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THE ECONOMIC AND SOCIAL DEVELOPMENT OF LATIN AMERICA, 1970-1975

Note by the Secretariat */

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CONTENTS

INTRODUCTION

Major features of economic and social developments 1950-1975

It appears from the assessment of post-war Latin American economic and social development that the overall view which prevailed in the early 1950s on the relationships between economic dynamism and social change has been confounded by events in an unexpected way. Economic growth achieved rates which were then considered to be highly ambitious, and this was intimately linked with social transformations, but the latter diverged widely from the higher level of consensus and the more egalitarian social order which the development ideologies of the time held to be the natural concomitants of such dynamic growth.

In the early 1950s a development ideology had taken shape which corresponded to the situation at the time. It advanced a vision of continuous progress combined with social and economic reforms which would bring about a higher degree of social consensus. This vision responded to the aspiration of governments and dominant social groups to create national societies immune from recurrence of recent traumatic experiences which had disrupted their economic and social structures. At the same time, the success of the industrialization policy already followed by many countries fostered the vision of a replica of North American and European models. The 1950s boom in the central economies, the effects of the Marshall Plan and North American leadership in the cold war period all confirmed the link between growth and welfare.

Economic dynamism

Economic dynamism picked up over the last ten years and the region significantly altered the structure of its supply, diversifying production and creating a regional market whose dimensions were qualitatively and quantitatively different from those of the post-war market. Since the transformation of the region involved discontinuous changes, different stages may be

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distinguished. Again, economic growth did not follow uniform patterns in all countries and subregions. On the contrary, a comparison of the situation of the region at the beginning of the period with the situation at the end shows a change in the relative position and potential of the countries. (See table Int. 1.)

Both external and internal factors are at play in determining the different stages. The external situation was very similar for most of the countries, and its effect on development depended primarily on domestic factors. From the standpoint of the international setting, two stages may be clearly distinguished. The first runs from the early 1950s up to the middle of the 1960s. It is characterized by rather sluggish external markets, except in a few years during the Korean War, with a slow growth in the volume of Latin American exports, a downward trend in the terms of trade and a limited supply of external financing. In the second stage, from the middle of the 1960s to 1973, external demand is buoyant and there are large flows of external financing.

In the first stage, the countries had to make a considerable internal effort, while in the second they were faced with the challenge of a new, dynamic external setting. Their performance in the first stage depended primarily on their varying capacity to carry out import substitution. Although they were not all in the same position to undertake this stage of industrialization, the first measures consisted in the installation of industry of a technical scale which was feasible for at least the large and medium sized countries. Furthermore, the problem was essentially one of supply, since the demand was already established. In contrast, the second stage called for a number of conditions present in fewer countries, in order to tap external financing, carry out further changes in the productive structure and diversify exports.

Foreign capital mainly went to develop new industries in those countries which possessed an acceptable political situation and a sufficiently large domestic market, and to a lesser extent to the exploitation of various natural resources, except in the case of oil

/in Venezuela.

in Venezuela. In the circumstances, the countries most favoured by foreign capital were those with large markets and some small countries which began to exploit resources with good international prices whose marginal effect on the economy was considerable. Among the latter, particular benefit was derived by the countries which undertook the first stages of industrialization, taking advantage of the balance-of-payments situation created by the inflow of financing and the diversification of exports.

On the other side there were the medium and small countries which had already carried out the first stage of import substitution or did not possess sufficient natural resources to increase substantially the volume of priced exports enjoying good prices. These countries faced a twin problem: they lacked a sufficiently large internal market to proceed with industrialization and attract external financing, and they were unable to satisfy more sophisticated internal demand by means of foreign trade. Subregional integration schemes thus appeared to be a suitable solution for a large group of countries. While significant progress has been made in this field, the potential of economic integration is still far from fully exploited and it may therefore be said that the experiment is still at an early stage.

The growth of production was linked with the emergence of a pattern of consumption whose modes and styles resembled those of the developed countries. This was in turn closely linked to foreign investment which very often came to exploit the domestic markets of the countries with greater economic and demographic weight. The size of the market was decisive, since the technologies emanating from the central countries presupposed production on a large scale. Furthermore, this type of industrial development requires an infrastructure of transport, power and basic inputs only justified by large markets.

Technology, production scales and large-scale financing brought about a change of the utmost importance in the model of growth over the last ten years. Private enterprise lost ground to the public sector and to foreign capital in the shape of transnational

/corporations. This

corporations. This trend of concentration of ownership in the hands of a small number of public and private companies entailed changes in the social and political realm and led further and further away from the model of lower concentration advocated by the post-war development ideology.

On the whole, in the period 1950-1975 endowment with natural resources lost relative importance in comparison with industrialization as the determinant of growth. The structure of agricultural ownership and exploitation combined with sluggish external demand, while external supply was often made easier by attractive loans, meant that the pressure of domestic demand on the agricultural sector was not particularly strong. It is true that at the end of the period in some countries there was a sharp rise in the surface area harvested; but the pressure on the sector is of little importance if a comparison is made between such increases and the potential of land which could be cultivated, between present yields and those of the developed countries, or between the land currently under cultivation and the area needed if there were changes in soil use and diet.

The demand for mining resources was not very strong in this period, and external demand continued to be predominant. The major importing countries opted for a policy of diversification of supply which caused mining to flourish in other regions of the world where such resources had hitherto only been exploited sparingly. As a result, Latin America's share in world trade of the main minerals declined. Only in recent years did the vigorous industrial development of the larger countries of the region cause domestic demand to appear as a factor which could lead to growth of the sector and to pressure on the resources in question.

The region as a whole continued to be a net exporter of energy resources. However, production grew at a lower rate than consumption since the price of petroleum was relatively low, particularly in the Sixties. Countries with an energy deficit increased their oil imports from the Middle East to the detriment of local prospection or production and of the use of other sources of energy. It was only

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in 1973, as a result of the rise in oil prices, that the pressure on energy resources began to be felt once again, and naturally it continued to be the main area of concern over the following years.

<u>Social change</u>

As indicated at the outset, this economic dynamism was accompanied by serious problems and contradictions. Its most harmful features were related to the social and political structure on which it was based, and therefore an overall assessment calls for the study of the social changes which accompanied the economic growth.

These changes were in many ways very drastic but they did not fulfil the predictions of the development ideology of the Fifties, which assumed that without social and economic reforms and the bolstering of capital formation with external assistance, it would be impossible to maintain stable governments or democratic values. The underprivileged position of large groups of the population gave grounds to believe that there was a good possibility of revolution on the part of the deprived, particularly the agricultural masses. The governing groups therefore accepted, at least in part, the reform platform promising to make possible a society with a broader social consensus. However, in the course of the following twenty-five years no substantial changes occurred in the great majority of the countries in terms of access to ownership or income on the part of the majority of the population, nor any other fundamental changes which would give the underprivileged groups a really more egalitarian position.

Social change was strongly influenced by two long-standing factors of great quantitative importance: population growth and rural-urban migration.

Between 1950 and 1975, the average population growth rate amounted to 2.8 per cent, and the region's population rose from 160 to 315 million inhabitants. Rural areas and small towns with under twenty thousand inhabitants accounted for three-quarters of the population in 1950 and about half in 1975. This striking change in twenty-five years caused the population explosion of the large

/cities. In

cities. In 1950 Latin America had six or seven cities with over one million inhabitants, while in 1980 it will have twenty-five. At present there is one city with over 10 million inhabitants (Mexico City) and three others are close to that figure (Buenos Aires, Río de Janeiro and Sao Paulo).

The demographic patterns and trends continue to be very different in the individual countries. Four countries which account for approximately 15 per cent of the region's population have now achieved moderate population growth rates. In three of them, 60 per cent or more of the population was urban in 1970, while the rural population was constant and only contributed moderately to urban growth. Five large or medium-sized countries with about 68 per cent of the population have rates which are equal to or above the Latin American average. They all reasonably expect these rates to begin to decline by the end of the Seventies. They also have high rates of urbanization and relatively low rural population growth rates (about 1.5 per cent annually). The remaining countries, which account for approximately 16 per cent of the population, are relatively small and rural with high population growth rates which will not soon decline since they also have high mortality rates which can be reduced. Rural growth rates continue to be high at between 2 and 3 per cent per year.

This high urban growth led to great demands on society, as had been foreseen in the post-war period. It was then assumed that industrialization and the expansion of public services would provide an occupational counterpart for rural-urban migration, while urban planning was to control and regulate urban mushroom growth.

In absolute terms, the occupational achievements of industrialization and the public services might be considered satisfactory. In the context of urban populations with a 5 per cent growth rate, however, they are inadequate. The job deficit has been made good by the activities of the so-called informal sectors, which have managed to adapt and stabilize themselves in the urban societies and now form a system which generates its own forms of demand and supply.

/New population

New population strata were created through the functioning of the modern and informal sectors. Within the occupational structure, the share of the "high" or "middle" occupation groups 1/ has increased, which is an indication of the urban economy's capacity to foster the formation of high and middle-level social strata (see table Int. 2). Contrary to expectations in the 1960s, the percentages in unskilled jobs in the tertiary sector, 2/ have tended to remain constant rather than increase. Naturally their absolute level rose considerably, with a great impact on the problem of distribution. To summarize, the occupational structure did not create serious problems of open unemployment, but the strata were clearly divided into those which managed to become part of the more dynamic and "modern" production sectors and services and those excluded from them.

The problems unquestionably exceeded the capacity of urban planning, and the State's response to the challenges of urban growth was primarily concentrated in housing policies. Here, however, it was the middle strata which had greatest access to the benefits ensuing from government action, incidentally showing their ability to mobilize politically. Government urban policy was unable to avert a growing split within the large cities. On the one side there arose modern districts, far from the centres and depending on the use of the motorcar; on the other, the unsatisfactory human settlements housing the power strata and built largely by their occupants. State policy for these settlements hardly advanced beyond minimal public services and social assistance in view of the amount of resources needed for a modern housing or urbanization programme.

1/ In general, non-manual occupations ranging from employers and professionals to salaried employees and salesmen.

2/ Salaried employees in services or own-account workers and unpaid family members working in the service sector.

/The political

The political control of these large urban groups has been a recurrent preoccupation of the authorities and the better-off urban population. For the most part, however, a combination of a small but effective amount of real opportunity, moderate consumption gains, hopes of progress, minimal welfare policies and more or less latent repression has been sufficient to keep the disadvantaged position of the settlements from generating disrupting protests to the extent frequently predicted since the 1950s.

The rural situation continues to be worse than the urban. Absolute poverty in large strata and a maldistribution of ownership and power were and continue to be characteristic of rural life. In the Fifties and at the beginning of the Sixties it was believed that agricultural reform was a solution to rural problems which was also coherent with industrialization. It was assumed that the State, businessmen in industry, the urban middle classes and wage-earners and the rural masses had a common interest in a policy which would lead to a more efficient use of land and rural labour, higher production, higher incomes which would open up new markets for manufactures and agricultural inputs and pave the way for rural democracy and the organization of groups which would break the power of the land-owning sectors opposed to development. But the high cost and slow course of agrarian reform, and above all the fact that the other groups involved could achieve most of their objectives at the expense of the rural population which did not react as strongly as expected, took the wind out of the process.

The slow or difficult course of agrarian reform gave rise to a number of formulae which were generally presented as being complementary but which turned out to be alternatives. The most important were colonization and the relocation of the rural poor based on the expansion of the agricultural frontier, agricultural extension services (essentially the provision of public services to rural areas), the creation of agricultural unions and basic organizations, and community development policies designed to co-ordinate and unify other initiatives.

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As a result of the economic development of the system and the scant effect of most of the policies, the problems detected in the past largely continued into the present in rural areas. At the same time, there were a number of important changes. First, a modern commercial farming economy has emerged, primarily in the big estates, which more than any other group have taken advantage of the infrastructure provided by the State and of agricultural extension in the form of technology. Second, agrarian reforms did redeem some of the rural population from extreme poverty. Others managed to enter the commercial economy or acquire non-agricultural sources of income in transport, trade and artisanal and other activities. In the eyes of those who failed to do so, however, all these successes only increased the gap between themselves and the others, increasingly a mass of landless, seasonal wage-earners with no means of defending their own interests. Finally, although significant progress was made in the field of rural education and health, the rural-urban gap continued or grew larger.

Salient aspects of economic development

The most significant aspects of Latin American development over the last 25 years are those connected with the transformation of production, the productive capacity of the principal agents, the inequalities in the access of the population strata to the fruits of the economic process and the degree of autonomy of the region in relation to the exterior.

The economic dynamism brought about a far-reaching transformation in the structure of production. The product of the region increased almost four times between 1950 and 1975, manufacturing production increased five times, the production of cement six times, energy eight times, machinery and equipment nine times and steel fifteen times. These major changes of scale were linked with substantive changes in the structure of supply.

The region became industrialized and attained a position where it was able to provide in an increasingly autonomous manner for the transport, communications and construction sectors and a consumer

/structure which

structure which includes non-durable industrial goods and important lines of durables. Certain sectors of basic inputs such as steel and petrochemicals - symbols of the first stages of heavy industry - are already functioning in many countries of the region. However consumer expectations, encouraged by the modern communications media, are spreading to increasingly extensive groups of the population. The supplies that would be needed to satisfy these demands far exceed the region's capacity. Thus, if the industrial structure is seen in relation to the sophisticated levels of demand of the high and middle-level groups and of those who aspire to and attain entry to those groups, the disequilibrium between aspirations and actual possibilities which prevailed during the 1950s is no less intense now. Similarly, although the scale of production is impressive in absolute terms it is less so when compared with what would be required to resolve the problems of critical poverty which affect a significant proportion of the population. Thus the achievements made are magnified when seen in the context of the population incorporated into the modern sectors but are somewhat diminished when regarded in relation to the population as a whole.

The transformation of production has also altered the scale, composition and relative importance of foreign trade. Exports reached a value of nearly 34 billion dollars in 1975. Although Latin America's share in world trade fell from 9 per cent to 5 per cent between the mid-1950s and the mid-1970s, the region has become very important client for capital goods and industrial inputs from the central countries. This represents significant negotiating potential which the region has not yet fully utilized and also creates a possible field for substitution and trade expansion within the region which is of great importance. Unfortunately, however, in recent years the balance-of-payments deficits have considerably increased foreign borrowing and the concomitant amortization and service payments, which in many countries absorb high percentages of the purchasing power of exports.

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Whatever the context in which the analysis is made, it is undeniable that the most dynamic production agents, the State and the transnational enterprises, have shown a capacity for mobilizing resources in large-scale projects which is one of the most significant aspects of the period. The national governments and the public enterprises in the key sectors of the infrastructure and of basic resources, in particular, have made impressive achievements. The capacity of State management was considerably superior in 1975 to past levels. A technocracy has been emerging which is capable of managing policies to mobilize very high proportions of the resources of the economy. In some countries the large public enterprises have attained dimensions which put them on a competitive scale at the world level.

The unequal access of the different population strata to the fruits of growth is one of the aspects of the development process over the last twenty-five years which is most open to criticism. This inequality originates both from the distribution of the ownership of the means of production and from the heterogeneous and insufficient provision of capital in the different production sectors.

The unequal distribution of the ownership of natural resources which prevailed at the beginning of the 1950s was the object of great political concern but in practice has not been substantially altered in favour of the least privileged. The difficulties confronted by agrarian reform have already been commented on. It was in the agricultural sector that it seemed possible, at the beginning of the 1950s, to secure a greater redistribution of property and that excessive size did not appear to be needed to take advantage of economies of scale. The sector was also suitable for experiments in co-operative forms of production or ownership. The figures available for the end of the 1960s show that in these aspects neither agrarian reform nor any other type of measures tried in this respect have led to major advances. Indeed, the situation seems to have been very much the reverse, as there appears to have

/been an

been an increase in the number of rural wage-earners who have no access to the ownership or use of land, even in limited amounts for family sustenance.

This evolution was accompanied by another process of particular significance, namely the emergence of a new type of rural entrepreneur who, taking full advantage of the technical and infrastructural services set up by the government, responded very dynamically to the stimuli of demand. The development of the modern agricultural enterprise has undoubtedly had an important effect on the growth of production and the assimilation of technological progress, but at the same time in practice it discourages the decisions on and application of agrarian reform programmes and constitutes a factor in the expulsion of labour from agriculture.

In mining and energy resources the natural tendencies to concentration deriving from the technical nature of the operations involved have been confirmed by the growing predominance of ownership by public enterprises. When, for political motives, these enterprises have increased employment beyond what is strictly necessary or have fixed low prices for their products of mass consumption, this has produced a redistributive effect at least in the medium and short term both for the strata which obtain employment and for those which utilize the products.

The manufacturing sector is the one which has grown most intensively, and it did so from very low levels, so that a major part of its structure was created over the last twenty-five years. In many sectors the economies of scale require plants of large dimensions which, added to the monopolistic trends, leads to a heavy concentration of ownership. Transnational and public enterprises have been the main agents in the most dynamic sectors, and they have brought about an increasing concentration of industrial property.

The trend towards concentration seems to have extended even to sectors which were traditionally dispersed, such as the retail trade. It is also significant that foreign capital is not

/concentrated only

concentrated only in dynamic and technologically complex industrial sectors but also reaches sectors such as that of commerce, where the contribution is necessarily of lesser or slight importance for the countries.

The concentration of ownership in economic activities has favoured the expansion of the middle and high-income groups. The increasing size of the middle-level groups which generally originated from lower income sectors and worked in sectors of lesser productivity is in itself a manifestation of the favourable effect of the expansion of this form of ownership. The effect on the urban wage-earners of these sectors has also been generally favourable. For those excluded, however, the situation has meant that the very inadequate distribution of income which prevailed at the beginning of the period has persisted for more than half the population. Of course even in this group it is possible to distinguish some sub-groups which have gained absolute improvements of some significance, but in comparison with the consumer structures which the system itself encourages these improvements are seen to be absolutely inadequate.

In order to alleviate this deficient distribution of income, the State carried out a policy of public spending during the first two decades designed to meet the minimum needs, especially in the sphere of services. The State activities in the sphere of education and health were the most successful forms of action. The major fall in illiteracy and the increasing proportions of the population given access to primary, secondary and university education undoubtedly represented a redistribution of services of considerable value. The population increases, resulting largely from the fall in mortality rates and the increases in life expectancy, are by themselves indicative of the successes in the sphere of health. If the indicators are studied in terms of social groups, however, the impressive improvements in some strata again leave the marginal groups in an even worse situation. Thus the success of the middle-level groups in gaining access to secondary and higher education,

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the health services and other benefits deriving from public action leaves the indicators of the least-privileged groups, especially the rural poor, even further removed from the average values of the country than in the past.

