

UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL



GENERAL

E/CN.12/541

14 June 1960

ENGLISH

ORIGINAL: SPANISH

ECONOMIC COMMISSION FOR LATIN AMERICA
Santiago, Chile

PROPIEDAD

LA BIBLIOTECA

C.2

ECONOMIC SURVEY OF LATIN AMERICA

1959

Note: This text is entirely provisional and subject to changes in substance and presentation which will be incorporated in the final printed version.

TABLE OF CONTENTS

	<u>Page</u>
Important note	VII
<u>Introduction and synopsis. FACTS AND TRENDS IN 1959</u>	i
I. <u>Characteristics of 1959</u>	i
II. <u>Changes in external trends</u>	ii
1. Production and imports in the major industrial countries	ii
2. The United States balance of payments and the capital market	v
III. <u>Trends in Latin American countries</u>	viii
1. The external sector	viii
2. Internal development	xii
<u>Chapter I. THE EXTERNAL SITUATION OF LATIN AMERICA:</u>	
THE BALANCE OF PAYMENTS	1
I. <u>The external market</u>	1
II. <u>Exports, imports and the trade balance</u>	12
III. <u>Trade policy</u>	31
IV. <u>The services account</u>	35
V. <u>The current capacity to import</u>	39
VI. <u>Balance of trade and net balance of current transactions</u> ...	39
VII. <u>Movements in the capital account</u>	42
1. Loans from the Export-Import Bank	44
2. Loans from the Development Loan Fund	46
3. Loans from the International Bank for Reconstruction and Development	46
4. Investments by the International Finance Corporation	46
5. Loans from the International Monetary Fund	49
6. Other official and private short-term capital	49
7. Summary of the balance of payments	52
8. New international financial institutions	52
VIII. <u>Balance of payments and compensatory financing</u>	54
<u>Chapter II. GROSS DOMESTIC PRODUCT AND INCOME</u>	56
I. <u>Development of per capita product and income</u>	56
II. <u>Analysis by countries</u>	60

/III. Analysis

III. <u>Analysis by sectors</u>	<u>Page</u> 64
IV. <u>Impact of foreign trade and of the terms of trade on the domestic supply of goods and services</u>	71
<u>Chapter III. PRODUCTION SECTORS</u>	74
I. <u>Crop and livestock production</u>	74
1. General situation	74
2. Principal changes in production	78
3. Prices and external demand	83
4. The situation in selected countries	86
(a) Argentina	86
(b) Brazil	90
(c) Cuba	94
(d) Chile	96
(e) Mexico	98
(f) Uruguay	103
5. Analysis of principal commodities	104
(a) Wheat	104
(b) Maize	106
(c) Coffee	108
(d) Sugar	112
(e) Cacao	115
(f) Cotton	117
II. <u>Industrial production</u> (pending)	-
III. <u>Mining</u> (pending)	-
<u>Chapter IV. RECENT DEVELOPMENTS IN LATIN AMERICAN LAND REFORM</u>	120
I. <u>General aspects</u>	120

/II. The

	<u>Page</u>
II. <u>The situation in selected countries</u>	123
1. Land reform in Bolivia	124
2. Land reform in Cuba	132
3. The Venezuelan Land Reform Act	140
4. The case of Colombia	147
5. The situation in Ecuador	150

IMPORTANT NOTE

Attention should be drawn to the fact that in some cases the statistics presented in this Survey (especially those for the year 1959) are preliminary estimates, prepared as a basis for analysis, and should therefore be used with caution.

In the table of contents and in other parts of the Survey references will be found to sections which are not included in the present text. These sections will appear in the printed version, scheduled for publication in October 1960.

The present Survey is published on the sole responsibility of the secretariat, and the views expressed in it should not be attributed to the Commission or its member Governments.

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country or territory or of its authorities, or concerning the delimitation of its frontiers.

Introduction and synopsis

F A C T S A N D T R E N D S I N 1 9 5 9

I. CHARACTERISTICS OF 1959

During 1959, the Latin American economies - as a whole and individually in the case of most countries - were beset by a further deterioration in the terms of trade and a decline in their per capita agricultural output for domestic consumption, both basic factors which impeded the campaign to check inflation.

In nearly all the Latin American countries afflicted by heavy inflationary pressures, the policy of stabilization was maintained and even intensified and was successful in slowing the pace of rising prices to a marked extent during the year as a whole and more particularly in the second half. Unfortunately, the braking effects, often produced by a policy designed to curb expenditure, have not yet been counterbalanced, as they require to be, by a sufficiently large increase in productive investment. On the contrary, the net inflow of foreign capital shrank in 1959, although progress was made in stabilizing the monetary economies. On the other hand, it has to be admitted that, in most cases, the progress made is still very recent and that some countries which achieved greater stability earlier showed more auspicious signs of an economic revival thanks, in part, to new investment.

In 1959, there was a further slackening in the rate of growth of the gross domestic product, which accentuated the downward trend that had already become apparent in the second half of the fifties, and gross income, under the influence of extremely adverse terms of trade, increased less rapidly than the population thereby reducing per capita income by more than 1 per cent.

/II. CHANGES

II. CHANGES IN EXTERNAL TRENDS

Before the influence of external and internal factors on the Latin American economies can be properly appraised, a brief reference should be made to certain aspects of the economic developments in the major industrial countries of Western Europe and in the United States, since the powerful impact of these developments on Latin America, particularly through foreign trade and the movement of capital, need hardly be stressed.

1. Production and imports in the major industrial countries

The rapid recovery of the United States economy - which has already begun in 1958 - raised the gross product in 1959 to a level (slightly more than 4 per cent in real terms) higher than the previous record attained in 1957. The most decisive factor in the economic revival was the upsurge in manufacturing output which expanded 14 per cent in one year. After a year's relative stagnation, a new boom in industrial production began in Western Europe. The increment over the 1958 level varied according to the country concerned from 3 to 10 per cent. Even in the United Kingdom, the index of industrial production, which had been virtually at a standstill for several years, rose in 1959 with renewed vigour (see table 1).

As was to be hoped, this growth in production was reflected in the demand for imported goods although in varying proportions from one country to another. In terms of current values, total imports increased 19 per cent in the United States, 6.5 per cent in the United Kingdom and 15 per cent in the Federal Republic of Germany, but these increments led mainly to a further expansion of trade in final and intermediate goods, their repercussions on imports of primary commodities being much less powerful. This bore out certain trends which have already been noted and analysed.^{1/}

It is not surprising therefore that Latin America played a very small part in the import boom which took place in the industrial

^{1/} See the Economic Survey of Latin America, 1958 (E/CN.12/498/Rev.1), United Nations Publication, Sales N°: 59.II.G.1, Introduction, pp.3 et seq.

Table 1
INDICES OF INDUSTRIAL OUTPUT IN SELECTED COUNTRIES, 1957-59
(1953 = 100)

C o u n t r y	1957	1958	1959 ^{a/}	Quarters in 1959			
				I	II	III	IV
United States	110	102	115	112	119	115	114
United Kingdom	116	115	119	114	120	122	120
Austria	146	150	155	150	155	157	160
Belgium	123	115	119	115	118	119	124
France	145	150	158	152	158	156	169
Federal Republic of Germany	147	151	162	157	160	161	168
Italy	138	142	157	148	153	158	169
Netherlands	126	126	138	133	137	139	141
Sweden	119	119	123	123	120	122	126

Sources: Economic Survey for Europe, 1959, United Nations Publication, Sales No. 60.II.E.1; for the United States, Survey of Current Business.

^{a/} Provisional figures.

/countries. United

countries. United States purchases of Latin American goods rose by only 26 million dollars as against an increment of 2,397 million in its total imports.^{2/} Latin America's relative position vis-à-vis the European countries was slightly better, although its shipments to the Federal Republic of Germany increased by only 9 per cent in comparison with an expansion of 15 per cent in that country's total purchases abroad. The United Kingdom was the only country with which Latin America had a favourable position, since the former's total imports increased 6.5 per cent while those from Latin America expanded 9 per cent. This points to substantially heavier purchases by the United Kingdom of Latin American petroleum, copper and cotton.

The fact that the increase in the value of the major industrial countries' aggregate purchases of Latin American commodities was small, was much more a consequence of the price trend than of any limitation in the volume imported. If the course followed by the value of United States imports is compared with that of the quantum, the results are enlightening. As against a rise in value of only 0.7 per cent, the quantum of Latin American goods imported expanded by slightly more than 8 per cent. This phenomenon was in all likelihood determined by lower prices for such important items as coffee and petroleum, which, in their turn, resulted from the uneven growth of supply and demand on the world markets. This affected other commodities as well, and was responsible for lowering the weighted average price of the 17 staple Latin American commodities by a further 8.4 per cent,^{3/} which coming on top of a contraction of the same amount in the previous year, caused the terms of trade to deteriorate even more.

^{2/} In relative terms, the increase in total imports was 19 per cent, whereas that in imports from Latin America was only 0.7 per cent.

^{3/} This figure was calculated on the basis of quotations in the principal markets. Sufficient data are not yet available on the unit value of Latin American exports.

In so far as this aspect is concerned, the trend of events in 1959 was even more adverse than it seemed, despite some external conditions that were basically very favourable. This explains why primary-commodity markets tended to be chronically weak - an underlying trend that has already been analysed in the Economic Survey of Latin America, 1958.

2. The United States balance of payments and the capital market

United States gold reserves, which had remained constant at approximately 22,000 million dollars from 1950 to 1957, decreased during 1958 and 1959, falling to less than 20,000 million from June 1959 onwards. The fact that this limit was exceeded drew attention to the situation of the United States balance of payments, all the more so as the recent shrinkage in its gold reserves coincided with a slower though steady increase in foreign dollar holdings in the form of demand deposits in United States banks (see table 2). The immediate cause of the drain on the gold reserves was the marked deterioration in the favourable trade balance, which was already too small to finance the sizable capital outflow either for investment or for economic and military aid. Without embarking upon a detailed examination of the problem in all its multifarious aspects, it should be pointed out - in view of the possible repercussions on Latin America's future economic development - that the United States, in spite of still possessing vast bullion stocks, is obliged to improve the balance its external accounts, since its capacity to accelerate the rate of its investment abroad depends primarily on a corresponding increase on the credit side of its current balance-of-payment account.^{4/}

Except for a further contribution to the International Monetary Fund, United States loans and investment abroad fell off appreciably in 1959 (see again table 2). At the same, certain changes already perceptible in recent years in the destination of private United States capital lent

^{4/} In his economic report (January 1960) to Congress, the President of the United States stressed the need for expanding exports in order to improve the balance of payments. Later, however, he asked Congress to authorize a substantial increase in the allocation of funds for external aid during the fiscal year 1960/61

Table 2

UNITED STATES: INTERNATIONAL ASSETS AND PRINCIPAL BALANCE-OF-PAYMENTS COMPONENTS

(Thousands of millions of dollars)

	1950	1955	1957	1958	1959
Gold reserves	22.8	21.8	22.9	20.6	19.5
Foreign demand deposits	7.1	11.7	13.6	14.6	16.1
Net reserve <u>a/</u>	16.6	11.6	11.5	8.5	6.0
Currency issues	25.6	28.5	28.5	28.9	29.0
Exports (excluding military aid)	10.0	14.3	19.5	16.4	16.3
Imports, f.o.b.	9.0	11.5	13.1	13.0	15.3
Trade balance	1.0	2.8	6.4	3.4	1.0
<u>Net movements of capital:</u>					
Unilateral transfers (non-military)	...	2.40	2.30	2.31	2.40
Net outflow of private capital	0.40	0.95	3.00	2.84	2.15
Net outflow of public capital	4.00	0.29	0.96	0.97	0.35 ^{b/}

Source: International Monetary Fund, International Financial Statistics.a/ Including United States sight deposits abroad.b/ Excluding the increase in the contribution to the International Monetary Fund which amounted to 1 375 million dollars.

/or invested

or invested outside the country were accentuated. The following figures illustrate these trends: ^{5/}

DESTINATION OF UNITED STATES PRIVATE INVESTMENT

(Million of dollars)

	<u>1955</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
Total	1,212	3,212	2,844	2,145
Latin America	380	1,416	488	383
Canada	304	936	968	849
Western Europe	212	408	411	434
Other	316	452	977	479

(As a percentage of each annual total)

Latin America	31	44	17	18
Canada	25	29	34	40
Western Europe	18	13	14	20
Other	26	14	35	22

From these figures, it appears that private United States capital is being channelled increasingly towards the industrial countries - Canada and Western Europe - to the detriment of Latin America and other regions which mainly consist of under-developed countries. In absolute terms, United States private investment in Canada has risen most, despite the recession observed in 1959. The only investment to show a higher figure in 1959 was that in Western Europe. This phenomenon was of course a result of the impetus provided by the creation of the European Economic Community and, to a lesser extent, the formation of the Free Trade Area and the establishment of United States industrial enterprises in Europe. As regards Latin America, the high figure for 1957 derived from heavy investment in the petroleum concessions granted by Venezuela. Once this wholly adventitious factor ceased to exert any further influence, the volume of United States private investment fell back in 1959 to almost exactly the same level as in 1955. This was a steep fall in percentage terms, and pushed Latin America down to the bottom rung of the ladder from the top rung that it had occupied in 1955. Although

^{5/} Taken from the Survey of Current Business

there are signs that European - and Japanese - private capital is currently being invested to a slightly greater extent in Latin America, its amount is still small.

III. TRENDS IN LATIN AMERICAN COUNTRIES

1. The external sector

Owing to fall in prices for Latin American's principal exports, the expansion in the volume of external sales had very little effect on their value. Hence, the balance of payments was characterized by an almost imperceptible rise in export earnings, a rise which was more than offset by the larger deficit in the services account. Yet current transactions showed an appreciably bigger credit balance, owing to a further and substantial contraction in the value and volume of imports.^{6/} If 1959 is compared with 1958, imports will be seen to have shrunk more than 10 per cent, whereas the capacity to import diminished by only 3 per cent.

Table 3 shows that in 1959 the deficit current transaction was less than half what it had been in 1958. Largely as a result of this relative improvement, Latin America's international holdings began to diminish more slowly.

The capital account - at least in so far as its known components are concerned, i.e. mainly the operations of international financial organizations, the United States Government and private United States capital - received approximately 200 million dollars less, chiefly because of the reduction in United States private investment which has already been mentioned.^{7/}

^{6/} In the absence of first-hand data, the unit value of Latin American imports was assumed to be the same in 1958 as in 1959, since the price index for exports of manufactures from the major industrial countries showed no appreciable change and the cost of maritime freight remained much the same.

^{7/} See section II, 2.

Table 3

LATIN AMERICA: BALANCE OF PAYMENTS, 1958 AND 1959
(INCLUDING AND EXCLUDING VENEZUELA)

(Millions of dollars)

	Total 18 countries <u>a/</u>		Venezuela		Total excluding Venezuela	
	1958	1959	1958	1959	1958	1959
<u>Current transactions</u>						
Exports, FOB	8 372	8 470	2 510	2 600	5 862	5 870
Net services	-1 021	-1 334	-847	-1 100	-174	-234
Capacity to import	7 351	7 136	1 663	1 500	5 688	5 636
Imports, CIF	-8 629	-7 741	-1 744	1 590	-6 885	-6 151
<u>Balance: current transactions</u>	<u>-1 278</u>	<u>-605</u>	<u>-81</u>	<u>-90</u>	<u>-1 197</u>	<u>-515</u>
<u>Capital account</u> <u>b/</u>						
Short-term capital	369	402	-	-	369	402
Medium and long-term capital	834	603	-	1	834	602
Change in Latin America's international reserves (increase: -)	738	107	396	345	342	-238
<u>Balance: capital movements</u>	<u>1 941</u>	<u>1 112</u>	<u>396</u>	<u>346</u>	<u>1 545</u>	<u>766</u>
<u>Errors and omissions</u>	<u>-663</u>	<u>-507</u>	<u>-315</u>	<u>-256</u>	<u>-348</u>	<u>-251</u>

Sources: See chapter I, tables.a/ Honduras and Panama were not included for lack of sufficient data.b/ The figures include only net loans from international organizations, the net movements of United States public and private capital and some credits from other sources granted principally to Argentina and Brazil (see break-down in chapter I, table I-13). Other movements of private capital for which no statistics are available are included under "Errors and omissions".

/The aggregate

The aggregate figures given in table 3 naturally derive from different situations in the individual countries. Although a thorough study of the problem has been made in chapter I, stress should be laid here on the particular importance attaching to Venezuela within the total for Latin America. On the one hand, it was responsible for virtually the entire increment in the value of Latin American exports, and, on the other, shouldered the main burden of the loss in Latin America's international holdings. In fact, if Venezuela is excluded from the general picture, the other countries as a whole will be seen to have added to their reserves in 1959 and to have recovered 70 per cent of the losses they sustained in the previous year.

The two salient characteristics of Latin America's balance of payments in 1959 was the shrinkage of capital income and imports. Both factors affect the region's capacity to develop at present and in the immediate future.^{8/} It should also be borne in mind that imports had already been considerably cut in 1958 and the further contraction recorded in 1959 lowered them in those two years about 20 per cent below the peak level of 1957.

A brief retrospective glance will help to illustrate more clearly the trend which is emerging in Latin America's foreign trade. In 1956, the trade balance (exports f.o.b./imports c.i.f.) showed a surplus of about 800 million dollars. This reflected a normal situation since the region needs a positive trade balance in order to compensate for the deficit in its services account. A notable increase in imports in both value and volume - largely as a result of the Suez crisis - which was not balanced by a corresponding rise in exports led, in 1957, to a critical deficit of almost 700 million dollars in the trade balance. In 1959, after imports had shrunk for two years in succession, while the value of exports remained virtually at a standstill, a credit balance

^{8/} The data available are not yet sufficient to consider the changes that took place in the composition of Latin American imports, but from the partial information to hand it is obvious that the smaller total volume of imports in 1959 had a marked effect on the supply of capital goods.

of some 630 million dollars in the goods account nearly succeeded in re-establishing the 1956 ratio of income to expenditure, despite a 17-per-cent deterioration in the unit value of exports and in the terms of trade.

At the cost of a greater outflow of goods required - given the drop in prices - to maintain the value of exports, and at the cost of a heavy reduction in external supplies corresponding to the fall in the value of imports - the unit prices of which did not vary to any great extent -, Latin America improved the situation of its external accounts in 1959, achieving a net aggregate (excluding Venezuela) increment of about 240 million dollars in its reserves. The improvement was most marked in the cases of Argentina, Chile, Colombia, Mexico and Peru, with a large-scale decline in gold and foreign exchange assets taking place in Cuba and Venezuela only. In Cuba, reserves shrank almost twice as much as in the previous year. Venezuela's holdings also went down to much the same extent as in 1958, mainly because of an outflow of foreign capital for speculative purposes, caused partly by internal factors and partly by higher rates of interest in the United States and Europe. Even so, its holdings still exceed 600 million dollars and constitute almost a quarter of Latin America's total reserves.

2. Internal development

Inflationary pressure^{9/} and the methods used to check it have for several years been in the forefront of Latin American economic development and governmental policy. This phenomenon loomed even larger in 1959 than in previous years. The rapid rate at which prices soared have in

^{9/} Since the problem of inflation in Latin America, during the past twenty years and in relation to the growth process, has been examined in detail in a special paper prepared by the secretariat, the present section is confined to a very brief account of some of the more important features of inflation in Latin America in 1959.

recent years brought into sharper focus the severe and lasting damage caused to countries by the corrosive effects of inflation, which are not merely confined to the economic aspects of development. Hence, during 1959 virtually every country bedevilled by inflation applied more vigorous restraining measures in an attempt to achieve lasting price stabilization.

The ineffectiveness of direct price control measures - at least over the long term - having been recognized, action to combat inflation was directed rather at the factors which set the inflationary spiral in motion, and cause it to soar. Steps were taken to reduce the budget deficit, to check the periodic readjustment of wages and salaries, to abolish consumer subsidies, to limit credit and to normalize currency exchange. Measures such as these produced appreciable results in several countries, particularly during the second half of 1959, and there is no doubt that the Latin American economies, except in a few cases, achieved a much greater measure of stability by the end of the year. Nevertheless, in attempting to reach this goal many countries were confronted once more with the problem of how to expedite their economic development without again imperilling the as yet imperfect and precarious stability they had achieved. A reasonably stable level of prices and exchange, i.e. of the internal and external value of the currency, obviously creates a more auspicious climate for economic expansion, productive investment and the inflow of additional capital and more advanced techniques. Thus, stabilization policy and development policy are not incompatible if considered on a long-term basis. But from the short-term point of view the former sometimes produces a braking effect on economic activity which has not been offset by an immediate revival of productive investment. This is due to the fact that development policy takes much more time to bear fruit and cannot be improvised, whereas a policy of containment, on the other hand, can be put into immediate effect and will soon produce results. One of the usual shortcomings of stabilization programmes is that they are initiated without an investment plan carefully thought out in its

/technical, economic

technical, economic and financial aspects and ready for implementation. The negative effects of stabilizing action could otherwise be offset. It is in these circumstances that the inflow of funds from abroad, supplemented by measures designed to promote domestic savings by non-inflationary methods, becomes more desirable. It should be pointed out that 1959 was not a very good year in this respect, although the prospects for 1960 seem to be better.

As noted earlier, external factors intensified inflationary pressure in 1959 because of their effect on the relationship between monetary demand and the quantum of available goods. On the one hand, heavier external demand produced a substantial increase in export volume, whereas the reduced volume of imports helped to limit the internal supply of goods; on the other hand, the fact that the balance of payments of several countries was favourable again had a marked expansionist effect on the supply of the means of payment, as happened recently in Argentina, Chile and Peru.

Conversely, it should be borne in mind that the improved balance in the external accounts of many countries contributed to stabler exchange rates - particularly during the second half of the year - and therefore helped to overcome or reduce, according to the case, the inflationary effect on prices produced by the external devaluation of the currency. However, it took some time for the full impact of exchange stabilization to be reflected in the domestic prices of imported goods. This was all the more so since the initial effects of exchange stabilization - and of the abolition of consumer subsidies that was linked to it - appear to be contradictory; they brought about stabilization of previously subsidized prices but, at the same time, produced much sharper price rises in view of the complex and diversified nature of the exchange rates. Hence, the full effect of exchange developments in 1959 will not be felt until 1960.

To the same extent as in previous years or perhaps more so, the main purpose of the stabilization policy in 1959 - and this applies to virtually every country in the southern part of Latin American and in some measure to Mexico as well - was to reduce excessive demand, to

curb price rises and to check the cumulative effects of higher prices. This policy thus remained essentially restrictive, although in a few cases it was tempered by some elasticity as regards credit, more credit being channelled to the sectors most affected by supply rigidity. A good example of this is Colombia's agricultural credit policy.

More attention was paid in 1959 to the regulation of public finance in relation to the financing of the public deficit in the inflationary process, often an important factor. In general, the public deficit was slightly lower, at least in absolute terms, and an attempt was made to finance it by less inflationary measures and thus to reduce its effect on the volume of the means of payment.

A general increase in the nominal level of wages and salaries was again granted during the first half of the year in Argentina, Brazil and Chile, the countries in which prices had risen most steeply in 1958. While in principle the purpose was to offset earlier price increases, the higher salaries and wages generated price rises in about the same ratio, thus soon cancelling out the initial benefit obtained by the wage-earners.

