.7

Source: CEPAL, on the basis of official data.

a/ Comprises: Bolivia, Costa Rica, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Dominican Republic and Uruguay.

b/ Based on values at 1975 prices.

c/ Including net private transfer payments.

would rise to 27.7% in 1985 and 29.3% in 1990 (see tables 18 to 21). These percentages are largely determined by the economically larger countries, but represent a narrowing of the wide range of investment coefficients in the Latin American countries.^{10/} In order to speed up the growth of the region as a whole, investment should be increased during the period 1979-1990 at an annual rate of 8.6%, with rates of 8.5% in the economically larger countries and 9.1% in the remaining 16 countries. Both the coefficients and the growth rates of investment mentioned seem high, although they have been reached during some periods.

At the beginning of the 1970s the product/capital ratio increased owing to favourable external conditions which permitted a greater openness of the economies and contributed to making supply more flexible and demand more dynamic; this in turn considerably stimulated a better use of capital and better advantage being taken of installed capacity. However, after the oil crisis, a decline was observed, originating in the new restrictions. Thus, while during the period 1970-1974 the region as a whole achieved an annual growth of the product of 7.1%, with an investment coefficient of 25%, in the period 1975-1979, although this coefficient was maintained, the annual increase in the product declined to 4.9%, as a result of the severe limitations generated by the external sector and the persistent deterioration of the terms of trade of the oil-importing countries.^{11/} The problem thus hinges not only on achieving the volumes of investment mentioned, but also on reaching a suitable combination of external financing and domestic saving, so that excessive pressure is not exerted on the balance of payments, while at the same time the process of accumulation is strengthened and greater use is made of installed capacity.

The share of net external financing in total gross investment increased significantly in the oil-deficit countries, from 9.8% in 1970 to 13.8% in 1979, while in the oil-exporting countries it remained at 11.4% and 10.4% respectively. This financing has therefore become an important supplement to the growth of national saving and investment; however, the country's high level of indebtedness, as reflected in the high proportion of export earnings devoted to servicing it (44% on the average for Latin America), has had paradoxical effects. On the one hand, owing to the inertia of their growth, the countries are finding it increasingly difficult to reduce their balance-of-payments deficit; on the other hand, the increases have inevitable repercussions in the form of the greater financial burden of the debt. In the projections for both scenarios,

^{10/} While in 1979 these coefficients ranged from 14% to 35%, in 1990 the range would be from 20% to 38%.

^{11/} For fifteen Latin American countries (excluding Bolivia, Ecuador, Mexico and Venezuela) the negative effect in 1980 amounted to 8% of their exports of goods and services.

Table 18

LATIN AMERICA (19 COUNTRIES)^{a/}; DISTRIBUTION OF GROSS DOMESTIC PRODUCT AND EVOLUTION OF EXTERNAL SECTORPercentages with respect to gross domestic product b/

Year	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effects	Imports of goods and services	Net payment of profits and interest	Net external financing ^{c/}	Gross national saving	Gross domestic income
<u>Historical evolution 1950-1979</u>										
1950	100.0	17.9	80.9	19.0	2.3	17.9	2.4	-1.0	18.9	102.3
1960	100.0	19.4	77.6	17.9	-3.1	14.9	1.8	1.8	17.6	96.9
1970	100.0	21.0	76.3	15.9	-3.4	13.1	1.6	2.2	18.8	96.6
1975	100.0	25.1	77.5	12.1	0.0	14.7	1.5	4.1	21.0	100.0
1979	100.0	25.0	76.3	14.0	0.6	15.3	2.4	3.2	21.8	100.6
<u>Trend scenario</u>										
1990	100.0	23.1	78.1	14.7	0.8	15.8	2.4	2.8	20.3	100.8
2000	100.0	23.3	77.9	14.4	0.8	15.8	2.3	2.7	20.6	100.8
<u>Normative scenario</u>										
1990	100.0	29.3	72.3	14.7	1.2	16.4	2.2	2.7	26.6	101.2
2000	100.0	29.4	72.8	15.0	1.5	17.0	2.0	2.6	26.8	101.5

Source: CEPAL, on the basis of official data.

a/ Excluding Cuba and the English-speaking Caribbean countries.

b/ Based on values at 1975 prices.

c/ Including net private transfer payments.

Table 19

LATIN AMERICA (LARGE COUNTRIES)^{a/}: DISTRIBUTION OF GROSS DOMESTIC PRODUCT AND EVOLUTION OF EXTERNAL SECTORPercentages with respect to gross domestic product ^{b/}

Year	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effects	Imports of goods and services	Net payment of profits and interest	Net external financing ^{c/}	Gross national saving	Gross domestic income
<u>Historical evolution 1950-1979</u>										
1950	100.0	16.8	86.0	12.3	5.0	15.2	0.9	-1.2	18.0	105.0
1960	100.0	20.3	81.7	9.6	0.3	11.7	1.0	2.7	17.6	100.3
1970	100.0	22.2	78.6	9.1	-0.2	9.9	1.2	2.2	20.0	99.8
1975	100.0	26.3	77.0	7.8	-	11.1	1.7	5.0	21.3	100.0
1979	100.0	25.7	75.0	10.5	-0.4	11.3	2.5	3.7	22.0	99.6
<u>Trend scenario</u>										
1990	100.0	23.7	76.0	12.0	-0.4	11.6	2.6	2.7	21.0	99.6
2000	100.0	23.9	75.7	12.0	-0.4	11.6	2.4	2.6	21.3	99.6
<u>Normative scenario</u>										
1990	100.0	29.0	70.9	11.8	-0.4	11.7	2.4	2.7	26.3	99.6
2000	100.0	29.0	71.1	11.7	-0.3	11.8	2.1	2.5	26.5	99.7

Source: CEPAL, on the basis of official data.

^{a/} Comprises: Argentina, Brazil and Mexico.^{b/} Based on values at 1975 prices.^{c/} Including net private transfer payments.

Table 20

LATIN AMERICA (MEDIUM-SIZED COUNTRIES)^{a/}: DISTRIBUTION OF GROSS DOMESTIC PRODUCT AND EVOLUTION OF EXTERNAL SECTORPercentages with respect to gross domestic product ^{b/}

Year	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effects	Imports of goods and services	Net payment of profits and interest	Net external financing ^{c/}	Gross national saving	Gross domestic income
<u>Historical evolution 1950-1979</u>										
1950	100.0	22.8	64.7	35.8	-6.2	23.3	6.5	2.0	22.6	93.8
1960	100.0	18.9	63.1	38.1	-12.8	20.1	4.1	-1.1	20.0	87.2
1970	100.0	18.2	66.0	32.8	-14.0	17.0	2.8	1.0	17.2	86.0
1975	100.0	22.2	76.7	22.5	-	21.4	1.2	0.1	22.1	100.0
1979	100.0	24.0	77.4	22.3	3.7	23.7	2.3	-0.1	24.1	103.7
<u>Trend scenario</u>										
1990	100.0	21.6	85.6	20.0	6.6	27.2	1.5	2.0	19.6	106.6
2000	100.0	21.6	86.6	20.8	7.4	30.0	1.4	2.3	19.3	107.4
<u>Normative scenario</u>										
1990	100.0	31.8	76.5	20.5	7.5	28.8	1.2	2.0	29.8	107.5
2000	100.0	32.1	77.9	21.5	8.8	31.5	1.1	2.3	29.8	108.8

Sources: CEPAL, on the basis of official data.

^{a/} Comprises: Colombia, Chile, Peru and Venezuela.^{b/} Based on values at 1975 prices.^{c/} Including net private transfer payments.

Table 21

LATIN AMERICA (12 COUNTRIES)^{a/}: DISTRIBUTION OF GROSS DOMESTIC PRODUCT AND EVOLUTION OF EXTERNAL SECTOR

Percentages with respect to gross domestic product b/

Year	Gross domestic product	Gross domestic investment	Total consumption	Exports of goods and services	Terms-of-trade effects	Imports of goods and services	Net payment of profits and interest	Net external financing ^{c/}	Gross national saving	Gross domestic income
<u>Historical evolution 1950-1979</u>										
1950	100.0	13.9	85.7	22.3	4.5	21.8	2.7	-2.3	16.2	104.5
1960	100.0	14.4	87.5	21.6	-0.9	23.5	0.9	3.8	10.6	99.1
1970	100.0	18.5	85.9	23.8	0.6	28.2	1.1	4.9	13.6	99.4
1975	100.0	21.7	83.0	25.0	-	29.7	1.2	5.9	15.8	100.0
1979	100.0	21.9	84.6	25.6	1.9	32.1	2.2	6.8	15.1	101.9
<u>Trend scenario</u>										
1990	100.0	20.0	83.0	30.7	1.5	33.7	3.0	4.6	15.4	101.5
2000	100.0	20.2	83.4	31.7	1.3	34.8	2.9	4.6	15.6	101.3
<u>Normative scenario</u>										
1990	100.0	27.0	76.3	29.5	1.6	32.8	2.8	4.5	22.5	101.6
2000	100.0	27.1	76.7	30.1	1.8	33.9	2.4	4.5	22.6	101.8

Sources: CEPAL, on the basis of official data.

^{a/} Comprises: Bolivia, Costa Rica, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Dominican Republic and Uruguay.^{b/} Based on values at 1975 prices.^{c/} Including net private transfer payments.

therefore, a gradual reduction of the net external financing/product ratio is proposed so that the average percentage for the decade will be more or less similar to that of the average of the last decade, with its periods of sizeable variations. For Latin America as a whole, therefore, net external financing would have to drop as a portion of the product from 3.2% in 1979 to 2.7% in 1990, which assumes that the effort to accumulate national saving will have to be higher than that of the past decade. Thus, in the normative scenario the regional domestic saving product coefficient should increase from 21.8% in 1979 to 26.6% in 1990; these 4.8 percentage points largely exceed the 2.7% coefficient projected for net external financing in 1990, and to achieve them national saving in the region should grow at an annual rate of 9.1%, that is, with a product elasticity of 1.28. Although this figure was even exceeded during the 1970s (1.32), it should be borne in mind that in this case a relatively high growth rate of the product is involved, which also requires a high rate of dynamism in imports and exports; on the other hand, the improvement of the growth rate should cover all the countries of the region and not be concentrated as in the past in a small number of countries.

The trends and conditions of the accumulation process in the two scenarios vary considerably from one country to another, and in many of them the speeding up of the growth rate will require relatively greater increases in investment and national saving, and therefore a greater effort in some than in others. In 1979 only seven countries of the region had a national saving/product coefficient (at 1975 prices) of over 20%, while, for example, in the normative scenario by the end of the decade in sixteen countries it would have a range from 20% to 30%. At the level of groups of countries, in the three economically largest countries this coefficient should increase between 1979 and 1990 from 22.0% to 26.3%, in the four medium-sized countries from 24.1% to 29.8%, and in the twelve smallest countries from 15.1% to 22.5%. In other words, even the last-mentioned countries would reach the goal of 20% laid down in the Third International Development Strategy, for those countries which presently have a saving coefficient lower than 15%. This Strategy establishes a total objective for the whole of developing countries of 24%.

Mention must be made of the problem of energy as an important part of the effort which must be made to tackle the obstacles which, with varying degrees of intensity, have interfered with the growth of the majority of the countries, particularly as regards the supply of hydrocarbons. As is well known, Latin America as a whole possesses abundant resources in the three most important sources of commercial energy:^{12/} hydrocarbons (oil and natural gas), hydroelectricity and coal. The consumption of hydrocarbons predominates; in 1979 these

^{12/} Excluding plant fuels.

fuels accounted for 76% of the generation of commercial energy in Latin America, and 84% if Brazil is excluded. At the country level this share fluctuates between 58% (Brazil) and practically 100% (Barbados, Guyana).

Of the 24 countries of the region, four possess hydrocarbon surpluses which considerably affect their exports,^{13/} and of these only Mexico and Venezuela generate large volumes in the world context. Another four countries are in a transition stage; Argentina and Peru show an upward trend, in which the former has achieved self-reliance in energy production,^{14/} while the latter became a net exporter at the end of the 1970s. The opposite is the case in Bolivia and Colombia. In Bolivia, the share of exports of petroleum and petroleum products in total exports of goods dropped from slightly over 30% in 1975 to around 5% in 1979, while Colombia went from being a net exporter to having to spend nearly US\$ 400 million in 1980 on imports of petroleum and petroleum products, equivalent to 9.8% of its imports (CIF). Among the importing countries, Barbados, Brazil and Chile produced around 20% of the oil they consumed in 1979, and Guatemala slightly over 5%, while the other twelve countries did not register any output.

The production-consumption balance of petroleum and its products, in addition to being unfavourable at the level of the majority of the countries, shows a frank deterioration if the region is analysed as a whole. Between 1970 and 1979 the production/consumption ratio declined from 2.80 to 1.66, and if Mexico and Venezuela are excluded, from 0.77 to 0.68 respectively.^{15/} These latter coefficients show the enormous concentration of oil production in Mexico and Venezuela, whose contribution to the region as a whole (24 countries) amounted to 73% in 1979. They are also estimated to possess around 80% of proven reserves.

Between 1970 and 1980 imports of petroleum and petroleum products in relation to total imports (CIF) of the oil-deficit countries in the region rose from 7% to 26%, which in absolute values meant an increase from US\$ 650 to US\$ 15 385 million. In other words, while purchases of these fuels increased during 1970-1980 at an annual rate of 42%, total imports increased by 19% at current prices.

^{13/} Ecuador, Mexico, Trinidad and Tobago and Venezuela.

^{14/} Although in 1980 imports (CIF) of petroleum and petroleum products accounted for 6.2% of total imports (CIF).

^{15/} Between 1975 and 1979, production of Mexican crude oil doubled and represented 34% and 68% respectively of Venezuela's output, so that if only Mexico is excluded the drop in this coefficient between 1970 and 1979 is from 3.26 to 1.56.

