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THE EXTERNAL ECONOMIC RELATIONS OF LATIN AMERICA IN THE 1980s */

*/ This is a support document which complements and expands on some of the topics dealt with in the CEPAL study Latin American development in the 1980s (E/CEPAL/G.1150, 4 February 1981). The aspects connected with regional integration and co-operation are dealt with separately in Regional integration and co-operation in the 1980s (E/CEPAL/G.1151, March 1981).

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I. SOME PRINCIPAL ISSUES IN THE INTERNATIONAL DEBATE AND NEGOTIATIONS

A. LATIN AMERICA AND ITS PLACE IN THE INTERNATIONAL ECONOMY

1. Recent changes in the international economy

The changes which took place in the 1970s profoundly altered the international economic situation. Among the developed market economy countries the sustained postwar boom came to an end and a number of crises began to appear (*inter alia*, in growth, in overall, monetary and energy management, in economic concentration, in employment and in markets). This situation of the developed countries was not only strongly reflected in the developing countries, but the nature of several of their most important problems was altered (for example, their external vulnerability), and the policies implemented endeavoured to minimize the effects of these difficulties, in some cases by establishing defence mechanisms and in others by seeking closer links with the developed economies.

The place in the world economy of the developing countries in general and of Latin America in particular is conditioned by several factors, outstanding among which are, firstly, the disequilibria of the international economy, in the midst of which numerous relationships and mutual links are established or renewed at a great rate, both as regards countries (for example, those established between oil-producing and oil-consuming countries) and as regards economic machinery (of the type of the new international financial circuits); and secondly, the links between the centre and the periphery of the international economic system, with a very unequal distribution of the power of decision-making and of incomes and very unfair sharing of the fruits of technical progress and world economic growth.1/

This is not the place to analyse international economic events. Consequently, only some features of the milieu in which external relations of Latin America evolve will be described, with regard to the characteristics of the recent functioning of the economy of the central countries and the machinery by which their crises have been propagated to the periphery.

The central market economies are experiencing great changes which substantially alter the form in which they function. Although it is not our intention to establish cause and effect relations, some of the most important changes will be mentioned. In the first place, inflexibilities and restrictions exist which have caused slow growth in productive activity. Noteworthy among these are the need to divert substantial investments towards the readaptation of

1/ During the period 1950-1977, the per capita domestic product (in United States dollars at 1970 prices) increased by US$ 2 576 in the United States, US$ 1 771 in the countries of the European Economic Community and US$ 126 in the developing countries as a whole (US$ 400 in the case of Latin America); it should be noted that the annual average growth rate of the per capita product during the entire period was the same in the United States as in the developing countries as a whole (2.3%).

the system to the new conditions, thus withdrawing them from the production circle, i.e., investment must be assigned to readjustments instead of being earmarked for the installation of production equipment. In particular, the implementation of the process of "re-industrialization" in some developed countries requires the modernization of a group of industries which have lost their international competitiveness, as well as adjustment to the new prices of fuels and the application of technical improvements to minimize pollution. The increase in oil prices abruptly changed the rules of the game of an economic system based on cheap and plentiful energy. The rate of growth of labour productivity dropped,2/ and in the enterprises of the United States the structure of production costs changed with a reduction of the share of profits, while that of interest payments increased.3/ At the same time, the international monetary crisis materialized and inflation and unemployment re-emerged. Secondly, some socioeconomic trends were consolidated, such as the internationalization of the patterns of the consumer society, the transnationalization of the economy, and the process of economic and financial concentration. Lastly, at the level of the international economic activity of the market economy countries, the situation whereby leadership was shared by the United States, the European Communities and Japan was consolidated, instead of the clearly-marked hegemony of only one of these which had predominated from the postwar period until the end of the 1960s.

The critical situation of the centres is spread to the periphery by various propagation mechanisms. It should be noted that these are complex phenomena, in which it is difficult to distinguish which are the generating agents, and they also have different effects. Of these, mention may be made of: (i) protectionism, which is the elementary form in which the countries of the centre, with their high costs in agriculture and some industries, defend their own output and limit the potential exports of developing countries; (ii) the inflation of the central countries has spread to the periphery particularly as a result of the increase in the price of manufactures, added to the inherent factors of inflation of some countries;4/ (iii) the boom in superfluous or luxury demand in the periphery

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2/ Between the periods 1957-1973 and 1973-1978, the annual average growth rates of manufacturing dropped from 2.1 to 0.8% in the United States, from 8.9 to 3.0% in Japan, from 4.8 to 2.9% in France, from 4.6 to 3.1% in the Federal Republic of Germany and from 3.0 to 0.7% in Great Britain (in this last-mentioned case the comparison is up to 1977) (see Organization for Economic Co-operation and Development (OECD), Statistical Yearbooks, Paris, 1957 to 1978; ILO, Statistical Yearbooks, Geneva, 1957 to 1978).

3/ In the structure of the production costs of United States enterprises between 1960 and 1978, interest increased from 1.3 to 3.0%, while profits after taxation dropped from 6.7 to 4.6%; at the same time, over the same period the rate of self-financing of enterprises dropped from 73 to 48% (see United States, Economic Report of the President, Washington, 1979).

4/ For the developing countries as a whole, the accumulated additional sums paid during the period 1971-1978 as a result of the increase in the unit prices of machinery and transport equipment amounted to US$ 242.3 billion. In order to give an idea of the magnitude of this figure it may be recalled that during the same period and for the same countries the additional payments resulting from the increased unit prices of fuels amounted to (Cont.)

/countries which

countries which has acquired vast dimensions and which responds to the pressure from enterprises in developed countries to sell goods - independently of whether or not they are essential - and to the mass action of the publicity media, as well as to the imitative patterns adopted by a large part of the local population, although, unlike the countries of the centre, in the periphery countries it is not a case of the consumption of the majority of the population in a very homogeneous society, but of luxury, superfluous or non-essential consumption in societies in which a great part of the population - in some cases the majority - lack the essentials.5/

On the basis of the global picture thus outlined, some trends may be distinguished. Above all, it is necessary to bear in mind the nature of the problems affecting the developing countries, the multiplicity and complexity of the new relationships which have emerged, and the continuing existence, with some original features, of the subordination which characterizes the relations between the centre and the periphery. In this context, it is fundamental for the Latin American countries to define the general lines of their international position and the short-term forms which will enable them to adjust better - i.e., by making maximum use of their own development potential - to the world economic conjuncture which may emerge during the 1980s. This means once again stressing the absolute need for the region to continue to prepare and propose a common platform of action, which should also be in keeping with the basic positions maintained by the developing countries as a whole. These proposals should be expressed in various contexts: in the first place, in the negotiations with the developed countries; secondly, in the preparation and implementation at the national level of defence machinery which will prevent or minimize the harmful effects of international difficulties; and lastly, in the implementation of a regional co-operation policy.

4/ (Concl.) US$ 152.8 billion; i.e., the "manufacturing account" was larger than the oil account, since although the unit prices of fuels increased more rapidly than those of machinery and transport equipment, they were applied to a smaller physical volume. In any case, these are two items which are indispensable for the operation of the economy. In the case of Latin America, the increased prices of fuels amounted to US$ 70.7 billion and those of machinery and transport equipment to US$ 63.8 billion during the same period.

5/ See the series of articles published on the subject in the CEPAL Review, especially those by Raúl Prebisch, "A critique of peripheral capitalism" (No. 1), "Socio-economic structure and crisis of peripheral capitalism" (No. 6), "The neoclassical theories of economic liberalism" (No. 7) and "Towards a theory of change" (No. 10); by Aníbal Pinto, "Styles of development in Latin America" (No. 1) and "The periphery and the internationalization of the world economy" (No. 9); by Jorge Graciarena, "Power and development styles" (No. 1), and by Marshall Wolfe, "Approaches to development: who is approaching what?" (No. 1).

/2. Three

2. Three major areas for action: international trade, financing and regional co-operation

The main guidelines for action as regards international economic relations were specified in the International Development Strategy for the Third United Nations Development Decade, and concern trade, financing and co-operation.6/

The first group of questions to be attacked and action to be adopted concerns Latin America's international trade. To maintain or increase the growth rate of exports constitutes an essential requisite for a satisfactory growth rate to be achieved. This is no utopian proposal, since a relatively high growth rate in trade was achieved in the period 1975-1979, in the midst of a world recession. As is obvious, the dynamism of the external sector depends on the one hand on the generation of a growing and increasingly diversified flow of exportable products and on the other on free access to the international markets. The first requisite is linked with the strengthening of the internal economic structure, particularly with the invigoration and diversification of industrialization and with improving exports and the local or regional processing of primary products. As regards access to the markets, the struggle against the protectionism of the developed countries and in favour of a significant share in the preparation and implementation of international economic policy must continue. In this regard, the best arms of the developing countries are unity of action in negotiation and the capacity to adapt group measures.

The second group of problems concerns external financing. In the majority of the countries of the region, the absorption of the effects of the international recession and particularly the increase in the price of energy products has caused reductions in the growth rate, increases in inflation, and the growth both of the current account deficits of the balance of payments and of external indebtedness.

The decade now beginning will require new efforts to tackle with imagination and realism the problem raised by the substantial resources required to finance the balance of payments. Among possible lines of action mention may be made of a substantial increase in resources from the international financial institutions and access to the international financial markets with new forms of co-operation on terms which are not harmful to the development process. Direct financial co-operation between oil-producing and non-oil-producing developing countries may be fundamental; an example of this has been the co-operation of Mexico and Venezuela with a group of Central American and Caribbean countries.

The third set of problems is linked to integration and co-operation among the countries of the region,7/ which continues to be a fundamental component both of the strategy for achieving a more appropriate position in the world economy and

6/ See United Nations, General Assembly, International Development Strategy for the Third United Nations Development Decade, document A/RES/35/56, paragraphs 52, 96, 134 and 135.

7/ This issue has been dealt with in CEPAL, Regional integration and co-operation in the 1980s, op. cit.

/for boosting

for boosting the internal development of the Latin American and Caribbean countries. In the former case ample support is given to international action, and in the latter, national growth receives impetus from the broadening of the possibilities and dimensions of the home markets. In the case of the traditional integration systems, despite the tensions which they have experienced since the mid-1970s, the results achieved in terms of intra-regional trade continue to be significant and in some of them there are excellent prospects for further improvement.

The courses to follow and the machinery to be used in the future will differ in some cases from those used in the past to integrate and unite the region, because the international scenario and the economic, political and social structures of the Latin American and Caribbean countries themselves are different. Latterly, the interrelation of the economies has continued to increase through agreements and projects of a bilateral or multilateral nature in the field of trade, the physical infrastructure, the sectors of production, technological complementarity and financial co-operation, as part of a definite trend towards greater pluralism and a growing variety of forms of co-operation.

Regional co-operation should also be considered in the broadest possible perspective of joint action with the other developing countries. The experience of the past decade shows the existing possibilities and the need for intensifying the links with the rest of the peripheral regions so as to seek new dynamic impetuses for development and strengthen bargaining capacity with the industrialized countries.

3. Evolution of international economic negotiations 8/

(a) Background

Since the 1960s the developing countries have been stating, chiefly in the context of UNCTAD, that there is a need to reform the structures governing their economic relations with the developed countries. They set up the so-called Group of 77 to co-ordinate their positions and subsequently used the successive conferences of the non-aligned countries for that purpose. For ten years negotiations on implementation of the reforms in question made little progress, but the crisis in the world economy and the bargaining power acquired by the Organization of Petroleum-Exporting Countries (OPEC) in 1973 helped to clarify the situation, giving rise to adoption of the Declaration and Programme of Action on the Establishment of a New International Economic Order under resolutions 3201 (S-VI) and 3202 (S-VI), which were adopted in 1974 at the sixth special session of the United Nations General Assembly. The principles set forth in those texts were reaffirmed in resolution 3281 (XXIX), which contains the Charter of Economic Rights and Duties of States.

8/ International negotiations by individual sectors are considered later, in chapters II and III of this document.

/Adoption of

Adoption of the above-mentioned resolutions, which systematically set forth the proposals made by the developing countries up to that point, making them more operative, resulted largely from the fact that OPEC and the entire Group of 77 insisted that the energy question should be tackled in the context of negotiations that also covered raw materials, trade, development and the international financial and monetary system with all developing countries participating.

The Programme of Action on the Establishment of a New International Economic Order included those questions with regard to which there was the greatest disagreement in North-South relations: (i) control over natural resources; (ii) fair and remunerative prices for raw materials; (iii) industrialization and access to the developed countries' markets; (iv) financing of development; (v) reform of the international monetary system; (vi) regulation of the activities of transnational corporations; (vii) strengthening of the scientific and technological capacity of the developing countries; (viii) promotion of co-operation among developing countries; (ix) strengthening of the role of the developing countries in the international decision-making process.

The resolutions in question were finally adopted with major reservations on the part of the developed countries. However, at the seventh special session of the General Assembly, held in 1975, a compromise was reached whereby negotiations between the two groups of countries would be taken up on the basis of the set of issues set forth in those resolutions. The Conference on International Economic Co-operation (CIEC), which met at Paris between 1975 and 1977, was the manifestation of that compromise. It was, at the same time, a new experiment in the field of international negotiations, owing both to the selective manner in which the various groups of countries were represented and the fact that the items included in the agenda were set forth more clearly and interdependently.

Furthermore, consideration of many of the topics in question was taken up at the UNCTAD meetings held at Nairobi and Manila, in 1976 and 1979 respectively, and a number of other topics were considered in recent years at special conferences, such as those on habitat, at Stockholm; population, at Bucharest; employment, in Geneva; food, at Rome; technical co-operation among developing countries, at Buenos Aires; science, technology and development, in Vienna; and industrialization, at Lima and New Delhi.

In spite of the efforts made over the past six years, only very limited progress has been made since the sixth special session of the General Assembly; this progress has consequently been insufficient to contribute to solving the world economic crisis and to promote a more just and dynamic international development process. Together with other factors, this situation is prompting the international community to give the North-South negotiations a more comprehensive focus, basing them on identification of areas of common interest to the individual groups of countries. However, there is a lack of policies and institutions permitting genuine global co-ordination of the world economy, particularly with regard to problems whose solution calls for co-operation on the part of the entire international community.

/Moreover, the

Moreover, the initiatives undertaken by the industrialized countries to solve the world economic crisis have not been integrated with efforts aimed at establishing a new international economic order. Adequate consideration has thus not been given to the relationship between short-term economic difficulties and structural problems that maintain an unjust and ineffective international division of labour, or to the effect on the production system of the restoration of a more stable international monetary system.

Lastly, the institutional system established at Bretton Woods for dealing with world economic issues has been overtaken by the emergence of new problems, such as energy, that do not fall within its sphere of competence, or by the appearance on the scene of new protagonists who advocate participation with greater representation in the negotiations. It is therefore necessary to adjust the system in question to the nature of contemporary economic problems and to give the developing countries greater decision-making power, which should, in turn, prompt them to improve the machinery at their disposal in order to co-ordinate their positions and policies vis-à-vis the industrialized countries.

(b) The recent round of global negotiations

The meagre results achieved by the developing countries in their negotiations with the developed countries led them, following completion of the Paris Conference, to propose that a further round of negotiations should be taken up, this time in the context of the United Nations. In December 1977 the United Nations General Assembly adopted resolution 32/174 in that connexion and decided to convene a special session in 1978 for that purpose. It was decided in that same resolution that a Committee of the Whole should be established to promote agreements on the various items included in the agenda of the New International Economic Order and to monitor implementation of the corresponding decisions.

At the outset the functioning of that Committee of the Whole was hampered by the lack of a consensus with regard to its mandate. However, taking up an initiative that had emerged from the Conference of Non-Aligned Countries held at Havana in 1979, the General Assembly subsequently decided that the special session scheduled for 1980 should launch a new round of "global negotiations relating to international economic co-operation for development" (resolution 34/207). The Assembly further decided that such negotiations should "take place within the United Nations system ... with the participation of all States" and that they should "include major issues in the field of raw materials, energy, trade, development, money and finance". (General Assembly resolution 34/138.) It was also decided that the Committee of the Whole should act as the preparatory committee for the negotiations in question.

The work of the Preparatory Committee was conducted during the first half of 1980 and was focused basically on drawing up the agenda for the negotiations, without a consensus being reached in that regard. Two basic, widely differing, proposals were submitted, one representing the views of the Group of 77, and the other drawn up by the EEC, which put forward the position of the developed countries.

The proposal put forward by the Group of 77 covered a comprehensive list of questions corresponding to the following major topics: (i) raw materials; (ii) energy; (iii) trade; (iv) development and (v) money and finance. The EEC, for its part, adopted a thematic approach centred on problems relating to: (i) food; (ii) energy; (iii) foreign trade balances. The developed countries also wished negotiation on each question to be preceded by an analysis of the situation prevailing in that regard, whereas the developing countries preferred to omit such an analysis, since they were of the view that it had already been carried out on a number of occasions.

It would seem that it may be maintained that the proposal put forward by the Group of 77 was more in keeping with the spirit of resolution 34/207. The developed countries advocated a thematic, selective approach, pointing out the desirability of tackling the real problems of the world economy in the negotiations - even although each of those problems might at the same time entail questions relating to finance, trade and other issues - and announcing their intention not to take up too many important issues in a very short period of time.

Apart from those reasons, the developed countries were obviously choosing to concentrate on a limited number of short-term problems in which it could be assumed that they and the developing countries had a common interest. There was, however, reason to believe that the developed countries were also attempting in this manner to defer consideration of questions involving structural reform of the international system and to exclude or reduce the importance in the agenda of problems relating to trade, protectionism, industrialization and technology, and of the adjustment policies that the industrialized countries themselves ought to implement.

In addition to the controversy generated by the agenda for the negotiations, in the course of the work of the Committee of the Whole in its capacity as the preparatory committee for the global negotiations, at the eleventh special session of the General Assembly, held in August and September 1980, a second fundamental disagreement arose between the two groups of countries, this time with regard to the procedures that were to provide a framework for the negotiations. The Group of 77 attempted to strengthen the terms of reference of a conference or central body for the negotiations, in which all States members of the United Nations would participate. The developed countries, on the other hand, stated that it was necessary to conduct simultaneous and parallel negotiations - as they had maintained in the Committee of the Whole acting as a preparatory body for the global negotiations - and to hold the substantive negotiations in the existing specialized agencies and within the respective spheres of competence of those agencies, in which the developed countries have the greatest weight.

Faced with this new difference of opinion, the Group of 77 shifted to a compromise solution: the central body mentioned above would entrust the detailed negotiations on specific agenda items to the specialized forums within the United Nations system, in accordance with their sphere of competence, or to such ad hoc groups as that body might establish, while retaining its mandate as the forum for co-ordinating and conducting the global negotiations; according to the compromise document drawn up by the chairman of the working group responsible for the global negotiations at the eleventh special session, this course of action would be

/followed with

followed with a view to providing a simultaneous and integrated focus on all issues and negotiations and reaching global agreement. Although a consensus was close to being reached with regard to these proposals, unanimity was ultimately not achieved, and it was therefore decided that the matters in question should be referred to the following regular session of the General Assembly.

Recent developments with regard to the global negotiations seem to indicate that achievement of a productive North-South dialogue has been rendered more difficult by a certain lack of flexibility on the part of the industrialized countries, which oppose the holding of comprehensive negotiations in a United Nations forum, with all countries participating.

It may be assumed that the developing countries will continue to participate in comprehensive negotiations - in other words, to seek to reform the structure of the current international economic order, while at the same time continuing to stress three other aspects of their bargaining position: firstly, recognition of the fact that in recent years a world economy that offers opportunities and counteracts disturbances affecting the developed and the developing countries in different ways, and that is also characterized by the growing internationalization of the questions relating to political and economic relations is taking shape; secondly, a dynamic approach to the principal questions under negotiation, and inclusion among those questions - in addition to commodities and official development assistance, which have virtually monopolized the agenda in the past, of such issues as energy, natural resources, market access for manufactures, the stability of international financial markets, and identification of more advantageous forms of negotiation with transnational corporations and suppliers of foreign technology; and, thirdly, the desirability of establishing whether the individual items included in the agenda for the negotiations should be considered in a short, medium- or long-term perspective, in order to facilitate the exercise in question and make it more effective. From an institutional point of view, if further progress is to be made with regard to the three above-mentioned aspects, it will be necessary to adapt existing forums so that they can carry out the task of effectively co-ordinating the positions and policies of the developing countries.

B. PROTECTIONISM: TRADE BARRIERS AND NEW STANDARDS FOR THE CONDUCT OF INTERNATIONAL TRADE

Protectionism in the industrialized countries' trading policy has been one of the main characteristics of the international economy in recent years. It has developed in a variety of ways and has had a considerable impact on Latin American exports. The industrialized countries have moved from implementation of instruments at the national level that are characteristic of the importation régimes of each country, without eliminating those instruments, to implementation of machinery that takes on the character of international agreements. Moreover, a relatively important change has taken place: on the one hand, non-tariff barriers have become more important than tariff barriers, and, on the other hand, committees responsible for direct implementation of the agreements adopted during the Tokyo negotiations and that constitute a key element where non-tariff barriers are concerned, have emerged.

/1. Tariff

1. Tariff barriers

With regard to tariffs, as a result of the Tokyo negotiations there was a further reduction in the average weighted nominal tariff rate, both in the United States and in the European Economic Community and Japan. At the same time, this average rate continued to cover a wide range and there were still higher tariffs for products that have undergone more processing (tariff scale), which, although less obvious, kept the actual level of protection for homogeneous groups of products high.

The developed countries reduced the duties in an enormous number of tariff categories (approximately 75% of the imports subject to duty) and announced a reduction of one-third in the average tariff on industrial products and of 40% on agricultural products. Nineteen developing countries also made a contribution by lowering or consolidating tariffs on certain products, which resulted in a reduction of approximately 30%. The concessions made by the developed countries cover 60% of their industrial purchases and 25% of their agricultural imports. When the period of reductions agreed upon comes to an end in 1987 the above-mentioned reductions will leave the major markets of the industrialized world with weighted tariff averages of approximately 6% in the case of manufactures subject to duty; however, these averages conceal relatively high tariffs on certain products. There are still relatively high duties in the major developed countries in precisely those sectores that are of particular concern to the developing countries. Such duties exceed 40% and even 50% on products that are of major importance where Latin American exports are concerned.9/ These high levels seriously affect the tariff structure, make the tariff range extraordinarily wide,10/ and result in a scale that produces actual levels of protection that are far higher than the nominal tariff levels. In connexion with the latter point, the most significant differences between actual and nominal tariffs are to be noted in the case of processed foods, textiles and ready-made garments and products, and light, labour-intensive, industries, in other words, those industries that are of particular interest to Latin America.

The disparities between the average rate and the tariff scale are difficult to remedy for two basic reasons. Firstly, because a further round of negotiations has not been scheduled for the coming years; and, secondly, because when any tariff concession is made the basic principles of GATT come into play, in other words, the principles of the most-favoured nation, non-discrimination and global reciprocity.

9/ The following tariffs are outstanding examples: United States, 69% on avocados; 57.7% on rum and Paraguayan sugar cane; 25% on certain fabrics, and 41.8% on woolen fabrics; 30% on knitted and other women's garments, and 19% on cheeses. In the EEC, 20% on meat, to which a variable duty should be added; 25% on tuna fish, and 30% on fruit purée and pastes; 25% on fish and prawns; 26% on processed meats; 27% on chocolate items, and 50% and 42% on eggs and other foods, respectively. Lastly, in Japan there were tariffs of 35.5% on tobacco, 40% and 50% on bananas, 40% on grapefruit, 25% on corned beef and other processed meats; 35% on sweets and toffees; 40% on cakes and biscuits, and 112% on wine.

10/ See GATT, The Tokyo Round of multilateral trade negotiations: Report of the Director-General of GATT (April 1979) and the Supplementary Report (January 1980).

/Nevertheless, in

Nevertheless, in view of the background outlined above, efforts to eliminate or reduce the industrialized countries' tariffs on imports from Latin American countries will have to be intensified. It is also necessary to do away with or reduce the tariff scale; it is therefore advisable to negotiate on the basis of actual protection and not nominal protection, in order to obtain greater reductions in tariffs affecting industries that are of particular concern to Latin America.

The information supplied above can be supplemented by a number of quantitative details concerning the average tariffs to which products imported from Latin America by the United States, the EEC and Japan will be subject.

In the United States, in the chapters on agriculture of the Customs Co-operation Council Nomenclature, which go from 01 to 24, imports from Latin America that are actually taxed will be subject to an average weighted tariff of 7.8%. However, since approximately 60% of the imports in question are imported duty-free, the average rate for the total imports will drop to the low level of 2.8%. Chapters 25 to 29 (manufactures, ores, etc.) establish that the average tariff shall be 6.2% on taxed imports and 4.4% on total imports; under these chapters the proportion of imports in respect of which tariffs are reduced or that are duty-free is only 25% (see table 1).

Within the framework of the complex system of protection imposed by its agricultural policy to support its high-cost agriculture and livestock farming, the European Economic Community even maintains high tariffs on a number of products - at the level of tariff headings or subheadings - that are in addition to a variety of non-tariff measures, prohibitions, variable duties and surtaxes, and specific domestic taxes. Duty-free imports under chapters 01 to 24 on agriculture thus only represent a proportion of 30%, which means that, if the remainder is taxed at an average weighted rate of 9.3%, the average tariff on total imports under these chapters will be 6.6%. On the other hand, in chapters 25 to 99 reductions are made in duties on approximately 66% of imports, and an average weighted rate of 6.5% on taxed imports therefore results in an average rate of 2.2% on total imports (see table 2).

In Japan, whose agriculture also enjoys extensive protection, the average weighted tariff on total imports is 13.4%. However, since over 45% of these imports enter the country duty-free,11/ foreign purchases that are actually taxed will be subject to a relatively high average weighted tariff, namely, 25%. In contrast, manufactured products and ores, both those that are actually taxed and the total, will be subject to extremely low average rates of 3.5% and 0.7%, respectively (see table 3).

11/ The reason for this tariff reduction is that Japan has a marked lack of agricultural raw materials, and importing them at a reduced rate and applying high tariffs to the end products manufactured with them results in a high rate of actual protection for the goods in question.

/Table 1

Table 1

UNITED STATES: NOMINAL TARIFF PROTECTION FOR IMPORTS FROM LATIN AMERICA FOLLOWING THE TOKYO NEGOTIATIONS a/

	Number of subheadings	Average weighted rate (percentage)	Value of imports in 1978 (millions of dollars)
	Chapters 01 to 24		
Subheadings of the Customs Co-operation Council Nomenclature considered in the sample b/	424	2.8	7 200
Duty-free subheadings	115	0.0	4 650
Taxed subheadings	309	7.8	2 550
	Chapters 25 to 99		
Subheadings of the Customs Co-operation Council Nomenclature considered in the sample b/	1 562	4.4	6 750
Duty-free subheadings	220	0.0	1 900
Taxed subheadings	1 342	6.2	4 850

a/ The subheadings of chapters 25 to 99 will fully reach the level agreed upon in the Tokyo negotiations eight years from 1979.

b/ A sample covering all the subitems under which there were imports from Latin America in an amount of US$10 000 or more in 1976 was considered. The sample does not include petroleum and petroleum by-products.

/Table 2

Table 2

EUROPEAN ECONOMIC COMMUNITY: NOMINAL TARIFF PROTECTION FOR IMPORTS FROM LATIN AMERICA FOLLOWING THE TOKYO NEGOTIATIONS a/

	Number of subheadings	Average weighted rate (percentage)	Value of imports in 1978 (millions of dollars)
	Chapters 01 to 24		
Subheadings of the Customs Co-operation Council Nomenclature considered in the sample b/	235	6.6	5 850
Duty-free subheadings	51	0.0	1 800
Taxed subheadings	184	9.3	4 050
	Chapters 25 to 99		
Subheadings of the Customs Co-operation Council Nomenclature considered in the sample b/	727	2.2	5 400
Duty-free subheadings	95	0.0	3 600
Taxed subheadings	632	6.5	1 800

a/ All the subheadings of chapters 25 to 99 will reach the level agreed upon at the Tokyo negotiations eight years from 1979.

b/ A sample covering the subheadings under which there were imports from Latin America in an amount of US$10 000 or more in 1976 was considered. It does not cover petroleum and petroleum by-products.

/Table 3

Table 3

JAPAN: NOMINAL TARIFF PROTECTION FOR IMPORTS FROM LATIN AMERICA FOLLOWING THE TOKYO NEGOTIATIONS a/

	Number of subheadings	Average weighted rate (percentage)	Value of imports in 1978 (millions of dollars)
	Chapters 01 to 24		
Subheadings of the Customs Co-operations Council Nomenclature considered in the sample b/	171	13.4	1 200
Duty-free subheadings	47	0.0	580
Taxed subheadings	124	26.0	620
	Chapters 25 to 99		
Subheadings of the Customs Co-operations Council Nomenclature considered in the sample b/	314	0.7	2 300
Duty-free subheadings	77	0.0	1 850
Taxed subheadings	237	3.5	550

a/ All the subheadings of chapters 25 to 99 will reach the level agreed upon at the Tokyo negotiations eight years from 1979.

b/ A sample covering all the subheadings under which there were imports from L.America in an amount of US$10 000 or more in 1976 was considered. It does not cover petroleum and petroleum by-products.

/However, as

However, as already pointed out above, the figures in table 4 show that the actual levels of protection afforded by nominal tariffs have a dimension of their own, and they are the tariffs that ultimately determine the level of, and trends in, tariff protectionism to a great extent. Thus, for example, in the case of textiles and ready-made garments and products the actual level of protection attains 40% or more on the three markets considered, whereas in the case of processed foods and other similar lines of business the level of protection is close to 70% in the EEC and Japan. At the same time, just in the case of minerals in Japan and in the case of more complex industries in the EEC rates of protection are below 10%.

2. Non-tariff barriers

Many non-tariff measures and barriers have been regulated by sets of rules or codes of conduct, whereas others that afford greater protection, such as quantitative restrictions and variable duties and components, have almost entirely been left out of consideration during negotiations and in legislation, and proliferation of such measures and barriers is even legitimized by multilateral agreements concluded within the context of GATT that form an integral part of the General Agreement on Tariffs and Trade.

Of these barriers the most important are the quantitative restrictions imposed through the establishment of import licences, quotas or prohibitions; health regulations; measures relating to technical standards that imported products have to meet; restrictions on public-sector purchases; price regulations, such as "activation" or "minimum" prices, and variable import duties that differ from, or are additional to, tariffs as such. Other types of unilateral machinery that have seriously harmed a number of Latin American exports are existing protection measures, dumping and countervailing duties imposed on imported merchandise for special reasons established in accordance with the relevant domestic regulations. Since implementation of such measures is on a discretionary basis, sometimes their mere existence or the threat of putting them into effect has been sufficient to paralyse the exports in question.

Protectionism has also been stepped up in other ways that take the form of "agreements" between the parties, which the exporting countries have been obliged to accept since they constitute the only export channel to a developed country. In some instances these "agreements" are official and in others they are private. Among official agreements, attention should be drawn to "voluntary" restrictions placed by a selling country on its exports and market "regulation" measures; cases in point at the Multifibre Agreement - which has been recognized by GATT and which establishes basic import quotas for textiles and annual growth rates, safeguards, etc. - and agreements relating to iron and steel and leather. Private agreements are concluded between the enterprises directly concerned and are aimed at restricting the selling country's exports to a certain level; this latter type of agreement also covers arrangements made by transnational corporations between the main office and its subsidiaries.

This entire set of extensive, diverse and complex non-tariff instruments used by the developed countries in their protectionist zeal has had a significant impact on the region's exports. Consideration of 20 groups of non-tariff protective

Table 4

UNITED STATES, THE EUROPEAN COMMUNITY AND JAPAN: ACTUAL PROTECTIVE MEASURES APPLIED TO IMPORTS FROM LATIN AMERICA FOLLOWING THE TOKYO NEGOTIATIONS a/

(Percentages)

	United States	EEC	Japan
Agricultural raw materials	10.0	15.0b/	14.0
Processed and other foods	20.1	69.0b/	66.0
Raw materials for textiles	14.0	22.0	12.0
Textiles and the corresponding ready-made products	42.5	40.0	45.0
Ores	10.0	10.6	6.0
Light industries	18.1	13.0	20.0
More complex industries	10.0	8.4	19.0

a/ The UNCTAD input-output matrix and the nominal rates tabulated by the UNCTAD/UNDP Interregional Project on Multilateral Trade Negotiations were used. The data in this table should be regarded merely as a guide.

b/ The rate quoted for the EEC does not include all the cases where variable duties and components were applied and is therefore lower than the actual rate.

/measures shows

measures shows that in 1979 such measures affected sales in an amount of US$ 8 000 million, in other words, over 50% of Latin American sales to the United States, the European Economic Communities and Japan, excluding petroleum. Owing both to the frequency with which they are implemented and the value of the trade they affect, among such measures the following are of particular note: quantitative restrictions (329 instances); "voluntary" restrictions, including those under the Multifibre Agreement (320); licences, regulations and health prohibitions (350); and variable duties and components that the European Communities apply to agricultural imports (72).

This listing demonstrates the importance of non-tariff measures, which form the basis of current protectionism. However, if the nature of, and methods of applying, such measures are considered in greater detail, it may be noted that what may materialize in certain circumstances is a sectoral market distribution, whereby domestic production is given preference in meeting domestic demand, while imports are used in a controlled manner to supplement domestic supply. Thus, more rapid growth of the developing world's exports would be rendered more difficult, and, at the same time, inefficient industries and activities within the developed countries themselves would be allowed to exist.

If the extension and strengthening of non-tariff barriers observed in recent years is to be tackled, it will be necessary to: (i) establish information networks that can indicate effectively what non-tariff barriers exist, and how and where they are applied; (ii) obtain elimination of non-tariff barriers affecting products that are of concern to Latin America or, if that course of action is not possible, obtain implementation of such barriers on an exceptional basis; (iii) consider the possibility of responding actively when new non-tariff trade barriers are established, or when the ones in force are intensified.

3. New organizational guidelines

At the Tokyo negotiations, in contrast to what happened at the previous negotiations held in the context of GATT, which chiefly concerned tariff reductions, a series of provisions that considerably modify the conduct of international trade was adopted. This new system took the shape of six agreements on the following instruments: subsidies and countervailing duties, antidumping measures, import licences, valorization, technical obstacles to trade, and public-sector purchases; two decisions on developing countries; a declaration on balances of payment, and an understanding on notifications, consultations, settlements of dispute and monitoring. Furthermore, three agreements on dairy products, beef and civil aircraft were concluded.

The Agreement on subsidies and countervailing duties establishes as a general norm the obligation not to grant export subsidies for industrial and mining products and not to do so for agricultural products in instances where such action would mean that the country in question could absorb "more than a fair share of the world export trade" in the product in question. Although the Agreement permits developing countries to exempt themselves from the above prohibition in the case of industrial products, the countries that accede to it undertake to endeavour to reduce or discontinue export subsidies in instances where

/use of

use of such subsidies is not necessary for the purposes of competition or development. This latter rule started to apply to the chief exporting countries of the South at the point where they were required to eliminate subsidies as a prerequisite for application to them of the rules contained in the Agreement that are favourable to their exports. It is, therefore, a rule that is taking on growing importance for the trade and development policies of the countries of the region, and its global impact must be assessed carefully in the future.

The Agreement on public-sector purchases seeks to create conditions guaranteeing greater international competition in connexion with such acquisitions; it therefore establishes that no distinction shall be made among various products and various foreign suppliers, that equal treatment shall be given to domestic and foreign products and suppliers, and that the entire process leading to decisions concerning purchases shall be "transparent". The possibility of using State purchases falling within the purview of the Agreement for the purpose of promoting domestic or regional development would be subject to negotiation with the other signatories with a view to agreeing upon "mutually acceptable exceptions to the rules on national treatment of a number of entities, taking into account the particular circumstances of each case" for a certain length of time. It would also be appropriate to evaluate the constraints on implementation of domestic economic policy that would result from this Agreement.

It is obvious that the set of commitments undertaken during the Tokyo negotiations will constitute, together with the General Agreement on Tariffs and Trade, the basic structure of the new trade order. However, the agreements referred to above have been presented as instruments that are independent of each other and, to a great extent, of the General Agreement. Under each agreement a Committee composed of the countries that have signed the agreement in question has been established to carry out the relevant functions; the Committees will therefore be the bodies that regulate the functioning of the instruments in question, accordingly diminishing the powers of the contracting parties of GATT with regard to operation of that machinery. However, these committees will play a very important role in the future with regard to the functioning of international trade. It must also be stressed that the rights and obligations arising from the agreements are only binding on the relevant signatory countries. There is no clear relationship between the countries that have signed the agreements and the contracting parties of GATT, and implementation of the most-favoured nation clause will not be accepted where such rights and obligations are concerned.

Moreover, the special treatment that the agreements reserve for the developing countries does not change their basic structure significantly. In general, such treatment consists of a provision permitting a developing country to exempt itself from an obligation or taking into account a particular situation in order to facilitate implementation of the agreement in question. However, if these provisions are to be used, in practice their implementation will have to be negotiated on a case-by-case basis; none of the provisions in question took the desires of the developing countries into consideration, and consequently no rule permitting direct and stable access to the markets of the signatory countries was laid down in any of the agreements. Instead, the so-called graduation clause through which provisions benefiting the developing countries will be implemented on the basis of the level of development of each country, which will be decided on a case-by-case basis, was institutionalized in every agreement in which it could be included. Consequently, in view of the difficulties, the developing countries will have in such circumstances to accede to the Tokyo Round Agreements, it may be concluded that a great number of those countries will be unable to participate in taking the decisions that will govern international trade and that will, therefore, affect them directly, even although they are Contracting Parties of GATT. Thus, two years following conclusion of the drafting of the agreements, whereas all the developed countries have acceded to almost all the agreements, only a very small number of developing countries have signed any of them.

To sum up, the multilateral trade negotiations produced a new framework for international trade relations, which, although it may well make the relevant rules clearer, contains elements that may render its operation extremely complex and tricky, particularly for the developing countries. Those countries did not succeed in having their situation and their desires considered adequately, nor did they obtain satisfaction with regard to the negotiations on commodities or with regard to the new rules for international trade. Their future participation will therefore be impaired by the difficulties they experience in taking part in the system's decision-making process in a framework that has institutionalized - or which it is intended should institutionalize in the near future - concepts that do not meet the needs of the developing countries.

4. A number of conclusions

Both in GATT and in other international forums, the developing countries have in general voiced their dissatisfaction with the results of the Tokyo negotiations, the second major objective of which was to guarantee additional benefits for the international trade of the developing countries in such a way as to increase their foreign currency earnings considerably, diversify their exports, accelerate the rate of growth of their trade, increase their opportunities to participate in expansion of world trade, and achieve a better balance between the developed and the developing countries with regard to the distribution of the benefits resulting from such expansion. It was recognized that as a prerequisite for achieving the above there must be a considerable improvement in the terms governing access to products of interest to developing countries, and that measures to achieve stable, just and remunerative prices for commodities must be adopted.12/

With regard to access conditions, the countries of the South stressed their concern with regard to tropical products - regarded as a "Special and Priority" sector according to the Tokyo Declaration - which have been subject to lower tariff reductions than in general and against which there are non-tariff measures, and with regard to processed foods, textiles, leather and other industrial products that have a particularly important place in their exports, which have been virtually excluded from the concessions made by the developed countries and

12/ See statements made by the representatives of the developing countries in GATT upon completion of the Tokyo negotiations, and the declaration of the Group of 77 on the multilateral trade negotiations (TD/268/Add.1), 20 July 1979.

/therefore continue

therefore continue to be subject to tariffs, de facto protection and other relatively high barriers. They have also stressed the problem of tariff scales and the need to eliminate quantitative restrictions on the extent of processing and other measures that have a similar effect, such as "voluntary" export restraints and orderly marketing arrangements, which were attenuated only slightly, if at all, in respect of products of particular concern to them. On the other hand, the preference margins resulting from the Generalized System of Preferences were reduced without there being adequate compensation in the case of other products that did not enjoy such advantages. In an UNCTAD study it is estimated that the potential net loss in this connexion is US$ 1 000 million, taking into consideration the preference systems of the United States, the European Communities and Japan.13/

At the same time, the measures set forth in the Tokyo Declaration concerning commodity prices do not represent a major step forward in that field, as may be seen further on in the section on that question.

To a great extent, all the foregoing results from the fact that the multilateral trade negotiations were aimed chiefly at solving trade problems affecting relations between the United States, the European Communities and Japan; the developing countries' aspirations were consequently only considered marginally, and the results of the Tokyo negotiations do not adequately reflect the needs of the countries of the South.

Bearing in mind the background details supplied above, what means does Latin America have of counteracting somewhat the developed countries' protective barriers affecting it?

If the suggestions put forward in various forums and on various occasions are considered, it may be noted that they have two aspects: (i) the strategy to be used and the chief ways and means; and (ii) possible courses of action.

With regard to the first point, attention should be drawn to the fact that, if the region is to have significant bargaining power vis-à-vis developed areas, a number of prerequisites must be present. Firstly, it must have a common position with regard to the strategy itself, the way in which it is used, selection of areas and products that are to be considered and the barriers that will have to be eliminated. Inclusion of other developing areas would result in greater bargaining power and make joint action more effective, in view of the enormous volume of goods that the developing world imports from the developed countries, particularly in the form of manufactures, and in view of the fact that the developing countries possess strategic commodities that can be a powerful negotiating factor.

The following are among the specific forms of action that the developing countries have proposed in various forums to combat protectionism, particularly on the part of certain industrialized countries: (i) establishment of symmetrical

13/ See "Evaluation of the Outcome of the Multilateral Trade Negotiations", Report of the Secretary-General of UNCTAD (TD/B/778,Add.1), 26 February 1980.

commercial treatment for exports from the developed country/countries that is/are implementing protectionist policies; (ii) maintenance of continuing co-ordinated action aimed at achieving adequate participation in negotiations and international operative machinery, particularly in the machinery of UNCTAD and GATT, for the collective defense of the interests of the countries of the region; (iii) in-depth consideration of the new and complex agreements that have resulted from the multilateral trade negotiations, and monitoring of the activities of the Tokyo Round Committees, for which purpose the Latin American countries that did not sign the agreements could consider the possibility of participating as observers, at least during an initial stage; (iv) prevailing upon the developed countries to restructure their production and shift activities that are not internationally competitive to other countries, rather than implementing protectionist measures.

C. ENERGY: A NEW FIELD FOR NEGOTIATION

1. The nature of the energy crisis

The energy crisis that arose during the 1970s is not a passing phenomenon; on the contrary, it marked the end of a phase based on high consumption of cheap energy, particularly petroleum, and the beginning of an era in which economic growth will be determined by the need to reduce energy consumption owing to higher energy prices, and by the urgency of promoting development of energy resources, both from conventional sources and from new and renewable sources.

In the course of the quarter of a century between 1950 and 1975 world consumption of commercial energy more than tripled, rising from 1 692 to 5 555 million tons of petroleum equivalent. Accordingly, world production of commercial energy had to grow at a rate of 6% per annum. Among the various sources of energy hydrocarbons expanded most rapidly (petroleum and natural gas, production of which grew at a rate of 8.4% and 9.7% per annum, respectively), which increased their share of world consumption of commercial energy from a little over a third in 1950 to an average of almost two-thirds during the 1970s, displacing coal to second place.

It is in this context that it is necessary to consider that the actual cost of petroleum rose five fold from 1972 to 1980 and the conclusion should be drawn that the so-called energy crisis has not resulted from action taken by an association of producing countries and is not exclusively based on exploitation of the characteristics of a strategic and relatively scarce resouce, but that it is a manifestation - perhaps the most obvious and worrying one - of the crisis in a development style.

As a result of the increase in the cost of energy resources the same importance is now attached to them as to the classic production factors - land, capital and labour - and new combinations of factors that make it possible to minimize energy use are being sought, and the attempt to find such combinations inevitably clashes with the characteristics of the prevailing development style. Moreover, in the short term the increase in energy prices has resulted in a heavy financial burden for consumer countries - particularly those developing countries that are still barely in a position to meet the demand for imports from the

/petroleum-exporting

petroleum-exporting countries - and has exerted severe pressure on their balances of payments. In the longer term higher petroleum prices will generate extraordinary growth in investment in the development of energy resources and will be accompanied by considerable changes in the composition of the sources of energy and implementation of policies for rationalizing energy use. At the same time, to the extent that petroleum prices rise more rapidly than world inflation, the petroleum-exporting countries will continue to generate considerable financial surpluses that will be discharged onto the international markets and will play a fundamental role in the functioning of the world economy.

These predictions are based on the assumption that the supply of energy will continue to be limited, at least during the transitional period, and that problems arising from insecurity with regard to supplies and from price rises will persist. It should be borne in mind that the supply of energy remains firmly based on an exhaustable product, namely, petroleum, and that the petroleum market is at the same time dominated by a small number of producers, many of whom are concentrated in a politically unstable region.

It may therefore be said "that the production of hydrocarbons is approaching economic limits, which could mean that in the next decade and until the end of this century there will be a severe imbalance between supply and demand, with serious danger of temporary shortages and tremendous vulnerability to any type of international conflict".14/ Consequently, it may be expected that petroleum prices (and those of energy in general) will continue to rise, not only until they reach the level of the cost of substituting petroleum, but also until they reach levels at which it would be economically profitable to exploit alternative and more costly sources of energy. These problems are naturally a much greater blow to the non-oil-exporting countries, which in total represent a small proportion of world consumption of commercial energy (12%), but whose demand for energy is growing more rapidly than that of the developed countries.

It is estimated that in the industrialized countries consumption of energy per unit of domestic product is lower than in the developing countries, whose economic growth is based on the transition from primary to secondary and tertiary activities, which is accompanied by large-scale expansion of cities, motorized transport and industry - all of which has repercussions on energy consumption - and is combined with large-scale replacement of traditional sources of energy. This is why the elasticity of energy consumption in developing countries with respect to the product was approximately 1.3 during the 25 years prior to 1973. Although the subsequent increase in absolute prices reduced the demand for energy in those countries, with the result that that coefficient dropped to below 1 in the period 1975-1980, it is probable that in the 1980s pressures for the ratio between product growth and energy consumption to move back towards its historic parameters will intensify.