This bore out the fact that salary and wage readjustments are illusory unless accompanied or absorbed by increased production or inflationary company profits. In this connexion, the possibility that there might have been an unduly high increase in wages and salaries in relation to those factors when the inflationary spiral began or gained momentum should be studied. If so - and this was true of Argentina in 1945 and 1946, Uruguay in 1943 and 1950 and, in some measure, of Chile during the post-war years - an unduly large initial increase is powerful element of inflation. Efforts to restore an impossible balance between wages and total income by means of periodic readjustments can only be considered as a modern version of the myth of Sisyphus. But neither does this aspect of the problem provide an entirely valid explanation because the initial impact of an unduly high wage and salary increase in a rapidly growing economy should tend to be reabsorbed within a few years, providing that subsequent readjustments

do not involve a further premature increase in absolute terms. Consideration must then also be given to the increase in the productivity of various factors, the growth rate of the product and of per capita income and the trend displayed by the sectoral distribution of this income among the population. The effects usually produced on this distribution by the well-known rigidity of supply, coupled with the absence of a modern, competitive market organization in most under-developed countries, come into play here.

Against this double backdrop the stage is held by speculation and monopolistic practices, both of which thrive in an inflationary environment. There is reason to believe that consumer prices in some Latin American countries have been padded unnecessarily either through very high gross profits per unit of goods or the unduly large number of middlemen. Both factors are no doubt closely related. It should be stressed that any increase in profit per unit in marketing or production has the same effect of spreading inflation as an increase in salaries and wages. The same applies to increases in the interest rate on money,^{10/} and in the cost of services and rentals. Hence, a price stabilization policy should cover every sector contributing to these prices in order to overcome the shortcoming of the market and vested interests.

The safest way to counteract inflationary trends - assuming that the factors responsible for a monetary expansion unwarranted by the legitimate requirements of economic growth have been curbed - is, of course, to increase the supply of goods. Developments in Latin America in 1959 were not very heartening in this respect.

^{10/} Short-term money interest rates in periods of rapid inflation tend to include a depreciation premium either in relation to the rate of price increases or the external devaluation of the currency. In spite of very high interest rates there were times, in several Latin American countries, when bank interest proved to be negative, that is to say that bank loans could be settled, when they fell due, with funds the real value of which was less than that of the loan itself even including the interest paid. If currency exchange and prices are subsequently stabilized, the real burden of bank interest increases substantially, adding to the cost of production and of the distribution of goods.

According to data which are still very tentative - and thus subject to considerable revision - the gross domestic product for Latin America as a whole increased by 2.9 per cent, much less than in 1958. The trend towards a gradually diminishing rate of growth, which began in 1956, was thus maintained. The increase in income - estimated at 1.2 per cent in 1959 compared with 3.6 per cent in 1958 - declined still further as a result of a serious worsening in the terms of trade, which had already reached a critical level in 1958. The lagging rate of increase is even more evident if considered in terms of an annual population growth estimated at 2.6 per cent. The gross domestic product per capita thus rose by a very small figure - barely 0.3 per cent -, whereas gross income suffered a sharp drop of over 1 per cent.

The sluggishness of the rate of growth in 1959 was largely due, as in past years stretching over a long period, to the lag in agricultural production, which is estimated to have increased in 1959 by 1.6 per cent divided more or less equally between products for domestic consumption and for export. Livestock output, considered separately, was even more discouraging, having fallen off by over 10 per cent. Viewed in terms of the population growth, this means a decline of about 1 per cent in the per capita supply of agricultural commodities. This is a regrettable state of affairs, even though the decline was offset, at least in part, by an increase in the volume of food imports. A greater abundance of foodstuffs and of animal and vegetable primary commodities is obviously an important factor on which to base a policy aimed at stabilizing the cost of living. In this connexion, it should be pointed out that in recent years the increase in agricultural consumer production has been a common feature in the two Latin American countries - Colombia and Mexico - where the stabilization policy has proved most successful.

While agricultural output developed slowly, industry in 1959, as throughout the post-war period, proved again to be the most dynamic element of regional growth in spite of a severe setback in Argentina resulting from trade disputes produced by soaring prices. There are many indications that industrial development in many Latin American countries actually exceeded the rate of growth shown in statistics.

/This is

This is due essentially to the rapid rate and scope of development and the chronic delay in processing statistics to cover an expanding branch of activity involving additional enterprises, new types of manufacturing and the establishment of industrial production communities far from the main urban centres. This was particularly true of Brazil, Colombia and Mexico, and to a lesser extent of Argentina, Chile, Peru and Venezuela.

In Latin America as a whole, mining also registered steady progress as did the extraction of petroleum, which increased sharply in Argentina, Brazil, Chile and even in Venezuela in spite of difficult external market conditions. In fact, the value of Latin American exports was maintained or even increased slightly during 1959 chiefly because of the higher output of copper and petroleum.

The effort exerted over the past few years in the energy and transport sectors have begun to bear fruit, and there has been an easing of the bottlenecks caused by shortcomings in these basic sectors. Further decisive progress may be expected in the near future since Governments devoted still more attention and resources in 1959 to energy development and transport modernization schemes.

From the data available on the activities of the tertiary sector there is no reason to assume that there was a substantial change in its participation in the national product or in the relatively excessive number of persons employed, a disguised expression of the chronic under-employment in Latin American countries. The efforts of several Governments to achieve a more balanced budget do not seem to have affected the number of persons employed in public services beyond curbing further costly expansion. On the other hand, the initial impact of the rapid increase in the rate of vegetative growth of the population, which began towards the end of the Second World War as a result of the great strides made in the prevention and treatment of many diseases, has made itself felt during the past few years. This means that the volume of employment demand is expanding more rapidly and will require a corresponding acceleration in the creation of new jobs particularly in the primary and secondary sectors, i.e. those which contribute directly towards increasing the supply of consumer goods and investment. This is an additional factor which brings into even sharper focus the need to promote economic development and productive investment.

Chapter I

THE EXTERNAL SITUATION OF LATIN AMERICA: THE BALANCE OF PAYMENTS

1. THE EXTERNAL MARKET

Over-production and its aftermath - a drop in prices and an accumulation of surpluses - was the principal problem confronting the Latin American economies in 1959, not so much because of the number of commodities affected (petroleum, coffee and sugar) as because these three alone supply more than 50 per cent of the total foreign exchange earned by Latin American exports. The recovery of economic activity in the big industrial centres and, in some of them, a fresh move to expand after the 1957-58 recession, undoubtedly led to a relative improvement in the external market for a certain number of products, particularly non-ferrous metals and textile fibres. But even in this case some adverse elements remained, such as the maintenance of quantitative restrictions on lead and zinc imports and the larger subsidies authorized in favour of cotton exports in the United States, both measures acting as a direct or indirect deterrent to Latin America's possibilities of expanding its exports in those branches.

One of the positive features in the over-all picture of primary commodity markets was the gradual and now almost complete abolition of the discriminatory controls imposed on imports from the dollar area by the Western European countries. But this movement towards full trade liberalization in the European countries was offset by the extension of the United States Trade Agreements Act which strengthened the escape clause authorizing the adoption of quantitative restrictions and/or a rise in customs tariffs whenever the imports of a specific product reached a volume sufficiently large as to endanger the stability of the corresponding domestic industry. Although the United States

/Government has

Government has so far made little use of this protectionist instrument;^{1/} there was a noticeable increase in 1959, in the number of requests addressed to the Tariff Commission for the application of similar restrictions to a variety of imports, ranging from certain kinds of meat to typewriters.

In order to enable a proper appreciation to be made of the circumstances in which Latin America's export trade was carried on in 1959, it is useful to give a brief account of the international market situation in respect of some of the region's major export items.

Because of the share represented by petroleum in the total value of Latin American exports (approximately 26 per cent of the total in 1956-57), over-production of this commodity posed very serious problems in 1959. The rapid expansion of output in the Middle East, although briefly interrupted by the Suez crisis, was the salient feature of the petroleum industry in the post-war years. Middle Eastern production in 1959 exceeded its figure for 1958 by 8 per cent.^{2/} Although it is believed in reliable sources that, the growth of production in the Middle East, in the next few years will be less than the yearly average of 11 per cent registered during the fifties,^{3/} the problem of how the markets are to

^{1/} The two important cases in which it was applied were the fixing of import quotas for lead and zinc, at the end of 1958, and for petroleum and petroleum products at the beginning of 1959.

^{2/} The growth in world production, by main areas, in millions of tons was as follows:

	<u>1950</u>	<u>1958</u>	<u>1959^{a/}</u>	<u>Total percentage increment</u>	<u>Annual rate</u>
United States	265.7	330.1	346.5	29.9	3.0
Venezuela	80.0	138.6	147.0	83.8	7.0
Middle East	88.7	214.7	231.3	160.8	11.2
Soviet Union	<u>37.9</u>	<u>112.9</u>	<u>129.0</u>	<u>240.4</u>	<u>14.6</u>
World total	522.9	908.0	977.0	86.8	7.2

Sources: United Nations, Statistical Yearbook 1953; and Petroleum Press Service, London, January 1960.

a/ Provisional figures.

^{3/} See Petroleum Press Service, op.cit.

/absorb the

absorb the extra quantity has been complicated by some recent events; the beginning of petroleum exploitation in North Africa and the rising rate of exports from the Soviet Union. Even in Latin America, the powerful impetus given to production in Argentina, Brazil and Chile means that a larger proportion of their requirements can be met locally and that less need be imported.

The pressure exercised by world surpluses led to a fall in prices. In February and April 1959, the different types of Venezuelan crude dropped in price and settled at about 7 or 8 per cent below their 1958 level (see table I-1).

Similarly, coffee market prices slumped as a result of the glut in production. The bumper harvests in Brazil raised exportable surpluses to unprecedented levels. World output for export increased from 34.6 million bags in 1956/57 to 51.4 million in 1958/59 and 65.2 million in 1959/60.^{4/} Although, from the end of 1957 onwards, Latin American producers applied a number of regulations to co-ordinate their exports in order to stave off a disastrous slump in prices, the surpluses were so large that prices moved down irresistibly. The annual average quoted for Brazilian Santos coffee on the New York market in 1958 was thus 15 per cent lower than in 1957 and it dropped by a further 23 per cent in 1959 in spite of the fact that, ever since the end of 1958, a system of withholding part of exportable surplus was applied by all Latin American producers. A new International Agreement, which entered into force in October 1959, established a system of export quotas in which the Latin American countries were joined by some of the African producers, thereby ensuring a better balance between world supply and demand. In any event, and partly as a result of the drop in prices, there was a marked upsurge of demand in importer countries during 1959. Total world imports reached 41.5 million bags, as against an annual maximum of

^{4/} Estimates of exportable production for the respective trade years by the United States Department of Agriculture (see complete Coffee Coverage, G. Gordon Faton, New York, 1 April 1960).

Table I-1
PRICES OF PRIMARY COMMODITIES ON THE INTERNATIONAL MARKET

Commodity	Monetary unit	Indices: 1955=100						
		1955	1958	1959	1959			
					January- March	April- June	July- Sep- tember	October- December
Bananas a/	(Dollars per ster)	1.41	100.7	100.1	100.1	103.9	97.8	98.7
Sugar b/	(Cents per pound)	5.00	108.2	107.0	102.6	105.4	110.6	109.7
Sugar c/	" " "	3.24	108.0	91.7	96.5	88.9	87.7	93.2
Coffee d/	" " "	57.10	84.8	64.8	68.9	64.6	62.7	62.7
Coffee e/	" " "	64.60	81.0	70.0	71.2	69.5	70.0	69.2
Cacao f/	" " "	36.20	119.6	97.8	99.7	102.8	97.2	91.2
Cotton g/	" " "	37.10	86.5	76.5	76.3	76.3	75.2	78.2
Cotton h/	" " "	25.40	77.1	70.9	...	72.6	69.8	...
Cotton i/	" " "	49.70	84.1	73.8	68.4	71.0	75.3	80.1
Meat	(Pence per pound)	28.90	91.7	99.7	102.8	102.4	103.8	89.6
Wheat	(£ per long ton)	26.90	92.2	90.7	90.7	88.5	90.7	92.6
Maize	" " " "	26.10	81.2	81.2	82.8	80.5	80.8	80.5
Quebracho	(Cents per pound)	11.70	84.6	84.0	84.6	84.0	83.8	83.8
Wool	" " "	82.00	80.5	91.5	74.4	92.7	102.4	95.1
Linseed oil	" " "	90.00	107.8	98.9	88.9	95.6	102.8	109.7
Copper	(£ per long ton)	352.00	56.0	57.6	67.6	66.8	64.8	70.7
Tin	" " " "	740.00	99.3	106.1	104.1	101.1	107.2	107.0
Lead	" " " "	106.00	68.9	67.0	67.0	66.0	67.0	67.9
Zinc	" " " "	91.00	72.5	90.1	82.4	83.5	92.3	105.3
Nitrate	(Dollars per short ton)	51.20	97.3	91.2	88.3	88.9	93.8	93.8
Petroleum	(Dollars per barrel)	2.87	106.3	99.0	102.1	97.6	97.6	97.6
General index j/			92.5	84.7	86.4	84.1	84.1	84.3
Index, excluding petroleum			86.2	78.3	78.9	78.0	78.0	78.3

Sources: The indices were calculated on the basis of the price series published by the United Nations, Monthly Statistical Bulletin, and the International Monetary Fund, International Financial Statistics. The weighting for the general index and the figures for previous years may be seen in the bi-annual issues of the ECLA Economic Bulletin for Latin America.

a/ Unit value of United States imports.

b/ Fob price Cuban port, centrifugal sugar, unrefined, 96°, for export to United States.

c/ Fob price Cuban port, centrifugal sugar, unrefined 96°, for export to the free market.

d/ Domestic/import price, ex-dock at New York, immediate delivery, Santos No. 4 in bulk.

e/ Domestic/import price, ex-dock at New York, immediate delivery, Manizales type, in bulk.

f/ Domestic/import price, ex-warehouse at New York, immediate delivery, Bahia cacao.

g/ Domestic/import price, cif Liverpool, United Kingdom, immediate delivery, Mexican Matamoros cotton SM 1-1/32".

h/ Domestic/import price, cif Liverpool, United Kingdom, immediate delivery, Sao Paulo (Brazil), type 5.

i/ Domestic/import price, cif Liverpool, United Kingdom, Weekly quotations, for shipments during the next three months, Peruvian cotton Pima No. 1.

j/ Indices: base 1955=100.

Meat: Domestic/import price, cif London, Argentine beef, frozen hind quarters.

Wheat: Domestic/import price, cif United Kingdom, Argentine Wheat from up-river, sales outside the International Agreement.

Maize: Import price, cif London, La Plata maize.

Quebracho: United States, ex-dock at New York, duties extra.

Wool: United States, import price at Boston, clean wool, Buenos Aires 5/6's (40-36's).

Linseed oil: United Kingdom and Continent of Europe, cif import price. European ports, in bulk, Argentine and Uruguayan.

Copper: United Kingdom, domestic/import price, standard electrolytic copper.

Tin: United Kingdom, domestic/import price, standard tin.

Linseed oil: United Kingdom and Continent of Europe, cif import price. European ports, in bulk, Argentine and Uruguayan.

Lead: United Kingdom, domestic/import price, ex-warehouse London, 99.97 per cent fine.

Zinc: United Kingdom, domestic/import price, ex-warehouse London, 98.75 per cent fine.

Nitrate: United States, crude Chilean nitrate, fob price, loaded on trucks at port warehouses.

Crude petroleum: Venezuela, fob export price, Puerto La Cruz-Office, API gravity 35.0 - 35.9.

37 million in 1956-58. The United States took the major share of the increment, but the upward trend could also be perceived in most European countries.^{5/}

The problems of the International sugar market presented a different picture. World output in 1958/59 increased approximately 10 per cent as compared with the previous year, but the most important point is that the increment did not take place in the export areas only but also in those which depend on imports to a greater or lesser extent, mainly Western Europe. The weakening of the sugar market was therefore confined to the free-market area, i.e. sugar trade outside the preferential areas of the United Kingdom and United States. Prices on the free market fell with increasing rapidity during the first half of 1959 and by mid-July were lower than at any time in the last 18 years.^{6/} They revived somewhat in the next few months, but were unable to reach even the level specified in the International Sugar Agreement far less that prevailing at the beginning of the year, despite the fact that the Council administering the International Agreement applied the maximum restrictions on exports.^{7/}

^{5/} From the standpoint of world exports, the increment registered in 1959 over the 1958 figure was 15.8 per cent, while the corresponding rise in Latin America was 18.6 per cent. According to Complete Coffee Coverage (op.cit.) of 31 March 1960, the figures for 1957-59 were as follows in millions of bags:

	<u>1957</u>	<u>1958</u>	<u>1959</u>
World exports	36.6	36.8	42.6
of which:			
Latin America	26.2	26.4	31.3

Source: Complete Coffee Coverage, G. Gordon Paton, New York, 31 March 1960.

^{6/} On 16 July 1959, free-market sugar prices reached 2.62 cents per pound (f.o.b. Cuba), the lowest price since 29 November 1941. The minimum fixed by the International Agreement is 3.15 cents per pound (f.o.b. Cuba).

^{7/} Partly owing to these restrictions, total sugar exports from Cuba and other countries in 1959 were less than in 1958, in contrast to the situation in the external markets for coffee and petroleum, in which the drop in prices was to some extent offset by the expansion in the volume exported.

Developments in the other market sector - the United States preferential area - were less adverse than in the free market. Whereas in the latter, average annual prices fell off 15 per cent between 1958 and 1959, they went down less than 1 per cent in the former. Moreover, the fact that Cuban exports to the United States were smaller in 1959 than in 1958, simply indicated that other suppliers (Hawaii and Puerto Rico) had regained their position after the contraction that their production underwent in 1958.^{8/}

In 1959, Latin America's principal problems as regards its export trade were centred round the three commodities under discussion - petroleum, coffee and sugar. In the case of the other commodities the trends were mixed. After losses sustained in 1958, wool prices recovered somewhat owing to the resurgence of demand and of activity in the textile industry. An estimate of world wool consumption in 1959 indicates that it was 12 per cent higher than in 1958. This revival of demand enabled the exportable surpluses, which had piled up in Argentina and Uruguay by the end of 1958, to be sold in the course of 1959, although certain incentives - principally a more favourable exchange treatment - agreed upon by the producer countries were a contributory factor.

In contrast to the recovery in the price and volume of wool exports, a further decline took place in cotton prices in 1959 (see again table I-1), largely as a result of the 25-per-cent increment in total output and the

^{8/} Cuba's sugar exports to the United States market are not covered by the provisions of the International Agreement. The decline in the price they commanded on that market therefore reflects the contraction in other areas' import requirements. The following figures (taken from the New York Coffee and Sugar Exchange, December 1959) show the initial quotas fixed for imports from Cuba, and the actual volume of those imports in the last two years:

United States sugar imports (Thousands of tons)				
1958		1959		
Initial quota	Actual imports	Initial quota	Actual imports	
Hawaii	967	1,011	887	
Puerto Rico	1,011	1,058	880	
Philippines	889	889	889	
Cuba	2,669	3,119	2,777	2,917

/larger subsidies

larger subsidies authorized in favour of cotton exports in the United States.^{9/} This price deterioration affected not only short- and medium-staple but also extra-long-staple cotton^{10/} in which the United States is not a serious competitor. Nevertheless, the market for extra-long-staple cotton (mainly important for Peru) showed signs of recovering in the second half of 1959; this did not, however, prevent the annual average price from falling 12 per cent lower than in 1958. With this decline the prices for extra-long-staple cotton sank to the nadir of the entire post-war period and at certain times even the premium for quality, which normally distinguishes this type of cotton from the short-staple type, disappeared. But even if the price trend was downwards, the volume of exports made definite progress, and nearly all the Latin American exporters sold larger quantities abroad in 1959 than in the previous year.

The non-ferrous metals group generally showed signs of a frank recovery in both price and volume. Lead was the only one among the four staple non-ferrous metals exported by Latin America (tin, copper, lead and zinc), whose prices, in 1959, showed a further although small decline in striking contrast to the increments recorded for the other three (see again table I-1).

The most important change took place in the case of tin, the price of which followed a steady upward trend, settling after the first half of 1959 in the middle third of the ceiling and floor price scale established by the International Agreement for this commodity. The expansion of world consumption, together with the price recovery, paved the way for a slight relaxation of the export restrictions which the signatories of the Agreement had applied in 1958. Hence, the export quotas, which were fixed at 20,300 tons in the first quarter of 1959, were successively raised to 30,500 tons in the last quarter. This improvement in the market originated, as has just been stated, in the expansion of

^{9/} In the trade year August 1958-July 1959, the United States subsidized its cotton exports to the extent of 6.5 cents per pound, subsequently raised to 8.0 cents per pound for exports in the trade year 1959/60.

^{10/} In relation to certain technical advances which reduce the use of this type of staple in cotton textile manufacture.

/world consumption.

world consumption,^{11/} but a contributory factor was the agreement signed early in the year between the International Tin Council and the Soviet Union to limit USSR exports to markets outside the group of countries with centrally-planned economies to approximately 13,500 tons a year.^{12/} The activation of demand in consumer countries was reflected not only in better prices and less stringent export restrictions but also in a substantial reduction of the large reserves which the Buffer Stock, set up by the International Agreement,^{13/} had accumulated.

The recovery of copper prices, which, in 1958, had sunk to the lowest level recorded in recent years, was attributable in the main to two factors: heavier world consumption and smaller output in the United States which was obliged to import a much larger volume than in 1958. Taken as a whole, world production of refined copper in 1959 was slightly larger than in 1958, but even so failed to regain the levels of 1956 and 1957. Similarly, while total inventories of refined copper were bigger in 1959 than at the end of 1958, world inventories were substantially smaller at the end of 1959 than in 1956 and 1957 when the market was in

^{11/} World consumption, in the first half of 1958, was estimated at some 68,000 tons and, in the first half of 1959, at about 80,000 tons, according to the Statistical Bulletin of the International Tin Council.

^{12/} In 1958, they had exceeded 18,000 tons.

^{13/} The inventories amassed by the Buffer Stock amounted to more than 25,000 tons in September 1958, and, in order to enable it to continue intervening in the market, the States members of the Agreement had to be asked to set up an additional fund for the purchase of a further 5,000 tons. Because of the recovery of the market from the end of 1958 onwards, the supplementary reserve of 5,000 tons was sold in the first two months of 1959 and part of the main reserve was put on the market in the following months. In September 1959, the Buffer Stock's reserves had shrunk to 11,200 tons and were apparently even lower at the end of the year.

the midst of a depression.^{14/} In short, the international copper market was in a much more stable position in 1959 than in the two preceding years, although its buoyancy was largely a result of the decline of United States output following prolonged strikes.