In the great majority of the countries, the growth elasticity of the consumption of hydrocarbons with respect to the product dropped over the last two decades: of the 24 countries of the region, it increased in only three oil-exporters and Nicaragua (due in this latter case to the exceptional circumstances). On the average, in 19 countries of the region,^{16/} this elasticity dropped from 1.26 to 1.16 during those decades. This trend, easily explained, suggests that in the future a further decline may be expected; thus in the projections in this study, elasticities of less than one are included. The historical experience of the developed countries also suggests this: the OECD countries, for example, showed coefficients of elasticity of around 1.07 in 1969-1973 and 0.76 in 1975-1979.^{17/}

The achievement of a reduction in the growth elasticity of the consumption of hydrocarbons, without affecting the growth potential of the countries, will be linked to the domestic effort made to implement a global and coherent energy strategy. In this regard an important step will be the implementation of policies aimed at the conservation of resources and the development of alternative energy sources such as hydroelectricity, coal, biogas, alcohol, nuclear energy and other non-conventional sources such as geothermal, wind, and sea energy.

In the projections, two hypotheses have been formulated as regards imports of petroleum and petroleum products in the deficit countries. The first is the reduction of the growth elasticity of these imports in relation to the gross domestic product, to 0.8; and the second is that prices will grow annually with an elasticity of 1.05 with respect to world inflation. By the end of the decade, these results indicate that the share of purchases of these fuels in total imports (CIF at current prices) of the oil-deficit countries would remain at around the 26% recorded in 1980. That is, only through efforts to achieve a relative reduction in the rate of consumption of petroleum and its products would it be possible to avoid the growth of dependence on the external sector, due to the probable increase in real prices.

(b) Sectoral projections

Various factors such as the economic size of the countries, the degree of integration of their economies, the supply of natural resources, demographic characteristics, social, cultural and technical conditions and strategies and policies have led to great differences in the level of economic and social development of the Latin American countries.

^{16/} Excluding Cuba and the English-speaking Caribbean countries.

^{17/} OECD, Economic Outlook, 25 July 1979.

The economically largest countries 18/ have made considerable headway in the industrialization process, generating in 1980 a value added in manufacturing amounting to 31% of their total gross domestic product as against 20% and 18% and the economically medium-sized 19/ and small countries 20/ respectively. Simultaneously, the share of agriculture in the largest countries (10%) is less than half that of the small countries (22.4%). But the performance of the economies of the group of largest countries is characterized not only by these indicators but also by their greater dynamism over the last two decades. During the period 1960-1980 the annual growth rate of their global product was 6.1%, while that of the other sixteen countries only amounted to 4.1%.21/

In the projections analysed below, the aim is to explore the implications of the continuation of the long-term trends in the structure of production, sectoral productivity and employment and the repercussions of these interrelations on the unemployment rate, and on the other hand, the requirements for speeding up economic growth and the reduction of disparities in the course and dynamism of various types of countries. The first exercise is connected with the analysis of the "dynamic trend" scenario, while the second corresponds to the "normative" scenario.

For the purposes of analysis, three main sectors have been defined: agriculture, which includes crop farming, stock breeding, hunting and fishing; industry, subdivided into manufacturing, mining and quarrying and construction; and services, including basic services (electricity, gas, water, transport and communications) and other services. In addition, the countries have been grouped in accordance with the three above-mentioned categories; that is, large, medium and small.

In these sectoral projections the projected horizon was extended until the end of the century, in view of the fact that they involve variables such as the economically active population and sectoral structure and productivity, which require relatively long periods in order for their performance to be evaluated more clearly.

(i) Dynamic trend scenario

The trend scenario assumes the resumption of the long-term evolution in which the process of industrialization exercised clear leadership in productive transformation and economic growth. The crisis undergone by the industrial sector in the past decade would thus be left behind, especially in the medium-sized countries, where the conjunction of internal and external

18/ Argentina, Brazil and Mexico.

19/ Colombia, Chile, Peru and Venezuela.

20/ Twelve countries, excluding the English-speaking Caribbean countries.

21/ All figures based on values at 1975 prices.

factors caused the sector to slow down. The intensification of industrial growth would make it possible to continue introducing new technologies and products, and at the same time would allow for a significant expansion of regional trade in manufactured goods, a key element in overcoming the external imbalances. Services would retain their role of the last few years as the most important source of absorption of employment, although their contribution to the gross domestic product would remain practically constant. Agriculture would advance considerably towards satisfying the growth of domestic demand, apart from contributing to the formation of exportable surpluses.

It may be rightly said that the recovery of certain sectoral growth rates which characterized long-term trends would in itself represent an effort, without neglecting the economic potential for achieving higher growth rates. In this regard it is useful to recall the drop in the annual growth rate of the global product during the last five years, which was around 5%, compared with the 6% postulated in this scenario for the long term.

During the next two decades, according to this scenario, the agricultural sector would continue to reduce its share in the global product (see table 22), but this does not mean that its strategic importance would be less in terms of its function as a supplier of food and raw materials to satisfy domestic demand and maintain exportable surpluses. The annual growth rate of the agricultural product would be appreciable and would remain at around 3.6%; however its contribution to the total product would tend to drop from slightly over 11% in 1980 to 7% by the end of the century.

Industry 22/ would have to increase its dynamism in comparison with the previous decade, in which its share of the global product remained stationary. Its annual growth rate of 6.5% would enable it to increase its contribution to the total product from around 38% in the 1970s to 41% by the year 2000. The greatest increase in production would come from the manufacturing sector -an annual 6.7%- while construction and mining would significantly exceed the rate recorded in the previous decade (3.6% and 5.3% respectively).

Basic services 23/ would constitute another dynamic element of the projected growth. The demand for services involved in the economic and social development process would become more pressing as progress is made in the structural transformation of the economy and an attempt is made to face up to the ensuing social repercussions. However, the annual growth rate of 6.6% would be significantly lower than the 7.9% achieved

22/ Includes industrial manufacturing, mines and quarries and construction.

23/ Includes electricity, gas and water and transport and communications.

Table 22
 LATIN AMERICA (19 COUNTRIES): GROWTH AND STRUCTURE OF THE GROSS DOMESTIC PRODUCT AND EMPLOYMENT, BY SECTORS OF ECONOMIC ACTIVITY
 (Trend scenario and normative scenario, 1980-2000)

	Annual growth rates (per cent)								Percentage of the total									
	1950-1960-1970-			Trend scenario		Normative scenario			1960		1970		1980		Trend scenario		Normative scenario	
	1960	1970	1980	1980-1990-1990	1990-2000	1980-1990-1990	1990-2000	1960	1970	1980	1990	2000	1990	2000	1990	2000		
Gross domestic product <u>a/</u>	5.3	5.4	5.6	5.9	6.0	7.3	7.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Agriculture	3.5	3.4	3.5	3.6	3.6	4.4	4.7	17.0	14.0	11.4	9.1	7.2	8.7	6.4				
Industry	6.6	5.9	5.6	6.4	6.5	8.0	8.7	36.5	38.4	38.3	40.0	41.6	41.2	44.0				
Manufacturing	6.5	6.9	6.5	6.7	6.7	8.5	9.0	22.2	25.7	27.9	30.1	32.0	31.3	34.4				
Other <u>b/</u>	6.6	4.1	3.6	5.3	5.8	6.6	7.6	14.3	12.7	10.5	10.0	9.6	9.8	9.6				
Services	5.1	5.6	6.2	6.1	6.1	7.3	7.8	46.5	47.6	50.2	50.8	51.2	50.1	49.5				
Basic <u>c/</u>	5.1	6.2	7.9	6.6	6.7	8.2	8.8	6.2	6.7	8.3	8.8	9.4	9.0	9.8				
Other <u>d/</u>	5.1	5.5	5.8	5.9	6.0	7.1	7.6	40.3	40.9	41.9	42.0	41.8	41.1	39.7				
Employment	2.1	2.0	2.6	2.5	2.5	3.0	2.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0				
Agriculture	0.8	0.2	1.1	0.8	0.4	1.3	0.5	50.2	42.1	36.2	30.7	25.2	30.6	24.2				
Industry	2.5	3.4	2.7	2.5	2.4	3.2	3.3	18.2	20.8	20.9	21.0	20.9	21.4	22.5				
Manufacturing	2.4	3.0	2.2	2.2	2.1	3.0	3.1	13.3	14.5	14.0	13.6	13.1	14.1	14.4				
Other <u>b/</u>	2.7	4.5	3.6	3.2	3.1	3.6	3.7	4.9	6.3	6.9	7.4	7.8	7.4	8.1				
Services	4.3	3.6	4.1	3.7	3.6	4.1	4.0	31.6	37.0	42.9	48.3	53.9	47.9	53.3				
Basic <u>c/</u>	3.7	2.1	3.6	2.9	2.8	3.5	3.7	4.9	4.9	5.4	5.7	5.8	5.7	6.2				
Other <u>d/</u>	4.4	3.9	4.2	3.8	3.7	4.2	4.0	26.7	32.1	37.5	42.7	48.0	42.1	47.1				
Gross domestic product per person employed	3.1	3.3	2.9	3.3	3.5	4.2	4.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0				
Agriculture	2.7	3.1	2.4	2.7	3.1	3.1	4.2	33.8	33.2	31.6	29.8	28.6	28.5	26.7				
Industry	4.0	2.4	2.9	3.7	3.9	4.7	5.2	200.8	184.2	183.4	190.8	198.6	191.5	195.7				
Manufacturing	4.1	3.9	4.1	4.4	4.5	5.3	5.7	167.3	176.8	199.2	221.7	243.6	222.2	238.5				
Other <u>b/</u>	3.8	-0.4	0.0	2.1	2.6	2.9	3.8	290.3	201.2	151.3	133.7	123.0	132.9	118.9				
Services	0.7	1.9	1.9	2.2	2.5	3.0	3.7	147.1	128.6	117.0	105.2	95.0	104.7	92.9				
Basic <u>c/</u>	1.3	4.1	4.1	3.6	3.8	4.5	4.9	125.2	135.0	152.0	155.7	160.1	156.8	156.9				
Other <u>d/</u>	0.6	1.6	1.6	2.0	2.2	2.8	3.4	151.1	127.5	111.9	98.5	87.1	97.6	84.4				
Total population	2.9	2.8	2.6	2.4	2.2	2.4	2.2	-	-	-	-	-	-	-				
Population of working age	...	2.8	3.0	2.8	2.6	2.8	2.6	-	-	-	-	-	-	-				
Economically active population	...	...	2.9	2.8	2.5	2.8	2.5	-	-	-	-	-	-	-		
Rate of open unemployment	...	...	...	...	...	...	...	...	4.5	6.9	9.5	10.2	5.5	2.3		

Source: CEPAL, on the basis of official data.

a/ On the basis of values at 1975 prices.

b/ Mining and quarrying, and construction.

c/ Electricity, gas, water and sanitation, and transport and communications.

d/ Commerce and finance, ownership of dwellings, general government, defence and miscellaneous services.

in the previous decade; but even so its growth elasticity with respect to the total product would be considerably higher than one (1.12).

Non-basic services would grow at the same time as the whole of the economy, or at an annual growth rate of about 6.0%. This expansion would come both from the modernization of the other sectors of activity and from the increases in employment shown traditionally by this sector, in the absorption of part of the increases in the labour force in the form of underemployment.

These figures referring to Latin America as a whole do not reflect, however, the differences which exist among the countries, since the weight of the economically large countries in the regional economy frequently defines the course of the variables. It is therefore worthwhile to break down the analysis, at least at the level of groups of countries, in order to observe how each affects the trends indicated above.

In the Latin American context, as noted, the economically largest countries have been characterized by their higher level of industrialization and the lesser importance of the agricultural sector in their economies. These characteristics would be maintained according to the growth trends described above. The considerable volume of production they have achieved, and their supplies of available resources and bigger markets, among other factors, give them a relatively high growth potential. They should therefore continue, as in the past 20 years, to have a growth rate higher than that of the average of the other Latin American countries. The most dynamic sectors would be manufacturing and basic services, with annual growth rates at 7%, while agriculture would maintain its growth of the past decade (3.7%) and non-basic services would evolve in the same way as the average of the economy (6.3%). The prolongation of these trends until the end of the century would considerably modify the productive structure, making it closer to the one presently shown by the urban, industrialized societies; however, this same circumstance might produce a redefinition of the role of the services sector, so that its share in the economy would be greater than projected here (see table 23).