14/ See Enrique V. Iglesias, "The energy challenge", CEPAL Review, No. 10, April 1980.

/The value

The value of the developing countries' petroleum imports increased almost ten fold from 1970 to 1980, rising from US$ 5 400 to 49 300 million. It is expected that such imports will have more than doubled, in absolute terms, by around 1990; the developing countries will, at the same time, have to allocate a much greater volume of resources to investment in the energy sector in order to reduce their dependence on imported inputs. This will oblige them to review their short and long-term investment plans, both in order to meet the annual cost of importing energy and to undertake the investment programmes required for increasing their domestic energy production. Altogether, the need to reconcile, on the one hand, allocation of a greater volume of financial resources for financing energy imports, development of new sources of energy, and implementation of conservationist policies and policies to rationalize energy consumption with, on the other hand, the task of attaining an acceptable rate of development gives rise to tricky problems with regard to formulation of economic policies in the developing countries.

2. Dimensions of the energy problem and trends in energy policies

Certainly, the developing countries are basically responsible for the energy crisis, and they have a basic responsibility to seek possible solutions. The United States, which made a decisive contribution to the increase in world consumption of hydrocarbons because it possessed extensive reserves and had access to other, no less abundant reserves, pursued a conservationist policy for a long time, importing just over 20% of its requirements and maintaining productive capacity in reserve for strategic purposes. Towards the end of the 1960s its production levelled off, and the entire increase in its demand started to be met by imports, which made up 47% of total consumption in 1979. The Western European countries and Japan have depended almost entirely on imports for their petroleum supply; as a result, they have developed an economic structure that has in recent years enabled them to make greater energy savings and to replace petroleum by other sources of energy to a greater extent. Thus, whereas the United States uses 47% of its petroleum in the transport sector, where the possibilities for substitution are limited, the Western European countries and Japan only use 19% and 16% of their total petroleum consumption, respectively, in that sector. In any event, the developed countries continue both to be major consumers of energy and to possess the major portion of the financial resources required for stimulating world-wide exploitation of new sources of energy.

It is expected that over the coming 20 years the developed countries' demand for commercial energy will increase by approximately 50%. In the developing countries, on the other hand, the increase in demand over the same period will be from 200% to 250%.15/ In view of the fact that the fields in which their

15/ See: Organization for Economic Co-operation and Development (OECD), World Energy Outlook: A Reassessment of Long-Term Development and Related Policies, Paris, 1977, and "Energy and economic growth prospects for developing countries", in Vaclar Smil and William P. Knowland, Energy in the developing world: the real energy prices, Oxford University Press, 1980.

/development process

development process tends to be concentrated (industrialization, agricultural modernization, and expansion of urban transport and services), in general the increase in energy consumption means an increase in petroleum consumption. Likewise, policies that directly or indirectly result in deferment of that process and prolongation of the use of non-commercial sources of energy - among which wood plays a major role - not only because that will be incompatible with progress in the long term, but also because use of such sources of energy is already resulting in serious deterioration of the environment - chiefly through erosion, deforestation and desertification - in the developing countries, where such sources of energy are still used on a large scale.

In 1980 world energy production was 138 million tons of petroleum equivalent (mtpe), two-thirds of which consisted of hydrocarbons (90 mtpe, of which 63 were petroleum and 27 natural gas). The developing countries contributed 21 mtpe (in other words, 15% of world energy production), of which 13 were produced by the petroleum-exporting countries. The trend will be for the share of the latter to increase, since the annual growth rate of their energy production is 4.4%, compared with a world-wide rate of 3.9%, and is chiefly determined by petroleum.

The developing countries' production and energy consumption figures for 1980 and the corresponding projections until 1990, in other words, the current and the prospective situation with regard to their energy balance sheet, is shown in table 5. What stands out in that table is the size of the projected energy deficit for the petroleum-importing developing countries, despite the fact that it is estimated that their production could virtually double from 1980 to 1990.

In order to reduce the disequilibrium in the world energy balance, particularly that of the developing countries, it will be necessary, as already proposed, to have a combination of policies including: (i) attention to the urgent balance-of-payments problems faced by the more vulnerable deficit countries; (ii) development of energy resources through expansion of conventional sources and, above all, profitable exploitation of new and renewable sources of energy; and (iii) implementation of measures to reduce consumption of energy resources.

Of 133 developing countries, 90 do not produce petroleum and 13 others must import at least 45% of their needs. The most immediate problems faced by developing countries that lack petroleum is financing their basic energy requirements in the short term. Following the increases in the price of petroleum that occurred in 1979-1980 the annual cost of their petroleum imports rose to approximately US$ 70 000 million, which constitutes an unprecedented challenge for those countries and a serious responsibility from the point of view of international co-operation.

The developing countries are called upon to play a basic role in expanding and diversifying available sources of energy. However, from the geographic point of view there has so far been an imbalance in investment in exploration. It has been concentrated in a small number of countries that have already undergone intensive surveys and in which the likelihood of finding new sources of energy is relatively low, whereas the rest of the world remains virtually unexplored.

/Table 5

Table 5

DEVELOPING COUNTRIES: PRODUCTION AND CONSUMPTION OF COMMERCIAL ENERGY FROM PRIMARY SOURCES, 1980 AND 1990

(Millions of barrels per day of petroleum equivalent)

	1980				1990			
	Developing countries		Developing countries importing petroleum		Developing countries		Developing countries importing petroleum	
	Production	Consumption	Production	Consumption	Production	Consumption	Production	Consumption
Petroleum	13.2	9.2	2.0	6.5	19.4	15.4	3.6	11.4
Gas	3.0	2.1	1.5	1.4	5.2	3.0	2.6	2.6
Coal	2.5	2.6	2.4	2.5	3.7	3.8	3.3	3.4
Hydroelectricity	1.9	1.9	1.5	1.5	4.1	4.1	3.2	3.2
Nuclear energy	0.1	0.1	0.1	0.1	1.2	1.2	1.0	1.0
Other sources	0.3	0.8	0.3	0.4	1.9	3.1	1.5	1.2
Total	21.0	16.7	7.8	12.4	35.5	30.6	15.2	22.8

Source: World Bank, Energy in the Developing Countries, Washington, D.C., August 1980.

/Although 40%

Although 40% of the areas of the world that may contain petroleum are located in developing countries that do not belong to the Organization of Petroleum-Exporting Countries (OPEC), including China, those countries possessed only 11.5% of proven world petroleum reserves as of January 1980. However, in those countries there is a vast potential of undeveloped new sources of conventional energy.

A key element during the approaching transitional period is the replacement of petroleum by more abundant sources of energy (such as coal) and, to the extent possible, by renewable sources of energy, whether new (such as fuels from biomass) or conventional (such as hydroelectric power). This transition will be essential, if the developing countries that lack petroleum are to be able to reduce their dependence on petroleum imports. It is estimated that the developing countries possess only 10% of proven world reserves of coal, but the greater part of it is located in the relatively less developed countries.16/ On the other hand, it is calculated that approximately 70% of world potential for generating hydroelectric power on a large scale is in the developing countries; nevertheless, those countries currently produce only 20% of this type of energy. Moreover, many developing countries have natural advantages with regard to exploitation of renewable sources of energy, particularly those based on agricultural crops and solar energy.

Exploitation of these various sources of energy by the third world countries will require heavy investment. From 1966 to 1975 the developing countries invested an average of approximately US$ 12 000 million per annum, in terms of the value of the dollar in 1980, in producing and transforming commercial energy. This figure represented approximately 5% of their total investment and 1.3% of their gross domestic product. It is estimated that the value of such investment will reach US$ 34 000 million in 1980, in other words, almost three times the average for the above-mentioned period, and that the average will be US$ 54 000 and US$ 82 000 million in the period 1981-1985 and 1986-1990, respectively. This will require a considerable effort, since in the period 1986-1990 it will involve almost tripling the proportion of the gross domestic product that those countries set aside for such investment in the period 1956-1975. It is therefore necessary to increase the volume of financial resources from international sources considerably in order to make this type of investment feasible as well as to improve existing machinery for mobilizing such resources. The World Bank has already taken a number of steps in that connexion, as have other international agencies, such as the Inter-American Development Bank (IDB).

Lastly, with regard to energy conservation, a recent study concluded that in the United States implementation of conservation policies could become "the most important source of energy" by approximately the year 2000.17/ In the

16/ It should, however, be noted that there has been little exploration for coal owing to lack of demand; unlike the developed countries, which industrialized during the coal era, the third world countries started to industrialize in the petroleum era and did not have to explore for coal in the past.

17/ See Energy: the next twenty years, a report prepared in 1979 by a study group set up by Resources for the Future, with the sponsorship of the Ford Foundation.

/industrialized countries

industrialized countries large quantities of petroleum are wasted through inefficient use or through production of electric power with petroleum by means of obsolete industrial equipment or procedures, through the existence of inappropriate transport systems, or merely through luxury consumption of energy.

With the exception of the latter factor, the above-mentioned factors also lead to considerable energy wastage in the developing countries. Estimates made by the World Bank indicate that by approximately 1990 the developing countries could reduce their projected energy consumption by roughly 15% through implementation of conservation measures. Such measures would include pricing policies, taxes and other forms of regulation, technical improvements, replacement of fuels, and economies of scale (see table 6).

3. World co-operation in the area of energy

The magnitude of the challenges arising from the energy problem and the extent to which the co-operation of producer and consumer countries, both developed and developing, is called for in meeting those challenges make it necessary to seek a solution through international co-operation. The general foundation on which such co-operation will be based and the guiding principles for such co-operation are indicated below.18/

It is in the common interest to reduce the demand for energy; this will be achieved principally through policies to rationalize energy use and, in time, through far-reaching changes in the industrialized countries' development styles. It will, at the same time, be necessary to implement policies whereby the developing countries adopt energy patterns of their own, instead of imitating the style of energy consumption prevailing in the central countries. The establishment of programmes to rationalize energy use will also make it possible to save time and facilitate the transition to a new era based on the use of other sources of energy. Technical progress made in this connexion by the individual groups of countries will have to be made available to all mankind.

With regard to the world energy supply, it has already been pointed out that to a great extent the developing countries' vast potential resources remain unexplored. It is also of vital importance for the entire international community that exploration for conventional and new sources of energy and the corresponding investment should be stepped up. Moreover, many developing countries have great potential for providing renewable sources of energy; in order to do this, they require appropriate technology, which should be developed on the basis of international concerted action.

Moreover, from a global point of view the strong shared interests existing in the field of energy provide a solid and promising basis for international co-operation. If such co-operation is to materialize, it must above all be understood that without an international understanding economic chaos will ensue

18/ The question of regional co-operation in the field of energy is considered in document E/CEPAL/G.1151.

/Table 6

Table 6

DEVELOPING COUNTRIES: POTENTIAL SAVINGS IN CONSUMPTION OF COMMERCIAL ENERGY, 1990

(Millions of barrels per day of petroleum equivalent)

	Projected consumption	Probable reduction
Electric power	6.5	0.7
Agriculture	1.5	0.1
Domestic consumption	5.9	0.9
Transport	7.5	1.0
Industry	8.7	1.8
Other	0.5	0.1
Total	30.6	4.6

Source: World Bank, Energy in the Developing Countries, Washington, D.C., August 1980.

/and probably

and probably also political controversy, which is even worse. Secondly, it is essential that it should be recognized that petroleum will continue to predominate as a source of energy during the stage of incorporating new sources of energy and that, faced with high inflation that diminishes their financial surpluses, the petroleum-exporting countries will opt to conserve their crude oil reserves for a longer time and to reduce the pace at which they are extracted, with the result that petroleum prices will continue to rise steadily in real terms. Thirdly, it is urgent to accept the petroleum-exporting countries' thesis, which is supported by the entire third world, that the question of energy should be negotiated together with the other problems affecting economic relations between the developing and the industrialized countries. Lastly, it must be recognized that international co-operation will be productive only if it is acknowledged that certain responsibilities are incumbent on the entire international community, and even more so on the industrialized countries.

One particular responsibility is the handling of international balance-of-payments situations, which can only be dealt with through a concerted effort on the part of all countries. A further responsibility is mobilization of investment for development of energy resources. Here it should be recalled that, according to the declaration made at the Vienna Conference, technological progress is the common heritage of mankind.

The positions adopted by the various groups of countries, particularly the industrialized countries, towards exploiting the possibilities that are becoming apparent will be of basic importance in solving world energy problems. So far, the developed countries have reacted to the energy crisis by taking a combination of measures aimed at preserving their development styles, safeguarding their energy supplies, reducing their dependence on imported petroleum, and diversifying their sources of energy. At the same time, in a number of cases they have not been sufficiently realistic to accept the upward trend in petroleum prices, have been too inflexible to adopt development patterns that make less heavy use of petroleum, and have maintained a rigid position with regard to the demands of the developing countries, which regard petroleum as their trump card in negotiations. It would appear essential to change these positions, if substantial progress is to be made in solving energy problems through international co-operation.

D. TRANSNATIONAL CORPORATIONS

Quantitative information on the conduct of transnational corporations in Latin America is presented below for consideration of this question, and an endeavour is made to outline a number of ways of facilitating formulation of economic policy in this important area and of strengthening the bargaining power of the countries of the region.

1. General information on direct foreign investment in Latin America

At the end of 1977 overall direct foreign investment 19/ by the industrialized countries belonging to the Organization for Economic Co-operation and Development (OECD) in Latin America and the Caribbean reached the amount of US$ 43 000 million which represents 10% of the region's gross national product in that year.

In nominal terms direct foreign investment grew at an average annual rate of 12% in the period 1972-1975 and only 7% in the biennium 1975-1977. Moreover, the United States' direct investment in the region posted greater average growth in both periods (14% in the former and 12% in the latter), which means that its share of direct foreign investment in the region increased from 59% to 64% in the latter period. Growth in United States investment has accelerated in recent years, reaching an annual average growth rate of 15% between 1977 and 1979. If the Caribbean countries are excluded from the above analysis, the situation changes considerably, since United States direct investment in the remaining Latin American countries grew at an average annual rate of only half that of direct foreign investment as a whole between 1972 and 1975, whereas in the period 1975-1977 its annual growth rate was identical to that of total direct foreign investment.20/

The greater part of total direct foreign investment in Latin America and the Caribbean at the end of 1977 was in the countries with larger markets (25% in Brazil, 12% in Mexico, 8% in Venezuela and 7% in Argentina) and in two "fiscal paradises" (9% in Bermuda and 6% in Panama). In the same year 20% of such investment was in the Cartagena Agreement countries, excluding Venezuela, and only 2% was in the countries belonging to the Central American Common Market. The Caribbean countries' share, which rose from 17% in 1967 to 27% in 1977, became increasingly significant.

At the end of 1979 the geographic distribution of United States direct investment was more or less similar to that outlined above, with the exception regarding the Caribeean countries already noted. Brazil and Argentina had a smaller share in United States direct investment than in direct foreign investment

19/ It is assumed by definition that direct foreign investment corresponds totally to that made by transnational corporations. Furthermore, over 70% of the United States' total direct foreign investment is accounted for by approximately 250 such corporations. In the United Kingdom, over 80% of such investment is controlled by 165 transnational corporations, and in the Federal Republic of Germany over 70% is accounted for by 82 corporations. (See: United Nations, Multinational corporations in world development, ST/ECA/190, New York, 1973, pp. 5 and 7.)

20/ The increases in the level of direct foreign investment in 1975-1977 were affected by the upsurge in world inflation and, particularly, by the rise in the prices of capital goods and services, the importation of which forms part of foreign investment.

as a whole, whereas the opposite was the case in Mexico and Panama. Furthermore, the Caribbean countries' share was over one-third of the total, and just over one-fifth of total United States direct investment in the region was concentrated in Bermuda alone.

The largest investment by United States transnational corporations in Latin America and the Caribbean was made in the financial and industrial sectors in the course of the second half of the 1970s. Between 1975 and 1979 the share of petroleum and mining in the total dropped from 15% to 12% and from 7% to 5%, respectively; the share of manufacturing, which had been growing steadily, dropped from 39% to 36%, and that of the financial sector, which reached an average annual rate of 25% between 1975 and 1979, was the only one to increase (from 21% to 31%). Total direct foreign investment in the latter sector, which was half that in the industrial sector in 1975, reached 85% of the investment in that sector in 1979.

Moreover, it is calculated that transnational corporations have chosen to enter the most dynamic branches of manufacturing in Latin America. For example, in Brazil the share of transnational corporations was particularly high in total sales of transport equipment (76%), engineering products (71%), machinery and accessories, including electrical machinery and accessories (67%), rubber products (66%) and chemical products (62%) in 1975. It should be borne in mind that in addition to their importance as proprietors of large sections of the most dynamic sectors, transnational corporations often occupy a relatively secure position on the domestic market of the country in which they are operating, where they are not threatened by local companies and are at the same time protected from international competition.

As the transnational corporations' presence expands and exerts an influence on the host countries' economies, the domestic company's identity fades, its bargaining position becomes weaker, and ultimately its importance in managing the production system diminishes. What could in principle have been an alliance became a sort of dependence, not only where those companies that have received direct foreign investment are concerned, but also where other companies that are based on the transnational corporations' dynamism are concerned.

2. The transnational corporation and the external sector

Foreign ownership of the relatively more dynamic activities has a number of repercussions on the external sector of the countries of the region. At least, it is noticed that the demand of the subsidiaries of transnational corporations for imports is not always in keeping with technical production requirements; it may in fact be assumed that a certain proportion of such imports exceeds actual requirements and promotes the parent company's general interests and profitability. This is in addition to the dependence on imports that is inherent in the development style and exacerbates the imbalances in the domestic sector.

This tendency of transnational corporations to import usually goes hand in hand with a reluctance to export, which in a number of cases has been associated with restrictive practices in that connexion. Consequently, in many Latin American countries the question has arisen as to whether transnational corporations are not a major factor in increasing their balance-of-payments deficit.

/It is

It is instructive to note in that connexion that the exports of United States transnational corporations established in the region's industrial sector amounted to only 6% of their total sales in 1976, showing a considerable reduction since 1966, when they reached 10% (see table 7).

(a) Transnational corporations and trade within one and the same corporation

A significant proportion of transnational corporations' foreign trade is conducted through transactions between the various subsidiaries or related enterprises within one and the same company. For example, a third of United States imports from Latin American countries come from subsidiaries of United States transnational corporations; the proportion rises to over half in the case of manufactures (see table 8).

The preference of transnational corporations for importing through internal operations is even greater if the volume of their imports from the country where their parent company is located is considered. The volume of goods imported from the United States, the Federal Republic of Germany and Japan by subsidiaries of transnational corporations of the countries in question established in Mexico represented 74%, 81% and 94%, respectively, of those subsidiaries' total imports in 1972.21/ Moreover, the volume of goods exported to the United States by United States transnational corporations to their parent companies increased from 69% to 85% of their total exports between 1971 and 1975.22/

A situation has thus developed in which the high proportion of foreign trade conducted through internal transactions by transnational corporations with subsidiaries in Latin America places important decisions concerning production and marketing outside the sphere of domestic economic management.

(b) Transfer prices and restrictive business practices

The captive trade carried on within the corporation and with the countries where the parent companies of the transnational corporations are located means that the prices set for transactions may be very different from those in effect on the international market. This setting of "transfer prices" for transactions within one and the same compnay can have more far-reaching effects than actual financial transfers connected with transnational corporations' activities in the region. Likewise, such captive trade facilitates restrictive practices, and pricing agreements, the dividing-up of markets and export prohibitions, to quote just a few such practices, have in fact spread in Latin America.

In view of these problems, which are difficult for the country in which the transnational corporation is operating to handle, the developing countries are stressing the need to adopt a code of conduct for transnational corporations to

21/ See Fernando Fajnzylber, Las empresas transnacionales. Expansión a nivel mundial y proyección en la industria mexicana, CONACYT-CIDE, Mexico, 1975.

22/ Only subsidiaries where the share of United States capital exceeds 50% are concerned. See United Nations, Transnational Corporations in World Development: A Re-examination (E/C.10/38), March 1978, table III-17.

/Table 7

Table 7

LATIN AMERICA: THE SHARE OF EXPORTS IN THE TOTAL SALES OF SUBSIDIARIES OF UNITED STATES TRANSNATIONAL CORPORATIONS IN MANUFACTURING

(Percentages)

	1966	1974	1976
Argentina	...	10	17
Brazil	...	5	5
Colombia	...	8	8
Chile	...	16	13
Mexico	...	5	5
Peru	...	14	12
Venezuela	...	0	0
Latin America	10	7	6

Source: Eugenio Lahera, Estadísticas norteamericanas de inversión extranjera directa, ILET, Mexico, 1980, based on the figures of the United States Department of Commerce.

/Table 8

Table 8

UNITED STATES: TOTAL IMPORTS FROM LATIN AMERICAN COUNTRIES FROM SUBSIDIARIES OF UNITED STATES CORPORATIONS, CLASSIFIED ACCORDING TO DEGREE OF PROCESSING, 1977

(Millions of dollars and percentages)

	Total imported	Percentage corresponding to subsidiaries	Total primary products imported	Percentage corresponding to subsidiaries	Total semi-manufactures imported	Percentage corresponding to subsidiaries	Total manufactures imported	Percentage corresponding to subsidiaries
				A. By countries				
Argentina	386.0	6.8	114.6	2.1	100.5	7.0	167.5	9.2
Brazil	2 230.7	18.5	1 082.9	4.9	368.2	15.5	755.6	38.4
Mexico	4 647.3	48.3	2 080.0	30.5	547.6	28.5	1 803.6	70.8
Bolivia	160.3	4.4	115.4	4.2	42.4	3.4	1.3	9.1
Chile	229.4	5.0	65.6	10.3	139.0	3.0	15.4	2.9
Colombia	824.6	13.4	646.1	12.5	28.5	3.7	141.2	17.3
Ecuador	604.0	14.0	515.3	15.8	73.6	0.5	11.2	10.2
Peru	488.9	7.4	264.9	3.0	154.8	3.2	47.3	8.1
Venezuela	4 065.5	25.6	1 859.9	17.7	374.6	13.8	1 814.0	36.0
Costa Rica	293.9	24.7	255.2	21.6	3.8	0.4	32.6	50.4
El Salvador	426.2	17.2	328.8	0.4	1.6	6.7	91.2	74.9
Guatemala	377.5	6.4	361.7	5.7	4.3	5.1	5.7	7.1
Honduras	255.3	40.2	233.9	40.5	5.6	7.5	13.9	46.7
Nicaragua	180.2	17.7	156.1	18.9	4.2	12.9	18.3	8.1
Paraguay	23.4	5.3	12.8	6.1	5.3	0.1	4.9	5.4
Uruguay	88.2	3.9	4.2	1.9	11.2	0.4	72.3	4.2
Haiti	169.9	27.5	46.7	33.2	17.7	9.7	101.1	28.4
Panama	158.9	39.6	113.8	27.2	6.0	24.3	34.2	85.5
Dominican Republic	625.7	13.0	482.8	5.6	59.0	18.0	71.5	48.0
Guyana	55.9	6.1	45.8	6.5	7.2	0.0	2.1	2.6
Jamaica	346.3	86.7	216.2	95.2	108.4	76.6	19.8	53.2
Suriname	120.5	33.9	58.9	38.8	59.7	30.0	0.6	0.7
Trinidad and Tobago	1 655.9	77.3	753.4	81.5	207.4	54.3	689.4	79.8
Total 23 countries	18 414.4	100.0	9 815.0	100.0	2 330.6	100.0	5 914.7	100.0
Total corresponding to subsidiaries	6 100.4	33.1	2 322.1	23.7	512.3	22.0	3 014.5	51.0

B. By product categories in total imports

Value and percentage	Overall total	Primary products	Semi-manufactures	Manufactures	Unspecified
Countries					
Subsidiaries					

Source: Computation by UNCTAD, on the basis of information supplied by Messrs. G.K. Helleiner and R. Lavergne of Toronto University based on data of the Foreign Trade Division of the United States Census Bureau.

/oblige them

oblige them to refrain from such practices and at the same time make them subject to the host countries' laws, regulations and exclusive jurisdiction. Although preparing such codes of conduct for transnational corporations and obtaining international endorsement for them is a complex and arduous process, since the industrialized countries oppose more effective control of such corporations, united action on the part of the developing countries can be decisive in achieving results. This point will be taken up again later.

(c) Fees and royalties

In 1979 Latin American and Caribbean subsidiaries of transnational corporations with headquarters in the United States paid US$ 400 million to United States companies in the form of fees and royalties. The greater part was accounted for by the industrial and mining sectors (US$ 134 million and US$ 71 million, respectively), followed by petroleum and the financial sector, with payments exceeding US$ 50 million. In the financial sector fees and royalties paid in 1979 by branches of transnational banks with their headquarters in the United States amounted to 40% of the sum paid by the industrial sector for fees and royalties, whereas such payments only reached US$ 7 million in 1976.

3. Policy orientations

The countries of the region need assistance from transnational corporations in order to produce a wide range of goods that are of vital importance in their development; in particular, such corporations can make important contributions in the area of technology, capital, plant operation and business management. Furthermore, increased productivity as a result of innovations produced in transnational corporations and the need to gain access to the central countries' markets through the link that such corporations can provide are also factors that should be taken into consideration. However, the motivations of the transnational corporations do not necessarily coincide with the most representative national interests, and their world-wide activities can form an obstacle to, or influence, the attainment of national goals. In fact, optimization of the use of their resources and maximization of their earnings at the transnational level often conflict with the national goals of the countries of the region and are frequently incompatible with the most desirable allocation of resources for those countries. It is therefore essential that transnational corporations' investment should be adapted to the orientation of each country's development strategy and policy, and that their conduct and methods of operating should be those most suited to national requirements and actual situations.

Just as the transnational corporation has been decisive in shaping the course of development in the past, its presence and weight in Latin America would naturally give it a leading role in the current phase, if governments did not play a corrective role in planning, evaluating and negotiating new courses for development. Inertia and the trends observed so far suggest that these corporations would make steadily greater inroads into, and have a growing influence on, the region's economy and that they might take over further sectors and modify the internal economic relationships in individual countries.

/The advantages

The advantages that the transnational corporation derives from placing itself in changing contexts and influencing the establishment of new scenarios through its activities are clear. If the geographic area that it covers, the information it has at its disposal and its long-term perspective are added to its economic and political power, it becomes clear that its position is advantageous. On the other hand, the constant pressures and economic, social and political crises that individual countries are facing, and the difficulties that governments have in reconciling economic growth, social justice, political pluralism and autonomous decision-making mean that those countries' negotiations are complex and that their negotiating position is not always as strong as it should be. If account is also taken of the fact that the struggle with current economic conditions is frequently an obstacle to long-term considerations, which are an essential aspect of the debate on forms of development, it is possible to understand how the transnational corporation came to have such preponderance and how it could acquire further importance in the current phase if a different form of negotiation based on clear government strategies and policies is not proposed.

For these and other reasons paragraph 70 of the International Development Strategy states that "negotiations on a United Nations code of conduct on transnational corporations will be concluded in 1981 and the code will be adopted expeditiously by all members of the international community soon afterwards, aimed at preventing - with a view to eliminating - the negative effects of activities of transnational corporations and promoting the positive contribution of transnational corporations to the development efforts of the developing countries, consistent with the national development plans and priorities of those countries". It is important to bear in mind in that connexion that the region has a major, and growing, share of world-wide direct foreign investment in developing countries and that its share represented almost 60% in 1977. In 1979 that share exceeded 80% with respect to United States investment. At the same time, the region received 16% of United States direct foreign investment in industrial activities throughout the world. These circumstances obviously give the region particularly great negotiating strength. The transnational corporations' acknowledged discernment with regard to the future could enable it to be used successfully in adapting foreign capital to regional requirements and in safeguarding a more integrated form of development.

4. Delimitation of areas for the activities of transnational corporations

The political strategy leading to these goals must give particularly close consideration to the role that the transnational corporation would play in this new scenario and to what type of negotiations could be taken up in that connexion. As already mentioned, a basic question that must be settled in this field is the delimitation of activities in which it would be suitable for the transnational corporation to participate and of those other activities that would be reserved for either public or private domestic capital. In this delimitation it would seem vital to establish clearly what is essential in such a way as to restrict foreign investment to those activities that really help to make the form of development in question more equitable and less vulnerable. The bargaining power of individual countries will increase accordingly as positions giving priority to what is essential and of greatest importance in their foreign capital policies become more widespread. Otherwise, "consumer paradises" may regain force as a result of policies welcoming any type of foreign investment.

In re-evaluating the transnational corporation it would be helpful to consider it from the three classic planning perspectives, short, medium and long-term, in order to establish what its impact would be on the relevant variables. Entry of a certain transnational corporation may meet short-term requirements but conflict with longer term needs. In general it is easier to meet the requirements of the current economic situation, but the results are also more transitory and often inadequate. In contrast, although requirements relating to the structural basis of the economy are reflected better in long-term perspectives, they are not always taken into account in typical short-term approaches, because the short term appears to be influenced to a much greater extent by contingent pressures and in the short term other priorities are assigned to the various aspects and repercussions of foreign investment. Once the sectors, activities or projects in which involvement of the corporations in question is acceptable and desirable have been determined, negotiations with those corporations should not only cover the topics set forth in most legislation and regulations concerning treatment of foreign investment. It would appear advisable, in addition to the traditional desire to regulate taxation, patents, reinvestment and repatriation of earnings, to introduce clauses establishing a minimum level for exports and a maximum level for imports, the level of manpower employed, the extent to which national credit should be used, etc. In instances where it is possible to implement them, clauses concerning the prices, quality and quantity of products may also be laid down. The introduction of these other variables into the negotiating process naturally means that different treatment should be given to various categories of transnational corporations.

5. Increasing the host country's bargaining power

When it is stated that it is necessary to give each transnational corporation specific treatment, it is large-scale projects that are being considered, those activities that call for particular attention owing to the volume of investment involved or the impact they could have on the economic process. In contrast, where treatment of foreign capital is considered in general terms there is only an overall position or a certain philosophy.

Specific negotiations include factual and detailed considerations. Although transnational corporations make up a category with shared characteristics, they form an extremely heterogeneous whole, while the projects or activities that individual countries wish to promote are also very diverse. In view of these two types of heterogeneity there is little reason to believe that general laws or regulations can obtain the maximum from negotiations with foreign sources of capital. Perhaps global regulations could be restricted to small-scale investment or projects, but in the case of more important investments or projects the possibility of holding special negotiations in which the peculiarities of each individual situation can be taken into account must remain open, in such a way as to demonstrate the principle of "maximizing the advantages and minimizing the the disadvantages" with regard to the transnational corporations present in the region. A situation could thus develop in which the transnational corporations' participation would be subject to a form of bidding that would make it possible to assess to what extent each corporation would meet the requirements and criteria previously established by the host country for selecting the form of co-operation that best meets its requirements. The appearance of new transnational corporations and the interest they show in establishing themselves in the region indicate that countries will have the opportunity of making a selection.

Moreover, it would strengthen the Latin American countries' bargaining position if possibilities for negotiating with medium-sized corporations in the developed countries and the most developed countries of the region were examined; their size and methods of operation may be more in keeping with regional characteristics. In any event, if Latin America's actual bargaining power is to be exploited and increased, it would appear essential to seek other options and the establishment of conditions to orient negotiations and agreements towards the type of development to which countries aspire.

II. TRADE AND FINANCIAL ASPECTS OF LATIN AMERICAN EXTERNAL RELATIONS

A. A NUMBER OF SALIENT FEATURES

During the 1970s the way in which Latin America was integrated into the world economy underwent far-reaching changes, and the process of internationalization and linkage with the market-economy industrialized countries intensified. There were specific manifestations of the new relations and problems that developed in the rate of growth and composition of foreign trade; in the course taken by the terms of trade; in the volume of external financing and in the sources of such financing; and in the level of external indebtedness.

Exports underwent a process of dual diversification. The volume of industrial goods rose to the level of 20% of total exports for the region as a whole, but the increase was not spread evenly and tended to be concentrated in the large countries and a number of medium-sized countries, with the result that the percentage was lower in the former group of countries. At the same time, the primary products exported by individual countries were diversified, and new flows of agricultural and mining products, which have been taking on considerable importance, started. The impact of industrialization and of the changes in production that had been taking place for some time at the level of domestic economies has thus started to make itself felt in Latin American exports.

In recent years, particularly since the contraction of 1975, Latin American exports have expanded rapidly, to the point where they have attained a growth rate that may be regarded as relatively high, in the context of the evolution that has taken place throughout the entire postwar period. This process was influenced by the increase in the Latin American countries' industrial and agricultural production capacity that had been taking place in previous years and by deliberate export promotion policies, which have been even more active in recent years owing to the pressure exerted by balance-of-payments problems. If Venezuela, whose exports dropped or stagnated, is excluded, the Latin American countries as a whole showed an average increase of 8.9% during the period 1977-1980 in the volume of goods and services exported.

Since the end of the 1970s a move towards greater liberalization with respect to imports has become evident; in a great number of countries this move represented a new stage in economic policy that was very different from the policy in effect in the 1950s and the early 1960s. At the beginning of the 1970s, with support from a greater volume of external financing, the ratio of imports to the domestic product followed an upward trend. However, owing to the balance-of-payments problems from which many countries suffered in the second half of the decade that ratio followed a downward trend and then began to rise again recently, in the context of a more liberal policy.

The greater part of the region's imports are concentrated on intermediate products, fuels and capital goods, which is why the overall demand for imports is closely linked with the volume of domestic production and investment. Moreover,

/the value

the value of imported fuels, lubricants and other petroleum by-products has risen considerably in most countries, owing to the need to increase supplies from outside and because of higher prices; the price of manufactures has also increased. All these imports represent a growing proportion of the current inflow of foreign currency.

In spite of the progress that has been made in diversifying exports, particularly in incorporating industrial lines, Latin America continues to exhibit a foreign trade structure typical of developing countries. Firstly, although all export branches are more diversified, exports include a high proportion of primary products representing various levels of industrialization and a relatively low proportion of industrial products. In contrast, imports are for the most part made up of fuels and industrial products, including essential intermediate goods and capital goods, on which economic activity in general, and the formation of production capacity in particular, depends. Similarly, the supply of foodstuffs from outside, which is of particular importance for many countries of the region, often accounts for the low proportion of non-industrial imports. Clearly, the breakdown of imports will be different in countries that have adopted liberal policies towards foreign trade.

An asymmetrical pattern, which is being perpetuated by the protectionist policies adopted by the industrial countries, thus develops in external economic relations. In other words, imports represent fuels and essential goods for maintaining and increasing economic activity and the growth process; whereas exports show a low proportion of industrial goods, which it is essential to raise in order to achieve a more balanced pattern of trade relations and to gain a share in branches in which there is the greatest growth in world trade.

Far-reaching changes have taken place in Latin American external financing, both with regard to the volume involved and the sources from which it comes. The deficit in the current account balance of the non-oil-exporting countries as a whole has been growing rapidly, to the extent that during the 1970s it represented an average of 3.3% of their gross domestic product, a far higher proportion than that posted during the 1960s, which was on average of 1.9%. Inflows of foreign funds exceeded the current account deficit in many countries and helped to raise currency reserves, except in 1980, when the deficit in the current account balance grew considerably and countries financed part of it with those reserves.

A change of great importance has taken place with regard to sources of financing. In the 1950s and early 1960s the greater part of the capital entering Latin America was long-term official capital, partly in the form of direct investment. In contrast, in the 1970s, to a great extent such capital came from private banking and commercial sources, was short and medium-term and subject to rising interest rates. Consequently, the commitments that external financial services represent in relation to national revenue and the current value of exports have become more onerous. Furthermore, concern with regard to this financing system's potential for continuity has increased, owing to factors relating to the operation of private banks and debt management on the part of lending countries.

/B. THE

B. THE EXTERNAL SECTOR

1. General trends in foreign trade and recent growth in exports

In 1979 the total FOB value of the exports of the area that might be referred to as developing America amounted to US$ 83 000 million and that of imports to US$ 90 000 million (see tables A and D of the statistical annex). If the 23 countries for which CEPAL has the most complete information are considered,23/ in the same year the value of their FOB exports amounted to US$ 71 000 million at current prices and US$ 23 000 million at 1970 prices; in the case of FOB imports, the figures were US$ 70 000 million at current prices and US$ 25 000 million at 1970 prices.

Between 1975 and 1979 the value of the exports of the 23 countries in question grew at an average annual rate of 18.2%, which was higher than the rate of growth in world trade during that period (16.8%). The volume of their exports grew at an annual rate of 9.6%, which was higher than the world-wide rate of growth in exports (6.8%). In contrast, the volume of their imports grew at a slower rate than that of world-wide imports, both in terms of current values and in terms of quantity; the physical volume of their imports increased at an annual rate of 4.8%, which was below the level of 6.8% reached by world-wide imports (see table 9).

The available information on the evolution of the value, in real terms, of developing America's exports and consideration of the structure of those exports by groups of products and by place of destination permit identification of a number of factors that explain the growth recorded from 1975 onwards.24/

23/ The concept of developing America covers 23 Latin American countries for which CEPAL has more complete information (11 belonging to ALADI, the former LAFTA; 5 belonging to the Central American Common Market; Barbados, the Dominican Republic, Guyana, Haiti, Jamaica, Panama, and Trinidad and Tobago) and, moreover, the Bahamas, Bermuda, Cuba, French Guyana, Greenland, Guadalupe, the Virgin Island, Martinique, the Netherlands Antilles and Suriname. The trade in oil - imported crude oil and exported refined products - that is conducted through the Netherlands Antilles, the Bahamas and the Virgin Islands and, similarly, all Cuba's foreign trade are therefore of considerable importance where data on developing America are concerned. This means that there are a number of major differences in trends in developing America and those corresponding to the 23 countries of Latin America.

24/ However, the following analysis is subject to certain limitations. One such limitation concerns application of the concept of developing America, as already explained. The other consideration is that the reference prices used are those of 1970, which is why the growing relative importance that oil exports would take on in recent years appears less than if the prices of a more recent year, for example, 1975, had been taken as reference prices for calculating the values in question in real terms.

/Table 9

Table 9

EVOLUTION OF LATIN AMERICAN AND WORLD TRADE

(Growth rates)

	Exports			Imports		
	1970-1975	1975-1979	1970-1979	1970-1975	1975-1979	1970-1979
			Value in dollars			
World	23.0	16.8	20.2	23.0	16.8	20.2
Latin America (23 countries)	20.2	18.2	19.3	24.9	13.5	19.7
			Quantum			
World	5.2	6.8	6.1	5.2	6.8	6.1
Latin America (23 countries)	1.8	9.6	5.2	8.6	4.8	6.9

Source: CEPAL, on the basis of United Nations, Monthly Bulletin of Statistics, July 1975, May 1977 and July 1980; and United Nations, Supplement to the World Trade Annual, Vol. II, 1970, 1971, 1972 and 1973.

/Firstly, it

Firstly, it is estimated that between 1975 and 1978 there was an increase in the share of foodstuffs and agricultural raw materials (from 52% to 56%) and manufactured goods 25/ (from 17.7% to 19.2%) in the total volume of exports, whereas the total volume of ores and non-ferrous metals and fuels exported dropped. It has been calculated on this basis, in a simplified fashion, that in the case of the 23 Latin American countries in question foodstuffs and agricultural raw materials accounted for 73% and manufactured goods for 27% of the increase in the rate of growth of Latin American exports (see table 10).

Secondly, when the breakdown of Latin American exports by place of destination in 1975 and 1978 is taken into account, the greater share of the United States and the EEC - but not of Canada and Japan - stands out, which accounts for their increase of close to 70%. On a parallel, the regions that more or less maintained their share of the total (developing America, the countries with centrally planned economies and the rest of the developing countries) accounted for the remaining 30%.

If the classifications according to products and the place of destination of Latin American exports are considered in conjunction with each other, a matrix for interpreting the increase in such exports between 1975 and 1978, as set forth in table 10, is obtained.

Among foodstuffs and agricultural raw materials, the products that played the greatest role in this increase were fresh and tinned meats, sugar and sugar preparations, animal feed (particularly vegetable oil residues and fish flour), cereals and cereal preparations and fruits and vegetables; among manufactures, iron and steel products, products derived from the timber industry, chemical products, textiles, footwear and miscellaneous manufactures were of particular note.

Mexico accounted for 41%, Brazil 28% and Argentina 8% of the volume of manufactures exported to the central countries. Mexico's large share is attributable to the fact that it is the most important exporter of manufactures to the United States and generates 55% of the sales of manufactured goods to that country from the region.

2. Terms of trade

In the context of the inflation prevailing in the world economy, the evolution of the prices of primary products and manufactured goods has been far from uniform in those sectors and in the branches that make up those sectors, with the result that the impact of fluctuations in the terms of trade has varied, with clearly

25/ In this case a restrictive classification of the category of manufactures has been used, taking into consideration only manufactured goods included in sections 5 to 8 of the amended SITC, with the exception of chapter 68. This was necessary in order to make the data for the region comparable with data for the rest of the world. On the other hand, in the section of this chapter devoted to consideration of the export of Latin American manufactures a broader classification has been used, as will be seen later on.

/Table 10

Table 10

LATIN AMERICA (23 COUNTRIES): BREAKDOWN OF THE INCREASE IN THE VOLUME OF EXPORTS BETWEEN 1975 AND 1978, ACCORDING TO DESTINATION AND GROUPS OF COUNTRIES

(Percentages)

	United States	EEC	Countries with centrally planned economies	Developing countries	Total
Foodstuffs and agricultural raw materials	21	32	14	6	73
Manufactured goods	16	2	0	9	27
Total	37	34	14	15	100

Source: Table E of the Statistical Annex, CEPAL, on the basis of United Nations, Monthly Bulletin of Statistics, July 1975, May 1977 and June 1980, and Supplement to the World Trade Annual, Vol. II, 1970, 1971, 1972 and 1973.

/differing consequences

differing consequences in the Latin American countries. As is known, the oil-exporting countries succeeded in improving the terms of trade during the 1970s in comparison with the markedly depressed levels of the preceding decade. On the other hand, in the non-oil-exporting countries there has been a deterioration in the terms of trade over recent years, although to varying extents. If the countries in question are considered as a whole, it may be seen that the terms of trade improved for them during a relatively short period of time, especially in the biennium 1973-1974; on the other hand, the position of these countries deteriorated subsequently, and in 1979-1980 for those countries the index of terms of trade for goods and services was at a considerably lower level than that in the early 1970s (see table 11).

3. Economic agents conducting foreign trade

It would seem important to determine what economic agents engage in foreign trade. Such a distinction may be made not only in order to make a realistic analysis of the external sector's functioning, but also in order to implement appropriate policies in keeping with the characteristics of the economic agents that are actually active in the sector. Clearly, the measures in question should be different according to whether they apply to a small or a large number of companies, and the need for, and type of, incentives will vary according to whether domestic private or State exporting companies, or transnational companies are concerned.

Information on the number of companies involved is important for establishing whether it is possible to induce exporting agents to adopt certain types of conduct In Brazil 658 companies conducted 87.3% of the export trade in 1979; of those companies 425 were domestic private companies, 204 were transnational corporations and 30 were State companies. In Chile 10 major companies exported 70.5% of the total volume of exports in 1979, and, if the Corporación del Cobre (CODELCO) is excluded, the percentage is 45.1%. As may be seen, the number of companies concerned is relatively small, which may mean that it is possible to gear policies closely to the companies in question.

In the particular case of the transnational corporations, in 1979 the export trade of only 15 such corporations in Chile, 73 in Mexico and 204 in Brazil was worth US$ 3 million. With regard to imports, in the same year 31 such corporations conducted half of Brazil's import trade, worth US$ 10 million per annum;26/ in the case of Mexico the five largest companies in each branch of industry imported between half and the total volume of the goods imported by transnational corporations in 1973, with the exception of chemical products and machinery, where their share was 31% and 45%;27/ and in Chile, in 1979, the 10 largest transnational corporations conducted 46% of the import trade conducted by such corporations.28/

26/ The sample included over 70% of total imports, excluding petroleum and wheat.

27/ See Fernando Fajnzylber and Trinidad Martínez Tarragó, Las empresas transnacionales, expansión a nivel mundial y proyección en la industria mexicana, Mexico, Fondo de Cultura Económica, 1976.

28/ See CEPAL, Presencia y participación de las empresas transnacionales en la economía chilena, a study prepared by Eugenio Lahera (E/CEPAL/R.234, Santiago, Chile, 1980).

/Table 11

Table 11

LATIN AMERICA: TERMS OF TRADE

(Indexes: 1970 = 100)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980a/
Latin America	97	101	113	130	114	116	120	109	114	123
Oil-exporting countries	105	104	121	206	181	179	175	152	188	243
Bolivia	82	80	88	140	111	113	120	121	121	145
Ecuador	94	84	92	192	159	179	195	173	219	264
Mexico	99	99	102	112	106	115	123	119	134	164
Peru	91	84	105	124	100	98	95	83	106	111
Trinidad and Tobago	108	111	139	276	323	304	318	294	359	510
Venezuela	117	119	143	308	283	270	279	244	330	475
Non-oil-exporting countries	92	99	109	96	86	89	97	89	83	76
Argentina	109	123	146	128	102	91	79	83	79	81
Barbados	107	109	109	146	181	105	98	97	95	110
Brazil	87	98	107	91	85	93	101	88	78	67
Colombia	91	98	112	101	86	125	180	142	119	108
Costa Rica	90	88	91	76	84	95	128	114	105	98
Chile	78	72	83	88	53	57	51	50	53	51
El Salvador	97	99	107	89	89	120	157	127	120	105
Guatemala	90	83	82	69	68	68	96	99	85	83
Guyana	104	113	101	135	139	113	115	122	112	142
Haiti	91	88	86	90	95	124	188	181	166	151
Honduras	99	96	96	99	94	101	114	110	99	91
Jamaica	95	98	88	114	134	119	127	121	117	124
Nicaragua	97	108	103	98	79	97	129	112	100	96
Panama	102	107	109	113	111	87	81	77	84	81
Paraguay	102	105	135	119	106	111	140	124	111	97
Dominican Republic	93	98	94	107	149	100	104	94	97	110
Uruguay	100	117	153	81	65	62	62	64	68	66

Source: CEPAL, on the basis of official information.

a/ Preliminary estimates.