Although it is customary to study the lead and zinc markets together because of the close relationship between the production and price of the two metals, their respective market trends followed widely divergent courses in 1959. While zinc prices moved steadily upwards, thereby partially making up for the losses sustained in 1958, lead prices dropped below their depressed levels of the preceding year. Both movements - the recovery of the zinc and deterioration of the lead market - reflected the opposing tendencies in the consumption of the two metals. At the beginning of 1959, during the third session of the United Nations Lead and Zinc Committee, the ratio of output to consumption was taken to indicate a probable surplus of 150,000 tons of lead and 120,000 tons of zinc in 1959, i.e. 8 and 5 per cent respectively of world production in 1958.^{15/} Early in the second half of 1959, estimates of lead and zinc surpluses had been reduced to 16,000 tons for the latter and 59,000 tons for the former. This reflected a revision of the monthly consumption figures in the case of zinc (while world production maintained a slightly higher level than that of the previous year) and,

^{14/} According to a press release of 18 March 1960, issued by the New York Copper Institute, production and inventories of refined copper in the last two years were as follows in thousands of tons:

	<u>Production</u>		<u>Percentage variation</u>	<u>Inventories</u>		<u>Percentage variation</u>
	<u>1958</u>	<u>1959</u>		<u>1958</u>	<u>1959</u>	
United States	1,312	1,109	- 15.5	73	59	- 19.2
Other countries	1,238	1,547	24.9	165	207	25.4
	<u>2,550</u>	<u>2,655</u>	<u>4.1</u>	<u>238</u>	<u>266</u>	<u>11.8</u>

^{15/} Excluding the production of China (mainland) and the USSR.

in the case of lead, a more moderate rise in consumption and a larger decrease in output.^{16/}

Developments in 1959 as regards Latin America's other exports may be summed up more concisely. Cacao prices fell 18 per cent below their 1958 level, primarily because of the revival of African production, the decline in which had led to the price rises recorded in the 1957/58 farm year. The price drop in 1959 thus constituted, to a certain extent, the re-establishment of more balanced market conditions, particularly in view of the fact that prices in that year were maintained at levels not lower than those prevailing in 1951-53 and 1955-57. Meat prices rose again, as a result of vigorous demand on the world market and the rather critical situation of Latin America's exportable surpluses, especially in Argentina. The United States placed a ban on imports of certain meats from Latin America from May 1959 onwards and in December the United Kingdom applied some administrative restrictions, both measures being intended, according to statements made by the respective authorities, to prevent the possible spread of foot- and-mouth disease.

^{16/} World lead and zinc output in the first nine months of 1959, compared with the corresponding period in 1958, was as follows in thousands of tons:

	<u>1958</u>	<u>1959</u>
Zinc: January-March	606	604
April-June	595	620
July-September	572	595
Lead: January-March	488	472
April-June	434	476
July-September	438	409

Source: United Nations, Monthly Bulletin of Statistics

/But the

But the action taken by the United States did not cut down purchases from Latin America; it led instead to a change in the kinds of meat imported.

No important events occurred in the grain market. The prices of wheat and maize fluctuated very slightly, remaining at virtually the same levels as in 1958, while the volume of exports surpassed the previous year's figure. The reincorporation of the United Kingdom into the International Wheat Agreement, which was renewed in August 1959, and the inclusion in the new Agreement of certain provisions as a safeguard against the possibility of non-member countries' expanding their exports to the detriment of member countries' trade, offered some assurance that the minimum price level specified would at least be upheld. The provisions in question are primarily intended to ensure that sales of wheat by the Soviet Union, whose exports have increased in recent years, do not weaken the wheat market in the same way as happened in the tin market in 1958.^{17/}

An over-all assessment of international price fluctuations, as given in table I-1, reveals that the decline affected more than half Latin America's staple exports and - what is even more important - was particularly marked in the case of commodities which were the major sources of foreign exchange earnings for specific countries such as those that mainly depend on their sales of coffee, sugar, cotton and petroleum. On the other hand, as will be seen later, the decline of 8.5 per cent in the general price index for the export commodities of Latin America as a whole was offset by an expansion in the volume exported, above all in the case of coffee, cotton, petroleum and other items of minor importance. Thus, at least in so far as foreign exchange earnings are concerned, external market developments in 1959 did not aggravate the worsening situation in which the Latin American economies have found themselves in the last few years. From another point of view though, the deterioration in the terms of trade which has existed in recent years is becoming more serious.

^{17/} See p. 7 above and footnote 12.

II. EXPORTS, IMPORTS AND THE TRADE BALANCE

The aggregate value of Latin American exports in 1959 revealed a relatively small increment of 1 per cent over their 1958 figure. External market developments, as indicated in the preceding section, had a distinctly unfavourable impact on the prices of a number of staple exports, but at the same time a recrudescence of external demand took place in the case of others which was a great help in counterbalancing the effect of the drop in prices through an increase in the volume of sales. This generalization is, of course more applicable to the countries which supply the bulk of Latin American coffee and petroleum exports, i.e., Brazil, Colombia and Venezuela. In other cases, the fluctuation in prices and volume exported had a cumulative effect on a few countries foreign exchange earnings. As regards sugar, for example, the two factors combined to lessen the value of exports from Cuba and the Dominican Republic, while the rise in the prices of tin and copper and the larger volume exported were jointly responsible for the increase in the total value of these exports from Bolivia and Chile respectively. It should also be noted that in the two countries - Haiti and Uruguay - where the fall in the value of exports was steepest, the primary causes were internal in origin and were reflected in a drastic contraction of exportable surpluses.

The relative stagnation of Latin America's foreign exchange earnings from exports was mirrored in a 9-per-cent reduction of imports below their 1958 level. It was obviously imperative for most of the Latin American countries to cut down the value of their imports in 1959, owing to the magnitude of the deficit in their trade balance for 1958 and to the shrinkage in the international holdings of many of those countries in 1959. As pointed out in table I-2, the countries where no such cut in imports took place were Brazil and Colombia; in the case of both, however, a fairly intensive decline had already been observed in 1958.

Following the reduction in purchases abroad effected by nearly all the Latin American countries in 1959 there was a substantial lessening of the deficit in the trade balance of Latin America as a whole, excluding Venezuela (see again table I-2). If Venezuela is included, the trade balance picture changes: in contrast to the deficit of more

Table I-2

LATIN AMERICA: EXPORTS, IMPORTS AND TRADE BALANCE
(Millions of dollars)

Main exporters of	Exports		Imports		Trade balance	
	1958	1959 a/	1958	1959 a/	1958	1959 a/
<u>Coffee</u>						
Brazil	1 244.0	1 282.0	1 353.0	1 374.0	-109.0	-92.0
Colombia	536.0	529.0	425.9	440.0	110.1	89.0
Costa Rica	93.1	85.3	98.8	102.7	-5.7	-17.4
El Salvador	118.0	112.8	108.3	100.8	9.7	12.0
Guatemala	107.2	106.0	155.9	136.0	-48.7	-28.0
Haiti	41.8	25.8	42.0	29.6	-0.2	-3.8
Nicaragua	70.4	75.0	74.2	66.8	-3.8	8.2
<u>Sugar</u>						
Cuba	763.2	655.0	877.1	690.0	-113.9	-35.0
Dominican Republic	136.5	130.0	147.1	133.0	-10.6	-3.0
<u>Bananas</u>						
Ecuador	137.6	140.2	117.9	111.8	19.7	28.4
Honduras	71.4b/	...	76.5b/	...	-5.1b/	...
Panama	74.4b/	...	131.6b/	...	-57.2b/	...
<u>Wheat and agricultural commodities</u>						
Argentina	993.9	1 000.6	1 232.6	983.6	-238.7	17.0
Uruguay	138.6	97.8	168.0	143.2	-29.4	-45.4
<u>Non-ferrous metals</u>						
Bolivia	53.5	59.6	84.6	75.0	-31.1	-15.4
Chile	349.5	450.0	427.1	380.0	-77.6	70.0
<u>Miscellaneous commodities</u>						
Mexico	752.2	765.0	1 128.6	1 007.0	-376.4	-242.0
Paraguay	34.2	36.7	48.4	37.9	-14.2	-1.2
Peru	291.8	317.3	394.9	340.0	-103.1	-22.7
Total: 17 countries	5 861.5	5 870.1	6 884.4	6 151.4	-1 022.9	-281.3
Venezuela	2 510.3	2 600.0	1 744.2	1 590.0	766.1	1 010.0
<u>Grand total,</u> <u>18 countries</u>	8 371.8	8 470.1	8 628.6	7 741.4	-256.8	728.7

Sources: International Monetary Fund, Balance of Payments Yearbook, Vol. II.
International Financial Statistics, and direct information.

a/ Provisional figures.

b/ The figures for these countries have been excluded from the totals to make the two years comparable.

than 250 million dollars in 1958 the balance became positive in 1959 to the tune of some 700 million. The reduction in the negative balance in 1959 with respect to the 1958 figure lowered the deficit of Latin America's balance of payments between the two years in question.

Consideration will now be given to each country in turn, in order to show the characteristics of its trade situation in 1959.^{18/}

Brazil succeeded in raising the total value of its exports by 3 per cent, despite falling prices for the commodities (coffee, cacao, sugar and cotton) which made up more than two-thirds of that total. The improvement was primarily due to the remarkable recovery in the volume of coffee sales abroad, which rose from 12.9 million bags in 1958 to 17.4 million in 1959, the highest peak reached since 1949. Cotton exports also underwent a substantial expansion in volume (from 40,000 tons in 1958 to 80,000 tons in 1959), although their level is still low in comparison with those reached in 1953-56. The effect of the fall in external market prices for these two commodities was offset by the increment in the volume of sales, but cacao and sugar exports fared differently and dropped in volume as well as in price.

The decline in external prices for Brazil's staple exports led the Government to make successive devaluations in the official exchange rate of the cruzeiro and to authorize the sale on the free market of foreign exchange earned by a number of exports. The exchange rate applied to coffee exports, fixed at 37.06 cruzeiros per dollar in October 1958, was raised to 60 cruzeiros in January and 76 cruzeiros from 1 July 1959. Other products, which at the end of 1958, were quoted at 70 cruzeiros to the dollar, were revalued at the rate of 100 cruzeiros per dollar, while a third group, including sugar and cotton, was transferred to the free-exchange market, payment for them in terms of local currency thereby increasing from an average of 138 cruzeiros per dollar in the last quarter of 1958 to an average of 190 cruzeiros in the last quarter of 1959.

^{18/} The countries have been listed in accordance with the system adopted in table I-2, instead of alphabetically as is the normal practice.

Almost at the end of the year, a new change in the exchange system extended the free-market rate to all exports^{19/} with the exception of coffee and cacao, for which the fixed rates of 76 and 100 cruzeiros per dollar respectively were retained.

As regards imports, Brazil was one of the few countries in which a modest increment was registered, although there had been no relaxation or liberalization of the import regulations in force. On the contrary, at the beginning of the year, the rate of exchange for preferential imports (wheat, petroleum and petroleum derivatives, Government imports, etc.) was raised from 80 to 100 cruzeiros per dollar, while the average quotation at auctions of foreign exchange for imports in the general category passed from an average of 119 cruzeiros per dollar at the end of 1958 to one of 208 cruzeiros at the end of 1959. Moreover, since the beginning of the year, it was stipulated that payment of freight and insurance for imports would be transacted through the free-exchange market, which was, in practice, a way of raising import costs even higher, since dollar quotations on that market moved steadily upwards during 1959. The effect of the devaluation of the cruzeiro in the exchange market on import costs may be appreciated from their price index (in unit values) in terms of cruzeiros. This registered an increment of 47.6 per cent over the 1958 figure, while the price index in dollars showed a drop of 22 per cent in comparison with the previous year.^{20/} The expansion of imports was mainly reflected in the machinery and motor vehicle groups and in that of foodstuffs. As regards the latter, an increment of 20 per cent was registered in wheat purchases. In the fuels and lubricants group, which in the last few years has absorbed a

^{19/} The system operates in the following way: exporters receive 130 cruzeiros per dollar in cash and promissory notes from the Banco do Brasil (falling due in 6 months and bearing an annual rate of interest of 6 per cent) in respect of the difference between that sum and the free-market quotation. Dollar quotations on this market during the last quarter of 1959 fluctuated between 180 and 200 cruzeiros.

^{20/} According to data published in Desenvolvimento e Conjuntura, Rio de Janeiro, February 1960.

growing proportion of the country's exchange resources, a small decline was observed, as a result of the lower prices for these commodities on the world market and of a qualitative change in their composition when purchases of refined products were cut in favour of more crude, the unit value of which is lower than that of refined products.^{21/}

In 1959 Brazil's trade balance, which had shown a deficit of 109 million dollars in 1958, was again negative, this time to the extent of 92 million dollars. The magnitude of these debit balances and the increasing accumulation of coffee surpluses (despite the expansion in coffee exports) led the Government to make a determined effort to broaden external markets, especially those for coffee. A trade agreement was signed with the Soviet Union at the end of 1959 which provided for the expansion of trade between the two countries during the three years 1960-1962 up to a total amount of 25, 35, and 44 million dollars on either side, in each of the years covered. Under the terms of that agreement, Brazil hopes to step up its coffee sales to the Soviet Union to a total of 450,000 bags in 1960 and to more than a million in 1962. In addition to coffee, Brazilian exports will include cacao, hides and skins and vegetable oils, while its imports from the Soviet Union will consist chiefly of crude, petroleum derivatives and equipment for the petroleum industry.^{22/}

Colombia's total exports in 1959 showed a fairly small decline of about 1 per cent in comparison with their level in 1958. Although the two staple exports - coffee and petroleum - commanded lower prices on the external market than in the previous year, in both cases the volume exported showed a substantial increment, thereby adequately offsetting the fall in prices. Between 1958 and 1959, coffee exports rose from 5.4 to 6.4 million

^{21/} National production of crude was 27 per cent more in 1959 than in 1958. For technical reasons, however, not all the crude produced in the country could be processed in Brazilian refineries and therefore had to be sold abroad. The value of such exports rose to 24.0 and 28.9 million dollars in 1958 and 1959 respectively.

^{22/} According to export statistics, no coffee was shipped from Brazil to the Soviet Union in 1958 whereas 69,000 bags were sent in 1959. Nevertheless, Brazil's aggregate coffee exports to the Soviet Union, Poland, Czechoslovakia, Hungary and Eastern Germany increased from 150,000 bags in 1958 to 504,000 in 1959.

bags, while crude petroleum sales climbed from 3.4 to 4.0 million tons. Hence, the small drop recorded in the total value of exports correspond to a certain number of secondary commodities traded with neighbouring countries.

Imports went up 3 per cent in 1959 over their total in 1958, although in May 1959 a new customs tariff entered into force and in July prior deposits for imports were increased from 100 to 130 per cent. The new tariff raised ad-valorem duties on imports all round, although in actual fact part of the increment represented the incorporation into the tariff of taxes which had hitherto been made on the transfer of funds abroad. One of the innovations in the tariff was the reduction or elimination of import charges on agricultural machinery, fertilizers and insecticides.

Colombia's trade balance revealed a surplus of 110 million dollars in 1959, as compared with one of 89 million dollars in the previous year. In the last two years, much of the surplus - obtained by the application of strict controls on imports - has been used to amortize trade debts accumulated in 1955-57. Another portion, however, was earmarked, as is customary, for payments against the services account which traditionally shows a debit balance.

Costa Rica recorded a contraction of 8 per cent in the value of its exports in 1959, chiefly owing to the drop in coffee prices plus a decrease of almost 10 per cent in the volume exported. Cacao, another of the country's export staples, which also underwent a drop in its external price in 1959, was exported in much larger quantities than in 1958, which compensated for the fall in prices. Both the volume and value of banana exports were reduced as a result of the losses caused by hurricanes.

Despite the contraction in export earnings, imports expanded approximately 4 per cent in 1959 in relation to 1958. In consequence, the trade deficit, which had been 5.7 million dollars in 1958 rose to 17.4 million in 1959. None the less, no new restrictions were placed on imports, and the system of multiple exchange rates which had been in force since the middle of 1958 was maintained intact.

El Salvador exported 4 per cent less in 1959 than in 1958, owing to the fall in coffee prices. The volume of coffee sales remained more or less stable between 1958 and 1959. In the case of cotton which has been sold abroad in increasingly larger quantities in recent years, a further increment was recorded in 1959, thereby helping, despite the fact that its price also dropped, to soften the impact of lower coffee prices.

Total imports declined slightly more than exports: 7 per cent between 1958 and 1959. The trade balance, which had registered a surplus of approximately 10 million dollars in 1958, showed a credit of 12 million dollars in 1959.

In 1959, Guatemala, raised the total value of its exports by almost 1 per cent. The drop in coffee prices was offset by an increase in the volume of coffee sales. Banana and cotton exports remained at approximately the same levels as in 1958.

Heavier customs duties on a certain number of items and the levying of additional charges of up to 100 per cent on imports from countries with which Guatemala trade balance had been negative in 1958, helped to discourage imports in 1959, which as a result, were 13 per cent less than in 1958. The measures indicated were effective in reducing the deficit in the 1959 trade balance to 28 million dollars. The deficit had amounted to 49 million dollars in 1958.

Haiti's total exports in 1959 were greatly affected by a severe drought which reduced exportable surpluses of coffee and sugar. Their total value was 38 per cent less than in 1958, not only because of the drop in coffee and sugar prices abroad but also as a result of a contraction of 34 per cent in the volume of coffee sales and another of almost 50 per cent in the volume of sugar exports which had already declined substantially in 1958. In contrast to the critical situation of Haitian agriculture, bauxite production took a more active turn towards the end of 1959 as a result of an agreement with a United States enterprise to expand bauxite mining. The shrinkage in foreign exchange holdings was reflected in a 29-per-cent cut in total imports, yet Haiti's trade balance in 1959 showed a deficit of nearly 4 million dollars.

Up to 1958, Nicaragua's most important export commodity was coffee. However, the intensification of cotton growing provided increasing by large exportable surpluses of this crop, and by 1959 cotton exports surpassed coffee exports in value for the first time. This was attributable not only to the increment in cotton sales but also to the fall in the price and volume of coffee sales which were 30 per cent less than in 1958. The country's aggregate exports were a little over 6 per cent more than in the latter year. Total imports, on the other hand, shrank by 10 per cent in 1959, principally because of the rise of 5 to 20 per cent in duties on some 600 imported items. The trade balance, which had been 3.8 million dollars on the debit side in 1958, showed a surplus of 8 million in 1959.

The total value of Cuba's exports diminished 14 per cent owing to the joint effect of lower external prices and a smaller volume of sugar sales. As indicated in the first section of this chapter, the drop in sugar prices was particularly heavy in the free-market area (15 per cent); similarly, the volume of exports to that market decreased 16 per cent. Although the volume of sales to the United States preferential market contracted by 10 per cent, the price of sugar commanded was hardly 1 per cent lower. The volume of total sugar exports in 1959 was 12 per cent less than in 1958. As sugar production in that year was greater than in 1958, by the end of 1959 total inventories had risen more than 100 per cent in respect to their level at the end of 1958.^{23/} The slump on the world sugar market

^{23/} According to the Revista del Banco Nacional de Cuba, and Institute for Sugar Stabilization (Instituto de Estabilización del Azúcar), sugar production, exports and inventories in Cuba during the last three years were as follow in thousands of tons:

	<u>Production</u>	<u>Exports</u>			<u>Inventories at year's end</u>
		<u>to United States</u>	<u>Others</u>	<u>Total</u>	
1957	5,670	2,884	2,531	5,415	588
1958	5,779	3,197	2,435	5,632	547
1959	5,964	2,902	2,050	4,952	1,222

and the consequent contraction of export income led the Government to apply some exchange controls in order to ensure that foreign exchange earned by exports returned to the country. With this end in view, it was decreed that all residents receiving dollars for trade operations or services should exchange them for pesos at the official parity rate within three days. Apart from stopping the flight of capital, this measure was designed to maintain parity between the Cuban peso and the dollar.

The contraction in income from exports and from the tourist industry made it necessary to apply import restrictions. Goods were divided into five schedules, exchange charges ranging from 30 to 100 per cent being levied on the c.i.f. value for the different groups. Although this was effective in reducing imports 21 per cent below their 1958 level, international holdings declined by a relatively large proportion in 1959, sinking by the end of the year to their lowest level since 1950. None the less, the trade balance in 1959 showed a deficit of only 35 million dollars in comparison with the figure of 114 million in the previous year.^{24/}

The exports of the Dominican Republic shrank approximately 5 per cent in 1959 in relation to their 1958 level, as a result of lower prices for sugar, coffee and cacao on the external market. In addition, a small contraction took place in the volume of coffee and cacao exports, mainly because of smaller output. In turn, the total volume of imports fell off 10 per cent, partly owing to certain restrictions imposed on imports and partly as a result of the weakening of national economic activity. The cut in tax revenue at a time when the Government decided to increase its

^{24/} The prospects of the Cuban economy seemed to be brighter at the beginning of 1960. A five-year trade agreement signed with the Soviet Union included the sale to the latter country of a million tons of sugar annually during 1960-64. Prior to this agreement, the Soviet Union had already arranged to purchase some 600,000 tons of Cuban sugar for shipment in the first half of 1960. Although the sales already negotiated and those contemplated in the agreement did not lead to any appreciable improvement in prices during the first quarter of 1960, the volume of exports during that period was substantially larger than in the first quarter of 1959.

un déficit de 3.8 millones de dólares, experimentó en 1959 un superávit de 8 millones de dólares.

Cuba sufrió una disminución de 14 por ciento en el valor total de sus exportaciones por efecto conjunto de los más bajos precios externos y del menor volumen de ventas del azúcar. Como se indicó en la primera sección del capítulo, la baja de los precios del azúcar fue particularmente intensa en el área de mercado libre (15 por ciento); de igual modo, el volumen exportado hacia ese destino disminuyó 16 por ciento. Aunque el volumen de exportaciones para el mercado preferencial de los Estados Unidos se redujo en un 10 por ciento, la baja de los precios fue apenas de uno por ciento en ese sector. En conjunto, el volumen de las exportaciones totales de azúcar en 1959 disminuyó 12 por ciento con respecto a 1958. Por otra parte, como la producción de azúcar fue mayor que la del año previo, a fines de 1959 el total de las existencias acumuladas alcanzó una cifra superior en más de 100 por ciento a las existencias de fines de 1958.^{23/} El grave deterioro de las condiciones del mercado internacional del azúcar, con la consiguiente merma de los ingresos provenientes de estas exportaciones, indujo al gobierno a adoptar ciertas medidas de control de cambios, a fin de asegurar el retorno al país de las divisas por concepto de exportación. Con este objeto se dispuso que todos los residentes que recibieran dólares por operaciones comerciales o servicios deberían cambiarlos por pesos a la paridad legal dentro de un término de 3 días. Además de impedir la fuga de capitales, la medida tuvo como meta mantener la paridad del peso cubano con el dólar.