The economically medium-sized countries, as noted earlier, had serious problems in their industrialization process, which in turn had an impact on the slow and declining economic expansion during the past three decades. In comparative terms, then, in order to achieve growth rates which would be still lower than those of the other groups of countries, the medium-sized countries would have to make greater efforts than in the past. Thus, for example, they would be faced with the prospect of raising the annual growth rate of the global product from 3.2% in 1970-1980 to 4.6% in 1980-2000; although this increase might seem modest, it implies recovering at least the dynamism of the 1970s, mainly through a reactivation of the industrial sector, whose production grew very slowly (see table 24). In

Table 23
 LATIN AMERICA (LARGE COUNTRIES): a/ GROWTH AND STRUCTURE OF THE GROSS DOMESTIC PRODUCT AND EMPLOYMENT, BY SECTORS OF ECONOMIC ACTIVITY
 (Trend scenario and normative scenario, 1980-2000)

	Annual growth rates (per cent)								Percentage of the total							
	Trend scenario			Normative scenario					Trend scenario		Normative scenario					
	1950-1960	1960-1970	1970-1980	1980-1990	1990-2000	1980-1990	1990-2000	1990	2000	1990	2000	1990	2000			
Gross domestic product <u>b/</u>	5.3	5.8	6.4	6.3	6.4	7.4	7.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Agriculture	3.8	3.1	3.7	3.7	3.7	4.5	4.8	16.9	13.1	10.0	7.8	6.0	7.6	5.7		
Industry	6.4	6.9	7.1	6.8	6.8	8.3	8.7	35.6	37.5	39.8	41.6	43.1	43.1	46.2		
Manufacturing	6.6	7.2	6.9	6.9	6.8	8.5	8.8	26.0	29.7	31.0	32.8	34.1	34.2	37.0		
Other <u>c/</u>	5.6	5.9	8.0	6.4	6.7	7.5	8.3	7.6	7.6	8.8	8.8	9.0	8.8	9.1		
Services	5.2	5.8	6.5	6.4	6.5	7.2	7.7	49.5	49.6	50.1	50.6	50.9	49.3	48.2		
Basic <u>d/</u>	5.2	6.2	8.3	7.0	7.1	8.1	8.6	6.4	6.6	7.9	8.4	9.0	8.4	9.0		
Other <u>e/</u>	5.2	5.8	6.2	6.3	6.3	7.0	7.5	43.1	43.0	42.2	42.1	41.9	40.9	39.2		
Employment	2.5	2.1	2.5	2.5	2.5	2.8	2.7	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Agriculture	1.0	0.3	0.7	0.5	0.01	1.0	0.1	48.8	40.7	34.0	28.0	21.9	28.5	22.0		
Industry	2.8	3.7	2.8	2.6	2.5	3.2	3.2	18.2	21.2	21.8	22.0	22.1	22.5	23.7		
Manufacturing	2.6	3.0	2.2	2.2	2.1	2.9	3.0	13.4	14.5	14.2	13.8	13.3	14.3	14.6		
Other <u>c/</u>	3.5	5.5	4.0	3.2	3.2	3.6	3.7	4.8	6.6	7.6	8.2	8.8	8.2	9.0		
Services	5.0	3.6	4.0	3.8	3.6	3.9	3.8	33.0	38.2	44.2	50.3	56.0	48.9	54.3		
Basic <u>d/</u>	4.2	1.3	3.9	3.0	2.9	3.5	3.6	5.6	5.1	5.9	6.2	6.4	6.3	6.8		
Other <u>e/</u>	5.1	4.1	4.0	3.9	3.8	4.0	3.8	27.4	33.0	38.1	43.8	49.5	42.7	47.5		
Gross domestic product per person employed	2.8	3.6	3.8	3.7	3.8	4.5	5.1	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Agriculture	2.8	2.8	2.9	3.2	3.7	3.4	4.7	34.6	32.1	29.5	27.9	27.5	26.7	25.8		
Industry	3.5	3.1	4.2	4.1	4.2	4.9	5.3	184.7	176.4	182.8	189.0	195.2	191.2	195.0		
Manufacturing	3.9	4.1	4.5	4.6	4.6	5.4	5.7	193.9	204.4	219.1	237.2	255.5	239.4	253.2		
Other <u>c/</u>	2.0	0.3	3.8	3.0	3.4	3.7	4.4	158.8	115.1	115.4	107.6	103.4	107.5	100.9		
Services	0.3	2.1	2.4	2.5	2.7	3.2	3.8	150.0	129.9	113.5	101.1	90.9	100.8	88.7		
Basic <u>d/</u>	0.9	4.8	4.3	3.9	4.1	4.5	4.9	114.4	128.7	134.2	136.0	139.4	134.6	131.8		
Other <u>e/</u>	0.1	1.6	2.2	2.3	2.5	2.9	3.5	157.3	130.1	111.0	96.2	84.5	95.8	82.5		
Total population	2.9	2.8	2.6	2.3	2.0	2.3	2.0	-	-	-	-	-	-	-		
Population of working age	...	2.7	2.9	2.7	2.4	2.7	2.4	-	-	-	-	-	-	-		
Economically active population	...	...	2.7	2.8	2.4	2.8	2.4	-	-	-	-	-	-	-
Rate of open unemployment	...	...	...	...	...	...	...	...	2.8	4.8	7.1	6.6	4.0	1.2

Source: CEPAL, on the basis of official data.

a/ Comprises Argentina, Brazil and Mexico.

b/ On the basis of values at 1970 prices.

c/ Mining and quarrying, and construction.

d/ Electricity, gas, water and sanitation, and transport and communications.

e/ Commerce and finance, ownership of dwellings, general government, defence and miscellaneous services.

Table 24

LATIN AMERICA (MEDIUM-SIZED COUNTRIES)^{a/}: GROWTH AND STRUCTURE OF THE GROSS DOMESTIC PRODUCT AND EMPLOYMENT, BY SECTORS OF ECONOMIC ACTIVITY
(Trend scenario and normative scenario, 1960-2000)

	Annual growth rates (per cent)								Percentage of the total					
	1950-1960-1970-			Trend scenario		Normative scenario		1960	1970	1980	Trend scenario		Normative scenario	
	1960	1970	1980	1980-1990-1990	2000	1980-1990-1990	2000				1990	2000	1990	2000
Gross domestic product ^{b/}	5.9	4.5	3.2	4.6	4.6	7.0	7.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	3.4	4.1	3.0	3.4	3.1	4.3	4.4	12.9	12.3	12.1	10.7	9.4	9.3	6.7
Industry	7.3	3.9	1.0	4.5	4.7	7.0	8.4	49.5	46.9	36.7	37.4	37.8	37.7	39.3
Manufacturing	7.5	6.1	4.6	5.8	5.7	8.8	9.7	15.0	17.5	20.0	22.4	24.9	23.7	27.9
Other ^{c/}	7.2	2.9	-1.9	2.8	3.1	4.5	5.7	34.5	29.4	17.7	15.0	12.9	14.1	11.4
Services	5.2	5.4	5.4	4.9	4.8	7.5	8.2	37.6	40.8	50.3	51.9	52.9	52.9	54.0
Basic ^{d/}	5.2	6.5	7.2	5.3	5.1	8.2	9.1	5.5	6.7	9.8	10.4	11.0	11.0	12.0
Other ^{e/}	5.2	5.2	5.0	4.8	4.7	7.3	7.9	32.1	34.1	40.5	41.5	41.9	41.9	41.7
Employment	1.6	1.8	3.0	2.6	2.2	3.3	2.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	0.5	-0.1	1.9	1.2	0.4	1.3	0.1	44.4	37.0	33.0	29.0	24.2	27.4	20.6
Industry	1.7	2.5	1.8	2.1	2.0	3.1	3.3	21.2	22.8	20.1	19.3	18.8	20.0	20.6
Manufacturing	2.0	2.8	1.6	1.9	1.7	3.0	3.2	14.4	15.9	13.8	13.0	12.4	13.5	13.9
Other ^{c/}	1.3	1.9	2.1	2.6	2.5	3.4	3.5	6.8	6.9	6.3	6.3	6.4	6.3	6.7
Services	3.1	3.3	4.6	3.6	3.2	4.5	4.1	34.4	40.2	46.9	51.7	57.0	52.7	58.8
Basic ^{d/}	3.2	3.2	3.1	2.5	2.3	3.4	3.9	4.7	5.4	5.4	5.4	5.5	5.5	6.0
Other ^{e/}	3.1	3.4	4.8	3.7	3.4	4.6	4.1	29.7	34.8	41.4	46.3	51.6	47.2	52.7
Gross domestic product per person employed	4.2	2.7	0.2	2.0	2.3	3.6	4.8	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	2.9	4.2	1.1	2.1	2.7	2.9	4.3	29.0	33.3	36.6	37.0	38.7	34.1	32.5
Industry	5.5	1.4	-0.8	2.3	2.7	3.7	4.9	233.8	205.5	187.2	193.4	200.9	190.0	190.7
Manufacturing	5.5	3.2	2.9	3.8	3.9	5.6	6.3	104.6	109.7	144.1	172.1	200.7	174.9	200.4
Other ^{c/}	5.9	1.0	-3.9	0.2	0.6	1.1	2.1	505.6	426.7	282.7	238.1	201.1	216.7	170.5
Services	2.0	2.0	0.7	1.3	1.5	2.9	3.9	109.2	101.5	107.2	100.4	92.8	100.3	91.9
Basic ^{d/}	1.9	3.2	3.9	2.6	2.7	4.7	3.2	118.1	123.7	179.4	192.2	200.7	199.7	204.0
Other ^{e/}	2.0	1.8	0.1	1.1	1.3	2.6	3.6	107.8	98.1	97.7	89.6	81.3	88.7	79.0
Total population	2.9	2.9	2.5	2.5	2.2	2.5	2.2	-	-	-	-	-	-	-
Population of working age	...	3.0	3.3	2.8	2.7	2.8	2.7	-	-	-	-	-	-	-
Economically active population	...	...	3.4	2.8	2.6	2.8	2.6	-	-	-	-	-	-	-
Rate of open unemployment	...	...	...	...	...	...	...	...	5.8	9.3	11.4	14.2	5.2	1.8

Source: CEPAL, on the basis of official data.

^{a/} Comprises Chile, Colombia, Peru and Venezuela.

^{b/} On the basis of values at 1975 prices.

^{c/} Mining and quarrying, and construction.

^{d/} Electricity, gas, water and sanitation, and transport and communications.

^{e/} Commerce and finance, ownership of dwellings, general government, defence and miscellaneous services.

effect, industry as a whole grew at an annual rate of only 1% in 1960-1970, so that in order to sustain the economic growth referred to it would be necessary to raise this rate to 4.5% in the 1980s and 4.7% in the 1990s; in this context, the manufacturing industry would play a more dynamic role, with an annual rate of about 5.7%, while the construction and mining subsectors would have very low rates, with an annual average of barely 3%, mainly due to the low growth expected in oil production in Venezuela.

Services would grow at an annual rate of 4.9% and their share in the productive structure would show the highest relative increases towards the year 2000; this, however, would to some extent reflect the inadequate growth of the other sectors, since some services, especially those with very low productivity, would not exist if there were a higher level of employment in the goods-producing sectors.

The economically smaller countries would have the least variation in their growth rate compared with that recorded in 1970-1980. The increase in this rate has been steady and progressive over the last three decades (3.5%, 4.6% and 5.0% respectively), so that in order to maintain the dynamic trend they would require an annual growth of 5.3% during the period 1980-2000 (see table 25).

Industry and basic services, as in the other groups of countries, would be the most dynamic sectors, while agriculture would decrease its contribution to the global product from 22.4% in 1980 to 16% by the year 2000, as a result of an annual growth of only 3.5%. Industry, however, would grow at an annual rate of 6.3% and would substantially increase its share from 26.9% in 1980 to 33% in the year 2000. Basically the changes in the relative shares in the product of these countries would originate in industrial growth of a similar size to the fall in the agricultural share, while services would maintain a stable coefficient approximately equal to the average for Latin America.

The production structures of the three groups of countries would differ substantially by the year 2000. The large countries would be characterized by their advanced level of industrialization, 43.1% of the gross domestic product, the medium-sized countries would achieve around 38% and the small countries around 33%. Conversely, agriculture would continue to have a considerable impact on the structure of the small countries, with 15.9% of the product, in contrast with a mere 6% in the large countries. There would be practically no difference among the three groups of countries as regards the share of the service sector, with small variations around the average of 51.2% for the entire region; however, this does not mean that the structure within this sector would be similar. Production in absolute figures would vary enormously among the different countries and groups of countries and would therefore include services of different type in each case.

Table 25

LATIN AMERICA (SMALL COUNTRIES)^{a/}: GROWTH AND STRUCTURE OF THE GROSS DOMESTIC PRODUCT AND EMPLOYMENT, BY SECTORS OF ECONOMIC ACTIVITY
(Trend scenario and normative scenario, 1980-2000)

	Annual growth rates (per cent)							Percentage of the total						
	1950-1960-1970-			Trend scenario		Normative scenario		1960	1970	1980	Trend scenario		Normative scenario	
	1960	1970	1980	1980-1990-1990	1990-2000	1980-1990-1990	1990-2000				1990	2000	1990	2000
Gross domestic product ^{b/}	3.5	4.6	5.0	5.2	5.3	6.9	7.8	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	2.6	3.4	3.3	3.5	3.5	4.5	4.7	29.4	26.3	22.4	19.0	15.9	17.8	13.3
Industry	4.3	5.7	6.8	6.2	6.3	8.4	9.1	20.4	22.7	26.9	29.7	32.6	30.9	35.0
Manufacturing	3.6	5.8	5.6	6.5	6.6	8.8	9.6	15.4	17.3	18.3	20.7	23.4	21.8	25.7
Other ^{c/}	7.0	5.4	10.0	5.7	5.6	7.5	8.0	5.0	5.4	8.6	9.0	9.2	9.1	9.3
Services	3.8	4.8	4.9	5.4	5.4	7.0	7.9	50.2	51.1	50.7	51.4	51.5	51.3	51.7
Basic ^{d/}	5.0	5.9	6.9	6.5	6.6	8.6	9.4	6.0	6.9	8.2	9.3	10.4	9.6	11.2
Other ^{e/}	3.7	4.6	4.5	5.1	5.1	6.7	7.5	44.1	44.2	42.4	42.1	41.1	41.7	40.6
Employment	1.3	1.7	2.6	2.5	2.5	3.1	3.3	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	0.6	0.3	1.5	1.5	1.5	1.9	1.7	62.3	54.1	48.5	43.9	39.6	42.9	36.4
Industry	2.0	3.4	3.2	2.7	2.6	3.6	3.8	14.8	17.3	18.4	18.7	18.8	19.3	20.2
Manufacturing	2.0	3.2	3.0	2.4	2.3	3.4	3.7	11.3	13.0	13.5	13.4	13.1	13.9	14.4
Other ^{c/}	1.9	3.8	4.0	3.4	3.2	4.1	4.2	3.5	4.3	4.9	5.4	5.7	5.4	5.8
Services	3.3	4.0	4.1	3.8	3.6	4.5	4.7	23.0	28.6	33.0	37.3	41.5	37.8	43.0
Basic ^{d/}	3.0	3.8	3.1	2.9	2.8	3.8	4.1	2.9	3.5	3.7	3.8	3.9	3.9	4.2
Other ^{e/}	3.4	4.0	4.2	3.9	3.7	4.6	4.8	20.1	25.1	29.4	33.5	37.6	33.8	38.8
Gross domestic product per person employed	2.2	2.8	2.3	2.6	2.7	3.7	4.3	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	2.0	3.1	1.8	2.0	2.0	2.6	3.0	47.3	48.5	46.1	43.2	40.2	41.5	36.6
Industry	2.3	2.3	3.4	3.5	3.6	4.6	5.1	138.2	131.3	146.1	158.3	172.9	160.0	172.8
Manufacturing	1.6	2.5	2.5	4.0	4.2	5.2	5.7	136.7	132.8	135.3	154.4	177.8	156.5	178.6
Other ^{c/}	5.0	1.5	5.8	2.2	2.3	3.3	3.6	143.1	126.0	175.9	168.2	161.6	169.4	158.6
Services	0.5	0.7	0.8	1.5	1.7	2.4	3.0	218.5	178.4	153.4	137.6	124.0	135.8	120.2
Basic ^{d/}	1.9	2.0	3.6	3.5	3.7	4.6	5.1	211.8	196.2	223.5	243.8	267.2	244.9	265.6
Other ^{e/}	0.3	0.5	0.3	1.2	1.3	2.0	2.6	219.4	175.9	144.6	125.5	109.1	123.2	104.4
Total population	2.7	2.8	2.7	2.7	2.7	2.7	2.7	-	-	-	-	-	-	-
Population of working age	...	2.6	3.0	3.0	3.0	3.0	3.0	-	-	-	-	-	-	-
Economically active population	...	...	2.9	3.0	2.8	3.0	2.8	-	-	-	-	-	-	-
Rate of open unemployment	...	...	...	...	...	...	...	...	9.4	12.0	16.3	18.4	11.1	6.7

Source: CEPAL, on the basis of official data.