/Table 12

Table 12 shows the breakdown for exported and imported goods by economic agent for Brazil, Chile, Mexico and Peru. It may be seen that the share of foreign trade of domestic companies - both public and private - and of transnational corporations differed considerably from one country to another; transnational corporations conduct between 8% and over 33% of the total export trade, whereas their share of the import trade fluctuates between 15% and 40% of the total volume. Moreover, such corporations had favourable balances of trade in two of the countries considered (Brazil and Peru) and unfavourable balances in the other two (Chile and Mexico). National companies run a surplus in the first three countries and a deficit only in the last country mentioned above.

4. Balance of payments

Throughout the 1970s, with the exception of 1974, the Latin American balance of payments was positive, and in 1979 there was a surplus of nearly US$ 7.1 billion. In 1980, however, there was a reverse, and the year closed with an adverse balance of US$ 2 550 million (see table 13); contributing factors included the international economic recession and rises in the prices of hydrocarbons and manufactures. For the region as a whole, the deficit on current account increased by over 30% by comparison with 1979 and amounted to US$ 25 billion; components of this figure include an increase in the deficit in the balance of trade (from US$ 5.8 to 7.4 billion) and above all a rise in net payments of profits and interest (from US$ 13.7 to 18 billion). The net inflow of capital fell from slightly over US$ 26 billion in 1979 to 22.5 billion in 1980, thereby ending the persistent and sharp upward trend recorded since the beginning of the 1970s.

However, to an even greater extent than in previous years, these global trends concealed the very unequal evolution of the six oil-exporting countries (Venezuela, Mexico, Ecuador, Trinidad and Tobago, Peru and Bolivia) and that of the other economies in the region. Thus, while the oil-exporting countries greatly increased the surplus in their balance of trade, reducing their current deficit from US$ 5.1 billion in 1979 to US$ 2.1 billion in 1980 and achieving a surplus in their balance of payments, the other countries had their trade deficit double from 1979 to 1980, a period in which their negative balance on current account rose from US$ 13.9 billion to nearly US$ 23 billion and the surplus in the balance of payments of US$ 4 billion achieved in 1979 became a deficit of US$ 4 billion in 1980.

Although this latter development reflected the adverse changes in the balance of payments of the great majority of non-oil-exporting countries, it was largely due to the upheaval in Argentina's external sector and to the increased disequilibria shown by Brazil's balance of payments as early as 1979.

C. COMMODITIES

1. The general situation

In 1978, the value of exports of commodities of 23 countries in the region was US$ 40 billion. This figure still represented close to half of the exports of Latin America, although the share of commodities had fallen in the previous decade

/Table 12

/Table 13

BRAZIL, CHILE, MEXICO AND PERU: EXPORTS AND IMPORTS OF GOODS BY ECONOMIC AGENTS

(In millions of dollars and percentages)

	Exports		Imports		Balance
	Value	Percentage	Value	Percentage	
Brazil, 1979					
Public sector	2 044.8	22.7	1 690.4	25.5	354.5
National private enterprises	3 808.4	41.2	2 378.1	35.9	1 330.3
Transnational corporations	3 256.2	36.1	2 560.7	30.6	695.3
Total a/	9 009.4	100.0	6 629.2 b/	100.0	2 380.3
Chile, 1979					
Public sector	2 233.9	59.4	1 252.5	29.7	981.3
Excluding ENAP	2 218.7	59.2	409.3	12.1	1 809.4
Excluding ENAP and CODELCO	421.7	21.8	287.6	8.8	134.1
National private sector	1 245.2	33.1	2 446.8	58.0	-1 201.6
Transnational corporations c/	284.3	7.6	518.3	12.3	-234.0
Total	3 763.4	100.0	4 217.6 d/	100.0	-454.3
Mexico, 1977					
National public and private sectors	3 481.8	78.8	4 341.0	73.7	-859.2
Transnational corporations	936.6	21.2	1 548.8	26.3	-612.2
Total	4 418.4	100.0	5 889.8	100.0	-1 471.4
Peru, 1978					
National private enterprises	243.4	10.2	290.8	21.4	-47.4
Foreign and mixed enterprises with national capital	627.9	26.2	409.6	30.2	218.3
State and mixed enterprises	1 468.6	61.8	434.1	32.0	1 363.9
Co-operatives and limited capital enterprises	3.9	0.2	7.7	0.6	-3.8
Unclassified enterprises	45.1	1.9	214.1	15.8	-169.0
Total	2 388.9	100.0	1 356.3	100.0	1 362.0

Source: For Brazil, CEPAL based on CACEX data; for Chile, CEPAL based on data from the Central Bank; for Mexico, Customs Authority and for Peru, CEPAL based on data from the Ministry of Economics and Finance.

a/ Includes 60% of exports and imports.
b/ Excluding wheat and petroleum.
c/ Corporations with over 10% foreign capital participation.
d/ Does not include register of applications and invoices for imports from free zones and extension zones.

Table 13

LATIN AMERICA: BALANCE OF PAYMENTS

(Millions of dollars)

	Exports of goods FOB				Imports of goods FOB				Goods balance				Net services not derived from factors				Balance and Trade			
	1970	1974	1979	1980	1970	1974	1979	1980	1970	1974	1979	1980	1970	1974	1979	1980	1970	1974	1979	1980
Latin America	14 377	38 574	70 985	94 150	13 741	38 527	70 222	92 630	636	47	763	1 520	-1 190	-1 923	-6 531	-8 960	-554	-1 876	-5 768	-7 440
Oil-exporting countries	5 665	18 328	31 626	47 180	5 360	13 297	28 575	37 950	305	5 031	3 051	9 230	-202	267	-2 673	-3 290	103	5 298	378	5 940
Bolivia	195	576	777	910	166	364	931	800	29	212	-154	110	-30	-84	-183	-165	-1	128	-337	-55
Ecuador	235	1 225	2 144	2 590	253	875	1 945	2 170	-18	350	199	420	-86	-143	-388	-440	-104	207	-189	-20
Mexico	1 348	2 999	9 416	16 600	2 253	5 791	11 632	17 900	-905	-2 792	-2 216	-1 300	339	1 241	1 306	1 100	-566	-1 551	-910	-200
Peru	1 060	1 506	3 469	3 900	699	1 909	2 088	3 130	361	-403	1 381	770	-82	-199	59	-95	279	-602	1 440	675
Trinidad and Tobago	225	928	1 621	2 580	276	482	1 142	1 450	-51	446	479	1 130	5	51	-101	-140	-46	497	378	990
Venezuela	2 602	11 093	14 199	20 600	1 713	3 876	10 837	12 500	889	7 217	3 362	8 100	-348	-600	-3 366	-3 550	541	6 617	-4	4 550
Non-oil exporting countries	8 712	20 246	39 359	46 970	8 381	25 230	41 647	54 680	331	-4 984	-2 288	-7 710	-989	-2 191	-3 858	-5 670	-658	-7 175	-6 146	-13 380
Argentina	1 773	3 930	7 817	8 000	1 499	3 216	6 013	9 000	274	714	1 804	-1 000	-211	-264	-1 391	-2 080	63	450	413	-3 080
Barbados	36	67	132	180	107	185	379	450	-71	-118	-247	-270	27	105	217	230	-44	-13	-30	-40
Brazil	2 739	7 814	15 235	20 000	2 507	12 562	17 942	23 000	232	-4 748	-2 707	-3 000	-461	-1 531	-2 318	-3 040	-229	-6 279	-5 025	-6 040
Colombia	788	1 495	4 062	4 600	802	1 511	3 248	4 400	-14	-16	814	200	-135	-195	-101	-160	-149	-211	713	40
Costa Rica	231	440	930	1 000	287	649	1 271	1 400	-56	-209	-341	-400	-11	-28	-109	-130	-67	-237	-450	-530
Chile	1 112	2 244	3 841	4 800	831	1 821	3 955	5 500	281	423	-114	-700	-182	-345	-159	-325	99	78	-273	-1 025
El Salvador	236	465	1 135	1 000	195	522	955	960	41	-57	180	40	-38	-74	-180	-185	3	-131	0	-145
Guatemala	297	582	1 222	1 440	267	632	1 403	1 570	30	-50	-181	-130	-18	-61	-139	-255	12	-111	-320	-385
Guyana	129	270	291	510	120	230	298	420	9	40	-7	90	-14	-27	-50	-75	-5	13	-57	15
Haiti	39	63	138	180	48	97	230	280	-9	-34	-92	-100	-8	-8	-40	-40	-17	-42	-132	-140
Honduras	178	300	751	820	203	388	779	930	-25	-88	-28	-110	-23	-36	-73	-95	-48	-124	-101	-205
Jamaica	341	752	815	1 130	449	811	883	1 180	-108	-59	-68	-50	30	10	48	10	-78	-49	-20	-40
Nicaragua	179	381	616	510	179	542	389	640	-	-161	227	-130	-16	119	-67	-85	-16	-42	160	-215
Panama	130	251	334	410	331	761	1 105	1 400	-201	-510	-771	-990	161	346	520	600	-40	-164	-251	-390
Paraguay	65	173	384	380	77	198	577	610	-12	-25	-193	-230	2	-12	-5	15	-10	-37	-198	-215
Dominican Republic	214	637	868	1 010	278	673	1 094	1 430	-64	-36	-226	-420	-43	-150	-83	-110	-107	-186	-309	-530
Uruguay	224	381	788	1 000	203	434	1 126	1 510	21	-53	-338	-510	-51	-41	72	55	-30	-94	-266	-455

Table 13 (conclusion)

	Net payments of profits and interest				Balance on current account a/				Capital movement b/				Balance of payments before compensation			
	1970	1974	1979	1980	1970	1974	1979	1980	1970	1974	1979	1980	1970	1974	1979	1980
Latin America	-2 929	-5 240	13 667	17 955	-3 388	-6 927	-19 066	-25 050	4 946	10 651	26 138	22 500	1 558	3 704	7 072	-2 550
Oil-exporting countries	-1 376	-2 671	5 339	7 800	-1 275	2 630	-5 158	-2 120	1 734	2 848	5 189	3 570	459	5 478	7 031	1 450
Bolivia	-25	-25	181	240	-25	106	-306	-285	29	19	533	385	4	125	27	100
Ecuador	-29	-201	436	505	-125	23	-625	-525	129	89	722	795	4	112	97	270
Mexico	-574	-1 447	3 856	6 000	-1 092	-2 897	-4 561	-6 040	1 167	2 936	4 961	6 540	75	39	400	500
Peru	-133	-172	943	895	172	-752	497	-220	126	1 160	568	1 100	298	408	1 065	880
Trinidad and Tobago	-61	-213	45	85	-107	276	304	875	95	57	29	-475	-12	333	333	400
Venezuela	-555	-613	-122	75	-98	5 874	-267	4 075	188	-1 411	1 376	-4 775	90	4 463	1 109	-700
Non-oil-exporting countries	-1 553	-2 569	8 328	10 155	-2 113	-9 557	-13 908	-22 930	3 212	7 783	17 949	18 930	1 099	-1 774	4 041	-4 000
Argentina	-223	-333	898	1 500	-160	118	-449	-4 540	440	-64	4 873	1 740	280	54	4 424	-2 800
Barbados	-3	-8	10	15	-43	-15	-23	-35	50	15	37	55	7	-	14	20
Brazil	-629	-1 284	5 460	6 250	-861	-7 560	-10 472	-12 270	1 495	6 576	7 612	9 000	634	-984	-2 860	-3 270
Colombia	-180	-191	243	280	-333	-382	523	-185	375	270	1 030	1 415	42	-112	1 553	1 230
Costa Rica	-14	-39	141	165	-77	-267	-574	-680	66	204	474	670	-11	-63	-100	-10
Chile	-196	-271	684	925	-95	-186	-876	-1 850	202	-497	2 006	2 950	107	-683	1 130	1 100
El Salvador	-9	-21	67	85	7	-135	-30	-190	5	151	-98	70	12	16	-128	-120
Guatemala	-38	-48	13	45	-8	-102	-210	-315	28	88	165	45	20	-14	-45	-270
Guyana	-16	-19	25	35	-21	-8	-36	-25	21	54	31	-5	-	46	-55	-30
Haiti	-4	-6	14	15	-5	-35	-114	-115	9	25	131	105	4	-10	17	-10
Honduras	-23	-13	115	135	-67	-123	-211	-330	58	106	236	260	-9	-17	25	-70
Jamaica	-98	-68	202	260	-148	-83	-152	-250	169	153	-15	320	21	70	-167	70
Nicaragua	-19	-58	72	...	-43	-97	89	-190	54	69	-75	50	11	-28	14	-140
Panama	-29	-57	80	75	-79	-247	-369	-505	83	235	349	485	4	-12	-20	-20
Paraguay	-13	-20	71	75	-19	-56	-266	-285	27	86	430	455	8	30	164	170
Dominican Republic	-26	-90	175	195	-104	-244	-366	-615	102	254	374	615	-2	10	8	0
Uruguay	-25	-43	58	100	-55	-136	-322	-550	25	59	389	700	-30	-77	67	150

Source: 1970-1979: International Monetary Fund and CEPAL, based on official data; 1980: CEPAL, preliminary estimates.

a/ Includes net private donations.

b/ Covers errors and omissions.

due to the increase in exports of fuels and manufactures. If the oil-exporting countries are excluded, the share of commodities represents about 80% of total exports. For these reasons, the marked dependence with regard to the volume of commodities exported and the behaviour of their prices has remained. Both factors have continued to be subject to strong fluctuations, but in the last analysis a long-term downward trend has emerged in the real prices of most of these products.29/ This trend is the result of such diverse factors as the relatively slow growth of world demand for commodities, the different negotiating positions of the exporting countries with respect to some commodities and the increasing competence of the developed countries. Obviously these generalizations cover a range of broadly varying situations. A summary of the present situation with regard to 16 Latin American commodities is made in table 14. The first problem (that of the slow growth of demand), for example, affects commodities such as coffee, cotton and tin, but not oil and oil seeds, for which demand has increased very rapidly. The various decisions adopted by the producing countries in the negotiations have been decisive in such cases as copper, iron, and until very recently coffee. With regard to tin, bauxite (up to a certain point) and, in recent years, coffee - commodities in respect of which the countries hold common positions -, significant advantages were obtained.

In the future, more importance must be attached to the processing and marketi of commodities. The absence of local processing results not only in less income but also in a delay in the industrialization processes. The UNCTAD Secretariat has calculated that if in the case of 10 commodities exported by developing countries in 1975, stages had been reached in which the total volume exported could have been semi-processed, the US$ 17.9 billion actually earned on unprocessed commodities would have been increased by US$ 27.2 billion, bringing total earnings to US$ 45.1 billion. The global proportion between additional earnings and original earnings is 1.52; while the proportions established in this study for products relevant to Latin America were 0.42 for copper, 7.85 for bauxite, 1.86 for cotton, 1.67 for hides and skins, 1.66 for non-coniferous timber, 0.21 for cocoa and 0.04 for coffee.30/ Thus it is shown that activities related to the production of commoditie for export - particularly in the case of the extraction of minerals - usually constitute economic enclaves with very limited direct multiplying effects; conversely, local manufacturing may help to create important external commodities which promote the industrialization process.

29/ The prices of commodities when deflated by the index of the export prices of manufactures were lower in 1979 than in 1955 in the case of sugar, coffee, bananas, wheat, maize, cotton, soya flour, aluminium, bauxite, copper and iron ore. In some cases, including those of bananas and bauxite, the decline was very marked. Only in the case of cocoa, beef and tin was a real price increase recorded between these two dates (see table F in the statistical annex).

30/ See UNCTAD, The processing before export of primary commodities (TD/229/ Supp.1, Manila, 1979). The commodities considered are copper, bauxite, phosphates, natural rubber, cotton, jute, hides and skins, non-coniferous timber, cocoa and coffee. The figure obtained represents only an attempt to indicate an order of magnitude as a point of reference since semi-manufacturing is not possible in the case of all raw materials exported.

/Table 14

Table 14

SYNOPTIC SUMMARY OF THE PRESENT SITUATION REGARDING TRADE IN COMMODITIES PERTINENT TO LATIN AMERICA

	Latin America			Main exporting countries and percentage of their total exports (average for 1975-1977)	World consumption annual growth rate (1975-1977)	Evolution of constant prices (1955-1980)	International agreements	Producers' associations	Local processing	Access to markets
	Percentage of world production (by volume) 1978	Percentage of world exports (by volume) 1978	Share in total exports							
Wheat	3.3	9.3	1.0	Argentina (10.0)	3.4	Irregular, downward trend	International agreement without direct application	-	-	Difficulties (EEC)
Maize	7.5a/	15.9a/	1.4	Argentina (11.3) Brazil (1.5)	2.9	Irregular, gradual decline	-	-	-	-
Beef	17.0	19.8	1.1	Argentina (5.2) Costa Rica (6.1) Honduras (5.5) Nicaragua (6.4) Uruguay (17.8)	5.2b/	Irregular	GATT agreement in the context of the limited Multilateral Trade Negotiations	-	Some possibilities but not very important	Difficulties (EEC and Japan)
Coffee	64.1	59.9	10.6	Brazil (17.3) Colombia (57.2) Costa Rica (23.4) Dominican Republic (13.2) Ecuador (12.1) El Salvador (52.4) Guatemala (35.4) Haiti (36.0) Honduras (22.6) Mexico (9.8) Nicaragua (23.2) Peru (8.4)	0.8	Falling up to 1975, then rising	Inoperative international agreement	Bogotá group very active up to October 1980	Access problems	For soluble coffee, difficulties. High internal taxes in consumer countries
Cacao	35.9	19.8	1.0	Brazil (2.8) Dominican Republic (6.8) Ecuador (3.7)	3.1	Irregular, rising since 1973-1974	International agreement expired. Negotiations for new agreement	Abidjan group established but disolved in 1980	Possibilities which are being developed	Difficulties for processed products
Sugar	30.0	48.4	4.5	Barbados (30.9) Bolivia (6.3) Brazil (6.1) Dominican Republic (43.1) El Salvador (6.8) Guatemala (11.7) Guyana (37.7) Jamaica (13.2) Panama (13.4) Peru (11.6)	3.3	Very irregular	International agreement since 1978, inoperative so far because of high prices	GEPLACEA	-	Developed countries protect their own products
Bananas	...	68.7	1.5	Costa Rica (20.7) Ecuador (11.6) Honduras (25.1) Panama (25.2)	3.3b/	Steady decline	FAO negotiations for an agreement	UPEB active but operating in difficult conditions	-	Domestic taxes in some consumer countries
Cotton	12.9	20.6	1.7	El Salvador (9.6) Guatemala (10.0) Mexico (4.4) Nicaragua (24.3) Paraguay (21.3) Peru (4.7)	1.8	Falling up to 1959, then more sustained. Very irregular	-	-	Difficulties related to the Multifibres Agreement	See Column 8
Oil-seeds, cakes and meals and oils	10.3c/	29.2d/	6.9	Brazil (13.6) Argentina (18.5)		Irregular up to 1958, then steady	-	-	Difficulties in Argentina Brazil already exporting processed commodities	Some difficulty for processed commodities
Copper	19.1	26.0	3.1	Chile (55.2) Peru (18.5)	3.6	Falling steadily	UNCTAD negotiations have had no appreciable results	CIPEC, not very active	Much of the copper exported at present has been refined	
Iron ore	13.4e/	23.4e/	5.0	Brazil (6.3) Venezuela (2.6) Peru (4.4)		Falling steadily	Long-term bilateral agreements	Association for Iron Ore Exporting Countries	Possibilities exist, but protectionism a problem	Difficulties for manufactured goods
Tin	16.7	13.4	0.5	Bolivia (40.9)	0.9	Stable, remunerative prices	Very effective international agreement	-	Bolivia is the only country in the world which exports raw tin	-
Bauxite and Aluminium	26.7 2.8	32.2 1.6	0.7	Guyana (29.7) Haiti (14.0) Jamaica (17.0) Surinam (12.6)	7.9	Relatively stable up to 1960, then down	-	AIB active but operating difficult conditions	Excellent possibilities, and the producing countries are trying to develop them	Difficulties for manufactured goods
Manganese	8.5	12.1	0.2	Brazil (0.6) Mexico (0.3)	4.4	Falling steadily	-	-	Good but undevelope possibilities	More difficult for manufactured goods
Lead	17.6	17.1	0.3	Bolivia (1.9) Honduras (1.9) Mexico (1.2) Peru (4.9)	3.2	Irregular, gradual drop	-	-	Insignificant	-
Zinc	18.9	19.6	0.7	Bolivia (6.8) Honduras (3.0) Mexico (3.2) Peru (13.2)	3.2	Irregular, sharp rise in 1973/1974 followed by down-swing	-	-	Insignificant	-

a/ Also includes other secondary grains.
b/ This figure refers to the increase in exports rather than in consumption.
c/ Protein equivalent. Excludes seeds.
d/ By value.
e/ 1977.

/In this

In this connexion it is, however, difficult to hit upon a general formula for action which is valid for all commodities. In some cases, such as those of tin, bauxite and cotton, there are real margins of local manufacturing which are not exploited, either because of insufficient capacity of the exporting industry or, in most cases, because it is difficult to gain access to highly-protected consumer markets; while in other cases, such as those of cocoa and copper, much of the material exported already consists in semi-finished and finished goods although there are still wide margins for increasing the degree to which they are processed. Finally, there are commodities such as wheat, sugar and bananas which are not by nature suitable for industrial processing prior to the export phase. At the same time, it should be borne in mind that local manufacturing, in addition to the technical difficulties it presents, is discouraged by the tariff rates of developed countries, which impose higher duties on or erect barriers against more highly processed products.

As regards the marketing of commodities, measures should be designed to increase the percentage of the final consumer price received by the producer countries, which at present is very low; the proportions given in an UNCTAD study show that they are lower than 10% in the case of iron and bauxite; fluctuate between 20 and 40% for tin, coffee, cocoa, citrus juices, bananas and jute; and amount to about 50% in the case of sugar.31/ The fact that these are export prices, which include local costs (marketing, transport, etc.), is further proof that the share received by the primary producer is ridiculously low.

2. Prospects for the 1980s

Despite the limitations inherent in this kind of analysis, it is possible to formulate some hypotheses concerning the possible evolution of Latin American exports in the 1980s. World demand is one of the most important of the main operative variables. The evolution of exports of minerals and agricultural commodities depends on the industrial growth rate of the developed countries, which constitute the main markets. In the case of foods and beverages, on the other hand, the relationship to industrial growth is not so close; with some exceptions the stagnation in their demand is due to the degree of saturation already reached in many consumer countries which have been Latin America's traditional markets and to protectionist policies applied by developed countries. The growth of demand will therefore be gradual, and the main effort should be directed towards "new" markets (particularly the Middle and Far East and the countries with centrally-planned economies) although strong pressure should be exerted for the reduction of the trade barriers applied by the developed countries.

Another important factor is supply. Except in the case of a few products for which the potential demand is increasing (such as oil and oil seeds, timber and some foodstuffs) and for certain mining products, there have so far been no large-scale investments in the production and exportation of commodities.

31/ See UNCTAD, Proportion between export prices and consumer prices of selected commodities exported by developing countries (TD/184/Supp.3, Nairobi, January 1976).

/Although some

Although some price projections are made with technically very exact methodologies,32/ they are bound to reflect an extremely variable and in some cases not very predictable situation. It can therefore be noted only that there is some consensus that probably the price of minerals will increase on the average more rapidly than that of agricultural commodities as a whole. The prospects of some minerals, like copper and nickel are clearly better than others, such as magnesium and bauxite, with those of the rest falling between. Among non-mineral products, timber, sugar, grains and oils and oil seeds seem to have promising prospects although many of them face problems of access to markets, whereas, for others, smaller increases, and even decreases, in constant prices are predicted.

3. Aspects of international action

Commodity policy should be included in the objectives and mechanisms provided for in the Integrated Programme for Commodities endorsed at the fourth session of UNCTAD held in Nairobi in 1976. In adopting this programme, it was recognized that in order to tackle the problems related to commodities, a global and integrated approach was needed since the results of the traditional, fragmentary approach were unsatisfactory. The Programme was the result of a political compromise to negotiate commodity agreements and to create a common fund for the financing of buffer stocks as a price stabilization device and of other measures which promote the economy of commodities.

In negotiating the Integrated Programme, only one new agreement - the Natural Rubber Agreement - was reached, and the tendency in respect of other commodities seems to be to approve action involving scientific and technological research but not action relating to prices (either by establishing regulatory bodies or by providing for export quotas).33/ It would be advisable for future agreements to provide particularly for problems related to prices and for them to include more suitable mechanisms for upholding them, especially with regard to the margins beyond which they begin to determine the measures for quota distribution and the accumulation of stocks; similarly, price limits should be periodically reviewed to accomodate them to envisage inflationary trends. This question is related to the short-term concern of the Integrated Programme for Commodities and the long-term problem of the deterioration in the terms of trade of primary products which has been repeatedly studied in CEPAL.

32/ See, for example, World Bank, Price Prospects for Major Primary Commodities, Washington, D.C., January 1980.

33/ Commodity agreements in force include the Sugar Agreement signed in 1977, the effect of which is limited by the fact that the European Economic Community has still not subscribe to it; the Coffee Agreement; the Cocoa Agreement, which was recently renewed and opened for ratification; the Wheat Agreement, which is still operating without economic clauses; the Olive Oil Agreement and, finally, the Natural Rubber Agreement, which was signed in 1980 for the first time. The negotiations concerning the renewal of the international Tin Agreement had, as of the end of 1980, still not borne fruit, nor had the new agreements under the integrated programme been signed, with the exception of the one on natural rubber mentioned above.

/The measures

The measures adopted to stabilize export earnings are also important. The two systems now operating have important restrictions: STABEX,34/ the system in force in the European Communities and the ACP countries, includes only some of the developing countries; and the mechanism in operation in the International Monetary Fund has various limitations. For this reason at the fifth session of UNCTAD held in 1979, the UNCTAD Secretariat was requested to carry out studies aimed at the creation of a new system, applicable only to commodities, in which problems specifically related to them would be taken into account. There is need to accelerate the action related to the design and establishment of this system.

The recent creation of the Common Fund 35/ is promising both because it will help to solve problems relating to the financing of stocks and to production support processing and marketing measures and because the developing countries will have real influence in the Fund's decisions. Nevertheless its establishment is the result of negotiations and transactions among developing and developed countries so that its initial capital, and hence its opportunities for immediate action, will be much more limited than originally planned; it is therefore important to do something to increase its resources and extend its radius of action.

The commodity exporting countries, in addition to negotiating with consumer countries in international forums, are having a direct effect on markets through producers' associations. In 1978 there were 21 of these associations, to which 70 countries belonged and whose objectives were to uphold commodities in the

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34/ STABEX is a system for automatic compensatory financing by reductions in export earnings from commodities in countries affiliated to the system.

35/ The United Nations Conference for the establishment of a common fund within the Integrated Programme for Commodities approved the creation of the Fund in June 1980. The purposes of this body, which will be served through the operation of three accounts ("windows"), are (i) to help to finance international buffer stocks and internationally co-ordinated national stocks within the framework of International Commodity Agreements (first window); (ii) to finance other measures in the commodities field (second window); and (iii) to promote co-ordination and consultation in this connexion. The Fund will be financed by contributions from the member countries and the commodity agreements. The member countries will subscribe US$ 470 million and make voluntary contributions expected to amount to US$ 280 million; on joining the Fund, commodity agreements will deposit the equivalent of one-third of their maximum financial requirements and guarantees for the remaining two-thirds. The amount allocated to the first account was US$ 400 million and, to the second, US$ 350 million. The distribution of votes is as follows: 47% for the Group of 77; 42% for the developed market economy countries; 8% for countries with centrally-planned economies and 3% for China. Two-thirds or three-quarters majorities are required for certain decisions.

/international market

international market and to further co-operation among producer countries.36/ OPEC, the largest of these associations, was created with the active participation of Venezuela. The strengthening of the existing associations and the creation of new ones is important not only for stepping up the action of producer countries but also for persuading the developed countries to negotiate. When these countries control the market, they are usually reticent about entering into agreements which restrict their freedom of action; but if the alternative were unilateral action by a producers' association, they would probably prefer to negotiate.

4. Analysis of selected commodities

There follows a consideration of problems related to selected commodities. The commodities chosen are coffee, sugar, copper and oils and oil seeds because of their importance in Latin America's foreign trade.

(a) Coffee

After petroleum, coffee shows the biggest export values in Latin America; in the period 1975-1977, in particular, it represented over 20% of the value of the exports of six Latin American countries.

As a result of the frost which in July 1975 destroyed a potential crop of 20 million bags 37/ (over one-third of total world exports) in Brazil, international coffee prices rose to unprecedented levels: US$ 3.48 and US$ 5.39 a pound, on average, for the years 1976 and 1977, respectively.

This sudden increase in prices gave rise to two unexpected results relating to the price-elasticity of supply and demand. Prior experience showed that that of the former was very high and that of the latter nearly nil. Actually, however, the price-elasticity of the supply turned out to be significantly lower than

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36/ The archetype of these associations is OPEC; but there are other associations which have influenced the market successfully at certain times. Thus, in 1975 the Intergovernmental Council of Copper Exporting Countries (CIPEC) regulated production and exports to keep prices from falling; the African Groundnut Council has applied joint sales contracts; the Association of Natural Rubber Producing Countries established a buffer stock in 1977 and the Group of Latin American and Caribbean Sugar Exporting Countries (GEPLACEA) functions effectively in the realm of research, information and co-ordination. Associations to which a number of Latin American countries belong include the International Bauxite Association (Guyana, Haiti, Jamaica, the Dominican Republic and Suriname); CIPEC (Chile and Peru); the Association for Iron Ore Exporting Countries (Chile, Peru and Venezuela); the International Association of Mercury Producing Countries (Mexico); the Primary Tungsten Association (Bolivia and Peru); OPEC (Ecuador and Venezuela); the Union of Banana Exporting Countries (Colombia, Costa Rica, Guatemala, Honduras and Panama); GEPLACEA (Argentina, Barbados, Brazil, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Trinidad and Tobago and Venezuela). (See United Nations Centre on Transnational Corporations, Transnational Corporations in World Development: A Re-examination, New York, May 1978.)

37/ Each bag contains 60 kilogrammes.

/expected, especially

expected, especially in Brazil, which made it possible to attenuate the effects of the "coffee plant cycle", which in the past had resulted in the alteration of short periods of scant supply and higher prices with much longer periods (up to 15 years) of excessive supply and much lower prices. Although coffee prices fell, especially in the second half of 1980, there has been no recurrence of the situation which existed in the past, when production was chronically in excess and prices were not responsive to stabilization efforts.

On the other hand, it was shown that the price-elasticity of demand was much higher than what had been thought. Imports by industrialized countries fell by 20% between 1975 and 1977 (from 51 to 42 million bags), and only in the past two years have the previous levels been approached; during those years, other beverages were substituted for coffee. This occurred on top of the stagnation in world demand already recorded in previous years and resulted in a very low increase in coffee exports between 1950 and 1977 - scarcely 0.4% annually, on average.

The share of Latin America as a whole in world coffee exports has fallen - from 85% in the 1950s to 60% at the end of the 1970s. At the regional level, noteworthy occurrences include, on the one hand, the decline in Brazilian production, which seems to have stabilized at about 25% of total world production (as compared to 50% in the 1970s); and on the other hand, the rapid increase in Colombia's exports, which now represent about 15% of the world total.

The long-term trend for coffee prices had been a downward one in constant terms, in the context of big cyclical irregularities, up until the unprecedented rise in 1976-1977. Due to the relatively high level of prices, the quota system provided by the International Coffee Agreement, in force since 1976, had not been applied concretely up to the end of 1980, when the system was revitalized on the basis of a new margin of prices which takes into account the depreciation caused by the inflation which has occurred since the Agreement was signed. Demand, however, continues to lack dynamism, due, among other things, to the persistent downward trend of retail prices in the consumer countries.

In conclusion there is reason to think that a weak demand and a growing supply will cause a downward trend which the International Agreement will try to arrest or prevent by means of its quota arrangements.

A very important factor in the international coffee trade has been the establishment in 1978 of the Bogotá Group, which in July 1980 became a multinational undertaking composed of the leading Latin American exporting countries, and has upheld prices in the international market directly and with its own financial resources. As the representatives of the countries involved always said, however, this group does not think it necessary to conduct action at the level of a producers' association if the quota arrangements of the International Agreement are in full force.

(b) Sugar

In 1978, Latin America generated 21.1% of world sugar production and 53.6% of sugar exports. Between 1975 and 1977, sugar constituted over 30% of the total exports of three countries (Barbados, Cuba and Guyana), and in another four countries this percentage was higher than 10%. In Brazil, the second exporting country in the region, sugar represented 6.9% of total exports in those years.

/The long-term

The long-term consumption trends in the developed countries are very different from those in the rest of the world. Annual growth between 1960 and 1977 (around 3%) has, however, given the appearance of some stability since the low increase in consumption recorded in developing countries has been offset by higher figures in developed countries and countries with centrally-planned economies.

Production has fluctuated a great deal, in cycles of approximately three years' duration. As a result of the price increases during the period 1973-1975, world production rose very rapidly between 1975 and 1978 (from 81 million to 92 million tons); but in 1978 the sugar cycle began to change and production stagnated. Other factors were also responsible for this, as, for instance, the restrictions voluntarily imposed by Australia and South Africa and the spread of blight in Cuba.

Exports of the developing countries have been adversely affected by the extreme price fluctuations 38/ and the marked protectionism on the part of developed countries producing beet sugar.39/

Moreover, the income-elasticity of the main developed importing countries is very low (0.2), while that of the developing exporting countries is much higher (close to 1). Consequently, much of the increase in production of the developed countries is directed towards the domestic market.

As for the situation in recent years, it may be noted that prices began to rise in the last quarter of 1979 and increased during 1980. By mid-1980, prices were again almost as high, in constant terms, as they had been in 1976, the year when the last favourable cycle ended. Another deficit is predicted for 1981, which would indicate that prices are going to remain high. At the same time, it should be borne in mind that close to 25% of total world trade in this commodity is carried out at preferential prices which do not apply on the free market (imports by the Soviet Union from Cuba and by EEC from its associated countries). Up to 1974, imports by the United States were also governed by preferential agreements.

The new International Sugar Agreement, in force since 1 January 1978, seeks to maintain the international price within a readjustable margin which is now at between 13 and 23 US cents a pound. Its operation is based on the creation, within two years, of buffer stocks of 2.5 million tons and on the distribution of exports on the basis of quotas whenever the international price is lower than 16 US cents a pound. As prices are now higher than that, the quota system is not in operation. There are, however, limitations, such as the non-participation of EEC and the limitations imposed by a situation of world deficit.

38/ The difference between the year when prices were highest and that when they were lowest in the last 20 years (1974 and 1966, respectively) was 600% in constant prices (1 500% in current prices).

39/ The protection provided by the industrialized countries of their domestic production (and, in the case of EEC, export subsidies) is based on the fact that their production costs are almost double those in the developing countries which produce sugar cane.

/(c) Copper

(c) Copper

In 1978, world copper production was distributed among developed, centrally-planned and developing countries in proportions of 31.2%, 21.9% and 46.9%. The share of developing countries in world consumption of refined copper is much lower (10.5%) which makes its share in total world exports higher (63.2%). Latin America, with 19.1% of production and 26% of world exports, is in first place among the developing regions.

The bulk of Latin American production and exports (69.7% and 74.3%, respectively) is attributable to Chile. Between 1975 and 1977, copper represented 55.2% of this country's total export value. Although its exports are three times lower than Chile's, Peru is also a major exporter of copper, which in the same years represented 18.5% of its total exports. Mexico, which now produces this metal in relatively small amounts (87 000 tons in 1978), will in the next few years become the third copper exporter in the region, due to the exploitation of new mines, an activity which has already reached an advanced phase. Finally, it should be noted that there are excellent possibilities for exploiting the Cerro Colorado deposits in Panama.

World demand for copper, having reached its height in 1973, fell in the following two years and then increased gradually. In 1979, it was barely 8% higher than in 1973. The main factors responsible for this not very dynamic demand include the economic recession in the industrialized countries and the growing substitution of aluminium and plastics for copper. Copper has, however, been improving its position in respect of these two products, thanks to the increase in the prices of petroleum and aluminium. The ratio between the price of copper and that of aluminium, for example, fell by 2.99 on average for 1973 and 1974 to an average of 1.16 in 1977 and 1978; in 1979 and 1980 this indicator rose again, but without reaching the levels of 1973-1974.

The prospects for consumption are not very clear. Whatever the rate of recovery of the world economy (which will continue to be the most important factor) the final uses of copper will gain importance in some cases (solar energy, electric transport, desalinization and other new technologies which make intensive use of this metal) and decrease in others (because of substitution or, essentially, because of improved techniques in the conducting of electricity). Moreover, in the industrialized countries there is a growing tendency to recuperate raw materials, which is likely to increase the percentage obtained from secondary sources, which is now 16%.

In the light of these considerations and - where supply is concerned - the increases foreseen in the production of some countries (Mexico, the Philippines, Iran and Chile), the medium-term forecast is for a balance between supply and demand which would contain price fluctuations.

Since 1969, the last year when prices were high, except for an upswing in 1973 and 1974, there was a downward trend in real prices of electrolyte copper; in 1978, they were lower than in 1969 in current terms, and in constant values lower than at any time in the period after 1950. After an upswing in 1979 and 1980, the international price again fell.

/The Intergovernmental

The Intergovernmental Council of Copper Exporter Countries (CIPEC) was established in 1967 for the purpose of co-ordinating export policies. During the period 1975-1977, in an attempt to deal with a surplus in world supply, CIPEC tried to restrict exports to sustain the international price. The attempt was not successful, however, because of (i) the importance of copper in the exports of some member countries which makes it difficult to restrain production levels deliberately; (ii) the refusal by country members to accept any intervention in the operation of the market and (iii) the fact that exporting countries of great importance now or potentially (Canada, Mexico, Iran and the Philippines) are not members of the organization.

Moreover, the negotiations carried out within UNCTAD on the creation of buffer stocks in the general context of the Integrated Programme for Commodities have also failed to meet with success so far.

(e) Oil seeds, oil seed meals and vegetable oils

The international market for this group of commodities is divided between exports of oil seeds and meals or cakes for animal feed and oil as such. It includes a number of products of different origin and with different characteristics, of which only soya, groundnuts, sunflower and linseed are of any significance in Latin American exports. At world scale, the United States carries out 8% of soya exports.

In general terms, the world demand for edible oils has not increased very rapidly owing basically to the saturation of the market of the industrialized countries. On the other hand, there has been very rapid growth in the consumption of oil seed cakes and meals of high protein content, and especially of soya, which now represents about 70% of world production of oil cakes and meals of plant origin. This has led to some stagnation in the production and export of most of the other commodities in this group. An important exception is palm oil, of which production and export have increased. The growth in demand for soya cakes will depend on the increase in the size of the herds in the developed countries and on the receptiveness of new markets in countries with centrally-planned economies and developing countries.

Combined exports of the three types of goods in this group totalled over US$ 3 billion for Latin America in 1978, and was distributed among oil seeds, oil seed meals and cakes and oils in proportions of 30%, 44% and 26%, respectively. In 1978, Argentina and Brazil accounted for 38% and 56% of total Latin American exports of oil seeds, oil seed meals and cakes and vegetable oils; within this total, these two countries also contributed 29% and 69% of Latin American exports of raw and processed soya. In Argentina, raw soya exports led processed soya exports by a ratio of 5 to 1, while in Brazil the situation was reversed: processed soya predominated over raw soya by approximately 2 to 1.

The evolution of the prices of oil seeds, oil seed meals and cakes and vegetable oils is not easy to analyse because of the large number of commodities involved. Moreover, the fact that the price series does not, in general, follow a uniform pattern for the various commodities shows that they are not entirely substitutable among each other or at least that consumers do not regard them as

/being substitutable.

being substitutable. The large majority of Latin American oil and oil seed crops are annual,40/ and consequently the volume in which they are produced may be rapidly adjusted to international price trends. The price of soya has been subject to marked fluctuations; however, since 1955, following a sharp decline in the postwar period, relatively remunerative prices of US$ 320, 300 and 600 per ton have been maintained for raw soya, soya flour and soya oil, respectively. In recent years, following an unprecedented increase in 1973-1974, there has been a downward trend.

In Latin America a rapid increase in soya production is foreseen. In Brazil, in particular, idle capacity exists in the milling industry. In Argentina exceedingly high yields are being recorded, and incentives are being provided for the substitution of soya for maize in extensive areas; in addition, there are plans to replace exports of raw soya by exports of meal and oil. Finally production and exports are also increasing rapidly in Paraguay and Uruguay.

With regard to the international negotiations, the results of the preparatory meetings held in Geneva in the context of UNCTAD were not significant, and the international regulation of this market does not appear to be forthcoming in the near future.

D. EXPORTS OF MANUFACTURES

1. Main characteristics

The value of exports of manufactures 43/ of the Latin American countries as a whole amounted to US$ 13.7 billion in 1978, i.e., an increase of 27% above the figure for the previous year. The climb recorded throughout the 1970s, which was broken only by a moderate drop in 1975, continued. Some general characteristics of the evolution of this commodity are, first, that in most cases the relative share

40/ This is not true of crops which are common in other areas, such as olive, palm and cocoa.

43/ The classification "manufactures" employed here is the one adopted by UNCTAD and includes some processed agricultural commodities from sections 01 and 02 of the Standard International Trade Classification (SITC), in addition to those in sections 5, 6, 7 and 8, excluding Division 68 (non-ferrous metals) and petroleum products, gas and electric current. The following products from the food, beverages and tobacco section are included in the manufactures group: 012, meat, dried, salted or smoked whether or not in airtight containers; 013, meat in airtight containers, n.e.s. and fish preparations, whether or not in airtight containers (including crustacea and molluscs); 046, meal and flour of wheat or of meslin; 047, meal and flour of cereals, except meal and flour of wheat or of meslin; 048, cereal preparations and preparations of flour and starch of fruits and vegetables; 052, dried fruit (including artificially dehydrated); 053, preserved fruit and fruit preparations; 055, vegetables, roots and tubers, preserved or prepared, n.e.s., whether or not in airtight containers; 062, sugar confectionery and other sugar preparations (except chocolate confectionery); 071.3, coffee extracts, essences, concentrates and similar preparations of coffee; 072.2, cocoa powder, unsweetened; 072.3, cocoa butter and cocoa paste; 073, chocolate and other food preparations containing cocoa or chocolate, n.e.s.; 091, margarine and shortening; 099, food preparations, n.e.s.; 111, non-alcoholic beverages, n.e.s.; 112, alcoholic beverages; 122, tobacco manufactures.

/of manufactures

of manufactures in total exports of goods is greater than it was 10 years ago and that, second, the most marked expansion was recorded for the largest countries (Brazil, Argentina, and Mexico in that order) and some medium-size countries (Colombia, Chile, and Uruguay), so that the percentage share of each country in total exports of the region has changed.

Table 15 shows the current values of exports of manufactures and the percentage they represent in total exports of goods of each country. The recession which affected the majority of the developed countries in 1975 led to a decline in exports of manufactures in various Latin American countries (particularly Argentina Mexico, Colombia, Ecuador, Peru and Venezuela) and to slower growth in the others, but beginning in 1976, they reassumed their growth. The reduction in the relative share of exports of manufactures in total exports of goods, for the countries as a whole, occurred back in 1974, that is, before a decline in the value of those exports was recorded and was largely due to the sharp increase in the value of Venezuela's petroleum exports that year. It may also be seen from table 15 that if Venezuela is excluded from the LAFTA group, that group's exports of manufactures in 1974 represented 26.8% of total exports of goods, as opposed to 27.1% in 1973; i.e., the drop is small compared with that shown when Venezuela is included. More recently, in 1977, the percentage share attained by exports of manufactures in total exports in 1973 was exceeded, and their growth rate remained dynamic in 1978, particularly in the three largest countries in the region.

It is interesting to examine the changes which occurred in the composition of exports of manufactures by large groups of commodities (see table 16). First, it may be seen that exports of the metal and machinery industry increased sharply in that their share in the total was on the order of 10.1% in 1965 and rose to 27.7% in 1975; this figure fell later and in 1978 returned to nearly the same percentage. Within this group of industries, the most rapid growth was in transport equipment, with significant growth also shown in non-electrical machinery. As might be expected, the most substantial growth of exports of metals and machine manufactures was recorded for the three largest countries of the region and, specifically for Brazil. In 1965, Argentina, Brazil and Mexico contributed 62.1% of those exports, while Colombia, Chile, Peru and Venezuela together contributed 16.7%. In 1978, 89.1% of exports were concentrated in the former group, with the second group contributing only 6.4%, while the share of exports from the Central American Common Market and the Caribbean countries also dropped.

In 1965 the intermediate goods group made up 50.4% of the region's exports in manufactures, a share which fell to approximately 30% in 1977 and 1978. Nevertheless, the group still constituted the most important component, in absolute and relative terms, of exports of manufactures. In the individual countries, some substantial progress can be pointed out. In Argentina, there was marked growth in exports of chemicals and goods produced by the basic iron and steel industry, with the result that the relative share of the intermediate goods group in total exports of manufactures of the country increased. In Mexico, the growth of chemicals and plastics exports was lower than that of other groups of products so that the share of intermediate goods in that country's exports decreased. In Brazil, exports of intermediate goods increased sharply, particularly in respect of chemicals and plastics and goods produced by the basic iron and steel industries, but nevertheless its share in exports of this group of goods in the regional total fell.