The redistributive effects of this policy began to diminish in importance as the requirements of economic growth brought about a change of emphasis in public spending towards investment in the material production sectors, to the detriment of the services.

/I. SOCIAL

I. SOCIAL CHANGE IN THE PERIOD 1970-75 AND THE PROBLEM OF UNIFIED DEVELOPMENT

The main non-economic factors entering into the transformation of Latin America since 1950 have been touched on in the preceding chapter and can be recapitulated as follows:

1. The population has grown and experienced spatial redistribution and concentration with unprecedented rapidity. Half of a population that has more than doubled since 1950 is now urban and urban predominance is bound to increase steadily.

2. While the rural population and the rural economy have become modernized and internally differentiated in many respects, the welfare gap between city and countryside has not narrowed. The majority of the rural population continues to experience extreme poverty, powerlessness, and discrimination in public social allocations. The breakdown of traditional tenure systems and the forms taken by agricultural modernization have increased the relative importance of the landless underemployed rural proletariat.

3. In the urban areas, heterogeneous "middle" strata, mainly engaged in non-manual salaried occupations, have grown much more rapidly than either the groups of manual workers in industry and basic services or the groups classified as "marginal", "sub-proletarian", etc. This differential growth of urban middle strata has sustained and been sustained by exceptionally rapid expansion of secondary and higher education, and by the expansion of public and private white-collar employment absorbing the products of this education. It has been accompanied by the entrenchment of "modern" consumption patterns in sizable minorities of the urban population. This market has shaped and been shaped by the lines taken by industrial development and by the penetration of mass communication media.

4. The greater part of the urban population in most countries has shared to some extent in national per capita income gains, although these gains have been very unevenly distributed, the upper and upper-middle strata receiving the lion's share. The greater part of the rural population has gained little or nothing. The dependent modernization and diversification of consumption patterns, however, have meant an increasing strain on incomes at all levels below the highest, with apparent neglect of basic consumption needs in favour of durable goods, indebtedness, and perceptions of relative poverty and insecurity accompanying improvements in monetary incomes.

5. Increasing shares of public sector resources and of national incomes have been allocated to social services, particularly education; there have been more irregular and intermittent increases in allocations supporting the consumption levels of certain population groups, particularly through public housing and subsidized distribution of foods. These allocations have for the most part been biased in favour of the urban middle strata and have commonly reinforced rather than counteracted the prevailing inequalities in income distribution. They have generated strong interest groups -- the functionaries of the services as well as the clienteles -- pressing for further expansion along the same lines.

6. Shifts in the distribution of power in the societies have not been accompanied in most countries by any significant enhancement of popular participation in decision-making. The relative importance of landowning oligarchies has declined, and there has been a trend toward the sharing of power between techno-bureaucracies (military as well as civilian) and major industrial and financial interests, increasingly dominated by transnational enterprises. The former have been increasingly emboldened to seek control by their own rising technical capacity, and also by the apparent inability of "normal" political processes of interest-group representation and bargaining to manage the social conflicts generated by rapid change and increasing inequality, to apply coherent criteria for allocation of resources, and to represent national interests vis-a-vis the world centres and the transnational enterprises.

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Since the beginning of the 1970's the national societies have experienced a series of stimuli and shocks, mainly originating outside the region, that have accentuated the contradictions in the prevailing style of dependent capitalist development, heightened social tension and insecurity, and also strengthened the trend toward technobureaucratic tactics aimed at suppression of the contradictions and shoring up of the viability of the prevailing style. The stimuli and shocks have much in common with those experienced in the high-income industrialized countries during the same years, as might be expected from the stages of modernization, urbanization, and industrialization achieved by the Latin American societies. Naturally they have affected the individual countries in differing combinations and with somewhat different timing, depending on factors ranging from the character of the main export products to the level of political mobilization previously reached, and these combinations have generated widely differing reactions from the societies and the governments. Cuba, with its radically different style of development requires a separate discussion. The Cuban experience has exerted an influence, through its demonstration of the viability and also the difficulties of an alternative style of development, on trends in the rest of Latin America, that has become in some ways more pronounced since 1970, with the overcoming of Cuba isolation. The highly simplified vision of the social impact of recent stimuli and shocks that is attempted below, however, applies only to the countries with market economies, however much the role of the market may have been modified by planning and growth of the public sector:

1. The high rates of economic growth and exceptionally favourable export prices in the early 1970's described in Chapter 2, strengthened confidence in the viability of the prevailing style of development, further stimulated the consumer society and the domestic industries supplying it, and permitted the state to relieve social tensions by expanding social services, by assistential programmes, and above all by absorbing in public employment an important part of the rising output of secondary and

/higher education.

higher education. This brief euphoria has been followed, mainly since 1974, by new deteriorations in terms of trade, intensifying debt servicing problems, etc.,reducing resources available to the governments and forcing austerity policies negating the social aspirations stimulated in the immediate past. Inflation has become important in practically all countries and has reached unprecedented levels in the minority of countries in which the different social strata has learned to live with chronic inflation (those of the "Southern Cone"). Open unemployment has risen, the barriers to absorption of women and youth seeking to enter the labour force have become more formidable, and it is probable that the ability of the poorer urban and rural strata to maintain minimum levels of consumption is deteriorating, although this conclusion depends on very fragmentary information and observations. At the same time, a deterioration in the real incomes, levels of consumption, and employment prospects of major parts of the middle strata that have become wedded to the "consumerist" style of development is evident, although some groups continue to gain; consumer purchasing power and consumer goods industries have suffered. A particularly striking change in several countries is the sudden halt to the phenomenally rapid expansion of enrolment in higher education, and the accompanying governmental campaigns to freeze or reduce the bureaucratic employment that previously absorbed an important proportion of the output of higher education. The political problems posed by the plight of the relatively organized and articulate middle strata are, at least in the short term, probably more disquieting to governments than the plight of the relatively unorganized and voiceless poor. The phenomena noted here may be only temporary and similar shocks have occurred in the past. It is striking, however, that the substantial economic growth and the rising levels of consumption and social services achieved by a large part of the Latin American population have not mitigated their psychological impact; consumption aspirations have continually advanced ahead of the capacity of the economies to satisfy them and even temporary

/stagnation brings

stagnation brings into question the political as well as economic viability of the whole style of development.

2. The beginning of the 1970's saw a great deal of innovation in governmental social policies, with the coming to power of new combinations of social forces or, in a larger number of cases, the emergence of a technobureaucratic elite determined to achieve a style of development incorporating a larger measure of social justice and popular participation. These innovations co-existed contradictorily with the complacency induced by the favourable economic conjuncture, and were accorded wide acceptance in principle. The objectives have not been achieved owing partly to the inability of governments pursuing new objectives to cope with the demands and resistances arising within the societies, partly to contradictions in objectives and inefficiency in execution of policies, partly to external factors and more recently to the impact of international economic crises and inflation on the resources needed to carry out major redistributive programmes in the absence of a high degree of social consensus and discipline. Some national authorities justify the reversion to policies of fiscal austerity and renunciation of controls over market forces, as a temporary concession to harsh realities. Others are convinced that this is the only sound strategy for development over the long term. In either case, in societies in which different classes have achieved a significant degree of mobilization and expectations of continued improvement in their lot, the risks are obvious: unmanageable social conflicts further disrupting the economies, haphazard concessions to the organized groups best able to resist austerity policies, authoritarian tactics to repress dissent.

3. While the stimuli and shocks affect the urban population most visibly they are also exacerbating the tensions previously present in the rural population. Favourable markets for agricultural exports have helped to speed up the capitalist modernization of agriculture and the marginalization of small cultivators and workers dependent on the traditional

/hacienda system.

hacienda system. Slumps in export markets have then reduced the demand for agricultural wage labour, and also strained the capacity of the countries to import basic foods. The ability of the cities to absorb migrants into activities in the so-called "informal sector" is, at least temporarily, shrinking, and so are the opportunities for temporary labour migration to richer countries -- a change of considerable importance in the case of Mexico vis-a-vis the United States. Agrarian reforms that have benefitted sizable minorities of the rural population in a few countries but that have remained on paper in the majority seem to have reached a dead end in both cases; for the most part they now lack national political backing, since agricultural modernization seems to have taken an irreversibly different course, and they have found no answer to the plight of the poorest rural strata, inevitably excluded from any tenure reform aimed at economically viable small holdings or co-operatives. In their combination, these factors imply an intensification of rural poverty and a narrowing of the alternatives previously open to the rural masses -- which were meagre at best. Rising levels of rural social conflict, particularly in the form of land seizures, are evident in parts of certain countries, but in general the declining relative weight of the rural population and the vigorous growth in some lines of agricultural production leave rural impoverishment unable to force itself on the attention of governments and urban public opinion.

The past cycles of rapid economic growth and crises forcing internal economic innovations, accompanied by rather unbalanced and precarious expansion and diversification of the social groups able to make themselves heard in the political process, have been adverse to effective planning, in spite of the institutionalization of planning mechanisms in most countries since the 1950's, or to the achievement of egalitarian social policies. In prosperous years the argument that economic growth by itself would eventually eliminate poverty and unemployment seemed plausible. In years of crisis the argument prevailed that this was no time for costly and probably disruptive redistributive reforms. A piecemeal agglomeration

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of social measures responding to group pressures and the models offered by the high-income countries took place, and some of them had a major impact on the societies and the economies, but they did not respond to any overall conception of their place in a development strategy. Arguments that things should be done differently, that the social services should be planned so as to contribute simultaneously to productivity and social equality were not lacking, but were unable to change the overall trend.

The achievements and shortcomings of economic development during the 1960's, as they entered into the consciousness of political leaders, social scientists and planners, seemed to demonstrate the urgency and also the possibility of acting differently and more coherently. The national societies had achieved a much greater material capacity and also technical-administrative capacity to do so. While formal planning had not been particularly effective, the relative importance of the public sector in national life had grown considerably, and the technobureaucracies managing it had gained experience and confidence. It had also become more obvious that the existing processes of economic growth and social change would not lead spontaneously to a wider diffusion of the fruits of development or to greater national autonomy. Thus the theme of "unified development" or "unified approach to development", which had in fact been present in many variants and under different names in the discussions of planning since the 1950's, came to the fore. To its proponents this meant a development strategy achieving a high rate of economic growth and at the same time changing the structure of growth, the allocation of public resources, the content and distribution of social services, the patterns of consumption, and the patterns of human relationships so as to correspond to the human welfare and human rights objectives set forth in numerous international declarations.

The experiences of the early 1970's in Latin America demonstrate, unfortunately, that the acceptance of general formulations on "unified development" did not amount to a real commitment to application in the

/face of

face of the stimuli and shocks that have been described above. The formulations themselves have justifiably been criticized as "utopias by aggregation of objectives", masking the lack of agreement by their sponsors on any unified theory of social change. The capacity for real integration of objectives has also been strained by the series of international campaigns of recent years -- on population, the human environment, habitat, employment, equality of the sexes, etc. -- all legitimate in themselves, but pointing to different approaches and priorities that have been "unified" only by juxtaposition. The limited adaptability of the material and technical resources generated by the prevailing style of development in Latin America, and above all of the expectations of the greater part of the population, to the requirements of radically different "unified" styles has become clearer. So has the extent to which the decision-making capacity of the national authorities that have struggled toward "unified development" is restricted by the character of their political base, the compartmentalization of the administrative apparatus, the entrenchment of the transnational enterprises, the identification of the mass communication media with the consumer society, and other factors of internal as well as external origin. The present reactions to crisis demonstrate once again the ambivalence of attitudes toward the prevailing style of development. On the one hand, there is wide recognition of its precariousness and inability to conceive of its projection into the future on an ever larger scale without transformation. On the other, there is a continuing inability to formulate convincing strategies for transformation and plausible agents of transformation. The stage of dependent semi-development and societal differentiation reached by the larger countries of Latin America seems to rule out strategies that might be open to poorer, more homogeneous and more predominantly rural societies, as well as strategies that might be open to societies that are fully industrialized or even "post-industrial", with more ample per capita resources that can be redistributed with relative efficiency and public

/consensus through

consensus through the state. "Unified development", if it is to achieve operational meaning in the Latin American context, must meet the realities of internally heterogeneous and conflictive societies undergoing change processes that at present either escape the control of any coherent social force or are being subjected to centralized controls with relatively narrow objectives.

/II. ECONOMIC

II. ECONOMIC TRENDS DURING THE PERIOD 1970-1975

1. Rate and structures of economic growth

(a) Global trends: rise and fall of the rhythm of economic growth

In the context of the economic and social process described in the Introduction and in the preceding chapter, the evolution of the Latin American economy during the current decade is linked with three aspects of particular significance because of the influence they have had and their later effects and repercussions. These are changes or new measures in economic policy, particularly in respect of foreign relations, the development of the prevailing international situation and the rise in petroleum prices.

Since the middle of the last decade the Latin American countries have made progress in adopting measures and policies designed to accelerate economic growth along the lines of greater opening towards the exterior by encouraging the expansion and diversification of exports and greater flexibility in the share of supplies of imports and promoting external investment and financing. At the same time, as is well known, the international situation underwent far-reaching changes over recent years because of the cycle of the industrial countries and the rise in petroleum prices and evolved in successive stages from boom to recession and uncertainty, culminating in the efforts which are now being made in the central countries to recover their rate of growth.

These and other aspects explain, on the one hand, the progress of Latin America in joining up with the international economy and the changes in the structure of its foreign relations and, on the other, the marked fluctuations in its rate of growth, which has passed from intense dynamism to a marked slackening off in the non-petroleum-exporting countries, as well as the high balance-of-payments deficits and the foreign borrowing of these countries which represent an awkward bottleneck in respect of the subsequent increase of national investment and the national product. The situation and prospects of

/the Latin

the Latin American petroleum-exporting countries are of course different, as they have benefited from an appreciable increase in their real income and have strengthened their capacity of economic development.

During the first years of this decade, especially during the biennium 1972-1973, economic growth accelerated and the gross domestic product of the region as a whole showed an average annual rate of increase of 7 per cent. Some countries had exceptionally high rates, including Brazil, the country of the greatest economic and demographic size, which attained a growth rate of 10 per cent. Most of the countries had lower rates of growth than the average, but it should be noted that in general they tended to improve in comparison with their past evolution (see table II-1).

During this period the physical volumes of exports and the ratio of the terms of trade reached fairly favourable levels. The exports grew at rates (around 8 per cent a year for the region) which were double those of the previous decade, and the terms of trade improved for almost all the countries. The external financing available for the region was also greater than that of previous years, although highly concentrated in Brazil and Mexico.

This evolution changed radically during the biennium 1974-1975. The petroleum-exporting countries benefited from a substantial improvement in the purchasing power of their exports and consequently increased their real income (see table II-2) while in most of the other countries the evolution was unfavourable, first affecting their balance of payments and then drastically reducing the growth of the product.

In 1974 the slackening of external demand due to the economic recession in the industrial countries and the deterioration of the terms of trade caused by the rise in the prices of imports and in particular of petroleum had an adverse effect on the non-petroleum-exporting countries, in which group the purchasing power of exports remained practically stationary. In general, no restrictive measures were adopted in these countries and economic growth was largely maintained by the current programmes and investments. Imports rose at an extraordinary rate of 20 per cent and the product by around 7 per cent.

/This was

This was possible, as can be clearly seen, at the cost of a high deficit in the current account of the balance of payments which rose from around US$ 4,300 million in 1973 to US$ 13,000 million in 1974, financed partly by utilizing the reserves and largely with private foreign capital, mainly from banking sources.

In 1975 these unfavourable trends became even more acute for the non-petroleum-exporting countries. This can also be seen from the statistical figures for this group of countries. The volume of exports remained almost stationary and at the same time there was an intensification of the deterioration of the terms of trade, so that as a result the purchasing power of the value of exports diminished by around 10 per cent. The countries most affected by this situation adopted restrictive and controlling measures to reduce the volume of their imports, but in spite of this the deficit of the balance of payments continued to rise (US$ 16,400 million). In this context the rate of growth of the product fell drastically since it amounted to only 1.9 per cent, which was lower than the rate of demographic increase.

The indicators of real income, obtained by adding the gross domestic product and the effect of the terms of trade, are highly indicative of these fluctuations which have occurred in various periods and countries during the first five years of this decade. As can be seen in table II-2 real income showed rates of variation higher than those of the product in 1973 and in 1975 many of the indicators showed a fall in the real income for many countries. Venezuela is a special case since in 1974 its real income rose by more than 45 per cent.

If the period 1970-1975 is considered as a whole, it can be seen that the gross domestic product of the region grew at an average annual rate of approximately 6 per cent. Of the 19 countries for which full information is available, only 6 had a rate of 6 per cent or more. They are Brazil, Colombia, Costa Rica, the Dominican Republic, Ecuador and Paraguay; Venezuela should be added to this list if the evolution of its real income is considered rather than

/that of

that of the gross domestic product. The 12 other countries registered rates of economic growth of less than 6 per cent a year and they represent somewhat more than half of the Latin American population. Among these are three countries which had average annual growth rates of less than 3 per cent a year.

Table II-3 provides information on the annual evolution of the per capita gross domestic product. It can be seen how this per capita index tended to improve after the middle of the past decade; however, the reduction in the absolute levels of the per capita product during 1975 influenced the fall in the average rate of growth to a figure of 3 per cent a year during this 5-year period.

(b) Changes in the sectoral composition of the product

During the first three years of the 1970s the trends towards industrialization which have characterized the transformation of production over the last 25 years became accentuated in the region. In this aspect Latin America is reproducing the global trends recorded in the developed economies, although in different conditions.

The share of manufacturing industry in the product increased from 23 per cent in 1970 to 24.2 per cent in 1973, and the physical volume of production rose at an average annual rate of 8.6 per cent during this period. Brazil, the Dominican Republic and Colombia are cases of particular significance as they attained growth rates of 13.7 per cent 12.2 per cent and 9.9 per cent respectively. (See table II-4.) Agricultural production, on the other hand, fell out of step with this dynamism; its growth was less than in the previous decade and its share of the product fell from 14.9 per cent to 13.5 per cent. (See table II-5.)

Developments during the two-year period 1974-1975 illustrate the influence of industrial growth on growth rates. The overall downturn is associated with the sharp fall in the growth rates of industry. In contrast, agriculture had an exceptional year in 1974, and in 1975 the growth rate, while lower, was higher than that of industry, showing that it was less open to the effects of the overall recession.