^{a/} Comprises Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay and Uruguay.

^{b/} On the basis of values at 1970 prices.

^{c/} Mining and quarrying and construction.

^{d/} Electricity, gas, water and sanitation, and transport and communications.

^{e/} Commerce and finance, ownership of dwellings, general government, defence and miscellaneous services.

The share of the economically largest countries in the regional gross domestic product would increase from 72.9% in 1980 to 78.4% in the year 2000. The medium-sized countries would show a decline from 19.1% in 1980 to 14.6% in the year 2000, and the small countries from 8% to 7% in the same years. The prolongation of the long-term trends would consequently accentuate differences among the countries from the point of view of production structure.

In general, the increase in productivity would be maintained by, among other factors, the introduction of technological changes, the formation of capital and the greater possibilities which larger volumes of production would provide for taking advantage of economies of scale. The annual growth rate of the product per person employed in Latin America would rise to 3.4% over the next two decades (see table 22), which would involve an appreciable increase compared with that observed in the 1970s (2.9%).

There is a marked heterogeneity in the growth of the product per person employed, both among countries and among sectors. In the economically largest countries, the rate would be higher (3.8%) due to the better conditions for developing national technology suited to local resources, and for taking better advantage of imported technology in view of the levels of production achieved and the higher skills of the labour available. In medium-sized and small countries this growth would be lower, with annual rates of 2.2% and 2.6% respectively.

Different growth rates of the product per person employed would also be observed among sectors. In Latin American agriculture the annual rate would be 2.9% for the period 1980-2000, an improvement on the 2.4% recorded in the previous decade. The increase would be gradual, from 2.7% in the first decade to 3.1% in the decade 1990-2000. In the large countries this growth would be more intense, reaching an annual rate throughout the entire projection period of 3.4%, and it would be much higher than that of medium-sized and small countries, which would have 2.4% and 2.0% respectively.

As a consequence of the trends described, the annual growth rate of employment in Latin American agriculture would be small, reaching on the average only 0.6%, and would follow a downward trend, since the 0.8% of the first decade would be followed by 0.4% in the period 1990-2000. This would confirm the tendency towards a reduction in the ability of agriculture to absorb labour, which is one of the main causes of the persistence of rural-urban migratory movements.

In Latin American industrial manufacturing, the annual growth rate of the product per person employed would be 4.4% higher, thus exceeding the trend observed in the past three decades (4.0% in the period 1950-1980). At the country level, the annual increase would be greater in the large countries, where it would reach 4.6% for the projection period. In the medium-sized and small countries this rate would be 3.9% and

4.1% respectively, but even so it would remain substantially higher than in other sectors of activity and its own trends of the past decade (2.9% and 2.5% in each case). Generally speaking, the wider dissemination of technological innovations and the incorporation of more complex capital goods into their production system would allow the industrially less developed countries to make greater progress in productivity compared with their earnings levels in earlier periods. However, this greater growth has implications for employment levels. It has been found empirically that if a country achieves a specific level of per capita income a certain time after another country, it will not be able to generate similar volumes of employment, since to do so would require a larger volume of manufacturing output; technical progress, by increasing productivity in time, would thus place greater demands on the capacity of the economy to absorb the same or larger amounts of labour compared with the past.

Industrial manufacturing in the region would play a small role in the direct creation of employment in the sector. Although in the next two decades it would sustain an annual growth similar to that recorded in the 1970s (2.2%), its contribution to total employment would decline slightly from 14.0% in 1980 to 13.1% in the year 2000, thus confirming its low direct capacity for absorption of employment. From the point of view of employment, it is clear that manufacturing development has more quantitative importance for its expansive effects on other sectors, especially on services, than for the direct employment that it generates. For the other subsector, a recovery of the stagnation in its productivity in the 1970s is projected (see table 22); as a result, its annual employment growth rate would decline from 3.6% in 1970-1980 to 3.2% in 1980-2000; but even so its contribution to total employment would increase from 6.9% in 1980 to 7.6% in the year 2000. In summary, in accordance with the trends described, the industrial sector as a whole would only be able to sustain, by the end of the century, a contribution to total employment of 21%, an amount already recorded in 1980. At the level of groups of countries, employment dynamism in Latin American industry would follow the pattern of the economically larger countries, with an annual growth rate of 2.5%, while the medium-sized countries would show 2.1% and the small countries 2.7%.

Productivity per person employed in the services sector has historically been low, among other reasons because in many countries it includes the most underemployment. Its annual growth, although better in the last decade (1.9%), would be lower than that of the other sectors and would reach an annual rate of 2.2% in 1980-1990 and 2.5% by the end of the century. Thus, although an improvement in the trend is projected, services would continue to absorb, in conditions similar to those now existing, a high proportion of labour. The annual rate of employment would grow by about 3.7% in the next two decades. At the level of groups of countries, productivity of services would grow unevenly. In the economically larger

countries it would reach an annual rate of 2.6% for the period 1980-2000, while in the medium-sized and small countries it would be substantially lower (1.4% and 1.6% respectively). However, the annual growth rate of employment would vary less among the different groups of countries: in the economically largest and in the small countries it would be on the order of 3.7%, and in the medium-sized countries 3.4%, on the average during the period 1980-2000.

In brief, the growth of employment in Latin America according to this scenario would reach an annual rate of 2.5% in the next twenty years, which would be inadequate to absorb the growth of the economically active population (EAP) of 2.8% in the first decade, and only in the second decade would it reach an equal magnitude of 2.5%. This slow rate of employment growth would thus contribute to increasing open unemployment from an initial level of 6.9% in 1980 to 9.5% in 1990 and 10.2% in the year 2000.

The rate of open unemployment would not be the same in all the groups of countries. In the economically larger ones it would increase considerably, from 4.8% in 1980 to 7.1% in 1990, but in the 1990s there would be a gradual drop to 6.6% in the year 2000, mainly as the result of a significant drop in the growth rate of the EAP.

In the medium-sized and small countries the employment situation would be far more pressing. The growth rate of employment would decrease annually from 2.6% in the period 1980-1990 to 2.2% in 1990-2000; however, that of the EAP would do so more gradually from 2.8% to 2.6% respectively; as a result, the open unemployment rate would rise from 9.3% in 1980 to 11.4% in 1990 and 14.2% in the year 2000.

In the small countries the employment balance would be more critical. The annual growth of the EAP would be extremely high and difficult to reduce significantly, since the 3.0% estimated for this decade would only decline to 2.8% in the next one. If we compare these figures with the growth in employment supply proposed by this scenario, 2.5% annually for the entire period 1980-2000, the unemployment rates would reach 12.0% in 1980, 16.3% in 1990 and 18.4% by the end of the century.

It should be noted, however, that the figures on open unemployment used above may include some percentage of underemployment, on account of the difficulties in classifying the quality of employment by sectors of activity using primary data sources.

As a result, although open unemployment might be over estimated, if the problem is analysed from the point of view of total unemployment it would tend to grow worse, since the figures mentioned above certainly do not include underemployment, which determines another equivalent percentage of unemployment, to its full extent. In any case, results reveal the inadequacy of the growth postulated in this scenario for solving the problems of unemployment and underemployment.

(ii) Normative scenario

The appraisal of the Latin American economic and social development process and the consequences implicit in maintaining the growth trends make it essential to give a new orientation to development strategies and policies. Whatever alternative is adopted, however, one of the basic elements of this new orientation is the speeding up of economic growth. In this regard, country targets were set which resulted in an annual growth rate of the product for Latin America as a whole in 1980-1990 of 7.3%. This growth is consistent with the postulates of the new International Development Strategy for the Third United Nations Development Decade (IDS), at both the sectoral and global levels; in this last area it exceeded, although only by a small margin, the goal of the new IDS for developing countries as a whole (7%).

Naturally the greater dynamism postulated in this scenario proposes more profound changes, in relation to both the productive structure and inter-sectoral processes.

The product of the agricultural sector would reach an approximate annual growth rate of 4.4% during the period 1980-1990. This growth, which implies considerable efforts, would contribute substantially to satisfying the increases in domestic demand which might arise from the increase and better distribution of income, and at the same time the need for larger exportable surpluses to implement the external sector strategy. Moreover, it is consistent with the 4% recommended by the IDS for all developing countries, in view of the greater potential of Latin America in this field. The requirements proposed for the growth of the agricultural sector, then, are also high and exceed the long-term trend by almost one percentage point annually (see table 22).

As in the previous scenario, industry would be the main dynamic factor. During the period 1980-2000 its annual growth rate would be 8.3%, with the result that its share in the structure of production would increase significantly, from 38.3% in 1980 to 44% in the year 2000. This increase in its share would be chiefly explained by the high growth rate proposed for the manufacturing industries, since the contribution of the other industrial activities (mines and quarrying, and construction) would experience a decline. In the large and small countries, the intensity of industrial growth would be greater. In the former, the annual rate for the first and second decade would reach 8.3% and 8.7%, respectively, and in the small countries 8.4% and 9.1%. In the medium-sized countries there would be a relatively smaller annual rate, 7.0% in the first decade and 8.4% in the second. In any case these are high growth targets for the long term, whether we consider the countries separately, by groups or as a regional whole. Some of them have achieved and even exceeded these rates during short periods, but obviously in order to sustain them at least during this decade they will have to make enormous efforts at accumulation in order to modernize

the sector and raise productivity. On the other hand, policies would probably be applied simultaneously which would tend to modify the structure and dynamism of demand, especially in regard to the distribution of income, regional integration and access to foreign markets.

Industrial manufacturing, in particular, would have to face the greatest demands. In this scenario, Latin America would have to raise its annual growth rate from 6.5% in 1970-1980 to 8.5% in 1980-1990 and to 9.0% by the end of the century. This expansion in terms of production volume would be extraordinarily great, or 36% of the increase in the total product projected from 1980 to the year 2000.

Achieving the goals formulated in the IDS would thus imply an intense process of industrialization, which would require not only efficient policy measures to expand markets but also the support of a sustained agricultural development and an extraordinary, long-term acceleration.

The large countries, in view of their combination of relatively high production levels and bigger markets, would be in a better position to absorb a growing volume of investments and to incorporate more complex, high-productivity technology into their industrial systems. Moreover, their long-term dynamism has been greater than that of the other countries of the region, so that the speeding up of industrial growth would imply raising their annual rate by somewhat more than one percentage point in this decade, with respect to the past three decades; this would be in contrast with the medium-sized countries, which would have to more than double this rate, and the small countries, which would have to increase it by 2.5 points.

In the medium-sized countries, there has been a systematic decline in the industrial growth rate during the past three decades (see table 24). In the past decade the mining and construction subsector even experienced an absolute contraction of its production, due mainly to the fall in oil production; this, added to the persistently decreasing dynamism of the manufacturing product, amounted to a situation of relative stagnation which was reflected in the extremely low industrial growth rate of recent years (1.0% annually in 1960-1970). Under these conditions, the achievement of the goals proposed in this scenario will require drastic changes in the development strategies of these countries. Thus, for example, the policy of conserving oil resources applied by Venezuela, currently aimed at maintaining the rate of extraction at a constant level, will be enormously important. On the other hand, the dynamism shown in the past by Peru, whose economic performance in the 1970s showed a frank stagnation, will have to be recovered; Colombia will also have to find a suitable way of dealing with its energy balance, which has become negative with respect to hydrocarbons. Finally, there are many situations which will have to be resolved in order to interrupt the inertia of those economies which are at an intermediate stage of industrialization in the

Latin American context. The normative targets for the industrial sector, although certainly high for their size alone, could be largely reached by the recovery of the dynamism lost during the past decade for various reasons.

In the small countries there is also a heterogeneity in respect of resources and potential for industrialization. However, a common denominator is their low level in this area, and their considerable margin for making progress by incorporating relatively simple, moderately priced technologies. This is true, naturally, in the context of policy measures which encourage an expansion and stimulation of demand. In the long run, industry in the small countries as a whole grew at annual rates lower than 6% (see table 25) and raised its contribution to the total product to 27% in 1980 (40% in the large countries). This situation might suggest that the normative targets of annual rates of 8.4% for this decade and 9.1% for the next are exaggerated; nevertheless, precisely in view of the low starting point of industrial productivity in these countries, it is possible that the multiplier effect of marginal investment might be relatively greater than that of the more industrialized countries of the region. Thus, under the conditions of a New International Economic Order and the domestic changes postulated by IDS, these countries may have a chance to accelerate their growth until they achieve the abovementioned goals.