Los menores ingresos derivados de la exportación y la disminución de los provenientes del turismo hicieron necesaria la aplicación de restricciones a la importación. Las mercaderías se agruparon en 5 listas, estableciendo recargos cambiarios desde 30 hasta 100 por ciento sobre el valor CIF para los diferentes grupos. Aunque con ello se logró reducir

^{23/} Según la Revista del Banco Nacional de Cuba y el Instituto de Estabilización del Azúcar, la producción, las exportaciones y las existencias en los últimos tres años fueron las siguientes (en miles de toneladas):

	<u>Producción</u>	<u>Exportaciones</u>			<u>Existencias</u>
		<u>a EUA</u>	<u>Otros</u>	<u>Total</u>	<u>a fin de año</u>
1957	5 670	2 884	2 531	5 415	588
1958	5 779	3 197	2 435	5 632	547
1959	5 964	2 902	2 050	4 952	1 222

las importaciones en 21 por ciento con respecto a las de 1958, las reservas internacionales declinaron en 1959 en proporciones relativamente elevadas, situándose al finalizar dicho año al nivel más bajo desde 1950. Y fue así a pesar de que en 1959 la balanza comercial registró un saldo negativo de sólo 35 millones de dólares, en comparación con otro de 114 millones de dólares en 1958. ^{24/}

Las exportaciones de la República Dominicana declinaron en 1959 aproximadamente en 5 por ciento con respecto a 1958, debido a los precios más bajos del azúcar, el café y el cacao en el mercado exterior. Se registró, además, una pequeña disminución en el volumen de las exportaciones de café y cacao, principalmente como efecto de una menor producción. Las importaciones totales, a su vez, sufrieron una disminución de 10 por ciento, en parte como resultado de ciertas restricciones que se impusieron y en parte como reflejo del debilitamiento de la actividad económica del país. La disminución de los ingresos fiscales en momentos en que el gobierno decidía aumentar sus gastos de defensa impuso una carga adicional sobre las reservas monetarias, justamente en un período en que declinaban los ingresos provenientes de la exportación. Las medidas que el gobierno adoptó para contener las importaciones comprendieron la suspensión total de las importaciones a la zona libre que existe en el país, el aumento de los gravámenes arancelarios sobre cierto número de productos y la sujeción de otros al requisito de licencias previas para la importación. A base de ello se logró reducir considerablemente el saldo negativo de la balanza comercial que, habiendo sido de más de 10 millones de dólares en 1958, resultó de apenas 3 millones de dólares en 1959.

^{24/} Las perspectivas de la economía cubana parecían mejorar a comienzos de 1960. Un acuerdo comercial por 5 años firmado con la Unión Soviética incluyó la venta a este último país de un millón de toneladas anuales de azúcar en el período 1960-64. Con anterioridad a este acuerdo, la Unión Soviética había contratado ya la adquisición de unas 600 000 toneladas de azúcar cubana para embarque en la primera mitad de 1960. Aunque las ventas ya contratadas y las previstas en el acuerdo no se reflejaron en una mejoría sensible de los precios en el primer trimestre de 1960, el volumen de las exportaciones efectuadas en ese período fue sustancialmente superior al correspondiente período de 1959.

Owing to the substantial contraction in imports, Argentina's trade balance was able to show a surplus of 17 million dollars, as against a deficit of 239 million in 1958.

For the third year in succession, Uruguay was faced with a grave crisis in its export trade. In 1957 and 1958, the difficulties derived mainly from exchange policy, which, by keeping the Uruguayan peso heavily overvalued, provoked the opposition of exporters and, in some cases, stopped the flow of goods to foreign markets. Although higher exchange rates for staple exports were authorized in 1959, export activity failed to revive. But the basic problem at that time was the sharp decrease in exportable surpluses as a result of the floods which took place at the beginning of 1959 and caused heavy losses in cattle and sheep and in the wheat, maize and sunflower crops. In the case of commodities such as wheat and oilseed, the losses were so large that no exportable surpluses were left. Wool exports, however, were increased through the sale of the fairly sizable inventories accumulated in the previous season. Moreover, the favourable turn taken by wool prices on the external market during the major part of the year was helped - in the case of Uruguayan exporters - by the abolition of the compensatory duty which the United States levied on imports of tops from Uruguay. Similarly at the beginning of 1959, a tariff concession was negotiated with the United States Government, by virtue of which the duties levied by that country on imports of meat extract and preserved meat were lowered. In spite of this measure, total exports in 1959 were 29 per cent less than in 1958, for the reasons already indicated, and reached their lowest level of the last 15 years.

The contraction of export earnings made it necessary to tighten restrictions on purchases from abroad. Although no important change was made in the exchange system until the end of 1959, higher surcharges were levied on two out of the three categories into which imports are classified as early as the beginning of the year. The decline in the total value of imports amounted to 15 per cent, a lower percentage than that registered in the case of exports. Uruguay's trade balance therefore showed a deficit of 45 million dollars in comparison with a debit balance of 29 million in 1958.

/By the

By the end of 1959, Congress had already completely reformed the exchange system. Official parity between the Uruguayan peso and the dollar was changed from 1,519 to 6.50 pesos, the provisions authorizing the fixing of official exchange rates were repealed, the purchase and sale of foreign currencies being governed in future by the free play of supply and demand, and, lastly, the Government was empowered to fix withholding percentages on exports ranging from 5 to 50 per cent and surcharges not exceeding 300 per cent on imports of luxury goods or products that would compete with domestic industry. In addition, the Government was empowered to place a total or partial ban, renewable for six-monthly periods, on imports of non-essential and luxury goods and/or articles that would compete with local industry. Finally, a certain number of goods considered to be essential were temporarily exempted from payment of customs duties and other import charges. Such goods included machinery, tools and other articles required for agriculture.

As a result of the improved international tin market Bolivia's total exports in 1959 exceeded the previous year's figures by 11 per cent. The gradual rise in prices during the year reflected, on the one hand, heavier demand in the United States and the main European countries and, on the other hand, the fact that the Soviet Union's exports were kept to the levels provided for in the informal agreement between that country and the International Tin Council arrived at early in 1959.^{26/} As for the volume of exports of the States members of the International Tin Agreement, including Bolivia, the total authorized quotas for 1959 were not very much higher than the previous year's figures,^{27/} although Bolivia's actual exports amounted to slightly over 24,000 tons in 1959 because a barter agreement involving the exchange of 5,000 tons of tin for United States surplus agricultural commodities.^{28/} Exports of other

^{26/} See Economic Survey of Latin America, 1958, op.cit., p.34

^{27/} The total of quarterly quotas authorized for Bolivia amounted to 19,080 tons in 1958 and 19,543 tons in 1959. See International Tin Council, Statistical Bulletin.

^{28/} The 5,000 tons of tin acquired by the United States were for the country's strategic reserves and therefore did not affect the export quota fixed by the International Tin Council.

non-ferrous metals (lead, zinc and silver) were lower in 1959 than in 1958 because of a drop in the volume of exports for which a decrease in production was responsible. Similarly, crude petroleum production, which had risen sharply between 1954 and 1957, creating a new source of exports, dropped in the past two years because of the State enterprise's inability to expand its activities for lack of funds.

Total imports also declined by 11 per cent in 1959, although this cannot be attributed to changes in the exchange system applicable to imports. The trade balance, which had shown a deficit of 31 million dollars in 1958, was once again adverse, the deficit this time being 15 million dollars.

Chile completed the simplification of its exchange system in January 1959 by unifying the rate applied to commercial transactions (visible trade) and to invisible transfers (tourist industry, services, etc.). The new single rate, fluctuating in principle, remained stable during 1959. The improved foreign market for Chilean copper no doubt contributed to this, in addition to the measures adopted to curb excessive foreign exchange demand. The total value of exports was 29 per cent higher than in 1958 and this reflected both an improvement in external copper prices and an increase in export volume. Moreover, sales of manufactured copper, paper and iron are also increased.

Total imports shrank by 11 per cent, largely as a result of the severe import restrictions maintained during the year in the form of high prior deposit requirements. The classification of imported goods into ten schedules, subject to prior deposits ranging from 5 to 5,000 per cent of the c.i.f. value, was somewhat modified in 1959, the schedules being reduced to seven and the maximum prior deposit to 3,500 per cent. On the other hand, some goods on the schedule of prohibited imports were transferred to the schedule of authorized imports even though they were subject to the maximum prior deposit percentage rate.

As a result of increased earnings derived from exports, on the one hand, and the reduction of imports, on the other, Chile's trade in 1959 showed a favourable balance of 70 million dollars, compared with an adverse balance of some 78 million in 1958.

/In spite

In spite of the unfavourable conditions affecting some of its products on the external market, Mexico slightly increased the total value of its exports in 1959. In fact, while copper and zinc prices rose, the prices of cotton and coffee prices, the two leading export items, fell steeply. Moreover, while the effect of the drop in cotton prices could be counteracted by an increase in export volume, this could not be done in the case of coffee exports, which declined in volume as a result of smaller output in 1958/59.

The greater volume of cotton exports (19 per cent above the 1958 figure) was made possible by the use of relatively substantial reserves accumulated by the end of 1958 and by the cut in taxes authorized by the Government for cotton exports between July 1959 and May 1960. As a result of larger sales, cotton inventories shrank from 203,000 tons at the end of 1958 to 67,000 tons at the end of 1959.

The non-ferrous metal position improved in 1959, although prices and export volumes followed **different patterns** in the case of each metal. The rise in copper prices was partly offset by a drop in export volume, whereas both lead prices and sales volumes decreased. On the other hand, zinc prices and exports were higher than in 1958.

The expansion in exports of meat and beef cattle, stimulated by growing demand in the United States, has been substantial in recent years. The value of these exports rose from around 8 million dollars in 1956 to 53.5 million in 1958. This expansion was interrupted in 1959 - and the value of exports fell to 48 million dollars - following the application of export restrictions as a means of curbing the rise in domestic meat prices.

Total imports in 1959 were 11 per cent lower than in 1958, partly as a result of the policy adopted by the Government to reduce pressure on international reserves and to promote domestic production, and partly because of expanded production of some staple foodstuffs, such as maize, which had to be imported in substantial quantities during the previous year. One of the measures designed to promote domestic production and to encourage import substitution was the establishment of the Public Sector Imports Committee (Comité de Importaciones del Sector Público)

/to authorize

to authorize the purchase of foreign products by public bodies only if no domestic substitutes are available. This measure led to a cut in imports by public and State enterprises, which amounted to only 127 million dollars in 1959 compared with 220 million in 1958. The smaller imports of maize (45 million dollars) and of petroleum derivatives (11 million dollars) contributed to this reduction. In addition, both the State petroleum company and the national railways cut down on their imports of equipment and capital goods. It should be pointed out, however, that the reduction in total imports was largely the result of smaller purchases by the public sector and did not imply any major change in exchange policy. Moreover, the monetary authorities had ample backing to cope with foreign exchange demand, having entered into a stand-by credit agreement with the International Monetary Fund and the Export-Import Bank of 190 million dollars which was not used.^{29/}

Mexico's trade balance, adverse to the extent of 376 million dollars in 1958, was again unfavourable in 1959, this time by 242 million. However, as is well known, this unfavourable balance is not as important for Mexico as it is for other Latin American countries because the tourist industry and border trade with the United States usually produce a sizable credit balance.

Paraguay's total exports in 1959 were 7 per cent higher than in 1958, largely because of increased sales of mate, quebracho extract, leather and hides and meat and oleaginous products. There was a reduction in exports of other commodities, such as timber and cotton. In order to encourage sales abroad the Government decided to lower the 15-per-cent tax on exports, introduced in mid-1957, to 10 per cent as from February 1959.

Imports fell off by 22 per cent in 1959, largely as a result of the effect of the more restrictive measures applied to imports during most of the year. The prior deposit percentages (from 10 to 400 per cent)

^{29/} The stand-by credit contracted with the Export-Import Bank of Washington, amounting to 100 million dollars, was used at the rate of 10 million a year, an amount which was paid up by the end of 1959.

imposed since 1958 were supplemented as of February 1959 by an additional 5-per-cent tax on the c.i.f. value of goods, except for imports from Argentina, Brazil and Uruguay. Further changes in import regulations were introduced around the middle of the year increasing the deposit percentages on some items. But, in September the deposit percentages previously applied to various categories of imports were again reduced and the maximum percentages was fixed at 300 per cent.

Paraguay's balance of trade, unfavourable to the extent of 14 million dollars in 1958, showed a deficit of slightly over 1 million in 1959.

Peru's total exports were 9 per cent higher than in 1958. While the prices of two major commodities - sugar and cotton - fell on the world market, the drop was partly offset by an increase in the volume of sales. As regards non-ferrous metal exports, the increased value of zinc, attributable both to higher prices and to larger exports, was significant. The start of iron ore mining at the Acari deposits provided a further impetus to exports from the middle of 1959. Iron ore exports were thus considerably higher than in 1958. Copper exports did not expand in spite of substantially improved world market conditions. However, towards the end of the year the first shipments were made of ore from Toquepala, the output of which is expected to triple copper exports in the not too distant future. Lead mining continued to be depressed and the volume of lead exports declined in 1959.

An export activity that has expanded considerably in Peru over the past few years has been that of fisheries products. Exports amounted to 16 million dollars in 1956 and increased since to about 50 million in 1959. Coffee exports have also climbed steeply during the past three years, although the increase in sales volume was offset by the drop in prices abroad.

Total imports registered a drop of 14 per cent over 1958. Among the factors contributing to this decline were the increase in the free-market exchange rate, the higher ad valorem duties and charges (10 to 25 per cent) imposed on a large number of products deemed to be non-essential, and the smaller imports of mining machinery and equipment following the completion of the Toquepala installations. On the other hand, Peru's economic

/activity during

activity during the first half of the year was characterized by an atmosphere of depression caused by the unfavourable turn taken by the external prices of some staple exports. Around the middle of 1959 the Government adopted credit and monetary measures designed to stimulate economic activity, abolishing price controls previously applied to some activities and withdrawing the subsidies granted in respect of a few basic consumer items. In particular, the elimination of price controls on petroleum products improved prospects of the resumption of foreign investment in the petroleum industry which has been virtually stationary for several years.

The cut in imports substantially reduced Peru's adverse trade balance, which shrank from over 100 million dollars in 1958 to 23 million in 1959.

Venezuela managed to offset the drop in crude petroleum prices on the world market by increasing the volume of output and exports. Preliminary estimates indicate that the total value of exports was 3 per cent higher than in 1958. This may be regarded as a satisfactory result in view of the glut on the world petroleum market and also of the fact that the system of compulsory quotas instituted by the United States since March 1959 on imports of petroleum and its derivatives might well have brought about a substantial change in that country's purchases from Venezuela. However, that threat failed to materialize and United States imports of crude from Venezuela in 1959 were slightly higher than in 1958.^{30/} Total exports of refined petroleum products also increased, although to a lesser extent. As for the other commodities exported by Venezuela,

^{30/} According to the American Petroleum Institute, Statistical Bulletin, 19 April, 1960, total United States crude petroleum imports and the volume imported from Venezuela were as follow in millions of barrels:

	<u>Total imports</u>	<u>Imports from Venezuela</u>
1957	373.3	193.8
1958	348.0	158.2
1959	352.5	165.9

exports of iron ore continued to increase whereas those of coffee and cacao dropped both in volume and value.

Total imports fell off by 9 per cent, partly, it would seem, as the result of the institution of a licence system for a number of goods considered as non-essential or luxury items: alcoholic beverages, passenger cars, television sets, furniture, jewelry, perfume, cameras, films, etc. This system was replaced towards the end of 1959 by an increase in customs duties and charges on most of these items. While there has been no significant change in the system of imports, the measures adopted in 1959 reflected a change in official import policy calculated to discourage luxury spending. The shift in policy may also be attributed in part to the unusual pressure to which Venezuela's international reserves have been subjected in recent years, despite the fact that the decrease in these holdings which took place in 1958 and 1959 was caused largely by the honouring of private financial commitments with other countries.

Venezuela's normally favourable trade balance increased from 766 million dollars in 1958 to slightly over 1,000 million in 1959. But it should be borne in mind that this surplus was offset by a heavy deficit in the services account because of foreign investment earnings.

/III. TRADE POLICY

III. TRADE POLICY

Before an examination is made of the services account and the other elements in the balance of payments, it is useful to outline certain trends in Latin American trade policy. Some of the measures adopted by the different countries in 1959 as regards imports and exports have already been described in fair amount of detail. The following paragraphs will be devoted to the more general lines of trade policy.

The introduction of far-reaching exchange reforms in Argentina at the beginning of 1959 and in Uruguay at the end of that year has brought out still more clearly the tendency for multiple and fixed exchange rates to be replaced by a single fluctuating rate. Due attention should be paid to this trend because it brings to light two important facts: firstly, the highly complex problems posed by the maintenance of a system of multiple fixed rates in countries beset by acute inflation, and, secondly, the flexibility of the policy adopted by the International Monetary Fund vis-à-vis the system of fluctuating rates, as an interim measure at least.

In table I-3 ^{31/} the Latin American countries have been classified into six categories in accordance with their exchange system. Category 1 consists of countries with a single fixed rate, in which no change was made during the entire post-war period up to the recent application of exchange surcharges on what is still a small part of Cuban imports.^{32/} This tendency is apparent from the number of countries in categories 2 and 3 which, during the period in question, were

^{31/} This table includes all the Latin American countries with the exception of Panama, which has been omitted because much of the currency in circulation there consists of United States dollars.

^{32/} As is usual, the classification is necessarily somewhat arbitrary. Otherwise as many categories as there are countries would have to be established. Since the fixed-rate system still applies to most of Cuba's trade transactions, that country obviously belongs to category 1.

Table I-3
LATIN AMERICA: EXCHANGE SYSTEMS IN FORCE AT THE END
OF THE YEARS SPECIFIED

System	1947	1952	1957	1959
1. Single exchange rate	Cuba El Salvador Guatemala Haiti Honduras Mexico Dominican Republic	Cuba El Salvador Guatemala Haiti Honduras Mexico Dominican Republic	Cuba El Salvador Guatemala Haiti Honduras Mexico Dominican Republic	Cuba ^{a/} El Salvador Guatemala Haiti Honduras Mexico Dominican Republic
2. Multiple fixed rates	Bolivia Brazil Colombia Uruguay Venezuela	Brazil Venezuela	Venezuela	Venezuela
3. Multiple fixed rates for trade transactions; fluctuating rate for financial transactions	Argentina Chile Costa Rica Nicaragua	Bolivia Nicaragua Paraguay Uruguay	Nicaragua Uruguay	Nicaragua
4. Mixed system of multiple fixed rates and a fluctuating rate for trade transactions; fluctuating rate for financial transactions	Ecuador Paraguay Perú	Argentina Chile Colombia Costa Rica Ecuador	Argentina Brazil Colombia Costa Rica Ecuador	Brazil Colombia Costa Rica Ecuador
5. Single fluctuating rate for trade transactions; fluctuating rate for financial transactions		Peru	Chile Peru	Peru
6. Single fluctuating rate			Bolivia Paraguay ^{b/}	Argentina ^{b/} Bolivia Chile Paraguay ^{b/} Uruguay ^{b/}

Source: This table is an expansion, brought up to date to the end of 1959, of the table prepared by F.H. Schott in "The Evolution of Latin American Exchange-Rates Policies since World War II", in University of Princeton, Essays in International Finance, No. 32, January 1959.

^{a/} Exchange surcharges (ranging from 30 to 100 per cent) are levied on a list of imports representing approximately 15 per cent of total imports.

^{b/} Various exchange surcharge percentages are imposed on imports (in accordance with a classification by groups) and withholding percentages on certain exports.

transferred to categories 5 and 6. At the end of 1947, nine Latin American countries were using systems of multiple fixed rates (categories 2 and 3) but by the end of 1959 their number had been reduced to two. On the other hand, the system of fluctuating rates (categories 5 and 6) was not in force in any country in 1947, whereas by 1959 six countries were already applying it. Category 4 may be regarded as a transitional system to bridge the gap between multiple fixed rates and a single fluctuating rate; nearly all the countries that adopted the latter system in the last two years, had previously used a mixed system of fixed and fluctuating rates.

The Latin American countries which have recently switched from the system of multiple fixed rates to the single fluctuating exchange rate have thereby sought to eliminate the implicit subsidy favouring goods in the preferential imports groups. At the same time, the new system has simplified the problems of administering exchange controls by facilitating the total abolition or reduction to the lowest possible level of direct quantitative controls on imports. Nevertheless, the chronic inadequacy of exchange reserves has made it necessary to retain or set up some selective mechanisms for imports. For this purpose, certain definite percentages have been fixed for prior deposits in relation to the value of the goods, classified according to their importance for the economy and the extent to which their importation should be discouraged. This system of prior deposits, which is applied by a large number of countries in Latin America (both those using a single fluctuating exchange rate and those with a system of multiple rates), as well as being a means of selecting imports, also helps to lessen the pressure of demand on foreign exchange holdings by freezing importers' financial resources for certain periods (generally of one to six months). In some cases, the system has also stimulated the inflow of floating foreign capital or the repatriation of national capital which was held in bank accounts abroad in order to circumvent the loss of purchasing power caused by inflation.

/As indicated

As indicated in the section on foreign trade,^{33/} some of the countries which apply the prior deposit system have modified the percentages established. In the majority of cases, the percentages have been reduced, either because this requirement - at a time when bank credit was becoming tighter - tended to raise interest rates unduly and to hamper normal trade activities that were already limited by the monetary scarcity (as in Argentina), or because the increase in foreign exchange income allowed import restrictions to be relaxed a little (as in Chile).

Much of Latin America's trade policy in 1959 hinged on the possibility of expanding traditional markets and opening up new markets for their exports. Brazil and Colombia, in particular, made intensive efforts to expand the world coffee market, efforts which culminated in the conclusion of various trade agreements with countries in the group of centrally-planned economies. One of these agreements - between Brazil and the Soviet Union - provides for an increase in trade between these two countries in the next three years and, if forecasts on the volume of trade are fulfilled, may lead to the opening of a new and important market for coffee. Generally speaking, both on the part of the countries with centrally-planned economies and on that of the Latin American countries, a decided movement towards the expansion of reciprocal trade could be observed in 1959: Argentina, Brazil and Colombia signed or extended trade agreements with the former group of countries, while other States, such as Chile, sent trade missions to explore trade possibilities.^{34/}

The signature of a new International Coffee Agreement, in which Latin American exporter countries and a few African countries participated, constituted one of the important achievements of Latin American trade policy in 1959. The new Agreement fixed export quotas for each of the acceding countries, based on 90 per cent of the highest volume of exports attained in any calendar year of the period 1949-58. The relative

^{33/} Section II above.

^{34/} For information on recent developments in Latin American trade with the countries with centrally-planned economies, see the Economic Survey of Latin America, 1958, op. cit., pp.61 et seq.

stability of the coffee market in the second half of 1959 was largely attributable to the conclusion of that Agreement, in which some African producers agreed to participate for the first time, and also partly to the fact that the price level had already dropped appreciably and had therefore led to a substantial increment in consumption.

The founding of the Inter-American Cotton Federation (Federación Interamericana del Algodón) at the beginning of 1959, in which the leading producers of Latin America took part, constituted another common front in Latin American trade policy vis-à-vis external markets. Although the proposal for the conclusion of an international cotton agreement was not accepted by cotton-growers outside Latin America, the meeting sponsored by the Federation in the course of 1959 served to outline the bases for a common cotton market policy.

IV. THE SERVICES ACCOUNT

The two main elements in the services account of Latin America's balance of payments consist of tourist income and expenditure and remittances in respect of foreign investment earnings.^{35/} The net balance of the tourist account is favourable for Latin America as a whole, this being due chiefly to the high revenue from the tourist industry obtained by Mexico. While a favourable balance in the tourist account was also registered by Cuba, Panama and Uruguay ^{36/} and to a very minor extent by some of the Central American countries, the balance was unfavourable for the rest of Latin America (see table I-4). Although preliminary data for 1959 are still very incomplete, it would appear that the surplus in the tourist account increased for Mexico and to a lesser degree for Uruguay. The favourable balance for Cuba, on the other hand, became smaller during the past two years, no doubt because of the political tension which prevailed there during that period.