/The slow

The slow growth of agricultural production and its consequent loss of influence in the generation of the global product confirmed - in part - the sector's supply problems, the weakness of the demand of lower income groups and the generally limited direct effect of external agricultural demand on the composition of the total product.

(c) Total supply and demand

Economic growth during the 5-year period followed the lines of the previous decade in the sense that domestic demand continued to grow more rapidly than the demand for exports, except in 1972-1973 when the latter rose in step with overall activity. (See table II-6.)

The demand for consumer and capital goods grew at increasingly high rates during the first four years of the period, rising from 6.6 per cent in 1971 to 9.4 per cent in 1974. While consumption had steady rates in the order of 6.5 per cent, the growth rate of investment rose from 8.7 per cent in 1971 to 15 per cent in 1974. In 1975 the sharp fall in domestic demand affected capital goods much more than consumption goods. Except in the oil-producing countries, in 1975 there was a drop in investment and a very small increase in consumption. (See table II-7.)

As was pointed out above, the demand for exports only rose with domestic demand during the 2-year period 1972-1973; it was practically stagnant in 1971 and 1974, and declined in 1975.

The buoyancy of domestic demand brought great pressure on the productive capacity of the countries. The product grew, as stated earlier, and imports grew even more, with growth rates rising from 4.7 per cent in 1971 to 20.7 per cent in 1974. Some countries reached very high rates, such as Brazil, whose imports rose by about 16 per cent in 1971 and by 29 per cent in 1974. The same was true of the oil-exporting countries, where exports continued to rise in 1975 while tending to be restrained in the other countries. (See table II-8.)

Imports are particularly important in attaining the striking levels of investment. The domestic supply of capital goods could not have satisfied such vigorous demand in the short or even the

/medium term.

medium term. As a result of the growth of imports, the imports-product ratio rose from only 10.6 per cent in 1965 to 11.4 per cent in 1971 and 13.6 per cent in 1974.

(d) Investment, national saving and external financing

Gross domestic investment grew at slightly over 10 per cent annually between 1971 and 1973 and at 15 per cent in 1974, in comparison with average rates of 5 per cent in the preceding decade. This high growth of investment stimulated and largely made possible the rapid growth of the product.

This clearly reveals the existence of broad investment opportunities which it was possible to exploit, due to a noteworthy improvement in the domestic capacity to mobilize resources. This general picture covers most of the region, and is particularly true of a number of countries, primarily Brazil.

The growth of investment came to an abrupt halt in 1975 when supply, very flexible hitherto, became rigid as a result of the external situation.

It is necessary to assess the significance of growth rates as high as those which occurred between 1970 and 1974: in 1974, investment was almost 55 per cent above the 1970 level. This means that in a very short time the region was able to renew much of the capital of the goods-producing sectors and of its infrastructure, as well as increase considerably its productive capacity.

As a consequence of the rapid growth of investment, the investment-gross domestic product ratio rose from an average 19.7 per cent in the 1960s to 24 per cent in 1974, when 8 countries had rates equivalent to or above that average (see table II-9).

National saving was relatively important in the context of the prevailing style of growth.

Between 1971 and 1974, gross national saving as a percentage of gross national income was clearly above the 18 per cent of the 1960s, and slightly over 22 per cent in 1974. Excluding the oil-exporting countries, which had the highest levels in the region, the countries whose saving ratios rose most were Argentina, Brazil and

/Mexico. On

Mexico. On the other hand in one group of countries, comprising Chile, Guatemala, Haiti and Uruguay, the national saving ratio in this period never reached 14 per cent, and in some it was under 10 per cent. (See table II-10.)

Looking at the countries of greater economic and demographic weight, it may be seen that the marginal propensity to save was above the average propensity to save except in 1975. The national saving-investment ratio rose during the first years of the period but fell in the last two years, and particularly in 1975. It should be stressed, however, that in the oil-exporting countries this was not the case and at least some of them were able to raise national saving more than domestic investment. Venezuela was an extreme case, since from 1973 onwards it became a net exporter of capital. (See table II-11.)

The external financing-investment ratio, which tended to fall at the beginning of the five-year period, rose considerably in 1974 and 1975, reaching 15 per cent in 1975, more than double the average level of the 1960s.

As was stated earlier, this ratio is due to the intense use of external financing primarily in order to maintain specific levels of production and consumption and is not linked to a growth of domestic investment.

/2. Foreign

2. Foreign trade, the balance of payments and external indebtedness

(a) Exports

It is difficult to point to stable trends in the growth rate of the volume of exports either for countries or for periods. Instead, exports are characterized by their marked fluctuations, and it was only in the two-year period 1972-1973 that the great majority of the countries shared in the benefits of the greater demand caused by the rapid growth of the developed countries. In that two-year period, taking the region as a whole, the growth rates were around 8 per cent: i.e., markedly superior to those attained in the previous decade.

In a few countries - especially Brazil, the Dominican Republic and Ecuador - high average annual growth rates were maintained during the period 1971-1974, but other countries such as Argentina suffered from severe annual swings between growth and decline.

Unlike the growth rates, the structure of exports shows a tendency to steady change which is one of the most noteworthy features of foreign trade.

During the five-year period 1970-1975 there was considerable diversification of exports in the direction of the introduction of new agricultural products, a higher degree of processing of basic commodities, and/or a growing proportion of manufactured goods, depending on the countries concerned.

Agricultural exports became more diversified in most countries, especially Brazil, the Dominican Republic and Costa Rica. The countries also implemented policies designed to increase the degree of processing of their products. As a result, there was a reduction in the percentage of agricultural exports with a low degree of processing and an increase in the share of many branches of the foodstuffs, beverages and tobacco industry. Thus, for example, in the three countries with the biggest economies and populations the proportion of exports accounted for by low-processed agricultural

/products fell

products fell from about 50 per cent to 33 per cent, this reduction being largely made up for by increased exports of semi-processed or processed agricultural products.

A similar tendency to that of agricultural products was observed in the mining sector. Thus, for example, Chile, Mexico, Venezuela and Bolivia all raised the degree of processing of their mining and petroleum products.

The incorporation of petroleum among the exports of Ecuador and Bolivia appreciably changed the structure of their exports. Thus, in the case of Ecuador, agricultural exports fell from 90 per cent of the total in 1970 to 50 per cent in 1973, while Bolivia's petroleum exports rose to about 20 per cent of the country's total sales abroad in 1973.

The proportion of manufactured goods in the list of exports rose very rapidly and covered both intermediate goods and products of the metal manufactures and machinery sector. The region managed to export goods with quite high levels of sophistication and technology, and in 1973, for example, most of these goods were sold to developed countries, thus giving an indication of the potential market that exists for this type of exports. Naturally, it was the bigger countries - which are also those having the highest degree of industrialization - which exported the major part of the regional total. Intra-regional trade in these goods also increased, but without attaining growth rates comparable to those achieved in trade with the developed countries.

The participation of the transnational enterprises, the prevailing international situation and the export promotion policies pursued are the factors which had a decisive influence on the results obtained in the diversification of exports of manufactures. As a result of these factors, the annual growth rate of exports of manufactures, in dollars at 1970 prices, is close to 20 per cent for the period 1970-1974.

/(b) Imports

(b) Imports

During the five-year period 1971-1975, taking the region as a whole, imports showed a definite tendency to grow much more rapidly than the product, except in 1975. In the course of the first four years, the annual growth rate rose from 5 per cent in 1971 to 19.4 per cent in 1974. When the countries are taken individually, however, the figures for 1975 reveal different situations, especially for the oil-exporting countries.

In the first four years (1971-1974) imports showed an upward trend for most of the countries. In the first three years, and especially in the two-year period 1972-1973, this upward trend accompanied the rapid expansion in the purchasing power of exports. From 1974 onwards, however, a difference began to show itself between the trend in the oil-exporting countries and that in the non-oil-exporting nations. In 1974, when the purchasing power of the exports of many of the non-oil-exporting countries declined, the imports of those countries showed a strong resistance to falling; on the contrary, imports continued to increase their growth rate in some countries. Thus, Argentina, Brazil and Mexico recorded rates close to or exceeding 20 per cent in 1974, whereas other non-oil-exporting countries already showed lower rates of growth of imports in that year: Chile's growth rate fell to 1.5 per cent, while Guatemala and Uruguay recorded negative growth rates.

The oil-exporting countries had the highest rates of growth of the period in 1974, with both Bolivia and Ecuador recording rates close to 30 per cent.

As a consequence of the trends noted in the period 1971-1974, the coefficients of imports as a percentage of the product increased in most countries and rose, for the region as a whole, from 11.6 per cent in 1970 to 13.6 per cent in 1974.

In 1975 the situation changed drastically for the non-oil-exporting countries. Most of them reduced their imports, and apart from the oil-exporting countries only Peru and Guyana registered high rates of increase.

/Analysis of

Analysis of the structure of imports reveals important differences between the Latin American countries,3/ largely because of the differing internal productive structure of the countries.

Thus, the countries which display a high degree of agricultural self-sufficiency and have made substantial progress in industrialization are notable for the low proportion of consumer goods in their imports. This is so in the case of such countries as Argentina, Brazil, Colombia and Mexico.

The degree of endowment with energy resources is another of the internal variables which influences the structure of the value of imports. The countries where energy requirements have accounted for a major share of the value of imports in the last fifteen years are Brazil, Panama and Uruguay, where they have consistently amounted to over 15 per cent of the total.

Generally speaking, raw materials and capital goods have made up the biggest proportion of imports. The relation between the percentages for these two items reflect the balance between the different branches of industry. Thus, for example, Argentina is more advanced in the field of metal manufactures and machinery than in that of basic industrial inputs, and the latter account for over 55 per cent of its imports. For most of the countries, intermediate goods represent the biggest item in their imports.

The five-year period 1971-1975 did not show any great changes in these trends. If the percentages are based on figures expressed in dollars at current prices, however, it is seen that the price changes which took place from 1973 onwards, and especially the rises in fuel prices, significantly altered the proportions. Thus, the countries which are not self-sufficient in petroleum had to increase very significantly the proportion of their spending accounted for by fuel purchases. In 1974, ten countries spent over 15 per cent of the total value of their imports on such purchases, the extreme cases being those of Panama, Uruguay, Paraguay and Brazil, which spent 35, 33, 25 and 24 per cent of their imports on this item.

3/ See "Indicators of Economic and Social Development in Latin America, 1976", E/CEPAL/1021, International Trade, p. 81, tables B.1 to B.4.

/(c) The

(c) <u>The terms of trade</u>

The terms of trade of Latin America have varied considerably during this five-year period, as is shown by the indices in table II-14 There is a sharp contrast between the position of the oil-exporting countries and that of the other countries.

Taking 1970 as base year, it may be seen that the terms of trade of the oil-exporting countries improved steadily until 1974, when the index reached a level of approximately 330 as a result of the rise in fuel prices, which was higher than the increase in the unit values of their imports. In 1975, however, the index dropped to 259 because of the constant rise in the prices of their imports.

Notwithstanding the methodological and conceptual problems which surround the meaning and measure of such indices in the analysis of long-term developments, far from the base year, it is interesting to note that the oil-exporting countries had been suffering from a constant worsening of their terms of trade since the beginning of the 1950s.

Because of the size of its exports and imports, Venezuela has a preponderant influence in this group of Latin American countries. The other two, Bolivia and Ecuador, are relatively small and have a different structure of foreign trade from Venezuela's, and therefore the evolution of their own indices is not the same as that of Venezuela; although in the last two years they too follow the rising and falling trend mentioned above.

Naturally, the change in the terms of trade has been very different for the non-oil-exporting countries. The aggregate index for this group of countries, still with 1970 as the base year, fell in 1971 but generally recovered in 1972, to reach a peak in 1973, primarily as a result of the higher growth of the prices of basic exports. However, the index only reached 107 in that year.

In 1974 the higher prices of petroleum, industrial products and other goods imported by these countries led to a deterioration which

/grew worse

which grew worse in 1975 with the steady rise in the prices of industrial imports. This worsening was such that in 1975 the terms of trade of the non-oil-exporting countries were 8 per cent below the 1970 level.

This downward trend was generalized throughout the countries of the group, and particularly strong in Chile and Uruguay where the index fell to 60 in 1975. Costa Rica, Chile, Guatemala and Haiti were below the 1970 level throughout this five-year period.

Finally, it is significant that the peak level in 1973 is considerably below the average level of the early 1950s.

(d) Balance of payments

For obvious reasons, in the analysis of the balance-of-payments situation a sharp distinction must be drawn between the oil-exporting and the non-oil-exporting countries.

Throughout the five-year period the non-oil-exporting countries had increasingly large trade deficits, rising from 840 million dollars in 1970 to 11 billion in 1975. All the countries had deficits with the sole exception of Argentina, which on average had a surplus in the period. Brazil and Mexico were responsible for a large proportion of the deficit, between them accounting for over 7 billion dollars in 1975 (71 per cent of the total). Among the medium-sized countries, Colombia managed to attain a trade equilibrium in the last three years. (See table II-15.)

This trade deficit was influenced by the sharp rise in the volume of imports, and the higher prices of imports of manufactures and oil. These factors grew stronger over the last two years, causing the deficit to rise from an average of nearly 1,500 million dollars over the three-year period 1971-1973, to an average level of 10 billion dollars in the two-year period 1974-1975.

The oil-exporting countries followed opposite trends, particularly during the last two years, Venezuela, which has the greatest weight in the figures for those countries, had a permanent trade surplus (see table II-15). The remaining countries had a

/deficit for

deficit for the three years 1971-1973, like the non-oil-exporting countries, but a surplus in the last two years. For these countries as a whole, 1974 was outstanding since the surplus was extremely high at 11,400 million dollars. In 1975, as a result of production cuts and larger volumes of imports at higher prices, there was a marked fall in their trade surplus. Venezuela's surplus fell from 10.7 billion to 5 billion dollars.

The region as a whole had a deficit on current account throughout the five-year period.

In the non-oil-exporting countries this deficit was very high because of the sharp rise in the trade deficit and net payments of profits and interest. The latter rose considerably over the last two years, reaching roughly 5,700 million dollars in 1975. With regard to net factor payments, Mexico's position is noteworthy: after Venezuela, it had the highest level of remittances. Thus the current account deficit was increasingly large, particularly in the last two years. In 1975 it was over 16 billion dollars, four times higher than the average for 1971-1973. The ratio of the current account deficit to the value of exports of goods and services rose from 20 per cent in 1970 to 54 per cent in 1975. 1973 was the most favourable year in the period for this group of countries: thanks to the rise in the volume of exports and the improvement in the terms of trade, the ratio dropped to 18.5 per cent.

The oil-exporting countries had a slight deficit on current account in the two-year period 1971-1972, which thereafter became a large surplus. Until 1974 net payments of profits and interest grew steeply, as in the case of the non-oil-exporting countries. In 1975, however, there was a sharp drop in this heading in Venezuela, from 4,300 million dollars in 1974 to 1,800 million dollars. This was partly due to the fact that Venezuela had been exporting capital since 1973; and therefore its current account surplus shrank less than the trade surplus mentioned above. In sum, its surplus fell from 6 billion dollars in 1974 to 3 billion in 1975. For the countries of this group as a whole, the surplus in 1974 represented 37 per cent of their exports, and 21 per cent in 1975.

(e) External financing and indebtedness

The net external financing obtained by Latin America in the first half of the 1970s was concentrated in the non-oil-exporting countries: from 1973 onwards the oil-exporting countries became exporters of capital. (See table II-15.)

In the three-year period 1971-1973 the non-oil-exporting countries had an inflow of non-compensatory capital which exceeded their current account deficit, so that they were able to build up monetary reserves. It should be noted that in many cases this building up of reserves reflected deliberate government policy designed to guard against unfavourable external situations such as occurred in the last two years.

The situation of these countries changed in 1974-1975, when they had to have recourse to their reserves in order to finance part of their current account deficit. There can be no doubt that Brazil was the country which followed the reserve policy most intensely, and this had the effect of absorbing some of the severity of the fluctuations in its external trade.

During the period under consideration the movement of capital underwent considerable changes. Private sources came to predominate over national or multinational official sources, most of the financing coming from foreign private banks with a small proportion provided through suppliers' credits and direct foreign investment.

Concessional loans to countries of the region were very scarce. Thus, the concessional credit extended by the DAC (Development Aid Committee) came to only 626 million dollars in 1974 for the whole of the region.

The figures for 1975 reveal that of the total financing required official sources provided 14 per cent, loans from private sources 63 per cent, direct foreign investment 11 per cent and withdrawals from reserves 12 per cent. Among the private loans, those from banks far exceeded the remainder. Thus, for example, they were over seven

/times greater

times greater than suppliers' credits, which were the next biggest item under this heading. It is estimated that at the end of 1975 the guaranteed and non-guaranteed debt with the foreign banks of 11 developed countries came to 43.5 billion dollars out of an estimated total indebtedness of about 67 billion dollars. (See table II-16.)

Of this total external indebtedness, Brazil and Mexico have absorbed an average of around 75 per cent of the total debts to banks. This explains much of the increase in net external factor payments recorded by these countries.

The change in the structure of the external debt is having unfavourable repercussions on the financial costs, terms and interes rates of such indebtedness. Thus, the servicing of the external debt represented about 28 per cent of the value of the region's exports in 1975, and it is estimated that this figure will rise to 30 per cent in 1976.

The situation in the oil-exporting countries is different, especially in the case of Venezuela. From 1973 onwards, in spite of reducing its exports of crude, this country was able to become an exporter of capital, to increase its monetary reserves, and to raise considerably the growth rate of its imports.

The other oil-exporting countries did not do quite so well, since in 1975 they had a small current account deficit; nevertheless they increased their monetary reserves thanks to an inflow of capital.

/3. Agricultural

3. Agricultural production

The most prominent feature of the period 1970-1975 is the unevenness of the results of the successive harvests. The annual changes in the physical volume of regional production have been very marked. The average growth rate of the period is some 2.5 per cent a year 4/ and it covers rates ranging from a modest 0.5 per cent in 1972 - the worst agricultural year for a long time in Latin America because of adverse climactic conditions - to a noteworthy 6.2 per cent recorded in 1974, influenced by the favourable prospects of the international markets.