In Latin America, services as a whole would grow at a rate similar to the average of the economy. In this scenario their value added would reach annual growth rates of 7.3% and 7.8% in the 1980s and 1990s respectively, so that their contribution to the total product would remain practically unchanged at about 50%. This expansion, which represents a growth elasticity equal to one, would be conditioned by the tendency for non-basic services to absorb the underproductive labour force; this does not mean, however, that the stagnation in the participation of services in the economy will have similar implications to those of the dynamic trend scenario (whose contribution is 51%), since the higher productivity of services in this scenario would involve a sizable reduction in underemployment. Basic services, for their part, would grow with a slightly higher elasticity in respect of the total product than that of the industrial sector, as a way of suitably accompanying the process of production of goods and satisfying the growing demand for social services.

At the level of groups of countries, only in the economically larger ones would the contribution of services to the generation of the total product decrease, from 50% in 1980 to 48% by the end of the century. This decrease would be explained by the type of industrial development of these countries and the intensity with which this process continued.

In comparison with the productive structure of some developed countries in a market economy, the percentages of participation of the service sector in all the groups of

countries, and certainly in the region as a whole, are apparently low. By the year 2000, for example, the large countries of Latin America would have a per capita product of around 3 800 dollars at 1975 prices, a similar figure to that recorded by Japan in 1970; however, the share of services in the total product in that country was 53.3%, showing a growing trend (55.3% in 1975 and 61.8% in 1978), in contrast to the 48% projected for the Latin American countries. In this perspective, two observations may be made. Firstly, it is possible that because of their type of development the countries of the region might include as industrial production a certain type of services produced in the sector itself, a phenomenon which would not occur in the developed countries where the broader and more diversified supply of services would enable them to acquire these services from other enterprises, sharply defining what corresponds to industrial production as such. Secondly, the tendency of the share of services in developed countries to grow could be due, apart from the speed of modernization of the economic system and the high dynamism in the demand for social services, to changes in the price relationship between industrial production and that of services.

As a result, it is possible that in these projections a certain percentage of the contribution of the service sector to the generation of the total product has been underestimated, and on the contrary that of the industrial sector somewhat overestimated.

The high level of activity postulated in this scenario would enable the per capita product of all the countries to double in the next fifteen years at the most and that of the region as a whole in 13 years (5.4% annually); but even if this trend continues, by the year 2000 it would be only approximately half of that recorded in the Federal Republic of Germany and France in 1975. Although these figures are not strictly comparable, they serve to illustrate in some way the gap separating Latin America from the developed countries.

The expansion of the gross domestic product in the region would be based especially on the progress achieved in the modernization of the economies. In this context, industrial manufacturing and basic services would play a more dynamic role, with annual growth rates of the product per person employed of 5.5% and 4.7% respectively, in the period 1980-2000. In agriculture also, this rate would have to increase from the 2.4% of the past decade to 3.1% and 4.2% in the next two decades. In other words, the rapid expansion postulated for these sectors will set the pattern for reaching the global target of an annual growth of the product per person employed of 4.5% in the period 1980-2000. This pattern of growth, however, would result in a greater heterogeneity in intersectoral productivity, with the highest levels being concentrated in manufacturing and basic services and the lowest levels in agriculture and the remaining services (see table 22).

According to groups of countries, the larger ones would have higher increases in productivity than those of Latin America in all sectors of activity. However, the higher degree of growth proposed for the industrial sector, in particular, would mean greater differences in productivity than they have now, and greater than those of the other groups of countries. The total product per person employed in the large countries would grow at an annual average of 4.8% in the next 20 years, whereas in the medium-sized and small countries their rate would be 4.2% and 4.0% respectively, showing in all cases rising curves of productivity through time.

It should be pointed out that although these projections generally show a trend towards increasing differences in intersectoral productivity, and as a result a relative deterioration in the distribution of income, it should be borne in mind that although distribution through production-employment is the most direct, it is not the only way; in addition, since drastic changes are not proposed in the growth pattern, no significant modification of intersectoral productivity is contemplated. Improving the distribution of income, therefore, largely depends on complementary, clearly defined policies, which ultimately result in an increase in real income for the population now employed in the sectors with lowest productivity.

The high degree of economic activity proposed in this scenario, along with the transformations which would result by the end of the century in a productive structure approximately like that of the industrialized countries, would significantly change the sectoral competition of employment in Latin America. In relation to the dynamic trend scenario, for example, although the annual growth rate of employment would rise to an apparently small extent, from 2.5% to 3.0%, this latter rate would make it possible to absorb the increase in the labour force and even reduce part of the current underemployment (see tables 22 to 25).

In all groups of countries, most displacements of intersectoral employment would occur between agriculture and services. Between 1980 and the year 2000 employment in agriculture in different groups of countries would decrease by approximately 12 percentage points with respect to the total, while services would increase by 10 in the large and small countries and by 12 in the medium-sized ones. Industry would increase this share by 2 percentage points in the large and small countries, while in the medium-sized countries it would remain practically constant; in any case it is interesting to note that in marginal terms the expansion of employment in industry would be significant, considering that it would have highest growth rates of productivity and, on the other hand, by prolonging the long-term trends, it might at best maintain its current proportional contribution as a source of employment.

The percentage of population employed in Latin American agriculture by the end of the century (24%) would be similar to that of France in 1960, which shows a correlation with the respective levels of per capita product. However, with regard to employment in industry, its participation in Latin America would be 14 percentage points lower than in France and correspondingly higher by the same proportion in the service sector. This phenomenon shows the greater need of countries with slow industrialization, either to increase or simply maintain the employment percentages in this sector, since as the time goes on an increasingly large global product per person employed is needed ^{24/} in order to generate similar levels of employment. Absorption of technology from countries in more advanced stages of industrialization involves a larger supply of capital per person employed, which in turn increases the productivity of the sector and reduces the capacity to offer employment at lower rates than those offered in the past by the presently developed countries. A challenge is thus presented for the developing countries: to industrialize and at the same time provide more jobs and better salaries; with the current growth model this appears possible with a high degree of activity in the economy, but certainly one cannot expect the experience of the developed countries to be repeated, where the industrial sector provided employment for more than one-third of the employed population.^{25/} It is important, therefore, in addition to speeding up the growth of production, to structure the service sector, which, along with economic and social development, would eliminate underemployment and reach high enough levels of productivity to make it possible to improve the distribution of income through employment.

According to the results of the projections of the normative scenario, which postulates an annual growth in the global product of 7.3% for this decade and 7.9% in the 1990s, unemployment would be substantially reduced by the end of the century, but the problem of underemployment would not be solved; this is true of groups of countries or of the region as a whole. Nevertheless, since displacements from the agricultural sector to certain branches of the service sector would gradually occur, especially in view of the greater relative productivity in the latter sector (see tables 22 to 25),

^{24/} Latin America, by the year 2000, would have some US\$ 9 500 (1975 dollars) per person employed, whereas France had US\$ 7 900 in 1960.

^{25/} In the countries with the highest per capita product, however, the proportion is declining. Thus, for example, between 1950 and 1975 in the United States it dropped from 35.0% to 30.8%, in Canada from 35.1% to 28.1%, and in Sweden from 40.1% to 35.7%, to cite countries of different economic and demographic size.

there would be an appreciable reduction in underemployment. Under these conditions, employment policies designed to improve the productivity of the services in which underemployment is concentrated would have special importance.

The share of the service subsector which excludes basic services in the employment total for Latin America, which would rise from 38% in 1980 to 37% in the year 2000, although it is high and does not correspond with that shown by the developed countries with a similar per capital product to that which the region would reach in the year 2000, would have few chances of being reduced; in this respect, for example, even with an annual economic growth rate much higher than that proposed in the dynamic trend scenario (7.6% and 6.0% respectively in the period 1980-2000), this share would experience variations of relatively small significance (see tables 22 to 25).

Qualitatively speaking, however, an interesting phenomenon occurs: when economic growth speeds up in 1990-2000, employment percentages clearly decrease in agriculture and in the subsector of services excluding basic services, and corresponding increases occur in manufacturing, mainly, and in other industries and basic services, the sectors with the highest productivity. It may be observed, then, that it is possible to broaden the capacity for absorption of employment in the most dynamic sectors with fairly high rates of expansion; however, as noted earlier, an occupational distribution by sectors cannot be achieved like that of the currently developed countries in the past. As a result, the positive effects generating a higher economic dynamism in employment tend to be located in the improvement of the quality of services, which restricts the residual role traditionally played by this sector as a source of employment.

The persistence of unemployment and underemployment, despite the considerable economic growth postulated in this scenario, would be due to a large extent to the sharp increase in the labour force in the countries of the region, in view of the demographic transition phase through which they are going. Thus, although a decrease is projected in the annual growth rate of the economically active population (EAP) of Latin America from 2.9% in 1970-1980 to 2.8% and 2.5% in the following two decades, it is obvious that these are high rates even for developing countries. However, in the normative scenario open unemployment in the region would be reduced from 6.9% of the labour force in 1980 to 5.5% in 1990 and 2.3% in the year 2000 -in this last year due to the greater decline in the growth rate of the labour force in the 1990s, since the rate of expansion of employment would remain practically constant (see table 22).

In the large countries the EAP grew at a more moderate rate than the regional average, and this, along with their greater economic dynamism, has enabled them to maintain a relatively low open unemployment level (4.8% in 1980). In the next two decades they could slightly reduce this rate to 4.0%

in 1990 and significantly to 1.2% by the year 2000; as in the region as a whole in this latter year, the decline expected in the growth of the labour force in the 1990s would be especially important.

In the medium-sized countries, however, the EAP grew strongly in the 1970s (3.4% annually); as a result, although employment increased at an annual average of 3.0%, the mere difference between these rates drove open unemployment rates from 5.8% in 1970 to 9.3% in 1980. As seen in table 24, the economic growth proposed for the next 20 years means more than doubling the annual rate of the 1970s, where the per capita product only increased by 0.7% annually; thus the annual expansion of employment of 3.3% in the 1980s and 2.9% in the 1990s, accompanied by a sharp decrease in the growth of the EAP (to 2.8% and 2.6% respectively) would make it possible to reduce the open unemployment rate to 5.2% in 1990 and 1.8% by the end of the century. This group of countries showed the lowest share of the EAP in the total population at the beginning of the past decade (28.2% in 1970); however, at the end of the period (30.7% in 1980) it tended to be equal to that of the large countries (31.9%).

The sharp increase in the EAP in small countries has neutralized most of the effects of the increases shown in employment. Despite the systematic increase in the growth rate of employment in the past three decades, open unemployment -including a certain percentage of underemployment- rose from 9.4% in 1970 to 12.0% in 1980. In this decade the annual growth of the EAP shown in the last decade (3.0%) would persist, so that the annual increase in the employment rate of 3.1% in 1980-1990 would only make it possible to reduce open unemployment to 11.1% in 1990; in the 1990s, with the annual rate of expansion of employment rising to 3.3% and the corresponding EAP figure decreasing to 2.8%, a substantial drop would occur in the open unemployment rate to slightly less than 7% by the end of the century. Now this coefficient not only is comparatively high in relation to that of the other groups of countries, but also has a particular connotation. Firstly, in order to reduce it to the above-mentioned size the global product would have to speed up its annual growth by 1.9 and 2.8 additional percentage points in the 1980s and 1990s respectively, in comparison with the period 1970-1980. Secondly, even if it achieves this difficult goal, the structure of production and employment would continue to show a considerable relative sluggishness by the end of the century, since agriculture would still generate 13.3% of the gross domestic product and would employ 36.4% of the employed population. These figures are consistent with the per capita product which would be reached by the year 2000 (1 424 dollars at 1975 prices) and in relative terms are similar to that prevailing under similar conditions in the first half of the 1960s and in the 1970s in Spain and Portugal respectively, but with one very important difference: while these latter

countries still managed to employ slightly more than 30% of the employed population in industry and retained a share of the service subsector excluding basic services of about 27%, Latin American countries showed proportions of 20% and 39% respectively; the tendency of the newly industrialized countries to absorb increasingly large proportions of employment in services rather than industry would thus be confirmed, with various degrees of productivity.

From the point of view of increase, it is also illustrative to note the sectoral contribution of each sector of economic activity to the product and to employment. If we take, for example, the differences between the absolute values of the product and of employment of the years 2000 and 1980, and we calculate their respective sectoral structures with respect to the total increase, we obtain for the average of the region a share in the agricultural sector of 5.0% in the product and 8.7% in employment, while industry would have 45.7% and 24.5%, and services 49.3% and 66.6% respectively. In 1980 the contribution by services to the generation of the product was around 12 percentage points higher than that of industry, and that corresponding to employment 22 points; on the other hand, adopting the structure of sectoral increases between the years 2000 and 1980, this difference in the share of the product reduces to 4 percentage points and that of employment expands to 44 points. This trend towards the concentration of employment in the service sector would take place with greater intensity in the large and medium-sized groups of countries, while in the small countries, although it would also be considerable, it would not reach the same dimensions, among other reasons because the industrial sector would not have the same expansive potential over services as in the other countries; in this respect it is useful to note that the industrial product of the 12 small countries in the year 2000 would be more or less similar to that of the 3 large countries in 1968.

The characteristics shown by the different groups of countries are the result of adding up the national projections. Thus, both the possibilities for growth at the global and sectoral levels, and the projections for productivities and recent repercussions on the level and composition of employment, reflect these particular situations. Regional and subregional integration, therefore, are very relevant, especially in respect of the small countries whose limitations with respect to resources and the market are obvious.

However, if the targets proposed in this normative scenario were reached, it would be an important step forward in the economic transformation of Latin American countries. In fact, there would be a substantial improvement in both the employment situation and the quality of goods and services produced, which would ultimately mean higher standards of living; moreover, this is a relatively accelerated growth in the context of which the application of wide-ranging redistributive policies would be easier.