^{35/} "Freight and insurance", which is also part of the services account, is included in the goods account, as imports are presented on a c.i.f. basis in this Survey.

^{36/} However, Uruguay's tourist earnings were derived chiefly from neighbouring Latin American countries.

The second account mentioned - the return on foreign investment - generally shows a large deficit (see table I-5). Venezuela is chiefly responsible for changes in the net balance of that account. It was precisely because of a sharp drop in net remittances under that head from Venezuela in 1957 and 1958 that the net remittances for the whole area fell by 30 per cent during those two years. Preliminary data for 1959 indicate that, in this account, net remittances from Venezuela increased again, as they did for Argentina, Brazil, Colombia, Ecuador Mexico and Peru.

/Table I-4

Table I-4

LATIN AMERICA: NET BALANCES IN THE TOURIST INDUSTRY ACCOUNT
(Millions of dollars)

	1957	1958	1959 ^{a/}
Brazil	-40.0	-26.0	-40.0
Cuba	25.9	19.4	10.0
Mexico	349.3	322.0	360.0
Panama	26.7	24.9	25.0
Uruguay	10.1	13.8	16.0
Venezuela	-137.5	-99.1	-100.0
Other countries	-35.2	-22.2	-30.0
Total	199.3	232.8	241.0

Source: International Monetary Fund, Balance of Payments Yearbook, Vol. 11.

^{a/} Provisional estimates based on direct information.

Table I-5

LATIN AMERICA: NET BALANCES IN THE FOREIGN INVESTMENT YIELD ACCOUNT

(Millions of dollars)

	1957	1958	1959 ^{a/}
Argentina	-15.8	-31.0	-40.0
Brazil	-128.0	-107.0	-120.0
Chile	-56.8	-64.1	-70.0
Colombia	-25.9	-62.2	-65.0
Cuba	-65.6	-47.9	-50.0
Ecuador	-21.6	-21.8	-26.0
Mexico	-134.4	-141.2	-150.0
Peru	-33.1	-32.3	-50.0
Venezuela	-1 010.3	-633.6	-786.0
Other countries	-52.3	-52.1	-50.0
Total	-1 543.8	-1 193.2	-1 407.0

Source: International Monetary Fund, Balance of Payments Yearbook, Vol. 11.

^{a/} Provisional estimates based on direct information.

/V. THE CURRENT

V. THE CURRENT CAPACITY TO IMPORT

The current capacity to import diminished again in 1959.^{36/} Taking Latin America as a whole, this was caused by the increase in the deficit in the services account which was greater than the rise in the total value of exports (see table I-6). The drop in the current capacity to import would be relatively small if Venezuela were excluded from the regional totals, but the fact remains that the increasing outflow in the services account was the chief reason for the decline.

Viewed on a country basis, the current capacity to import improved substantially in Chile, thanks chiefly to the rise in the value of its exports. For the same reason, but to a lesser extent, there was an improvement in the capacity to import of Bolivia, Nicaragua, Paraguay and Peru, whereas the improvement in Argentina was attributable largely to a smaller deficit in its services account. Lastly, Mexico's capacity to import expanded during the year as a result of the combined effect of a rise in the value of exports and a surplus in the services account.

The situation in the other countries was unfavourable. Venezuela's deficit in its services account increased further in spite of a rise in the value of exports, with a resultant contraction in the capacity to import of some 160 million dollars, i.e. about 10 per cent of total imports. An increase in the deficit in the services account was also responsible for a moderate decline in Brazil's capacity to import. In Cuba and Haiti, on the other hand, a sharp reduction in the value of exports was mainly responsible for the contraction in the capacity to import, and this was also the case, albeit on a smaller scale, in Cost Rica, the Dominican Republic, El Salvador and Uruguay.

VI. BALANCE OF TRADE AND NET BALANCE OF CURRENT TRANSACTIONS

Latin America's balance of trade in 1959 showed a surplus of approximately 700 million dollars, compared with a deficit of nearly 260 million in 1958 (see table I-7). Venezuela's position - with a large surplus in its balance of trade - had a major effect on the totals for the region as a whole. But even if Venezuela is excluded, it will be seen that the deficit

^{36/} The current capacity to import is equal to the value of exports plus (or minus) the net balance in the service account.

Table I-6

LATIN AMERICA: CURRENT CAPACITY TO IMPORT

(Millions of dollars)

Country	Exports of goods		Net services balance		Current capacity to import	
	1958	1959 a/	1958	1959 a/	1958	1959 a/
Argentina	993.9	1 000.6	-25.0	-2.0	968.9	998.6
Bolivia	53.5	59.6	-3.9	-5.0	49.6	54.6
Brazil	1 244.0	1 282.0	-154.0	-220.0	1 090.0	1 062.0
Chile	349.5	450.0	-47.7	-40.0	301.8	410.0
Colombia	536.0	529.0	-68.4	-70.0	467.6	459.0
Costa Rica	93.1	85.3	-3.4	-3.0	89.7	82.3
Cuba	763.2	655.0	-13.8	-50.0	749.4	605.0
Ecuador	137.6	140.2	-34.7	-39.0	102.9	101.2
El Salvador	118.0	112.8	-8.6	-9.0	109.4	103.8
Guatemala	107.2	108.0	-1.3	-2.0	105.9	106.0
Haiti	41.8	25.8	+5.3	+5.0	47.1	30.8
Honduras	71.4b/	...	-4.5b/	...	66.9b/	...
Mexico	752.2	765.0	+196.2	+228.0	948.4	993.0
Nicaragua	70.4	75.0	-9.9	-10.0	60.5	65.0
Panama	74.4b/	...	+44.1b/	...	118.5b/	...
Paraguay	34.2	36.7	+0.3	+0.3	34.5	37.0
Peru	291.8	317.3	-16.1	-30.0	275.7	287.3
Dominican Republic	136.5	130.0	+1.8	+1.0	138.3	131.0
Uruguay	138.6	97.8	+9.0	+12.0	147.6	109.8
<u>Total</u>	5 861.5	5 870.1	-174.2	-233.7	5 687.3	5 636.4
Venezuela	2 510.3	2 600.0	-846.8	-1 100.0	1 663.5	1 500.0
<u>Grand total</u>	8 371.8	8 470.1	-1 021.0	-1 333.7	7 350.8	7 136.4

Sources: International Monetary Fund, Balance of Payments Yearbook, Vol.11, International Financial Statistics; and other direct information.

a/ Provisional figures.

b/ The figures for these countries have been excluded from the totals in order to make the two years comparable.

Table I-7

LATIN AMERICA: NET BALANCE IN THE CURRENT TRANSACTIONS ACCOUNT
(Millions of dollars)

Country	Balance in goods account		Balance in services account		Net balance in current transac- tions account	
	1958	1959 a/	1958	1959 a/	1958	1959 a/
Argentina	-238.7	+17.0	-25.0	-2.0	-263.7	+15.0
Bolivia	-31.1	-15.4	-3.9	-5.0	-35.0	-20.4
Brazil	-109.0	-92.0	-154.0	-220.0	-263.0	-312.0
Chile	-77.6	+70.0	-47.7	-40.0	-125.3	+30.0
Colombia	+110.1	+89.0	-68.4	-70.0	+41.7	+19.0
Costa Rica	-5.7	-17.4	-3.4	-3.0	-9.1	-20.4
Cuba	-113.9	-35.0	-13.8	-50.0	-127.7	-85.0
Ecuador	+19.7	+28.4	-34.7	-39.0	-15.0	-10.6
El Salvador	+9.7	+12.0	-8.6	-9.0	+1.1	+3.0
Guatemala	-48.7	-28.0	-1.3	-2.0	-50.0	-30.0
Haiti	-0.2	-3.8	+5.3	+5.0	+5.1	+1.2
Honduras	-5.1 b/	...	-4.5 b/	...	-9.6 b/	...
Mexico	-376.4	-242.0	+196.2	+228.0	-180.2	-14.0
Nicaragua	-3.8	+8.2	-9.9	-10.0	-13.7	-1.8
Panama	-57.2 b/	...	+44.1 b/		-13.1 b/	
Paraguay	-14.2	-1.2	+0.3	+0.3	-13.9	-0.9
Peru	-103.1	-22.7	-16.1	-30.0	-119.2	-52.7
Dominican Republic	-10.6	-3.0	+1.8	+1.0	-8.8	-2.0
Uruguay	-29.4	-45.4	+9.0	+12.0	-20.4	-33.4
Total	-1 022.9	-281.3	-174.2	-233.7	-1 197.1	-515.0
Venezuela	+766.2	+1 010.0	-846.8	-1 100.0	-80.7	-90.0
Grand total	-256.8	+728.7	-1 021.0	-1 333.7	-1 277.8	-605.0

Sources: International Monetary Fund, Balance of Payments Yearbook, op.cit.,
International Financial Statistics and direct information.

a/ Provisional figures.

b/ The figures for these countries have been excluded from the totals in order to make the two years comparable.

/in Latin

in Latin America's balance of trade for 1959 was smaller than in 1958 because virtually every Latin American country cut its imports in 1959.

The net balance in the services account, generally adverse for Latin America as a whole, showed an even higher deficit in 1959 than in 1958, mainly because of the heavier outflow from Brazil and Venezuela. Nevertheless, the total net balance of current transactions (goods and services) fell to 606 million dollars in 1959 from the figure of 1,278 million to which it had risen in 1958. As stated earlier, the reduction in the deficit reflected the radical change in Latin America's balance of trade.

VII. MOVEMENTS IN THE CAPITAL ACCOUNT

The net inflow of foreign capital into Latin America seems to have diminished in 1959 as compared with 1958. While the available figures relate exclusively to capital movements from the United States and international finance agencies, it should be borne in mind that these sources provide the bulk of the private and official capital that enters Latin America.

The net inflow of private capital from the United States in the form of direct investment declines, partly reflecting the virtual termination of the large-scale investments made in the Venezuelan petroleum industry during the three previous years. As regards the movements of other private capital, it should be noted that the inflow of long-term private capital was more substantial in 1959, unlike 1958 when the flow of short-term capital exceeded that of long-term capital (see table I-8). The sharpest drop was registered in the official capital account and was caused chiefly by the reduced scale of loan operations carried on by the Export-Import Bank with Latin America in 1959. The aggregate net inflow of official and private capital from the United States shrank from 945 million dollars in 1958 to 644 million in 1959.^{37/}

With reference to the capital account, a distinction must be made between movements designed to finance specific development projects

^{37/} These figures do not include unilateral transfers (mainly grants-in-aid) from the United States to Latin America, which amounted to 172 million dollars in 1958 and 160 million in 1959. Transfers in the form of military aid are also excluded.

Table. I-8

UNITED STATES: BALANCE OF PAYMENTS WITH LATIN AMERICA.
MOVEMENTS IN THE CAPITAL ACCOUNT a/
(Millions of dollars)

	1958	1959
A. <u>Private capital</u>	<u>-474</u>	<u>-383</u>
(i) Direct investment	-325	-193
(ii) Other private capital:		
long term	-47	-160
short-term	-112	-40
(iii) Amortizations	10	10
B. <u>Official capital</u>	<u>-471</u>	<u>-261</u>
(i) Long-term	-595	-406
(ii) Short-term	-27	-36
(iii) Amortizations	151	181
C. <u>Total</u> (A + B)	<u>-945</u>	<u>-644</u>

Source: United States Department of Commerce, Survey of Current Business,
June 1959-March 1960.

a/ Since the figures here are taken from the United States balance of payments, the movement of funds towards Latin America constitutes an outflow of capital and is indicated by a minus sign. Conversely, amortizations by Latin America represent a source of income for the United States.

/- generally long-term -

- generally long-term - and those intended to bolster temporarily a country's capacity to import or to increase its international financial resources during a specific period in order to enable the monetary authorities to cope with the demand for external means of payment. While the former type of movement is similar to direct foreign investment, the latter is of a compensatory nature and should be considered as reflecting the deficit in the balance of payments of the country concerned. Thus, loans from the International Monetary Fund, some from the Export-Import Bank and other short-term official and private foreign credit are compensatory in character. The net inflow of capital from the United States and international institutions is dealt with in greater detail below, due account being taken of the aforesaid distinction.

1. Loans from the Export-Import Bank

The operations of this institution constitute the bulk of the inflow of official United States capital into Latin America. The Bank's total disbursements to Latin American countries amounted to 310 million dollars in 1959 as against 485 million in 1958. Of these amounts, compensatory loans represented 152 million in 1958 and 92 million in 1959. The break-down of these total disbursements among the Latin American countries in those two years is shown in table I-9, from which it will be seen that the reduced outlay in 1959 as compared with 1958 is chiefly attributable to the smaller loans granted in the first place to Brazil and secondly to Mexico. But it should also be pointed out that the reduction was due in some measure not to a restriction of credit facilities^{38/} but to the fact that some of the loans granted to certain countries were not used. Another point that should be mentioned is that the Export-Import Bank's credit policy provides more liberal financing regulations for the United States exporter than for the Latin American importer, this being the result of a new measure adopted in September 1959. Until then, the Bank financed 60 per cent of purchases of goods manufactured in the United States, the remaining 40 per cent being divided equally between the United States exporter and the Latin American importer. As from September the Bank agreed

^{38/} Two examples can be given in this connexion. Mexico was granted a 100 million dollar loan early in 1959 but used only 10 million which were repaid by the end of the year. Peru arranged for a 40 million loan but used only 16 million.

Table I-9
EXPORT-IMPORT BANK OF WASHINGTON: CREDITS GRANTED
TO LATIN AMERICA

(Millions of dollars)

Country	Disbursements	
	1958	1959
Argentina	61.0	69.1
Brazil	186.8	63.7
Chile	32.9	34.1
Colombia	46.0	39.0
Costa Rica	2.9	3.0
Cuba	11.1	5.2
Ecuador	1.2	0.4
Guatemala	0.3	0.1
Haiti	1.0	0.1
Honduras	1.2	1.0
Mexico	75.6	39.0
Nicaragua	0.4	1.2
Panama	1.2	1.1
Paraguay	1.7	1.7
Peru	47.8	49.5
Venezuela	3.2	1.2
Unclassified	11.0	-
Total	485.2	309.4
Amortizations	134.0	153.1
Net inflow	351.2	156.3

Source: Export-Import Bank of Washington, Statement on Loans and Authorized Credits, Washington, 31 December 1958,
31 December 1959.

/to finance

to finance up to 68 per cent of the total transaction, reducing the United States exporter's share of the financing to 12 per cent while maintaining the Latin American importer's share at 20 per cent. The purpose of the measure was obviously to provide further facilities for exports from the United States in the form of official loans to exporters, a system similar to that which has benefited exporters in several European countries.

2. Loans from the Development Loan Fund

The Fund, like the Export-Import Bank, is an official United States agency.^{39/} In 1959, its second full year of operation, it authorized loans to eleven Latin American countries amounting to a total of 59 million dollars of which 24.8 were earmarked for Argentina. Actual disbursements in 1959 came to about 20 million (see table I-10). The Fund's loans are granted for the financing of specific development projects.

3. Loans from the International Bank for Reconstruction and Development

Further loans authorized by the International Bank in 1959 for Latin America amounted to 80.7 million dollars, less than the credit authorized in 1958 (see table I-11). As in previous years, most of the loans were intended for the development of sources of energy. Loans for this purpose were granted to Brazil, Chile, Colombia, El Salvador and Honduras, representing in total 81 per cent of all the loans granted by the Bank to Latin America as a whole. Actual disbursements in 1959 amounted to 68.6 million dollars as against 72 million in 1958. The net inflow of capital from the International Bank totalled 33.1 million dollars in 1959 and 39.7 million in 1958.

4. Investments by the International Finance Corporation

The operations of this Corporation which does not grant loans but invests in private enterprises requiring capital for expansion, were more intensive in Latin America during 1959. The amount of authorized investments rose to 11.5 million dollars, compared with 5.5 million in 1958

^{39/} For details on the operations of the Development Loan Fund, see Economic Survey of Latin America 1958, op.cit., p. 45.

Table I-10

UNITED STATES: CREDITS GRANTED TO LATIN AMERICA BY THE
DEVELOPMENT LOAN FUND

(Millions of dollars)

Country	1958		1959	
	Authori- zations	Disbur- bursements	Authori- zations	Disbur- sements
Argentina	-	-	24.8	13.7
Bolivia	2.3	-	1.7	2.2
Brazil	0.5	-	0.3	0.2
Chile	-	-	0.2	-
Costa Rica	0.3	-	-	0.2
Ecuador	4.7	-	5.3	0.03
Haiti	-	-	7.6	0.06
Honduras	5.0	-	-	0.44
Gatemala	-	-	5.4	0.08
Nicaragua	-	-	0.6	-
Paraguay	6.1	0.3	1.0	3.07
Peru	-	-	3.5	-
Uruguay	-	-	8.8	-
Total	18.9	0.3	59.2	19.9

Sources: International Financial News Survey; and direct information from official sources.

/Table I-11

Table I-11

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT:
CREDITS GRANTED TO LATIN AMERICA

(Millions of dollars)

Country	1957	1958	1959
<u>A. New credits authorized</u>			
Brazil	...	86.40	11.60
Chile	21.80	-	32.50
Colombia	-	2.80	16.60
Costa Rica	-	-	3.50
Ecuador	20.10	13.00	-
El Salvador	-	-	8.00
Honduras	-	5.50	1.45
Mexico	-	45.00	-
Peru	5.00	21.57	-
Uruguay	-	-	7.00
Total	46.90	174.27	80.65
<u>B. Actual disbursements</u>			
Brazil	3.8	2.3	20.6
Chile	7.7	8.9	6.8
Colombia	16.4	7.7	6.8
Costa Rica	1.8	1.2	2.2
Ecuador	2.8	3.9	8.8
El Salvador	4.3	1.9	0.5
Guatemala	5.9	4.0	1.0
Haiti	0.1	0.2	1.1
Honduras	1.8	1.6	1.3
Mexico	11.4	19.8	6.5
Nicaragua	6.0	3.8	1.6
Panama	1.7	2.3	-
Paraguay	1.1	0.1	-
Peru	9.6	6.6	3.7
Uruguay	7.5	7.7	7.7
Total	81.9	72.0	68.6
Amortizations	21.2	32.3	35.5
Net inflow	60.7	39.7	33.1

Sources: International Bank, Statement on Loans; International Monetary Fund, International Financial Statistics.

(see table I-12). Its total investment in 1959 covered 13 projects in eight countries and involved a wide variety of activities: manufacture of foodstuffs, construction materials, fertilizers, pulp, cement, textiles and copper refining. While the Corporation's investments are not large, it should be borne in mind that its purpose is not to finance projects involving the development of basic resources but to supplement private investment in association with domestic or foreign private capital.

5. Loans from the International Monetary Fund

The International Monetary Fund's loans are mainly compensatory. During 1959, nine Latin American countries - Argentina, Chile, Colombia, the Dominican Republic, El Salvador, Honduras, Mexico, Paraguay and Peru - signed stand-by agreements with the Fund in respect of various amounts, but only two of them - Argentina and El Salvador - used part of the authorized loans; the other merely amortized credit received in the previous year (see table I-13 for a breakdown by countries, of the International Monetary Fund's loans and other compensatory credit). The transactions of Latin America as a whole with the International Monetary Fund in 1959 represented a net outflow of 44 million dollars as against a net inflow of 67 million in 1958.

6. Other official and private short-term capital

The information available on the flow of other official and private short-term capital is confined to capital from the United States and is also included in table I-13. Most of this flow of short-term capital may be considered to be of the compensatory type and, in so far as it has been possible to identify it, has been included in the table on compensatory accounts. Of course, the movements of short-term capital with countries other than the United States, on the one hand, and part of the commercial loans contracted directly with foreign sources, on the other, have not been included. These movements are included to a large extent under "errors and omissions", which is part of every country's balance of payments.

Table I-12

INTERNATIONAL FINANCE CORPORATION: AUTHORIZED INVESTMENT
IN LATIN AMERICA

(Millions of dollars)

Country	1957	1958	1959
Brazil	1.00	5.06	3.00
Chile	2.20	-	3.40
Colombia	-	-	1.50
El Salvador	-	-	0.14
Guatemala	-	0.20	-
Mexico	1.12	0.20	-
Peru	-	-	2.23
Venezuela	-	-	1.25
Total	4.32	5.46	11.52

Sources: International Finance Corporation, Third Annual Report, 1958-1959, and International Financial News Survey.

/Table I-13

Table I-13
LATIN AMERICA: BALANCE-OF-PAYMENTS SITUATION AND COMPENSATORY FINANCING
(Millions of dollars)

Country	Balance-of-payments situation		Compensatory financing							
			Gold and foreign ex- changes reserves		Credits from the Monetary Fund		Compensatory credits from the Eximbank		Other compensatory credits	
	1958	1959 <u>a/</u>	1958	1959 <u>a/</u>	1958	1959 <u>a/</u>	1958	1959 <u>a/</u>	1958	1959 <u>a/</u>
Argentina	-211.9	+22.0	-154.1	+217.0	0.0	-40.0	0.0	-25.0	-57.8	-130.0
Bolivia	-5.3	+6.8	+0.6	+6.0	-2.0	+0.8	0.0	0.0	-3.9	0.0
Brazil	-207.0	-177.0	-11.0	-17.0	-38.0	+20.0	-100.0	0.0	-58.0	-180.0
Chile	-31.3	+51.8	+13.3	+71.6	-10.6	+6.2	-13.0	-4.0	-21.0	-22.0
Colombia	-29.0	+34.0	+15.0	+52.0	-5.0	+21.0	-39.0	-39.0	0.0	0.0
Costa Rica	+7.7	-6.2	+7.7	-6.2	0.0	0.0	0.0	0.0	0.0	0.0
Cuba	-68.0	-116.0	-68.0	-116.0	0.0	0.0	0.0	0.0	0.0	0.0
Ecuador	-3.8	+5.9	-3.8	+4.6	0.0	+1.3	0.0	0.0	0.0	0.0
El Salvador	-4.0	-4.5	-2.0	+0.1	0.0	-4.6	0.0	0.0	-2.0	0.0
Guatemala	-26.0	-4.9	-26.0	-7.5	0.0	+2.6	0.0	0.0	0.0	0.0
Haiti	-5.2	-2.0	-2.7	-1.0	-2.5	-1.0	0.0	0.0	0.0	0.0
Honduras <u>b/</u>	-4.4	...	-8.0	...	+3.6	...	0.0	...	0.0	...
Mexico	-81.0	+64.0	-81.0	+41.0	0.0	+23.0	0.0	0.0	0.0	0.0
Nicaragua	-1.8	+2.5	-3.7	+1.5	+1.9	+1.0	0.0	0.0	0.0	0.0
Panama <u>b/</u>	+18.8	...	+18.8	...	0.0	...	0.0	...	0.0	...
Paraguay	-2.2	-2.6	+1.3	-4.4	-0.8	+1.8	0.0	0.0	-2.7	0.0
Peru	-12.4	+15.9	-2.4	+21.2	-10.0	+10.7	0.0	-16.0	0.0	0.0
Dominican Republic	-0.7	-5.7	-0.7	-7.0	0.0	+1.3	0.0	0.0	0.0	0.0
Uruguay	-29.0	-48.0	-24.0	-18.0	0.0	0.0	0.0	0.0	-5.0	-30.0
Venezuela	-396.0	-345.0	-396.0	-345.0	0.0	0.0	0.0	0.0	0.0	0.0
Totales <u>c/</u>	-1 106.9	-509.0	-737.5	-107.1	-67.0	+44.1	-152.0	-84.0	-150.4	-362.0

Sources: Prepared from basic data on net variations in international reserves, the net position vis-à-vis the International Monetary Fund and compensatory credits from other sources, according to figures published in International Financial Statistics, annual balance-sheets of the Eximbank and other direct sources.

a/ Provisional figures.

b/ The figures for these countries have been excluded from the totals in order to make the two years comparable.

c/ The difference between these balances and those for current transactions given in table I-7 reflects the net movement of autonomous (non-compensatory) capital, and errors and omissions.