The growth rate of production has been declining over the past two decades, from 3.7 per cent in the 1950s to 3.2 per cent in the 1960s. Moreover this trend is found in a great many of the countries of the region (see table II-17). It would appear that a major qualitative change has occurred in various countries - with the exception of Brazil and Paraguay - where the process of the growth of agriculture through the extension of the area used for crops and livestock has come to a standstill. The annual increases of production have progressively had to be maintained by raising the unit yields - through the application of technology and investment - and this has been a slow process.

Moreover, the production destined mainly to the domestic markets has shown greater dynamism than the traditional export products.

Only two countries, Nicaragua and Venezuela, attained the goal of 4 per cent set by the IDS, and both have only a small share of the regional production.

Brazil, Colombia and some small countries benefited from dynamic external demand and their growth rates ranged from 3 to 4 per cent a year. In Chile and Uruguay, however, agricultural production was stationary or on the decline.

4/ The national accounts statistics which include the value added at constant prices show a somewhat more favourable evolution, as this would make the growth rate for this period 3.3 per cent a year.

/It should

It should be noted that the rates of incorporation of new land during the five year period did not match those of the previous decade. The harvested area increased by 1.9 per cent a year compared with an annual rate of 2.2 per cent in the previous decade. If Brazil, the country which incorporated the most new land into production, is excluded, the annual rate increased at only 0.6 per cent a year. Thus wit the exception of Brazil and Paraguay the growth rate of agricultural production largely depended on increases in the product per hectare.

The nutritional situation of Latin America, although less critical than that of other developing regions, is far from comparable with that of the more developed countries, except in the cases of Argentina and Uruguay.

During the period under consideration there was a slight improvement in the average supply of alimentary energy, which rose from 2,450 calories a day per inhabitant in 1961/1963 to 2,650 units in 1971/1974, in relation to an estimated minimum requirement of 2,400 calories. This global figure combines the increase recorded in the largest countries with the persistence of an unsatisfactory situation in various countries and the unchanged state of these indicators in others. The average national levels, which in most of the countries are higher than the minimum needs, conceal the marked inequality in the distributio of food among the population. It is estimated that 50 per cent of the Latin American population has access to only 2,250 calories per day or less.

The slow growth of agricultural production has had adverse repercussions on the region's exporting position and has weakened its capacity of agricultural self-sufficiency. This can be seen by observing both the evolution of world trade and the growth rate of the region's exports in past decades. While world agricultural exports increased in volume by about 3.7 per cent a year between 1971 and 1974, those of Latin America rose by only 1 per cent a year, so that the region's share in the international agricultural market has continued to decline, falling from 17 per cent in 1950 to some 13 per cent in

/1974, with

1974, with sharp decreases in some of its most important products such as coffee, cocoa and wheat and, to a lesser extent, bananas and sugar. The marked increase in exports of soya beans is the main exception.

The situation is even more serious considering that the growth rate of exports of basic agricultural products from the region has been declining over the last 25 years. It amounted to 3.2 per cent a year in the 1950s, fell to a rate of 2.6 per cent a year in the 1960s and to only 1 per cent during the period 1971 to 1974. The region has been hit particularly hard by the adverse effects of restrictions on the access of its products to the main consumer markets because of various protectionist measures and policies of the developed countries, in particular the barring of the region from the meat market of the EEC, exports at subsidized prices of products competing with regional production and preferential treatment in favour of other regions. However the decline in the growth of exports also reflects the inadequate capacity of domestic production which, as has been seen, has not been able to respond adequately to the increasing demand of its own market.

Furtheremore, during this period, and despite the diversification in some cases, the high degree of concentration of exports in a small number of products and the heavy dependence on a few markets (United States and Europe) has continued. Towards 1972/1974 the 6 main products constituted 82 per cent of total exports and 65 per cent were made up of sugar, coffee and meat. Around 1970 60 per cent of Latin American agricultural exports went to the United States and EEC countries, 17 per cent to other developed countries, 14 per cent to other developing areas and the socialist countries and the remaining 9 per cent constituted the intra-regional trade; the last percentage was almost the same as in 1950.

The inadequacy of domestic supply explains the increasing significance of agricultural imports from outside the region, mainly food. The slow growth of exports contrasts with the rapid increase in regional imports. These expanded by 6 per cent a year during the 1960s

/and in

and in the first half of the current decade the average annual increase was more than 10 per cent. The increasing dependence on imports is particularly marked in the case of a few "critical" products such as wheat, edible oils and dairy products which currently represent over 60 per cent of the total imported and are provided by a few supplier countries, particularly the United States and other developed countries.

/4. The

4. The manufacturing industry

The growth rate of manufacturing production intensified during the period 1971 to 1974 and the region attained the goal of 8 per cent proposed in the IDS. In 1975 there was a sharp loss of momentum and the rate of increase fell to 1.5 per cent, although it should be noted that this decline did not affect the petroleum-exporting countries which, on the contrary attained higher rates than in previous years.

If the five year period is considered as a whole it can be seen that only four countries exceeded the rate of 8 per cent. Of those, two are petroleum-exporting countries (Venezuela and Ecuador); the other two, Brazil and the Dominican Republic, had rates of over 10 per cent. At the other extreme there are two countries (Uruguay and Panama) with rates near or lower than 2 per cent and Chile, which recorded a negative average rate over the period. (See table II-18.)

The situation of Latin America in the context of world industrial production has barely changed over the last 10 years, its low relative position of around 3.4 per cent of that total having persisted, so that the industrialization effort carried out during this period was not sufficient to alter this situation. Expressed in per capita terms the gap has increased considerably, since the population of Latin America reached 8.2 per cent of the world total in 1975 despite the fact that the per capita manufacturing product grew at 3.9 per cent a year between 1970-1975, rising from 138 dollars to 167 dollars, at 1970 prices over that period.

The contribution of the manufacturing industry to the gross domestic product continued to increase during this period. In 1975 it represented almost 24 per cent of the total for the region as a whole. In 1950 this share was 18 per cent, and in 1960 it reached 20 per cent and in 1970 it was 23 per cent. It is thus evident that there is a rising trend and that the industry continues to gain in importance as a factor in the economic development of the region.

/At the

At the same time, however, the disparity in the degree of the industrialization process in different countries has increased, as can be seen in table II-4. While the share of industry in the product of the three largest countries continued to rise during this period it remained virtually unchanged in most of the other countries.

Along with this process there has been an accentuation of a major change in the relative importance of the countries of the region as a result of the unequal industrial growth recorded in them during the post-war period. The industrial production of Brazil and Mexico represented 43 per cent of the regional total in 1950 and this share rose to 54 per cent in 1970 and to nearly 60 per cent in 1975. However the countries of the southern cone (Argentina, Chile and Uruguay), which had advanced rapidly in the industrialization process, experienced a decline in their regional share from 42 per cent in 1950 to 30 per cent in 1970 and 24 per cent in 1975 (see table II-19).

During the period 1970 to 1975 the policies for the encouragement and promotion of non-traditional exports which had been adopted from the middle of the previous decade onwards became more intensive and more widespread. The goals of these policies benefited in recent years from the international situation which created favourable conditions for the export of industrial products.

In these circumstances the exports of industrial products grew between 1970 and 1974 at an annual rate of around 20 per cent a year. In 1975, despite the decline in external demand, they again increased at around 5 per cent.

The exports of industrial goods from Latin America to the developed countries showed great dynamism during the period. Thus in 1973 some 60 per cent were destined to those countries. Latin America was also a dynamic and attractive market, but it did not succeed in absorbing exports at rates similar to those of the developed countries. As a result its share as an importing country fell from 36 per cent in 1968 to 27 per cent in 1973.

/The rise

The rise in exports also involved a diversification, covering categories of intermediate products and capital goods of which sales abroad had been very limited or practically non-existent at the end of the previous decade. The three largest countries which also have the highest degree of industrialization were the main exporters of manufactured products, accounting for around 75 per cent of the regional total.

These advances are of particular significance for the external sector of Latin America since they involve an increasing diversification of exports. In 1970 industrial products represented 15 per cent of the total value of the region's exports and in 1975 this proportion rose to some 25 per cent. The growth of industrial exports was not unrelated to the inflationary process in the industrialized countries. The rise in prices, and at times, the prolonged delivery periods of various types of industrial goods in these countries improved the competitive position of those Latin American countries which were able to provide such goods. By means of adequate promotional activities they were able to export significant quantities, opening out markets which, in some cases, they continued to consolidate.

The importance of external resources in the financing of industry increased, especially in the period 1972 to 1973, in the form of credits from suppliers and loans from private banks, although the conditions and terms became more restrictive after 1974. Direct private investment also increased. The flow of investment from the United States reached a total of 566 million dollars in 1972, which was double the 1970 figure, although it should be noted that a high proportion of this investment (around 65 per cent) represents a reinvestment of profits.

The access of the individual Latin American countries to the sources of financing for industry and other activities varies greatly. Some of the countries have set up financial institutions and mechanisms, and also developed international relations which, together with the dynamism of their economies and the stability of their policies, made it easier for them to secure very high proportions of financing and direct foreign investment. To all this should be added the increasing importanc of the transnational corporations in the production and exports of the manufacturing sector and in the use of these external resources.

/5. Energy:

5. Energy: situation and supplies

The drastic rise in oil prices in 1973-1974 clearly revealed the differing positions of the Latin American countries with regard to the degree of domestic supply for their energy consumption. It led to a review of, and particular concern for, energy policy which is resulting in an attempt to raise the level of self-sufficiency in energy and bring down the growth rates of energy consumption.

The use of petroleum as the main source of energy had become widespread in all the countries of the region. In recent years almost 80 per cent of consumption requirements of modern energy 5/ were met by petroleum and natural gas. On the other hand, the countries' shares in oil production, far from converging, tended to grow increasingly different, with production becoming clearly concentrated in a small group of countries.

Looking at the total supply of modern energy, it may be seen that only seven countries 6/ produced four out of the five resources it comprises. 7/ However, 94 per cent of total energy consumption was met by petroleum and natural gas. Of those countries, only Venezuela is completely self-sufficient in the consumption of petroleum products, while Argentina, Colombia and Mexico are close to self-sufficiency. It is supposed that with the new finds 8/ Argentina will shortly become at least self-sufficient, while Mexico will once again become an exporter. Likewise the prospects for Peru, which in 1973 produced two-thirds of its consumption of petroleum products, suggest that it may soon even become an exporter.

5/ Coal, petroleum, natural gas, hydroelectricity and nuclear energy. Does not include vegetable fuels.

6/ Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.

7/ Until 1974 Argentina alone possessed a nuclear power station, the small Atucha plant.

8/ In Argentina in Puerto Rojas, in Mexico in Chapas-Tabasco, and in Peru in the La Concordia fields.

/Apart from

Apart from Bolivia, Ecuador and Trinidad and Tobago, which have no supply problems, the other oil-producing countries, Chile, Cuba and Brazil, are heavily dependent on imports of crude, especially Cuba which only produces about 3 per cent of its consumption, as against 25 per cent in Brazil and 30 per cent in Chile.

As for the 13 countries which do not produce petroleum, their situation is serious because they lack other significant energy resources, and over 80 per cent of their supply of modern energy is based on petroleum alone.

In sum, although the region as a whole is a net exporter of petroleum, the supply situation varies greatly from country to country. Taking the region as a whole, it may be seen that in 1973 2.3 tons of crude were produced for every ton of petroleum products consumed; but in the group of deficit countries this ratio was only 0.25.

Over the last 25 years this ratio fell, for the region as a whole, from 3.9 tons in 1950 to 2.3 tons in 1973. This drop may largely be explained by the low level of prospection activity.9/ According to estimates, total prospection expenditure in 1973 was more or less the same as in 1960, in current dollars, probably because it was expected that cheap imported petroleum would continue to be available. It is worth mentioning that, apart from Trinidad and Tobago and Venezuela, the other oil-producing countries only increased their domestic production by 82 per cent in 1960-1970 while at the same time their imports of crude rose by 100 per cent.

However, the new structure of fuel prices and the higher crude prices from 1973, have reversed these trends. Thus prospection investment in the region increased from 100 million dollars in 1973 to 180 million in 1974 and production investment from 775 to 1,215 million dollars.10/

9/ The number of wells drilled per square mile in Latin America (0.02) represents 2 per cent of the United States figure and 13 per cent of the same figure for the Soviet Union.

10/ See Chase Manhattan Bank, Energy Economics Division.

/The problems

The problems caused by the absence or low level of oil production in many countries raised the need for a review of the role which energy resources should play in regional development; especially bearing in mind that the same consideration in a few countries occurs in reserves as in the field of production. It is estimated that 90 per cent of reserves of petroleum and natural gas are located in only 5 countries, most particularly Venezuela.

The proven oil reserves of Latin America at the beginning of 1976 represented a volume equivalent to 22 times 1975 production, while natural gas reserves represented 64 times the 1975 production level. Using a more flexible concept of reserves of oil, such as expanded proven reserves, this quantity could be four times greater.

In addition, identified coal reserves are estimated at 20 billion tons, which is one thousand times recent annual consumption.

Over the last five years the evolution of modern energy consumption continues to show downward product-elasticity trend already observed in earlier periods, mirroring the experience of the more developed countries or regions. The elasticity of energy consumption with respect to the product has a tendency to fall, but in Latin America this has been very marked in the 1970s, particularly following the rise in oil prices. This elasticity, for the region as a whole, fell from 1.2 in the period 1960-1970 to 1.04 in 1970-1974, which implies some relief for the deficit countries of the region.

III. MEDIUM-TERM ECONOMIC PROSPECTS AND PROJECTIONS, 1976-1980

1. The balance-of-payments problems and the rate of economic growth

The study in chapter II of the evolution of the balance of payments and the economic growth rate of the non-oil-exporting countries could be taken to refer essentially to the group of 11 countries which account for 84 per cent of the product and 81 per cent of the population of Latin America. The basic data on the more important economic variables appears in table III-1.

The group, of course, is not homogeneous: it includes large, medium and small countries, whose individual situations and performances need not be similar. Nevertheless, the conclusions drawn from the study of the aggregate variables of this group of countries may be considered to be of general application. These conclusions may fundamentally be summarized as follows:

(a) In the period 1970-1974 the rate of economic growth accelerated, reaching an annual rate of about 7.5 per cent, and the economy developed with a relatively open structure with respect to external variables. In the two-year period 1972-1973, exports were particularly vigorous and grew, in physical terms, faster than the domestic product, with increasing diversification in branches of commodities, while sales of industrial products rose considerably. These countries demonstrated, although to a markedly different degree, their capacity to produce and export in order to take advantage of the favourable conditions of the international market stemming from the boom in the industrial countries and the higher commodity prices;

(b) The volume of imports grew even more than that of exports, at twice the rate of the domestic product, as a result of the growth of demand due to the rise in real income and in requirements of intermediate products and capital goods to supply the productive activities and the investment process. Until 1973 the pressure of imports was at least partly relieved by the improvement of the terms of trade;

/(c) Net

(c) Net payments of interest and profits in respect of external investment and indebtedness gradually increased, but the deficit on current account remained at about 3,600 million dollars until 1973. These deficits were financed with an ample inflow of capital largely obtained from foreign private and banking sources, which also helped to swell monetary reserves. Naturally, the large countries, particularly Brazil and Mexico, had the greatest share in the process;

(d) In the context of these developments, one important factor was that until 1973 external indebtedness and services, although already at a high level in absolute terms, bore some relation to the simultaneous rise in export earnings. This is a key relationship in the operation of the model characterized by the aggregate variables of this group of countries;

(e) In 1974 the effects and repercussions of the recession which was beginning to spread in the industrial countries and the sharp worsening of the terms of trade, brought about by inflation in the industrial countries and the higher prices of oil and some primary products, were instrumental in creating an external bottleneck which had to come to a head in the following year. There was a considerable fall in the growth rate of the volume of exports, although their current value continued to rise because of higher prices; however, the value of imports rose much more, due to the above-mentioned factors and because the Governments still did not adopt restrictive policies. In these circumstances, the rate of growth of the product was maintained while the current account deficit rose from the 3.6 billion dollars of previous years to over 11 billion in 1974.

(f) In 1975 the terms of trade again deteriorated, the volume of exports dropped and the Governments began to adopt measures to control the growth of domestic demand, particularly for imports. There was a drastic fall in the economic growth rate and the deficit on current account now stood at 14 billion dollars;

/(g) As

(g) As a consequence of these deficits, external indebtedness increased, its terms became harder and costs heavier, which led to very heavy commitments for amortization and interest payments in the coming years;

(h) The breakdown of this model of economic growth and external indebtedness is clearly apparent in the fact that while until 1973 the ratio between the current account deficit and the value of exports declined, in 1974-1975 it increased considerably. In 1973 the ratio was 17.5 per cent and in 1975 it reached 51.9 per cent.

The consequences of a process of this kind are evident. In the first place, current export earnings will be seriously undermined by external debt servicing, and a large inflow of financing will be necessary to ensure specific levels of imports, not to mention that - in many cases foreign exchange reserves will have to be built up. In addition, these heavy external commitments may hinder the flow of external financing as well as the solution of the balance-of-payments problem, even if imports decrease and the economic growth rate is slow, which will dangerously aggravate the social tensions looming over Latin America.

It should therefore be asked in what conditions the non-oil-exporting countries can recover their economic dynamism and continue to be relatively open towards the exterior, still following the general lines of their development since the end of the 1960s; as well as what kind of changes should be made in the short term to tackle the balance-of-payments problems while at the same time maintaining a specific rate of economic growth. In order to study these questions and illustrate the alternative or complementary solutions which might be considered in very general terms, a set of projections has been prepared for each of the 11 countries, whose general features are described below. These should by no means be construed to be predictions or forecasts.

/2. Two

2. Two exercises in macro-economic projections by country for the period 1976-1980

(a) Some methodological questions and hypotheses used

For each of the countries, growth targets were established for the gross domestic product according to two scenarios. Scenario A is based on the recovery of the growth rate in a shorter period, leading to an average rate for the countries as a whole of a little over 6 per cent in the period 1976-1980. Scenario B considers the possibility that the rate of growth will remain low until 1977 and then pick up, so that the average for the period is a little under 6 per cent. This second scenario takes account to some extent both of the suggestions in some countries of slow growth in the present year and also of the possible effects of restrictive measures which are being stepped up in other countries.

The projection of exports is based on a study of the trends in the different types of product, including in some cases the countries' known export programmes. It assumes that the growth rate of the industrial countries will recover. For the group of 11 non-oil-exporting countries it gives an annual growth rate of about 8 per cent, which is higher than the past trend in those countries. This implies that exports of commodities and products with some degree of transformation will grow at a higher rate than in the past, and that exports of industrial products will grow by between 10 and 15 per cent according to the country, i.e., less than in previous years.