3. External sector

(a) General considerations

During the 1970s, Latin America continued to show a pronounced asymmetry in its external economic relations in terms of the nature of its flows of exports and imports and the deterioration in the terms of trade in the non-oil-exporting countries; this was compounded by mounting external indebtedness, with its real and financial effects on the national income and the balance of payments. Furthermore, these problems have become more acute as deficits in the balance-of-payments current account grow and the external debt reaches very high levels in absolute and relative terms.

Three factors have had a particular impact on this situation. The first is related to the persistent deterioration in the balance of trade throughout the entire decade. This deterioration was brought on in part by the performance of both trade in merchandise and service transactions. The balance of trade in goods, traditionally favourable to the region, went into the red in 1974, as a result of the crisis of 1974-1975; it was positive again in 1979 although less than at the beginning of the decade. Service transactions, excluding those relating to interests and profits, which have systematically resulted in deficits for the region, have shown negative balances of increasing magnitude.^{26/}

This situation is basically derived from the new conditions of the international market since the beginning of 1974. Imports, which had shown more dynamism in the mid-1970s, after the well-known process of import substitution, grew at an annual rate of 10.5% in the period 1970-1973, exceeding even the 7.5% rate recorded in 1966-1970; however, in 1975 and 1976 they contracted by -2.3% and -0.2% respectively, and then increased by 8.4% in 1977-1979 (4.1% excluding Mexico). The evolution of imports, in fact, depended on the vicissitudes of exports; these grew in 1970-1973 at an annual rate of 6.2%, also exceeding the 4.0% of the period 1966-1970, but in 1974 and 1975 they decreased by -2.8% and -7.2% and then recovered extraordinarily in 1976-1979 with an annual increase of 9.2% (7.5% excluding Mexico). As can be seen, efforts by the region to neutralize the international crisis were considerable, and even grew in the oil-importing countries, which in recent years significantly expanded their exports (10.8% in 1976-1979) and slowed down the rate of increase of imports (6.3% in comparison with 7.7% for Latin America in 1976-1979).^{27/}

^{26/} These deficits have, with the exception of 1973, normally exceeded the surpluses obtained from the trade in goods

^{27/} This process was furthered by the growth of industrial or agricultural production capacity which had begun years previously, and especially by export promotion policies.

The second factor was world inflation, a phenomenon which, in addition to generating speculative movements and uncertainty in many fields of activity, has resulted in a further deterioration in the terms of trade.

The third factor which has seriously affected the external position of Latin America is the worsening of the terms of external financing. An important change has occurred in the sources of financing, with resources from private banking and commercial sources growing by leaps and bounds. Thus, while direct investment and loans from official sources, taken together, rose from US\$ 2 billion in 1970 to US\$ 6 billion in 1979, loans from private sources climbed from less than US\$ 1 billion to over US\$ 18 billion during the same period. Moreover, world inflation itself has caused an increase in interest rates and a reduction in the amortization periods of new loans granted. As a corollary, a given volume of external financing now requires a larger amount of servicing than in previous decades, and this is compounded by the fact that the servicing is concentrated in the short and medium term.

The end results of a process of this kind are complex. On the one hand, the high level of external debt servicing will make it necessary to find additional sources of resources. If recourse continues to be had to external financing, the process will be cumulative and payments may eventually tie up extremely high percentages of export earnings. Furthermore, an external situation in which such commitment exists may obstruct the flow of capital and the access to external financing and worsen the corresponding payment periods and interest rates, thereby making it more difficult to solve the balance-of-payments problem and to accumulate capital to raise the economic growth rate (for example, by reducing essential imports).

Naturally, the situation and prospects vary from country to country. Most of the countries, however, have similar balance-of-payments and external-debt problems, although with different degrees of seriousness. Even some of the oil-exporting countries, which have strengthened their balance of trade, still face foreign debt service payments which absorb a high percentage of export earnings.

(b) Assumptions on which the projections are based

The projections of external variables which have been made in the context of the two scenarios described above are aimed at quantifying the external changes needed for more symmetrical relations resulting in an acceptable balance-of-payments situation and tolerable external debt levels.

The assumptions used are described below, classed according to the main components of the external situation: imports, magnitude and terms of external financing, terms of trade and inflation and exports.

The import requirements for maintaining the growth rates proposed were estimated on the basis of the functional relationship between imports, on the one hand, and the product and investment, on the other; also, particular importance is

attached to external supplies of fuels. In this respect, and as has been stated above in connexion with the energy situation, in the case of the oil-short countries, the accepted elasticity of imports of petroleum and its derivatives with respect to the gross domestic product is 0.8. This degree of elasticity calls for a considerable effort to contain and substitute the consumption of hydrocarbons and to palliate the effect of the cost of such imports on the balance of payments. Nevertheless, because of the continued and growing preponderance of imports of intermediate products and capital goods and because it is hoped to step up regional trade, imports will tend to increase in the case of virtually all the countries and of the region as a whole at a higher rate than that of the gross domestic product.

The terms of external financing were examined separately for each country in the light of the experience of recent years. Assumptions were adopted with regard to the share of loans in the gross inflow of foreign capital, the profit rate on foreign capital and the amortization and interest attached to loans. Amortization and interest are broadly based on the terms on which the present loans of each country were contracted, and more unfavourable terms are assumed in the case of new debts, taking into account inflation and the change in the composition of sources of indebtedness.

In the case of net external financing, the general rule adopted was that around 1990 its average ratio to gross domestic product (at 1975 prices) would not exceed that recorded in the 1970s, provided that external debt servicing does not rise above a given level of value of exports. In calculating averages, the balance of payments for years considered to be atypical was not taken into consideration. These criteria are reflected in a gradual decrease in the coefficient of external financing with respect to the gross domestic product recorded at the end of the past decade.

For the region as a whole, the level of net external financing reached on the basis of this method amounts to about 2.7% of the gross domestic product. In practice, this average applies to the larger countries and the situation is quite different in the case of the medium-sized and small countries, for which the corresponding averages are generally higher. The higher coefficient for small countries reflects both the difficult situation through which many of them have passed and the fact that their greater external openness means that the ratio of debt and financing to the product is higher.

The evolution of world export and import prices presupposes a deceleration in the rate of increase, which is expected to decline gradually from 14% in 1981 so that the average price index would rise by 12% a year during the period 1980-1985 and by 10% during the period 1985-1990. It is postulated that the indexes of unit value of imports and exports of the region other than petroleum and petroleum products will follow the path of world inflation and that the price of hydrocarbons will increase

in real terms, rising faster than inflation, so that an elasticity of 1.05 has been used. This implies that if petroleum and petroleum products are not taken into consideration, the terms of trade will remain at approximately the same level as in 1979. If these products, whose price elasticity is greater than 1, are included, the terms of trade improve in the cases of countries which are net exporters of petroleum and worsen in that of countries without petroleum. In the last analysis, the terms of external trade used in the projections differ from those recorded in 1979 only because of the relatively higher price of petroleum.

In projecting and analysing exports, two aspects were considered. Firstly, an estimate was made of the export earnings needed to finance the imports required in order to achieve the balance of payments predicted. Secondly, consideration was given to the changes which should be made in the composition and destination of exports in order to achieve the corresponding earnings. This second exercise calls for an analysis of the export capacity of the countries and the possibilities of Latin American exports being absorbed by the region and the rest of the world.

The projection of the main balance-of-payments and external-debt variables resulting from the assumptions outlined above makes it possible to analyse the macroeconomic evolution of the external sector at both the national and the regional levels.

(c) Main conclusions

As has already been indicated, import needs will tend to improve in almost all the countries and the region as a whole at a rate higher than that of the gross domestic product. Thus, in the trend scenario, imports would increase at a rate of 6.2% a year between 1979 and 1990 (as compared to 5.9% for the gross domestic product), and in the normative scenario, they would increase at a rate of 7.8% (7.1% of the gross domestic product). These rates assume a decrease in the product elasticity of imports from the high levels recorded in the period 1975-1979 (1.24), which was due fundamentally to the high levels for Mexico and Venezuela, to levels slightly over one. In this respect, it is useful to note a combination of factors that are to a certain extent opposed. On the one hand, the current approach to development tends to increase the degree of openness of the economies and this, together with a New International Economic Order, should produce a substantial increase in external trade and, eventually, make it possible to assume import elasticity with respect to the product that would be higher than 1. On the other hand, policies aimed at containing the consumption of hydrocarbons, together with policies aimed at reducing external dependency and solving the balance-of-payments problems the countries are facing, would suggest elasticities lower than one. A careful weighting of these considerations, with the close relationship between the acceleration of growth and the overall demand for imports also

being taken into account, led to the adoption of the assumption that the elasticity of imports would decrease but would still remain higher than 1. In this way, Latin American imports, which accounted for 15.3% of the gross domestic product in 1979, would represent 15.8% and 16.4% in 1990 for the trend and the normative scenarios, in that order. The differences between countries as regards external openness would tend to remain the same, resulting in an import coefficient with respect to the product of the order of 12% for the big countries, 30% for the medium-sized countries and 34% for the economically and demographically smaller countries.

For the region as a whole, export needs are relatively high in both scenarios. In the trend scenario, the annual growth rate is 6.3% for the period 1979-1990, while in the normative scenario, the corresponding rate is 7.6% (see table 14). The growth of exports represents a break in the long-term trend, considering that during the last three decades, the yearly average was only 4.3%. However, it is evident that, with the new external relations prevailing, the region has developed a considerable export potential; after the oil crisis which brought about a drop in external sales in 1974 and 1975, these were increased during the next five years at an annual rate of almost 9%. And although this is too short a time period to draw conclusions, it does illustrate the region's capacity to respond in times of crisis. Moreover, it is essential to strengthen the system of international co-operation in general and regional integration in particular; these aspects are crucial to the realization of the IDS goals discussed below.

As regards groups of countries, the large countries have the greatest requirements, not only because of the higher economic growth rates postulated but also because of their high external indebtedness. This external indebtedness explains to a large extent the need for exporting at higher rates during the 1980s than during the 1990s (see table 15), as the cumulative process to which the service of the debt gives rise calls for high export earnings in order to meet the goals established for external financing; this is true both for the trends scenario and the normative scenario. As regards the long-range growth of exports, the annual rate in the trends scenario would have to increase from 5.3% for the period 1950-1979 to 7.5% for 1980-1990; it could then decline to 6.4% towards the end of the century, even to the point of causing a slight reduction in the net external financing product ratio, from 2.7% in 1990 to 2.6% in the year 2000. In the normative scenario, these rates go up to 8.5% for the 1980s and to 7.8% for the 1990s; this would mean keeping up the considerable dynamism of the past decade (8.2% in 1970-1979). In this regard, it is worthwhile stressing the efforts of Argentina and Brazil, which during the last decade had rates of 6.2% and 8.9% respectively, with Argentina showing a relative equilibrium in its energy balance and Brazil maintaining its position as a large oil importer. Mexico, for its part, by

breaking into the world oil market, more than recovered its export rate, which had even been negative in 1974 and 1975, and had reached a rate of 9.1% during the aforementioned period.

In the medium-sized countries, on the other hand, the rate of growth of exports in both scenarios would be more moderate during the first decade projected than during the second; this is because of the positive effect of terms of trade, which would significantly complement export earnings (approximately 7% of the product in the trend scenario and 8% in the normative scenario). In this context, the price increases assumed for Venezuelan petroleum exports would carry special weight; however, if we compare the export rates required in the two scenarios with the long-term trend (3.4% per year in 1950-1979), we will note that even with very favourable terms of trade, a great effort would have to be made to achieve the magnitudes required in the trend scenario during the second decade projected (5.0%) and even more so in the normative scenario for the 1980s and 1990s (5.7% and 8.4% respectively).

In the small countries, exports grew at an annual rate of around 5% during the last three decades and 6% during the 1970s. In the trend scenario, an annual rate of 6.7% is postulated for the period 1979-1990 and of 5.6% for 1990-2000; the reasons for this unique trajectory are in some ways similar to those mentioned in the analysis of the large countries, i.e., the high amount going to servicing the external debt tends to increase even more and, if exports do not show greater dynamism over the short term, the possibilities of growth are increasingly limited by the cumulative effect of the debt on its servicing. Moreover, in these countries that have a more open economy and produce few capital goods and intermediate products, the problem is aggravated by the fact that any reduction in their import capacity, even if proportionally similar to that of other groups of countries, has a stronger impact on their accumulation process and thus on their potential for growth. Nevertheless, the magnitude of the export growth rate required in the trend scenario is not significantly different from the historical trajectory (see table 17). As regards the normative scenario, on the other hand, an annual growth rate of around 8% for 20 years does indeed call for substantial changes in the origin and destination of exportable goods and services; these factors are analysed later on.

In 1979, debt servicing absorbed nearly 44% of current export earnings -a large proportion mainly determined by the 55% recorded by the economically larger countries. In the medium-sized and small countries, this proportion was 31.5% and 35.1% respectively. It seems surprising that in the

oil-exporting countries 28/ this servicing amounted to 47% of the value of exports, while in non-oil-exporting countries it accounted for slightly under 42%. It is of interest to note that these high levels of debt servicing are largely a reflection of the deterioration already referred to in the terms of external financing, a phenomenon which became more serious after 1975, when, although high, they were significantly lower than now (see tables 26 to 31).

The restrictions imposed on the net external financing product ratio, as well as on the proportion of current export earnings that may be absorbed by the servicing of the external debt, no doubt call for a major effort to accelerate the growth of exports in both scenarios. However, if that were done, around 1990 the Latin American external sector would experience a recovery that would allow for a decrease in the debt servicing/export coefficient to a level close to the one which prevailed up to the mid-1970s; among groups of countries, only the medium-sized ones would depart notably from this trend, thanks to Venezuelan exports which would benefit from rising oil prices and lead to a more drastic drop in this coefficient. Nevertheless, in 1990 the servicing of the region's external debt would amount to around 150 billion dollars and the volume of this debt would be over 650 billion dollars at current prices; this is four times higher than the amount recorded at the end of the 1970s.