/Table 15

Table 15

LATIN AMERICA a/: TOTAL EXPORTS OF MANUFACTURES BY COUNTRIES AND GROUPS OF COUNTRIES

	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978
				A. Values in millions of dollars						
Latin America	943.8	2 293.6	2 593.4	3 522.5	5 510.9	7 445.5	6 909.0	7 827.9	10 806.3	13 707.6
Argentina	144.3	420.3	442.0	588.3	977.7	1 289.7	929.5	1 211.5	1 717.9	2 255.9
Brazil	236.5	580.0	729.1	1 055.2	1 691.8	2 533.9	2 724.7	3 117.1	4 198.7	5 660.1
Mexico	183.1	444.0	509.7	730.5	1 199.9	1 250.0	864.2	677.5	1 416.5	1 990.0
Bolivia	5.5	8.7	8.7	8.9	15.2	26.8	28.3	25.4	34.6	40.0
Colombia	38.3	64.7	97.3	180.8	320.8	414.8	322.7	365.4	498.7	485.0
Chile	33.5	86.9	85.3	76.5	108.2	222.6	266.5	377.0	393.4	469.7
Ecuador	5.4	8.6	17.1	20.2	66.4	64.5	60.5	113.8	259.7	288.2
Peru	10.1	19.3	16.4	26.1	43.4	72.6	46.3	73.6	132.1	135.0
Venezuela	42.6	32.5	39.5	56.6	93.0	139.6	101.5	146.6	150.3	174.9
Paraguay	23.1	25.5	28.3	33.8	45.8	63.6	72.4	52.0	63.7	65.8
Uruguay	11.8	39.2	36.8	34.5	50.6	75.0	126.6	190.1	253.3	311.8
Subtotal LAFTA	734.2	1 729.7	2 010.2	2 811.4	4 612.8	6 153.1	5 543.2	6 350.0	9 118.9	11 876.9
CACM b/	117.5	291.1	292.5	338.4	451.3	600.2	607.2	753.1	884.5	1 000.0
Haiti	...	9.6	10.0	12.0	14.3	18.0	26.3	28.0	30.0	32.0
Dominican Republic	6.2	10.6	13.9	66.3	107.8	108.0d/	124.0d/	138.0d/	142.6	143.0
Panama	1.0	1.5	1.3	3.5	7.1	9.5	11.3	13.7	14.0d/	15.0
Caribbean countries c/	84.9	251.1	265.5	290.9	317.6	556.7	597.0	545.1	616.3	640.7
				B. Percentage share in total export of goods						
Latin America	8.5	15.1	17.5	19.7	21.2	17.1	17.7	18.5	21.6	25.7
Argentina	9.7	23.7	25.4	30.3	29.9	32.8	31.4	30.9	30.5	34.8
Brazil	14.8	21.2	25.1	26.4	27.3	31.9	31.4	30.8	34.6	44.7
Mexico	18.3	37.8	39.5	46.2	48.9	43.8	24.9	17.0	29.5	34.3
Bolivia	4.2	3.8	4.0	3.7	4.6	4.1	5.3	4.0	4.8	6.2
Colombia	7.1	8.8	14.1	20.9	27.2	29.3	22.0	20.9	20.4	16.9
Chile	4.9	7.1	8.9	8.9	8.8	9.0	16.0	18.1	18.0	19.4
Ecuador	4.1	4.5	8.6	6.2	12.5	5.7	6.7	10.1	21.8	19.3
Peru	1.5	1.8	1.8	2.8	4.1	4.8	4.1	5.4	7.7	7.0
Venezuela	1.5	1.0	1.3	1.5	1.7	0.9	0.9	1.6	1.6	1.9
Paraguay	40.3	39.8	43.4	39.2	36.1	37.5	41.6	28.7	22.8	22.1
Uruguay	6.0	17.5	17.9	16.1	15.4	19.6	32.9	33.6	41.4	45.7
CACM b/	15.6	26.5	26.4	25.3	26.9	28.5	26.4	25.0	21.4	24.2
Caribbean c/	10.7	22.4	25.2	25.2	21.3	17.6	18.7	16.6	18.3	18.4
Haiti	...	23.7	20.7	28.4	27.9	25.2	32.7	22.5	20.1	25.8
Dominican Republic	4.9	5.0	5.8	19.0	24.3	16.6	14.1	19.5	18.2	21.1
Panama	1.4	1.4	1.2	2.9	5.2	4.7	4.0	6.0	5.6	6.1
LAFTA	7.8	13.7	18.1	18.9	20.8	16.5	17.2	18.2	22.1	26.7
LAFTA (excl. Venezuela)	10.7	18.0	24.6	24.9	27.1	26.8	25.5	24.1	28.3	33.2

Source: CEPAL, based on LAFTA figures and official information from countries.

a/ 23 countries, Cuba excluded.

b/ Central American Common Market.

c/ Barbados, Guyana, Jamaica and Trinidad and Tobago.

d/ Figures partially estimated.

/Table 16

Table 16

LATIN AMERICA: EXPORTS OF MANUFACTURES BY GROUPS OF COMMODITIRES ACCORDING TO THE INTERNATIONAL STANDARD INDUSTRIAL CLASSIFICATION (ISIC)

	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978
				A. Values in millions of dollars						
Food, beverages and tobacco	197.7	433.4	521.1	619.4	838.5	1 098.2	956.3	1 346.0	2 287.2	2 440.4
Non-durable consumer goods	174.3	461.6	524.2	883.2	1 558.8	1 815.0	1 577.7	1 865.2	2 549.8	3 305.9
Textiles (321)	67.9	131.4	162.3	267.0	530.4	729.5	528.9	603.5	795.0	844.6
Wearing apparel, except footwear (322)	17.4	61.6	48.4	95.9	251.0	312.9	273.4	292.0	443.6	602.1
Leather products (323)	20.1	90.8	89.0	189.3	223.6	211.2	198.0	338.0	447.1	555.5
Footwear (324)	9.3	28.9	49.3	81.7	145.0	193.9	216.5	255.2	272.8	390.1
Others	59.6	148.9	175.2	249.3	408.8	367.5	360.9	376.5	591.3	913.6
Intermediate goods	476.1	981.5	1 031.9	1 297.0	1 846.1	2 837.7	2 432.1	2 726.7	3 238.2	4 173.7
Paper and paper products (341)	24.1	63.4	69.3	89.1	139.5	274.9	202.3	270.5	303.9	429.4
Chemical and plastic products (351/2/6)	243.7	496.2	540.9	637.7	887.0	1 562.9	1 340.7	1 347.3	1 583.9	1 933.2
Iron and steel basic industry (371)	81.7	185.5	164.3	265.7	375.2	463.6	389.4	533.6	585.1	927.8
Others	126.6	236.4	257.4	304.5	444.4	536.3	499.7	575.3	765.3	883.3
Metal manufactures and machinery	95.5	407.4	506.2	710.9	1 253.2	1 676.6	1 916.6	1 862.0	2 701.1	3 755.6
Metal products (381)	24.6	67.7	73.2	94.9	135.2	218.1	214.7	221.1	323.4	410.3
Machinery except electrical (382)	31.6	170.9	213.5	287.0	486.9	626.1	786.5	716.9	1 049.4	1 324.1
Electrical machinery (383)	24.4	104.8	109.7	156.9	293.8	335.2	321.1	346.8	502.6	619.8
Transport equipment (384)	13.7	58.7	103.0	164.0	316.0	474.7	564.9	549.3	780.6	1 350.4
Professional and scientific equipt. (385)	1.2	5.3	6.8	8.1	21.3	22.5	29.2	27.9	45.1	51.0
Total a/	943.8	2 293.6	2 593.4	3 522.5	5 510.9	7 445.5	6 909.0	7 827.9	10 806.3	13 707.6
				B. Percentage distribution						
Foods, beverages and tobacco	20.9	18.9	20.1	17.6	15.2	14.7	13.8	17.2	21.2	17.8
Non-durable consumer goods	18.5	20.1	20.2	25.1	28.3	24.4	22.8	23.8	23.6	24.1
Textiles	7.2	5.7	6.3	7.6	9.6	9.8	7.7	7.7	7.4	6.2
Wearing apparel	1.8	2.7	1.9	2.7	4.6	4.2	4.0	3.7	4.1	4.4
Leather and leather products	2.1	4.0	3.4	5.4	4.1	2.8	2.9	4.3	4.1	4.1
Footwear	1.0	1.3	1.9	2.3	2.6	2.6	3.1	3.3	2.5	2.8
Others	6.3	6.5	6.8	7.1	7.4	4.9	5.2	4.8	5.5	6.7
Intermediate goods	50.4	42.8	39.8	36.8	33.5	38.1	35.2	34.8	30.0	30.4
Paper and paper products	2.6	2.8	2.7	2.5	2.5	3.7	2.9	3.5	2.8	3.1
Chemical and plastic products	25.8	21.6	20.9	18.1	16.1	21.0	19.4	17.2	14.7	14.1
Iron and steel basic industry	8.7	8.1	6.3	7.5	6.8	6.2	5.6	6.8	5.4	6.8
Others	13.4	10.3	9.9	8.6	8.1	7.2	7.2	7.3	7.1	6.4
Metal manufactures and machinery	10.1	17.8	19.5	20.2	22.7	22.5	27.7	23.8	25.0	27.4
Metal products	2.6	3.0	2.8	2.7	2.5	2.9	3.1	2.8	3.0	3.0
Machinery except electrical	3.3	7.4	8.2	8.1	8.8	8.4	11.4	9.2	9.7	9.7
Electrical machinery	2.6	4.6	4.2	4.5	5.3	4.5	4.6	4.4	4.7	4.5
Transport equipment	1.4	2.6	4.0	4.7	5.7	6.4	8.2	7.0	7.2	9.9
Professional and scientific equipment	0.1	0.2	0.3	0.2	0.4	0.3	0.4	0.4	0.4	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: CEPAL, based on LAFTA figures and official information from countries.

a/ Figures for Haiti are included only in the total.

Intermediate goods have been the main component of Chile's exports of manufactures, particularly in the chemicals industries and in the basic forest industries, where paper and cellulose predominated. In 1965, the intermediate goods group made up 70.1% of the country's exports in manufactures, a figure which rose to 76.5% in 1978; its share in the total for the region rose from 4.9% to 8.6% in the two years cited. Finally, in both the Central American Common Market and the Caribbean countries, exports of intermediate goods play an important role in exports of manufactures (47% in the former and 50% in the latter, in 1978), with chemicals predominating in Central America and aluminium in the Caribbean.

The non-durable consumer goods group comprises mainly textiles, wearing apparel, leather goods and footwear, i.e., products in respect of which some developing countries have managed to become competitive in international markets and, as a result, have seen their exports increasingly restricted in most developed countries (see chapter I, section B). This has been an almost permanent feature of the trade policy of the developed countries in their attempts to deal with exporting developing countries, as is shown by the fact that even when they agree to grant preferential tariff treatment for exports from developing countries, the main exceptions are made in the case of products from these industries. The same thing occurred when the first long-term agreement on cotton textiles became the Multifibres Agreement, under which the restrictions which used to affect only cotton textiles were extended to other textile fibres.

Exports of non-durable consumer goods from the Latin American countries as a whole showed a rapid increase between 1969 and 1974, the latter being the year in which they amounted to US$ 1.8 billion, comprising 23.4% of total exports of manufactures. For the reasons given above, there was a 10% decline in 1975, but growth resumed, and exports surpassed US$ 2.5 billion in 1977 and 3.3 billion in 1978. In 1977 and 1978 textiles and wearing apparel represented 48% and 43% of these exports; however, the Latin American countries are still moderate exporters in these two categories, falling far short of Hong Kong, the Republic of Korea, India and Pakistan.44/

The greatest advances in exports of non-durable consumer goods were achieved by Argentina and Brazil, whose share in the total between the years 1965 and 1978 rose from 8.3% to 16.8% in the case of Argentina and from 13.5% to 33.8% for Brazil. On the other hand, Mexico's participation fell from 25.7% to 17.9%, owing largely to restrictions applied in the importing markets. Among the medium-size countries, Colombia and Uruguay achieved significant growth; substantial growth also occurred in the Central American Common Market although its contribution to the region's total fell considerably.

The final group of commodities is made up of foodstuffs, beverages and tobacco. This is one of the least dynamic sectors in exports of manufactures of the region because it includes processed agricultural commodities which are generally fiercely protected in the markets of the developed countries. Nevertheless attention must be drawn to two important events. One is the sharp increase in

44/ See UNCTAD, Trade in manufactures and semi-manufactures of developing countries and territories, 1978-1979 (TD/B/C.2/203, 5 June 1980), table 8.

/Brazil's exports

Brazil's exports, which, in 1965 represented 21.9% of exports of this type of goods from the region as a whole, a share which rose to 51.1% in 1978. Another noteworthy occurrence is the recent expansion of exports of Ecuador, whose share in the region's total food exports rose from 1.1% in 1965 to 10.6% in 1978. The shares of Argentina and Paraguay in exports of this type fell in relative terms.

With regard to markets of destination, a distinction will be made only between the market made up of the countries belonging to LAFTA and the Central American Common Market,45/ on the one hand and the rest of the world, on the other. The figures in table 17 show the relative significance of these areas of destination for exports of manufactures from each country and its evolution.

In the case of LAFTA, the importance of the intra-zonal market is very different for each of the largest countries in the region. Argentina has traditionally directed a large proportion of its exports of manufactures to the intra-zonal market - a share which rose from 33.1% in 1970 to 47.6% in 1974. The sharp contraction of exports of manufactures in 1975 affected intra-zonal exports with the same intensity as exports directed to the rest of the world, but the recovery begun in 1976 was moderately more rapid in the case of exports to the rest of the world than in that of intra-zonal exports, with the result that in 1978 the latter again represented only 37.0% of the total.

In 1965, 45.4% of Brazil's exports of manufactures were directed to the intra-zonal market. Although these exports grew in absolute terms in the 1970s, their expansion was much less than that of exports to the rest of the world, with the result that during most of the past decade the latter represented over three-quarters of the total. Moreover, while total exports of Brazilian manufactures was subject to no contraction at all during the 1970s (such as that which occurred at some point in Argentina, Mexico, Colombia, Ecuador, Peru, Paraguay and Venezuela), there was a sudden drop in exports to the intra-zonal market in 1976.

Mexico's share in the intra-zonal manufactures market is relatively low, and even when it has fluctuated, exports to the rest of the world can be counted on to represent 80% to 84% of its exports. On the other hand, although in 1975 and 1976 intra-zonal exports declined, exports to the rest of the world contracted even more markedly, which is probably related to the extensive commercial frontier with the United States and to the wide use of subcontracting in manufacturing.

In medium-size countries, there are situations which follow the patterns described above. In 1965 exports of manufactures of Colombia and Peru represented relatively low percentages of all such exports but they increased significantly during the 1970s. Chile has fluctuated back and forth between a situation in which the intra-zonal market absorbs the major share of its exports of manufactures and one in which the rest of the world predominates, while for Venezuela the intra-regional market is of relatively little importance.

45/ The limited statistical data available makes it impossible to include the Caribbean countries.

/Table 17

Table 17

LATIN AMERICA: EXPORTS OF MANUFACTURES BY GENERAL DESTINATION

(Millions of dollars)

	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978
Argentina										
Value	144.3	420.3	442.0	588.3	977.7	1 289.7	929.5	1 211.5	1 717.9	2 255.9
Percentage to LAFTA	31.3	33.1	37.9	38.7	45.0	47.6	46.1	43.0	42.3	37.0
Percentage to other areas	68.7	66.9	62.1	61.3	55.0	52.4	53.9	57.0	57.7	63.0
Brazil										
Value	236.5	580.0	729.1	1 055.2	1 691.8	2 533.9	2 724.7	3 117.1	4 198.7	5 660.1
Percentage to LAFTA	45.4	34.1	31.0	25.7	21.5	25.1	31.3	22.2	23.5	22.4
Percentage to other areas	54.6	65.9	69.0	74.3	78.5	74.9	68.7	77.8	76.5	77.6
Mexico										
Value	183.1	444.0	509.7	730.5	1 199.9	1 250.0	864.2	677.5	1 416.5	1 990.0
Percentage to LAFTA	15.8	16.3	16.1	14.7	10.8	16.0	19.9	18.1	19.2	17.6
Percentage to other areas	84.2	83.7	83.9	85.3	89.2	84.0	80.1	81.9	80.8	82.4
Bolivia										
Value	5.5	8.7	8.7	8.9	15.2	26.8	28.3	25.4	34.6	40.0
Percentage to LAFTA	12.7	9.2	21.8	27.0	23.0	32.8	35.7	22.8	25.7	62.5
Percentage to other areas	87.3	90.8	78.2	73.0	77.0	67.2	64.3	77.2	74.3	37.5
Colombia										
Value	38.3	64.7	97.3	180.8	320.8	414.8	322.7	365.4	498.7	485.9
Percentage to LAFTA	28.7	33.4	30.7	24.7	22.0	29.9	37.7	40.8	40.7	38.3
Percentage to other areas	71.3	66.6	69.3	75.3	78.0	70.1	62.3	59.2	59.3	61.7
Chile										
Value	33.5	86.9	85.3	76.5	108.2	222.6	266.5	377.0	393.4	469.7
Percentage to LAFTA	58.5	71.0	70.0	57.4	53.4	77.1	74.2	66.3	60.9	54.4
Percentage to other areas	41.5	29.0	30.0	42.6	46.6	22.9	25.8	33.7	39.1	45.6
Ecuador										
Value	5.4	8.6	17.1	20.2	66.4	64.5	60.5	113.8	259.7	288.2
Percentage to LAFTA	42.6	64.0	57.3	59.4	32.8	58.6	65.8	46.9	27.5	30.3
Percentage to other areas	57.4	36.0	42.7	40.6	67.2	41.4	34.2	53.1	72.5	69.7
Peru										
Value	10.1	19.5	16.4	26.1	43.4	72.6	46.3	73.6	132.1	135.0
Percentage to LAFTA	15.8	39.9	43.3	42.5	44.2	49.6	44.3	49.7	50.4	51.9
Percentage to other areas	84.2	60.1	56.7	57.5	55.8	50.4	55.7	50.3	49.6	48.1
Venezuela										
Value	42.6	32.5	39.5	56.6	93.0	139.6	101.5	146.6	150.3	174.9
Percentage to LAFTA	15.0	47.4	32.4	40.8	24.0	20.8	25.3	21.1	26.5	15.5
Percentage to other areas	85.0	52.6	67.6	59.2	76.0	79.2	74.7	78.9	73.5	84.5
Paraguay										
Value	23.1	25.5	28.3	33.8	45.8	63.6	72.4	52.0	63.7	65.8
Percentage to LAFTA	16.9	38.4	30.4	38.8	28.4	46.5	52.9	31.0	44.4	55.0
Percentage to other areas	83.1	61.6	69.6	61.2	71.6	53.5	47.1	69.0	55.6	45.0
Uruguay										
Value	11.8	39.2	36.8	34.5	50.6	75.0	126.6	190.1	253.3	311.4
Percentage to LAFTA	18.6	27.8	31.0	24.3	26.9	17.1	43.8	31.7	34.1	34.2
Percentage to other areas	81.4	72.2	69.0	75.7	73.1	82.9	56.2	68.3	65.9	65.8
Central American Common Market (CACM)										
Value	217.5	291.1	292.5	338.4	451.3	600.2	607.2	753.1	884.5	1 000.0
Percentage to CACM	82.6	83.1	80.2	74.3	75.7	76.0	77.5	75.4	78.8	...
Percentage to other areas	17.4	16.9	19.8	25.7	24.3	24.0	22.5	24.6	21.2	...

Source: CEPAL, on the basis of LAFTA statistics and official information from countries.

/Similar situations

Similar situations may be observed in the other countries included in table 17 mentioned above. The only case in which the intra-zonal market is of decisive importance is that of the Central American Common Market in which intra-zonal exports have remained at close to 80% of the total throughout most of the period considered.

2. Policies

The most serious threat to exports of manufactures of the developing countries are the protectionist measures of the developed countries. Since this problem has already been analysed above, consideration will be given below only to the operation of the Generalized System of Preferences (GSP) and the erosion of preferential margins as a result of the tariff concessions granted in the multilateral GATT negotiations which terminated in 1979. Although this system is not confined to manufactures, they constitute by far its greatest beneficiary.

With regard to the GSP, there are a number of problems which affect the developing countries: some of them relate to the legal nature of the system, its duration and the specific ways and means of its application. With respect to legalities, all the countries granting preferences have continued to reaffirm the principle that the system should remain automatic and subject to the unilateral decision of any of the countries granting preferences. As for the developing countries, they have insisted that this unilaterality has undermined the effectiveness of the system by introducing a continuous state of uncertainty and that, among other things, it discourages investments; stress must therefore be laid on the need to modify its legal nature, doing away with its autonomous character and hence with its uncertainty and instability. Although recognition of the GSP in the Tokyo Round represents progress, it does not eliminate the unilaterality of the system and therefore leaves it subject to independent decision by the country granting preferences.

The Latin American countries have, in this respect, asked for the System to be made permanent and for its application to be expanded and enhanced in such ways as: coverage by the preference schemes of numerous products that are subject to customs duties (such as processed agricultural goods); the elimination of the quota system; regulation of recourse to safeguards; the harmonization of the preference schemes of various countries; the introduction of greater flexibility in the rules of origin; the simplification of administrative formalities; extension of the System to non-tariff barriers and the establishment of a prior consultation system when it becomes necessary to restrict the application of the System.46/ In this respect, in the International Development Strategy for the Third United Nations Development Decade, it is stated that "the international community reaffirms the importance of the generalized system of preferences without reciprocity or discrimination for the expansion and diversification of the export trade in the developing countries and for the acceleration of their economic growth rates. To this end, the countries granting preferences shall fully apply the agreement reached in the special preferences commission of the Trade and Development Board at its ninth session" (paragraph 63).

46/ See CEPAL resolution 347 (XVI), Second Appraisal of the International Development Strategy, Trinidad and Tobago, 1975, paragraph 78.

As noted above, another problem relates to the fact that the existing preferential margins under the GSP narrowed or disappeared as a result of the reductions in the "most favoured nations" tariff rates granted in the GATT multilateral trade negotiations. The developing countries maintain that the erosion of preferential margins constitutes a loss in the trade benefits offered by the GSP, which the granting of reduction in tariffs on commodities not covered by the GSP would compensate for only in small part. Adequate compensation must therefore be demanded for the harm done to the Latin American countries on this account. Although some developing countries which have made progress in the diversification of their exports of manufactures might obtain some benefit from being more thoroughly integrated into international trade, they would be competing on an equal footing with the developed countries and would remain subject to the same protectionist measures. At the same time, adequate financial support is in general not available to them and when they promote their external sales, they are accused of granting subsidies and practicing dumping and, as a result, quotas and other restrictions are imposed on them.

Another very important restrictive devise is the application, again in this field, by countries granting preferences of the principle of "graduation", which would eliminate or reduce preferential treatment for the most advanced developing countries. Both the United States and the EEC have announced their intention of applying this principle in their generalized system of preferences. It is rejected by the developing countries, as being contrary to the guiding principle behind generalized and non-discriminatory preferences.

Transnational corporations also act prejudicially when they impose restrictions on exports and on transfer of technology, or use "transfer prices" in their transactions within the same corporation.

E. EXPORT PROMOTION

1. Background

Early in the 1960s, some Latin American countries began to promote non-traditional exports. For this purpose, they established tax, credit and tariff incentives, which, together with trade promotion measures, stimulated the export sector in various ways.47/ Thus, the commodities promoted were enabled to compete on international markets, in terms of price, quality and financing.

Some of the countries which initiated these policies also established special bodies to administer and promote them. This policy of expanding and diversifying Latin America's non-traditional exports is relatively recent, the first attempts dating back no more than 15 years.

47/ Argentina established a system of incentives in 1962; Brazil initiated export promotion in 1964; the export incentives law was promulgated in Chile in June 1965; in Colombia incentives date back to 1967.

The countries which have made the most progress in export promotion, in terms both of the organization established and of the incentive arrangements used have been Argentina, Brazil, Mexico and Colombia. These countries have developed complex systems for supporting exports with full-scale machinery covering the various aspects of the process. Other countries, including Ecuador, Costa Rica, Chile, Guatemala, Peru, Uruguay and Venezuela, already have some experience in export promotion, but the instruments they use are fragmentary in their coverage. Moreover another group of countries has incipient techniques at its disposal but lacks adequate instruments and organization.

Thus, there is in the region a disparity of situations, in which some countries have at their disposal sophisticated machinery and instruments, which are integrated into the overall economic policy, whereas in others there is little consistency between these mechanisms and instruments and overall and sectoral economic policy.

In the majority of the countries, a number of instruments has been combined, the most important of which are tax incentives in the form of refunds, financial arrangements with credit lines before and after shipment and at preferential rates of interest, schemes in which customs duties are suspended and various supports deployed in external marketing.

As regards export promotion bodies, over 12 Latin American countries already have specialized centres or institutes for assisting exporters in the various aspects of the process and for administrating some of the incentives established.

In some countries, little attention is paid to the cost involved in incentive systems, nor are the results appraised, so that it is impossible to measure the effectiveness of the instruments applied. In addition the system should be made more flexible so as to grant and modify the incentives in an appropriate manner. In some cases, co-ordination between the public and private sectors is inadequate.

On the positive side, attention should be drawn to the experience acquired in the following promotional activities: international trade fairs and exhibitions; data systems and systems for publicizing commercial opportunities; export financing and export credit insurance; schemes for suspending customs duties, and tax incentive systems. Countries such as Argentina, Brazil, Colombia and Mexico are also equipped to provide regional technical co-operation in these fields.

In short, the process of export promotion in Latin America has developed at different degrees and intensities and orientation and there are wide differences among the countries of the region in so far as the application of policies and the results obtained are concerned. However, both balance-of-payments restrictions and the need to promote industrial development make it advisable to pursue and intensify Latin American policy in this connexion. It should be borne in mind that the export of manufactures and import substitution are not exclusive alternatives but rather complementary aspects of the industrialization process. Their purpose is to contribute to the overall development of each country and to promote equilibrium in the balance of payments by strengthening an industrial structure capable both of supplying the domestic market and of exporting.

/2. Elements

2. Elements for a promotion policy

The policy of promoting exports of non-traditional products, particularly manufactures and semi-manufactures, must be part of the general policy and must provide a link to sectoral policies, particularly industrial policy.

The mechanisms which may be used include exchange rate, tax, tariff and financial arrangements and qualitative requirements. Other tools include commercial information, the simplification of export trade formalities, the rules governing the use of containers and packaging, competition in international fairs and marketing ventures; activities related to international marketing (such as the promotion of export consortiums and marketing corporations), free deposits abroad, and freight-rates arrangements and related services. In this context, it is necessary to consider such matters as institutional organization, trade promotion and concerted export programmes which ensure the participation of the private sector. Concerted export programmes involve action in the public and private sectors. It is also necessary to bear in mind the obstacles to access to external markets.

Some countries of the region have ignored the expansion of some primary commodities which in the past were important export trade items. It seems advisable to examine such situations with the idea that exports of those primary products might be revitalized if export promotion policies provided for supports for them. In this connexion it may be noted that in some countries export promotion policies extend to traditional exports, including primary commodities, while in other countries they are limited to manufactures.

The disparities in industrial structure which exist within the region and are partly related to the fact that in some Latin American countries industrial progress is in its infancy seriously limit some of the efforts to pursue the development of exports of manufactures. Exports in manufactures are dependent not only on incentives and tools used in promotion but also on the existence of an industrial structure which is competitive in international manufactures markets. The use of appropriate instruments for promotion makes it possible to export manufactures and semi-manufactures, but in itself is not able to generate competitiveness which emerges when the industrial structure and related activities are sufficiently diversified and the average productivity of the economic system permits.

For all these reasons it is necessary to give due consideration to the new phases of industrialization in the region and their orientation so that export promotion strategies and their corresponding instruments may be adapted concurrently.

An effort should be made to promote regional co-operation efforts, which include not only technical co-operation but also supplementary action, such as commercial information and market studies or action aimed at establishing common mechanisms which may be used by various countries in conjunction with their promotion instruments. The establishment of a common export credit insurance mechanism with the participation of countries which, on an individual basis, are engaged in a limited number of operations, is a good example of the kind of joint action referred to.

/Special attention

Special attention should also be paid to ways and means of bringing small and medium-size enterprises into the export sector. The incentives provided should meet the needs of such enterprises; however, so far this has been neglected and the benefits of promotion have been enjoyed mainly by the large enterprises. Action may at the same time be designed for enhancing the participation of medium-size and small enterprises in the export process, which will also have an impact on employment.

F. EXTERNAL FINANCING AND MONETARY PROBLEMS

1. External financing

The complexity of the present international financial problem is unprecedented both in magnitude and in its consequences and rigidities. It is rooted in the structural balance-of-payments deficit or surplus, as the case may be, and one of its results is increasing indebtedness - which in some cases is in danger of spiralling - of a large number of countries. Its effects, rather than its causes, have been studied and attacked in theoretical analysis and in the policies formulated, and there is some uncertainty as to the evolution of some of the determining factors (as for example, the relative prices of fuels, raw materials and manufactures in the future; the economic policy of the main developed countries and the role of transnational banks and the International Monetary Fund).

In recent years, the international financial markets have continued to show a very high growth rate (see table 18). The heavy imbalances shown in the balances of payments on current accounts of most of the countries in the world since 1974 has been an important source of this growth, from the point of view of supply as well as demand.

The slow attenuation of the imbalances on current account between 1974 and 1978 caused the growth of the financial markets to decelerate to some extent. The marked external deficit of the United States during the latter year, however, reversed that trend and the reversal became more pronounced in 1979 and 1980, leading to new imbalances on current account in the various groups of countries, of the same magnitude as in 1974 and 1975, and even to greater imbalances in 1980.

These main trends were accompanied by particularly marked conjunctural phenomena in the second half of 1979 and the first half of 1980. Acceleration of inflationary pressures in a number of developed countries, particularly the United States, led to the application of policies to control monetary expansion. These policies caused rises in the interest rates in this country to the point where, at the end of 1980 the prime rate in the United States reached the unprecedented level of 21.5%. The marked variations in interest rates altered the differences in interest between the United States and the Eurocurrency markets since the interest rates in the United States exceeded those applied in the Eurocurrency markets (see table 19). These differences in interest rates induced strong counter-balancing capital movements towards the United States, which did not succeed in eliminating the differences quickly but did manage to strengthen the dollar and interrupt the persistent tendency to devaluate it against other reserve currencies.

/Table 18

/Table 18

EVOLUTION OF EXTERNAL ASSETS OF INTERNATIONAL PRIVATE BANKING a/

Year	Banks in Europe	Euro-market b/	Banks in Canada and Japan	Banks in the United States	Offshore branches of United States	Total reporting banks c/
			a) Billions of dollars at end of each period			
1972	182.2	142.6	24.0	9.2	9.4	224.8
1973	244.4	199.4	29.4	15.2	23.5	312.4
1974	279.4	226.2	34.5	34.7	36.1	384.7
1975	329.9	269.1	34.2	48.3	51.1	463.5
1976	385.6	316.3	39.0	69.6	74.9	569.1
1977	466.2	384.8	39.8	81.1	91.1	678.2
1978	611.4	502.0	56.0	118.9	106.5	892.8
1979	776.2	639.9	71.0	136.0	127.7	1 110.9
			b) Tasas de crecimiento anual (Porcentajes)			
1973	34.2	39.9	22.5	65.3	150.3	39.1
1974	14.4	13.5	17.4	28.3	53.7	23.1
1975	18.1	19.0	-0.8	39.2	41.6	20.5
1976	16.9	17.6	14.1	44.1	46.6	22.8
1977	20.9	21.7	2.1	16.6	21.7	19.2
1978	31.2	30.5	40.7	46.6	16.9	31.7
1979	27.0	27.5	26.8	14.4	19.9	24.5

Source: Bank for International Settlements, Annual Report, June 1977, 1978, 1979 and 1980.

a/ Refers to banks operating in Belgium, Canada, France, Italy, Japan, Luxemburg, the Netherlands, Sweden, the United Kingdom and the United Sates and also to banks operating in Switzerland and to United States offshore banks in the Caribbean and Middle East.

b/ Limited definition which, according to the Bank for International Settlements, is confined to assets of European banks in foreign currency.

c/ These figures include redeposits among reporting banks, which in the past two years have amounted to close to 40% of the total; however, for the purpose of this table, this amount has not been discounted nor has an estimate been made of the amounts not included in the totals.

/The most

Table 19

UNITED STATES AND THE EUROPEAN MARKET: ANNUAL INTEREST RATE OF COMMERCIAL BANKS

(Percentages at end of each month)

	Prime interest rate in the United States	Euro-dollar rate a/
1979		
June	11.50	10.87
July	11.75	11.68
August	12.75	12.49
September	13.50	13.12
October	15.00	16.06
November	15.50	14.37
December	15.25	14.81
1980		
January	15.25	14.74
February	16.75	17.31
March	19.50	20.06
April	18.50b/	14.74
May	14.00	10.38
June	11.50	10.00
July	11.00	10.06
August	11.50	12.56
September	13.00	14.16
October	14.50	15.76
November	17.75	18.52
December	21.50	18.07

Source: Morgan Guaranty Trust Company of New York, World Financial Markets, January 1981, pp. 15 and 20

a/ Refers to annual interest rates on 3 month loans to leading clients. The rates for the month between May and December 1980 were estimated on the basis of the evolution of the rate of 3 month deposits in Euro-dollars.

b/ Between 2 and 18 April 1980, the rate rose by 20%.

/The most

The most important private banking institutions in international financing have, apparently with no great difficulty, been adjusting to the increasing demand of world economic developments. The continued growth of the international financial markets has, however, led transnational banks to be more and more cautious in evaluating at least two characteristics of their own financial situation: the liquidity of their investment portfolios and the security of their overall and individual transactions, which is reflected in the debt-capital ratio of their balances. Thus, their preference for relatively short-term deposits has grown while countries with deficits are increasingly pressing for medium- and long-term financing. This problem of liquidity tends to accentuate the banks' selectivity in making investments because they wish to minimize the risk of non-fulfilment by their clients. This is very important because the private transnational banks have been playing an increasingly significant role in that the proportion of official financing channelled through international credit organizations and the lending countries themselves has been decreasing steadily over the past few years.

The rapid change in the composition of external financing is accompanied by a deterioration in the terms of such financing since, in general, official loans mature much more slowly and carry much lower interests rates than private loans. This unfavourable development is explained by the simple fact that the official development assistance supplied by the member countries of the Development Assistance Committee (DAC) fell from an average of 0.44% of their gross national product annually in the 1960s to 0.33% in more recent years; this percentage is far from the 0.7% target set in the International Development Strategy (see table 20). The development assistance of the United States, whose performance has the biggest impact in Latin America, amounted to 2.8% of its gross product in 1949, when the Marshall Plan was initiated; this coefficient fell to 0.2% in 1979, and it is believed that it will not rise above this level in 1980-1981.

The relative position of Latin America with regard to its access to official concessional loans has been deteriorating much more rapidly than that of other developing regions. In 1972 the inflow of concessional loans amounted to 19.7% of the intake of financial resources in the region, but by 1976 this figure had fallen to 8.2% (see table 21). Moreover, the concessional factor of officially guaranteed loan agreements of Latin American countries fell from 18% in 1969 to 3% in 1978 (see table 22). In addition, it should be noted that at the end of 1979 the net position (assets less liabilities) of the Latin American non-oil-exporting countries with commercial banks abroad showed a deficit balance of US$ 63 billion, whereas the combined deficit balance of other developing non-oil-exporting countries was only US$ 10 billion (see table 23).

In recent years the factors responsible for the growing deficit on current account have been more deeply rooted and persistent in developing countries, including the Latin American countries, than in developed countries. Latin American countries have, however, with varying degrees of difficulty, managed to obtain sufficient financial resources to cover the current deficit in their balances of payment and, in some cases, to increase their gross international reserves. With regard to the external financing of Latin American non-oil-exporting countries, private loans, mainly from international commercial banks, which in the period 1966-1970 represented, on average, one-third of total net external financing,

/Table 20

Table 20

MEMBER COUNTRIES OF THE DEVELOPMENT ASSISTANCE COMMITTEE: NET TRANSFERS TO DEVELOPING COUNTRIES

(Net disbursement)

	Annual averages		1975	1976	1977	1978	1979
	1961-1970	1971-1974					
			A. Billions of dollars				
Total net financial resources transfered to developing countries	11.00	21.00	40.40	40.60	50.70	71.40a/	...
Official development assistance	6.00	9.30	13.60	13.70	14.70	19.10a/	22.30a/
Private disbursements	4.20	9.80	23.80	23.70	32.70	46.30	...
Other official resources	0.80	1.90	3.00	3.30	3.30	5.20	...
			B. Percentages of gross national product				
Total	0.77	0.75	1.05	0.97	1.08	1.26	...
Official development assistance	0.44	0.33	0.35	0.33	0.31	0.35a/	0.34a/

Source: Organization for Economic Co-operation and Development (OECD), Development Co-operation Review, 1978 and 1979.

a/ Figures not entirely comparable to those for previous years owing to changes in methodology.

/Table 21

Table 21

MEMBER COUNTRIES OF THE DEVELOPMENT ASSISTANCE COMMITTEE (DAC) AND MULTILATERAL AGENCIES a/: GEOGRAPHIC DISTRIBUTION OF NET FINANCIAL RESOURCES TRANSFERRED TO SELECTED NON-OIL-EXPORTING DEVELOPING COUNTRIES

(Billions of dollars)

	1972			1977			1978		
	Total	Concessional resources	Concessional resources as percentage of total	Total	Concessional resources	Concessional resources as percentage of total	Total	Concessional resources	Concessional resources as percentage of total
Latin America b/	4.17	.82	19.70	10.74	.91	8.50	14.65	1.19	8.20
Africa	2.70	1.72	63.80	10.66	7.23	67.80	13.05	8.15	62.60
Asia	4.89	3.05	62.30	8.70	5.48	63.00	9.78	6.26	64.10
Oceania	.54	.38	70.40	.68	.63	92.30	1.08	.78	72.40
Mediterranean countries c/	1.83	.37	20.30	5.30	1.14	21.60	7.02	1.28	18.30

Source: Organization for Economic Co-operation and Development (OECD), Development Co-operation Review, 1978 and 1979.

a/ Does not include multilateral agencies in which the concessional component of resource transfers is less than 25%.

b/ Includes Mexico and Peru, and unspecified amounts for South America and America as a whole.

c/ Includes Israel.

/Table 22

Table 22

SIX REGIONS: AVERAGE TERMS OF LOAN COMMITMENTS WITH OFFICIAL GUARANTEE, AND GRANT ELEMENT OF LOANS, BY REGION

	Year	Maturity (years)	Grace (years)	Interest (%)	Grant element (%)
Latin America	1969	14.0	3.6	6.7	18
	1976	9.9	3.1	7.5	11
	1977	9.1	3.3	8.1	8
	1978	10.1	4.0	9.5	3
Mediterranean countries	1969	16.0	3.8	5.6	25
	1976	16.5	5.5	6.8	19
	1977	15.2	5.6	7.1	17
	1978	15.5	5.3	7.8	15
Africa South of the Sahara	1969	24.2	6.5	4.0	42
	1976	19.1	5.0	5.4	31
	1977	18.9	4.7	5.5	30
	1978	17.3	4.9	6.4	25
East Asia and Pacific	1969	19.4	5.3	5.5	29
	1976	14.0	4.5	7.8	12
	1977	13.8	4.2	7.6	14
	1978	15.3	4.5	8.0	13
North Africa and Middle East	1969	13.0	2.8	5.5	22
	1976	16.5	4.4	6.2	24
	1977	15.1	4.8	6.2	23
	1978	15.1	4.4	7.0	19
South Asia	1969	30.5	7.4	2.8	55
	1976	28.3	7.3	3.5	50
	1977	34.4	8.3	2.6	60
	1978	38.9	9.0	1.9	68

Source: World Bank, Annual Report, 1980, p. 141.

/Table 23

Table 23

GEOGRAPHIC DISTRIBUTION OF ASSETS AND LIABILITIES OF COMMERCIAL BANKS ABROAD a/

(Billions of dollars)

	1977			1978			1979		
	Assets	Liabilities	Balance	Assets	Liabilities	Balance	Assets	Liabilities	Balance
Industrial countries	379	417	-38	498	543	-45	620	699	-79
East Europe	38	8	30	48	11	11	56	15	41
International agencies	3	7	-4	5	7	-2	6	7	-1
Oil-exporting countries	38	77	-39	56	82	-26	64	120	-56
Financial centres	99	72	27	123	98	25	155	139	16
Developing non-oil-exporting countries	123	81	42	151	103	48	194	121	73
Latin American non-oil-exporting countries b/	63	24	39	77	31	46	100	37	63
Mored advanced developing countries in the Mediterranean c/	30	24	6	38	36	2	45	41	4
Other non-oil-exporting developing countries	30	33	-3	36	36	-	49	43	6
Unspecified	9	10	-1	11	12	-1	15	19	-4
Total	690	671	19	892	855	37	1 111	1 120	-9

Source: Bank for International Settlements, Annual Report 1979 and Review, December 1979.

a/ Refers to banks operating in Belgium, Canada, Federal Republic of Germany, France, Holland, Italy, Japan, Luxemburg, Sweden, United Kingdom and the United States and also Switzerland and branches of United States banks in the Caribbean and in the Middle East.

b/ Includes Mexico and Peru.

c/ Includes Greece, Israel, Malta, Portugal, Spain, Turkey and Yugoslavia.

/amounted to

amounted to over US$ 18 billion or, 75% of such financing, in 1979. The item which has grown most spectacularly is loans from commercial banks abroad in that it represented 12% of net external financing in the period 1966-1970 and 70% in 1979 (see table 24).

The figures on officially guaranteed external debt show that that debt total for all developing non-oil-exporting countries trebled between 1973 and 1979. During the same period, the value of that debt in Latin American non-oil-exporting countries (including Mexico and Peru) quadrupled, and it is estimated that at the end of 1979 it stood at nearly US$ 100 billion (see table 25). These figures do not, however, take the non-guaranteed debt of developing countries into account, and circumstances are such that a growing proportion of international bank loans are granted with no official guarantee requirements. It is for this reason that in table 26 an estimated is given of the total external debt of the non-oil-exporting Latin American countries with and without guarantees. It may be seen that the total combined debt of these countries amounted to US$ 52 billion at the end of 1974, and it is believed that by the end of 1979 it may have climbed to close to US$ 140 billion.

The deficit in the balance on current account and the resulting external indebtedness through the use of the modalities described has led some Latin American countries into a situation in which their external sector is again vulnerable. In the past this vulnerability was associated with scanty external financing, and balance-of-payments limitations curtailed the projected growth of the economy. At present, the situation has changed radically in that in the past five years access to external credit has become relatively "easy" for countries with a certain combination of conditions; but now the sources of liquidity are the international private banks, and the terms of loans have been considerably different from those agreed to by the developing countries in the past.

Among the new limitations, attention should be drawn first to the fact that the payment periods and types of interest associated with the loans do not always correspond to the periods of maturity and the financial requirements of the investments which must be transacted in developing countries, many of which have relatively long periods of maturity. This is the case, for example, of investments in energy which must be expanded considerably during this decade. Secondly, the predominance of private sources of credit imposes a limitation in that there is a tendency to put criteria of private profits ahead of social criteria as regards the use of funds. These two types of criteria may differ considerably, especially in countries which are trying to follow development strategies oriented towards social sectors not reached by the benefits of traditional economic growth. Thirdly, the size and shape which the international financial system is taking make it dangerous to postpone the basic adjustments needed between deficit and surplus countries. To defer the adjustment is to run the risk that it may become inevitable at a less propicious time, such, for example, as when there is an unusual drop in the terms of trade or when the world recession deepens. Finally, it is difficult to predict the degree to and terms on which this "easy" credit will continue since there are already signs of a slackening off.

/Table 24

Table 24

LATIN AMERICAN NON-OIL-EXPORTING COUNTRIES a/: EXTERNAL FINANCING

(Billions of dollars)

	Annual average 1966-1970	Annual average 1974-1976	1977	1978	1979
I. Use of external financing (1+2)	2.4	14.3	11.8	18.1	24.0
1. Deficit on current account b/	-2.0	-13.6	-7.9	-10.5	-18.0
2. Reserves (+ increase) c/	0.4	0.7	3.9	7.6	6.0
II. External financing (3+4+5)	2.5	13.6	12.7	16.3	24.4
3. Direct investment	0.7	2.1	2.3	3.0	3.0
4. Donations	0.1	0.1	0.2	0.2	0.2
5. Net loans d/	1.7	11.4	10.2	13.1	21.2
(a) Loans from official sources	0.9	2.0	2.2	2.9	3.0
Multilateral	0.4	0.9	1.2	1.5	1.5
Bilateral	0.5	1.1	1.0	1.4	1.5
(b) Loans from private sources	0.8	9.5	8.0	10.2	18.2
Lenders	0.4	0.5	1.2	2.2	2.0
Commercial banks	0.3	8.0	4.7	5.8	17.0
Bonds	-	0.3	2.0	2.2	2.0
Undesignated	0.1	0.7	0.1	-	-2.9

Source: International Monetary Fund, Balance of Payments Yearbook; World Bank, World Debt Tables, November 1980; Bank for International Settlements, Yearbook, June 1979, and Supplements; and CEPAL estimates.

a/ Includes Mexico and Peru.
b/ Excludes official donations.
c/ The plus sign indicates increase in reserves.
d/ Includes autonomous and compensatory long, medium- and short-term loans.

Table 25

NON-OIL-EXPORTING DEVELOPING COUNTRIES: OFFICIALLY GUARANTEED EXTERNAL DEBT a/

(Billions of dollars)

	1973	1977	1978	1979
Non-oil-exporting developing countries (excluding the more advanced Mediterranean countries)	50	106	133	153
Africa South of the Sahara	7	18	21	25
North Africa and Middle East	1	5	7	8
Southern Asia	16	26	29	30
East Asia and the Pacific	7	17	23	28
Latin America (excluding the six oil-exporting countries)	18	40	53	62
Latin America (including Mexico and Peru)	25	65	84	97
Latin America (including the six oil-exporting countries)	27	72	95	111

Source: World Bank, World Debt Tables, 15 November 1980, pp. 1 and 2.

a/ Includes the outstanding medium- and long-term debt actually disbursed.