The projections on the evolution of import and export prices were prepared using, from 1975 on, the prospective trends which appear in the World Bank surveys of Latin American countries. The result is a projection of the terms of trade which remains relatively stable and improves to some extent towards the end of the decade. Throughout the five-year period, however, the level of the index is clearly below the 1970 level.

Imports were projected using econometric functions for each of the countries under consideration. In these fuctions import

/requirements of

requirements of intermediate products and consumer goods depend on the domestic product, and capital goods requirements on fixed investment. In addition, adjustments were made to take into account, as far as possible, the substitution effects of the proposed or ongoing industrialization programmes particularly in the case of important intermediate products and capital goods, in Brazil and Mexico.

These projections indicate that the ratio of imports to the gross domestic product will fall over the next few years for the countries as a whole. Excluding 1974, when imports were exceptionally high, the ratio will drop from an average of 10.6 to 9.6 in the next five years. This reduction may be considered feasible, in virtue of the industrialization programmes mentioned earlier and also because it will be possible to control or hold down certain important types of products, which had grown in recent years, without affecting the economic dynamism postulated in the projections.

Finally, the service of the external debt and investment were estimated on the hypothesis that additional financing will continue to be provided in large part by private sources, as has been the case hitherto.

(b) <u>The results of the projections</u>

The results of the projections for each of the countries were added together for the group under consideration and appear in tables III-1 and III-2. While the situation and prospects vary from country to country, some conclusions of general value may be drawn from these aggregate results. The following are the more essential features:

(1) The trade deficit will decline substantially and disappear by 1980, but since payments of interest and profits will continue to increase, the deficit on current account will remain at approximately the high absolute levels of 1975. At the same time, since the amortization of the accumulated debt will tend to increase, the gross capital flows needed to finance the balance-of-payments deficit and amortization payments will have to grow considerably. According to the results of these projections, the gross capital inflow will rise from 15 billion dollars in 1974 to 27 billion in 1980.

/(2) In

(2) In other words, despite the relatively high growth rates of exports and the smaller import ratio, this group of countries will have greater external financing needs, primarily to service investment and indebtedness.

The projections of scenario B (see table III-2), which assume a slightly lower economic growth rate than in scenario A, show a smaller trade deficit than in scenario A as a result of lower demand for imports. However, it will readily be understood that the results concerning the balance-of-payments deficit and external financing needs do not change significantly.

Thus if the projection of exports is retained, the balance-of-payments problem for the next five years depends more on the commitments entered into for the existing accumulated indebtedness than on a change in the economic growth rate, assuming that the countries will not wish this growth to fall below specific rates.

3. Conclusions on the balance-of-payments problems of the non-oil-exporting countries

The appraisal of the balance-of-payments problems and these projections warrant some conclusions, necessarily of a general nature because of the degree of abstraction of the analysis in this and the preceding chapter in the interests of simplification. The following points should be stressed, inter alia:

(a) The high level of external indebtedness already accumulated and the burden of servicing it, which will tend to increase considerably, are in themselves a serious problem because of their effect on the balance of payments and the very risky and vulnerable position in which they place the Latin American countries. There is therefore a pressing need for international co-operation in finding suitable solutions. Various proposals have been made which have not yet received the unanimous support of either the developed or the developing countries. CEPAL has also put forward some proposals of a regional and international order. In particular, the Latin American countries have to obtain greater access to the international financial markets

/and change

and change the composition of their financing, increasing credits from official sources and reducing the share of private and banking sources.

(b) As is well known, the rapid rise in export earnings is a key variable to manage the balance of payments and raise the economic growth rate. It is clear that the countries should strive to reduce their trade deficits as rapidly as possible with a view to reaching an equilibrium position. The reasons for this are various: to increase external purchasing power, build up suitable foreign exchange reserves and reduce the degree of external vulnerability in order to foster a climate of confidence and to facilitate the management of the debt and its service.

The rapid growth of exports over a short period will depend on the recovery of the growth rate of the industrial countries and on access to their markets; and ultimately, on the adoption of the policies and measures proposed by the developing countries on the various aspects of trade and prices of commodities and industrial products. There is particular concern for the movement of the terms of trade, which run the risk of deteriorating still further, either because of the steady rise in the prices of imports from the industrial countries or because of a fall in the prices of primary products, as is occurring in some cases.

(c) The import ratio will have to be reduced, at least in the short term, since the growth of imports must be limited. This may be done by restricting or eliminating products which are not essential for economic growth or expenditure which cannot be justified, taking into account not only the balance-of-payments problems but also the prevailing economic and social situation.

In addition, the countries - particularly the larger ones - have established or begun to implement industrial programmes which will bring about import substitution in important branches of intermediate products and capital goods.

/(d) This

(d) This balance-of-payments crisis once again confirms the important role which the growth of intra-regional trade should play in the process of Latin American development. It will facilitate a more flexible growth structure for the national economies and tend to reduce the heavy dependence which exists today on the central countries in the supply of capital goods and basic industrial inputs.

(e) Finally, it is not out of place to recall that the solutions and policies decided on to deal with the balance-of-payments problems evidently call for complementary measures of an internal nature, which must be consistent with the economic and social objectives of the national development strategies.

/TABLES

TABLES

Table Int. 1

LATIN AMERICA: SHARE OF COUNTRIES IN THE REGIONAL AGRICULTURAL AND MANUFACTURING GROSS DOMESTIC PRODUCT[a]

(Percentages)

Country	Agricultural				Manufacturing			
	1950	1960	1970	1975	1950	1960	1970	1975
Argentina	19.1	16.6	14.7	13.3	29.7	24.2	21.5	19.3
Barbados	-	-	-	-	-	-	-	-
Bolivia	1.4	1.0	0.8	0.8	0.8	0.4	0.4	0.4
Brazil	23.8	25.8	27.8	31.7	23.2	30.2	30.5	35.9
Colombia	9.6	9.2	9.4	10.0	3.9	4.0	3.6	3.8
Costa Rica	0.9	1.0	1.1	1.1	0.3	0.4	0.4	0.4
Cuba	-	-	-	-	-	-	-	-
Chile	3.8	3.4	3.0	2.4	8.8	7.5	6.6	3.8
Ecuador	2.4	2.6	2.3	2.2	1.2	1.0	1.0	1.1
El Salvador	1.5	1.4	1.5	1.4	0.5	0.5	0.5	0.5
Guatemala	2.7	2.5	2.7	3.0	0.9	0.8	0.8	0.8
Guyana	-	-	-	-	-	-	-	-
Haiti	1.7	1.4	1.1	1.0	0.3	0.2	0.1	0.1
Honduras	1.3	1.0	1.1	1.0	0.3	0.4	0.3	0.3
Jamaica	-	-	-	-	-	-	-	-
Mexico	17.1	16.7	18.9	17.2	19.6	19.4	23.8	23.1
Nicaragua	0.8	0.8	1.0	1.1	0.3	0.3	0.4	0.4
Panama	0.9	0.8	1.0	1.0	0.3	0.3	0.5	0.4
Paraguay	1.2	1.0	1.0	1.1	0.5	0.3	0.3	0.3
Peru	5.3	6.0	5.5	4.6	2.6	2.8	3.0	3.1
Dominican Republic	1.6	2.0	1.7	1.7	0.7	0.7	0.7	0.9
Trinidad and Tobago	-	-	-	-	-	-	-	-
Uruguay	2.1	1.5	1.4	1.1	3.5	2.8	1.7	1.3
Venezuela	2.8	3.5	4.1	4.4	2.8	3.9	3.9	4.3
Latin America	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a/ At factor cost in dollars at 1970 prices, at import exchange rates.

Table Int. 2

OCCUPATIONAL STRATA, 1960-1970

	Argentina		Brazil		Costa Rica		Chile		Ecuador		Panama		Paraguay		Uruguay		Venezuela	
	1960	1970	1960	1972	1963	1970	1960	1970	1962	1968	1960	1970	1962	1972	1963	1970	1960	1973
I. Middle and upper strata (other than primary occupations)	31.4	32.2	15.0	23.3	33.6	46.2	20.3	27.8	25.0	39.8	16.4	21.8	11.8	13.9	50.9	45.8	23.9	36.8
(a) Employers	8.2	4.3	1.9	4.1	3.0	6.0	1.5	2.4	1.7	4.1	1.3	1.0	1.2	1.4	8.4	5.6	1.8	3.6
(b) Self-employed with own commercial establishments	2.4	4.4	0.2	1.6	4.4	3.1	3.7	4.9	9.1	12.1	0.9	1.3	2.7	3.1	3.0	3.8	5.4	7.0
(c) Independent professionals and semi-professionals	0.7	1.2	0.7	0.5	0.5	0.3	0.6	0.6	0.7	1.3	0.3	0.3	0.6	0.6	2.5	1.5	0.4	0.6
(d) Dependent professionals	4.7	5.5	2.6	4.3	9.4	11.0	4.0	6.2	5.3	7.2	4.3	5.4	2.6	3.1	7.5	7.3	4.8	8.2
(e) Managerial personnel	1.1	4.2	2.6	12.8	1.9	3.4	1.4	1.2	0.4	1.1	1.7	2.4	0.3	0.4	1.3	0.8	1.0	1.3
(f) Employees, sales personnel, auxiliaries	14.3	12.7	7.0		14.4	22.4	9.2	12.5	7.8	14.0	7.9	11.3	4.4	5.3	28.2	26.8	10.5	16.1
II. Lower strata in secondary sector	30.8	34.0	22.7	20.1	32.4	31.3	32.4	[illegible]	[illegible]	34.7	16.6	23.7	21.3	23.5	30.1	36.1	26.0	30.2
(a) Wage workers	26.5	27.5	15.2	14.6	25.1	26.1	26.1	25.2	19.2	22.5	12.5	18.4	11.2	13.0	25.0	29.5	19.3	22.5
(b) Own-account workers and unpaid family workers	4.3	6.6	7.5	5.5	7.3	5.2	6.3	6.3	10.0	12.2	4.1	5.3	10.1	10.5	5.1	6.6	6.7	7.7
III. Lower strata in tertiary sector	8.9	9.9	7.1	7.9	16.5	15.7	13.4	12.0	14.8	17.7	10.9	12.7	7.8	7.7	14.9	14.3	11.4	12.6
(a) Wage workers in services	8.3	9.1	6.7	6.5	15.2	15.0	12.3	10.9	12.4	13.9	9.5	10.7	7.2	6.8	13.9	12.7	10.0	10.7
(b) Own-account workers and unpaid family workers in services	0.6	0.9	0.4	1.4	1.3	0.7	1.1	1.1	2.4	3.9	1.4	2.0	0.6	0.9	1.0	1.6	1.4	1.9
IV. Middle and upper strata in primary sector	3.4	1.3	0.1	0.1	1.3	1.1	0.5	0.8	1.2	1.0	0.6	0.2	1.3	0.6	0.3	0.6	0.9	1.0
(a) Employers in agriculture and extractive enterprises	3.4	1.3	0.1	0.1	1.3	1.1	0.5	0.8	1.2	1.0	0.6	0.2	1.3	0.6	0.3	0.6	0.9	1.0
V. Lower strata in primary sector	14.9	13.1	50.9	40.2	12.6	4.8	29.9	24.4	18.9	6.1	43.5	36.9	51.0	48.9	0.5	1.4	32.7	19.1
(a) Rural wage workers	9.5	7.8	14.2	11.8	8.3	3.9	21.7	16.5	10.6	3.9	6.3	6.8	11.0	9.3	0.4	0.5	11.6	7.1
(b) Own-account workers and unpaid family workers	5.4	5.3	36.7	28.4	4.3	0.9	8.2	7.9	8.3	2.2	37.2	30.1	40.0	39.6	0.1	0.9	21.1	12.0
VI. Other (unclassified residual, probably mainly in primary sector)	10.6	9.5	4.3	8.4	3.6	0.9	3.2	3.7	1.9	0.7	12.0	4.7	6.8	5.4	3.3	1.8	5.1	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Argentina: 1960 and 1970, samples from censuses for whole country.

Brazil: 1960, sample from census for whole country; 1972, sample surveys in 6 regions. There may be a sampling error in the very low percentages for middle and upper strata in the primary sector.

Costa Rica: 1963 and 1970, sample surveys covering urban zones.

Chile: 1960, sample from census; 1970, census. Whole country in both years.

Ecuador: 1962 and 1968, sample surveys covering urban zones.

Panama: 1960 and 1970, samples from censuses for whole country.

Paraguay: 1962 and 1972, samples from censuses for whole country.

Uruguay: 1963, sample from census; 1970, sample surveys. Montevideo only in both years.

Venezuela: 1960, census; 1973, sample surveys. Whole country in both years.

Table II-1

LATIN AMERICA: GROWTH RATE OF THE GROSS DOMESTIC PRODUCT AT IMPORT EXCHANGE RATES a/

Country	Previous decade: Decade	Previous decade: Second half of decade	1970	1971	1972	1973	1974	1975
	Annual rates, percentages							
Argentina	4.3	4.3	5.4	2.7	4.3	3.9	6.6	-1.4
Barbados	...	...	...	...	...	...	...	...
Bolivia	5.5	6.4	5.3	3.8	5.0	5.4	5.7	6.8
Brazil	6.0	7.5	9.5	11.3	10.4	11.4	9.6	4.0
Colombia	5.2	5.8	6.7	5.8	7.8	7.1	5.9	3.8
Costa Rica	6.8	7.0	6.6	6.6	8.8	7.8	4.3	2.6
Cuba	...	...	...	...	...	...	...	...
Chile	4.5	3.9	3.6	7.7	-0.1	-3.6	4.3	-14.7
Ecuador	5.3	5.5	7.9	5.7	7.3	13.1	6.3	8.0
El Salvador	5.6	4.5	3.0	4.6	5.8	3.9	6.3	3.4
Guatemala	5.5	5.8	5.7	5.6	7.4	6.8	5.5	2.2
Guyana	...	...	...	...	...	...	...	...
Haiti	0.6	1.9	4.8	6.4	3.5	4.6	4.4	3.5
Honduras	4.6	4.1	2.6	3.8	3.9	5.1	0.0	0.0
Jamaica	...	...	...	...	...	...	...	...
Mexico	7.0	6.3	6.9	3.4	7.3	7.6	5.9	3.9
Nicaragua	7.2	4.2	3.3	5.8	2.4	3.8	9.2	1.0
Panama	8.0	7.7	7.0	8.7	6.3	6.5	2.6	3.3
Paraguay	4.8	4.2	6.2	4.4	5.1	7.8	8.4	8.0
Peru	5.4	4.3	9.1	6.5	6.1	5.4	6.6	4.0
Dominican Republic	5.1	7.6	10.6	10.6	12.4	11.3	8.9	6.2
Trinidad and Tobago	...	...	...	...	...	...	...	...
Uruguay	1.5	2.3	4.7	-1.0	-3.4	0.9	1.9	3.6
Venezuela	5.9	4.5	7.2	2.8	3.6	5.8	4.5	6.6
Latin America	5.6	5.3	7.2	6.3	6.9	7.3	7.1	2.5
Distribution of countries according to the value of indicator								
	Number of countries							
Negative	-	-	-	1	2	1	-	2
0 to 2.9	2	2	1	2	1	1	3	4
3.0 to 5.9	12	11	8	9	7	8	8	8
6.0 and more	5	6	10	7	9	9	8	5

a/ At market prices.

Table II-2

LATIN AMERICA: GROWTH RATE OF THE GROSS DOMESTIC INCOME a/

(Annual rates, percentages)

Country	Previous decade		1970	1971	1972	1973	1974	1975
	Decade	Second half of decade						
Argentina	4.3	4.1	4.9	3.3	4.9	6.0	6.0	-3.0
Barbados								
Bolivia	6.3	6.4	7.5	-0.2	4.3	7.0	18.8	1.1
Brazil	6.0	7.5	10.0	10.5	11.1	12.2	8.6	3.8
Colombia	5.2	5.7	8.8	4.5	8.6	9.0	5.6	1.9
Costa Rica	6.7	6.6	8.6	4.1	7.8	9.0	1.9	2.8
Cuba								
Chile	4.9	4.8	3.7	4.2	-0.5	-3.0	5.9	-19.6
Ecuador	4.7	5.0	4.6	4.1	5.8	15.2	21.4	0.5
El Salvador	5.2	4.0	4.9	3.5	6.4	6.1	3.6	3.3
Guatemala	5.2	5.4	5.7	3.8	5.8	7.4	3.3	1.2
Guyana								
Haiti	0.7	1.9	7.0	5.5	3.5	4.8	3.3	4.3
Honduras	4.1	5.0	1.7	3.6	3.1	6.7	-2.7	-3.2
Jamaica								
Mexico	7.0	7.0	7.3	3.4	7.3	7.9	6.6	3.8
Nicaragua	6.9	3.6	3.5	4.6	4.6	3.2	8.6	-3.0
Panama	8.0	7.5	6.4	8.7	6.9	4.9	-0.9	1.7
Paraguay	4.7	3.8	6.6	4.5	5.8	11.4	8.0	5.5
Peru	6.0	5.2	10.8	5.0	5.1	8.8	8.7	1.9
Dominican Republic	5.7	8.1	10.0	9.3	13.7	12.2	12.2	12.7
Trinidad and Tobago								
Uruguay	1.6	2.8	5.2	-0.9	-2.5	3.9	-2.8	0.4
Venezuela	3.9	3.6	5.9	8.1	6.2	12.9	45.4	-12.0
Latin America	5.5	5.9	7.4	6.1	7.4	8.9	10.3	-0.1

a/ At market prices.