At the same time, and despite the relatively high level of indebtedness projected for Latin America, the external debt/gross domestic product ratio (at 1975 prices) 29/ would decline gradually and in 1990 would account for slightly under 17% in the trend scenario and nearly 16% in the normative scenario. The situation is very similar to the regional average in the economically and demographically larger countries, but is different in the medium-sized and small countries. In the medium-sized countries, this ratio, which in 1979 was about a quarter of the product, would drop by 1990 to less than 7% in the trend scenario and to 6% in the normative scenario (owing to the obvious influence of Venezuela); in the small countries,

28/ Including Bolivia, Ecuador, Mexico and Venezuela. A decisive factor in this was undoubtedly the high indebtedness of Mexico, in the first place, and then of Venezuela, which, after showing significant surpluses in the balance of payments because of the increase in oil prices, had a deficit in 1977-1979 equivalent to 6.8% of the product (at 1975 prices).

29/ In calculating this ratio, the external debt was deflated at the country level using the implicit import index. Thus the debt is expressed in terms of the purchasing power of imports.

Table 26
LATIN AMERICA (19 COUNTRIES) a/; EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR
(Percentages on the basis of current prices)

Year	Proportions with respect to exports of goods and services					Gross inflow of foreign capital	Net inflow of foreign capital c/	External debt/ gross domestic product ratio d/
	Net payments of profits and interest	Net external financing b/	Servicing of external debt					
			Amortization	Interest	Total			
<u>Historical evolution</u>								
1960	12.7	12.2	15.0	2.9	17.9	28.6e/	0.9	...
1965	14.8	3.3	21.9	4.1	26.0	28.5e/	-0.8	...
1970	15.5	16.4	18.7	5.6	24.3	42.0e/	7.8	...
1975	12.8	34.1	16.1	7.9	24.0	52.3e/	23.4	25.0
1979	16.1	22.8	30.6	13.2	43.8	61.2e/	14.5	26.4
<u>Trend scenario</u>								
1990	15.1	18.5	15.3	11.2	26.5	33.8	3.4	16.8
2000	14.1	18.0	15.3	10.4	25.7	33.3	3.8	16.2
<u>Normative scenario</u>								
1990	13.4	17.5	13.6	10.0	23.6	31.0	4.1	15.7
2000	11.3	16.3	12.6	8.4	21.0	28.9	5.0	14.6

Source: CEPAL, on the basis of official data.

a/ Does not include Cuba and the English-speaking Caribbean countries.

b/ Including net private transfer payments.

c/ Gross inflow of foreign capital less (-) amortization of external debt and net payments of profit and interest.

d/ On values at 1975 prices. The balances of the debt was deflated by the implicit index of imports of goods and services.

e/ Includes variation in international reserves.

Table 27
 LATIN AMERICA (LARGE COUNTRIES) a/ : EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR
 (Percentages on the basis of current prices)

Year	Proportions with respect to exports of goods and services							External debt/ gross domestic product ratio <u>d/</u>
	Net payments of profits and interest	Net external financing <u>b/</u>	Servicing of external debt			Gross inflow of foreign capital	Net inflow of foreign capital <u>c/</u>	
			Amortization	Interest	Total			
<u>Historical evolution</u>								
1960	10.8	27.1	18.2	5.1	23.3	50.7 <u>e/</u>	21.7	...
1965	12.2	-0.6	35.1	5.7	40.8	39.6 <u>e/</u>	-7.7	...
1970	16.7	23.3	25.3	7.6	32.9	57.8 <u>e/</u>	15.8	...
1975	21.4	64.0	19.7	14.9	34.6	73.7 <u>e/</u>	32.6	25.0
1979	24.4	37.1	36.1	18.8	54.9	77.3 <u>e/</u>	16.8	25.0
<u>Trend scenario</u>								
1990	21.3	24.7	22.4	16.1	38.4	47.1	3.4	17.3
2000	19.4	23.1	19.8	14.3	34.1	42.9	3.6	15.3
<u>Normative scenario</u>								
1990	19.9	24.0	20.9	15.0	36.0	44.9	4.2	16.6
2000	17.1	22.1	17.5	12.7	30.2	39.7	5.0	13.9

Source: CEPAL, on the basis of official data.

a/ Comprises Argentina, Brazil and Mexico.

b/ Including net private transfer payments.

c/ Gross inflow of foreign capital less (-) amortization of external debt and net payments of profit and interest.

d/ On values at 1975 prices. The balance of the debt was deflated by the implicit index of imports of goods and services.

e/ Includes variation in international reserves.

Table 28
 LATIN AMERICA: (MEDIUM-SIZED COUNTRIES) a/: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR
 (Percentages on the basis of current prices)

Year	Proportions with respect to exports of goods and services						External debt/ gross domestic product ratio d/	
	Net payments of profits and interest	Net external financing b/	Servicing of external debt			Gross inflow of foreign capital		Net inflow of foreign capital c/
			Amortization	Interest	Total			
<u>Historical evolution</u>								
1960	16.4	-3.9	13.4	1.3	14.7	6.8e/	-23.0	...
1965	20.6	3.8	10.8	3.1	13.9	16.5e/	-14.9	...
1970	16.9	5.2	12.1	4.0	16.1	23.8e/	-5.2	...
1975	5.4	0.4	11.3	0.7	12.0	28.1e/	11.4	22.2
1979	6.2	-0.3	24.1	7.4	31.5	40.1e/	9.8	27.2
<u>Trend scenario</u>								
1990	4.9	7.8	3.0	3.1	6.1	10.9	2.9	6.8
2000	4.5	8.1	7.9	3.2	11.1	16.1	3.6	13.9
<u>Normative scenario</u>								
1990	3.9	7.5	2.4	2.5	4.9	9.9	3.5	5.6
2000	3.3	7.7	6.4	2.4	8.8	14.2	4.4	12.3

Source: CEPAL, on the basis of official data.

a/ Comprises Chile, Colombia, Peru and Venezuela.

b/ Including net private transfer payments.

c/ Gross inflow of foreign capital less (-) amortization of external debt and net payments of profit and interest.

d/ On values at 1975 prices. The balance of the debt was deflated by the implicit index of imports of goods and services.

e/ Includes variation in international reserves.

Table 29
 LATIN AMERICA (12 COUNTRIES) a/: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR
 (Percentages on the basis of current prices)

Year	Proportions with respect to exports of goods and services						External debt/ gross domestic product ratio <u>d/</u>	
	Net payments of profits and interest	Net external financing <u>b/</u>	Servicing of external debt			Gross inflow of foreign capital		Net inflow of foreign capital <u>c/</u>
			Amortization	Interest	Total			
<u>Historical evolution</u>								
1960	6.3	17.1	10.1	1.2	11.3	28.9 <u>e/</u>	12.5	...
1965	7.4	12.9	13.2	2.5	15.7	27.9 <u>e/</u>	7.3	...
1970	9.1	21.6	14.5	3.3	17.8	37.2 <u>e/</u>	13.6	...
1975	4.9	23.7	11.8	3.7	15.5	43.8 <u>e/</u>	27.1	31.3
1979	11.0	27.6	27.5	7.6	35.1	55.9 <u>e/</u>	17.4	37.1
<u>Trend scenario</u>								
1990	10.2	14.3	11.0	7.6	18.6	25.3	4.2	33.3
2000	9.0	14.0	9.9	6.8	16.7	23.9	5.0	30.7
<u>Normative scenario</u>								
1990	9.4	14.4	10.2	7.1	17.3	24.6	5.0	30.4
2000	7.8	14.0	8.6	6.0	14.6	22.6	6.2	26.5

Source: CEPAL, on the basis of official data.

a/ Comprises Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay and Uruguay.

b/ Including net private transfer payments.

c/ Gross inflow of foreign capital less (-) amortization of external debt and net payments of profit and interest.

d/ On values at 1975 prices. The balance of the debt was deflated by the implicit index of imports of goods and services.

e/ Includes variation in international reserves.

Table 30
LATIN AMERICA (OIL-EXPORTING COUNTRIES) a/: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR
(Percentages on the basis of current prices)

Year	Proportions with respect to exports of goods and services						External debt/ gross domestic product ratio <u>d/</u>	
	Net payments of profits and interest	Net external financing <u>b/</u>	Servicing of external debt			Gross inflow of foreign capital		Net inflow of foreign capital <u>c/</u>
			Amortization	Interest	Total			
<u>Historical evolution</u>								
1960	18.1	-0.1	13.8	1.7	15.5	10.3 <u>e/</u>	-21.6	...
1965	14.9	1.4	8.6	2.4	11.0	9.1 <u>e/</u>	-14.4	...
1970	19.2	20.5	11.1	5.6	16.7	34.6 <u>e/</u>	4.3	...
1975	10.6	13.4	9.6	2.5	12.1	41.2 <u>e/</u>	21.0	24.4
1979	12.8	17.3	33.8	13.3	47.1	55.5 <u>e/</u>	8.9	29.5
<u>Trend scenario</u>								
1990	10.0	11.4	7.8	7.6	15.4	19.2	1.5	12.8
2000	8.5	11.8	10.0	6.6	16.6	21.8	3.3	14.6
<u>Normative scenario</u>								
1990	8.2	10.7	6.5	6.3	12.8	17.2	2.5	11.6
2000	6.4	10.8	8.0	5.0	13.0	18.8	4.4	13.0

Source: CEPAL, on the basis of official data.

a/ Comprises Bolivia, Ecuador, Mexico and Venezuela.

b/ Including net private transfer payments.

c/ Gross inflow of foreign capital less (-) amortization of external debt and net payments of profit and interest.

d/ On values at 1975 prices. The balance of the debt was deflated by the implicit index of imports of goods and services.

e/ Includes variation in international reserves.

Table 31
 LATIN AMERICA (NON-OIL EXPORTING COUNTRIES) a/: EVOLUTION AND PROJECTIONS OF EXTERNAL SECTOR
 (Percentages on the basis of current prices)

Year	Proportions with respect to exports of goods and services						External debt/ gross domestic product ratio <u>d/</u>	
	Net payments of profits and interest	Net external financing <u>b/</u>	Servicing of external debt			Gross inflow of foreign capital		Net inflow of foreign capital <u>c/</u>
			Amortization	Interest	Total			
<u>Historical evolution</u>								
1960	8.6	21.5	15.8	4.0	19.8	42.3 <u>e/</u>	17.9	...
1965	14.7	4.8	31.9	6.0	37.9	43.1 <u>e/</u>	-3.5	...
1970	14.2	15.2	22.9	7.9	30.8	47.1 <u>e/</u>	10.0	...
1975	14.3	48.8	20.7	11.7	32.4	60.1 <u>e/</u>	25.1	25.2
1970	18.4	26.5	28.5	13.1	41.6	65.1 <u>e/</u>	18.2	24.9
<u>Trend scenario</u>								
1990	18.3	22.8	20.0	13.5	33.5	42.8	4.5	18.6
2000	17.6	21.8	18.7	12.8	31.4	40.5	4.2	16.9
<u>Normative scenario</u>								
1990	17.0	22.2	18.7	12.6	31.2	40.9	5.3	17.8
2000	15.2	20.7	16.3	11.1	27.5	37.0	5.5	15.5

Sources: CEPAL, on the basis of official data.

a/ Comprises Latin America except Bolivia, Ecuador, Mexico, Venezuela, Cuba and the English-speaking Caribbean countries.

b/ Including net private transfer payments.

c/ Gross inflow of foreign capital less (-) amortization of external debt and net payments of profit and interest.

d/ On values at 1975 prices. The balance of the debt was deflated by the implicit index of imports of goods and services.

e/ Includes variation in international reserves.

from 37.1% in 1979, this proportion would only fall to 33.3% in the trend scenario and to slightly over 30% in the normative scenario. From another standpoint, if the countries were grouped according to whether they are net exporters or net importers of oil, there would be a wide difference in the magnitudes to which the debt/product ratio would be reduced; while in the oil-exporting countries, the drop would be from 30% in 1979 to somewhat under 13% in 1990 in both scenarios, the proportions would only be 25% and 19% respectively in the countries that are net importers of oil (see tables 30 and 31).

The above aspects have been stressed in order to illustrate the importance of financial variables in balance-of-payments problems. Although the high export requirements would be smaller if net external financing were greater, payments of interests and profits on foreign capital would grow appreciably and create situations very difficult to handle in practice. In this regard, in the normative scenario the question was examined of the requirements in terms of exports of goods and services, and their implications from the standpoint of indebtedness and its servicing if external financing were to increase in the 1980s to reach 3.7% of the gross domestic product ^{30/} around 1990 (i.e., 1% more than the average considered). The results indicate that the export needs would continue to be high and their level in 1990 would be only 3.4% less than that of the basic normative scenario (which would mean an average annual rate of approximately 7.3% instead of 7.6%). On the other hand, the external debt and its servicing that year would be 25% higher than in the basic scenario and amortization and interest payments would exceed 30% of foreign export earnings. Moreover, everything suggests that a level of external financing such as that proposed would cause lending terms to worsen, which would give rise to a sharper increase in these variables and, consequently, greater export requirements.

In assessing the balance-of-payments situation and analysing the projections, some important aspects may be stressed:

(i) the high level of indebtedness already accumulated and the burden of servicing it are in themselves a serious problem owing to their impact on the balance of payments, the ensuring risk involved and the vulnerable position in which the Latin American countries are placed;

(ii) nevertheless, external financing will continue to be of special importance for achieving specific economic growth goals, in view of the import requirements of the development process itself;

^{30/} Calculated on the basis of values at 1975 prices.

(iii) export earnings constitute a key variable for handling the balance-of-payments problem and, consequently, condition the possibilities of increasing the rate of economic growth.

(d) The possibilities of achieving the export requirements

To analyse the conditions in which it would be possible to increase exports sufficiently to meet the balance-of-payments requirements estimated in the macroeconomic projections, the model used breaks down Latin America's trade flows by type of goods and sets them in the context of world trade; in this context, two areas are distinguished: the intraregional and the extraregional. The former takes into account the integration processes that are underway and the eventual growth possibilities, whereas in the second, hypotheses are formulated on the economic growth of the developed market economy countries, of the socialist countries and of the other developing countries (see table 32). It was thus possible to study the nature and scope of the structural changes that should be encouraged in the international order to promote the expansion of regional trade.