/Table 26

Table 26

LATIN AMERICA: ESTIMATED TOTAL EXTERNAL DEBT a/

(Billions of dollars)

	1974			1977			1978			1979		
	Officially guaranteed debt	Unguaranteed bank debt	Total debt b/	Officially guaranteed debt	Unguaranteed bank debt	Total debt b/	Officially guaranteed debt	Unguaranteed bank debt	Total debt b/	Officially guaranteed debt	Unguaranteed bank debt	Total debt b/
Argentina	3.1	2.4	5.6	4.9	3.2	8.6	6.8	4.4	11.2	8.1	9.8	17.9
Brazil	10.8	7.8	18.6	21.4	12.5	34.0	30.2	13.2	43.4	35.9	13.5	49.4
Mexico	8.3	4.7	13.0	20.8	7.0	28.3	25.6	5.3	31.3	28.8	9.8	38.7
Subtotal	22.2	14.9	37.2	47.1	22.7	70.9	62.6	22.9	85.9	72.8	35.1	106.0
Colombia	2.1	1.3	3.4	2.7	1.4	4.1	2.8	1.6	4.4	3.4	2.6	6.0
Chile	3.8	0.5	4.5	3.7	1.1	5.0	4.4	1.3	6.0	4.8	2.4	7.4
Peru	2.2	1.0	3.2	4.7	1.4	6.3	5.4	1.4	7.1	6.0	1.2	7.7
Uruguay	0.5	0.1	0.7	0.7	0.2	1.0	0.8	...	0.8	1.0	...	1.0
Subtotal	8.6	2.9	11.8	11.8	4.1	16.4	13.4	4.3	18.3	15.2	6.2	22.1
Bolivia, Ecuador, Trinidad and Tobago and Venezuela	2.7	1.0	3.7	7.2	7.3	14.5	10.5	10.8	21.3	14.2	13.7	28.0
Other Latin American countries c/	3.1	-	3.2	6.4	0.6	7.3	8.0	1.4	9.7	9.0	1.2	11.0
Total Latin America	36.6	18.8	55.4	72.5	34.6	109.0	94.5	39.4	135.3	111.3	54.3	167.2
Latin America, excluding four oil-exporting countries	33.9	17.8	51.7	65.3	27.4	94.6	84.0	28.6	113.9	97.0	40.5	139.1

Source: World Bank, World Debt Tables, 15 November 1980; BIS, Annual Report, June 1980; IMF, International Financial Statistics, May 1960; and CEPAL estimates.

a/ Refers to outstanding debt actually disbursed.

b/ Includes debt with IMF.

c/ Excludes bank debt of Panama because it is a financial centre.

/Actually, indebtedness

Actually, indebtedness is beginning to spiral, and the proportion of new credits which must be allocated to the payment of former debts is increasing. This situation makes the economies of the debtor countries highly vulnerable in that they depend on their exports and on the granting of new credits - two operations which they only partly control - to make their annual debt payments. The fact that in some countries it is already necessary to earmark over 35% of exports for payment of the debt is an indication of the gravity of this new vulnerability, which is not confined to foreign relations but also influences domestic policy, making it necessary, for example, for economic activity to concentrate on exports.

Sight should not be lost of the fact that the deficit in the balance of payment on current account of the Latin American non-oil-exporting countries is partly the inevitable result of the persistent surplus shown by the oil-exporting countries. Thus, so long as the world situation is one of big current imbalances, it is vital for some groups of countries to put themselves heavily into debt while others establish a credit position which grows increasingly stronger year after year. To the extent to which some deficit countries are trying to apply policies to reduce their deficit and hence the growth rate of their external debt, they will probably only succeed in passing the problem along to other countries without solving it globally at world level. Moreover, the responsibility for the adjustment should be shared by the countries with surpluses. In this connexion, in evaluating the situation of each individual country, it is necessary to bear in mind its role in the international situation. Although it is not easy to include this factor in the assessments of solvency made by private institutions, international financial institutions must consider it and act accordingly. Naturally, this does not mean that individual deficit countries may opt out of the problem of adjusting their balances of payments, but it does mean that responsibility for it must be viewed in a world perspective. Consequently, if any kind of co-operation between private international banks and IMF is arranged, there is no justification for applying terms for the granting of credits similar to those applied in the past in respect of the economic policy of those countries. Current indebtedness is basically more the result of the difficulties encountered by the international economy than of domestic policy contingencies of individual countries.

A more radical solution to the problem of petroleum surpluses and one which would be enormously helpful to developing countries would be the establishment of new forms of recycling which would tie the credits of the oil-producing countries to the implementation of development programmes. At regional level, the agreement between the Government of Mexico and the Government of Venezuela for supplying the Central American and Caribbean countries with petroleum represents substantial progress in this direction. In August 1980, both governments decided to take responsibility for supplying these countries 48/ with petroleum and financing its payment. Under this scheme, they will allocate up to 160 000 barrels a day and will grant credit for 30% of the value, which will be paid over a period of 5 years

48/ Barbados, Costa Rica, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, Panama and the Dominican Republic.

/at 4%

at 4% annual interest; but if these resources are granted to finance development projects, the payment period will be 20 years and the annual interest rate, 2%. In terms of the current price of petroleum at the end of 1980, this means that close to US$ 700 million would be granted annually for such purposes.

In summary, during the 1980s the region will require enormous amounts of resources to redress it balances of payments and make the tremendous investments required for its development. To meet this objective, there will be need for: (i) a sharp increase in transfers of official resources, particularly through public institutions, in order to make available at long term the funds required to finance the transition in the enrgy field; (ii) access to private loans, particularly from new banking sources, with better payment periods and terms; (iii) new forms of co-operation among private and public international financial institutions to facilitate the channelling of resources from countries with financial surpluses towards the Latin American economies, on terms which do not prejudice the development process; and (iv) new ways and means of direct financial co-operation among the oil-producing countries and the Latin American economies. Naturally, these measures are intended not to replace but to supplement the internal efforts which the countries in the region should make to effect the adjustments which the international situation calls for and to make the changes needed for satisfactory economic and social development.

2. Monetary policies

There is international consensus that "in order to create conditions more favourable to the development of the developing countries and the growth of the world economy in general, efforts to increase the responsiveness of the international monetary system to the needs and interests of the developing countries should be intensified through further reform of the system to be pursued and carried out expeditiously early in and throughout the Decade to the benefit of the entire international community" (para. 115 of the International Development Strategy for the Third Decade). In spite of this expression of willingness from the part of developing and developed countries, the reform of the international monetary system is still bogged down.

In spite of the efforts made to reach an international agreement concerning the possibility of establishing a substitution account, this account has not materialized. The substitution account would make it possible to absorb with no big fluctuations in the exchange rate, any convertible currency balances which countries with such balances might wish to exchange voluntarily for special drawing rights (SDRs). It would be of great significance for the development of the monetary system in that it would make it possible to reduce fluctuations in the exchange rate and would facilitate the growth of international trade. The absence of an agreement on the costs distribution and, in particular, on the responsibility to be assumed by the country issuing the currency fed into the account has, however, paralysed the discussions.

Moreover, the adjustment process is still asymmetrical, and the deficit in developing countries, although they have access to external indebtedness, will probably as things now stand, sooner or later have to make a bigger effort to

/adjust their

adjust their economies. Thus, it is still important to seek mechanisms which distribute the weight of this adjustment among countries with surpluses and those with deficits in their balances of payment on current account. One way of creating incentives to move in the appropriate direction would be to establish a link between the allocation of SDRs and the adjustment in the surplus countries. For example, for countries whose net reserves exceed a said percentage of their imports and are growing faster than a certain fixed rate, future allocations of SDRs might be reduced and even eliminated. Of course, a scheme of this kind could operate only in an international monetary system in which all countries made their payments in assets other than their own currency. Otherwise, countries issuing reserve currencies, whose number is growing, would have an advantage over the others in the adjustment process.

Just as there is now a problem of currency substitution there is also a problem of external debt. It might be worth giving serious consideration to the advisability of establishing a "refinancing service", as an institution in which IMF and the World Bank would participate jointly. This service might operate on the basis of voluntary access for those countries which meet certain objective conditions made known in advance, while the amount and terms of the refinancing granted would be studied case by case. In developing countries, a service of this type would be a natural counterpart to a substitution account and would make it possible to lighten the external obligations of countries with reserve currencies.

Finally, the time may have come to reconsider formulas for greater monetary and financial co-operation in the Latin American sphere. The machinery for compensating reciprocal balances of trade and credit have operated satisfactorily for over a decade, as have the more limited arrangements for balance-of-payments support. It would be appropriate now to consider new steps in this direction with a view ultimately to setting up a network of financial security which would make it possible to mitigate, at national and regional level, the present uncertainties.49/

49/ See CEPAL, Posibles características de una Red de Seguridad Financiera para América Latina, E/CEPAL/1009, Santiago, Chile, 31 July 1975.

III. ECONOMIC RELATIONS AND CO-OPERATION WITH OTHER GEOGRAPHICAL AREAS

A. UNITED STATES

1. Background

Between 1970 and 1978 total imports of goods of the United States grew from US$ 42 billion to US$ 183 billion, so that country's share of imports in gross national product doubled, rising from 4.3% in 1970 to 8.6% in 1978. Even without taking account of petroleum imports, the value of which has risen spectacularly since 1973, the coefficient for the remaining imports rose from 4% in 1970 to 6.7% in 1978.

Within the context of this greater commercial openness, the participation of Latin America (excluding Venezuela) in the total imports of the United States has shown moderate annual variations (from 10.8% in 1970 it rose to 11.1% in 1975 but fell to 10.4% in 1978), which reflects a growth rate very close to the one shown for total imports and to the average growth rate of imports from other developing areas (see table 27). A significant characteristic of the evolution of Latin American trade with the United States has been the greater participation of exports of manufactures; an examination of the composition of total imports by the United States according to main areas of origin will show that the percentage of manufactures in imports from Latin America increased significantly in the past three years by comparison with 1970. Thus, the relative weight of basic commodities in those imports was in the process of decreasing during the 1970s, and this decrease accentuated from 1974 owing to the higher price of fuels (see table 28).

It will be noted that this increase in the relative share of manufactures in imports to the United States from Latin America took place some years before that country put its Generalized System of Preferences into effect, so that it is probably largely the result of the promotion efforts made by Latin American exporters as well as of the process of openness referred to above. It should, however, be pointed out that new elements have emerged in certain aspects of the commercial policy of the United States and other elements have become more pronounced, resulting in an increase in its protectionist tendencies. If this process continues, it will not be possible to extend to the developing countries, and particularly to Latin America the benefits derived from the growing openness to international commerce of the United States economy. If, on the other hand, it were possible to increase trade between the two regions, the benefits would be reciprocal, especially in terms of economic growth and reducing inflation.

/Table 27

Table 27

UNITED STATES: TOTAL IMPORTS BY ORIGIN, 1970-1978

(Billions of dollars)

	1970	1972	1975	1978	Percentage composition 1970	Percentage composition 1978	Index for 1988 (1970=100)
World	42.5	58.9	103.4	183.4	100.0	100.0	431.0
1. Industrial countries	28.9	40.2	55.2	96.7	68.0	52.8	335.0
EEC (nine countries)	9.8	13.2	17.8	31.0	23.1	16.9	316.0
Canada	11.8	15.8	22.8	34.6	27.7	18.9	294.0
Japan	6.2	9.6	12.3	26.5	14.7	14.4	424.0
2. Developing countries (OPEC countries excluded)	9.4	12.5	24.6	44.0	22.2	24.0	466.0
Latin America a/ (Venezuela excluded)	4.6	5.6	11.5	19.0	10.8	10.4	415.0
Asia (OPEC countries excluded)	3.5	5.3	9.0	20.0	8.2	10.9	578.0
Africa (OPEC countries excluded)	0.7	0.8	1.9	2.7	1.7	1.5	379.0
3. Oil-exporting countries	1.7	2.7	18.0	32.4	3.9	17.7	1 952.0
4. Other countries b/	2.5	3.5	5.6	10.0	5.8	5.5	400.0

Source: International Monetary Fund (IFM), Direction of Trade, 1970-1978.

a/ Excludes some of the countries designated by IMF as "developing America".

b/ Includes European countries not in EEC, Australia, New Zealand, South Africa and the centrally-planned economies.

/Table 28

Table 28

UNITED STATES: STRUCTURE OF TOTAL IMPORTS

(Percentages)

	World	Member countries of the OECD	Developing countries	Latin America a/
1970				
Commodities	33.5	25.1	50.6	65.7
Fuels	7.7	4.1	18.3	21.4
Manufactures b/	58.8	70.8	31.1	12.9
1972				
Commodities	29.3	24.4	40.5	59.6
Fuels	8.6	4.4	20.8	20.7
Manufactures b/	62.1	71.2	38.7	19.7
1975				
Commodities	23.9	23.6	23.2	42.9
Fuels	27.2	9.6	52.9	35.4
Manufactures b/	48.9	66.5	23.9	21.7
1978				
Commodities	17.6	23.6	15.3	42.9c/
Fuels	28.6	8.5	53.3	36.5c/
Manufactures b/	53.8	67.9	31.4	20.6c/

Source: Organization for Economic Co-operation and Development (OECD), External Trade Statistics, Series C. Trade by Commodities, various years.

a/ Covers 24 countries.

b/ Excluding chapters 67 and 68 of the Standard International Trade Classification (SITC) which were added to the group of commodities.

c/ 1977.

/In the

In the next few years it will be necessary to boost and reinforce the negotiations engaged by the region, in the appropriate forums, in order to solve outstanding difficulties in its economic relations with the United States. One top priority topic should be the reduction and elimination of the tariff and non-tariff barriers which Latin America's exportable products meet with an entry to the United States market; another topic involves the activities indispensable for increasing product coverage and making that country's GSP more flexible, simultaneously avoiding the introduction of the "graduation" principle. It would also be important for the United States to adopt measures aimed at reducing fluctuations in commodity prices, and in the export earnings of the developing countries. Support to the commodity agreements being considered in UNCTAD as part of the Integrated Programme for Commodities would be fundamental here.

2. Some specific aspects which affect trade relations

Some of the most important problems which arise in the trade relations between Latin America and the United States are reviewed below.

Among recent events of the greatest importance is the modification of the legislation which excluded Ecuador and Venezuela from benefiting from the Generalized System of Preferences. Another was the decision by the United States to sign the International Sugar Agreement, which brought into force the clauses establishing the system of receipts for the stock-financing fund. However, up to the end of 1980 the United States had not signed the International Cocoa Agreement. On the other hand, although the United States Trade Agreements Act (1979), which brought into force the results of the Multilateral Trade Negotiations (MTN) and the agreements adopted in the Tokyo negotiations contributed to standardizing and giving greater clarity to the instruments of non-tariff protection, it practically did not restrict their use and in fact consolidated a procedure the results of which have been adverse for the countries of Latin America.

As has already been said in chapter I as regards the agreements negotiated in Tokyo on non-tariff barriers, particular aspects of the application of these agreements by the United States, in accordance with the provisions of the above-mentioned Trade Agreements Act of 1979, must be briefly reviewed here. As regards the agreements on subsidies and countervailing duties, a "causal link" requirement is introduced between imports of supposedly subsidized merchandise and the "material injury" to national industry because of these imports; however, no type of weighting is established between the different possible injurious factors (the causal link is not required to be principal, substantial or even significant), thus facilitating the task of proving that such a link actually exists.

/As regards

As regards the anti-dumping agreement, the application of a clause similar to the above-mentioned on the "causal link" actually constitutes a step back compared with pre-existing legislation, according to which proof of the "principal cause" of the injury was required before anti-dumping rights were applied. The discretionary faculty of the President of the United States as regards non-tariff barriers was not extended. And lastly, although the agreement on "customs valuation" means that the United States has given up the system known as the American Selling Price as the basis for determining the customs tariffs for certain products (benzene chemicals, plastic or rubber footwear, tinned clams and some gloves and ball-bearings), the effect of the measure was countered by the simultaneous readjustment of the ad valorem duties on such products, so that the application of the Agreement did not mean a reduction of the duties prior to the Tokyo negotiations.

As regards tariff concessions, it is hardly probable that the reduction of United States tariffs resulting from the MTN significantly benefits Latin America's exports and global economic position. This is partly due to the fact that there continued to be a wide spread in United States customs tariffs, and therefore numerous products which the region exports continue to be subject to high duties, as has already been said. The United States also required the developing countries, as a reciprocal measure, to grant tariff reductions and other types of concessions. Numerous Latin American countries therefore granted tariff advantages to lists of products presented to them by the United States, as the condition for taking advantage of the tariff reductions of that country, even in the case of tropical products.

Also, as was observed on a previous occasion,50/ the positive impact in the developing countries of the tariff reductions agreed up by all the developed countries was reduced because: (i) in primary goods - chapters 0 to 24 of the Brussels Tariff Nomenclature (BTN) - whose total value of imports exceeded US$ 10 000 in 1976, tariff cuts only amount to 1.3%; (ii) tariff cut undermined the advantages arising out of the Generalized System of Preferences; (iii) textile products were excluded from any tariff concession, and (iv) the consolidation and strengthening of non-tariff barriers as an instrument of protectionism of the developed countries, including the escape clause, stressed the secondary role of tariffs.

Lastly, in another important area, the United States has insisted on the need for the developing countries to adhere to the agreements adopted at the Tokyo negotiations, stating that it will apply the obligations involved on an equal basis to all countries, but will only extend the benefits to those signing the agreements. As regards the agreement on subsidies and countervailing duties it has gone further by saying that it will not apply its benefits to the developing countries adopting it if they have not previously undertaken to eliminate the export subsidies which they grant.

50/ See CEPAL, América Latina en el umbral de los años 80, E/CEPAL/G.1106, Santiago, Chile, 1979, pp. 116 to 133.

In Latin America, Brazil and Uruguay have already accepted this undertaking and other countries are considering doing so in the near future (including, Argentina, Colombia, Mexico and Peru; Chile for its part has declared that it does not subsidize exports).

As regards the Generalized System of Preferences (GSP), the modifications resulting from the Trade Agreements Act of 1979 relate to: (i) rules of origin, in the case of goods from associated countries; (ii) the competitive need role;(iii) the "graduation" principle; and (iv) the conditional inclusion in the system of the OPEC member countries.

As regards the first point it was arranged that preferential treatment will be extended to goods from countries belonging to a trade association when a minimum of 35% of their value added originates in one or more of the member countries of that association; previously this minimum was 50%. A more flexible definition of the term "association of countries" allows both the Central American Common Market and the other subregional integration systems to be considered in this category. At the same time, such associations of countries will be considered as a single country for the purposes of the application of the "competitive need" rule.

As regards this "competitive need" rule,51/ the 1979 Trade Agreements Act aimed at a more flexible delimitation of a situation which was harmful to the countries benefiting from the GSP. It was decided that the rule will only come into force where annual imports of the products in question from a specific country exceed a sum in money which will be fixed annually and which for 1980 was set at US$ 1 million. The efficacy of this measure is undermined by the low ceiling set.

The third point is the introduction of the concept of "graduation" in the benefits of the GSP. Starting from the assumption that not all developing countries need these benefits to an equal extent, the United States Government has proposed that the concession of these benefits should be graduated according to the real needs of the developing countries. Although this concept has not yet been specifically formulated in the main international forums, it has been put forward that there are developing countries which, owing to the level of industrialization achieved, no longer require special and differentiated treatment. The contrary position of Latin America is very clear in this respect, and is based on the principle that support to the least advanced countries should not be granted to the detriment of the interests of other developing countries. Experience has also shown in the application of the competitive need rule, that the exclusion of products and countries has not meant that the least advanced countries profit from the system, since they lack the means to produce for the external market.

51/ It will be recalled that this rule indicates that a country cannot benefit from the GSP for a specific product when its exports exceed 50% of total United States imports during the previous year.

/Lastly, the

Lastly, the amendment introduced by the 1979 Trade Agreements Act to extend preferential treatment to the member countries of OPEC, makes this extension conditional on the negotiation of agreements of specific products between the United States and the country concerned, and authorizes the President to terminate this concession if the counterpart country interrupts the supply of petroleum or petroleum products to the United States. Under this amendment and the negotiation of the respective agreement, Ecuador and Venezuela were incorporated into the GSP of the United States. Cuba continues to be excluded from it for other reasons.

Exports of manufactures by developing countries have to overcome numerous internal and external difficulties in order to be able to compete with those produced in the industrialized economies and in order to have access to the international markets. An additional element, which is seldom given adequate consideration and which assists the exports of manufactures of developed countries to the real and potential disadvantage of the industries located in the Third World, is the credit to export activity granted in these countries. This credit is generally more favourable than is normal in terms of deadlines and interest payments.52/ It is interesting to note that while this is taking place, it is a paradoxical fact that the central countries can apply countervailing duties to the exports of developing countries in order to restrict entry to their markets, on the grounds that they are subsidized.

3. Financial relations

To conclude this review of relations with the United States it seems useful to refer also to certain financial aspects which supplement the points already commented on in general terms in the section on external financing. Firstly, mention must be made of the large increase in 1978 and 1979 in the current account balance-of-payments deficit with Latin America, although in these two years the trade balance (exports of goods less imports of goods, from the standpoint of the United States) recorded a deficit for this country, which was not the case in most of the previous years (see table 29).

Secondly, from the structure of gross financing it may be confirmed, as has already been said, that it has undergone a spectacular turn-about, since in recent years private financing has exceeded that containing any

52/ In the case of the United States, financing for exports by the Overseas Private Investment Corporation (OPIC) accounted for a total value of US$ 4 billion in the last five years (see United States Department of Trade, Business America, 5 May 1980, pp. 20-22). A programme begun in 1980 allows small and medium-sized enterprises to obtain financing for exports of up to US$ 500 000. Mention should also be made of export permits financed through EXIMBANK, which have grown very rapidly from a level of US$ 700 million in 1977 to 2.9 billion in 1978 and 3.7 billion in 1979. For 1980, the overall amount budgeted was US$ 5.1 billion.

/Table 29

Table 29

UNITED STATES: INTERNATIONAL TRANSACTIONS WITH LATIN AMERICA AND THE CARIBBEAN[a/]

(Millions of dollars)

	1970	1972	1975	1976	1978	1979
Exports of goods and services	10 395	11 200	25 448	26 516	38 179	50 872
Imports of goods and services	-8 407	-9 859	-21 384	-22 887	-31 341	-42 592
Balance on current account	1 466	821	3 412	2 875	6 016	7 260

Source: United States Department of Trade, Survey of Current Business, September 1980 and earlier issues.

a/ The statistics for the United States include the Latin American republics and the rest of the Western hemisphere, excluding Canada.

/concessionary element

concessionary element - such as government financing - and at the beginning of the 1970s and in previous years accounted for around 20% or more of this total (see table 30).53/

Within non-concessionary long-term financial flows, direct foreign investment plays an important role. From the figures of table 30 quoted above it can be seen that in 1978-1979 direct investments by the United States in Latin America underwent a significant increase compared with the amounts which had been recorded in the immediately preceding years, and that they recovered a relative importance similar to that of 1970 within the capital flow.

B. THE EUROPEAN COMMUNITIES 54/

1. General aspects

One of the characteristic features of Latin America's trade relations with the EEC since the postwar has been the lack of dynamism of the Community market *vis-à-vis* Latin American exports. The main reasons for this which have had an adverse influence have been on the one hand protectionist trade measures and the Community's common agricultural policy, and on the other hand, the granting of preferential régimes to a large number of developing and some developed countries. These policies have adversely affected Latin American exports of commodities and manufactures. As the figures of table 31 show, the growth of Community imports from Latin America has been relatively low compared with imports from other developed and developing areas; consequently, their relative share in total Community imports declined from 3.7% to 2.7% between 1970 and 1978, taking as a base total imports, or from 7.2% to 5.4% when trade within the Communities is excluded from this total. Obviously, this trade continued to absorb an increasingly large quota of total trade, not only as a result of the different measures for improving the Common Market, but also as a consequence of the extension of the geographical range of this trade with the incorporatior of new members.

The structure of Community imports from Latin America have undergone small changes. The importance of the group of commodities is much greater than in the case of United States, while that of manufactures, despite the growth shown, continues to have a relatively modest share, considering the proportion which these products already represent in total Latin American exports. The quota of fuels in imports from Latin America has tended to remain relatively constant (see table 32).

53/ Exports of capital and annual United States transfer payments have been considered for this purpose instead of capital account balances, because the percentage structure of the financing which flows into the region is of interest.

54/ See in this regard the recent document of CEPAL, *The economic relations of Latin America with Europe*, Cuadernos de la CEPAL series, E/CEPAL/G.1116, October 1980.

/Table 30

Table 30

UNITED STATES: STRUCTURE OF GROSS FINANCING TO LATIN AMERICA AND THE CARIBBEAN

	1970	1972	1975	1978	1979
Total (millions of dollars)	2 506	3 016	12 521	17 107	15 988
Percentage distribution					
1. Unilateral transfers (excluding military transfer payments)	20.8	17.2	5.2	4.8	6.4
2. Net government flows etc.	20.2	15.2	6.6	2.5	1.9
3. Net private flows	59.0	67.6	88.2	92.6	91.7
Of which:					
Direct investment	23.9	9.2	10.8	24.6	25.3
Banking operations	15.0	49.0	72.2	61.1	66.0

Source: Survey of Current Business, op.cit..

/Table 31

Table 31

EEC: TOTAL IMPORTS ACCORDING TO ORIGIN, 1970-1978

(Billions of dollars)

	1970	1972	1975	1978	Percentage breakdown 1970	Percentage breakdown 1978	Index for 1978 (1970 100)
World	116.5	154.7	301.2	463.2	100.0	100.0	397.0
1. Industrialized countries	81.8	109.8	202.6	322.2	70.2	69.6	394.0
EEC (Intra-area trade)	56.9	80.8	148.0	236.3	48.8	51.0	415.0
United States	12.3	12.9	24.8	35.5	10.6	7.7	289.0
Canada	2.9	2.8	4.4	5.1	2.5	1.1	173.0
Japan	1.6	3.0	5.9	11.1	1.4	2.4	672.0
2. Developing countries (excluding OPEC countries)	12.5	14.2	26.4	42.7	10.7	9.2	343.0
Latin America a/ (excluding Venezuela)	4.3	4.8	7.7	12.3	3.7	2.7	289.0
Asia (excluding OPEC countries)	2.6	3.6	7.9	14.3	2.3	3.1	546.0
Africa (excluding OPEC countries)	4.5	4.7	8.1	11.6	3.8	2.5	259.0
3. Oil-exporting countries	9.3	13.2	40.5	47.7	8.0	10.3	513.0
4. Other countries b/	12.9	17.5	31.7	50.6	11.1	10.9	392.0

Source: International Monetary Fund (IMF), Direction of Trade, 1970-1978.

a/ Excluding various countries which IMF describes as developing America.

b/ Including other European countries, Australia, New Zealand, South Africa and the centrally planned economies.

Table 32

EEC: STRUCTURE OF TOTAL IMPORTS

(Percentages)

	World	Member countries of OECD	Developing countries	Latin America a/
1970				
Commodities	38.9	33.9	52.1	89.4
Fuels	10.7	3.4	39.7	5.8
Manufactures b/	50.4	62.7	8.2	4.8
1972				
Commodities	35.0	31.8	42.3	88.2
Fuels	11.7	6.2	46.1	4.6
Manufactures b/	53.3	62.0	11.6	7.2
1975				
Commodites	30.8	31.2	27.7	79.3
Fuels	19.5	6.2	60.6	10.0
Manufactures b/	49.7	62.6	11.7	10.7
1977				
Commodites	29.7	28.9	31.1	81.6
Fuels	18.3	6.1	54.3	6.2
Manufactures b/	52.0	65.0	14.6	12.2

Source: Organization for Economic Co-operation and Development (OECD), External Trade Statistics, Series C, Trade by Commodities, various years.

a/ Including 24 countries.

b/ Excluding chapters 67 and 68 of the Standard International Trade Classification (SITC) which were added to the group of commodities.

As regards the common agricultural policy, the EEC has maintained its intransigent position that the instruments it uses are not negotiable, even when their application requires a complex system of variable tariffs on imports, quantitative restrictions and even absolute prohibitions, as was the case for some time with imports of meat. This is apart from the fact that the EEC common agricultural policy creates surpluses which are heavily subsidized and offloaded on the world market.

This not only depresses the prices of the international market but also takes markets from other exporters, particularly developing countries other than the ACP countries, which have comparative advantages but are not in a position to compete with subsidized exports. In this regard, the adoption of a programme for the gradual elimination of the constraints of the common agricultural policy will be a matter of high priority in the negotiations with the EEC, as far as possible starting from a common Latin American position.

2. The EEC special preferences

A previous document analized the preferential systems that the EEC maintains with the ACP area (countries of Africa, the Caribbean and the Pacific) and with other countries of Europe and the Mediterranean basin.55/ The most important instrument regulating these relations is the Lomé Agreement of which the nine members of the Community and 58 countries of the ACP area are part. It is of interest to comment here on the most important aspects of the new Agreement (Lomé II) signed on 31 October 1979.

Access to the EEC market for the products of the signatory countries is unlimited except for goods subject to the Community's common agricultural policy for which there is a system of quotas based on guarantees for purchases at predetermined prices; at the present time, these quotas operate for sugar, beef and rum. For other less important products (tomatoes, onions, certain fruit juices and conserves, etc.) the variable duties have been cut.

For manufactures, in addition to an escape mechanism applicable in cases of imports of goods from the ACP area causing serious upsets in internal manufacturing sectors, there are also norms of a relatively strict nature which require that no more than 40% of the total value added should originate in countries which are not members of the Agreement. In the Lomé II Agreement these norms were eased for the less advanced countries.

As regards the sum of total assistance, it has doubled, increasing from US$ 3.5 billion to 7 billion for the period 1980-1985 under the Lomé II Agreement. Of this sum 10% is earmarked for refinancing the stabilization facility for export earnings (STABEX) which aims at offsetting under certain conditions the decline in the export earnings of the signatory countries.

55/ See CEPAL, América Latina en el umbral de los años 80, op.cit., pp. 182 to 188.

Under the new agreement, ten new products (including rubber, cotton seeds and oil cakes) have been added to the original list of goods included in the STABEX, which now covers 44 commodities. The 7.5% requirement 56/ was reduced to 6.5% and to 2% in the case of the 47 least advanced, landlocked or island countries. The transfers of funds under STABEX are transfer payments in the case of the least developed countries, and interest-free loans for the rest.

A significant element of the Lomé II Agreement is the incorporation of a new system, called MINEX, to offset the drop in output of mineral products. The most noteworthy difference compared with STABEX is that the machinery offsets, by means of very low interest loans, the drops in production and not in the export earnings of the main mineral products exported by the ACP countries, (copper, cobalt, phosphates, manganese, bauxite and aluminium, iron ore and tin), which in the majority are excluded from STABEX. The system is applied when production of one of these products in some signatory country falls by more than 10% below the average of the previous four years and provided that this product accounts for 15% of the total exports of that country. It is also stipulated that the special loans should be earmarked for projects the aim of which to reconstitute capacity of production affected by domestic or external reasons.

Other provisions of the Lomé II Agreement include new forms of co-operation in sectors such as industry, agriculture, fisheries and natural resources.

3. The generalized system of preference of the EEC

The generalized system of preferences of the EEC has also been analysed in earlier documents, which have indicated its consequences for the Latin American countries. It was also observed that the GSP was mainly incorporating the changes which favour the relatively less developed countries, a trend which has continued in recent years.

It is of interest to recall that the generalized system of preferences of the EEC has had as its main object to favour the exports of manufactures and semimanufactures from developing countries, rather than agricultural products; these exports have been discouraged by the Community's common agricultural policy.57/ Despite this, for the import of manufactures

56/ According to the terms of the Lomé I Agreement, the export product must account for at least 7.5% of the total exports of a specific country, while the drop in earnings must be higher than 7.5% of the average for the last four years in order for the affected countries to be able to take advantage of the STABEX benefits.

57/ In any case a list is in force of the 312 agricultural products not included in the EEC common agricultural policy, and with unlimited preferential access. For another four products considered "sensitive" (soluble coffee, tobacco, cocoa butter and tinned pineapple) the preferencial access is subject to quotas.

included in the GSP (except textiles) there are restrictions in the form of tariff quotas and ceilings for products described as sensitive and semisensitive, which prevent the entry of duty-free goods once the established ceilings have been reached. There is an additional restriction which establishes individual limits for beneficiary countries ("butoirs") which are expressed in percentages of the general limit admitted. Lastly, there is a long list of products subject to special surveillance, the object of which is the rapid suspension of preferential treatment in cases in which the fixed quota is exceeded.

The modifications adopted in recent years 58/ have not much altered the importance of the Community's GSP for the region, although progress has been registered such as an appreciable cut in the list of "sensitive" products and an increase in the preferential quota for textiles. The need to improve the scheme of this GSP will continue to be one of the top priorities in the relations between Latin America and the EEC. This improvement should include the following points: extension of the quotas for products regarded as "sensitive" and "semisensitive"; inclusion of a larger number of agricultural products in the system; extension of their margin of preference, which in some cases is very small, and increase of the quotas in cases in which they apply to agricultural products.

4. Financial relations

The European Economic Community, like the United States and the group of developed countries in general, has intensively modified the structure of its financing to Latin America. The strong tendency for this financing to come from the private sector and the consequent increase in non-concessionary sources are two closely-linked features of this transformation.

The general policy, common to all the member countries of OECD, has been to redirect concessionary funds towards the peripheral countries with lower per capita income levels, and this has adversely affected Latin America in the developing world in general. Conversely, non-concessionary resources have been directed at peripheral countries with a higher per capita incomes. This explains the increase in these flows towards Latin America, particularly towards the "large" and some of the "medium-sized" countries in terms of population and magnitude of global product.

The data available, classified by geographical destination and compiled by OECD only cover the period 1971-1976, but show a trend which in general terms has not changed substantially in recent years. The non-concessionary flows contained in these figures also exclude the short-term capital movements which have spread so much in the period under analysis and which are not covered by the figures under discussion. However, the tendencies indicated are sufficiently significant to materialize despite these shortcomings in the figures.

58/ Excluding the modifications anticipated in the new rules adopted at the end of 1980 and published in the Official Bulletin of the Communities (L.354 of 20 December 1980).

/Between 1971

Between 1971 and 1976, total net inflows of capital to Latin America covered by the OECD statistics and originating in the European Economic Community rose from US$ 898 to US$ 2 800 million at current prices of each year. Official development aid from same origin and with the same destination rose from US$ 131 to US$ 318 million during the period considered. Consequently, non-concessionary sources increased from US$ 767 to US$ 2 481 million. It may be noted in passing that if this evolution is compared with that undergone by flows of the United States financing to Latin America, it may be seen that the drop in official development assistance originating in the European Economic Community had been less restrictive than that recorded in the same item from the United States.

5. Some guidelines for the Latin American - EEC dialogue

A rather discouraging picture with few prospects of short-term improvement emerges from all the above. The Latin American countries should make an adequate use of their bargaining power *vis-à-vis* the EEC so as to avoid the discriminatory and the protectionist trends mentioned earlier from continuing to materialize and become stronger in the future.

Among the elements which may serve as a basis for a possible dialogue with the EEC the following may be mentioned:

(i) the contradiction between the lack of dynamism in trade relations and the notable and growing interest in the Latin American market shown both by the industrial enterprises and the European financial institutions;

(ii) the need to increase the low participation of manufactures in European imports from Latin America, which is equivalent to slightly over half of the corresponding figure for the United States and is nearly five times less than in ALADI (ex LAFTA) intra-area trade;

(iii) the need for global negotiations, covering trade in both directions and financial flows;

(iv) the need for deep-seated changes in the discriminatory policies reviewed above, particularly as regards protectionism and the common agricultural policy.

In any case, it should be noted that the Latin American countries and the Community have been holding consultations to expand their trade relations and their economic co-operation using the institutional structure set up for this purpose (the Euro-Latin American Dialogue). The ministers of foreign affairs of the countries of the Cartagena Agreement and the countries of the Community held a meeting at the beginning of May 1980, at the conclusion of which a joint declaration was adopted in which the principles and objectives which will guide the action of the participants in their mutual relations are defined; in mid-June the first meeting of negotiations for a framework agreement for economic co-operation between the Community and the Andean Group was held. Lastly, some bilateral and non-preferential trade agreements between the Community and Brazil, Mexico and Uruguay are in operation.

/6. Spain's

6. Spain's entry to the EEC and the relations of Latin America with Spain and their prospects

(a) General considerations

The entry of Greece to the EEC, in force as from 1 January 1981, and the possible subsequent entry of Spain and Portugal will mean an important change which will influence the relations between the EEC and Latin America, particularly because Greece, Spain and Portugal are three countries with characteristics very similar to those observed in Latin America.

Spain, because of the traditional links with the Latin American subcontinent, certainly constitutes the country of most importance for the region among the future new members of the EEC. The recent incorporation of Spain into CEPAL makes it advisable to venture some comments on the economic relations between Latin America and Spain and their prospects.

Between 1965 and 1978 Latin America's share of total imports fell slightly from 8.7% to 8.2%. At the same time, the mass of the increase in Spanish imports was absorbed by the oil-exporting countries, which increased their share from 8.2% to nearly 26%. However, for the group of developed-market economy countries, there was a sharp drop between the two years considered (from 76.7% to 58.5%). In other terms, Latin America, having practically maintained its relative share in Spanish imports, despite its low quota in fuels (less than 10% in 1978), gained ground under difficult conditions compared with the other regions of the world, with the exception of those which exported fuels to Spain at a steeply increasing price.

As regards Spanish exports, the Latin American market lost relative importance between 1965 and 1978, dropping from 12.6% to 9.4%. There was a boom in Spanish exports to the EEC markets (from 36.2% they increased to 46.3%),59/ those of the Middle East (they rose to 6.5% from 2.7%) and those of Africa (they rose to 11.4% from 5.8%).

Although Latin America had a larger percentage of total Spanish exports than imports, the trade balance was favourable to the region throughout the period under analysis. This phenomenon can be explained by the fact that Spain maintains a systematic global trade deficit, which is partly offset by its earnings from tourism and remittances by immigrants.

The structure of Spanish-Latin American trade is highly asymmetrical; manufactures accounted in 1978 for only 6.7% of Latin American exports, a much smaller percentage than observed in exports to the world as a whole, while in the other direction its share was 92%. Primary products, however, accounted for 7.9% of Spain's exports to Latin America, and 84% of Latin America's exports to Spain. The latter figure is far higher than the share of total primary products in Latin American exports to the world.

59/ It should be recalled that between these two years the EEC grew in size with the incorporation of Great Britain, Denmark and Ireland.

/In 1978,

In 1978, Spain's exports mainly went to Venezuela, Argentina, Mexico, Brazil and Cuba; these five countries accounted for 67% of the total of Spain's exports to the region. They concentrated the mass of Latin America's exports to Spain (75%) to an even larger extent. Brazil, with 63 million dollars, accounted in 1977 for 3.6% of Spain's total imports, i.e., more than Japan or the total of the countries with centrally-planned economies.

When the incorporation of Spain into the EEC becomes official, various phenomena will be generated in its trade with Latin America, noteworthy among which are the following:

(i) When the tariffs between Spain and the EEC disappear there will be a diversion of trade towards the countries of the Community which will logically affect the rest of the world, including Latin America.

(ii) When Spain adopts the EEC common external tariff, which is lower than its own, it should increase its trade with the rest of the world including Latin America.

(iii) As a result of its entry to the EEC, Spain will come to form part of the Lomé Agreement, i.e., it will link its trade with 58 countries of Africa, the Caribbean and the Pacific under special conditions. This is unfavourable for Latin America.

(iv) Spain is not among the countries which grant tariff preferences to imports from developing countries; however, its entry to the EEC will mean adopting the Community's GSP, which to some extent will benefit Latin American exports.

(v) According to the EEC common agricultural policy, Spain will have to discriminate against products which are of interest to Latin American exporters and are incorporated in the system (particularly wheat and other cereals, meat and sugar).

(vi) Lastly, the most important effect could be the result of the advantages which Spain acquires vis-à-vis Latin America in those manufactures in which there is present or potential competition for entry to the EEC market. Among these mention may be made of textiles, footwear, steel, electronic products, transport material and some chemical products. Spain's advantages will not merely be of a tariff nature, although these should not be underestimated, but will also emerge from the fact that it will be closely linked to the rest of the EEC by political, economic and financial factors which, as the experience of the present nine members of the EEC have shown, make it very difficult to compete with intra-community trade.

(b) Other aspects

In the general circumstances described above, an adverse trend may be foreseen which is mainly determined by two different circumstances: (i) the rules of GATT which govern the compensations which the new expanded Community should grant for deconsolidating consolidated concessions granted by Spain under trade treaties and agreements, or under negotiations held within GATT, and (ii) the deterioration in the conditions of access (in the new Community and consequently in Spain) of Latin American exports.

/As regards

As regards the first of these it should be recalled that the articles of GATT, mainly articles XXIV and XXVIII (bearing in mind article II which deals with preferential tariff lists and margins), govern the conditions under which compensation is granted for these deconsolidations and which in fact give rise to a whole series of negotiations. The result, as was the case with the entry of the United Kingdom to the Community, it that two statistical balances or tables must be established, one on the tariffs involved in the deconsolidations and compensations, and the other on the trade covered by the items deconsolidated and those to which a compensation treatment is given. It is of no interest in the latter case if the deconsolidation (increase of the tariff) falls on a product of transcendental importance for a specific country and the compensation is granted on a product which has no possibility of being exported by it. As far as the GATT rules of the game are concerned, the compensation is, according to the terms of article XXIV and the traditional procedures of the general agreement, taken as made. In this sense, the United States is perhaps the only country which, owing to the diversification of its exports, can actually be compensated.

In addition, article XXVIII and its interpretative note at the end of the General Agreement lay down the conditions which a country must fulfil to be able to participate in these compensatory negotiations; it must:

(i) be a member of GATT (contracting party),
(ii) be an original negotiator, or
(iii) be a main exporter or supplier,
(iv) have a substantial interest in imports of this product.60/

The strictness of any of the requirements which must be fulfilled means that most of the Latin American countries are possibly excluded from these compensatory negotiations.

Going on to the second circumstance quoted above, i.e., the presumable damage which Latin America may suffer in the conditions of access to the Spanish market and the EEC, a possible first effect must be distinguished since present tariff conditions in the Spanish market are more desirable in 17 items (to 4 digits) than the conditions of the Community. Trade in 1979 (Spanish imports) in these 17 items amounted to US$ 335 million. It should also be noted that in 14 items the non-tariff situation on the Spanish market is more favourable than in the Community and that the value imported by Spain in that year was nearly US$ 500 million.

In terms of the assimilation by Spain of the tariff and non-tariff barriers for third countries, and the total elimination of difficulties in its trade with the EEC, the latter is becoming more competitive in the Spanish market. In this regard EEC exports to Spain of a value of US$ 450 million have been observed for 1977, and in the same items, US$ 66.5 million worth exported by Latin America.

60/ "Substantial interest" is defined by the share of the product in the total imports of the deconsolidating country, i.e., it is the importer's interest and not that of the exporting country which is taken into accou

/Lastly, another

Lastly, another unfavourable factor can be seen in the greater relative competitiveness Spain will acquire in the EEC market; 30 subitems (to 8 digits) have been identified in which Latin American exports to the Community in 1977 recorded the sum of US$ 753 million.

Together with the four factors of deterioration mentioned above, a favourable element must be reiterated, which is the generalized system of preferences of the EEC which Spain will adopt when it enters the expanded Community. However, owing to the nature of the products included in this system, the generally small margin of the tariff preference, the escape clauses it contains and the application of the principle of "graduation" which authorizes what is known as the habilitation clause, it is highly improbable that the application of the community GSP can offset the four types of disadvantages mentioned above.

Thus, the consequences for Latin America of Spain's entry to the EEC are very complex. At first sight, the effects vary from positive to negative, although overall they can be anticipated as being rather unfavourable for the region. It will therefore be necessary to strengthen political, economic and financial relations between Spain and Latin America in order to avoid the materialization of this apparently adverse trend.

C. EUROPEAN COUNTRIES MEMBERS OF CMEA

1. Evolution and structure of trade

Trade between the Latin American countries and the countries of Eastern Europe members of the Council for Mutual Economic Assistance (CMEA) which during many years recorded relatively small amounts of the region's total trade, has expanded considerably in recent years, mainly in terms of Latin American exports to those countries. During past decades the trade relations between the countries of these two areas were sometimes affected by prohibitions and restrictions which at times even led to interruption of existing diplomatic relations with the consequent deterioration of trade. These conditions have undergone a radical change, and at the present time there is an extensive and varied network of trade agreements, payments and economic co-operation between the countries of the two areas, which has served as an institutional framework to expand mutual trade relations.

A review of trade may be made from two different angles. It is interesting to determine how it has evolved and what position the Latin American countries at present occupy in the total trade of the Eastern European countries. It is also necessary to establish the importance of these countries in total Latin American trade and to review its prospects. Tables 33 and 34 were prepared for the first point, showing the values and percentage distribution of the total exports and imports of the Eastern European countries, by main areas of origin and destination. The most salient facts which emerge from these figures may be summed up in the

/Table 33

Table 33

EASTERN EUROPE: EXPORTS FOB, BY MAIN AREAS OF DESTINATION

(Millions of dollars)

	1960	1965	1970	1975	1976	1977	1978	1979
A. Values								
Total exports	13 187	19 939	30 895	75 730	84 743	99 786	110 950	133 976
Eastern Europe	8 062	12 443	18 363	42 075	46 416	52 805	61 090	69 727
Developed market economy countries	2 616	4 052	6 774	19 367	22 775	24 848	26 889	37 598
Developing countries	1 132	2 772	4 754	12 404	13 363	17 015	20 001	23 297
Cuba	93.7	466.3	779.5	1 834.3	2 107.4	2 680.5	...	...
Other Latin American countries	148.3	118.0	155.7	573.2	637.3	703.0	...	...
Total Latin America	242.0	584.3	933.2	2 407.5	2 744.7	3 383.5	...	...
B. Percentage distribution								
Eastern Europe	61.1	62.4	59.4	55.6	54.8	52.9	55.0	52.0
Developed market economy countries	19.8	20.3	21.9	25.6	26.9	24.9	24.2	28.0
Developing countries	8.6	13.9	15.4	16.4	15.8	17.0	18.0	17.4
Cuba	0.7	2.3	2.5	2.4	2.5	2.7	...	...
Other Latin American countries	1.1	0.6	0.5	0.7	0.7	0.7	...	...
Total Latin America	1.8	2.9	3.0	3.2	3.2	3.4	...	...

Source: UNCTAD, Statistical information on trade among countries with different economic and social systems, TD/B/615/Add.1; TD/B/656/Add.1; TD/B708/Add.1; TD/243/Supp.1; TD/B/808/Add.1, 28 July 1980.