Table II-3

LATIN AMERICA: GROWTH RATE OF THE PER CAPITA GROSS DOMESTIC PRODUCT AT IMPORT EXCHANGE RATES a/

(Annual rates, percentages)

Country	Previous decade: Decade	Previous decade: Second half of decade	1970	1971	1972	1973	1974	1975
Argentina	2.9	2.8	4.0	1.3	2.9	2.5	5.2	-2.7
Barbados	...	...	...	...	...	...	...	...
Bolivia	3.1	3.9	2.9	1.4	2.3	2.7	3.1	4.3
Brazil	3.0	4.5	6.4	8.1	7.3	8.3	6.6	1.1
Colombia	1.8	2.3	3.2	2.5	4.2	3.8	2.8	0.5
Costa Rica	3.3	3.8	3.7	3.7	5.8	4.8	1.5	-0.3
Cuba	...	...	...	...	...	...	...	...
Chile	2.3	1.9	1.8	5.7	-1.9	-5.3	2.5	-16.2
Ecuador	1.8	1.9	0.3	2.4	4.0	9.6	2.9	4.6
El Salvador	2.2	0.9	0.0	1.0	2.7	0.7	3.3	0.0
Guatemala	2.6	2.8	2.6	2.8	4.3	3.6	2.5	-0.7
Guyana	...	...	...	...	...	...	...	...
Haiti	-1.7	-0.4	2.3	3.4	1.1	2.2	1.1	1.1
Honduras	1.5	1.2	-0.7	0.4	0.4	1.4	-3.5	-3.3
Jamaica	...	...	...	...	...	...	...	...
Mexico	3.6	3.5	3.6	0.2	3.7	4.2	2.6	0.4
Nicaragua	4.1	1.2	0.0	2.3	-0.9	0.7	5.7	-2.2
Panama	4.8	4.6	3.9	5.7	3.4	3.7	-0.2	0.4
Paraguay	2.0	1.5	3.2	1.5	2.3	4.8	5.3	5.1
Peru	2.4	1.3	5.9	3.3	3.0	2.5	3.5	1.0
Dominican Republic	1.8	4.2	7.2	7.0	8.7	7.8	5.8	2.2
Trinidad and Tobago	...	...	...	...	...	...	...	...
Uruguay	0.3	1.2	3.7	-2.0	-4.3	-0.1	0.9	2.5
Venezuela	2.5	1.4	4.1	-0.2	0.6	2.8	1.5	3.6
Latin America	2.7	3.0	4.4	3.3	3.9	4.4	4.1	-0.3

a/ At market prices.

Table II-4

LATIN AMERICA: MANUFACTURING

Country	Share of the manufacturing industry in the generation of the gross domestic product (percentage of the gross domestic product at 1970 prices)				Rate of growth of the manufacturing industry (annual rates, percentage)				
	1960	1970	1973	1975	1960-1970	1965-1970	1971-1973	1974	1975
Argentina	26.3	30.2	32.7	32.2	5.6	5.1	6.4	7.2	-3.6
Bolivia	11.6	12.9	13.0	13.6	6.7	6.4	4.9	6.0	11.3
Brazil	22.3	24.8	26.2	25.6	7.0	10.4	13.7	7.1	3.7
Colombia	16.4	17.5	18.9	18.8	6.0	6.4	9.9	6.6	3.4
Costa Rica a/	12.4	15.1	16.1	17.2	8.8	9.5	8.7	8.7	5.0
Cuba	...	...	...	...	...	...	...	...	...
Chile	24.9	27.2	29.1	23.8	5.5	3.6	3.7	-1.4	-27.0
Ecuador	17.0	19.0	18.6	20.3	6.4	6.3	7.9	11.6	12.6
El Salvador	13.8	17.6	18.2	18.1	8.1	5.7	5.8	6.0	3.4
Guatemala	11.7	14.6	14.8	14.5	7.6	8.2	6.9	4.7	1.5
Haiti	8.8	9.8	10.8	11.7	1.6	4.4	8.4	9.8	4.8
Honduras	15.2	14.0	15.2	16.0	3.7	4.7	7.1	-0.4	6.2
Mexico	19.2	22.4	23.9	24.1	9.1	8.8	6.9	5.7	4.4
Nicaragua	11.9	17.5	17.8	17.8	11.1	8.1	4.3	9.4	0.6
Panama	11.6	15.8	15.6	13.9	11.1	9.6	5.7	-4.4	-2.0
Paraguay	15.2	17.3	17.6	17.5	6.0	5.6	6.7	8.9	7.0
Peru	13.3	16.8	10.1	18.7	7.4	5.8	7.8	8.0	6.0
Dominican Republic	14.6	16.7	17.0	17.5	6.5	13.9	12.2	11.2	7.2
Uruguay a/	24.3	24.2	24.3	25.4	1.5	2.4	-1.0	3.6	6.7
Venezuela	9.2	11.4	12.1	13.4	7.1	5.2	6.8	9.0	12.8
Latin America (19 countries)	20.3	23.0	24.2	23.9	6.9	7.5	8.6	6.4	1.5

a/ Including mining and quarrying.

Table III5-3

LATIN AMERICA: AGRICULTURAL SECTOR

Country	Share of the agricultural sector in the generation of the product (percentages of the gross domestic product at 1970 prices)				Rate of growth of the agricultural sector (annual rates, percentage)				
	1960	1970	1973	1975	1960-1970	1965-1970	1971-1973	1974	1975
Argentina	15.6	13.1	11.9	12.0	2.4	1.1	0.5	7.2	-1.2
Bolivia	24.4	16.9	16.1	15.8	1.8	0.2	2.9	3.5	6.7
Brazil	16.5	14.3	12.4	12.2	4.4	3.0	6.4	8.5	3.4
Colombia	33.0	28.6	26.5	26.8	3.8	4.8	4.6	4.8	5.1
Costa Rica	29.3	25.0	24.5	23.2	5.0	5.1	5.8	-0.8	1.8
Cuba	...	...	...	...	...	...	...	...	...
Chile	9.8	7.9	6.4	8.3	2.3	2.7	-5.5	12.7	0.4
Ecuador	38.1	29.2	24.0	22.1	2.5	0.8	1.7	2.0	3.7
El Salvador	35.7	30.6	28.6	28.1	3.9	3.9	2.4	10.2	-2.0
Guatemala	32.6	30.1	30.8	30.1	4.4	4.7	7.4	4.5	1.0
Haiti	48.8	50.8	47.4	45.2	0.9	1.3	2.5	1.0	0.3
Honduras	32.7	34.6	34.9	31.7	5.2	3.2	4.5	-2.8	-6.1
Mexico	16.1	11.8	10.4	9.7	3.7	2.7	1.6	0.9	1.9
Nicaragua	26.4	26.3	26.9	26.9	6.8	2.1	4.6	9.3	0.8
Panama	25.7	20.7	19.0	18.8	5.3	4.0	3.2	-1.5	6.2
Paraguay	39.5	34.3	33.4	33.0	3.2	1.8	5.2	9.8	5.2
Peru	24.6	19.8	16.4	15.3	2.7	2.8	-2.7	4.1	-0.5
Dominican Republic	33.8	25.8	21.7	19.1	2.3	5.8	5.2	3.3	-1.5
Uruguay	11.0	12.6	12.1	11.6	3.0	2.8	-2.6	0.8	1.3
Venezuela	7.3	7.5	7.1	7.4	5.2	5.3	2.4	7.6	9.1
Latin America (19 countries)	18.2	14.9	13.5	13.2	3.6	2.9	3.0	5.3	2.3

Table II-6

LATIN AMERICA: RATES OF GROWTH OF TOTAL DEMAND

(Annual rates, percentages)

Country	Exports					Domestic demand					Total demand				
	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975
Argentina	-11.7	-1.8	14.7	1.6	-20.1	4.1	4.0	3.0	8.2	-0.5	2.8	3.6	3.8	7.8	-1.8
Barbados															
Bolivia	10.9	9.7	7.6	0.2	-11.4	2.6	4.7	4.6	12.1	13.2	4.0	5.6	5.2	9.8	8.8
Brazil	9.6	12.5	20.8	1.4	7.9	11.7	10.9	11.9	12.0	2.5	11.6	11.0	12.5	11.2	2.8
Colombia	3.7	12.4	3.0	6.6	8.4	6.5	4.7	7.3	5.9	1.7	6.2	5.6	6.8	6.0	2.5
Costa Rica	6.9	17.2	2.0	3.4	1.5	7.4	3.6	8.4	6.7	0.2	7.3	6.4	6.9	6.0	0.4
Cuba															
Chile	8.5	-10.2	7.7	11.7	-0.6	6.5	2.6	-3.9	2.8	-18.2	6.7	0.9	-2.5	3.9	-15.7
Ecuador	9.5	37.2	35.6	-7.1	-2.5	5.5	2.5	11.6	14.6	9.1	6.0	6.8	15.4	10.5	7.3
El Salvador	7.7	16.0	-2.7	12.4	1.0	5.9	3.3	10.4	6.9	2.1	6.2	5.9	7.5	8.0	1.9
Guatemala	2.6	15.1	10.9	9.4	3.3	6.1	4.0	7.1	5.6	1.6	5.6	5.7	7.8	6.2	1.9
Guyana															
Haiti	24.2	-5.6	-2.6	0.7	-13.3	4.8	4.8	5.5	2.6	4.9	6.8	3.6	4.7	2.5	3.1
Honduras	6.8	3.6	2.1	-0.3	-2.2	-2.3	1.1	9.0	6.1	-4.3	-0.4	1.7	7.4	4.8	-3.9
Jamaica															
Mexico	4.4	15.4	7.6	0.0	-10.3	2.6	7.2	8.4	7.7	4.4	2.7	7.8	8.3	7.1	3.3
Nicaragua	5.0	15.5	16.7	-4.4	-1.1	4.7	0.3	9.8	17.5	-6.6	4.8	3.4	11.4	12.4	-5.5
Panama	6.3	1.3	6.3	7.8	9.9	9.1	8.1	3.8	1.2	-2.0	8.3	6.4	4.4	2.9	1.1
Paraguay	-5.0	6.6	2.3	7.7	2.9	5.5	2.8	12.7	8.8	5.8	4.2	3.3	11.5	8.7	5.5
Peru	-7.5	7.5	-14.0	-4.4	-8.1	8.6	5.2	10.0	13.8	6.3	5.9	5.5	6.4	11.5	4.7
Dominican Republic	16.2	25.5	3.8	-4.6	-8.7	8.7	9.8	11.0	15.4	7.3	9.7	12.1	9.9	12.3	5.2
Trinidad and Tobago															
Uruguay	-16.5	4.8	-4.0	8.8	25.0	-0.1	-5.5	3.7	0.5	1.1	-1.8	-4.6	2.9	1.3	3.4
Venezuela	-5.4	-4.4	6.3	-7.1	-20.1	5.7	6.9	3.9	10.0	13.6	3.4	4.7	4.3	6.9	8.3
Latin America	1.2	6.9	9.2	0.8	-4.5	6.6	7.0	7.7	9.4	2.5	6.1	7.3	7.9	8.5	1.9

Table II-7

LATIN AMERICA: GROSS DOMESTIC DEMAND

(Annual rates, percentages)

Country	Gross domestic investment					Total consumption					Domestic demand				
	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975
Argentina	7.8	7.9	-2.1	10.9	-12.5	3.1	3.0	4.5	7.5	2.8	4.1	4.0	3.0	8.2	-0.5
Barbados															
Bolivia	-0.6	-2.0	27.6	18.0	24.0	3.1	5.9	0.9	10.9	10.8	2.6	4.7	4.6	12.1	13.2
Brazil	19.6	15.4	20.2	15.7	3.6	9.7	9.7	9.5	10.8	2.1	11.7	10.9	11.9	12.0	2.5
Colombia	7.4	-1.9	-11.1	52.6	-19.0	6.3	6.6	12.0	-3.5	8.3	6.5	4.7	7.3	5.9	1.7
Costa Rica	25.3	-9.2	20.5	8.4	9.3	3.1	7.2	5.5	6.2	-2.5	7.4	3.6	8.4	6.7	0.2
Cuba															
Chile	-3.3	-19.7	9.1	26.4	-44.9	8.3	6.3	-5.5	-0.7	-13.3	6.5	2.6	-3.9	2.8	-18.2
Ecuador	36.8	-10.3	21.6	18.9	16.3	-2.0	6.7	8.8	13.3	6.8	5.5	2.5	11.6	14.6	9.1
El Salvador	22.5	-12.9	15.8	24.0	-11.2	3.3	6.2	9.6	4.2	4.6	5.9	3.3	10.4	6.9	2.1
Guatemala	15.0	-14.8	18.0	19.4	-16.4	4.8	7.1	5.7	3.6	4.6	6.1	4.0	7.1	5.6	1.6
Guyana															
Haiti	15.5	10.4	8.9	7.0	9.8	4.1	4.4	5.2	2.3	4.5	4.8	4.8	5.5	2.6	4.9
Honduras	-21.9	-4.8	23.9	31.3	-18.1	2.8	2.3	6.3	0.8	-0.5	-2.3	1.1	9.0	6.1	-4.3
Jamaica															
Mexico	-3.5	12.5	16.2	15.9	5.3	4.2	5.8	6.3	5.4	4.1	2.6	7.2	8.4	7.7	4.4
Nicaragua	3.1	-24.5	78.8	35.3	-32.1	5.1	5.3	-0.1	12.9	1.3	4.7	0.3	9.8	17.5	-6.6
Panama	14.0	20.8	-5.3	-7.5	-17.8	7.4	3.6	7.6	4.5	3.2	9.1	8.1	3.8	1.2	-2.0
Paraguay	7.5	7.8	45.6	10.3	17.8	5.2	2.0	6.7	8.4	2.8	5.5	2.8	12.7	8.8	5.8
Peru	22.0	0.0	7.7	29.0	15.7	6.7	6.1	10.4	11.4	4.6	8.6	5.2	10.0	13.8	6.3
Dominican Republic	16.0	26.2	18.5	20.0	7.1	7.1	6.0	8.9	14.0	7.3	8.7	9.8	11.0	15.4	7.3
Trinidad and Tobago															
Uruguay	11.5	-16.3	-3.6	-1.8	0.0	-1.6	-4.0	4.6	0.8	1.2	-0.1	-5.5	3.7	0.5	1.1
Venezuela	3.5	11.4	12.6	-2.6	15.0	6.6	5.1	0.2	16.1	13.0	5.7	6.9	3.9	10.0	13.6
Latin America	8.7	9.1	12.8	15.0	0.3	6.1	6.4	6.4	7.8	3.2	6.6	7.0	7.7	9.4	2.5

Table II-8

LATIN AMERICA: TOTAL SUPPLY, RATES OF GROWTH

(Annual rates, percentages)

Country	Imports					Gross domestic product					Total supply				
	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975
Argentina	3.5	-4.5	3.2	22.6	-6.5	2.7	4.3	3.9	6.6	-1.4	2.8	3.6	3.8	7.8	-1.8
Barbados															
Bolivia	4.8	8.2	4.2	29.2	16.7	3.8	5.1	5.4	5.7	6.8	4.0	5.6	5.2	9.8	8.8
Brazil	15.5	19.5	25.7	29.2	-8.4	11.3	10.4	11.4	9.6	4.0	11.6	11.0	12.5	11.2	2.8
Colombia	8.6	-7.3	4.4	6.6	-9.0	5.8	7.8	7.1	5.9	4.1	6.2	5.6	6.8	6.0	2.5
Costa Rica	9.2	0.0	4.3	11.1	-5.9	6.6	8.8	7.8	4.3	2.6	7.3	6.4	6.9	6.0	0.4
Cuba															
Chile	0.0	8.2	5.6	1.5	-22.7	7.7	-0.1	-3.6	4.3	-14.7	6.7	0.9	-2.5	3.9	-15.7
Ecuador	7.3	4.3	27.2	29.7	4.8	5.7	7.3	13.1	6.3	8.0	6.0	6.8	15.4	10.5	7.3
El Salvador	12.8	6.2	21.4	13.2	-2.7	4.6	5.8	3.8	6.4	3.4	6.2	5.9	7.5	8.0	1.9
Guatemala	5.6	-3.7	13.9	10.7	0.3	5.6	7.3	6.8	5.5	2.2	5.6	5.7	7.8	6.2	1.9
Guyana															
Haiti	8.5	4.1	5.6	-9.8	-0.5	6.5	3.5	4.5	4.4	3.6	6.8	3.6	4.7	2.5	3.1
Honduras	-12.9	-6.1	17.0	21.1	-15.0	3.8	3.9	5.0	0.1	0.0	-0.4	1.7	7.4	4.8	-3.9
Jamaica															
Mexico	-4.8	14.2	15.5	18.2	-2.3	3.4	7.3	7.6	5.9	3.9	2.7	7.8	8.3	7.1	3.3
Nicaragua	2.3	7.1	37.5	21.1	-21.4	5.5	2.4	4.1	9.2	1.0	4.8	3.4	11.4	12.4	-5.5
Panama	7.4	6.5	-0.8	3.5	-4.7	8.7	6.3	6.5	2.6	3.3	8.3	6.4	4.4	2.9	1.1
Paraguay	3.0	-7.9	36.1	10.7	-7.6	4.4	5.1	7.8	8.3	8.0	4.2	3.9	11.5	8.7	5.5
Peru	1.6	2.1	13.0	43.3	8.3	6.5	6.1	5.4	6.6	4.0	5.9	5.5	6.4	11.5	4.7
Dominican Republic	6.1	11.0	3.9	28.0	1.2	10.6	12.4	11.2	8.9	6.2	9.7	12.1	9.9	12.3	5.2
Trinidad and Tobago															
Uruguay	-8.2	-15.3	22.3	-3.8	1.3	-1.0	-3.4	0.9	1.9	3.6	-1.8	-4.6	2.9	1.3	3.4
Venezuela	6.3	10.1	-2.5	18.8	15.7	2.8	3.6	5.8	4.5	6.6	3.4	4.7	4.3	6.9	8.3
Latin America	4.7	7.8	12.4	20.7	-3.0	6.3	6.9	7.3	7.1	2.5	6.1	7.0	7.9	8.5	1.9