In view of the results obtained with the external trade model, the alternative that is consistent with the goals proposed in the normative scenario would involve, fundamentally, the following changes in transactions with goods:^{31/}

(i) Intraregional trade, which currently represents around 20% of total exports, would have to rise to over 35% around 1990 (see table 33). This implies an annual growth rate of 13.2%;^{32/}

(ii) Exports outside the region should therefore grow at an annual rate of 5.8% until 1990. This means cutting down the share of the markets outside the area from over 80% in 1978 to less than 65%. These percentages include other developing countries and the socialist countries which in 1978 absorbed approximately 14% of Latin American exports.^{33/} If this share increased by 2 percentage points, the market-economy developed countries would in 1990 absorb less than half the region's exports;

(iii) Manufactures should constitute the most dynamic item in Latin American exports. From the current 15% of total exports, they would have to rise to 42% in 1990, implying an annual average rate of around 17.2%. This increase should stem

^{31/} The percentages quoted below have been calculated on the basis of 1975 prices and include, in addition to the 19 countries, Bahamas, Barbados, Bermuda, Cuba, French Guiana, Greenland, Guadeloupe, Guyana, Jamaica, Martinique, Netherlands Antilles, Suriname, Trinidad and Tobago and the United States Virgin Islands. (See table 32.)

^{32/} It should be noted that the low level of exports during the initial period influences these rates.

^{33/} Including exports from Cuba.

Table 32
DEVELOPING AMERICA a/: EXPORTS (FOB) AND IMPORTS (FOB) BY GROUPS OF
GOODS AND BY ORIGIN AND DESTINATION
(Billions of dollars at 1975 prices)

	1975 ^{b/}	1978	1990	2000
Total exports of goods	47.9	54.1	133.1	297.2
Primary commodities <u>c/</u>	23.2	26.2	47.8	77.3
Fuels <u>d/</u>	18.3	19.4	29.6	41.8
Manufactures	6.1	8.3	55.7	178.1
Machinery and transport equipment <u>e/</u>	1.8	2.2	21.7	91.0
Other manufactures <u>f/</u>	4.3	6.1	34.0	87.1
Unclassified goods and transactions <u>g/</u>	0.3	0.2	-	-
Exports to countries outside the region	38.2	43.5	85.1	146.1
Primary commodities <u>c/</u>	20.8	23.5	40.2	63.0
Fuels <u>d/</u>	13.8	14.8	20.2	25.8
Manufactures	3.4	5.0	25.7	57.3
Machinery and transport equipment <u>e/</u>	0.7	1.1	8.4	24.2
Other manufactures <u>f/</u>	2.7	3.9	17.3	33.1
Unclassified goods and transactions <u>g/</u>	0.2	0.2	-	-
Intraregional trade	9.7	10.6	47.0	151.1
Primary commodities <u>c/</u>	2.4	2.7	7.6	14.3
Fuels <u>d/</u>	4.5	4.6	9.4	16.0
Manufactures	2.7	3.3	30.0	120.8
Machinery and transport equipment <u>e/</u>	1.0	1.1	13.3	66.8
Other manufactures <u>f/</u>	1.7	2.2	16.7	54.0
Unclassified goods and transactions <u>g/</u>	0.1	-	-	-
Imports from outside the region	48.6	52.8	108.0	188.3
Primary commodities <u>c/</u>	6.0	6.4	15.7	31.9
Fuels <u>d/</u>	9.0	10.1	20.0	35.0
Manufactures	32.5	35.4	73.0	121.4
Machinery and transport equipment <u>e/</u>	18.5	19.6	43.0	67.0
Other manufactures <u>f/</u>	14.0	15.8	30.0	54.4
Unclassified goods and transactions <u>g/</u>	1.1	0.9	-	-
Total imports of goods	58.2	63.4	155.7	339.4
Primary commodities <u>c/</u>	8.4	9.1	23.3	46.2
Fuels <u>d/</u>	13.5	14.7	29.4	51.0
Manufactures	35.2	38.7	103.0	242.2
Machinery and transport equipment <u>e/</u>	19.5	20.7	56.3	133.8
Other manufactures <u>f/</u>	15.7	18.0	46.7	108.4
Unclassified goods and transactions <u>g/</u>	1.2	0.9	-	-

Source: CEPAL, Tendencias históricas y proyecciones del comercio latinoamericano en el ámbito mundial (CEPAL/VP/CPE/184, November 1978), revised and updated to incorporate the growth targets of the normative scenario.

a/ Includes the member countries of LAFTA and the Central American Common Market and Bahamas, Barbados, Bermuda, Cuba, Dominican Republic, French Guiana, Greenland, Guadeloupe, Guyana, Haiti, Jamaica, Martinique, Netherlands Antilles, Panama, Suriname, Trinidad and Tobago and U.S. Virgin Islands.

b/ United Nations, Monthly Bulletin of Statistics, July 1980.

c/ SITC Sections 0, 1, 2 and 4 and division 68 (non-ferrous metals).

d/ SITC Section 3.

e/ SITC Section 7.

f/ SITC Sections 5, 6 and 8, excluding division 68 (non-ferrous metals).

g/ SITC Section 9.

Table 33
DEVELOPING AMERICA a/: EXPORTS (FOB) AND IMPORTS (FOB) BY GROUPS OF GOODS,
AND BY ORIGIN AND DESTINATION: NORMATIVE SCENARIO GROWTH RATES
(In percentages of exports and imports)

Normative	1975		1978		1990		2000	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Total exports of goods	100.0	-	100.0	-	100.0	-	100.0	-
Primary commodities <u>b/</u>	100.0	-	100.0	-	100.0	-	100.0	-
Fuels <u>c/</u>	100.0	-	100.0	-	100.0	-	100.0	-
Manufactures	100.0	-	100.0	-	100.0	-	100.0	-
Machinery and transport equipment <u>d/</u>	100.0	-	100.0	-	100.0	-	100.0	-
Other manufactures <u>e/</u>	100.0	-	100.0	-	100.0	-	100.0	-
Unclassified goods and transactions <u>f/</u>	100.0	-	100.0	-	100.0	-	100.0	-
Exports outside the region	79.7	-	80.4	-	63.9	-	49.2	-
Primary commodities <u>b/</u>	89.7	-	89.7	-	84.1	-	81.5	-
Fuels <u>c/</u>	75.4	-	76.3	-	68.2	-	61.7	-
Manufactures	55.7	-	60.2	-	46.1	-	32.2	-
Machinery and transport equipment <u>d/</u>	38.9	-	50.0	-	38.7	-	26.6	-
Other manufactures <u>e/</u>	62.8	-	63.9	-	50.9	-	38.0	-
Unclassified goods and transactions <u>f/</u>	66.7	-	-	-	-	-	-	-
Intraregional trade	20.3	16.7	19.6	16.7	35.3	30.2	50.8	44.5
Primary commodities <u>b/</u>	10.3	28.6	10.3	29.7	15.9	32.6	18.5	31.0
Fuels <u>c/</u>	24.6	33.3	23.7	31.3	31.8	32.0	38.3	31.4
Manufactures	44.3	7.7	39.8	8.5	53.9	29.1	67.8	49.5
Machinery and transport equipment <u>d/</u>	55.6	5.1	50.0	5.3	61.3	23.6	73.4	49.9
Other manufactures <u>e/</u>	39.5	10.8	36.1	12.2	49.1	35.8	62.0	49.8
Unclassified goods and transactions <u>f/</u>	33.3	8.3	-	-	-	-	-	-
Imports from outside the region	-	83.5	-	83.3	-	69.4	-	55.5
Primary commodities <u>b/</u>	-	71.4	-	70.3	-	67.4	-	69.0
Fuels <u>c/</u>	-	66.7	-	68.7	-	68.0	-	68.6
Manufactures	-	92.3	-	91.5	-	70.9	-	50.1
Machinery and transport equipment <u>d/</u>	-	94.9	-	94.7	-	76.4	-	50.1
Other manufactures <u>e/</u>	-	89.2	-	87.8	-	64.2	-	50.2
Unclassified goods and transactions <u>f/</u>	-	91.7	-	-	-	-	-	-
Total imports of goods	-	100.0	-	100.0	-	100.0	-	100.0
Primary commodities <u>b/</u>	-	100.0	-	100.0	-	100.0	-	100.0
Fuels <u>c/</u>	-	100.0	-	100.0	-	100.0	-	100.0
Manufactures	-	100.0	-	100.0	-	100.0	-	100.0
Machinery and transport equipment <u>d/</u>	-	100.0	-	100.0	-	100.0	-	100.0
Other manufactures <u>e/</u>	-	100.0	-	100.0	-	100.0	-	100.0
Unclassified goods and transactions <u>f/</u>	-	100.0	-	100.0	-	100.0	-	100.0

Source: CEPAL, *Tendencias históricas y proyecciones del comercio latinoamericano en el ámbito mundial* (CEPAL/VP/CPE/184, November 1978). Revised and updated to incorporate the growth targets of the normative scenario.

a/ Includes the member countries of LAFTA and the Central American Common Market and Bahamas, Barbados, Bermuda, Cuba, Dominican Republic, French Guiana, Greenland, Guadeloupe, Guyana, Hait Jamaica, Martinique, Netherlands Antilles, Panama, Suriname, Trinidad and Tobago and U.S. Virgin Islands.

b/ SITC Sections 0, 1, 2 and 4 and division 68 (non-ferrous metals).

c/ SITC Section 3.

d/ SITC Section 7.

e/ SITC Sections 5, 6 and 8, excluding division 68 (non-ferrous metals).

f/ SITC Section 9.

above all from intraregional trade, although the growth required for exports of manufactures to countries outside the region is also important. In particular, there should be an increase in products with a higher technological content, specifically machinery and transport equipment;

(iv) Exports of primary commodities and fuels should also grow more than in the past; i.e., although the main thrust should be in manufactures, a large-scale effort must be made to increase such exports. Thus, primary commodities and fuels should grow at an annual rate of 4.5% till 1990.

The foregoing analysis leads inter alia to the following conclusions: In the first place, the growth rates of export needs cannot be achieved without a substantial modification of the structure by type of goods. At present, the majority of Latin America's exports correspond to primary commodities and fuels, a fact which is responsible for one of the central aspects of the asymmetry in the region's external relations. This structure must change in favour of a larger share of industrial products.

In the second place, if it is recalled that towards the end of the last decade nearly two-thirds of Latin American exports went to industrial countries, it must be recognized that better access to those markets must be achieved. A decidedly co-operative attitude on the part of those countries is therefore essential, as regards both the necessary adjustments of their domestic economic activity and the creation of favourable conditions through a greater openness of their markets.

In the third place, the progress which can be achieved by increasing and diversifying exports to the developed countries, although important and necessary, is inadequate in view of export requirements, which makes it essential to expand intraregional trade. Similarly, trade with other developing areas and with the socialist countries must be increased.

In brief, in order to achieve the faster economic growth which they have set themselves, the Latin American countries must increase and diversify their exports far beyond the historical trends. In order to do so, they must concentrate on two central aspects: on the one hand, the growth and diversification of exports must be consistent with the transformation in production and technology that accompanies the economic development process. In addition, a necessary condition is a substantial increase in intraregional trade and growth of trade with nontraditional markets so as to take advantage of the exceptional potential provided by the markets of other developing countries and of the socialist countries, and thus to make the external sector less vulnerable and capable of responding to the demands of a relatively rapid growth such as the one considered here. But in addition to this effort incumbent on Latin America itself, since the achievement of these exports goals depends largely on the evolution of the external demand of the industrial countries,

the latter should change their restrictive policies and co-operate with determination in creating the basic conditions for a new and expanding place for the developing countries in the world economy.

Moreover, although no explicit theories have been advanced in the global analysis on the possibility of improving the terms of external financing through low interest rates and extended repayment periods, it must not be forgotten that in any event the current high levels of indebtedness call for a considerable effort to increase exports over the short and medium terms, in order to help overcome the external constraints which are currently holding back most of the economies of the region.

Thus, the intensification of intraregional trade is conceived in this projection exercise as being complementary and essential to the achievement of a rapid growth of exports; this calls for the substitution of an increasing portion of imports from other regions. Since the bulk of such imports consists of manufactures, basically intermediate and capital goods, this means that intraregional trade must also include a significant volume of this type of goods.

In this respect, several observations are in order. In the first place, the more rapid growth proposed for Latin America would also give rise to the expansion of the regional market, particularly for manufactured goods, in view of the greater income elasticity of demand for such goods.

The expansion of the regional market and a certain degree of co-ordination of national policies would create more favourable conditions for Latin American industry to begin producing a wide range of intermediate and capital goods which it currently does not produce. It is precisely in respect of this type of goods, so important for technological and economic development, that the greatest weakness of the productive structure of Latin America lies. Moreover, if they are to be developed efficiently, larger markets than the domestic ones are required.

In view of the above, the production in the region of different types of goods in these sectors would place the region in a more competitive position internationally, would allow it significantly to improve its technological capacity and would help reduce the existing asymmetry in the structure of external trade vis-à-vis the developed countries. In addition, closer co-operation with other developing areas could be based on sounder grounds.

In the context of these propositions, the quantitative exercises that have been carried out show that fundamental changes would be brought about in the structure of the origin and destination of imports and exports. Purchases of goods from outside the region, which towards the end of the 1960s were around 83% of the total, would be reduced by the year 2000 to 56%; on the other hand, the share of extraregional exports would also drop from 80% of the total to 49%, in similar years.

Nevertheless, the fact that is more important from the qualitative standpoint is that there would be a sharp drop in the share of manufactures imported from other areas which, even though it would be 50% towards the end of the century, would be considerably lower than the current 90% share (see table 33).

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