7. Summary of the balance of payments

Table I-14 contains a summary of Latin America's balance of payments. While the figures are provisional, they indicate that both in 1958 and 1959 there was a relatively substantial outflow of Latin American capital.

8. New international financial institutions

The founding of the Inter-American Development Bank, embracing virtually every Latin American country and the United States, was legally approved by the end of 1959. The Bank's operations, confined to Latin America, will consist of the granting of direct loans out of its own capital or with funds acquired on the private capital market, and of guaranteeing, either in whole or in part, loans made by private investors. The loans granted or guaranteed by this new institution will be used to finance specific projects, including those which are part of a national or regional development programme. Out of its authorized capital of 1,000 million dollars, 80 million will be paid out during the first year of operations and 160 million in each of the two following years.

The proposal to establish the International Development Association, a new institution affiliated with the International Bank, is now being considered by the States members of the Bank. The chief purpose of the new institution, apart from channeling additional funds for the economic development of backward areas, is to cover a field of activity in which the International Bank cannot act, such as the granting of loans without Government security. In accordance with its proposed statutes, the Association will grant loans on more flexible terms which will not have as marked an effect on the balance of payments of under-developed countries. An unusual feature of this new institution is that member countries will be divided into two groups; the industrialized countries, which will make their contribution in gold or freely-convertible currency, and the under-developed countries which will make 10 per cent of their contribution in gold and free currency and the remaining 90 per cent in their own currency. The agreement creating this institution will remain open for the signature of member countries until December 1960.

Table I-14

LATIN AMERICA: BALANCE OF PAYMENTS, 1958-59 ^{a/}
(Millions of dollars)

	1958	1959
<u>A. Goods and services</u>		
Exports, FOB	8 372	8 470
Imports, CIF	-8 629	-7 741
Trade balance	-257	729
Net services	-1 021	-1 334
Total: goods and services	-1 278	-605
<u>B. Capital and gold</u>		
From the United States:		
i) Direct investment	325	193
ii) Other private and public capital	620	451
From the International Bank	36	32
From the International Finance Corporation	5	11
From the International Monetary Fund	67	-44
Other short-term credits	150	362
Net shift in international reserves (Increase -)	738	107
Total: capital and gold	1 941	1 112
<u>C. Other movements of capital, and errors and omissions</u>	-663	-507

Source: Prepared from the basic data included in the previous tables.

a/ Provisional figures.

VIII. BALANCE OF PAYMENTS AND COMPENSATORY FINANCING

Latin America's balance of payments in 1959 showed a deficit of 509 million dollars, an improvement over the figure of 1,107 million in 1958^{40/} (see again table I-13). This reduced deficit basically reflects the change in the Latin American trade balance, which showed a surplus of some 729 million dollars in 1959 compared with a deficit of some 257 million in 1958. Not counting Venezuela, whose trade surplus was offset by the large deficit in its services account, it will be seen that the balance-of-trade deficit of the remaining countries dropped from 1,023 million dollars in 1958 to 281 million in 1959. In other words, whether Venezuela is excluded or not, the smaller deficit in the total balance of payments was a result of the restrictive policy applied by most of the countries to imports in order to bring their trade into better balance.

Table I-13 also includes a breakdown, by countries, of the estimated trade balance and the movement of the various compensatory accounts. It will be noted, in particular, that the movements in the "gold and foreign exchange" account underwent a radical change which is particularly marked if Venezuela is excluded from the total for Latin America.

The drain on international reserves during 1958 was severe in some countries - Argentina, Cuba, Mexico and Venezuela. Only two of them - Argentina and Mexico - were able to stem the tide in 1959 and, in fact, only Mexico succeeded in doing so without resorting to foreign compensatory loans. The restoration of Argentina's international reserves necessitated a firm policy of import restrictions, on the one hand, and the use of foreign loans on a larger scale than in 1958. In Cuba and Venezuela, on the other hand, financing of an adverse balance of payments meant a further substantial reduction in international reserves in spite of the fact that in both countries the traditional policy of free imports was replaced, at least in part, by the introduction of restrictions on purchases abroad of non-essential or luxury items.

^{40/} By definition, the balance of payments is equal to the net change in international reserves plus compensatory foreign credit.

/Moreover, neither

Moreover, neither Cuba nor Venezuela resorted to foreign loans as a means of relieving the pressure of demand on their international reserves. In fact, the use of foreign compensatory loans in 1959 was confined to fewer countries than in 1958 (particularly in the case of loans contracted with the International Monetary Fund), although this smaller group of countries used compensatory loans from sources other than the Fund on a larger scale than in 1958^{41/}.

^{41/} This does not necessarily reflect more difficult access to the resources of the International Monetary Fund in 1959. Some countries - Chile, Colombia, Mexico and Peru - did not use in 1959 the loans authorized by the Fund. In another case - Brazil - loan negotiations were broken off because of failure to agree on specific monetary and fiscal policy measures.

Chapter II

GROSS DOMESTIC PRODUCT AND INCOME

I. DEVELOPMENT OF PER CAPITA PRODUCT AND INCOME

As was already mentioned in the Introduction to this Survey, Latin America's gross domestic product rose much less in 1959 than in 1958, but since the rate of increase (2.9 per cent) was calculated on the basis of preliminary and incomplete data, further revisions could change this figure substantially.^{1/} However, the high rate of population increase in Latin America detracts considerably from the significance of this improvement in the total product and emphasizes how serious the progressive deterioration in the growth rate of the gross product has been in recent years.

Table II-1 shows that, in four of the ten countries covered, the per capita product decreased in 1959 and that, in Latin America as a whole, the 2.9-per-cent improvement in the gross product, on being distributed among a larger population, drops to a trifling 0.3 per cent. The fall in the rate of increase of the per capita product from 3.6 to 1.8 per cent between 1955 and 1956 to only 1.3 and 0.3 per cent in 1958 and 1959 reveals how severe economic and social strains became more clearly than the reduction from 5.9 and 4.2 per cent to 3.8 and 2.9 per cent in the growth of the

^{1/} The corresponding preliminary estimates made a year ago indicated a rise of 3 per cent in the gross product. As a result of later revisions, the figure dropped to 2.4 per cent and recently, when the new industrial production indices were published, first for Chile and then for Brazil, a very important correction was necessary and the growth rate of the Latin American product was estimated at 3.8 per cent for 1958. The estimated increase of 2.9 per cent for 1959 was obtained on the basis of specific, although preliminary data, for Argentina, Brazil, Chile, Mexico and Venezuela, countries which together account for about 75 per cent of the total Latin American product. As regards Colombia, Ecuador, El Salvador, Guatemala and Peru, preliminary estimates are available for the total product but there are not sufficient data by economic sectors. With respect to the remaining countries, the over-all estimates appearing in the tables are based mostly on qualitative information. The margin of potential error is greater in the latter case, but since this would affect only an eighth of the total product of the region, there would be no great change in the figure estimated very tentatively for Latin America as a whole.

Table II-1

LATIN AMERICA: TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, INDICES IN
1959 AND ANNUAL PERCENTAGE VARIATION, 1955-59

Country	Total product						Per capita product					
	1959 index (1955= 100)	Annual percentage varia- tion with respect to pre- vious year					1959 index (1955= 100)	Annual percentage varia- tion with respect to pre- vious year				
		1955	1956	1957	1958	1959		1955	1956	1957	1958	1959
Argentina	102	5.3	-0.2	4.0	2.4	-4.5	94	3.2	-2.3	2.0	0.4	-6.3
Brazil	134	4.0	5.1	9.0	9.3	6.6	121	1.8	2.2	6.5	6.9	3.8
Chile a/	112	1.4	0.5	3.6	3.2	...	103	-1.2	-1.5	1.6	0.9	1.5
Mexico	120	8.0	7.7	5.3	4.1	4.0	108	5.2	4.9	2.4	1.1	1.1
Venezuela	136	11.5	10.6	15.7	-0.1	6.2	121	8.2	7.3	12.2	-3.0	3.1
<u>Total: 5 countries</u>	<u>121</u>	<u>6.3</u>	<u>4.1</u>	<u>7.5</u>	<u>4.9</u>	<u>3.0</u>	<u>109</u>	<u>3.5</u>	<u>1.6</u>	<u>4.9</u>	<u>2.3</u>	<u>0.3</u>
Colombia	111	6.5	2.9	1.2	2.2	4.3	101	4.1	0.8	-1.6	-	1.6
Ecuador	117	2.6	3.7	5.1	2.7	4.5	104	-0.7	0.7	2.1	-	1.4
El Salvador	118	3.5	8.5	6.6	2.7	-1.9	104	-	5.0	3.6	-0.6	-5.2
Guatemala	131	11.3	12.7	6.4	6.0	2.8	116	7.4	9.7	3.1	3.0	-0.6
Perú	106	3.5	2.6	2.9	-0.4	0.7	97	1.9	0.6	0.6	-3.0	-1.3
<u>Total: 10 countries</u>	<u>120</u>	<u>6.2</u>	<u>4.1</u>	<u>6.9</u>	<u>4.5</u>	<u>3.0</u>	<u>108</u>	<u>3.5</u>	<u>1.4</u>	<u>4.3</u>	<u>1.9</u>	<u>0.3</u>
<u>Other countries</u>	113	3.7	5.6	7.5	-1.8	1.7	104	1.4	3.6	5.2	-4.1	-0.4
<u>Total: Latin America</u>	<u>119</u>	<u>5.9</u>	<u>4.2</u>	<u>6.9</u>	<u>3.8</u>	<u>2.9</u>	<u>108</u>	<u>3.6</u>	<u>1.8</u>	<u>4.1</u>	<u>1.3</u>	<u>0.3</u>

Sources: ECLA calculations based on national statistics. The figures for 1959 should be considered very tentative.

a/ In the case of Chile, there are certain discrepancies - attributable to differences of method - which are being analyses.

total product during the same years.^{2/} Even the very slight upswing of the per capita product in 1951 should be viewed with caution, since the growth rate of the population used in the calculation was derived, in the case of many countries, from population census data compiled in earlier years - sometimes many years ago. More recent estimates for some countries - Venezuela, for instance - seem to show further increases in the rate of population growth.

Table II-2 shows the development of total gross and per capita income in Latin America since 1955, as it results from the terms-of-trade effect on the domestic product. The data compiled in the table confirm that there is a persistent downward trend in the rate of regional growth. It is clear that the worsening in the terms of trade is reflected in a still steeper fall in the growth rate of gross income, particularly in the last year, during which per capita income contracted by 1 per cent in comparison with the previous year, as had also occurred in 1952. In both cases the main cause of the decline in per capita income seemed to be the marked deterioration in the terms of trade. In addition, agricultural output fell off in both years.

^{2/} As may be seen from table II-1, the picture would be still more discouraging if the data for 1958 and 1959 were to be compared with those for 1957, but in view of the fact that 1957 was to a certain extent an exceptional year on account of the Suez crisis further comment would seem to be superfluous.

Table II-2
LATIN AMERICA: DOMESTIC PRODUCT AND GROSS INCOME IN THE
LAST FIVE YEARS

	1955	1956	1957	1958	1959 <u>a/</u>
(Thousands of millions of dollars at 1950 prices)					
Gross domestic product	49.8	52.0	55.6	57.7	59.3
Terms-of-trade effect <u>b/</u>	-0.4	-0.7	-0.7	-0.8	-1.7
Gross income	49.4	51.3	54.9	56.9	57.6
(Annual percentage variation with respect to previous year)					
Gross domestic product	5.9	4.2	6.9	3.8	2.9
Gross income	4.7	3.8	7.0	3.6	1.2
Gross domestic product <u>per capita</u>	3.6	1.8	4.1	1.3	0.3
Gross income <u>per capita</u>	2.2	1.4	4.5	1.0	-1.3

Sources: Official statistics completed, in some cases, by ECLA estimates.

a/ Provisional.

b/ Base year: 1950.

II. ANALYSIS BY COUNTRIES

Tables II-1 and II-3 condense the information available on changes in the gross domestic product in 1959 and previous years. The Latin American countries have been grouped according to the amount of detailed information available.

Among the countries for which more ample information was available, two - Argentina and El Salvador - experienced a decline in their domestic product in 1959 with respect to 1958. In the case of Argentina, the deterioration was attributable to a sharp contraction in the industrial sector and in building activities following acute inflation and the subsequent strong measures adopted to curb it, as well as to numerous and widespread labour disputes. Moreover, agricultural output was adversely affected by the weather. In El Salvador, the main cause of the decline in the product was the drop in agricultural production as a result of the recession in the coffee and cotton markets.

The product increased in eight Latin American countries in 1959, but, while some raised - or more or less maintained - the previous year's rate of growth, others suffered a relative setback. Among the former are Colombia, Ecuador, Peru, Mexico and Venezuela.

In Colombia the progress achieved during the year was due to the increasing expansion of the industrial sector.

In Ecuador, a remarkable recovery was also observed in 1959, although the rate of growth reached in the early fifties was not re-established. The slower rate of growth of the last three years in Ecuador was essentially attributable to the decline in public investment required in order to maintain the stability of prices and exchange rates.

Public investment rallied somewhat in 1959 and an investment boom is anticipated for 1960 thanks to several external loans for public works, plans for which have already been completed.

In Peru, the improvement registered in 1959, albeit very small, was significant because it appeared after the decline of 1958 irrespective of the fact that, during the first half of 1959, inflationary trends and the imbalance in the external account became more marked. As in the case of

Table II-3

FIVE LATIN AMERICAN COUNTRIES: GROSS DOMESTIC PRODUCT BY SELECTED SECTORS. INDICES IN 1959 AND ANNUAL PERCENTAGE VARIATION, 1955-59

Country		Agriculture a/	Mining b/	Manufacturing industry	Construction	Total
I. 1959 indices (1955 = 100)						
Argentina		99	134	92	107	102
Brazil		117	180	185	111	134
Chile		99	117	122	55	112
Mexico		118	105	124	125	120
Venezuela		125	132	146	130	136
<u>Total; 5 countries</u>		113	131	137	111	121
II. Annual percentage variation						
Argentina	1955	3.8	3.4	9.1	4.4	5.3
	1956	-1.9	4.1	-1.6	-4.7	-0.2
	1957	1.7	4.5	3.5	18.6	4.0
	1958	1.5	6.5	4.7	2.3	2.4
	1959	-2.5	16.0	-13.5	-7.2	-4.5
Brazil	1955	5.7	7.3	5.9	-8.4	4.0
	1956	-1.4	11.2	14.4	-	5.1
	1957	10.2	18.6	14.3	4.1	9.0
	1958	1.1	18.7	22.1	4.2	9.3
	1959	6.6	15.0	16.1	2.0	6.6
Chile	1955	4.7	11.3	-1.9	-0.6	1.4
	1956	2.8	3.4	0.7	-38.1	0.5
	1957	-1.1	2.6	2.2	-23.0	3.6
	1958	9.4	-2.8	4.4	0.7	3.2
	1959	-10.3	14.0	13.3	20.2	...
Mexico	1955	7.9		10.7	8.0	8.0
	1956	6.2		8.0	7.4	7.7
	1957	6.7	6.5	4.7	11.7	5.3
	1958	9.6	-2.0	3.0	-1.9	4.1
	1959	1.0	2.2	6.5	6.3	4.0
Venezuela	1955	4.8		15.4	19.4	11.5
	1956	9.5		7.7	13.1	10.6
	1957	4.0	13.5	13.4	17.9	15.7
	1958	5.6	-5.5	8.7	-2.0	-0.1
	1959	3.9	6.8	10.0	-	6.2
<u>Total 5 countries</u>	1955	5.5	13.9	7.8	3.0	6.3
	1956	0.7	12.2	6.8	-1.4	4.1
	1957	6.7	12.1	8.4	13.1	7.5
	1958	3.5	-3.4	11.9	1.6	4.9
	1959	2.4	7.5	5.7	-2.3	3.0

Sources: ECLA calculations based on national statistics. The figures for 1959 should be considered very tentative.

a/ Including livestock and fisheries.

b/ Including petroleum.

Ecuador, the Peruvian economy is expected to be in a stronger position in 1960 when various public works will be embarked on financed with foreign loans. Moreover, when the Toquepala mine enters into operation in December and iron ore mining is expanded, the capacity to import ought to increase by more than 10 per cent.

In Venezuela, the growth of the product was due to a general improvement after the stagnation of the previous year. Yet the rate of growth registered in 1959 was still lower than that attained before 1958.

In Mexico the product increased at much the same rate as in 1958. But the sectoral data (see table II-3) show that a notable revival took place in construction, mining and the transforming industry. The stagnation of the rate of growth was due to the weakness of the agricultural sector, particularly the considerable reduction in the area sown to cotton which was a direct consequence of the previous drop in prices and the accumulation of large stocks at the end of 1958. The rallying of the cotton markets during 1959 paved the way for the liquidation of stocks and the normalization of crops in the farm year 1959/60.

Although it has been impossible to calculate a growth index for the domestic product in the case of Chile, specific data are available for the sectors that produce goods. In 1959, after several years of stagnation, there was a strong upsurge in industrial production, unfortunately nullified to a large extent by the fact that agricultural output was less satisfactory than in 1958 owing to bad weather.

In Brazil, the vigorous growth of the last few years slowed down appreciably in 1959 as a result of a lower rate of development in mining, civil construction and the transforming industry. Still, with an increment of 6.6 per cent in its gross product, Brazil seems to have expanded more rapidly than any other Latin American country in 1959 (see again tables II-1 and II-3). It should be noted, however, that the increment covered the whole of agricultural production, including almost 16 million bags of coffee which went to swell the already sizable stocks which could not be disposed of either inside or outside the country. If the change in the internal product is considered in relation to the supply of goods vis-à-vis monetary demand, the amount added to coffee stocks should clearly be deducted

from the volume of output. It might be objected that the increase in coffee stocks forms part of the change in over-all stocks, on which there are insufficient data to warrant its inclusion in an economic analysis of Latin America. However, because of the magnitude of the stocks, the additional withholding should be regarded as an entirely different phenomenon from a simple variation in current stocks, i.e. as an element of investment. In fact, from the moment when the value of coffee available passes a certain limit, what is added thereafter can no longer be considered as a temporary reserve for eventual sale but rather as a long-term sterilization and perhaps a net loss of goods for the economy. In comparison with a world turnover of about 38 million bags a year, Brazil's coffee stocks rose from 12 million bags at the end of 1957 to 18 million at the end of 1958 and 34 million at the end of 1959.^{3/}

In the case of Guatemala, where the product continued to increase, albeit more slowly than in 1958, the determining factor was the fall in coffee prices which not only reduced income in the export sector but also Government revenue with a consequent contraction of more than 20 per cent in public investment.

The information available on the other countries - including Cuba and Uruguay - is not enough to quantify the variation in the gross product.

^{3/} These figures do not correspond to the volume withheld, properly speaking, since the shipments effected or to be effected in the first half of the following year should be deducted in view of the fact that the coffee year runs from July to June. But as the volume of shipments is much the same from one year to another, the difference between stocks at the end of the calendar year is roughly the same as the variation in the volume of unsold coffee by June of the following year. The calculations made in this section to quantify the effect of coffee withholding on the product and on supplies of goods have not taken into account the total volume of withholding in respect of the 1959 crop, but merely the difference between that withholding and the one of the preceding year, i.e. 10 million instead of 16 million bags. Once this adjustment has been made, the growth of the useful product in 1959 shrinks from 6.6 to 5.3 per cent in the case of Brazil. The rectification also modifies the growth of the aggregate Latin American product which drops from 2.9 to 2.5 per cent.

In the case of both these countries, what data are available at least point to a definite trend. In Cuba, the product expanded, although apparently not enough to regain the 1957 level which moved sharply downwards in 1958. The improvement observed in 1959 derived from an expansion in agricultural production for export and internal consumption, and from the impetus which import restrictions gave to industry. In Uruguay, the dampening effects of a protracted inflation were aggravated in 1959 by the repercussions of the April floods which led to a serious loss of about 30 per cent in crop and livestock production. Moreover, industrial production was severely handicapped by the immobilization of the hydroelectric plant at Rio Negro.

III. ANALYSIS BY SECTORS

Although the sectoral data on the gross product are fairly accurate for five countries only (see again table II-3), the fact that these countries absorb 75 per cent of the total regional product makes them reasonably representative. A detailed examination will be made in chapter III of the way in which the principal commodity-producing sectors have developed. The present section will confine itself to tracing the main trends of events in 1959 as regards changes in the supply of goods.

The chronic disparity between the slow growth of agricultural output and the more dynamic progress of industrial and mining production persisted in 1959. In Latin America as a whole, crop and livestock production expanded much more slowly than in the two preceding years. Table II-4 shows that the slackening of the rate of growth was chiefly due to the fall in livestock production. The smaller output of meat in Argentina, Brazil and Uruguay - and of wool in Uruguay - was primarily responsible for the decline. Crop production alone seems to have improved not inappreciably - although less than in 1957 and 1958 - but the increment was largely the result of a bigger coffee crop in Brazil. If the additional amount by which Brazil's coffee stocks increased in respect to their 1958 level is deducted from the 1959 quantum of production, the 1959 indices drop to such an extent that there is reason for supposing that total crop and livestock production was less than in 1958 (see table II-5).

Table II-4
LATIN AMERICA: INDICES OF CROP AND LIVESTOCK PRODUCTION.
ANNUAL PERCENTAGE VARIATION, 1955-59

	Total production						Per capita production					
	1955	1956	1957	1958	1959	1959 index (1955=100)	1955	1956	1957	1958	1959	1959 index (1955=100)
<u>Crop production</u>												
For internal consumption	4.6	0.6	5.0	4.8	2.4	114	2.3	-1.9	2.5	2.3	-0.1	103
For export	6.8	-10.3	15.5	7.1	6.6	119	4.3	-12.5	12.7	4.6	3.9	107
Total	5.6	-4.2	9.3	5.8	4.3	116	3.2	-6.6	6.6	3.2	1.7	105
<u>Livestock production</u>												
For internal consumption	0.4	5.4	5.6	7.9	-2.3	117	-1.9	2.8	3.0	5.3	-4.7	106
For export	12.3	9.6	1.6	2.2	-12.9	99	9.8	6.9	-0.9	-0.2	-15.1	90
Total	6.4	7.6	3.5	4.8	-7.9	108	4.0	4.9	1.0	2.3	-10.1	97
<u>Crop and livestock production</u>												
For internal consumption	3.9	1.4	5.1	5.4	1.7	114	-1.5	-1.0	2.5	2.8	-0.9	103
For export	8.0	-5.9	11.8	6.0	2.2	114	5.5	-8.1	9.0	3.6	-0.4	103
Total	5.7	-1.9	8.1	5.6	1.9	114	3.4	-4.5	5.6	3.0	-0.6	103

Sources: As for table II-1.