Table II-9

LATIN AMERICA: INVESTMENT COEFFICIENTS

Country	1960	1965	1970	1971	1972	1973	1974	1975
	Percentages of the gross domestic product at 1970 prices							
Argentina	19.9	18.0	20.4	21.4	22.1	20.9	21.7	19.3
Barbados	...	...	...	...	...	...	...	...
Bolivia	12.3	16.4	15.6	14.9	13.9	16.8	18.8	21.8
Brazil	21.0	20.6	20.6	22.1	23.1	24.9	26.3	26.2
Colombia	22.7	19.7	22.0	22.3	20.3	16.9	24.3	18.9
Costa Rica	15.1	21.7	20.5	24.1	20.2	22.5	23.4	24.9
Cuba	...	...	...	...	...	...	...	...
Chile	14.9	15.8	15.6	14.0	11.2	12.7	15.4	9.9
Ecuador	13.1	11.1	20.3	26.2	21.9	23.6	26.4	28.4
El Salvador	16.6	16.7	13.2	15.5	12.8	14.3	16.6	14.3
Guatemala	11.5	13.2	12.8	14.0	11.1	12.2	13.9	11.4
Guyana	...	...	...	...	...	...	...	...
Haiti	5.3	6.2	7.0	7.5	8.0	8.4	8.6	9.1
Honduras	13.0	15.1	21.9	16.4	15.1	17.8	23.4	19.1
Jamaica	...	...	...	...	...	...	...	...
Mexico	20.5	20.2	21.5	20.1	21.1	22.8	24.9	25.2
Nicaragua	13.2	19.0	17.3	16.9	12.5	21.5	26.6	17.9
Panama	16.0	17.8	26.4	27.6	31.4	27.9	25.2	20.0
Paraguay	12.5	14.9	14.7	15.2	15.6	21.0	21.4	23.3
Peru	15.3	15.9	12.2	14.0	13.2	13.5	16.3	18.1
Dominican Republic	10.1	9.4	19.1	20.1	22.6	24.0	26.5	26.7
Trinidad and Tobago	...	...	...	...	...	...	...	...
Uruguay	13.4	9.0	11.4	12.9	11.2	10.7	10.3	9.9
Venezuela	26.0	25.8	27.7	27.9	30.0	32.0	29.8	32.1
Latin America	19.7	19.2	20.4	20.8	21.3	22.3	24.0	23.5
Distribution of countries according to the value of the indicator								
	Number of countries							
Less than 10.0	1	3	1	1	1	1	1	3
10.0 - 14.9	9	3	5	5	7	5	2	2
15.0 - 19.9	5	9	4	4	2	3	4	5
20.0 and over	4	4	9	9	9	10	12	9

Table II-10

LATIN AMERICA: GROSS NATIONAL SAVINGS COEFFICIENTS IN TERMS OF THE GROSS NATIONAL INCOME

Country	Previous decade: Decade	Previous decade: Second half of decade	1970	1971	1972	1973	1974	1975
	Percentages of the gross national income at 1970 prices							
Argentina	18.2	18.5	19.9	20.1	21.4	22.5	21.7	16.8
Barbados	...	...	...	...	...	...	...	...
Bolivia	10.0	11.5	13.5	11.4	10.1	15.3	20.8	12.9
Brazil	19.2	18.8	19.3	19.9	20.9	22.8	21.2	22.0
Colombia	18.1	17.9	17.8	16.7	18.3	16.2	23.8	18.9
Costa Rica	11.4	11.2	12.9	13.7	12.8	16.0	12.6	17.2
Cuba	...	...	...	...	...	...	...	...
Chile	13.9	14.5	15.0	12.1	6.4	8.4	13.9	6.0
Ecuador	10.3	10.1	13.6	18.4	15.9	21.0	24.9	22.3
El Salvador	12.5	12.2	13.9	14.2	13.7	10.9	10.1	8.6
Guatemala	10.0	10.9	12.5	12.0	11.1	12.9	12.8	9.8
Guyana	...	...	...	...	...	...	...	...
Haiti	3.4	4.4	5.7	6.5	8.1	4.6	5.4	5.9
Honduras	12.5	13.3	12.8	13.4	14.2	14.3	14.0	9.8
Jamaica	...	...	...	...	...	...	...	...
Mexico	18.8	19.0	18.7	18.1	19.2	20.1	20.7	20.3
Nicaragua	12.2	11.3	12.7	12.5	11.7	16.8	11.3	7.1
Panama	16.7	19.3	20.2	21.2	23.8	21.3	14.9	12.1
Paraguay	10.6	11.2	11.6	11.3	14.3	18.2	17.9	20.0
Peru	14.1	13.2	14.6	13.4	12.8	11.3	9.0	6.9
Dominican Republic	10.1	9.8	12.1	14.2	19.5	21.0	19.6	23.2
Trinidad and Tobago	...	...	...	...	...	...	...	...
Uruguay	10.5	10.1	9.3	10.1	11.4	10.9	7.2	6.3
Venezuela	28.7	27.6	28.5	28.9	29.1	35.9	45.3	36.2
Latin America	18.3	18.2	18.8	18.8	19.4	21.1	22.2	20.2
Distribution of countries according to the value of the indicator								
	Number of countries							
Less than 10.0	1	2	2	1	2	2	3	8
10.0 - 14.9	12	11	10	11	9	5	7	2
15.0 - 19.9	5	5	5	4	4	5	2	3
20.0 and over	1	1	2	3	4	7	7	6

Table II-11

LATIN AMERICA: SHARE OF GROSS NATIONAL SAVINGS IN THE FINANCING OF INVESTMENT

(Percentages at 1970 prices)

Country	Previous decade		1970	1971	1972	1973	1974	1975
	Decade	Second half of decade						
Argentina	98.2	99.7	96.9	93.3	96.6	109.8	101.5	87.2
Barbados	...	...	...	...	...	...	...	...
Bolivia	63.4	69.6	84.9	72.8	68.5	87.1	118.4	59.6
Brazil	96.0	94.8	93.1	88.5	89.5	91.1	79.7	82.1
Colombia	84.3	82.5	78.9	72.2	88.0	95.6	97.6	97.3
Costa Rica	63.6	61.9	62.1	54.9	59.6	67.9	50.3	64.7
Cuba	...	...	...	...	...	...	...	...
Chile	86.3	92.9	94.8	82.3	54.6	63.1	87.6	54.4
Ecuador	75.4	68.8	66.2	68.1	67.9	85.3	101.6	80.8
El Salvador	85.0	83.2	105.1	91.1	106.3	77.5	60.2	58.8
Guatemala	80.8	84.5	96.7	83.6	96.2	102.3	88.4	81.7
Guyana	...	...	...	...	...	...	...	...
Haiti	58.1	77.7	83.6	86.6	104.7	54.8	62.8	65.2
Honduras	73.8	68.5	56.8	79.1	90.5	78.3	58.7	47.5
Jamaica	...	...	...	...	...	...	...	...
Mexico	89.6	88.5	85.1	88.3	89.1	86.6	81.6	78.9
Nicaragua	69.7	61.1	71.1	70.8	92.2	78.3	41.3	36.6
Panama	75.4	79.3	74.2	74.6	74.1	73.0	53.4	52.5
Paraguay	71.4	67.1	77.6	73.5	91.7	89.3	85.9	86.1
Peru	88.7	86.8	117.5	92.6	93.5	82.9	56.0	37.5
Dominican Republic	68.1	59.8	63.4	70.5	86.3	87.2	75.8	94.4
Trinidad and Tobago	...	...	...	...	...	...	...	...
Uruguay	96.5	97.4	80.7	78.1	102.5	105.8	68.3	59.7
Venezuela	107.0	97.4	95.9	100.9	96.2	116.9	206.0	138.5
Latin America	93.3	91.9	90.7	88.3	89.8	94.0	94.0	85.4

Table II-12

LATIN AMERICA: OIL EXPORTING COUNTRIES

	Good and services			Financing		
	Imports (M)	Exports (E)	M - E	Terms of trade effect	Net payment of profits and interest	Net external financing
			Millions of dollars at 1970 prices			
1950-1954	1 867.2	1 481.5	385.7	1 183.6	787.8	-10.1
1955-1959	3 064.7	2 132.1	932.6	1 760.5	1 154.4	326.5
1960-1969	2 382.2	2 855.5	-473.3	627.1	947.8	-152.6
1970	2 889.0	3 412.0	-523.0	0.0	800.3	277.3
1971	3 071.4	3 300.8	-229.4	547.4	947.9	171.1
1972	3 355.2	3 307.0	48.2	851.1	1 133.2	330.3
1973	3 406.2	3 631.4	-225.2	1 888.9	1 515.9	-598.2
1974	4 127.6	3 394.5	733.1	8 585.3	3 503.1	-4 349.1
1975	4 705.2	2 821.6	1 883.6	4 824.5	1 405.4	-1 535.5
1971-1975	3 733.1	3 291.1	442.0	3 339.4	1 701.1	-1 196.3
			Millions of dollars at 1950-1954 prices			
1950-1954	1 181.9	1 663.3	-481.4	-0.8	476.5	-4.1
1955-1959	1 940.2	2 394.3	-454.1	52.7	715.2	208.3
1960-1969	1 507.9	3 206.3	-1 698.4	-1 037.5	571.4	-89.5
1970	1 828.5	3 833.7	-2 005.2	-1 674.2	506.5	175.5
1971	1 944.1	3 708.2	-1 764.1	-1 268.9	602.1	106.9
1972	2 123.8	3 713.6	-1 589.8	-1 087.1	711.3	208.6
1973	2 156.5	4 078.7	-1 922.2	-657.1	892.7	-372.4
1974	2 611.7	3 812.0	-1 200.3	3 211.2	1 874.7	-2 536.8
1975	2 978.2	3 168.8	-190.6	1 457.6	723.4	-924.8
1971-1975	2 362.9	3 696.3	-1 333.4	331.1	960.8	-703.7

Table II-13

LATIN AMERICA: NON OIL EXPORTING COUNTRIES

	Good and services			Financing		
	Imports (M)	Exports (E)	M - E	Terms of trade effect	Net payment of profits and interest	Net external financing
	Millions of dollars at 1970 prices					
1950-1954	7 601.1	6 253.0	1 348.1	1 500.2	729.5	577.4
1955-1959	8 343.3	7 680.9	662.4	352.9	732.9	1 042.3
1960-1969	10 452.1	10 708.6	-256.5	-441.3	1 337.3	1 522.0
1970	14 706.0	13 993.5	712.5	0.0	1 875.7	2 588.2
1971	15 344.2	14 311.9	1 032.5	-819.1	1 901.2	3 752.6
1972	16 489.3	15 519.1	970.2	-333.6	2 107.4	3 411.2
1973	18 895.4	16 932.7	1 962.7	1 394.1	2 497.1	3 065.7
1974	22 794.0	17 344.2	5 449.8	1 000.7	2 770.3	7 219.4
1975	21 400.8	16 993.9	4 406.9	-553.4	3 528.3	8 488.6
1971-1975	18 984.7	16 220.4	2 764.3	137.7	2 560.9	5 187.5
	Millions of dollars at 1950-1954 prices					
1950-1954	5 897.7	5 885.4	12.3	7.1	440.4	445.5
1955-1959	6 473.3	7 227.6	-754.3	-1 077.5	471.4	794.5
1960-1969	8 110.1	10 079.2	-1 969.1	-2 192.2	958.5	1 181.6
1970	11 408.9	13 164.2	-1 755.3	-2 307.7	1 455.1	2 007.5
1971	11 902.6	13 468.6	-1 566.0	-3 021.0	1 468.0	2 923.0
1972	12 792.8	14 606.4	-1 813.6	-2 864.3	1 613.8	2 664.5
1973	14 666.0	15 936.2	-1 270.2	-1 867.7	1 789.6	2 387.1
1974	17 684.6	16 318.8	1 365.8	-2 650.2	1 644.5	5 660.5
1975	16 610.0	15 985.1	624.9	-3 695.8	2 107.8	6 428.5
1971-1975	14 731.2	15 263.0	-531.8	-2 819.8	1 724.7	4 012.7

Table II-14

LATIN AMERICA: TERMS OF TRADE INDEX

Año	Oil exporting countries a/	Non-oil exporting countries	Latin America
1950-1954	177.5	121.4	130.6
1955-1959	181.8	103.4	119.2
1960-1969	121.9	94.9	100.3
1970	100.0	100.0	100.0
1971	116.8	94.4	98.6
1972	125.5	97.5	102.4
1973	148.8	107.0	114.4
1974	327.0	101.6	135.4
1975	259.0	92.1	114.8

a/ Includes Bolivia, Ecuador y Venezuela.

Table II-15

LATIN AMERICA: BALANCE OF PAYMENTS

(Millions of dollars)

	Oil exporting countries			Non oil exporting countries					Latin America
	Total	Venezuela	Other oil exporting countries	Total	Argentina	Brazil	Mexico	Other non oil exporting countries	
				Trade balance					
1970	506.7	624.0	-117.3	-837.9	67.0	-229.0	-428.0	--247.9	-331.2
1971	747.9	984.0	-236.1	-2 091.6	-130.0	-905.0	-157.0	-899.6	-1 343.7
1972	790.6	996.7	-206.1	-1 650.5	115.1	-974.0	-117.2	-674.4	-859.9
1973	2 606.6	2 564.2	42.4	-1 228.6	1 100.4	-1 072.9	-415.1	-841.0	1 378.0
1974	11 403.1	10 686.5	716.6	-9 188.2	488.1	-6 135.1	-1 413.0	-2 128.2	2 214.9
1975	5 091.3	5 042.4	48.9	-11 032.7	-888.7	-5 117.9	-2 097.4	-2 988.7	-5 941.4
				Net payments of profits and interest					
1970	-784.5	-669.0	-115.5	-2 159.1	-223.0	-428.0	-695.0	-813.1	-2 943.6
1971	-988.3	-874.0	-114.3	-2 295.1	-256.0	-518.0	-738.0	-783.1	-3 283.4
1972	-1 236.6	-1 061.9	-174.7	-2 651.9	-333.3	-618.8	-857.8	-842.0	-3 888.5
1973	-1 793.8	-1 584.3	-209.5	-3 365.8	-394.6	-811.9	-1 137.2	-1 022.1	-5 159.6
1974	-4 861.4	-4 328.9	-532.5	-4 154.8	-334.3	-993.2	-1 619.7	-1 207.6	-9 016.2
1975	-2 214.8	-1 807.9	-406.9	-5 682.2	-428.6	-1 820.1	-1 920.7	-1 512.8	-7 897.0
				Balance on current account					
1970	-352.7	-131.0	-221.7	-2 800.7	-157.0	-644.0	-1 075.0	-924.7	-3 153.4
1971	-307.3	31.0	-338.3	-4 183.7	-387.0	-1 412.0	-845.0	-1 539.7	-4 491.0
1972	-520.2	-154.2	-366.0	-4 065.6	-219.3	-1 591.7	-920.7	-1 333.9	-4 585.8
1973	727.4	875.0	-147.6	-4 291.6	708.2	-1 862.1	-1 489.1	-1 648.6	-3 564.2
1974	6 421.6	6 227.7	193.9	-13 027.5	151.4	-7 127.1	-2 934.1	-3 117.7	-6 605.9
1975	2 752.6	3 099.7	-347.1	-16 376.8	-1 319.7	-6 923.0	-3 887.7	-4 246.4	-13 624.2
				Movement of capital					
1970	438.6	221.0	217.6	4 260.2	437.0	1 278.0	1 150.0	1 395.2	4 698.8
1971	737.9	413.0	324.9	4 245.9	-72.0	2 026.0	1 027.0	1 264.9	4 983.8
1972	826.0	365.9	460.1	6 470.0	170.4	4 104.8	1 140.9	1 053.9	7 296.0
1973	-30.9	-263.3	232.4	7 460.6	-43.0	4 254.8	1 629.7	1 619.1	7 429.7
1974	-1 773.5	-2 152.4	378.9	12 151.0	-119.2	6 248.2	2 964.1	3 057.9	10 377.5
1975	-170.1	-751.6	58115	14 063.6	529.4	5 827.7	4 052.8	3 654.0	13 893.5
				Balance of payments before compensation					
1970	85.9	90.0	-4.1	1 459.5	280.0	634.0	75.0	470.5	1 545.4
1971	430.6	444.0	-13.4	62.2	-459.0	614.0	182.0	274.8	492.8
1972	305.8	211.7	94.1	2 404.4	-48.9	2 513.1	220.2	-280.0	2 710.2
1973	696.5	611.7	84.8	3 169.0	665.2	2 392.7	140.6	-28.9	3 865.5
1974	4 648.1	4 075.3	572.8	-876.5	32.2	-878.9	30.0	59.8	3 771.6
1975	2 582.5	2 348.1	234.4	-2 313.2	-790.3	-1 095.3	165.1	592.7	269.3

Table II-16

LATIN AMERICA[a]: EXTERNAL DEBT

(Millions of dollars)

	1960	1970	1971	1972	1973	1974	1975
Argentina a/	-	5 343.3	5 677.3	5 605.3	5 907.1	6 366.4	6 476.4
Bolivia	165.5	410.1	527.3	592.7	702.0	763.7	820.4
Brazil b/	2 147.3	4 403.3	5 295.2	6 621.6	9 521.0	12 571.5	17 165.7
Colombia	545.4	1 822.7	2 102.7	2 424.7	2 652.6	2 842.1	2 998.5
Chile c/	627.1	2 358.0	2 451.0	2 467.0	2 894.3	3 202.8	4 087.5
Ecuador	76.3	262.9	299.9	332.0	396.2	427.5	413.5
Mexico	894.3	3 852.0	4 291.0	4 785.0	5 688.3	7 537.3	10 484.6
Paraguay	43.9	198.5	223.7	243.9	260.9	302.1	352.1
Peru	374.5	1 480.0	1 441.0	1 436.0	1 592.4	1 830.7	3 005.6
Uruguay	247.5	541.6	571.9	671.5	730.3	761.2	966.1
Haiti	54.3	69.0	66.5	65.7	73.8	79.4	102.8
Panama	47.9	402.2	634.1	907.6	1 561.4	3 217.6	6 015.9
Dominican Republic	80.0	281.4	318.6	389.4	408.0	427.9	560.0
Costa Rica	28.1	329.7	377.1	479.7	565.8	629.8	806.2
El Salvador	40.4	221.8	219.8	245.8	249.1	272.9	420.9
Guatemala	56.1	316.6	314.5	348.4	382.3	434.5	446.4
Honduras	15.3	141.6	186.2	211.4	243.1	286.7	404.4
Nicaragua	31.1	269.5	301.2	341.3	370.6	511.0	664.0
Latin America (18 countries)	9 853.5	22 704.2	25 299.0	28 169.0	34 199.2	42 465.1	56 191.0

a/ At the beginning of the year.