/Table 34

Table 34

EASTERN EUROPE: IMPORTS FOB, BY MAIN AREAS OF ORIGIN

(Millions of dollars)

	1960	1965	1970	1975	1976	1977	1978	1979
A. Values								
Total imports	13 390	19 652	30 176	85 632	91 829	100 266	115 692	132 164
Eastern Europe	7 871	12 252	18 393	42 426	45 801	52 781	62 630	68 471
Developed market economy countries	2 878	4 390	7 800	30 580	33 024	32 502	36 179	44 182
Developing countries	1 277	2 437	3 493	11 372	11 786	13 328	14 822	17 311
Cuba	119.3	435.9	678.4	2 245.1	2 371.8	2 967.0	...	...
Other Latin American countries	160.0	330.0	314.2	1 517.8	1 729.8	1 592.9	...	...
Total Latin America	279.3	765.9	992.6	3 762.9	4 101.6	4 559.9	...	...
B. Percentage distribution								
Eastern Europe	58.8	62.3	61.0	49.5	49.9	52.6	54.1	51.8
Developed market economy countries	21.5	22.3	25.8	35.7	36.0	32.4	31.3	33.4
Developing countries	9.5	12.4	11.6	13.3	12.8	13.3	12.8	13.1
Cuba	0.9	2.2	2.2	2.6	2.6	3.0	...	...
Other Latin American countries	1.2	1.7	1.0	1.8	1.9	1.6	...	...
Total Latin America	2.1	3.9	3.3	4.4	4.5	4.5	...	...

Source: UNCTAD, Statistical information on trade among countries with different economic and social systems, TD/B/615/Add.1; TD/B/656/Add.1; TD/B/708/Add.1; TD/243/Supp.1; TD/B/808/Add.1, 28 July 1980.

/following points:

following points: (i) the reciprocal trade of the countries of Eastern Europe has a dominant position in their total trade; although the proportion has been declining in recent years, it still constitutes over 50% of total imports and exports; (ii) exports to developed market economy countries grew uninterruptedly during the period under study, so that their relative share in total exports rose from 19.8% in 1960 to 28.0% in 1979; (iii) the growth of exports was still more considerable to the group of developing countries, the share of which in the total increased from 8.6% in 1960 to 17.4% in 1979; (iv) within the group of the developing countries, the share of exports to Latin American countries is small and although their growth has been maintained at a similar rate to that of the total to developing countries, it mainly reflects the large increase in exports to Cuba.

In the evolution of imports some significant elements also stand out. Firstly, the share of imports from developed market economy countries is greater than that of exports. In 1975 and 1976 it was 36% of total imports and although in subsequent years this percentage was smaller, it reached 33.4% in 1979 in any case. The large-scale growth of imports of this origin seems to reflect the priority which the countries of Eastern Europe have given to acquiring capital goods and intermediate products for expanding and modernizing their industries. Also of importance was the growth of imports from the group of the developing countries, but these increased less - in absolute and relative terms - than exports to this same group of countries. The position of the Latin American countries - within the group of developing countries - also shows some differences, since although Cuba accounts for a large quota of imports of Latin American origin, the remaining group of countries achieved an important increase in the period 1975-1977, which was apparently maintained over the next two years.

Trade with the countries of Eastern Europe, seen from the Latin American standpoint, shows other aspects of interest, all which may be seen in tables 35 and 36. In the first place, beginning with exports, it should be noted that in 1960 only three countries (Argentina, 41.5%; Brazil 49.6% and Uruguay 6.1%) gave rise to 97.2% of Latin American exports (excluding those of Cuba) to Eastern Europe. Ten years later, the number of exporting countries had increased significantly, the value of exports had doubled, although it continued to be a very small proportion of the total (2.1%), and the mass of exports continued to be concentrated in a few countries; the share of the three mentioned above was now distributed among Argentina 23.2%; Brazil 38.6% and Uruguay 8.9%, to which were added Colombia with 10.6% and Peru with 10.3%; these five countries supplied 91.6% of total exports (still excluding those of Cuba). In 1979, when exports to Eastern Europe exceeded US$ 2 billion for the first time, the degree of concentration of their origin had not changed substantially: the five countries mentioned above furnished 92.4% of the total (with Brazil at the head with 54.1%), and Ecuador could be added with 2.3% and Mexico with 2.5% to complete the 97.2% supplied by these seven countries. The majority of the remaining countries effected very small amounts of exports and their values fluctuated in a very irregular form.

/Table 35

Table 35

LATIN AMERICA: EXPORTS FOB TO EASTERN EUROPE

(Millions of dollars)

Country	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Argentina	59.6	112.5	73.7	68.4	59.0	134.8	280.7	319.3	289.7	454.3	527.1	502.5
Barbados	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1
Bolivia	-	-	-	-	9.0	-	-	-	-	-	-	-
Brazil	71.3	89.0	123.0	130.0	213.0	340.0	396.0	759.0	896.0	870.0	728.0	1 107.0
Colombia	2.2	11.5	33.6	24.6	20.4	35.9	43.5	33.4	71.2	90.7	104.7	115.3
Costa Rica	-	-	6.7	3.5	5.1	9.6	3.2	2.9	9.3	35.9	17.1	17.8
Chile	0.6	0.9	0.2	3.1	12.5	39.8	35.3	8.3	3.0	-	8.4	6.1
Ecuador	-	-	8.4	14.1	13.1	12.2	22.8	35.5	45.8	44.8	40.6	47.5
El Salvador	-	1.4	6.4	0.1	1.8	0.9	10.7	0.5	1.2	-	2.7	3.0
Guatemala	-	-	-	-	-	0.2	2.7	0.5	0.7	11.5	0.1	0.1
Guyana	-	-	-	1.6	8.5	8.1	3.7	32.3	-	1.6	3.5	0.1
Honduras	-	-	1.2	0.3	1.7	0.1	0.5	0.4	0.2	-	-	-
Haiti	-	-	-	-	-	-	-	-	-	-	-	-
Jamaica	-	-	-	8.8	1.2	9.2	31.8	33.5	5.3	1.9	18.1	19.9
Mexico	1.0	58.6	3.7	5.4	3.8	9.0	15.0	10.0	23.0	11.0	19.0	52.0
Nicaragua	-	0.1	-	-	1.7	4.6	3.7	1.1	4.8	6.3	4.1	1.2
Panama	-	-	-	-	0.1	0.1	-	0.1	0.1	0.1	-	0.1
Paraguay	-	-	0.1	-	-	-	-	-	-	-	-	-
Peru	0.1	16.3	32.9	53.7	46.8	68.1	113.0	202.0	131.6	164.0	125.2	137.5
Dominican Republic	-	-	-	-	-	-	-	-	-	-	-	-
Trinidad and Tobago	-	-	-	-	-	-	-	-	-	-	-	-
Uruguay	8.8	9.9	28.4	9.9	16.0	37.4	40.2	28.8	17.9	38.3	39.3	30.4
Venezuela	-	3.0	-	-	-	-	2.0	1.0	3.0	4.0	4.0	7.0
Total	143.6	303.2	318.3	323.5	413.7	710.0	1 004.8	1 468.6	1 502.8	1 734.5	1 642.0	2 047.6
Percentage of total exports	1.7	2.7	2.1	2.1	2.4	2.8	2.5	4.0	3.6	3.5	3.1	3.5

Source: International Monetary Fund (IMF), Direction of Trade, op.cit., 1971-1979.

/Table 36

Table 36

LATIN AMERICA: IMPORTS CIF FROM EASTERN EUROPE

(Millions of dollars)

Country	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Argentina	48.5	31.1	17.5	20.9	21.5	26.8	57.6	100.4	82.6	83.1	119.3	169.6
Barbados	-	-	0.5	0.4	0.4	0.4	0.3	0.3	0.7	0.8	0.7	0.8
Bolivia	0.6	1.4	1.0	1.0	1.9	-	-	-	-	-	-	-
Brazil	79.6	63.8	58.0	109.0	92.0	98.0	186.0	225.0	268.0	277.0	227.0	276.0
Colombia	2.1	10.7	17.1	17.5	11.0	14.5	25.2	16.0	24.6	35.9	49.1	54.1
Costa Rica	-	-	1.0	1.1	1.3	3.2	4.2	5.9	5.2	6.1	5.3	5.8
Chile	1.0	1.5	3.6	2.9	12.4	43.9	27.1	12.6	-	-	-	-
Ecuador	-	-	4.7	5.5	5.1	5.6	8.8	8.4	8.9	11.9	23.8	18.4
El Salvador	-	0.1	0.1	0.1	-	0.1	0.1	0.3	0.6	1.2	1.1	1.1
Guatemala	-	-	0.1	0.3	0.5	1.2	2.9	1.0	1.4	7.8	2.2	0.6
Guyana	-	-	0.5	0.8	0.4	0.2	0.6	1.8	5.3	2.9	5.0	1.0
Haiti	-	-	1.5	2.3	1.6	1.5	1.3	1.3	1.7	2.2	2.3	2.6
Honduras	-	-	0.8	1.6	1.9	1.9	2.0	1.7	1.8	-	-	-
Jamaica	-	-	-	0.1	0.4	0.3	1.3	1.0	2.3	1.3	1.0	1.1
Mexico	2.6	4.9	6.2	7.2	6.8	9.0	13.0	21.0	44.0	21.0	29.0	45.0
Nicaragua	-	-	0.1	0.1	0.4	0.6	5.8	6.3	2.3	2.2	3.3	3.6
Panama	-	-	1.2	2.2	1.3	2.2	1.3	2.2	2.2	2.1	4.2	4.2
Paraguay	-	-	0.3	0.2	0.2	0.3	0.4	0.6	0.7	-	-	-
Peru	1.3	2.1	3.8	3.5	5.5	15.5	24.3	30.1	35.0	50.8	54.0	59.4
Dominican Republic	-	-	0.2	0.4	0.7	0.9	1.3	1.5	0.3	0.6	0.9	0.8
Trinidad and Tobago	-	-	-	-	-	-	-	1.5	1.9	2.8	3.2	3.3
Uruguay	17.0	2.1	8.5	4.7	2.9	1.0	5.2	8.4	10.1	21.0	14.9	17.4
Venezuela	4.0	7.8	19.0	5.0	6.0	13.0	8.0	7.0	7.0	10.0	16.0	21.0
Total	156.7	125.5	145.7	186.8	174.2	240.1	376.7	454.3	506.6	540.7	562.3	685.8
Percentage of total imports	1.9	1.3	1.0	1.1	0.9	1.0	0.9	1.0	1.1	1.1	1.0	0.9

Source: International Monetary Fund (IMF), Direction of Trade, op.cit..

/The evolution

The evolution of Latin American imports (excluding those of Cuba) from Eastern Europe shows some important differences compared with that recorded in exports. First of all, beginning with 1960 values which did not generate a large-scale trade imbalance, their course over the next 10 years was very irregular, so that in 1970, although practically all the Latin American countries were making imports from Eastern Europe, their total value was less than in 1960; their growth during 1970s remained very slow, with the result that the relative importance of imports in the total fluctuated during these years between 0.9 and 1%, a lower percentage than those recorded in 1960 and 1965. The phenomenon of a high level of concentration in a few countries is also to be seen in imports: in 1960, three countries (Argentina, 30.9%, Brazil 50.8%, and Uruguay 10.9%) absorbed 92.6% of total imports; in 1970 these three countries plus Colombia and Venezuela accounted for 82.3% of the total, while in 1979 these five countries absorbed 78.4% of the total whereas the rest mainly corresponded to Ecuador, Mexico and Peru.

Cuba's position in trade with the Eastern European countries has been influenced by various special circumstances. This country signed some trade agreements with the countries of Eastern Europe at the beginning of the 1960s; these agreements made for a rapid expansion of trade between Cuba and those countries, which was facilitated and subsequently accentuated by the prohibitions and restrictions which the United States and other market economy nations imposed on trade with Cuba. As a result of this, at the beginning of the 1970s over 60% of Cuba's exports and imports went to and from Eastern European countries. The trade links and the economic co-operation processes between Cuba and the Eastern Caribbean countries evolved in such a way that as from 1972 Cuba was accepted as a member of the Council for Mutual Economic Assitance (CMEA). Trade with this group of countries thus accounts for a large percentage of Cuban's external trade.61/

61/ According to the United Nations Monthly Bulletin of Statistics (July 1980) the total value of Cuban exports and imports and those to or from Eastern Europe are as follows (in million of US dollars):

	Exports			Imports		
	Totals	To Eastern Europe	%	Totals	From Eastern Europe	%
1976	3 573	2 009	56.2	4 066	2 242	55.1
1977	3 537	2 441	69.0	4 188	2 673	63.8
1978	4 456	3 152	70.7	4 687	3 502	74.7

/The structure

The structure of Latin American trade with the Eastern European countries shows some important differences compared with total trade with the world or the developed market economy countries. In the region's exports to Eastern Europe there is a very marked predominance of foodstuffs, as may be seen from the figures of table 37, followed by the group of exports of raw materials, although the relative share of the latter was less in 1976 than in 1970. In any case it is obvious that primary products or products with a low level of processing, including minerals and metals, predominate in exports to this group of countries. Manufactures have a small share, which changed very little between 1970 and 1976, although this fact is significant particularly bearing in mind that between those years the relative importance of manufactures in exports to the world increased from 8.2% to 13.8%; in exports to the group of the developed market economy countries their share increased from 6.2% to 11% and in exports to the group of developing countries from 15.7% to 23.2%.62/ Exports of fuels to Eastern Europe are of practically no importance.

The structure of Latin American imports from Eastern Europe tends to be more symmetrical compared with that of imports from the world and from the group of developed market economy countries although some significant differences may be noted. Obviously, manufactures have the highest share both in Latin America's total imports and in those from Eastern Europe and the group of the developed market economy countries. However, the share of foodstuffs and minerals and metals declined notably in imports from Eastern Europe, and the share of fuels increased sharply, which not only reflects the higher price of oil and its products, but also a larger volume of coal imports.

2. Problems and prospects of trade with the European countries members of CMEA

The evolution of bilateral trade relations between the Latin American countries and the European countries members of CMEA during the last three decades has had certain special characteristics which to some extent correspond to the fact that they are countries with different economic and social systems; but to some extent they also reflect the influence of factors relating to the international political situation. The nature of the obstacles and the problems which the countries of both regions have had to overcome in order to increase their reciprocal trade relations and progress towards agreements which in addition to trade aspects include economic co-operation projects and programmes have been very diverse; however, it is a fact that appreciable progress has been made in this regard and that there is still a very wide field of possibilities open for the growth of reciprocal economic relations. With this in mind it may be useful to summarize briefly some of the problems which in the past have constituted the main obstacles to this trade.

62/ UNCTAD, Handbook of International Trade and Development Statistics 1979, op.cit., pp. 122 and 123.

/Table 37

Table 37

LAFTA[a]: STRUCTURE OF EXTERNAL TRADE WITH THE WORLD AND WITH EASTERN EUROPE BY GROUPS OF PRODUCTS ACCORDING TO THE STANDARD INTERNATIONAL TRADE CLASSIFICATION (SITC)

(Value in millions of dollars and percentage distribution)

Sections and chapters of SITC	Exports				Imports			
	To the world		To Eastern Europe		To the world		To Eastern Europe	
	1970	1976	1970	1976	1970	1976	1970	1976
Values	12 630	33 600	290	1 523	11 710	36 620	150	640
Percentage distribution								
Food (0,1,22,4)	39.3	37.4	61.7	79.2	10.0	10.2	10.0	2.7
Agricultural crude materials (2, except 22,27,28)	7.1	3.3	25.5	3.6	3.9	2.3	1.3	0.6
Minerals and metals (27,28,67 and 68)	20.7	115.0	7.2	9.5	10.6	8.4	15.3	3.9
Fuels (3)	24.2	29.1	-	0.9	5.3	14.7	2.7	31.3
Manufactured goods (5,6,7 and 8 except 67 and 68)	8.2	13.8	6.2	6.8	68.6	62.8	69.3	59.8

Source: UNCTAD, Handbook of International Trade and Development Statistics, 1979 (TD/STAT.8), p. 122.

a/ The 11 LAFTA countries generated slightly over 97% of the imports and exports made by Latin America as a whole (excluding Cuba) to Eastern Europe in those few years.

/During the

During the 1950s and the first half of the 1960s the absence of diplomatic relations between the majority of the Latin American countries and those of Eastern Europe predominated, and stood in the way of trade relations. Even in the few Latin American countries which maintained diplomatic relations with those of Eastern Europe, trade flows were maintained at minimum levels, while some specific prohibitions or restrictions were established on trade with such countries. During this period restrictions were placed on the circulation of commercial and technical agents, participation in fairs and exhibitions was discouraged as well as the establishment of contacts between enterprises from the two groups of countries, and in some cases administrative obstacles were placed in the way of the granting of import licenses. At the end of the 1960s and the beginning of the 1970s some of the extreme situations had disappeared or were in the process of so doing, and the contractual and legal framework which currently governs economic relations between countries of the two areas began to be set up. As has already been seen, in recent years there has been a notable growth of trade, but it is recognized that it could be still greater if some problems could be overcome.

The lack of reciprocal, general and specific information is one of these problems. An adequate knowledge of the basic elements of the external economic policy of the counterpart country, its institutional organization and the spheres and limits of authority of jurisdiction of each type of institution is still lacking. Nor is there adequate knowledge of the trade practices and techniques of the external trade organizations of the Eastern European countries, nor have the experiences of commercial firms - private and public - of the Latin American countries with those organizations been adequately assimilated or disseminated, all of which contributes to the great fluctuations of trade from one year to the next. An inadequate development of the infrastructure for external trade is to be observed (trade attachés or trade departments in the diplomatic missions and the offices or agencies of the main external trade enterprises), which not only makes it difficult to acquire better reciprocal knowledge but also to make efforts to expand and diversify trade. As regards the majority of the Latin American countries, the poor development of trade infrastructure is partly related to the structure of their exports (almost entirely primary products or products with little processing) and their small volume. As regards the countries of Eastern Europe similar problems also occur, though it should be recognized that generally speaking there is a broader system of trade representation of these countries in Latin America than of the Latin American countries in Eastern Europe.

The low level of development of direct contacts between the economic agents (external trade organizations and state enterprises of the Eastern European countries, and Latin American public and private enterprises) has been one of the main factors restricting CMEA's exports of machinery and equipment on the one hand and Latin American manufactures on the other.

/The establishment

The establishment of activity for promotion, information and publicity; the delivery of references and samples to importers, the holding of fairs, demonstrations and exhibitions, and the different means of strengthening the trade organization among countries of both regions, has to date been inadequately developed. Lastly, the geographical situation of the parties means that shipping is an important factor in mutual trade. Some bilateral agreements exist on shipping (Brazil with the Soviet Union and Poland; the German Democratic Republic with Argentina, Brazil and Uruguay); but the irregularity of the service of some lines with the majority of the Latin American countries, as a result of the small volume of trade, creates problems with the dates of the reception and delivery of the goods; this raises storage costs, causes delays in payments due against presentation of shipping documents, etc. The transport problems are more serious for the Latin American countries which do not have their own fleets, since they have to resort to the services of the regular lines subject to the North and South Atlantic Shipping Conferences. This irregularity in shipping in trade with Eastern Europe is greater in the case of Mexico and other Central American countries.

The growing importance of trade with the countries of Eastern Europe, the special forms which economic relations with countries with different economic and social systems take and the prospects of more expansion and closer collaboration offered by these relations, constituted adequate reasons to make a detailed study of the experiences of some countries in this field. With this in view, in a joint project of the secretariats of UNCTAD and CEPAL, sponsored by the United Nations Development Programme (UNDP), studies were prepared on the evolution of economic relations between countries of the two areas, and a seminar was held with the participation in a personal capacity of government experts, where the most important aspects of these relations and the nature of the problems observed were discussed and analysed. Among the conclusions obtained the following should be noted:

(i) although reciprocal trade has achieved high growth rates, particularly in recent years, it is far from making full use of the potential of economic relations;

(ii) the imbalance in trade flows, and the asymmetrical structure of trade, at present constitute two of the main limitations on a greater growth of trade;

(iii) although it was recognized that this asymmetrical structure of trade could not be modified in the short term, it was also recognized that in order to progress towards this objective measures must be adopted such as a better and more intensive promotion of trade, long-term supply contracts, co-operation in third markets and other forms of co-operation;

(iv) as regards problems of financing and systems of payments, it was agreed that credit lines have frequently been little used, that payment conditions have become more flexible, as can may be seen from the small proportion which compensation payments now represent and the importance of the use of convertible currencies in the growth of trade;

/(v) as

(v) as regards institutional aspects, it was observed that the network of trade and economic co-operation agreements drawn up in the course of the last 25 years provides a sufficiently wide contracting base to conduct economic relations, although the degree of achievement of goals and the use of the machinery set up in these agreements has not been fully reached;

(vi) lastly, as regards co-operation in different areas of trade, useful suggestions were made on the transfer of technology, the constitution of joint enterprises and tripartite co-operation in third markets.63/

D. CO-OPERATION AMONG DEVELOPING COUNTRIES

1. A global appreciation

The 1970s have shown the potential of the links among the countries of the South. Trade among developing countries, which took fifteen years to double in order to reach US$ 11 billion in 1970, increased sixfold over the next seven years to reach US$ 67 billion in 1977; thus, reciprocal trade, which in 1970 accounted for one-fifth of the total trade of the developing countries, came to constitute a quarter of this total in 1977. It can also be seen that the market of the developing countries themselves is relatively more important for their manufactures than for raw materials and fuels, since while one-third of manufactures goes to the developing countries, only around one-fifth of primary products and fuels has the same destination.64/

At the same time, economic co-operation among Third World countries has been acquiring growing importance in the international dialogue and activities. Decisions and results exist which permit it to be concluded that there are concrete bases for intensifying mutual economic relations among developing countries.65/ Moreover, some machinery has been set up and negotiations begun to install other mechanisms which will assist and significantly boost the economic co-operation of the periphery.

In this regard, the global system of trade preferences among developing countries, as conceived on the bases adopted in Arusha, and supplemented in subsequent meetings, is closely linked with the other subjects anticipated

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63/ More detailed information on the publications made under this project, and a summary of the conclusions adopted at the seminar, may be seen in "Notas sobre la economía y el desarrollo de América Latina", No. 321-322, July 1980, a publication of the CEPAL Information Service.

64/ See UNCTAD, Trade statistics among developing countries by country and product, SGPC, TD/B/7/36/Add.1, 28 March 1980.

65/ Special note should be taken of the Buenos Aires Plan of Action (1978) on Technical Co-operation among Developing Countries, and the First Short and Medium-Term Plan of Action of Arusha (1979) for Economic Co-operation among Developing Countries.

/for South-for South-South economic co-operation in greater depth.66/ Owing to the range and importance of the bases agreed upon it is foreseeable that the operation of the Global System of Trade Preferences will come to establish a genuine economic system for the developing countries, which will make it possible to strengthen trade links among them, and in numerous other fields of economic activity.

Prospects are promising for a large increase in the next few years of the direct inflow of loans and investments from developing OPEC countries to the non-oil-producing nations of the Third World, a large number of which are generating persistent current account deficits in their balance of payments. An increasingly important share of this transfer of resources could be effected in the form of direct capital transfers (loans and investments). This would consolidate the basic machinery of South-South co-operation and make it more effective for the parties involved. In turn, some Latin American countries should prepare to mobilize capital and furnish technical assistance to other developing nations, as far as they can, particularly for making joint investments, as some countries of the region have already begun to do.

2. The economic relations between Latin America and Africa

In recent years an endeavour has been made to give a material form to some forms of co-operation between Latin America and Africa; it is expected that during the 1980s this incipient effort, in which CEPAL plays an active role, will be maintained and augmented. The evaluation of the economic relations between Latin America and Africa in recent years makes it possible to appreciate their potential. First of all, it may be seen that a relatively insignificant trade exchange in 1970 progressed in 1978 to sums of consideration of around US$ 1.5 billion (see tables 38 and 39).67/ Secondly, it is a fact that although the structure of the exports of each region does not reveal the potential for reciprocal trade, a more detailed review will make it possible to identify them at the level of groups of products and countries.

66/ The system conceived of is a global one, since its aim is the incorporation of all the developing countries, covering all products subject to tariffs and considering all or the most important instruments of external trade, and as far as possible other machinery for fostering production activities.

67/ The figures given in tables 38 and 39 only provide a very general indication of the orientation and structure of the trade of each of the two regions. Particularly as regards Latin America it should be repeated that the statistics given correspond to "developing America" i.e., they include a certain number of countries and territories which are not usually part of the concept of "Latin America". In the case of trade between developing America and Africa it is important to take this fact into account, since it includes movements of oil and its products to or from non-Latin American countries.

/Table 38

Table 38

DEVELOPING AMERICA AND AFRICA: EXPORTS AND IMPORTS ACCORDING TO DESTINATION AND ORIGIN

(In billions of dollars)

		To the world	Developing countries			Developed countries	Countries with centrally-planned economies
			Total	Developing America	Africa		
			A. Exports				
Developing America	1970	17.1	3.2	2.9	0.1	12.7	1.1
	1976	53.7	12.3	10.4	1.1	36.7	4.3
	1977	60.9	15.1	12.2	1.4	40.1	5.1
	1978	64.9	15.8	12.6	1.4	42.8	6.0
Africa	1970	12.3	1.2	0.2	0.7	10.1	1.0
	1976	41.4	5.6	2.9	1.7	33.5	1.9
	1977	47.8	6.6	3.6	2.0	39.0	1.8
	1978	44.1	5.9	3.1	1.8	36.2	1.7
			B. Imports				
Developing America	1970	18.4	3.5	2.9	0.2	13.9	1.0
	1976	62.5	22.6	10.4	2.9	36.9	3.0
	1977	70.3	25.3	12.2	3.6	41.5	3.5
	1978	76.6	23.8	12.6	3.1	48.6	4.2
Africa	1970	12.0	1.6	0.1	0.7	9.2	1.0
	1976	42.6	6.0	1.0	1.7	34.2	2.5
	1977	52.5	7.1	1.4	2.0	42.3	3.1
	1978	57.5	7.4	1.4	1.8	46.2	3.8

Source: CEPAL, on the basis of official statistics; UNCTAD, Handbook of International Trade and Development Statistics, 1979, op.cit.

/Table 39

Table 39

DEVELOPING AMERICA AND AFRICA: STRUCTURE OF EXPORTS AND IMPORTS

(Percentages)

Sections of SITC		1977		1978	
		America	Africa	America	Africa
		A. Exports			
0 and 1	Food, beverages and tobacco	36.6	17.0	35.7	17.8
2 and 4	Crude materials	11.4	10.5	12.4	11.0
3	Fuels	33.1	64.7	31.3	62.8
5	Chemicals	3.5	1.1	3.1	1.1
7	Machinery and transport equipment	4.1	0.2	5.1	0.2
6 and 8	Manufactured goods	11.4	6.5	12.4	7.1
		B. Imports			
0 and 1	Food, beverages and tobacco	8.0	12.6	9.1	13.1
2 and 4	Crude materials	3.6	3.9	4.1	3.7
3	Fuels	27.2	7.0	22.5	6.9
5	Chemicals	9.0	6.8	9.7	6.9
7	Machinery and transport equipment	33.3	45.5	35.4	44.3
6 and 8	Manufactured goods	17.4	24.4	19.2	25.0

Source: CEPAL on the basis of official statistics; UNCTAD, Handbook of International Trade and Development Statistics, 1979, op.cit..

/However, the

However, the limitations which obstruct co-operation between the two regions are numerous, since the previous lack of communication was almost absolute and cannot be ended rapidly. Until the beginning of the 1970s, economic links were practically non-existent and mutual ignorance was and continues to be very great; at the same time official relations have been minimal: to date, the great majority of the Latin American and African countries do not maintain diplomatic, consular or trade links. This lack of communication between Latin America and Africa is mainly a result of their strong traditional economic relations with the industrial centres, particularly Europe in the case of Africa.

So as to develop economic co-operation between Latin America and Africa systematically it would be a good idea to formulate and agree upon an action programme for the co-operation which constitutes an appropriate framework for implementing numerous multilateral and bilateral activities. Naturally, this is without including the activities which at the present time countries or groups of countries from the two areas carry out or plan to do so.

The aspects which this programme could consider could be divided into three major categories: studies, publication of information and creation of forums for regular dialogue between the two regions. The aim of the studies would be to identify the basic elements required to understand better the situations of each continent and identify the main areas for co-operation. The periodic publication of information would above all be statistical and refer to the economy and trade of both regions. And the definition and subsequent functioning of specific forums would make it possible to put representatives of the two regions into regular and direct contact in order to get to know and evaluate their problems and experiences; new opportunities and orientations for mutual co-operation could emerge from these activities.

IV. SOME PROSPECTS OF LATIN AMERICAN EXTERNAL RELATIONS IN THE 1980s

A. PROJECTIONS OF THE WORLD ECONOMY FOR THE 1980s

Although the review of the prospects of the world economy in the 1980s is a complex task and subject to imperfections and errors it is advisable to attempt it in any case because it will make it possible to define approximately the essential characteristics of the basic context in which the centre-periphery links and the external economic relations of Latin America will exist in the future. These will naturally be influenced by the recent changes in the international economy which were considered in chapter I of this document.

1. The growth of the economy

Firstly, it should be recalled that the probable course of world growth will depend to a large extent on the anticipated performance of the developed market economies, which as a whole account for around two-thirds of the world's total domestic product, and furthermore, constitute the fundamental pole for mobilizing the productive forces of mankind.

These countries, which during the period 1960-1973 showed rapid and sustained growth (an annual average of 5%), reduced their growth rates to half during the period 1974-1980, when they found themselves faced with inflationary pressures and external disequilibria which led them to put different measures for correction and readjustment into practice. They have thus lived in a situation of "stagflation" for more than five years, during which period their declining growth rates have been accompanied by comparatively high indexes of inflation and unemployment.

Some projections prepared by the United Nations 68/ and the World Bank 69/ all with a methodology which tends to be of the prognosis type, coincide that the 1980s would begin with a three-year period (1980-1982) in which the industrialized countries would face serious difficulties which would go along with the implementation of anti-inflation policies; at the same time, during this period there would also be depressive elements of readjustment resulting from the increased cost of energy, and the effects of a downward phase in the cyclical movements which characterize the developed economies. It has therefore been estimated that during the period 1980-1982 the rate of growth of the developed world would only reach an annual 2.5%, while for the five-year period 1980-1985 the comparable rate would be slightly higher (see table 40).

From a broader standpoint, up to the end of the 1980s, the two international bodies quoted forecast that the annual growth rate of the industrialized countries would tend to remain at around 3%.70/ In order to bear out this low case

68/ See United Nations, World Economic Survey, 1979-1980, New York, 1980.
69/ See World Bank, World Development Report, 1980, Washington D.C., 1980.
70/ For this group of countries it is projected that during the 1980s annual population growth will be 0.5%.

/Table 40

Table 40

EVOLUTION AND PROSPECTS OF WORLD GROWTH (GROSS DOMESTIC PRODUCT)a/

(Average annual percentages)

	1960-1970	1970-1980	1980-1985b/	1985-1990b/	Population growth rate (1980-1990)b/
1. Entire world					1.7c/
United Nations	5.4d/	3.6e/	3.3f/		
World Bank g/	5.1	3.9	3.9	4.4	
World Bank h/			3.6	3.6	
2. Developed market economies					0.5
United Nations	5.0d/	2.7e/	3.1←→2.5f/		
World Bank g/	5.0	3.1	3.3	4.0	
World Bank h/			3.0	3.0	
3. Developing countries					2.3
United Nations	6.0d/	5.2e/	5.1←→5.0f/		
World Bank g/	5.6	5.3	5.1	5.6	
World Bank h/			4.5	4.6	
4. Oil-exporting developing countries					2.6
United Nations	7.5d/	5.4e/	6.1f/		
World Bank g/	5.5	6.1	6.3	5.9	
World Bank h/			5.8	5.5	
5. Non-oil-exporting developing countries					2.3
United Nations	5.4d/	5.2e/	4.9f/		
World Bank g/	5.6	5.1	4.7	5.5	
World Bank h/			4.1	4.5	
6. Centrally-planned economies					1.2
United Nations	6.7d/	5.2e/	4.9f/		
World Bank g/ h/	...	5.2	4.6	4.5	

Source: United Nations, World Economic Survey, 1979-1980, New York, 1980; and World Bank, World Development Report, 1980, Washington, D.C., 1980.

a/ Information from the different sources indicated.
b/ Projections.
c/ Approximate value.
d/ 1960-1973.
e/ 1974-1979.
f/ 1979-1982.
g/ Corresponds to a high case hypothesis in the World Bank estimates.
h/ Corresponds to a low case hypothesis in the World Bank estimates.

/prediction it

prediction it is mainly assumed that the higher rates of inflation expected and the growing current account deficits will mean that both fiscal and monetary policy will continue to be restrictive while only a slight recovery in investment is anticipated. However, the World Bank, in a high case alternative which presupposes a process of a successful and relatively rapid readjustment in these economies, anticipates that in this period 1985-1990 the annual growth rate could increase to 4%.

Secondly, as is natural, the prognoses on the oil-importing developing countries are rather different from those valid for the countries exporting this product.

It is anticipated that in the non-oil-exporting developing economies the limitations stemming from the accumulated external deficits of the last few years and the external debt in rapid growth will be exacerbated, in response largely to an inadequate and tardy adaptation of their internal structures vis-à-vis the unfavourable international conjuncture which has been present. It is also considered that this adaptation should be made in the course of the 1980s, particularly the first half. For these reasons, it has been estimated that during the period 1980-1985 the annual growth rate of the oil-exporting countries will be approximately 4.5%, while the comparable value in 1985-1990 could be slightly higher.

In the case of the oil-exporting developing countries, the available projections suggest that in 1980-1990 their annual growth rate could continue to be approximately 6%, i.e., similar to that recorded in the 1970s. To support this projection there are prognoses on oil production policies and on the probable evolution of the international price of oil, which will be reviewed below.

For the developing countries in general a trend similar to that identified for the non-oil-exporting group is forecast, although positively reinforced to some extent by the performance anticipated for the oil-producing economies. An annual growth rate of close on 5% is thus calculated for the period 1980-1985, and could rise slightly in the following five years.71/

Thirdly, for the centrally-planned economies of Eastern Europe and the Soviet Union a decade of comparatively slow growth is projected for the 1980s. Various factors would explain this evolution, among the most important of which may be noted the external deficits which these economies are having to face and the difficulties in increasing the reproductive investment which is emerging as the counterpart of the ongoing efforts to increase significantly their domestic supply of consumer goods.

Finally, as a result of the trends anticipated for the industrialized and developing countries, and for the centrally-planned economies, a slow growth of the world economy is projected for the 1980s. The total product would increase at an annual rate of around 3.5% during the period 1980-1985 and even at a rate

71/ These values should be contrasted with an average annual rate of increase in the population of 2.3% throughout the decade.

/slightly lower

slightly lower than that indicated for the period 1980-1982. It is also projected that during the period 1985-1990 there could be some improvement in the rate of development of the world economy, provided that the above prognosis on the success which the process of adjustment currently in progress in the industrialized countries should have is fulfilled.72/

It is therefore forecast that in the 1980s the average growth rate of the world per capita product might only reach an annual rate of under 2%; this figure definitely seems inadequate, since a period of not less than 35 years would be required to double this product. However, during the period 1960-1973 the annual growth rates of the per capita world product was more than 3%, which meant doubling it in a period of approximately 20 years.

2. International trade

In accordance with the projections for the evolution of the world product, the prospects in view for the trends in international trade are sombre, particularly during the period 1980-1982, since the estimated annual growth of the volume of world exports and imports is only slightly over 4%. Comparatively speaking, higher rates were recorded in the 1960s and the 1970s of around 8% and less than 6%, respectively (see table 41).

Beyond 1982 and for the rest of the 1980s, it is forecast that the real growth rate of world trade could return to annual rates of over 5%, and that at best it will be close on that achieved during the 1970s. However, this is an optimistic hypothesis which mainly requires a significant recovery of the dynamics of growth in the developed economies, and also the timely suspension of the protectionist trends already described which have been emerging in them.73/

If the probable courses of the volumes of exports and imports for the different groups of countries are considered separately, the prophecies being made on the evolution of the international price of oil in the 1980s take on particular importance, since, in addition, it is assumed that this would be the decisive variable in the determination of the trends of the terms of trade for each group of countries.

At the present time, following the significant increases in the international prices of oil in 1979-1980, various conjunctures are outlined for the 1980s, which all coincide in indicating that even under "normal" political conditions in the oil-exporting countries, the real price of the product will continue to increase steadily. This fact is of great importance and gives rise to a situation different from that post-1973-1974, because during the period 1975-1978 the price of this product dropped in constant currency.

72/ During the 1980s, the world population could increase at an average rate of around 1.7%.

73/ See World Bank, op.cit., 1980, p. 7. The projections indicated for trade are only compatible with the high case alternative on the growth of the product of the industrialized countries.

/Table 41

Table 41

TRENDS AND PROJECTIONS OF THE VOLUME OF WORLD TRADE

(Percentages, annual averages)

	1960–1970	1970–1980			1980–1985 a/			1985–1990 a/		
	Total	Total	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports
Entire world										
OECD b/	8.0c/	5.7			5.8					
United Nations					5.3b/	4.1d/	4.2d/			
World Bank e/			5.6	5.8		5.2	5.2		5.7	5.7
Developed market economies										
United Nations			6.5f/	5.5f/		4.4d/	2.3d/			
World Bank e/			6.0	4.8		5.4	4.3		5.8	5.3
Developed countries										
United Nations			3.2f/	7.6f/		2.0d/	10.4d/			
World Bank			5.1	5.4		5.5	5.4		6.4	6.3
Oil-exporting developing countries										
United Nations			0.5f/	14.8f/		-0.4d/	23.0d/			
World Bank e/			3.5	8.6		4.6	7.6		4.5	6.3
Non-oil-exporting countries										
United Nations			7.0f/	5.5f/		5.3d/	3.5d/			
World Bank e/			5.6	4.6		5.7	4.7		6.8	6.3
Centrally-planned economies										
United Nations			7.3f/	8.1f/		5.2d/	5.4d/			
World Bank e/			6.6	8.1		5.1	5.8		5.2	5.2

Source: OECD, The OECD Observer, Nº 103, March 1980, in the projections of which information supplied by Professor L. Klein, of the Wharton School, University of Pennsylvania was used, United Nations, World Economic Survey, op.cit. New York, 1980; and World Bank World Development Report, op.cit., Washington, D.C., 1980.

a/ Projections.

b/ Excluding the centrally-planned economies.

c/ 1960-1965, 6.8% and 1965-1970, 9.2%.

d/ 1979-1982.

e/ Corresponds to "high case", for the World Bank trade figures the "low case" was not calculated.

f/ 1971-1979.

It may be seen from the accumulated facts that for the 1980s a real annual increase is anticipated in this price which could fluctuate on average between a minimum of 3 to 4%,74/ for a maximum of around 10% 75/ (see table 42). In the first case, around 1985 and at constant 1980 prices, the price per barrel of oil would reach nearly 40 dollars, while in the second case the comparable price would be over 50 dollars. This wide price gap would greatly influence the projection of the different main components of world external trade, but in any case the course of the terms of trade would be favourable to all oil-exporting countries.

Therefore, as a condition for arriving at a certain tendency for international trade to become balanced, it is estimated that for the developed economies the restriction on the growth of trade will be more intensive in imports than in exports, since the former would grow only slightly over 2% annually in 1980-1982, and around 4% for the entire period 1980-1985. Only in the second half of the decade could the growth rate of this fundamental mechanism for the mobilization of the world economy perhaps return to more acceptable values (see table 41).

For the non-oil-exporting developing economies a more rapid growth of their exports than of their imports is projected and necessary. The former should increase at rates which are not too far removed from those observed in the 1970s and which imply that it would be possible to continue to increase the degree of openness of these countries. At the same time, so as to maintain the current account deficits of the non-oil-exporting developing countries within reasonable limits, their imports should grow slowly during the period 1980-1985 and particularly the period 1980-1982. Afterwards, during the period 1985-1990 it is assumed that a significantly greater growth of imports would be possible.

As is natural, a reverse phenomenon to that which would be observed in the other group of countries would take place in the oil-exporting developing economies. In fact, it is forecast that their average annual imports could grow at slightly over 7% throughout the 1980s, while it is conjectured that the volume of exports would be approximately 4.5% annually, which is compatible with the slow growth of their production of crude oil.

However, it is of interest to note that owing to their nature the projections of the probable evolution of the exports and imports of the oil-producing countries are subject to great variability; this can be seen for example from the performance anticipated for the period 1980-1982 when a standstill in exports would be accompanied by a sharp increase in imports. It should be borne in mind that different alternatives as regards the probable course of trade in these countries have very different significances for the different positions of balance which the world trade and financial system could show. Particularly decisive is their capacity to absorb additional imports, which would largely be linked to the processes of "modernization" of the oil-producing economies and the speed with which they evolve.

74/ According to the opinion of three sources of information: World Bank, Morgan Guaranty Trust Company of New York and OECD (see table 42).

75/ According to the United Nations proposal (see table 42).

Table 42

PROSPECTS FOR THE WORLD ECONOMY: SOME INDICATORS

	Year	IMF a/	United Nations		World Bank		Morgan Trust		OECD
International price of oil (real average annual increase)			10% a 12% (1980-1985) b/		3% (1980-1990) b/		3% (1980-1985) b/		6% (1980-1985) b/
Current account balance of the oil-importing developing countries d/ (billions of dollars)	1978		-36	(-31)c/	-27	(-24)c/	-25	(-22)c/	
	1979		-51	(-40)c/			-44	(-35)c/	
	1980	-70	...	...	...	...	...	...	
	1981b/		-80	(-53)c/			-71	(-47)c/	
	1982b/		-90	(-55)c/					
	1985b/				-78	(-39)c/			
	1990b/				-104	(-39)c/			
Current account balance in the developed market economies d/ (billions of dollars)	1978		36	(31)c/			30e/	(26)c/	
	1979		-12	(-9)c/			-14e/	(-11)c/	
	1980	-50	...	...			...	...	
	1981b/		-45	(-30)c/			...	...	
	1982b/		-55	(-34)c/					
Current account balance of oil-exporting countries d/ (billions of dollars)	1978		8	(7)c/			1	(1)c/	
	1979		69	(54)c/			62	(49)c/	
	1980	115	...	...			...	...	
	1981c/		125	(82)c/			80	(53)c/	
	1982c/		145	(89)c/					

Source: As for table 41, IMF Survey, November 10, 1980, p. 346, and Morgan Guaranty Trust Company of New York, World Financial Markets, March 1980.

a/ Preliminary estimate.
b/ Projections.
c/ At 1977 prices (using the deflator implicit in the series prepared by the World Bank).
d/ Once the official transfers have been made.
e/ Including the statistical discrepancy.

/In short,

In short, during the 1980s, the growth rate of exports of the developing countries as a whole would be similar to that of imports, a fact which also brings out the relatively great weight of the imports of the oil-exporting countries as an element of compensation in the world trade dynamics.

Lastly, for the centrally-planned economies the prospects of growth of external trade will be closely related to their possibilities of general economic development, which were described above. For this reason, it is anticipated that throughout the 1980s the exports and imports of these countries will show a relatively slow average growth.

3. Other aspects of the world economy

(a) The financial situation

The 1980s are beginning under very special circumstances in the financial sphere owing to the different and unusual situations facing the balance of payments of the main groups of countries, and their subsequent evolution in the course of the decade.

For 1980 it is estimated that the current account surplus of the oil-exporting countries would be approximately 115 billion dollars, while for the oil-importing developing countries and the developed market economies deficits of around 70 billion and 50 billion dollars respectively are calculated 76/ (see table 42). Thus, the increases in the price of oil agreed upon by OPEC in the last two years have succeeded in re-establishing in the oil-producing countries a current account surplus of a similar volume, in real terms, to the unprecedented value recorded in 1974.

The different projections of the evolution which the real price of oil will have in the 1980s, and the projections of the trajectory of the volumes imported by the oil-producing countries, fundamentally affect the probable course of their surplus. However, the conjectures outlined by the different sources of information used permit it to be suggested that in the next two years a stabilization of the absolute size of this surplus would be possible in constant and approximate values. It is also reasonable to forecast that the current account deficits of the oil-importing developing countries would not be less than two-thirds of the oil surplus, and could indeed be greater than this proportion.

From this it can be seen that, financially speaking, the world economy during the 1980s will have to face up to difficulties arising out of the imbalances which will probably be seen in the balance of payments of the different groups of countries. Hence the need will arrive to transfer or recycle the current account surpluses of the oil-exporting countries to the oil-importing developing countries and the developed economies.

76/ These are approximate values once the official transfers have been made.

It should be noted that in the next few years this recycling of OPEC funds may be more complex to effect than during the period 1974-1978. Some major reasons uphold this assumption. Firstly, the trend towards the progressive and rapid reduction of the oil surplus recorded during that period will not be repeated now, because oil prices are expected to behave differently in the 1980s, as was mentioned earlier, and also because imports by oil-producing countries would probably grow at a more moderate rate than that observed in the years post-1974.

Secondly, with the start of the 1980s the degree of external indebtedness of the non-oil-exporting developing countries has changed substantially compared with the end of 1973, as has also the evaluation of the risks assumed by the private lending banks of these countries, made by the banks themselves.

Some available estimates as to the external debt disbursed by the non-oil-exporting developing countries 77/ suggest that the total balance, including officially guaranteed and non-guaranteed banking debts, increased from approximately 100 billion to 300 billion dollars, between the end of 1973 and 1979. It was also observed that it was some middle-income developing countries which absorbed a large part of this increase in the external debt, by using funds, not less than three-quarters of which came from transnational banks. Meanwhile, total official development aid granted by the OECD countries grew very slowly and went increasingly to the lower-income developing countries.

At the same time the transnational commercial banks which have taken an active share in the total growth of world liquidity recorded as from 1974, have concerns connected with the different structures of deadlines of their assets and liabilities and the increase in their debt/capital ratio, as is discussed in another chapter of this document. It is of interest to observe that they are facing specific problems - of "over exposure" - connected with the large sums in loans granted to some developing and medium-income countries, mentioned previously.