Table II-5
LATIN AMERICA: VARIATION IN CROP AND LIVESTOCK PRODUCTION IN 1959
(Annual percentage variation)

	Including coffee surplus	Excluding coffee surplus
<u>Crop production</u>		
For internal consumption	2.4	2.4
For export	6.6	-0.4
Total	4.3	1.2
<u>Crop and livestock production</u>		
For internal consumption	1.7	1.7
For export	2.2	-3.3
Total	1.9	-0.6

Sources: As for table II-1.

Inventories of agricultural commodities for internal consumption in the different countries were not affected by the foregoing considerations. As may be seen from table II-4, the volume of crop output for the home market increased somewhat, while that of livestock production contracted substantially. The data in question for Latin America as a whole derive from very different situations in so far as the individual countries are concerned. To take one aspect only, namely, the pattern of production for local consumption in the Latin American countries most affected by inflationary pressures, it may be observed (table II-6) that crops improved the most precisely in those countries where the stabilization policy obtained its quickest results.^{4/}

Among the six countries covered in table II-6, the case of Chile is the most illustrative. From a comparison of the last two years, it appears that the marked slackening in the rate of increase in the volume of the means of payment - which may be taken as a sign of the effectiveness of anti-inflationary policy - was not reflected in the price trend. On the contrary, the general consumer price index was slightly higher in 1959 than in 1958. Even more characteristic was the behaviour of food prices which slowed down the over-all rise in 1958 and then accelerated it in the following year, in obvious and direct correlation with the extremely unfavourable turn taken by agricultural output. Events in Paraguay fully confirmed what happened in Chile.

In Colombia, where the means of payment also expanded much less in 1959, the slower rise in food prices in each of the last two years helped to curb the rise in the cost of living despite the fact that agricultural production for internal consumption made slower progress than in 1958. It should be borne in mind, in this case, that the effects of the improvement observed in the 1958 harvests were still felt during much of the following year.

^{4/} Argentina and Uruguay have been omitted from table II-6, because no distinction can be made between their crop and livestock commodities for internal consumption and for export.

Table II-6

LATIN AMERICA: VARIATION IN CROP AND LIVESTOCK PRODUCTION FOR
INTERNAL CONSUMPTION IN SELECTED COUNTRIES, COMPARED
WITH THE VARIATION IN THE MEANS OF
PAYMENT AND IN PRICES

(Annual percentage rate of variation, 1958 and 1959)

Country	Year	Crop and livestock production for internal consumption	Consumer price indices <u>a/</u>		Volume of means of payment <u>b/</u>
			General	Food- stuffs	
Brazil	1958	0.1	22.7	17.9	21.4
	1959	1.7	42.6	66.2	43.6
Chile <u>c/</u>	1958	17.7	32.5	28.0	36.7
	1959	-10.8	33.3	36.9	26.9
Colombia	1958	4.8	7.6	4.5	21.0
	1959	1.7	5.1	0.6	11.3
Mexico <u>c/</u>	1958	7.1	7.6	8.8	7.4
	1959	12.2	0.6	-3.1	8.7 <u>d/</u>
Paraguay	1958	4.8	3.7	0.5	19.7
	1959	-0.2	8.8	13.8	10.0
Peru	1958	7.5	8.6	8.5	6.8
	1959	6.6	16.5	23.6	18.9 <u>d/</u>

Sources: Official national statistics.

a/ December-December variation.

b/ At the end of December each year.

c/ Crop production only. Livestock production was excluded for lack of data. Total crop production has been considered in the case of Chile since its exports of such commodities are relatively negligible.

d/ End of November in comparison with end of December 1958.

In Mexico, the increase in the supply of national agricultural commodities seems to have had no direct impact on the prices/means-of-payment ratio in 1958. In 1959, however, a new and substantial improvement in crops coincided with a drop of more than 3 per cent in the food price index which kept the general price index almost steady in spite of a further expansion in the volume of the means of payment. In Mexico, the latter increment had no more than a very slight inflationary effect, since the gross domestic product was expanding annually at the rate of 4 per cent.

The case of Peru was more complicated. In 1958, the appreciable rise in agricultural output for domestic consumption seems to have had no influence whatsoever on food prices in relation to either the general index or monetary demand. In 1959, in contrast to the trend observed in all the other countries, the further increase in production failed to keep prices in general and food prices in particular from soaring. In fact, up to July 1959, Peru's economic development was under the sway of powerful inflationary forces as a result of a currency devaluation, and in August - when the stabilization policy was introduced - as a result of the abolition of subsidies on various consumer items. As often happens, the initial effect of the stabilization policy was to push prices upwards. The fact that price levels changed until they became virtually stable from September onwards, rules out the possibility of appraising the effects of increased agricultural output in a country where, in spite of the recent improvement, large-scale imports are still necessary to cover normal food requirements.

Contrary to the course of events in the other countries mentioned, no clear-cut anti-inflationary policy was launched in Brazil in 1959. The volume of the means of payment rose at more than double its rate of growth in 1958 and the general price index rose more or less proportionately. Food prices climbed much higher in 1959 than in the previous year, whereas agricultural output for domestic consumption made very little progress.^{5/} In addition, the production of some of the commodities which are staple items in the diet of the lower-income groups - meat, wheat, beans - suffered a severe setback, and their relative scarcity had inflationary repercussions which are clearly depicted in table II-6.

^{5/} In fact, this output increased less than the population for the second year in succession.

In contrast to the shortcomings of agricultural development, mining made a vigorous recovery in 1959 after a temporary recession in 1958 (see again table II-3). As the data in the table include petroleum, the increase in mining output in 1959 was mainly due to the improvement in Venezuela's petroleum extraction. It also reflects the rapid growth of petroleum production in Argentina, Brazil and Chile. The mining of iron ore, particularly in Brazil, Chile and Venezuela, and of copper in Chile, is also progressing.

The data so far available seem to point to a further substantial increase in industrial output during 1959 in virtually every Latin American country. But this trend is not properly reflected in table II-3 because Argentina and Brazil, two of the five countries for which detailed figures are available, lagged far behind in 1959. While in Brazil it was merely a question of a slower rate of growth - which is still very high -, in Argentina the quantum of production shrank by more than 13 per cent as compared with 1958. Industrial output increased at a more lively pace in the other three countries included in the table - Chile, Mexico and Venezuela - as well as in Colombia and Cuba. Among the branches of activity which showed greater improvement in 1959 were petroleum refining, steel manufacturing, pulp and paper production, the metal transforming industries and, in Argentina and Brazil, the production of motor vehicles. While there was a growing interest in the chemical, particularly the petro-chemical, industries, no substantial improvement was registered except in a few specific branches such as synthetic resins. The rate of growth of the transforming industries of longer standing is now more moderate. However, Colombia's higher textile output, sparked by a hundred per cent increase in the cotton crop and the export of yarn, which has just begun, should be noted. There was hardly any expansion in the production of cement; it was a little over 2 per cent higher in 1959 for Latin America as a whole. This is no doubt due to the fact that some countries have cut down on private building and, in some cases, on Government investment in public works.

On the other hand, industrial activity in virtually every country continued to show a tendency towards diversification. The considerable information available on this reflects the initiatives taken in many branches.

The mandatory restrictions on imports, in addition to tariff reforms and development legislation designed to promote new industries, stimulated industrial development. There is reason to believe that the extent to which Latin American industry expanded is not properly reflected in industrial output statistics.^{6/}

IV. IMPACT OF FOREIGN TRADE AND OF THE TERMS OF TRADE ON THE DOMESTIC SUPPLY OF GOODS AND SERVICES

The trend of the gross domestic product in 1959 has been analyzed above. The impact of the external sector of the economy is all that remains to be considered in order to calculate the magnitude of the changes in the volume of goods available. There were a number of aspects to this factor during the year under review. The impact of the terms of trade, the change in the volume of exports and imports and the withholding of surplus coffee will be dealt with below.

^{6/} The structure of industry during a base-year in which a census of existing enterprises was taken provides the material for output statistics. During the following years statistical research is confined to these same enterprises - sometimes to samples - and no account is taken (except in Argentina) of new enterprises that have started production or of new branches in which national output develops. This relatively static system of computing data in a sector which is characterized precisely by its dynamism leads to a cumulative under-assessment of output. Another factor which makes for inaccuracy is that estimates are based on the value added by the process of industrial output during the base-year, without taking into account the changes in requisite inputs. The revision of the process of computing industrial output in Brazil and Chile was completed in 1959 and early in 1960. As expected, the new data showed that industrial output had expanded much more than had been anticipated. As indicated in the earlier paragraphs of the present chapter, the revision of the industrial output indices for Brazil and Chile showed an increase of from 2.4 to 3.8 per cent in the rate of growth of the total gross product of Latin America calculated for 1958. The data presented here for 1959 as well as for earlier years are based on the new indices mentioned above.

It was stated in chapter I of the present Survey that the weighted average fall in the prices quoted for Latin American export commodities was 8.4 per cent in 1959 as compared with the previous year.^{7/} On the other hand, since there was no appreciable change in the unit value of imports, the impact of the deterioration in the terms of trade can be calculated on the basis of exports alone. In terms of 1958 prices, the quantum of Latin American exports in 1959 would have provided 875 million dollars more than in the previous year, but the actual increase was only 98 million.^{8/} The difference (777 million) was the result of the deterioration produced by the contraction in the terms of trade. The total of 875 million dollars represents the additional volume of export goods which must be deducted from the domestic product in order to determine the changes in supply vis-à-vis monetary demand. Along the same lines the volume of imports has to be added to the available balance of the product. 1959 was not a good year in this respect either, in view of the import restrictions applied. The drop in the value of imports in 1959, as compared with 1958, amounted to 887 million dollars, which meant a further cut in the domestic supply of goods.

For the reasons stated in earlier paragraphs, the 10 million bags of coffee representing the increase in 1959 over 1958 in respect of the amount added by Brazil to its withheld stocks must also be deducted from the product. In terms of the prices paid to the producer by the Brazilian Coffee Institute, this deduction amounts to about 180 million dollars.

Again for the reasons stated above, the deficit between the gross domestic product and the balance of goods available for the domestic market increased by about 1,950 million dollars in 1959 as compared with 1958. Moreover, to use a simple order of magnitude, the quantum of goods and services available in 1959 was some 4 per cent less than the gross domestic

^{7/} This information is used only tentatively because the unit value index is not yet available.

^{8/} These figures, as well as those on imports which follow, are for 18 countries, not including Honduras and Panama (see table I-2 above).

product for the same year. In 1958, the reduction amounted to only 0.7 per cent. Thus, the combined effect of the deterioration in the terms of trade, the more severe import restrictions and the heavier over-production of coffee completely nullified the increase in the gross product in 1959 and may even have been responsible for a slight net decrease in consumption and investment.

Chapter III

P R O D U C T I O N S E C T O R S

I. CROP AND LIVESTOCK PRODUCTION

1. General situation

In 1959,^{1/} agricultural output was only 1.9 per cent higher than in the preceding year. This growth, which was less than that of the population (2.5 per cent), brought about a slight decline in per capita production which was much lower than the level recorded in 1958 when output was 5.6 per cent higher than in the previous year.

There were many reasons for this relative hiatus in Latin America's agricultural development. Heavy rains, occasionally accompanied by floods, struck important production zones in Argentina, Brazil, Chile, Paraguay and Uruguay, causing direct damage by impeding sowing and reducing crop yields and feed stocks, or indirect damage in the form of plagues and diseases which subsequently attacked crops and livestock.

Agriculture for export was affected by a heavy fall in the international prices of commodities such as sugar, coffee, cotton and cacao that are extremely important for the Latin American economy. In some cases, excess production in Latin America pushed prices down, and surpluses were accumulated in producer countries. In other cases, the surpluses that had piled up in different parts of the world affected prices and acted as a deterrent to Latin American production.

The negligible growth of production was concurrent with certain movements which should be stressed (see table III-1). Crops were more dynamic in that they exceeded the previous year's level by 4.3 per cent. Yet this improvement was mainly attributable to the commodities which are primarily intended for the export market and which, taken as a whole, increased 6.6 per cent. Coffee played a decisive part in this increment,

^{1/} ECLA includes in 1959 the 1958/59 spring crops in the southern hemisphere, plus the summer and autumn crops in the same hemisphere and the spring, summer and autumn crops in the northern hemisphere that were harvested during the calendar year 1959.

Table III-1

LATIN AMERICA: CROP AND LIVESTOCK PRODUCTION INDICES

(1950 = 100)

	1950-54	1957	1958	1959 ^{a/}	Changes in 1959 with respect to:	
					1950-54	1958
	<u>T o t a l</u>					
<u>Crop and livestock production</u>	<u>106.2</u>	<u>128.2</u>	<u>135.4</u>	<u>138.0</u>	<u>29.9</u>	<u>1.9</u>
For internal consumption	107.7	130.2	137.2	139.5	29.5	1.7
For export	104.1	125.8	133.4	136.3	30.6	2.2
<u>Crop production</u>	<u>108.3</u>	<u>131.2</u>	<u>138.8</u>	<u>144.8</u>	<u>33.7</u>	<u>4.3</u>
For internal consumption	108.5	132.6	139.0	142.4	31.2	2.4
For export	108.0	129.4	138.6	147.8	36.9	6.6
<u>Livestock production</u>	<u>98.8</u>	<u>117.7</u>	<u>123.4</u>	<u>113.7</u>	<u>15.1</u>	<u>-7.0</u>
For internal consumption	104.3	120.1	129.6	126.6	21.4	-2.3
For export	94.1	115.6	118.2	102.9	9.4	-12.9
	<u>P e r c a p i t a</u>					
<u>Crop and livestock production</u>	<u>101.2</u>	<u>108.4</u>	<u>111.7</u>	<u>111.0</u>	<u>9.7</u>	<u>-0.6</u>
For internal consumption	102.5	110.1	113.2	112.2	9.4	-0.9
For export	99.5	106.3	110.1	109.7	10.2	-0.4
<u>Crop production</u>	<u>103.1</u>	<u>110.9</u>	<u>114.5</u>	<u>116.5</u>	<u>13.0</u>	<u>1.7</u>
For internal consumption	103.3	112.1	114.7	114.6	10.9	-0.1
For export	102.9	109.4	114.4	118.9	15.5	3.9
<u>Crop and livestock production</u>	<u>94.2</u>	<u>99.5</u>	<u>101.8</u>	<u>91.5</u>	<u>-2.9</u>	<u>-10.1</u>
For internal consumption	99.5	101.5	106.9	101.9	2.4	-4.7
For export	89.8	97.7	97.5	82.8	-7.8	-15.1

Sources: Official statistics, adjusted by ECLA.

^{a/} Provisional figures.

/since its

since its output expanded 15.9 per cent and reached a record level. If coffee is excluded, the increment would be only 2.4 per cent, i.e. a percentage very close to that of population growth.

Crop production mainly for domestic consumption improved only 2.4 per cent, which implies that per capita amounts available in 1958 were probably not maintained in 1959.

As the increment in coffee output in 1959 went to swell Brazil's surplus, the statistical improvement registered did not have a favourable effect on the Latin American economy. It may be said, therefore, that crop production merely succeeded in maintaining the level reached by per capita output in 1958.

The livestock situation was highly discouraging. There was a contraction in production which, according to the partial data available, dropped 8 per cent below its level of the previous year. The countries most affected were those which play a leading part in international trade in livestock products. Argentina was the only one which, by drastically reducing its consumption, managed to obtain an exportable surplus.

The slow expansion in the supply of agricultural commodities for internal consumption in Latin America posed an increasingly serious problem. It is an accepted fact that, because income and diet are at such low levels, any improvement in the former is accompanied by high elasticity of demand. The fact that agricultural supply in 1959 was insufficient to meet demand led to shortages in many countries and the resulting pressure on prices. Wherever this occurred, the food prices rose at a considerably more rapid pace than the other cost-of-living components. Conversely, wherever supplies for internal consumption increased, food costs either dropped or rose less than the general cost of living.

The various technological improvement programmes initiated prior to 1959 were continued and several attempts were made to give them added weight. The policy of providing economic incentives for farmers was given greater scope in various countries. In some, it was designed to encourage the production of goods for internal consumption and,

/in others

in others, to protect exports against fluctuations and falls in world market prices, or to keep pace with the inflationary rise of internal costs - as in Argentina. For these purposes some export duties were abolished or lowered (Mexico and Peru) and devaluations were affected (Argentina, Brazil and Uruguay) in order to facilitate exports, reduce the decline in farmers' incomes and prevent production from being discouraged. In addition, decisions were taken to intensify collaboration among the different Latin American countries and enhance their mutual understanding, in order to help them to deal with common economic problems. For instance, an attempt was made to regulate the coffee supply by means of a new international agreement to which all Latin American coffee-producing countries subscribed as well as a few from outside the region. Moreover, when the International Sugar Agreement was renewed for a further five years, the ten Latin American countries which had originally acceded to it were joined by two new members - Brazil and Peru.

Perhaps the most outstanding development in agrarian policy was the progressive implantation, in nearly all Latin American countries, of the idea that the existing agrarian structure might be changed by means of more or less radical reforms. Underlying this idea there is not only the conviction prevalent in many sectors that this is probably the best way of remedying the characteristic inelasticity of agricultural supply and starting more successful large-scale technological improvement programmes, but also the fact that the present structure impedes more rapid economic growth because of market limitations deriving from the low wages earned by agricultural workers. Thus, land reform was carried out in Cuba and Venezuela, while progress was made with studies and programmes in Colombia, Ecuador and Uruguay, and the idea was welcomed in the different sectors of such countries as Chile, Brazil, Paraguay and Peru.^{2/}

^{2/} Further details are given in chapter V.

2. Principal changes in production

Production was somewhat different in 1959 from that of 1958 (see tables III-2 and III-3). The grain crop improved 6 per cent and reached the peak level for the decade. The good wheat crops in Argentina and Mexico more than offset the reverses suffered by other countries especially Brazil and Uruguay. Brazil and Mexico contributed very substantially to the progress made by the maize crop (4.5 per cent). It was an auspicious year for rice too, production of which went up in most countries: the unprecedented harvest of 6.4 million tons exceeded that of 1958 by 6.5 per cent and was 30 per cent more than the annual average in 1950-54.

Sugar output continued to expand. In 1959, it was about 14 million tons, thereby exceeding the preceding crop by 610,000 tons and the annual average for 1950-54 by almost 3.5 million tons. Latin America was thus not only able to supply a continually expanding market but also had growing exportable surpluses which it found some difficulty in selling in 1959.

Coffee production reached a record level of 53.9 million bags^{3/} as against 46.5 million in 1958 and 31.7 million in each of the first five years of the decade. This unusual increment was a result of the remarkable boom in Brazilian production (25.4 per cent) which amounted to 35.5 million bags. The aggregate output of the other countries was practically unchanged (increasing only 1.1 per cent), since the larger crops recorded in some of them (Costa Rica, Cuba, Dominican Republic, Guatemala, Haiti, Mexico, Panama and Peru) compensated for the deterioration in others, particularly Colombia, where bad weather reduced the good 1958 harvest by 6.4 per cent. The expansion of production led to bigger inventories, especially in Brazil, despite the larger volume exported during 1959. Cacao production rallied from its decline in 1958, reaching 301,000 tons. The biggest crop increments were registered in Brazil and Ecuador.

^{3/} Sixty-kilogramme bags.

Table III-2

LATIN AMERICA: CROP AND LIVESTOCK PRODUCTION

(1950=100)

	1950-54	1957	1958	1959a/	1959 a/ Per capita
<u>Total</u>	<u>106.2</u>	<u>128.2</u>	<u>135.4</u>	<u>138.0</u>	<u>111.0</u>
Grains <u>b/</u>	114.3	144.1	141.1	149.5	120.3
Roots and tubers <u>c/</u>	108.3	117.6	124.5	127.2	102.3
Pulses <u>d/</u>	106.5	126.7	127.1	130.0	104.6
Oilseed <u>e/</u>	99.8	120.6	132.8	116.9	94.0
Saccharose <u>f/</u>	109.8	128.5	138.9	145.1	116.7
Fruit <u>g/</u>	109.6	136.3	137.3	138.6	111.5
Meat <u>h/</u>	91.3	119.3	125.0	115.0	92.5
Beverages and stimulants <u>i/</u>	102.2	122.6	141.5	161.0	129.5
Fibres <u>j/</u>	106.6	126.8	138.8	128.2	103.1

Sources: Official statistics.

a/ Provisional figures.

b/ Wheat, maize, rice, oats, barley, rye.

c/ Potatoes, manioc, sweet potatoes.

d/ Beans, chickpeas, broad beans, lentils, peas.

e/ Sunflower seed, peanuts, cottonseed, linseed, sesame, castor beans, tung.

f/ Sugar and panela.

g/ Bananas and pineapples.

h/ Cattle, sheep, pigs.

i/ Coffee, cacao, tea, maté, fresh and dried chilis, tobacco, wine.

j/ Wool, cotton, sisal, abaca.

Table III-3
LATIN AMERICA: CROP AND LIVESTOCK PRODUCTION
(Thousands of tons)

	1950-54	1957	1958	1959a/
Wheat	8 448	11 139	9 722	10 474
Maize	15 805	18 225	20 898	21 846
Rice	4 906	6 159	6 005	6 396
Potatoes	5 201	5 226	5 811	5 902
Sunflower seed	795	751	945	498
Peanuts	395	665	758	738
Cottonseed	1 765	2 177	2 429	2 204
Linseed	657	711	721	714
Sugar	10 475	12 386	13 344	13 953
Cattle (thousands of head)	22 851	28 092	29 454	26 800
Coffee	1 900	2 367	2 788	3 232
Cacao	244	287	282	301
Tea	2	50	44	47
Wine (millions of litres)	1 635	1 370	1 936	2 290
Wool	326	323	340	319
Cotton	992	1 225	1 363	1 235

Sources: Official statistics.

a/ Provisional figures.

/Roots and

Roots and tubers (potatoes, manioc and sweet potatoes) and pulses also showed slight advances of 2.1 and 2.3 per cent respectively. The same occurred in the case of the fruit crop, the greatest progress being made by the banana harvest in Ecuador. With a shipment of 34.8 million stems, an improvement of 16 per cent over the already high export level in 1958, Ecuador consolidated its position as the world's leading banana exporter.

Edible oilseeds were one of the branches of Latin American agriculture which lagged behind most. Output suffered a serious setback in relation to 1958, being 16 per cent less. As a result, per capita stocks remained at the same level as in the quinquennium 1950-54. The relative inelasticity observable during the last few years in Latin America's oilseed supply was aggravated by the rapid growth of per capita consumption which is being satisfied to an ever-increasing extent by imports from outside the region. One influential factor contributing to the drop in production was the fact that Argentina's sunflower and peanut crops slumped to the point where this country, which is a time-honoured exporter of oils, was unable to satisfy internal demand. A recent palliative for the inadequate output of edible oilseeds in Latin America has been the sizable stocks of cottonseed accumulated thanks to the more extensive cotton cultivation, but this source also shrank in 1959 from 2.43 million tons to 2.2 million.^{4/}

Wool output fell off from 340,000 tons in 1958 to 319,000 in 1959, mainly because of the smaller Uruguayan shearing (from 90,700 to 68,000 tons), which was adversely affected by persistent bad weather. The improvement in Argentine production (182,000 to 192,000 tons) offset the losses suffered by Uruguay.