Table II-17

LATIN AMERICA: GROWTH RATE OF THE AGRICULTURAL PRODUCTION

(Annual rates, percentages)

	1950-1960	1960-1970	1970-1975
Argentina	2.1	2.3	2.4
Barbados	2.6	2.0	-1.1
Bolivia	5.5	3.1	3.9
Brazil	4.4	3.7	3.4
Colombia	2.7	2.9	3.7
Costa Rica	3.5	6.0	3.0
Cuba	1.7	1.7	0.6
Chile	1.6	2.2	-0.8
Ecuador	5.8	3.9	2.5
El Salvador	3.5	3.8	3.0
Guatemala	4.5	4.8	3.7
Guyana	6.0	1.3	0.2
Haiti	0.7	2.0	2.1
Honduras	2.8	3.9	2.2
Jamaica	5.3	0.5	0.3
Mexico	5.1	4.5	2.3
Nicaragua	2.5	7.0	4.1
Panama	3.2	5.1	1.3
Paraguay	1.9	3.7	1.4
Peru	3.3	2.9	0.9
Dominican Republic	4.1	1.5	3.9
Surinam	3.0	2.2	1.7
Trinidad and Tobago	3.4	1.9	-2.9
Uruguay	0.6	2.0	-0.1
Venezuela	5.3	5.2	4.0
Latin America	3.7	3.0	2.5

Table II-18

LATIN AMERICA: MANUFACTURING

Growth rate of the manufacturing industry

(Annual rates, percentages)

Country	Previous decade: Decade	Previous decade: Second half of decade	1970	1971	1972	1973	1974	1975
Argentina	5.6	5.1	6.3	5.8	6.7	6.8	7.2	-3.6
Barbados	...	...	...	...				
Bolivia	6.7	6.4	5.4	2.8	5.4	6.5	6.0	11.3
Brazil	7.0	10.4	11.0	11.3	14.1	15.8	7.1	3.7
Colombia	6.0	6.4	8.7	8.6	9.5	11.6	6.6	3.4
Costa Rica a/	8.8	9.5	8.4	9.9	8.7	7.4	8.7	5.0
Cuba	...	...	...	...	...	...	...	...
Chile	5.5	3.6	1.3	13.7	2.8	-4.5	-1.4	-27.0
Ecuador	6.4	6.3	7.6	8.6	7.3	7.8	11.6	12.6
El Salvador	8.1	5.7	3.7	7.0	3.8	6.7	6.0	3.4
Guatemala	7.6	8.2	3.5	7.2	5.5	8.1	4.7	1.5
Guyana	...	...	...	...	...	...	...	...
Haiti	1.6	4.4	18.8	6.0	8.6	10.8	9.8	4.8
Honduras	3.7	4.7	5.6	5.5	7.8	8.1	-0.4	6.2
Jamaica	...	...	...	...	...	...	...	...
Mexico	9.1	8.8	8.7	3.2	8.5	9.0	5.7	4.4
Nicaragua	11.1	8.1	9.4	4.8	6.5	1.8	9.4	0.6
Panama	11.1	9.6	6.1	8.2	4.4	4.6	-4.4	-2.0
Paraguay	6.0	5.6	7.6	5.6	7.0	7.5	8.9	7.0
Peru	7.4	5.8	10.9	8.6	7.3	7.4	8.0	6.0
Dominican Republic	6.5	13.9	19.0	13.2	10.4	13.0	11.2	7.2
Trinidad and Tobago	...	...	...	...	...	...	...	...
Uruguay a/	1.5	2.4	4.1	-1.8	-0.4	-0.8	3.6	6.7
Venezuela	7.1	5.2	10.0	6.4	8.3	5.8	9.0	12.8
Latin America b/	6.9	7.5	8.3	7.2	9.1	9.5	6.4	1.5

a/ Including mining and quarrying.

b/ Excluding Cuba and english-speaking Caribbean countries.

Table II-19

LATIN AMERICA: SHARE OF COUNTRIES IN GROSS REGIONAL MANUFACTURING PRODUCT a/

(Percentages)

	1950	1960	1970	1975
Argentina	29.7	24.2	21.5	19.3
Barbados				
Bolivia	0.8	0.4	0.4	0.4
Brazil	23.2	30.2	30.5	35.9
Colombia	3.9	4.0	3.6	3.8
Costa Rica	0.3	0.4	0.4	0.4
Cuba	-	-	-	-
Chile	8.8	7.5	6.6	3.8
Ecuador	1.2	1.0	1.0	1.1
El Salvador	0.5	0.5	0.5	0.5
Guatemala	0.9	0.8	0.8	0.8
Guyana				
Haiti	0.3	0.2	0.1	0.1
Honduras	0.3	0.4	0.3	0.3
Jamaica				
Mexico	19.6	19.4	23.8	23.1
Nicaragua	0.3	0.3	0.4	0.4
Panama	0.3	0.3	0.5	0.4
Paraguay	0.5	0.3	0.3	0.3
Peru	2.6	2.8	3.0	3.1
Dominican Republic	0.7	0.7	0.7	0.9
Trinidad and Tobago				
Uruguay	3.5	2.8	1.7	1.3
Venezuela	2.8	3.9	3.9	4.3
Latin America	100.0	100.0	100.0	100.0

a/ At factor cost, in dollars at 1970 prices.

Table III-1

LATIN AMERICA; NON-OIL-EXPORTING COUNTRIES (11 COUNTRIES) a/: GROWTH, TRADE GAP AND FOREIGN FINANCING, 1970-1980

SCENARIO A

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
				Growth rates (per cent)							
Gross domestic product	7.2	6.7	7.4	7.6	7.4	1.9	5.2	6.0	6.5	6.6	6.6
Exports of goods and services	0.6	3.4	8.3	11.7	2.9	-1.9	7.7	7.8	7.9	8.0	8.1
Imports of goods and services	10.8	4.8	8.4	14.8	19.6	-7.6	-4.1	4.5	4.8	4.6	4.6
				Price indexes: 1970=100							
Exports of goods and services	100.0	99.5	109.2	136.8	175.4	175.6	186.8	200.2	218.7	236.4	254.3
Imports of goods and services	100.0	105.7	111.2	122.3	175.5	192.9	200.5	216.7	233.0	249.1	265.4
Terms of trade, goods and services	100.0	94.1	98.2	111.9	100.0	91.0	93.2	92.4	93.9	94.9	95.8
				Coefficient with respect to exports of goods and services (per cent)							
Net external factor payments	14.4	15.0	14.8	13.2	12.5	15.3	19.8	21.4	22.2	22.9	23.2
Servicing of the external debt	24.7	27.6	29.7	30.6	28.2	...	32.2	36.0	38.2	39.7	40.2
				Millions of dollars at current prices							
Exports of goods and services	12 094	12 444	14 785	20 674	27 289	26 796	30 701	35 467	41 798	48 786	56 693
Imports of goods and services	12 892	14 277	16 286	21 557	35 265	35 824	35 683	40 322	45 449	50 798	56 602
Trade gap	798	1 833	1 501	883	7 976	9 028	4 982	4 855	3 651	2 012	-91
Net external factor payments	1 736	1 867	2 189	2 735	3 408	4 890	6 079	7 501	9 298	11 152	13 144
Net external financing	2 534	3 700	3 690	3 618	11 384	13 918	11 061	12 436	12 949	13 164	13 053
Amortization of the external debt	2 000	2 193	2 800	3 961	3 902	...	6 051	7 919	10 005	12 183	14 428
Servicing of the external debt	2 988	3 438	4 397	6 332	7 696	...	9 880	12 761	15 984	19 953	22 835
Direct foreign investment	724	687	815	1 419	1 644	...	...	...	...	...	...
Net external loans	3 842	4 555	7 347	9 082	11 456	...	...	...	...	...	...
Net compensatory movements, errors and omissions, etc.	-32	651	-1 672	-2 922	2 186	...	...	...	...	...	...
Foreign capital requirements	4 534	5 893	6 490	7 579	15 286	...	17 112	20 355	22 954	25 347	27 481
External debt	...	...	31 045	41 010	52 839	...	65 182	80 207	96 077	112 388	129 012

Source: CEPAL.

a/ Argentina, Brasil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama.

Table III-2

LATIN AMERICA, NON-OIL-EXPORTING COUNTRIES (11 COUNTRIES)[a]: GROWTH, TRADE GAP AND EXTERNAL FINANCING, 1970-1980

SCENARIO B

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
					Annual growth rates (per cent)						
Gross domestic product	7.2	6.7	7.4	7.6	7.4	1.9	5.1	4.9	6.1	6.4	6.5
Exports of goods and services	0.6	3.4	8.3	11.7	2.9	-1.9	7.7	7.8	7.9	8.0	8.1
Imports of goods and services	10.8	4.8	8.4	14.8	19.6	-7.6	-4.3	3.4	4.5	4.5	4.5
					Indexes of unit value: 1970 = 100						
Exports of goods and services	100.0	99.5	109.2	136.8	175.4	175.6	186.8	200.2	218.7	236.4	254.3
Imports of goods and services	100.0	105.7	111.2	122.3	175.5	192.9	200.5	216.7	233.0	249.1	265.4
Terms of trade, goods and services	100.0	94.1	98.2	111.9	100.0	91.0	93.2	92.4	93.9	94.9	95.8
					Coefficients with respect to exports of goods and services (per cent)						
Net factor payments	14.4	15.0	14.8	13.2	12.5	15.3	19.8	21.4	22.1	22.6	22.8
Servicing of the external debt	24.7	27.6	29.7	30.6	28.2	...	32.2	36.0	38.0	39.1	39.5
					Millions of dollars at current prices						
Exports of goods and services	12 094	12 444	14 785	20 674	27 289	26 796	30 701	35 467	41 798	48 786	56 693
Imports of goods and services	12 892	14 277	16 286	21 557	35 265	35 824	35 641	39 802	44 732	49 994	55 647
Trade gap	798	1 833	1 501	883	7 976	9 028	4 940	4 335	2 934	1 208	-1 046
Net external factor payments	1 736	1 867	2 189	2 735	3 408	4 890	6 080	7 577	9 252	11 040	12 952
Net external financing	2 534	3 700	3 690	3 618	11 384	13 918	11 020	11 912	12 186	12 248	11 906
Amortization of the external debt	2 000	2 193	2 800	3 961	3 902	...	6 050	7 915	9 934	12 015	14 144
Servicing of the external debt	2 988	3 438	4 397	6 332	7 696	...	9 881	12 754	15 877	19 097	22 400
Direct foreign investment	724	687	815	1 419	1 644	...	...	...	...	...	...
Net external loans	3 842	4 555	7 347	9 082	11 456	...	...	...	...	...	...
Net compensatory movements, errors and omissions, etc.	-32	651	-1 672	-2 922	2 186	...	...	...	...	...	...
Foreign capital requirements	4 534	5 893	6 490	7 579	15 286	...	17 070	19 827	22 120	24 263	26 050
External debt	...	...	31 045	41 039	52 839	...	65 229	79 731	94 919	110 418	125 992

Source: CEPAL.

a/ Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama.

UNITED NATIONS

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AND
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C E P A L
Economic Commission for Latin America

Research Project

LATIN AMERICAN DEVELOPMENT: ITS APPRAISAL AND LONG-TERM PROSPECTS

Preliminary Summary Outline

76-3-467

INTRODUCTION

In recent years, the secretariat has carried out two biennial appraisals of Latin American development in connexion with the application and implementation of the International Development Strategy (IDS) at the regional level. These studies led to the Quito and Chaguaramas Appraisals, which represented a valuable contribution to the work of the United Nations and were of particular importance in shaping a Latin American position covering matters with political connotations, in respect of which it is not easy to reach agreement.

However, when these and other similar studies are considered in the light of the irreluctable responsibilities of ECLA, the evolution of the ideas which the secretariat has been formulating for some time, the transformations and changes which have been taking place in Latin America, and those now developing at the international level, the feeling grows that the time is ripe and there is now a need for the secretariat to devote its efforts to more ambitious studies of greater organic importance. Such studies should be aimed at "rethinking" the realities of the economic and social process in Latin America; highlighting both its common features and the special characteristics shown by the broad panorama of the countries of the region; studying the prospects and options offered for the development of our countries in the long term and within the framework of the new international conditions which the future holds out, and contributing ideas or suggesting strategies and policies which put the institutional and structural changes that need to be promoted in a clearer light.

These objectives have led the secretariat to propose a project which could be drawn up around three central themes, namely:

(a) The appraisal of the economic and social process during the postwar period;

(b) The potential and limitations of Latin American economic development, and

(c) The study of the long-term economic growth prospects at the national, regional and international levels, on the basis of various development scenarios.

The very nature of the preoccupations which underlie the project reveals two of its methodological aspects. On the one hand, it will be concerned with the long term, since the factors influencing the matters of greatest interest only undergo significant change over long periods. On the other, it must cover social, economic and political aspects, so that it will have to adopt an integrated approach. In addition to covering matters of long-standing concern to ECLA, the project offers the opportunity of making progress in directions which fully coincide with the recommendations of the General Assembly.

Last year the General Assembly adopted resolution 3362 (S-VII) on Development and International Economic Co-operation, 3409 (XXX) on the Unified Approach to Development Analysis and Planning, and 3508 (XXX) on the Examination of Long-Term Trends in the Economic Development of the Regions of the World. In these resolutions stress is placed on the tasks which the secretariats of the regional commissions should discharge in the integrated analysis of long-term development, and they reaffirm the responsibilities incumbent on the ECLA secretariat in the execution of studies on development problems.

/PRELIMINARY SUMMARY

PRELIMINARY SUMMARY OUTLINE

LATIN AMERICAN DEVELOPMENT: ITS APPRAISAL AND LONG-TERM PROSPECTS

PART I

Appraisal of the economic and social process over the period 1950-1975

I. Development and social change

A. Social stratification. Its evolution since 1950. Emergence of new strata.

B. Urbanization. Magnitude of the phenomenon. Cultural and consumption patterns.

C. The rural situation. Systems of exploitation. Agrarian reforms. Migration from rural areas to the cities. Political and social participation.

D. Distribution of income and of social services. Critical poverty. Evolution of educational systems.

E. Population growth. Geographical redistribution. Evolution of trends.

F. Challenges to existing national societies. Tendencies towards social development. Emergence of an alternative model.

II. Growth and economic change

A. Fundamental changes during the period 1950-1975.

B. The dynamics of the process. Domestic and external factors.

C. State participation. The role of public enterprises.

D. Foreign trade, external financing and transnational corporations.

E. Income distribution and critical poverty.

F. Spatial distribution of economic activity. Appraisal of the heterogeneity of countries or groups of countries.

/III. International

III. <u>International economic relations</u>

A. Latin America in the context of the changes which occurred in the world economy between 1950 and 1975. The main changes which have taken place in the structure of Latin America's foreign trade and external financing.

B. International trade. Economic development and the balance of payments. Basic commodities. The trade in manufactures and semi-manufactures. The relationship between imports and stages of the development process.

C. External financing. The elements determining its composition and magnitude. Evolution of external indebtedness.

D. Latin America's economic relations with other areas. The industrialized market economy countries and the socialist countries.

E. Co-operation between the developing countries.

IV. <u>The economic integration of Latin America</u>

A. The establishment of the regional and sub-regional integration schemes. The initial impulse. The present crisis.

B. Integration and national development. Stages in the integration processes and in the economic growth models of the countries.

C. Appraisal of trade in the various integration schemes. Latin American trade outside the integration schemes. Relations between the schemes.

V. <u>Sectorial changes</u>

A. Agricultural development.

1. The agricultural sector in the context of the national economies. Relationship with the external sector.

2. The agrarian economy. Basic institutional aspects.

3. The dynamics of agricultural production. Changes and heterogeneity. Domestic and external demand.

4. Agriculture and the problem of nutrition.

/B. Industrial

B. Industrial development

1. Evolution of the industrial sector. Principal characteristics. Appraisal at the world level. Its role in the development of the countries of the region.

2. Factors in industrial development. Industrial development scenarios and patterns.

3. The role of government in industrialization.

C. Energy

1. The energy sector in the context of the national economies.

2. Appraisal of energy supply and demand in the period 1950-1975.

3. The Latin American energy situation in the world context.

D. Mining

1. The relative importance of the sector at the regional and national level.

2. Evolution of demand and production in the period 1950-1975.

3. The Latin American mining sector in the world context.

E. Transport and communications

1. Sea transport. National merchant fleets. Multinational endeavours. Foreign fleets. New technologies.

2. Land transport.

3. Communications.

/PART II

PART II

The prospects for Latin American development: Evolution and change in the next 25 years

VI. Basic resources. Availability and the requirements of economic growth

A. The population and human resources. Demographic prospects and the labour force.

B. Agricultural resources. Expansion of the agricultural frontier and changes in productivity.

C. Mineral and energy resources. Reserves, and the technical and economic factors affecting their exploitation.

D. The capacity of accumulation.

VII. Definition and analysis of various Latin American development scenarios. Quantitative analysis schemes

A. Scenario based on the projection of the prevailing general trends and features of the Latin American economic and social process. Analysis of the degree of stability, contradictions and problems likely to arise from these trends and lines of development.

1. Economic growth: the significance that the projection of past trends and of the targets of the IDS would have at the national, regional and international levels. Evolution at the end of the present decade and in the longer term. Effects on employment, income distribution, and the solution of the problem of critical poverty.

2. Capital formation. National saving and external financing.

3. Social evolution. Urbanization, education, life styles, social stratification. Outside influences.

4. International economic relations. Foreign trade and external financing. Evolution of dependency on industrialized countries. The role of transnational corporations. The process of regional integration.

5. Sectorial evolution. Production, productivity and employment. Agriculture, nutrition and foreign trade. Industrial production and patterns of industrialization. Energy. Mining.

6. Heterogeneity and similarity of national development at the regional level. Changes in the relative positions of countries.

B. Scenario based on the assumption of increasing regional integration changes in the international economic order and acceleration of the rate of growth. Social orientation of development.

1. Economic growth: acceleration of growth and less unequal tendencies in the distribution of production and income at the world and regional levels. Increase in employment. Changes in income distribution and special attention to the problem of critical poverty. Changes in structure of domestic demand.

2. Capital formation: volume and sectorial allocation. Increase in national saving and share of external financing.

3. Social evolution. Greater social and political participation. Changes in social stratification in keeping with economic and social changes. Educational policy.

4. International economic relations. Lower rate of growth of the industrialized market economy countries. New structure of external trade relations. Changes in degree of dependence on industrialized countries. Trade flows and their composition. Terms of trade. External financing. Increase in trade between the developing countries.

5. Regional integration. Increase in regional and trade and changes in its composition. Relations between the integration schemes. Financial co-operation. Sectorial economic effects of integration, at the national level. Relative evolution of the integration schemes.

/6. Sectorial

6. Sectorial evolution and change. Production, productivity and employment.

Agricultural production: production requirements and availability of basic resources. External trade.

Industrial production: increase in rate of growth; trade between the countries of the region and with other areas; social needs, structure of demand, and patterns of industrialization.

Energy: domestic demand, production and primary sources; structural changes; external supplies and regional balance.

Mining: domestic demand, production and foreign trade.