It is thus possible that in view of the above reasons it will not be easy to repeat in the first half of the 1980s, with the same flexibility as in previous years, the recycling of the surplus of the oil-producing countries carried out by the transnational commercial banks. This is because elements are present which may induce these banks to use selective criteria in their loan-granting policies, with regard to the borrower countries and in connexion with borrowing institutions in each country.

The selectivity as regards countries may impose certain restrictions on their domestic policies, which will lead them to give priority to the external balance between the various economic policy objectives, while selectivity as regards institutions could mean an advantage for the largest institutions and financial support for those existing in the same country. A more selective policy in the operations will probably tend to raise their cost, measured in terms of the margin of surcharge stipulated in all operations on the interest rates referred to: prime rate or LIBOR.

77/ Mainly made by the World Bank, excluding the relatively more advanced developing countries of the Mediterranean.

/(b) Inflationary

(b) Inflationary trends

The information on the 1970s and the projections available on the course of world inflation show that sustained and significant increases in domestic prices are phenomena which have become generalized and intensified throughout the world. This is not the moment to review the causes of this process, but it should at least be established that various factors have had and still do have an effect on the proliferation of inflationary tensions. Alongside basic pressures and those from a more realistic determination of the true social cost of primary and particularly non-renewable products - including oil - others of different kinds can be recognized. These include pressures linked to the rapid growth of world liquidity which have existed since the end of the 1960s, those stemming from the growing internationalization of developing countries, and others more typical of the industrialized economies.

However, as regards projections of the inflation rates which could be observed in the 1980s, it is preferable to limit them to the developed countries, because they constitute the main and most nearly foreseeable element of the analysis required. On average, these countries start off from a situation which annual rates of inflation of nearly 10% have come to be common place and difficult to reduce, although the stabilization policies implemented have made their economic growth slower and have increased unemployment. Reasons of a structural nature, such as the imperfections of the price-formation machinery and the inadequate increase in recent years in labour productivity and investments, together with therapeutic measures which have been inadequate and relatively inefficient, have had a definite impact on these forms of behaviour.78/

For the first years of the 1980s it has been forecast that it is improbable that the annual increase in prices in the industrialized countries will be substantially less than 10%, because, coinciding with an unfavourable period in terms of growth, large-scale increases in labour productivity are not expected. Only in the period 1985-1990 is it estimated that together with an improvement in general economic prospects, annual rates of inflation of 8% or slightly less could be recorded.

In any case, some additional elements suggest that these forecasts of decreasing inflation may be somewhat difficult to fulfil. This is because it will not be easy for the central countries to eliminate in the short term the structural motives for the tensions in domestic prices. On the other hand, it is worthy of note that during the period 1975-1978, at the same time as the real price of oil dropped, the rate of inflation of industrialized countries did not fall below an annual rate of 9%. After 1974, only the developed economies which showed large-scale revaluations of their currencies (Federal Republic of Germany and Japan) achieved a more efficient control of pressures on prices. It should be

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78/ In this regard, CEPAL had already put forward some theses in 1975 which subsequently have become widespread. See for example, Economic Survey of Latin America, 1974, United Nations publication, Sales No.: S.76.II.G.1, September 1975, Part One, chapter I.

noted that during the 1980s it is improbable that this situation of exchange revaluations - and of current surpluses in the balance of payments - will be repeated at least with an intensity comparable to that of the last few years.79/

As a consequence of the inflationary trends which will continue to materialize in the industrialized countries, it is foreseeable that the prices of their exports - of commodities and manufactures - will undergo similar increases not less than the increases in their domestic prices. The possible evolution of the terms of trade of the non-oil-producing developing countries, therefore, will depend on whether the nominal prices of their exports can keep up with the rate of inflation of the central economies in addition to that already noted for the real price of oil. In view of the complexity of this topic it seems preferable not to pronounce on it here.

4. The position of Latin America: some considerations

In order to close this section on the review of the prospects of the world economy in the 1980s, some essentially qualitative comments must be made on the probable position of Latin America in this global framework.

It seems evident that in comparison with other developing regions, the Latin American countries are in a situation of definite ambivalence. In various aspects, their possibilities for manoeuvre and self-defence vis-à-vis the adverse world conjuncture are comparatively better and broader, particularly because in the last three decades the growth of the region's real and potential productive capacity has been vigorous and noteworthy.80/ On the other hand, this "new" Latin America shows certain characteristics which make it particularly sensitive to the future course of the world economy. These include its growing degree of internationalization, both in the commercial and financial spheres, and the problems stemming from the large increase in the external debt and the presence of persistent inflationary phenomena in many countries of the region. Several Latin American nations also require to earmark considerable portions of their foreign earnings for financing imports of oil and its products.

For these reasons, the projections of the evolution of the Latin American economy may be subject to a greater degree of uncertainty and to a broader interval in the minimum and maximum levels which may be achieved than those corresponding to other developing regions. Thus, the growth rate finally achieved will be very dependent on this performance of some fundamental external variables, particularly those linked with the economic activity of the industrialized countries and the facilities of access found in the areas of trade and financing.81/

79/ See in this regard, Bank for International Settlements, Fiftieth Annual Report, Basilea, June 1980, pp. 4 to 18.

80/ For further information, see, for example, Enrique V. Iglesias, "Latin America on the threshold of the 1980s", CEPAL Review, No. 9, December 1979, pp. 7-46.

81/ It should be noted that for the moment only the role of the external variables has been taken into account: in the third part of this section aspects of the domestic dimension of this will be incorporated into the analysis.

/In the

In the field of international trade the possibilities of growth of Latin American exports probably constitute the clearest expression of the ambivalence already noted. If during the 1980s the recovery of the growth rate of the developed countries is rapid and sustained, while ongoing protectionist trends are not accentuated and their growing openness continues, it would be logical for Latin America to be in a better position than other developing regions with lower earnings in order to take advantage of the dynamic opportunities which the performance of the central economies would offer. If the performance of these economies shows a contrary trend, Latin America would probably have to face up to very serious comparative difficulties to achieving a reasonable growth of exports.

Consideration of the financial aspect also permits the uncertainties which are gathering over Latin America's prospects to be reiterated. It can be seen that pre-1974 the region was successful in achieving full incorporation into the use of private external financing, both from funds originating in the current account surpluses of the OPEC countries, and from funds from some surplus-producing industrialized countries, while at the same time it lost a considerable part of its share in financing of an official nature.

The counterpart, however, was that the growth of the total external debt of the non-oil-exporting Latin American countries was steeper than that of all the non-oil-exporting developing economies, increasing from approximately 40 billion dollars at the end of 1973 to 140 billion at the end of 1979. Simultaneously, the conditions of the loans used by the region and particularly of their average amortization periods became notoriously worse.

For these reasons, during the 1980s Latin America may find itself relatively more affected than other developing regions by the difficulties stemming from the servicing of the external debt and also by the appraisals which the transnational commercial banks may make of the possible risks implicit in the substantial expansion of their credit portfolio in specific Latin American countries.

Lastly, as regards inflationary trends, it seems probable that Latin America will constitute in the next few years a more propitious field than the rest of the developing world for the propagation and intensification of price tensions generated in the industrialized economies and in the international markets. In this regard, the more prolonged and intensive inflationary tradition of the region gives a clear indication of the trends which may emerge in terms of the degree and forms of absorption of imported inflation.

B. SOME COMPENSATORY ELEMENTS WHICH INFLUENCE THE PROSPECTS OF THE WORLD ECONOMY

1. Background: the international trade negotiations

Notwithstanding the study made in the preceding section regarding the unfavourable prospects for the world economy in the 1980s, it is possible that as time goes by forces will be generated and strengthened which come to counteract, albeit partially, the negative tendencies already remarked upon.82/

82/ Although the opposite could also be maintained, since an alternative in which the negative aspects are accentuated is not impossible. It would appear, however, that this alternative could only occur if global political problems arose at the world level.

/A considerable

A considerable number of these forces are of a general nature, and derive from the fundamental fact that no one benefits from a world economy which is performing poorly. On the contrary, in spite of the natural conflict which necessarily accompanies processes of international negotiation, in the long run the concept of mutual interest should prevail because of its essential positive significance for the development and proper functioning of world economic relations.83/

In other chapters of this document, a review is made of the present state of the international trade negotiations, and especially those carried out in the various forums of the United Nations, ranging from general negotiations aimed at the establishment of a New International Economic Order to others dealing with more specific topics: basic commodities, energy, trade, development, the monetary system and finance. The progress made in these negotiations and in those carried out within the United Nations and in other forums which deal not only with North-South relations, but also with various forms of horizontal co-operation in the North and in the South, will be a decisive factor in determining the course finally registered by the world economy during the 1980s.

It is therefore necessary to place emphasis on the basic importance of the international trade negotiations, while at the same time acknowledging their high degree of dispersion and their indefinite nature. Quite apart from the possible achievements or failures in this field, however, what it does seem desirable to emphasize in this section are certain specific conditions of functioning of the world economy which, if maintained and strengthened, could serve as compensatory mechanisms to permit a significant correction of the tendencies described earlier.

2. The "dynamism" of the energy crisis

The effects of the price and production policies of OPEC should not only be considered as factors responsible for the production of imbalances in the world economy and trade: their positive side should also be taken into account.

Thus, to begin with, rarely has suitable recognition been given to the fact that the new energy situation has created a broad field for the expansion and reorientation of world technological investment efforts. Because of it, significant real incentives have been created for the accumulation of capital, strengthening a strategic area in which the performance recorded had been rather weak. To a large extent, the enormous investments and technological resources which are being and will be directed towards energy and similar fields, mainly by the transnational corporations, must come to represent a factor of fundamental mobilization for speeding up the growth and restructuring of the industrialized countries and the world economy.84/

83/ This concept has been vigorously maintained by the Brandt Commission in its recent report (see North-South: a programme for survival, Pan Books Ltd., London, 1980, especially pp. 64-77). It is not only applicable to North-South relations, but also to all those occurring on the international scene.

84/ This topic is examined in particular in the report by OECD, Interfutures, Paris, June 1979, part III.

/Again, the

Again, the change in the relative prices of energy has establsihed new more realistic and solid bases for the assignment of resources, particularly in the field of the conservation and creation of energy sources. This change has come to be of fundamental importance in making an appropriate social appraisal of the viability of investment projects which were rejected in the past because they did not seem to be competitive with others in which intensive use was made of artificial cheap energy, above all that of petroleum. This fact mainly favours those developing countries which have abundant energy resources of other types, such as hydroelectricity and coal.

From another point of view, there has also been an appreciable change in the comparative advantages enjoyed by some natural products which compete with petroleum-based synthetic products. In this connexion, a recent report states that the medium-term outlook for such agricultural products as cotton and rubber has improved very considerably.85/ In practice, this is a phenomenon which may have broader repercussions and may spread to an important set of basic commodities and products based on them which competed directly or indirectly with goods in whose costs the low price of petroleum played a major role.

In the second place, examination of the organization of the world economy in two groups of countries, the developed countries and the developing countries, shows that among the latter there are some which have big surpluses and others deficits on their external accounts.

Only recognition of the fact that, in order to function normally, the world economy needs the basic stability which would be provided by a triangular operation between the developed countries and the surplus and deficit developing countries can prevent large imbalances from being generated in the real movements which give life to the system of international relations. At the same time there must be permanence and normality in financial flows for it to be possible to reconcile the current account surplus positions with the deficit positions, both of the developed and the developing countries.

This basic stability does not rule out a certain minimum level of flexibility in the conduct of the groups of countries, however, especially as regards the policy measures adopted. Thus, for example, a relatively stable volume of oil production in the OPEC countries should lead to a reduction in the consumption of oil-based energy in the industrialized countries, leaving room for an increase in oil consumption in the Third World.86/ To this end, the energy policies of the developed countries - including the determination of the domestic prices of fuels - should be more realistic than they have been so far.87/

85/ See United Nations, World Economic Survey, op. cit., 1980, p. 97.

86/ On this and other related topics, see the article by David H. Pollock, Energy and development: the great challenge, preliminary version (mimeographed), 21 March 1980.

87/ As regards the final prices of fuels in the central economies, it has been observed that in recent years the rise has been less than was to be expected because, paradoxically enough, as the world price of oil went up, the domestic taxes on fuels went down. See World Bank, op.cit., 1980, p.15.

/Emphasis may

Emphasis may also be placed on the great importance that will be assumed by the line followed by the OPEC countries as regards their economic and social growth and, consequently, the evolution of their imports, as well as the way they use their financial resources. The more "developmentalist" their behaviour is, reflected in growing volumes of imports and the use of their financial surpluses in more stable and diversified ways than short-term deposits in transnational commercial banks, the more this would facilitate and ensure the effectiveness of the triangular operation referred to above.

Thirdly, and lastly, mention should be made of a compensatory element whose origin and development has been clearly linked with the so-called energy crisis and the international economic situation which has been taking shape after 1973, with the rapidly growing international liquidity becoming a factor which introduces a differentiation between events in the real sphere and those taking place in the financial sphere.

For this reason, while it is true that abundant international liquidity generates problems in the various countries which are difficult to handle (erratic capital movements, excessive fluctuations in exchange rates and interest levels, and passivity of monetary policies), 88/ it is also true that the recessive tendencies now faced by the industrialized and developed economies are taking place against the background of ample world availability of financial resources, which is a different situation from that frequently observed in other periods. Consequently, the current limitations on access to external credit are of a selective rather than a general nature, as was already noted in the previous section.

In conclusion, the expansion of international liquidity and the need to use it to give coherence to the functioning of the world financial system leads to the establishment of expensive tendencies in the supply of finance which tend to a large extent to counteract the depressive movements generated by the situation as regards the real supply and the policies applied to influence it.

3. The growing integration of the world economy

From the background information referred to earlier, it is once more clear that the rapid growth of the world economy during the 1960s, and even up to 1973, was associated with the vigorous expansion, at a proportionately higher rate, of international trade, the rates in question being around 5% and 8%, respectively. Behind these tendencies there was growing trade integration among the industrialized countries through a process which began in 1958 when they agreed to return to freely convertible currencies and began to put into practice various trade liberalization measures adopted in GATT.

From 1958 up to and including 1972, i.e., before the fundamental change in world economic relations caused by the petroleum policy which the OPEC countries began to put into effect in 1973, it was abundantly clear that the main dynamic

88/ And probably, from a more general point of view, also leads to the generation of inflationary pressures in the world economy.

element was the behaviour of the industrialized countries themselves. Thus, their share in total world imports steadily rose from 64% in 1958 to 72% in 1972, subsequently dropping back to 68% in 1978 (see table 43).

At the same time, between 1958 and 1972 the shares of the oil-exporting and non-oil-exporting developing countries dropped, while in the period 1972-1978 there was a significant and foreseeable increase in the share of the oil-exporting nations, together with a moderate increase in the share of the non-oil-exporting developing countries.

Among the industrialized countries, the increases in imports recorded between 1958 and 1972 by some of the relatively larger countries, especially Germany, Japan and France, were decisive in the mobilization of world imports. The case of the United States was also noteworthy, since in spite of the relatively slow growth of its economy it increased its share in world imports from 14% in 1958 to over 15% in 1972. In the United Kingdom, in contrast, the scanty increase in productive activity was reflected in a big drop in its share in world imports from nearly 11% in 1958 to rather more than 7% in 1972.

In addition to the link between the different rates of growth of the industrialized countries and the course of their imports, however, what most directly influenced their increasing degree of integration was the conduct followed as regards opening up to international trade. This was primarily due to the form and extent of the growing trade exchanges between these economies, especially in the production and marketing of those manufactures with the most advanced technology, a high proportion of this production being accounted for by the transnational corporations. In contrast, this has not occurred with regard to the goods produced by the developing countries, in respect of which the opening up has been more cautious and has taken place within a protectionist context determined by the policies of the centres; in addition, the transnational corporations established on the periphery have shown little enthusiasm as exporting units, but considerably more as importers.

If we examine the evolution of coefficients of openness,89/ we are immediately struck by the upward curve shown by the larger industrialized countries, such as Canada, France, Germany, Italy and the United Kingdom. In 1978, these attained export/import coefficients which were relatively high - between 20% and 30% of their gross national product - and which should leave room for still further expansion, in view of their performance in recent years and the experience of other developed countries, above all European countries, which have reached higher comparable values (see table 44). Another point which is very clearly noticeable is the strong openness recorded by the United States economy, which began with very low coefficients (less than 5% of the product), but has displayed an evolution of its external relations which has brought it to comparative values of around 10%.

89/ These have been estimated by the Bank for International Settlements on the basis of figures expressed in nominal values. For this reason, these calculations underestimate the progressive openness recorded in the last 20 years in countries such as Germany and Japan, where the prices of exports, and especially of imports, have increased more slowly than domestic prices.

/Table 43

Table 43

COMPOSITIONS OF WORLD IMPORTS (CIF)

(Billions of dollars and percentages of total)

	1958		1968		1972		1978	
	Value	Percent-age	Value	Percent-age	Value	Percent-age	Value	Percent-age
1. World total	101.1	100.0	226.5	100.0	389.2	100.0	1 231.3	100.0
2. Industrialized countries a/	65.0	64.3	159.9	70.6	281.9	72.4	836.7	68.0
United States	14.6	14.4	35.3	15.6	58.9	15.1	183.1	14.9
Germany	7.6	7.5	20.3	9.0	40.4	10.4	121.8	9.9
Japan	3.0	3.0	13.0	5.7	23.9	6.1	79.9	6.5
France	5.6	5.5	14.0	6.2	27.0	6.9	81.8	6.6
United Kingdom	10.7	10.6	19.0	8.4	28.2	7.2	78.6	6.4
3. Other developed countries b/	9.4	9.3	21.5	9.5	35.4	9.1	96.6	7.8
4. Oil-exporting developing countries	5.2	5.1	7.5	3.3	13.7	3.5	102.4	8.3
5. Non-oil-exporting developing countries	21.5	21.3	37.6	16.6	58.2	15.0	195.6	15.9

Source: International Monetary Fund (IMF), International Financial Statistics, 1979.

a/ Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom and United States.

b/ Other European developed countries, plus Australia, New Zealand and South Africa.

/Table 44

Table 44

SELECTED COUNTRIES: OPENNESS TO INTERNATIONAL TRADE

	Average exports and imports of goods and services as a percentage of the Gross National Product		
	1958	1968	1978
Federal Republic of Germany	20	21	26
Belgium	31	39	51
Canada	18	21	25
United States	5	5	10
France	13	14	20
Italy	12	16	24
Japan	11	10	10
Netherlands	47	44	47
United Kingdom	20	21	29
Sweden	23	22	28
Switzerland	27	30	34

Source: Bank for International Settlements, Fiftieth Annual Report, Basle, June 1980, p. 19.

/To give

To give an idea of the dynamic potential for world trade represented by the continuation and further strengthening of the growing openness of the United States, table 45 shows a theoretical option for the evolution of United States imports assuming that this coefficient - without making any change in the effective imports of petroleum - had grown more moderately than the rate actually attained in the light of its performance in previous periods. Thus, we find that in 1978 the "additional" United States imports over and above the theoretical "normal" trend came to some 35 billion dollars, i.e., equivalent to 3% of the world total.

In other words, bearing in mind the enormous relative size of the United States economy and its hitherto low degree of openness to international trade (in spite of the increase noted during the 1970s), there can be no doubt that the continuation and acceleration of the progressive integration of this country into the international economy 90/ can be an extremely important element in improving the prospects of world trade and growth. In order for the favourable effects of such behaviour to be distributed in a more balanced manner among the various groups of countries in the world economy, however, this integration must not only be horizontal but must cover the whole block of industrialized countries and possibly some centrally-planned economies too.

Thus, one of the challenges for the 1980s will be to ensure that the benefits deriving from the growing openness of the United States are also extended to the developing countries. This is a priority objective which is linked with other fundamental aspects such as those regarding United States protectionism, the behaviour of that country's transnational corporations, and the economic relations between the United States and Latin America.

Finally, in the case of Japan its present export/import coefficient (rather more than 10%) seems low both in the light of that country's productive capacity and structure and in comparison with the values recorded in other industrialized nations. In view of the vigorous relations with the exterior maintained by the Japanese economy, its proportion of openness should be closer to that of the large European countries than to that of the United States. The low coefficient

90/ From another broader perspective, account should be taken, for example, of the words of Mr. William Miller, former Secretary of the Treasury of the United States: "Equally important for achieving our domestic economic objectives is action aimed at ensuring that the world economy - with which our economic health is so closely linked - is kept open and in expansion. The United States has come to depend to an enormous extent on world trade and financial flows. The proportion of the United States economic product corresponding to exports has almost doubled in the last 10 years, from 6.4% in 1970 to over 12% at the beginning of the 1980s. Today, one out of every seven industrial jobs and one of every three acres of agricultural land in the United States are producing for export. Imports - from raw materials to highly sophisticated capital goods - are intimately linked with all phases of economic activity. International investment has become a very important factor for United States production, both at home and abroad. One out of every 3 dollars of profit of United States firms comes from the international activities of United States enterprises" (United States Department of the Treasury, Department of the Treasury News, Washington, D.C., 4 September 1980, pp. 1 and 2).

/Table 45

Table 45

UNITED STATES: EVOLUTION OF IMPORTS

(Billions of dollars)

	1958	1968	1972	1978
Imports CIF	14.6	35.3	58.9	183.1
Oil	1.6	2.3	4.3	41.6
Other imports	13.0	33.0	54.6	141.5
Gross National Product	448.9	868.5	1 171.1	2 127.6
Import coefficient (per cent)	3.3	4.1	5.0	8.6
Non-oil import coefficient (per cent)	2.9	3.8	4.7	6.7
Estimates theoretical imports	14.6	35.3	55.8	148.0
a) Non-oil imports	13.0	33.0	51.5	106.4
(Coefficient used in calculation: 4.4% in 1972 and 5% in 1976)				
b) Oil imports	1.6	2.3	4.3	41.6
"Creation" of trade	-	-	3.1	35.1

Source: IMF, International Financial Statistics, 1979, and CEPAL estimates.

/recorded seems

recorded seems to be influenced by the protectionist practices observed in Japan, which are at a very significant level in both the tariff and non-tariff fields, as may be seen from the section dealing with this topic.

In view of the above, in order to introduce another dynamic element into world trade and economic activity during the 1980s it would be extremely desirable to accelerate the process of integration of Japan into the world economy through the adoption of policy measures permitting a considerable and sustained increase in its export/import coefficient. In order to apply this strategy it would probably be necessary to establish more direct and solid linkages than have hitherto been the case between the expansion of the Japanese domestic market and the performance of that country's imports.

C. GUIDELINES FOR THE INCORPORATION OF LATIN AMERICA INTO THE WORLD ECONOMY

It is worth examining now the probable options that Latin America is likely to have open to it as regards the determination of those forms of insertion into the international economy which would suit it best - i.e., as already stated, making maximum use of its own development potential - in the world economic situation which will be confronting it during the 1980s. To this end, there can be no doubt that it is extremely important to take due account of the limitations and the partial opportunities which the trends of the world economy will be offering it.

Some questions and warnings of a general nature may be useful at this point in order to give a frame of reference to the set of guidelines which it is desired to sketch for the external relations of Latin America. Firstly, in order to tackle this task it is necessary that the positions to be maintained at the international, regional and national levels should be congruent. At the external level, this means once again that it is necessary that the region should continue working out a common platform of action proposals, which should also be in keeping with the basic proposals maintained by the Third World as a whole in the Group of 77. This unity of programmes does not, of course, mean ignoring the variety of situations which exist among the Latin American countries and among the developing countries as a whole, nor their influence on the different ways in which the measures contained in the common platform should be used.

At the domestic level, it is essential that the programme of the region should be compatible with the existing subregional integration schemes and the lines laid down by the various Latin American economies regarding ways of expanding and determining the structure of their national markets.

Secondly, another aspect relating to Latin America's form of insertion and its prospects for the 1980s consists of taking due account of the fact that the centre-periphery relationship is now applied with respect to a regional economy which has undergone appreciable changes. This is of course due to the structural consequences of inward-oriented development and especially the advance of industrialization.

/Finally, it

Finally, it is methodologically feasible to subdivide into three sections the review of the action which Latin America can take to define the nature of its external economic relations and face up to the international situation which can be foreseen for the 1980s: (i) the reconstitution of the dynamic forces of its growth, (ii) South-South co-operation and (iii) North-South relations.

This latter topic has been examined in almost all its aspects in the first three chapters of the present document, and moreover it has been given systematic consideration in various CEPAL studies in recent years.91/ Consequently, the following sections will merely present in a summary manner some outstanding elements linked with the first two topics proposed, without any suggestion of covering all the aspects contained in more detailed considerations of this matter.

1. The reconstitution of the dynamic forces of economic growth of the region

Since early 1975, CEPAL has been propounding the view that the weak prospects of expansion of the world economy and trade made it advisable to reformulate the development strategies of the region, bearing mainly in mind the fact that the mid-1970s marked the end of a period lasting about 15 years in which the central countries and their trade exchanges grew in a rapid and sustained manner.92/

At the present time, the already mentioned projections regarding the probable future performance of the international economy mean that many of the proposals worked out and formulated in recent years regarding the essential characteristics which the development policy lines of the countries of the region should have continued to be relevant. It would seem useful to review some of these once again at this point.

In this respect, it has been indicated as a central proposition that:

"To sum up, this is a question of giving new dimensions to the role of the domestic market, without losing the dynamic value of exports to the rest of the world and very especially to the Latin American region. What is

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91/ See, for example, CEPAL, Latin America on the threshold of the 1980s, E/CEPAL/G.1106, 1979; The economic and social development and external relations of Latin America, E/CEPAL/1024/Rev.1, 1977, and En torno a las ideas de la CEPAL: Desarrollo, industrialización y comercio exterior and Problemas de la industrialización en América Latina, Cuadernos de la CEPAL series, Nos. 13 and 14, 1977. See also Enrique V. Iglesias, "Latin America on the threshold of the 1980s" CEPAL Review, No. 9, December 1979; statement by the Executive Secretary of CEPAL at the seventeenth session of the Commission, reproduced in CEPAL Review No. 3, June 1977, pp. 246-279, and "Situation and prospects of the Latin American economy in 1975", CEPAL Review, No. 1, June 1976, pp. 77-98.

92/ See in this respect Enrique V. Iglesias, "Situation and prospects of the Latin American economy in 1975", op.cit.

/proposed, then,

proposed, then, is development which is sustained at the national and regional levels with the aim of increasing its effectiveness and its critical mass of support. In this way it can and must be vigorously projected towards the rest of the world in order to establish and make use of a new system of international division of labour.

"In the relative weight of each of these foci of dynamism, considerable influence is exerted by the dimension of the national economies. For the smaller countries, the possibility of expansion abroad will continue to be of decisive importance, and especially the possibility of expansion towards the countries of the region as far as non-traditional products are concerned. For the larger and more industrialized countries, the development of the domestic demand will continue to be the crucial element, although the regional and extra-regional markets will continue to be the essential bases of support.

"The new strategy implicit in these terms must be appraised in the light of the above-mentioned three sources of demand".93/

(a) The international market

The following has been stated on this topic, and maintains its validity:

"It is usually assumed that there is a kind of Say's Law at the international level, i.e., that everything which is capable of being exported on an efficient or competitive basis could and should be absorbed by eventual clients - in this case, the industrialized countries.

"But things are not quite as simple as this, and it is not for nothing that the question of access to markets is an essential point of the proposals made on the periphery, particularly of course by its more diversified economies ...

"The contradictory attitude of the central economies in this connexion has well-known roots. These countries too have relatively backward sectors (within their economies and in comparison with the competition of exporters on the periphery), and although these may have only marginal weight in the economy as a whole, their power of political and social bargaining, alone or associated with other interests or "lobbys", may be appreciable. It may be noted in passing that for very obvious reasons this threat to their positions usually mobilizes in particular the trade union groupings.

"Be this as it may, the problem exists and cannot be ignored or undervalued in the discussion. On the other hand, it is abundantly clear that the central countries have ample possibilities for carrying out the structural readjustments needed to bring in a new system of international division of labour ..."94/

93/ See CEPAL, "En torno a ...", op.cit., Cuadernos de la CEPAL, No. 13, p. 43.
94/ See CEPAL, "En torno a ...", op.cit., Cuadernos de la CEPAL, No. 13, pp. 43-45.

It is worth supplementing these questions of a quantitative nature by recalling some more precise background information on the position and prospects of the international trade of the region.

At the end of the 1970s the following main characteristics described the external trade of Latin America.95/ The region's exports of goods and services came to rather more than 80 billion dollars, so that their proportion in relation to the domestic product was close to 12%. Since 1975 the volume of exports of the region has expanded in the non-traditional branches and, to a lesser extent, in the traditional branches too, so that there has been a sustained increase in the export coefficient (which has risen from 10% to the value just indicated). Taking a longer-term view, however, it is interesting to note that this coefficient is still far from recovering the values observed at the beginning of the 1950s and 1960s.

Furthermore, in 1979 Latin America's imports of goods and services came to nearly 90 billion dollars, representing a coefficient of over 13% of the domestic product. After the restrictions on imports imposed in 1975 and 1976 by some countries which had difficulty in securing the equilibrium of their balance of payments, the style of development prevailing in the region has been leading to a more rapid expansion of imports than that of the domestic product, just as occurred in the period 1965-1973.

The Latin American external trade structure is strongly asymmetrical: unlike the position in the developed economies, the composition of exports is very different from that of imports.96/ Although the export of manufactures has been the most dynamic element, favoured by the big advance in the subregional integration processes, primary commodities plus fuels still represent about 85% of the total exported. In the case of imports of goods, in contrast, approximately two-thirds correspond to capital goods, consumer durables and intermediate products.

The prospects for the 1980s are conditioned by the need of the countries of the region to continue slowly but surely increasing their coefficient of exports of goods and services. In view of the moderate upward trend of the coefficient of imports which is expected and the outlays foreseen in respect of net payments of profits and interest, this is necessary in order to prevent the current account deficits of the region from exceeding those of the late 1970s in comparable values. If this is not achieved, it will be conceptually and practically difficult to obtain the high capital inflows needed to bring the balance of payments into equilibrium - especially on longer terms than those obtained so far - in addition to the serious problems already represented by the servicing of the present external debt.

For all the non-oil-exporting countries of the region (large, medium-sized and small), expanding export income is a difficult objective to achieve, firstly because such an increase must be based principally, as happened in the 1970s,

95/ The information given below covers 19 countries, excluding Cuba and the English-speaking Caribbean countries.

96/ See in this respect CEPAL, "Latin America on the threshold..." op.cit., especially pp. 24-30.

/on a

on a larger volume of sales to the exterior, and not on possible relative improvements in the international prices for the main basic commodities exported by Latin America.

Secondly, as already noted, the various forecasts on the probable behaviour of the industrialized economies during the 1980s coincide in foreseeing the persistence of their slow and erratic growth. At the same time, it is worth recalling that these economies are displaying a resurgence of protectionism, manifested essentially in the adoption of non-tariff measures which limit, hinder or totally impede the access of foreign goods to their markets.

Finally, basic commodities are facing a low income-elasticity of the demand for them, reflected in the persistent decline in the share of these goods in total world trade. Moreover, exports of basic commodities with various degrees of processing and of manufactures which call for the intensive use of labour - branches in which Latin America has comparative advantages - are very sensitive to protectionist action by the developed countries.

For these reasons, if the growth prospects of Latin America are to be materialized it is essential to establish an export strategy which permits the maintenance or even preferably the strengthening of the trends of the export coefficient observed in the second half of the 1970s. This strategy must be based on a number of main elements, among which mention may be made of the following: expansion and diversification of the domestic productive system, particularly through support to industrialization; use of export promotion mechanisms; implementation of measures to accelerate the processes of subregional integration and co-operation; intensification of the various current negotiations designed to improve the access of Latin American exports to the markets of the industrialized countries, and strengthening of national bargaining capacity with the transnational corporations.

(b) The regional market

As trade and co-operation among the countries of Latin America were analysed in a document specifically devoted to this theme,97/ only a few of the main points will be recalled here.

The Central American Common Market recorded an increase in the share of intra-regional trade in its total exports from 6.7% in 1960 to 17.4% in 1965, 26.1% in 1970 and 22.9% in 1978. For the Latin American Free Trade Association the figures were 7.7% in 1960, 10.1% in 1970 and 13.0% in 1978.

The other two integration schemes which arose in Latin America around 1968 - the Andean Group and the Caribbean Community (CARICOM) - also achieved significant increases in their coefficients of trade integration, which were initially very low. The figure for the Andean Group rose from 2.1% in 1970 to 4.4% in 1978, while that for CARICOM rose from 7.8% to 9.2% over the same period.

97/ See CEPAL, Regional integration and co-operation in the 1980s, E/CEPAL/G.1151, March 1981.

As from 1970, the composition of intra-regional trade gradually changed because of the increase in the share of manufactures, which rose in terms of current values from 50.1% in 1970 to 60.8% in 1978. This reflects an increase of an average of 22.7% per year in intra-regional trade in manufactures between the years in question: a rate considerably higher than those for total exports to the Latin American region and for exports to the whole world, respectively.

To sum up, the regional market is important in quantitative terms, since in 1978 it absorbed nearly 16% of Latin American exports - measured at current prices - and its share will undoubtedly increase during the 1980s. From a qualitative point of view, it is an extremely important maket for manufactures, so that its expansion represents important support for the industrialization processes of the Latin American countries.

(c) The domestic market

It seems obvious that in most of Latin America the domestic demand and the domestic market constitute the main focus of economic dynamism, and they will assuredly continue to be so in the future, perhaps even more so than in the recent past.

Rather than the global aspects considered on other occasions, what is of interest now is to emphasize those particular elements related mainly with income distribution and the corresponding allocation of resources. In other words, in order to evaluate the role of the domestic market in the restructuring of the dynamic forces it is essential to bear in mind the patterns and trends in the distribution of the fruits of development which have characterized the Latin American growth model in the last few years.

With regard to this problem, a CEPAL study noted the following:

> "To judge by the number of inhabitants, Latin America and some of its component countries in particular have quite a wide market. The size of this market is more apparent than real, however. If we observe the demand behaviour of social sectors with different levels of income, we see very clearly that only persons with a per capita income of over 500 dollars per year generate a significant demand for non-food industrial goods. More than 80% of the demand for non-food manufactures in Latin America comes from persons whose income is higher than the figure mentioned. But half the population of Latin America has an income below 500 dollars".98/

It is not only social considerations which make it essential to evaluate this facet of regional development, however. It also involves economic questions of great importance, one of them being the full recognition of the fact that the degree of expansion of the productive capacity in a large part of Latin America renders increasingly illogical the dilemmas between growth and equity, between

98/ See Juan Ayza, Gérard Fichet and Norberto González, Integración económica y sustitución de importaciones en América Latina, Fondo de Cultura Económica, Mexico City, 1975.

/increasing production

increasing production today and putting off until a distant tomorrow a less unequal distribution of income, and between maintaining or increasing investment and improving the participation of the majority with the lowest incomes in the structure of consumption. Such dilemmas only exist if we take as our reference an inappropriate conventional image of the redistributive strategy and policies, which is unjustifiable both conceptually and in the light of examination of specific national experience.

Moreover, and also depending on the relative size of the countries of the region and the reinforcement provided by economic integration, it is evident that the sustained expansion of domestic markets will permit the countries to place their external relations on more solid bases, because by achieving such expansion they become less vulnerable to external vicissitudes and also improve their possibilities of competing on international markets.

2. South-South co-operation

(a) Background and prospects

Expanding on some concepts expressed in chapter III, it is worth repeating that in the 1980s the economic relations between developing countries must be strengthened and expanded as a way of seeking new dynamic elements for their growth and reducing the negative effects of the expected slow development of the world economy. The growing interregional co-operation would be added to the forces already examined - regional co-operation and the expansion of the domestic markets of the developing countries themselves - in the task of trying to secure for the Third World a more rapid rate of development than that permitted by mere presence in an international economy dominated by the passive behaviour of the centres. Co-operation between the nations of the different developing regions is part of the search for a new international economic order and one of the fundamental elements in the International Development Strategy for the 1980s.

As noted earlier, the real potential of the linkages between the countries of the South was revealed in the 1970s. The determination of these countries to reduce dependence on the centres and to enhance their own interdependence has been translated into actions by countries or groups of countries which have made it possible to secure greater mutual knowledge, improve communications and transport, establish special financial machinery, set up joint enterprises, bring technical co-operation projects into being, transfer and develop their own technologies, and of course significantly increase the mutual trade in goods.

In South-South trade, almost equal shares are occupied today by trade within the various regions and trade between different regions. In the 1970s, however, the most dynamic elements in the exports of the developing countries were trade between developing regions, followed by intra-regional trade, which in turn grew more rapidly than exports to the developed countries.

The information available on the trade of Latin America with the rest of the developing countries gives grounds for forecasting that during the 1980s there could be a significant and sustained expansion of interregional trade.

/Thus, table

Thus, table 46 shows that between 1970 and 1978 Latin American exports to the rest of the developing countries increased their share in total exports of the region from 2% to 5%.99/ This latter figure still seems relatively low, and could be considerably increased in the course of the 1980s. This impression is borne out by the fact that if Latin American exports to the other developing countries (excluding Latin America) are compared with the total imports by the same countries, they only came to 1.4% in 1978, which is the same figure as recorded in 1974 and only slightly higher than in 1970 (see table 47).

Meanwhile, the imports of developing America from other developing regions, as a proportion of the total imports of the region, rose from 3% in 1970 to 15% in 1974, remaining at a similar level to the latter figure in 1978 (see table 48). As may be seen from the table, what happened with fuels was the determining element in this trend.

The trade between Latin America and the rest of the developing world results in a deficit for the region; in 1978 this deficit came to 8 billion dollars or equivalent to around 80% of the imports of fuels. There was also a deficit from more than 300 million dollars on the trade in manufactures, compared with total Latin American imports under this heading of nearly 1.1 billion dollars. The existence of these deficits and the possibility of reducing them constitute a further incentive for strengthening trade between Latin America and the other developing countries.

As noted earlier, there are promising prospects that in the next few years there will be a considerable increase in the direct flow of loans and investments from the developing OPEC countries to the non-oil nations of the Third World, many of which are suffering persistent deficits on their balance-of-payments current account. In particular, there are many possibilities that in future the flow of loans and investments of this type to Latin America will be increased, and concrete initiatives in this direction have already taken place.

In another sphere, the experience of Argentina and Brazil in co-operation with various African countries highlights the possibilities for collaboration in the field of technology. The "intermediate" technologies available in the Latin American countries for utilization in other developing countries are particularly suitable for this purpose, especially in comparison with those technologies which it has been attempted to transfer from the central countries.

(b) A programme of action for South-South co-operation

The various aspects referred to above have led the developing countries to intensify the search for systematic forms of joint action. Starting with the Conference on Economic Co-operation among Developing Countries held in Mexico in 1976, the United Nations Conference on Technical Co-operation among Developing Countries held in Buenos Aires in 1978, and the Fourth Ministerial Meeting of the Group of 77, held in Arusha in 1979, a start has been made on various joint

99/ As in other cases, the figures given in tables 46, 47 and 48 refer to the whole of developing America, which is slightly different from Latin America (see footnote a/ of table 46).

/Table 46

Table 46

DEVELOPING AMERICA[a/]: STRUCTURE OF EXPORTS TO THE OTHER DEVELOPING COUNTRIES

(Millions of dollars FOB)

Product groups	Year	Total exports to whole world (1)	Exports to other developing countries (2)	Exports to other developing countries as a percentage of total exports to whole world (3)
Total (I+II)	1970	17 090	367	2.1
	1974	49 459	1 637	3.3
	1978	64 856	3 176	4.9
1. Food and agricultural raw materials	1970	8 260	256	3.1
	1974	17 493	687	3.9
	1978	27 688	1 569	5.7
2. Minerals and non-ferrous metals	1970	3 080	4	0.1
	1974	5 384	70	1.3
	1978	5 755	103	1.8
3. Fuels	1970	3 720	55	1.5
	1974	19 894	117	0.6
	1978	20 239	700	3.5
I. Primary commodities (1+2+3)	1970	15 060	315	2.1
	1974	42 771	1 471	3.4
	1978	53 682	2 372	4.4
II. Manufactured goods	1970	1 975	51	2.6
	1974	6 508	161	2.5
	1978	10 878	758	7.0

Source: United Nations, Monthly Bulletin of Statistics and Supplement to the World Trade Annual, various issues.

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

/Table 47

Table 47

TRADE BETWEEN DEVELOPING AMERICA[a] AND THE OTHER DEVELOPING COUNTRIES

(Millions of dollars FOB)

Year	Total imports by developing countries (excluding developing America) (1)	Exports by developing America to the other developing countries (2)	(2)/(1) (per cent) (3)	Total exports of developing countries (excluding developing America) (4)	Imports by developing America from the other developing countries (5)	(5)/(4) (per cent) (6)
1970	38 699	367	1.0	37 810	605	1.6
1974	116 366	1 637	1.4	176 025	8 467	4.8
1978	222 669	3 176	1.4	235 946	11 235	4.8

Source: United Nations, Monthly Bulletin of Statistics and Supplement to the World Trade Annual, various issues.

a/ Consists of the same countries as in table 46.

/Table 48

Table 48

DEVELOPING AMERICA[a/]: STRUCTURE OF IMPORTS FROM THE OTHER DEVELOPING COUNTRIES

(Millions of dollars FOB)

Product groups	Year	Total imports from whole world (1)	Imports from the other developing countries (2)	Total imports from the other developing countries as a percentage of total imports from whole world (3)
Total (I+II)	1970	18.400	605	3.3
	1974	55.433	8 467	15.3
	1978	76 599	11 235	14.7
1. Food and agricultural raw materials	1970	2 695	74	2.7
	1974	7 173	206	2.9
	1978	9 300	255	2.7
2. Mineral and non-ferrous metals	1970	555	18	3.2
	1974	1 654	151	9.1
	1978	1 814	101	5.6
3. Fuels	1970	1 840	391	21.3
	1974	13 595	7 654	56.3
	1978	17 039	9 909	58.2
I. Primary commodities (1+2+3)	1970	5 090	486	9.5
	1974	22 422	8 011	35.7
	1978	28 153	10 265	36.6
II. Manufactured goods	1970	12 890	111	0.9
	1974	32 087	452	1.4
	1978	47 373	1 088	2.3

Source: United Nations, Monthly Bulletin of Statistics and Supplement to the World Trade Annual, various issues.

a/ Consists of the same countries as in tables 46 and 47.

/activities by

activities by Third World countries which have been translated into guidelines and decisions in various international forums, especially those of the United Nations family of organizations. Concrete form has thus been given not only to principles guiding the action of the developing countries in their mutual co-operation but also to action priorities and specific machinery for carrying out such action.

The determination of the South to increase joint action was reflected particularly at the Ministerial Meeting of the Group of 77, which adopted the First Short and Medium-Term Action Plan for Global Priorities on Economic Co-operation among Developing Countries. In this, it is stated that "economic co-operation among developing countries is a key element in a collective self-reliant strategy and thus becomes both an essential part of and an instrument for the necessary structural changes required for a balanced and equitable process of world economic development, ushering in a new set of relationships based on mutual interests and accomodations". It went on to say that joint action by the developing countries "will strengthen their capacity to negotiate with developed countries and reduce their dependence on them"; that "intensifying trade and economic linkages among developing countries is part of the structural changes needed for a more rational international division of labour, leading to a more efficient use of world resources"; and that "more intensive economic co-operation among developing countries is beneficial to the entire international economy". Finally, it reaffirmed that since "economic co-operation among developing countries is a matter that chiefly concerns the developing countries, it should be formulated and implemented by them at the subregional, regional, interregional and global levels".100/

Of the areas of interest defined at the Mexico Conference, the First Action Plan adopted at Arusha selected nine priority issues for taking the first measures of reciprocal co-operation: a global system of trade preferences among developing countries (GSTP); co-operation among State-trading organizations (STOs); establishment of multinational marketing enterprises (MMEs); strengthening of subregional, regional and interregional economic integration and co-operation; co-operation in the transfer and development of technology; least developed countries; land-locked and island developing countries; monetary and financial co-operation; and multinational production enterprises among developing countries (MPEs). In addition, the Arusha Ministerial Meeting reiterated that technical co-operation is a basic instrument for the promotion of economic co-operation among developing countries and it therefore considered necessary the prompt and effective implementation of the Buenos Aires Plan of Action and the respective resolutions adopted at the United Nations Conference on Technical Co-operation among Developing Countries, held in that city.

It was subsequently laid down that the global system of trade preferences, State-trading organizations and multinational marketing enterprises constituted the priority areas for co-operative action.

100/ See UNCTAD, Arusha Programme for Collective Self-Reliance and Framework for Negotiations (UNCTAD V, 28 February 1979), document TD/236, Manila, May 1979, pp. 8 and 9.

Because of the progress made so far and the great importance of this issue, special reference will be made here to the global system of trade preferences among developing countries. After a large number of technical studies carried out by UNCTAD and various regional and world-level meetings, the global system has now entered the negotiations stage. The bases approved by the developing countries define the framework within which the negotiations leading to the establishment of the GSTP are to take place.

The system of preferences designed is global in three respects: it seeks to include all the developing countries, all types of products, and all (or at least the most important), trade policy instruments. In this connexion it has been agreed that the GSTP should include indicative targets for the increase in reciprocal trade, tariff and non-tariff preferences, direct trade measures (such as medium- and long-term contracts and State purchases), sectoral agreements, standards regarding the origin of goods, safeguard clauses, rules against unfair competition and other provisions continued to be of fundamental importance for systems of trade preferences. In addition, it has been agreed that the foregoing mechanisms should be increasingly related with other measures in the spheres of production, marketing, payments, financing and transport.

Furthermore, it has been laid down that the GSTP should take particular account of the situations of regional economic groupings and also of least developed, land-locked and island countries. With regard to the former, it is sought to strengthen and expand the system and, of course, it is laid down that the mutual preferences agreed among the members of these groupings will continue to be exclusive to them. With regard to the countries in the second category, it is sought to establish special treatment considered to be suitable to their specific problems and aimed at contributing to their solution.

Finally, it is worth repeating that the global system of trade preferences conceived on the bases approved by the ministers at Arusha and complemented at subsequent meetings is closely linked with the other measures foreseen for enhancing South-South economic co-operation. Because of the magnitude and significance of the bases agreed upon, the establishment of the GSTP can lead to the creation of a veritable economic system for the developing countries which will make it possible to strengthen the trade links between those countries as well as links in many other fields of economic activity. Furthermore, the practical implementation of the GSTP could serve as the main incentive for undertaking the other activities foreseen in the Arusha Action Plan and would thus become the fundamental instrument for co-operation among the countries of the Third World, with positive effects on the economic relations of those countries with the industrialized nations.

/STATISTICAL ANNEX

STATISTICAL ANNEX

Table A

DEVELOPING AMERICA: STRUCTURE OF EXPORTS OF GOODS, BY DESTINATION

(Millions of dollars FOB)

Product groups / Destination	Year	World	Developing America a/	Rest of world	Developed countries: Total	European Common Market b/	United States	Canada	Japan	Centrally planned economies: Total	Eastern Europe c/	Soviet Union	Asia d/	Developing countries: Total (includes America)	Africa	Asia (excluding Middle East)	Middle East	Oceania
Total (SITC 0-9)	1970	17 090	2 860	14 230	12 680	4 330	5 680	535	950	1 120	501	513	105	3 230	115	215	37	-
	1971	17 518	3 131	14 367	12 984	4 171	6 116	595	929	821	387	395	39	3 600	136	257	76	-
	1972	19 874	3 458	16 416	14 795	4 780	6 950	642	1 056	974	416	395	163	4 027	156	309	101	3
	1973	29 520	5 006	24 514	21 258	6 648	10 155	883	1 606	1 866	618	925	323	6 072	320	507	238	1
	1974	49 459	9 713	39 746	34 733	8 491	19 249	1 931	2 274	2 925	984	1 405	536	11 349	798	331	467	21
	1975	47 845	9 630	38 215	31 600	8 242	17 097	1 666	1 886	4 086	923	2 928	235	11 511	964	290	626	1
	1976	53 674	10 393	43 281	36 650	9 896	19 405	1 856	1 992	4 304	1 186	2 692	426	12 287	1 013	400	480	1
	1977	60 902	12 233	48 669	40 141	11 455	21 010	1 723	2 167	5 137	1 534	3 120	485	15 122	1 395	752	737	3
	1978	64 856	12 589	52 267	42 805	12 235	23 006	1 645	2 279	5 991	1 496	3 984	511	15 765	1 419	868	887	2
	1979	83 169																
Food and agricultural raw materials (SITC 0+1+2-27-28+4)	1970	8 260	768	7 492	6 283	2 609	2 306	77	507	912	411	421	80	1 024	61	159	36	..
	1971	8 173	757	7 416	6 373	2 592	2 434	92	499	662	313	322	27	1 114	83	204	70	-
	1972	9 715	874	8 841	7 606	3 277	2 755	94	573	814	358	323	135	1 292	97	233	67	1
	1973	13 441	1 113	12 328	10 030	4 532	3 196	100	834	1 501	500	740	261	1 695	225	344	211	-
	1974	17 493	1 511	15 982	12 172	4 876	4 212	200	1 160	2 573	844	1 393	336	2 603	596	222	450	15
	1975	18 259	1 852	16 407	11 552	4 563	3 906	200	1 048	3 557	672	2 727	158	3 156	541	198	564	-
	1976	21 187	1 783	19 404	14 314	5 705	5 130	196	984	3 636	877	2 483	276	3 056	578	300	396	1
	1977	26 190	2 171	24 019	17 560	7 632	5 922	213	1 147	4 515	1 282	2 800	433	3 912	669	566	483	3
	1978	27 688	2 478	25 210	18 206	7 957	6 366	349	1 137	5 394	1 206	3 744	444	4 048	486	639	444	-
	1979																	
Minerals (crude and metalliferous) and non-ferrous metals (SITC 27+28+68)	1970	3 080	152	2 928	2 737	1 171	929	61	383	168	72	86	10	161	-	4	-	-
	1971	2 655	160	2 495	2 312	946	726	53	369	131	55	64	12	194	10	19	2	-
	1972	2 660	166	2 494	2 316	853	806	41	399	109	34	53	22	225	15	32	6	-
	1973	3 605	209	3 396	2 983	1 071	1 060	65	554	288	83	150	55	325	9	94	9	-
	1974	5 384	495	4 889	4 516	1 643	1 612	96	850	239	89	23	127	565	40	22	6	-
	1975	4 943	558	4 385	3 930	1 397	1 325	72	664	355	141	151	61	595	21	3	13	-
	1976	5 666	625	5 041	4 518	1 747	1 328	81	843	464	189	144	131	683	28	19	11	-
	1977	5 423	761	4 662	4 091	1 638	1 224	80	800	406	145	215	46	658	18	76	2	-
	1978	5 755	784	4 971	4 499	1 676	1 550	79	881	333	154	157	22	887	18	71	14	-
	1979																	
Fuels (SITC 3)	1970	3 720	1 100	2 620	2 550	315	1 680	375	32	-	-	-	-	1 160	35	29	-	..
	1971	4 590	1 335	3 255	3 159	383	2 170	420	15	-	-	-	-	1 383	32	16	-	-
	1972	4 658	1 313	3 345	3 247	300	2 330	458	23	1	1	..	-	1 359	32	12	..	2
	1973	7 750	2 061	5 689	5 432	358	4 249	645	28	5	3	2	-	2 111	42	7	..	1
	1974	19 894	5 070	14 824	14 330	983	11 501	1 469	77	4	4	-	-	5 187	93	15	4	5
	1975	18 264	4 467	13 797	13 211	1 144	10 457	1 253	39	6	4	2	-	4 753	266	14	5	1
	1976	19 464	5 032	14 432	14 016	1 178	11 027	1 403	33	23	17	5	1	5 293	241	13	7	-
	1977	20 138	5 617	14 521	13 663	697	11 302	1 284	44	22	10	12	-	6 187	433	26	121	-
	1978	20 239	5 288	14 951	14 139	913	11 663	1 061	38	9	6	3	-	5 988	494	16	190	-
	1979																	

Source: United Nations, Monthly Bulletin of Statistics, July 1975, May 1977 and July 1980; and United Nations, Supplement to the World Trade Annual, vol. II, 1970, 1971, 1972 and 1973.

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

b/ Includes Federal Republic of Germany, Belgium, Luxembourg, Denmark, France, Ireland, Italy, Netherlands and United Kingdom.

c/ Includes Albania, German Democratic Republic, Bulgaria, Czechoslovakia, Hungary, Poland and Romania.

d/ Includes Mainland China, North Korea, Mongolia and North Vietnam.

Table A (conclusion)

Destination / Product groups	Year	World	Developing America a/	Rest of world	Developed countries: Total	European Common Market b/	United States	Canada	Japan	Centrally planned economies: Total	Eastern Europe c/	Soviet Union	Asia d/	Developing countries: Total (includes America)	Africa	Asia (excluding Middle East)	Middle East	Oceania
Primary commodities (SITC 0 - 4 plus 68)	1970	15 060	2 020	13 040	11 570	4 095	4 915	513	922	1 080	483	507	90	2 345	87	292	36	-
	1971	15 418	2 252	13 166	11 844	3 921	5 330	565	903	793	369	386	37	2 691	125	242	72	-
	1972	17 033	2 353	14 680	13 169	4 430	5 891	593	995	924	393	376	155	2 876	144	280	95	3
	1973	24 796	3 383	21 413	18 445	5 961	8 503	820	1 416	1 794	586	891	317	4 329	276	447	221	1
	1974	42 771	7 076	35 695	31 018	7 502	17 325	1 765	2 087	2 816	937	1 356	463	8 555	729	260	462	20
	1975	41 466	6 877	34 589	28 693	7 104	15 688	1 525	1 751	3 916	817	2 532	219	8 504	828	216	582	1
	1976	46 317	7 440	38 877	32 846	8 630	17 485	1 680	1 860	4 123	1 083	2 632	408	9 034	847	332	414	1
	1977	51 751	8 549	43 202	35 314	9 967	18 448	1 577	1 991	4 943	1 437	3 025	479	10 957	1 120	678	606	3
	1978	53 682	8 550	45 132	36 844	10 546	19 579	1 489	2 056	5 736	1 366	3 904	466	10 923	998	726	648	-
	1979																	
Manufactured goods (SITC 5 - 8 less 68)	1970	1 975	805	1 170	1 090	233	755	16	23	29	18	6	5	675	27	23	1	-
	1971	1 991	854	1 137	1 078	229	752	30	23	27	17	8	2	881	11	13	2	-
	1972	2 782	1 084	1 698	1 598	341	1 042	47	59	50	22	19	8	1 128	10	28	6	-
	1973	4 494	1 593	2 901	2 707	639	1 618	71	169	71	32	31	6	1 711	44	58	16	-
	1974	6 508	2 593	3 915	3 638	964	1 888	162	179	109	47	49	13	2 756	66	71	22	-
	1975	6 131	2 690	3 441	3 022	1 110	1 364	139	131	159	105	38	16	2 930	132	68	40	-
	1976	7 095	2 921	4 174	3 715	1 242	1 866	173	130	181	103	60	17	3 204	153	62	61	-
	1977	8 967	3 650	5 317	4 654	1 488	2 372	146	166	193	96	93	4	4 072	247	71	104	-
	1978	10 878	4 013	6 865	5 873	1 674	3 365	154	221	242	119	78	45	4 770	421	140	196	1
	1979																	

Source: United Nations, Monthly Bulletin of Statistics, July 1975, May 1977 and July 1980; and United Nations, Supplement to the World Trade Annual, vol. II, 1970, 1971, 1972 and 1973.

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

b/ Includes Federal Republic of Germany, Belgium, Luxembourg, Denmark, France, Ireland, Italy, Netherlands and United Kingdom.

c/ Includes Albania, German Democratic Republic, Bulgaria, Czechoslovakia, Hungary, Poland and Romania.

d/ Includes Mainland China, North Korea, Mongolia and North Vietnam.

Table B

DEVELOPING AMERICA: STRUCTURE OF IMPORTS OF GOODS, BY ORIGIN

(Millions of dollars FOB)

Origin / Groups Product groups	Year	World	Developing America a/	Rest of world	Developed countries: Total	European Common Market b/	United States	Canada	Japan	Centrally planned economies: Total	Eastern Europe c/	Soviet Union	Asia d/	Developing countries: Total (includes America)	Africa	Asia (excluding Middle East)	Middle East	Oceania
Total (SITC 0-9)	1970	18 400	2 860	15 540	13 910	4 421	6 476	683	1 112	1 030	272	658	95	3 460	235	180	190	-
	1971	20 245	3 131	17 114	14 957	4 976	6 421	680	1 407	1 067	283	684	100	4 222	418	177	496	-
	1972	23 276	3 458	19 818	17 209	5 744	7 200	746	1 857	1 168	304	775	89	4 903	533	259	644	1
	1973	31 576	5 006	26 570	22 246	6 818	9 825	789	2 665	1 421	338	978	105	7 909	780	424	1 699	-
	1974	55 433	9 713	45 720	35 283	10 224	15 659	1 477	4 942	1 969	486	1 368	115	16 180	1 922	1 022	5 523	-
	1975	58 239	9 630	48 609	37 551	11 188	16 931	1 436	4 663	2 699	758	1 782	158	17 989	2 227	1 085	5 046	-
	1976	62 478	10 393	52 085	36 934	10 346	16 765	1 676	4 803	2 979	856	1 949	174	22 565	2 906	1 320	7 946	1
	1977	70 289	12 233	58 056	41 508	12 271	17 634	1 709	6 081	3 497	882	2 440	175	25 204	3 563	1 571	7 917	-
	1978	76 599	12 589	64 010	48 570	14 167	21 619	1 977	6 400	4 206	939	2 989	278	23 823	3 099	1 999	6 137	-
	1979	90 080*																
Food and agricultural raw materials (SITC 0+1+2-27-28+4)	1970	2 695	768	1 927	1 619	364	865	179	27	218	34	152	30	850	17	53	4	-
	1971	2 911	757	2 154	1 812	439	932	191	39	271	44	194	33	829	5	54	4	-
	1972	3 283	874	2 409	2 095	509	1 046	197	40	238	43	174	21	949	17	49	6	1
	1973	4 805	1 113	3 692	3 259	630	1 917	274	45	287	41	222	24	1 260	34	105	5	-
	1974	7 173	1 511	5 662	5 014	842	2 942	591	99	433	63	336	34	1 726	33	170	3	-
	1975	6 857	1 852	5 005	4 285	856	2 630	379	64	542	102	393	47	2 031	43	134	2	-
	1976	6 584	1 783	4 801	4 065	805	2 300	539	58	517	94	370	53	2 001	40	175	2	-
	1977	7 544	2 171	5 373	4 556	1 067	2 615	434	62	575	93	450	32	2 413	33	206	1	-
	1978	9 300	2 478	6 822	5 833	1 243	3 577	546	60	734	134	549	51	2 732	31	218	6	-
	1979																	
Minerals (crude and metalliferous) and non-ferrous metals (SITC 27+28+68)	1970	555	152	403	361	62	211	64	4	25	4	20	1	170	14	4	-	-
	1971	551	160	371	309	65	144	71	5	26	4	21	1	196	32	4	-	-
	1972	604	166	438	348	77	166	62	4	24	2	21	1	231	60	5	-	-
	1973	872	209	663	537	112	295	72	4	34	6	26	2	300	80	11	-	-
	1974	1 654	495	1 159	959	236	490	123	29	48	10	35	2	646	139	11	1	-
	1975	1 530	558	972	821	137	494	108	25	47	9	35	3	662	87	6	-	-
	1976	1 501	625	876	707	126	349	137	28	55	5	46	3	740	105	10	-	-
	1977	1 669	761	908	733	151	332	134	26	60	8	50	1	875	88	18	-	-
	1978	1 814	784	1 030	843	174	396	159	22	79	8	67	2	893	79	21	1	-
	1979																	
Fuels (SITC 3)	1970	1 840	1 100	740	255	27	215	-	2	88	5	81	2	1 490	200	6	185	-
	1971	2 547	1 335	1 212	255	22	222	-	6	92	5	85	2	2 199	367	9	483	-
	1972	2 819	1 313	1 506	247	23	201	2	12	125	8	115	2	2 447	444	53	638	-
	1973	4 966	2 061	2 905	335	60	247	3	13	167	6	159	2	4 464	644	75	1 684	-
	1974	13 595	5 070	8 525	546	84	405	15	26	326	30	294	2	12 724	1 719	474	5 461	-
	1975	13 446	4 467	8 979	711	82	541	21	43	550	77	471	2	12 184	2 084	635	4 998	-
	1976	17 571	5 032	12 539	593	69	479	13	24	593	108	482	2	16 385	2 745	684	7 923	-
	1977	19 089	5 617	13 472	776	231	471	22	29	751	102	645	4	17 562	3 428	619	7 898	-
	1978	17 039	5 288	11 751	1 019	468	461	37	30	823	64	752	7	15 197	2 973	829	6 107	-
	1979																	

Source: United Nations, Monthly Bulletin of Statistics, July 1975, May 1977 and July 1980; and United Nations, Supplement to the World Trade Annual, vol. II, 1970, 1971, 1972 and 1973.

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

b/ Includes Federal Republic of Germany, Belgium, Luxembourg, Denmark, France, Ireland, Italy, Netherlands and United Kingdom.

c/ Includes Albania, German Democratic Republic, Bulgaria, Czechoslovakia, Hungary, Poland and Romania.

d/ Includes Mainland China, North Korea, Mongolia and North Vietnam.

Table 8 (conclusion)

Product groups	Year	World	Developing America a/	Rest of world	Developed countries: Total	Developed countries: European Common Market b/	Developed countries: United States	Developed countries: Canada	Developed countries: Japan	Centrally planned economies: Total	Centrally planned economies: Eastern Europe c/	Centrally planned economies: Soviet Union	Centrally planned economies: Asia d/	Developing countries: Total (includes America)	Developing countries: Africa	Developing countries: Asia (excluding Middle East)	Developing countries: Middle East	Developing countries: Oceania
Primary commodities (SITC 0 - 4 plus 68)	1970	5 090	2 020	3 070	2 235	453	1 291	243	33	331	43	253	33	2 510	231	66	169	-
	1971	5 989	2 252	3 737	2 376	526	1 298	262	50	389	53	300	36	3 224	404	70	492	-
	1972	6 706	2 353	4 355	2 690	609	1 413	261	56	397	54	310	23	3 627	521	108	644	1
	1973	10 643	3 383	7 260	4 131	802	2 459	349	62	468	53	407	28	6 024	761	191	1 639	-
	1974	22 422	7 076	15 346	6 519	1 162	3 837	729	154	807	104	665	38	15 096	1 891	655	5 465	-
	1975	21 833	6 877	14 956	5 817	1 075	3 665	508	132	1 139	188	899	52	14 677	2 214	775	5 000	-
	1976	25 656	7 440	18 216	5 365	1 000	3 128	689	110	1 165	207	899	58	19 126	2 890	869	7 925	-
	1977	28 302	8 549	19 755	6 065	1 449	3 418	590	117	1 386	203	1 145	37	20 850	3 549	843	7 899	-
	1978	28 153	8 550	19 603	7 695	1 885	4 434	742	112	1 656	206	1 369	60	18 822	3 063	1 068	6 114	-
	1979																	
Manufactured goods (SITC 5 - 8 less 68)	1970	12 890	805	12 085	11 340	3 928	4 912	435	1 076	634	240	336	56	915	5	106	-	-
	1971	13 797	854	12 943	12 221	4 390	4 844	415	1 432	609	228	320	61	967	6	102	5	-
	1972	16 006	1 084	14 922	14 098	5 045	5 475	484	1 793	660	248	351	61	1 249	17	148	-	-
	1973	20 269	1 593	18 676	17 627	5 934	6 987	440	2 589	792	280	440	71	1 851	18	251	10	-
	1974	32 087	2 593	29 494	28 040	8 920	11 265	742	4 770	1 002	380	549	73	3 045	31	364	57	-
	1975	35 205	2 690	32 515	30 798	9 894	12 583	920	4 517	1 365	565	700	100	3 042	12	294	46	-
	1976	35 801	2 921	32 880	30 833	9 156	13 148	977	4 673	1 567	643	814	110	3 400	14	444	21	-
	1977	40 822	3 650	37 172	34 570	10 496	13 733	1 115	5 942	1 862	674	1 050	136	4 391	15	712	16	-
	1978	47 373	4 013	43 360	39 913	12 006	16 608	1 229	6 265	2 360	726	1 417	217	5 101	16	1 050	22	-
	1979																	

Source: United Nations, *Monthly Bulletin of Statistics*, July 1975, May 1977 and July 1980; and United Nations, Supplement to the World Trade Annual, vol. II, 1970, 1971, 1972 and 1973.

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

b/ Includes Federal Republic of Germany, Belgium, Luxembourg, Denmark, France, Ireland, Italy, Netherlands and United Kingdom.

c/ Includes Albania, German Democratic Republic, Bulgaria, Czechoslovakia, Hungary, Poland and Romania.

d/ Includes Mainland China, North Korea, Mongolia and North Vietnam.

Table C

DEVELOPING AMERICA: STRUCTURE OF EXPORTS OF GOODS, BY DESTINATION

(Millions of dollars at 1970 prices)

Product groups / Destination	Year	World	Developing America a/	Rest of world	Developed countries: Total	European Common Market b/	United States	Canada	Japan	Centrally planned economies: Total	Eastern Europe c/	Soviet Union	Asia d/	Developing countries: Total (includes America)	Africa	Asia (excluding Middle East)	Middle East	Oceania
Total (SITC 0-9)	1970	17 090	2 860	14 230	12 680	4 330	5 680	535	950	1 120	501	513	105	3 230	115	215	37	-
	1971	17 175	2 847	14 328	12 906	4 524	5 665	519	997	614	376	395	43	3 325	155	258	76	-
	1972	17 905	2 968	14 937	13 445	4 512	6 122	511	1 021	902	380	376	146	3 495	139	265	96	2
	1973	20 082	3 232	16 850	14 579	4 840	6 618	521	1 167	1 372	436	694	241	4 007	227	367	174	1
	1974	20 761	3 563	17 198	14 636	4 660	6 592	528	1 336	1 510	466	756	288	4 502	430	152	282	10
	1975	20 893	3 741	17 152	13 613	4 569	5 763	459	1 155	2 443	560	1 734	148	4 719	451	162	363	-
	1976	21 908	3 720	18 188	14 779	5 047	6 372	472	1 096	2 376	652	1 491	233	4 660	458	212	258	-
	1977	22 810	4 035	18 775	14 966	5 453	6 257	406	1 115	2 455	726	1 479	249	5 210	502	368	299	1
	1978	25 138	4 208	20 930	16 566	5 943	7 306	444	1 196	3 019	752	2 001	266	5 510	508	442	348	-
	1979																	
Food and agricultural raw materials (SITC (0+1+2+27-28+4)	1970	8 260	768	7 492	6 283	2 609	2 306	77	507	912	411	421	80	1 024	61	159	36	-
	1971	8 659	793	7 866	6 758	2 752	2 572	97	536	654	310	316	26	1 167	88	212	74	-
	1972	9 196	833	8 363	7 208	3 110	2 600	88	551	758	327	305	126	1 250	92	221	83	1
	1973	10 069	826	9 243	7 559	3 410	2 415	76	626	1 107	350	560	197	1 403	167	253	157	-
	1974	10 080	906	9 174	7 123	2 865	2 454	116	680	1 290	380	713	197	1 667	350	134	263	9
	1975	10 944	1 088	9 856	6 975	2 728	2 338	120	638	2 115	402	1 615	96	1 856	317	119	331	-
	1976	11 617	972	10 645	7 881	3 140	2 829	106	538	2 004	483	1 368	153	1 682	519	166	217	-
	1977	12 355	1 027	11 328	8 282	3 646	2 729	103	563	2 121	593	1 308	219	1 560	311	289	231	1
	1978	14 109	1 269	12 840	9 305	6 091	3 219	178	590	2 719	610	1 877	232	2 085	247	338	228	-
	1979																	
Minerals (crude and metalliferous) and non-ferrous metals (SITC 27+28+68)	1970	3 080	152	2 928	2 757	1 171	929	61	383	168	72	86	10	161	-	4	-	-
	1971	2 862	165	2 697	2 530	1 032	796	58	427	132	48	71	13	200	11	20	2	-
	1972	2 609	158	2 451	2 300	849	799	45	395	94	30	52	12	214	14	30	7	-
	1973	2 659	154	2 505	2 194	788	780	48	407	212	61	111	40	241	6	69	6	-
	1974	3 449	324	3 125	2 884	1 063	1 022	60	538	156	58	15	83	370	26	14	6	-
	1975	3 222	357	2 865	2 586	970	868	46	431	231	93	96	42	381	14	2	8	-
	1976	3 281	369	2 912	2 611	1 026	764	47	480	266	108	88	70	404	16	10	7	-
	1977	3 127	435	2 692	2 394	965	718	46	463	234	84	122	28	490	9	43	1	-
	1978	3 307	451	2 856	2 593	967	902	45	501	190	87	89	14	509	9	41	8	-
	1979																	
Fuels (SITC 3)	1970	3 720	1 100	2 620	2 550	315	1 680	375	32	-	-	-	-	1 160	26	29	-	-
	1971	3 643	1 060	2 583	2 507	304	1 722	333	12	-	-	-	-	1 098	25	13	-	-
	1972	3 425	973	2 452	2 370	219	1 701	334	17	1	1	-	-	1 007	24	9	-	1
	1973	4 167	1 114	3 053	2 920	192	2 204	347	15	3	2	1	-	1 141	25	4	-	1
	1974	3 490	888	2 602	2 514	172	2 018	258	14	1	1	-	-	908	16	3	1	1
	1975	3 034	741	2 293	2 198	190	1 740	208	6	1	1	-	-	768	44	2	1	-
	1976	3 046	783	2 263	2 200	185	1 731	220	5	4	3	1	-	823	37	2	1	-
	1977	2 889	801	2 088	1 963	100	1 624	184	6	3	1	2	-	663	62	2	17	-
	1978	2 887	751	2 136	2 023	131	1 669	152	5	1	1	-	-	851	70	2	27	-
	1979																	
Primary commodities (SITC 0 - 4 plus 68)	1970	15 060	2 020	13 040	11 570	4 095	4 915	513	922	1 080	483	507	90	2 345	87	192	36	-
	1971	15 164	2 018	13 145	11 795	4 036	5 090	638	973	786	356	387	41	2 463	124	245	76	-
	1972	15 230	1 964	13 266	11 878	4 178	5 100	465	963	853	356	357	136	2 451	130	250	90	2
	1973	16 895	2 094	14 801	12 673	4 390	5 479	471	1 048	1 322	413	672	237	2 785	196	326	165	1
	1974	17 019	2 118	14 901	12 521	4 100	5 404	474	1 252	1 447	439	728	280	2 945	392	151	275	10
	1975	17 200	2 186	15 014	11 759	3 660	4 946	374	1 075	2 345	496	1 711	138	3 025	375	123	342	-
	1976	17 944	2 124	15 820	12 692	4 349	5 324	375	1 025	2 274	594	1 457	223	2 909	372	178	225	-
	1977	18 771	2 263	16 108	12 639	4 709	5 071	333	1 032	2 358	678	1 432	247	3 223	382	334	249	1
	1978	20 303	2 471	17 832	13 921	5 189	5 790	375	1 096	2 910	698	1 966	246	3 445	326	361	263	-
	1979																	
Manufactured goods (SITC 5 - 8 less 68)	1970	1 975	805	1 170	1 090	233	755	16	25	29	18	6	5	875	27	23	1	-
	1971	2 011	829	1 182	1 111	236	775	31	24	28	18	8	2	855	11	13	2	-
	1972	2 675	1 004	1 671	1 567	374	1 022	45	58	49	22	19	8	1 044	9	25	6	-
	1973	3 187	1 138	2 049	1 906	450	1 139	50	119	50	23	22	4	1 222	31	41	11	-
	1974	3 762	1 465	2 297	2 115	560	1 098	94	104	63	27	28	8	1 557	38	40	12	-
	1975	3 693	1 555	2 138	1 854	681	837	85	80	96	64	23	10	1 694	76	39	23	-
	1976	3 964	1 596	2 368	2 067	698	1 046	97	73	102	58	34	10	1 752	66	34	51	-
	1977	4 439	1 772	2 667	2 327	744	1 106	73	83	97	48	47	2	1 977	120	34	50	-
	1978	4 835	1 737	3 098	2 645	754	1 516	69	100	109	54	35	20	2 065	182	61	65	-
	1979																	

Source: CEPAL, on the basis of United Nations, Monthly Bulletin of Statistics, July 1975, May 1977 and July 1980 and United Nations, Supplement to the World Trade Annual, vol. II, 1970, 1971, 1972 and 1973.

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

b/ Includes Federal Republic of Germany, Belgium, Luxembourg, Denmark, France, Ireland, Italy, Netherlands and United Kingdom.

c/ Includes Albania, German Democratic Republic, Bulgaria, Czechoslovakia, Hungary, Poland and Romania.

d/ Includes Mainland China, North Korea, Mongolia, and North Vietnam.

Table D

DEVELOPING AMERICA: STRUCTURE OF IMPORTS OF GOODS, BY ORIGIN

(Millions of dollars at 1970 prices)

Product groups / Destination	Year	World	Developing America a/	Rest of world	Developed countries: Total	European Common Market b/	United States	Canada	Japan	Centrally planned economies: Total	Eastern Europe c/	Soviet Union	Asia d/	Developing countries: Total (includes America)	Africa	Asia (excluding Middle East)	Middle East	Oceania
Total (SITC 0-9)	1970	18 400	2 860	15 540	12 910	4 421	6 476	683	1 112	1 030	272	658	95	3 460	235	180	190	-
	1971	19 458	2 847	16 611	14 609	4 911	6 139	685	1 497	1 002	282	618	102	3 767	355	179	386	-
	1972	21 031	2 968	18 063	15 926	5 293	6 476	702	1 726	909	284	621	84	4 116	426	248	473	1
	1973	23 463	3 252	20 231	17 537	5 368	7 404	619	2 143	1 006	265	659	82	4 920	457	327	904	-
	1974	28 613	3 533	25 030	22 102	6 655	9 442	868	3 299	1 067	306	692	69	5 444	434	437	990	-
	1975	27 803	3 741	24 062	20 973	6 273	9 125	807	2 718	1 298	416	796	86	5 386	439	598	808	-
	1976	27 346	3 720	23 626	20 026	5 583	8 800	916	2 652	1 380	447	834	99	5 940	522	479	1 219	-
	1977	29 251	4 035	25 216	21 404	6 249	9 009	909	3 136	1 556	440	1 022	94	6 291	561	603	1 092	-
	1978	30 473	4 208	26 265	22 416	6 500	9 957	957	3 149	1 743	432	1 172	139	6 314	484	791	831	-
	1979																	
Food and agricultural raw materials (SITC 0+1+2-27-28+4)	1970	2 695	768	1 927	1 619	364	865	179	27	218	34	152	30	850	17	53	4	-
	1971	3 052	793	2 259	1 874	453	965	196	41	283	46	202	35	679	25	57	4	-
	1972	3 230	833	2 397	2 017	484	1 014	187	41	234	43	171	20	909	18	50	7	1
	1973	3 629	826	2 803	2 590	450	1 405	196	37	212	28	165	19	944	27	87	4	-
	1974	3 892	906	2 986	2 620	435	1 545	303	56	230	33	178	19	1 037	21	108	2	-
	1975	3 750	1 088	2 662	2 233	439	1 378	195	36	286	53	209	24	1 198	26	82	2	-
	1976	3 629	972	2 657	2 236	438	1 272	293	33	287	51	206	30	1 090	21	97	-	-
	1977	4 023	1 027	2 996	2 555	609	1 492	248	36	326	52	257	17	1 141	15	99	-	-
	1978	4 867	1 269	3 598	3 041	648	1 864	286	30	403	75	300	28	1 392	14	107	2	-
	1979																	
Minerals (crude and metalliferous) and non-ferrous metals (SITC 27+28+68)	1970	555	152	403	361	62	211	64	4	25	4	20	1	170	14	4	-	-
	1971	562	165	397	326	69	152	75	5	28	4	23	1	206	33	8	-	-
	1972	612	158	454	349	77	167	62	4	24	2	21	1	226	61	7	-	-
	1973	737	154	585	461	96	255	62	3	28	5	22	1	231	68	9	-	-
	1974	1 087	324	763	630	155	322	80	19	31	7	23	1	424	92	7	1	-
	1975	970	357	613	489	81	293	65	15	29	6	21	2	420	59	4	-	-
	1976	912	369	543	420	75	208	82	17	32	3	27	2	440	65	6	-	-
	1977	942	435	507	415	86	188	75	15	33	5	28	-	495	50	10	-	-
	1978	940	451	489	430	89	202	81	11	39	4	34	1	503	41	11	-	-
	1979																	
Fuels (SITC 3)	1970	1 840	1 100	740	255	27	215	-	2	88	5	81	2	1 490	200	6	165	-
	1971	2 054	1 060	994	234	20	204	-	6	85	5	78	2	1 735	291	7	377	-
	1972	2 152	973	1 179	229	21	186	2	11	115	7	106	2	1 807	325	39	466	-
	1973	2 774	1 114	1 660	252	45	186	2	10	127	5	120	2	2 395	348	41	892	-
	1974	2 575	888	1 687	221	34	164	6	11	135	13	119	1	2 221	301	83	949	-
	1975	2 388	741	1 647	257	27	180	7	14	164	26	157	1	1 967	346	105	775	-
	1976	2 904	783	2 121	191	22	154	4	8	191	35	155	1	2 522	427	106	1 206	-
	1977	2 919	801	2 118	232	69	141	7	9	225	31	193	1	2 462	489	88	1 084	-
	1978	2 597	751	1 846	269	123	122	10	6	216	17	199	2	2 109	422	118	816	-
	1979																	
Primary commodities (SITC 0 - 4 plus 68)	1970	5 090	2 020	3 070	2 235	453	1 291	243	35	331	43	253	33	2 510	231	66	189	-
	1971	5 668	2 018	3 650	2 452	542	1 321	271	52	336	55	305	38	2 670	349	72	381	-
	1972	5 994	1 964	4 030	2 679	582	1 567	251	56	373	52	298	23	2 942	408	96	473	1
	1973	7 140	2 094	5 046	3 205	591	1 844	260	50	367	38	307	22	3 570	443	137	896	-
	1974	7 554	2 116	5 436	3 478	624	2 031	389	86	394	53	320	21	3 022	414	196	952	-
	1975	7 108	2 186	4 922	3 024	547	1 851	267	65	499	85	387	27	3 565	431	191	777	-
	1976	7 445	2 124	5 321	2 883	535	1 634	379	58	510	89	308	33	4 052	513	209	1 206	-
	1977	7 864	2 263	5 621	3 202	764	1 822	330	60	564	88	476	18	4 098	554	197	1 084	-
	1978	8 404	2 471	5 933	3 740	860	2 166	377	49	660	96	553	31	4 004	477	236	820	-
	1979																	
Manufactured goods (SITC 5 - 8 less 68)	1970	12 890	805	12 085	11 340	5 928	4 012	435	1 076	634	240	336	58	916	5	106	-	-
	1971	13 790	829	12 961	12 237	4 319	4 018	434	1 445	606	227	315	64	947	6	107	5	-
	1972	15 057	1 004	14 033	13 247	4 711	5 109	431	1 679	616	232	323	61	1 174	16	152	-	-
	1973	16 325	1 330	15 185	14 334	4 777	5 620	359	2 093	639	227	352	60	1 757	14	154	8	-
	1974	21 059	1 465	19 594	18 624	6 031	7 411	499	3 213	673	255	372	48	1 762	20	239	38	-
	1975	20 595	1 555	19 140	17 949	5 726	7 277	540	2 655	799	331	409	59	1 801	6	207	31	-
	1976	19 901	1 596	18 305	17 143	5 048	7 256	559	2 574	670	358	446	66	1 858	9	270	13	-
	1977	21 367	1 772	19 595	18 202	5 435	7 128	579	3 072	972	352	544	76	2 193	7	406	8	-
	1978	22 064	1 737	20 332	18 676	5 640	7 769	560	3 100	1 065	336	639	108	2 310	7	555	11	-
	1979																	

Source: CEPAL, on the basis of United Nations, Monthly Bulletin of Statistics, July 1975, May 1977 and July 1980 and United Nations, Supplement to the World Trade Annual, vol. II, 1970, 1971 1972 and 1973.

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

b/ Includes Federal Republic of Germany, Belgium, Luxembourg, Denmark, France, Ireland, Italy, Netherlands and United Kingdom.

c/ Includes Albania, German Democratic Republic, Bulgaria, Czechoslovakia, Hungary, Poland and Romania.

d/ Includes Mainland China, North Korea, Mongolia and North Vietnam.

Table E

LATIN AMERICA a/: GROWTH OF VOLUME OF EXPORTS OF GOODS BETWEEN 1975 AND 1978, BY DESTINATIONS AND PRODUCT GROUPS

Destination / Product groups	World	Developing America b/	Rest of world	Developed countries: Total	Developed countries: European Common Market c/	Developed countries: United States	Developed countries: Canada	Developed countries: Japan	Centrally planned economies: Total	Centrally planned economies: Eastern Europe d/	Centrally planned economies: Soviet Union	Centrally planned economies: Asia e/	Developing countries: Total f/	Developing countries: Africa	Developing countries: Asia g/	Developing countries: Middle East	Developing countries: Oceania
A. Annual growth rates 1975-1978, by destinations and product groups																	
Total	9.2	5.8	9.9	9.8	13.2	11.6	-1.6	1.7	10.5	14.8	7.0	31.1	7.6	5.8	57.1	-2.0	-
Food and agricultural raw materials	6.9	2.3	7.8	7.7	13.1	6.7	6.2	-2.0	11.0	16.0	6.9	35.9	2.2	-7.1	44.7	-13.7	-
Minerals and metals	0.2	1.2	-0.0	0.0	-0.0	0.3	-0.1	2.9	-0.7	-0.4	-0.2	-7.4	1.2	-0.5	7.9	-	-
Fuels	-0.3	0.1	-0.4	-0.5	-0.6	-6.0	-6.0	-0.0	-	-	-	-	0.6	2.6	-	3.4	-
Primary commodities	6.7	3.5	7.4	7.2	12.5	6.4	0.1	0.9	10.3	15.6	6.7	28.5	4.0	-5.0	52.6	-10.3	-
Manufactured goods	2.5	2.3	2.5	2.6	0.7	5.2	-1.7	0.8	0.2	-0.8	0.3	2.6	3.6	10.8	4.5	8.3	-
B. Percentage distribution of growth in total exports between 1975 and 1978, by destinations and product groups																	
Total	100.0	11.0	89.0	69.6	32.4	35.9	-0.4	1.0	13.6	4.5	6.3	2.8	18.6	1.3	6.6	-0.4	-
Food and agricultural raw materials	74.6	4.3	70.3	54.9	32.1	20.8	1.4	-1.1	14.3	4.9	6.2	3.2	5.4	-1.6	5.2	-2.4	-
Minerals and metals	2.0	2.2	-0.2	0.1	-0.1	0.8	-	1.6	-1.0	-0.1	-0.2	-0.7	3.0	-0.1	0.9	-	-
Fuels	-3.6	0.2	-3.7	-4.1	-1.4	-1.7	-1.4	-	-	-	-	-	1.5	0.5	-	0.6	-
Primary commodities	73.0	6.7	66.4	50.9	30.7	19.9	-	0.5	13.3	4.8	6.0	2.5	9.9	-1.2	6.1	-1.8	-
Manufactured goods	27.0	4.3	22.6	18.7	1.7	16.0	-0.4	0.5	0.3	-0.3	0.3	0.3	8.7	2.5	0.5	1.4	-

Source: CEPAL, on the basis of United Nations, Monthly Bulletin of Statistics, July 1975, May 1977 and July 1980 and United Nations, Supplement to the World Trade Annual, vol. II, 1970, 1971, 1972 and 1973.

a/ Includes 23 Latin American countries (11 from ALADI (ex LAFTA), 5 from the Central American Common Market, and Barbados, Dominican Republic, Guyana, Haiti, Jamaica, Panama and Trinidad and Tobago). This is an estimate based on the assumption that the percentage distribution of the variations for Latin America (23 countries) is approximately equal to that for Developing America.

b/ Includes the 23 Latin American countries specified in footnote a/ plus Netherlands Antilles, Bahamas, Bermuda, Cuba, French Guyana, Greenland, Guadeloupe, Virgin Islands, Martinique and Suriname.

c/ Includes Federal Republic of Germany, Belgium, Luxembourg, Denmark, France, Ireland, Italy, Netherlands and United Kingdom.

d/ Includes Albania, German Democratic Republic, Bulgaria, Czechoslovakia, Hungary, Poland and Romania.

e/ Includes Mainland China, North Korea, Mongolia and North Vietnam.

f/ Includes America.

g/ Excludes the Middle East.

Table F

LATIN AMERICA: PRICES OF THE MAIN BASIC COMMODITIES EXPORTED BY THE REGION

(In current dollars and dollars at constant 1970 values)

	1955	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	Ist. semester 1980
Sugar a/ (cents/kg) A	7.14	6.92	4.45	8.11	9.92	16.03	20.83	65.39	44.91	25.49	17.90	17.20	21.30	52.40
B	9.20	8.20	5.00	8.11	9.40	14.20	15.70	40.40	24.70	13.90	9.00	7.50	8.20	18.60
Coffe b/ (cents/kg) A	142.40	99.00	106.90	124.30	108.70	125.00	160.30	171.50	180.30	347.90	536.60	405.90	407.30	427.60
B	182.60	117.90	120.10	124.30	103.50	110.60	120.50	105.90	99.10	190.10	270.70	178.00	156.10	151.60
Cocoa c/ (cents/kg) A	79.40	58.90	36.60	67.50	53.80	64.40	113.10	156.10	124.60	204.60	379.00	340.40	329.30	317.50
B	101.80	70.10	41.10	67.50	51.20	57.00	85.00	96.40	66.50	111.60	190.50	149.30	126.20	112.60
Bananas d/ (cents/kg) A	16.50	14.30	15.90	16.60	14.00	16.20	16.50	18.40	24.70	25.70	27.50	28.70	32.60	36.60
B	21.20	17.00	17.90	16.60	13.30	14.30	12.40	11.40	13.60	14.00	13.60	12.60	12.50	13.60
Beef e/ (cents/kg) A	46.10	42.60	72.80	56.30	80.40	103.80	142.10	148.20	78.50	82.10	95.00	95.70	177.90	214.00
B	59.10	50.70	81.80	56.30	76.60	91.90	106.80	91.50	43.10	44.90	47.70	42.00	68.20	73.90
Wheat f/ (dollars/ton) A	61.70	59.20	58.10	57.00	62.10	69.10	136.80	178.00	138.40	122.70	95.50	124.90	156.30	1[illegible].10
B	79.10	70.50	65.30	57.00	59.10	61.20	102.90	109.90	76.00	67.00	48.00	54.60	59.90	56.80
Maize g/ (dollars/ton) A	81.60	59.50	72.80	68.90	66.70	71.60	119.30	158.70	154.10	138.90	114.40	132.50	154.60	192.90
B	104.60	70.80	81.80	68.90	63.50	63.40	89.70	98.00	84.70	75.90	57.50	58.10	59.30	68.40
Cotton h/ (cents/kg) A	81.80	65.50	63.50	67.70	78.30	82.70	139.10	145.90	123.20	174.80	162.90	160.70	170.70	199.40
B	104.90	78.00	71.30	67.70	74.60	73.20	104.60	90.10	67.70	95.50	81.90	70.50	65.40	70.70
Soya i/ (dollars/ton) A	111.00	92.00	117.00	117.00	126.00	140.00	290.00	277.00	220.00	231.00	280.00	268.00	298.00	260.00
B	142.00	110.00	131.00	117.00	120.00	124.00	218.00	171.00	121.00	126.00	141.00	118.00	114.00	92.00
Soya flour j/ (dollars/ton) A	77.00	81.00	97.00	104.00	105.00	129.00	302.00	184.00	155.00	198.00	230.00	213.00	243.00	235.00
B	99.00	96.00	109.00	104.00	100.00	114.00	227.00	114.00	85.00	108.00	116.00	93.00	93.00	83.00
Aluminium k/ (dollars/ton) A	522.00	573.00	540.00	633.00	639.00	582.00	551.00	752.00	877.00	978.00	1 132.00	1 170.00	1 310.00	1 477.00
B	669.00	682.00	607.00	633.00	609.00	515.00	414.00	464.00	482.00	534.00	569.00	513.00	502.00	524.00
Bauxite l/ (dollars/ton) A	26.88	24.35	23.29	34.88	32.26	29.27	25.56	38.10	36.09	38.10	40.16	38.84	36.50	...
B	34.50	29.00	26.20	34.88	30.70	25.90	19.20	23.50	19.80	20.60	20.20	17.00	14.00	-
Copper m/ (dollars/ton) A	827.00	707.00	772.00	1 272.00	1 134.00	1 116.00	1 298.00	1 690.00	1 401.00	1 517.00	1 451.00	1 444.00	2 034.00	2 373.00
B	1 060.00	842.00	867.00	1 272.00	1 080.00	988.00	976.00	1 043.00	770.00	829.00	729.00	635.0	779.00	842.00
Tin n/ (dollars/ton) A	2 089.00	2 236.00	3 929.00	3 841.00	3 689.00	3 913.00	5 016.00	8 736.00	7 492.00	8 373.00	11 786.00	13 880.00	15 702.00	17 165.00
B	2 678.00	2 662.00	4 415.00	3 841.00	3 513.00	3 463.00	3 771.00	5 393.00	4 117.00	4 575.00	5 923.00	6 088.00	6 016.00	6 067.00
Iron ore o/ (dollars/ton) A	...	17.10	15.70	15.20	13.50	12.80	17.10	19.00	22.60	21.90	21.60	19.40	23.30	21.00
B	-	20.40	17.60	15.20	12.90	11.30	12.90	11.70	12.40	12.00	10.90	8.50	8.90	9.90
Index of unit value of exports of manufactures of the developed countries (1970 = 100)	78.00	84.00	89.00	100.00	105.00	113.00	133.00	162.00	182.00	183.00	199.00	228.00	261.00	262.00

Source: World Bank, "Commodity Trade and Price Trends", August 1980; United Nations, Statistical Yearbook.

Note: A: Intenational price in current dollars. B: Adjusted price equal to international price deflated by the index of the unit value of exports of manufactures of the developed countries (1970 = 100).

a/ Unrefined sugar. The prices for 1955 and 1960 correspond to the prices under world contract Nº 4 (New York), FAS Cuba. After 1965 the price used is the "world" price of the International Sugar Council, daily FOB quotations and estimates for Caribbean ports. b/ Colombian coffee from Manizales, Armenia and Medellín. Spot price New York. c/ International Cocoa Organization, average daily price for next three months negotiated. d/ Any origin. For 1955 and 1960 the price refers to Central American bananas, importer to distributor, FOB port of entry in lots of 100 pounds. From 1965 onwards price refers to green bunches of first class bananas from Central America and Ecuador, importer to distributor or packer, FOB port of entry, in 40 pound boxes. e/ Argentina, FOB unit price for exports of frozen boneless meat to the EEC. f/ United States, "Soft Red Winter" class US Nº 1, FOB Atlantic ports. Before June 1974, price refers to "Soft Red Winter" second class. g/ Argentina. Up to 1965, prices refer to yellow La Plata in bales, CIF Liverpool and London. From 1970 to 1972, CIF Rotterdam for delivery in 30 or 60 days. From 1973 onwards, CIF North Sea ports. h/ Mexican Standard Middling 1 1/16 inch CIF Northern Europe. Before 1974, CIF Liverpool; 1955-1959, Standard Middling 1 1/32 inch. i/ United States, Nº 2, in bulk, CIF Rotterdam. j/ 44% CIF Rotterdam. k/ New York market. For 1955, primary ingots. From 1960 onwards, unalloyed ingots, 99,5%, at producer's prices. l/ Reference price in United States based on imports from Jamaica. m/ Electrolytic copper, domestically refined, producer's price, New York market. n/ At Galapagos. "straits", FAS, duties paid, New York market. o/ Brazilian, 65%, CIF North Sea ports. Before 1975, 68%.