^{4/} Some efforts were made to promote the output of edible oilseeds, but so far they have been on too small a scale in comparison with the magnitude of the problem. Most of the steps taken related to the acclimatisation of new species. Among herbaceous oil-bearing plants, sesame is acquiring ever greater importance in Colombia, Mexico and Venezuela. This is equally true of colza in Chile. As regards oil-bearing tree crops, the excellent results obtained in Ecuador with the African palm are worthy of mention. Ecological conditions in large coastal areas are very well suited to its cultivation and the first plantations began to produce in 1959.

It was also a bad year for cotton production which declines 10 per cent. The countries most affected were Argentina, where much of the crop was lost owing to poor weather, and Mexico, which, after managing to take the lead among Latin American cotton producers in the last four years, curtailed its sowings in view of the fall in world prices and the accumulation of surpluses in other areas and in its own territory. Brazil, on the other hand, had a bumper crop (463,000 tons) about 23 per cent larger than in 1958. Colombia, after several years of sustained effort, succeeded in substantially expanding its production, which rose to 56,400 tons (118 per cent above the previous year's level), thereby not only becoming self-sufficient but also obtaining an exportable surplus of approximately 7,000 tons.

The most discouraging event of the year as far as Latin America's crop and livestock economy is concerned was the falling-off in livestock production which, according to the partial information available, so far seems to have contracted by 7.9 per cent. This slump was not of recent origin. Nevertheless, without looking any further back than the last decade, it is already apparent that, concurrently with the slow expansion of the crop sector, livestock was the most retarded branch of production. During the first half of the present decade, there was virtually no change in output. Only in 1956, 1957 and 1958 could some slight growth be detected which was, however, more apparent than real. Owing to the shortcomings of national statistics in several countries, meat production was calculated on the basis of slaughtering without reference to changes in stocks. Hence, the figures for the years in question included not only the normal extraction of Argentine herds but also the slaughtering of stocks. The fact that this process stopped - or at least diminished - in 1959 made the fall in production during that year more severe. In fact, approximately 9.5 million head of cattle were slaughtered in Argentina, i.e. 2.8 million less than in 1958.

Less cattle were also slaughtered in Brazil during 1959, because of the harm done to livestock in the central zone by the droughts and a price policy which acted as a deterrent to the sale of cattle. Both these factors created serious supply problems. Production was also

smaller in Chile, Colombia and Uruguay.

Mexico is one of the few Latin American countries where beef production took a turn for the better (increasing 4 to 5 per cent). But it should also be remembered that output rose so steadily during the last decade that by 1959 it was 94 per cent above its 1950 level. This resulted not only in larger supplies for consumption but in exportable surpluses as well. Exports became so much larger that the Government had to fix export quotas in order to stop consumer prices from rising.

3. Prices and external demand^{5/}

The situation of external demand in 1959 was not such as to stimulate the crop and livestock sector. Of Latin America's ten staple agricultural exports to the world market - wheat, maize, sugar, coffee, cacao, meat, linseed oil, cotton, wool and bananas - which constitute its main source of foreign exchange, six commanded lower prices than in 1958, two (maize and wheat) showed no change, and only two (meat and wool) rose in price. None the less, this situation showed signs of rallying when the end-of-year average balance-sheet was worked out for sugar, linseed oil and cotton.

During the first part of the year coffee prices continued to fall as a result of the bumper crop and large stocks accumulated in Brazil. The new international agreement in force since October 1959, under which all countries were committed to regulating supply, was successful in stabilizing prices. Despite this, average prices for Santos 4 on the New York market were 23 per cent less in 1959 than in 1958. Nevertheless, exports increased substantially, partly in response to heavier consumption deriving from lower prices and partly because of the need to replenish stocks in importer countries. This helped to offset the repercussions of the contraction in foreign exchange earnings for coffee exports in Latin America as a whole, although the total income of certain countries such as Costa Rica, El Salvador and Haiti from their coffee sales was in any case reduced.

^{5/} For further details, see chapter I.

Coffee prices fell 18 per cent. The deterioration began to be apparent at the end of 1958, as a result of the recovery of African production, and became steadily more severe at the end of 1959 when it looked as if the 1960 crop would be a record one.

The price of sugar on the so-called "free market" fell continuously during the first seven months of the year from an average of 3.27 cents per pound in January to 2.66 in July, the lowest level registered in 18 years. The basic cause was an increment of 10 per cent in world production which affected exporter countries as well as those which, though importers themselves, produce part of the sugar they consume (European countries in particular). At the beginning of 1959, the decision of the International Sugar Council to lower the export quotas of signatory States and, later, the prospects of a cut in European output during 1960, helped to rally prices towards the end of the year.

Cotton prices also plunged heavily (11.6 per cent in the case of Mexican cotton and 12.2 per cent in the case of Peruvian extra-long staple), primarily because of the expectation of bigger United States harvests and the latter country's decision to increase its export subsidies. Still, the revival of the world textile industry helped to boost prices in the last part of the year.

For the same reason, wool demand went up, thereby favourably affecting prices which rose 2 per cent.

International prices for wheat and maize remained fairly stable during most of the year, largely owing to the steadying effect of the United States and Canadian export and price scheme.

Meat was the commodity for which prices soared highest in 1959 in response to vigorous demand on the international market and because it was in fairly short supply especially in Argentina. Hence meat prices, which had already been 12 per cent higher in 1958 than in 1957, took a further upward turn of about 9 per cent in 1959.

Price fluctuations on the international market had serious repercussions on Latin America's crop and livestock economy. Suffice it to bear in mind that output of items destined primarily for the external market represents about 45 per cent of the agricultural sector's total product. In other words, nearly half of Latin America's rural production - and of its farmers' wages - are affected to some extent by demand and price trends on the external market.

In 1959, several Latin American countries took steps to lessen the effect of these repercussions on income in the agricultural sector, to shield production against discouragement and to create conditions for competition on world markets. In Brazil, for example, several exchange reforms raised the rates applicable to coffee exports ^{6/} as well as other commodities, some of which were transferred to the free market. In Argentina, the replacement of the system of multiple rates by a single fluctuating rate coincided with the establishment of withholding percentages ranging from 10 to 20 per cent depending on the commodity. In Uruguay, higher exchange rates were authorized for staple agricultural exports, and, at the end of the year, a more radical exchange reform also introduced a single fluctuating rate at the same time as duties on exports. In Mexico, these duties were lowered in order to offset the sharp fall in cotton and coffee prices.

In several countries, official circles and the producers themselves were perturbed by the more or less drastic changes in traditional farming systems which were made with a view to boosting output and enabling agricultural commodities to compete favourably on external markets.

^{6/} The present rate of 76 cruzeiros per dollar was fixed in July 1959; in January of that year it had been 37.06 cruzeiros.

4. The situation in selected countries

(a) Argentina

Agricultural production in Argentina was 5 per cent lower in 1959 than in 1958. One of the main reasons for this decline was the 11 per cent drop in livestock production. Crop output, on the other hand, remained virtually at the same levels, although its composition underwent major changes (see tables III-4 and III-5).

Weather conditions favoured some crops, but adversely affected others, causing serious damage and reduced yields. This important element was beneficial to winter sowing in general, thus allowing larger areas to be sown and providing a better ratio between the areas under seed and the crop harvested. On the other hand, late spring and summer sowings in the pampas and the planting of cotton and sugar cane, concentrated in Misiones and Tucumán respectively, suffered from bad weather which caused severe damage and reduced the yield. This ambivalent factor was responsible for the more plentiful wheat and maize crops and the drop in the sunflower, peanut, cotton and sugar crops.

The wheat crop totalled 6.7 million tons, some 16 per cent more than in 1958, while the maize crop of 4.93 million tons, although only about 3 per cent larger than in the previous years, was more than in any of the eleven previous years.

Increases were also registered in the output of pulses (20 per cent), wine (26 per cent), fruit (15 per cent - particularly apples and dessert grapes - and stimulants (39 per cent), including mate, the production of which rose by 65 per cent. Of particular interest is the fact that tea is steadily gaining ground among the stimulants produced in Argentina. From an average annual crop of about 1,000 tons between 1950 and 1954, tea production increased to 49,000 tons in 1957 and amounted to 46,100 tons in 1959. Argentina thus becomes one of the world's six leading tea-producing countries.

Oilseed production was sharply reduced for the reasons already stated. Only 387,000 tons of sunflower seed - half the 1958 figure - were produced, while cotton seed output fell off by 45 per cent. The smaller supply

Table III-4
ARGENTINA: CROP AND LIVESTOCK PRODUCTION
(1954-56 = 100)

	1950-54 <u>a/</u>	1957	1958	1959 <u>b/</u>
<u>Total crop and livestock production</u>	<u>91</u>	<u>105</u>	<u>110</u>	<u>105</u>
For internal consumption	89	99	107	106
For export	93	111	113	104
<u>Crop total</u>	<u>91</u>	<u>102</u>	<u>108</u>	<u>108</u>
For internal consumption	88	96	106	104
For export	96	112	114	116
<u>Livestock total</u>	<u>91</u>	<u>109</u>	<u>112</u>	<u>100</u>
For internal consumption	90	108	114	116
For export	91	110	112	95
<u>Commodities</u>				
Grains <u>c/</u>	91	104	106	113
Roots and tubers <u>d/</u>	98	97	93	87
Pulses <u>e/</u>	108	62	71	86
Edible oilseed <u>f/</u>	114	147	165	103
Non-edible oilseed <u>g/</u>	138	156	158	147
Sugar	95	94	146	129
Fruit <u>h/</u>	87	116	117	135
Vegetables <u>i/</u>	80	94	87	82
Beverages and stimulants <u>j/</u>	100	124	114	159
Fibres <u>k/</u>	99	90	138	84
Feeds <u>l/</u>	84	93	97	92
Meat <u>m/</u>	88	112	114	93
Wool	104	96	100	105
Miscellaneous <u>n/</u>	90	108	114	116

Sources: Official statistics.

a/ Averages, not including 1952.

b/ Provisional figures.

c/ Wheat, maize, rice, oats, malt, barley, rye; d/ Potatoes, manioc, sweet potatoes; e/ Dried beans, lentils, broad beans, chickpeas, peas;

f/ Sunflower seed, peanuts, cottonseed; g/ Linseed, tung; h/ Bananas, oranges, plums, apricots, peaches, lemons, tangerines, apples, quinces, pears, cherries, grapes, grapefruit; i/ Tomatoes, onions, garlic, pepper, chili, green peas, pumpkins, water melons, melons, Lima beans, strawberries, string beans, artichokes, asparagus; j/ Tea, mate, tobacco;

k/ Cotton and flax; l/ Alfalfa, millet, bird seed, Sudan grass, barley;

m/ Cattle, sheep, pigs; n/ Milk, eggs.

Table III-5
ARGENTINA: PRODUCTION OF PRINCIPAL COMMODITIES
(Thousands of tons)

	1950-54 <u>a/</u>	1957	1958	1959 <u>b/</u>
Wheat	6 193	7 100	5 810	6 720
Maize	2 877	2 698	4 806	4 932
Potatoes	1 443	1 311	1 374	1 398
Sunflower seed	627	625	759	387
Peanuts	132	318	290	249
Linseed	557	620	630	620
Sugar	688	657	1 014	901
Tea	1	49	44	46
Maté	110	110	120	198
Cotton	127	105	171	100
Sheep	1 876	2 459	2 535	1 977
Wool	189	175	182	192

Sources: Official statistics.

a/ In calculating the average figures 1952 was not included.

b/ Provisional figures.

/of oilseeds

of oilseeds not only failed to provide surpluses for export but was not enough for normal domestic consumption requirements which meant that the shortage had to be covered by imports.

The damage suffered by the cotton crop was such as to cause a 41 per cent drop in production. It should be pointed out, however, that output in 1958 (171,000 tons) was unusually high and that the 1959 figure (100,000 tons) was the lowest in ten years.

Sugar cane production was also lower. While the 900,000 ton crop was a good one, it was 114,000 tons below the previous year's record figure.

The smaller output of roots and tubers (7 per cent), vegetables (5.3 per cent) and non-edible oilseeds - linseed and tung (7 per cent) - also contributed to the drop in crop production.

Livestock production was highly discouraging, although prospects fortunately seem to be brighter. Progress was registered in wool and milk production (5.5 and 3 per cent respectively), but meat output - in terms of animals slaughtered - slumped (18 per cent). The major cut in the number of animals slaughtered in 1959 was a result of the livestock crisis in Argentina which started in 1956. In fact, the cattle population shrank from 46.9 to 40.7 million head between the middle of 1956 and mid-1958 as a consequence of the discouraging effect of the export and price policy then in force. The high rate of slaughter in 1956, 1957 and 1958, affecting over 6 million head of cattle, made a serious dent in the capital stock of the industry.

This process of liquidation seems to have been curbed in 1959. The reduced slaughter of brood cows and calves and the interest displayed by farmers in acquiring breeding stock indicate that a recovery has set in. Moreover, censuses taken in the province of Buenos Aires ^{7/} as of 30 June 1959 showed that, compared with the same date in 1958, there were increases in the number of beef cattle (0.8 per cent), sheep (5.7 per cent) and pigs (15 per cent).

The easing of restrictions on the domestic and foreign meat trade resulted in substantially higher prices for farmers, which contributed to the rehabilitation of the industry.

^{7/} The province of Buenos Aires accounts for about 40 per cent of Argentina's beef cattle.

The reduced slaughter of beef cattle in 1959 would not have provided export surpluses had domestic consumption remained at its high 1958 level. The sale abroad of 400,000 tons of beef - a drop of 100,000 tons compared with the previous year - was possible only because of lower consumption caused largely by the high retail price of meat.

(b) Brazil

Crop and livestock production as a whole rose sharply in 1959. The aggregate index rose 8.2 per cent between 1958 and 1959, compared with 4.6 per cent in 1957-58 and 49.5 per cent in the nine years since 1950 (see tables III-6 and III-7).

Annual and perennial crops, with an 11.5 per cent increase in production, were chiefly responsible for the improvement registered in 1959. On the other hand, livestock production decreased slightly (0.3 per cent) compared with 1958. Crop output per capita was 8.7 per cent higher than in the previous year, while livestock production fell off 2.8 per cent.

Generally speaking, production rose both in the export sectors and in those intended to meet domestic demand for foodstuffs and fibres. Output for export was influenced considerably by the unusual expansion in coffee production, which reached the record figure of 2.1 million tons. While the two chief coffee-producing States - São Paulo and Paraná - contributed to the high volume, the increase was greater in Paraná. For the first time in Brazil's history, it seems that more coffee was produced in Paraná than in São Paulo. The rapid rate of expansion is explained by the high proportion of new plantations in virgin soil, which has only recently recovered from the frosts of 1953 and 1955.

Brazil accounts for 58 per cent of Latin America's total cacao output, and here too Brazilian production rose sharply: from 164,200 tons in 1958 to an estimated 174,000 tons in 1959. Cacao production as a whole has thus increased by about 27 per cent, compared with the annual average for the period 1950-54.

Table III-6
BRAZIL: CROP AND LIVESTOCK PRODUCTION
(1954-56 = 100)

	1950-54	1957	1958	1959 <u>a/</u>
<u>Total</u>	<u>90</u>	<u>112</u>	<u>117</u>	<u>127</u>
Grains <u>b/</u>	87	110	101	105
Roots and tubers <u>c/</u>	86	106	106	104
Pulses <u>d/</u>	90	108	99	101
Saccharose <u>e/</u>	87	114	120	122
Oilseeds <u>f/</u>	95	104	117	136
Fruit <u>g/</u>	88	113	115	117
Beverages (non- alcoholic) <u>h/</u>	95	123	148	181
Fibres <u>i/</u>	96	99	97	113
Livestock commodities <u>j/</u>	88	112	112	118
Miscellaneous <u>k/</u>	80	106	114	119

Sources: Official statistics.

a/ Provisional figures.

b/ Wheat, maize, rice, oats, barley, rye.

c/ Potatoes, manioc, sweet potatoes.

d/ Beans, broad beans.

e/ Sugar cane.

f/ Peanuts, cottonseed, tung, castor beans.

g/ Coconuts, oranges, pineapples, bananas, grapes, avocados,
mangos, lemons, tangerines, water melons, peaches.

h/ Coffee, cacao, maté, tea.

i/ Cotton fibre, sisal, jute, greasy wool.

j/ Cattle, sheep, goats, pigs, milk, eggs.

k/ Tomatoes, onions, garlic, tobacco.

Table III-7

BRAZIL: PRODUCTION OF PRINCIPAL COMMODITIES

(Thousands of tons)

	1950-54	1957	1958	1959 ^{a/}
Wheat	658	781	589	450
Maize	6 184	7 763	7 370	7 735
Rice	3 154	4 072	3 829	4 176
Potatoes	759	999	1 017	855
Manioc	13 039	15 443	15 380	16 060
Beans	1 314	1 582	1 454	1 476
Sugar cane	36 201	47 703	50 019	51 000
Peanuts	146	192	308	333
Cottonseed	754	744	743	912
Coffee	1 085	1 409	1 696	2 127
Cacao	138	165	164	175
Cotton fibre	405	397	377	463
Cattle	984	1 152	1 228	1 216

Sources: Official statistics.^{a/} Provisional figures.

/Production of

Production of crops used both for export and domestic consumption - such as sugar and cotton - was also substantially greater in 1959. Cotton and cottonseed output rose by 85,200 tons and 169,000 tons respectively, thanks to the continued improvement in yields and advanced production methods in São Paulo. Sugar production also increased, particularly in the southern States, the 1959 figure being double that of 1950. As a result, sugar surpluses for export have been steadily expanding.

Most of foodstuffs consumed in Brazil - maize, rice, beans and manioc - were produced in larger quantities in 1959, thereby improving the internal supply situation. This could not be said of wheat, though, which, although of much less importance than the other crops mentioned, is an essential item in the diet of the rapidly-expanding urban groups. Owing to bad weather and pests, wheat output shrank 24 per cent amounting to only 450,000 tons despite an extension in the area sown.

/(c) Cuba

(c) Cuba

Cuba's harvests expanded almost 7 per cent, thus amply making up for the decline of the previous year (see table III-8). This increment derived primarily from production for domestic consumption which, by improving 30 per cent, more than compensated for its sizable contraction in the preceding season.

Output for export increased 2.6 per cent. The scant improvement in this sector was attributable to the slow growth of external demand for the two staples (sugar and tobacco) and for minor commodities such as pineapples and sisal. The only exception in this downward trend was tomato output which has made great strides in the last few years in response to heavier United States demand.

Sugar production was 5,964,000 tons, i.e. slightly over 3 per cent more than in 1958. Nevertheless, the sale abroad of only 4,952,000 tons - 680,000 less than in 1958 - combined with a fall in prices meant a loss of 100 million dollars in export earnings for the country. Moreover, inventories at the end of the year were 1,222,000 tons as against 547,000 tons in 1958. As regards tobacco, the 41,200-ton crop was slightly less (2 per cent) than in 1958.

The substantial increments registered in the harvests of staple domestic consumption items - rice (35 per cent) and maize (30 per cent) - were enough for the 1957 levels to be regained but not enough for imports to be discontinued. Even more maize had to be imported than in 1958. Official policy has, however, made determined efforts to encourage growing of these and other crops for the home market. For instance, large tracts of land were prepared during the year for rice cultivation in the hope of achieving complete import substitution in two or three years. With the same objective in mind, cotton-growing was introduced and yielded 1,400 tons (or the equivalent of approximately 10 per cent of consumption) in 1959 - its second year.

Table III-8
CUBA: CROP PRODUCTION INDICES
(1954-56 = 100)

	1957	1958	1959a/
<u>Total</u>	<u>114.0</u>	<u>111.8</u>	<u>119.3</u>
For export	117.4	119.8	122.9
For internal consumption	104.3	80.5	105.1

Sources: Information from the National Economic Council (Consejo Nacional de Economía), the National Institute for Land Reform (Instituto Nacional para la Reforma Agraria) and the Cuban Institute for Coffee Stabilization (Instituto Cubano de Estabilización del Café), adjusted by ECLA.

a/ Provisional figures.

/Because of

Because of the expansion in the internal and external supplies of foodstuffs food costs were kept at steadying levels during 1959.

(d) Chile

Chile is one of the Latin American countries where the agricultural supply has been lagging behind demand for a number of years (see table III-9). To the sector's relative lack of elasticity must be added the changeable weather conditions which lead to marked variations in production from one season to the other.

In 1958, the agricultural sector enjoyed exceptionally good weather and, as a result, had bumper harvests, many of which reached record levels - wheat, rice, sugar, potatoes, beans, etc. - and boosted production by 18 per cent. The year 1959 was less favourable; spells of bad weather lowered the yield of nearly all crops, in spite of the expansion in the area sown.^{8/} Of the 16 crops for which statistics are available, the yield was greater than in 1958 in the case of one only - sugar beet. Hence, crop production dropped 11 per cent with respect to the exceptional level of the preceding year, but was in any event 5 per cent above that of two years before.

As the primary aim of Chilean agriculture is to supply the home market, the decline in production in 1959 led to internal shortages, larger imports and much higher consumer prices.

Wheat, Chile's principal crop, amounted to 1,177,500 tons, or only 3 per cent less than the good harvest of the previous season, thereby causing a deficit of 100,000 tons which had to be covered by imports. Even more notable were the reductions in the output of rice (15 per cent), potatoes (29 per cent) and beans (34 per cent) which are all staple items in the Chilean diet.

^{8/} In 1957/58, the 16 principal crops covered 1,362,500 hectares, an area which was enlarged to 1,481,400 hectares in 1958/59.

Table III-9
CHILE: CROP PRODUCTION

	1950-54	1957	1958	1959 <u>a/</u>
(Indices: 1954-56 = 100)				
<u>Total</u>	87.2	100.4	118.2	105.4
Grains <u>b/</u>	90.3	100.7	121.8	118.6
Tubers <u>c/</u>	76.0	100.0	123.0	87.3
Pulses <u>d/</u>	93.8	103.1	116.6	82.6
Oilseed <u>e/</u>	106.5	85.8	94.7	104.3
Beverages <u>f/</u>	86.8	97.1	100.6	97.1
Miscellaneous <u>g/</u>	88.0	100.0	109.7	88.8
(Thousands of tons)				
Wheat	900.3	988.4	1 214.0	1 177.5
Maize	71.7	100.0	131.8	133.2
Rice	75.5	82.6	101.8	86.9
Potatoes	479.2	635.5	781.7	554.9
Beans	73.3	81.7	91.3	60.3
Sunflower seed	66.7	46.9	55.1	62.2
Wine (millions of litres)	319.9	357.9	371.0	357.9

Sources: Official statistics.

a/ Provisional figures.

b/ Wheat, maize, rice, oats, barley and rye.

c/ Potatoes.

d/ Beans, lentils, peas and chickpeas.

e/ Sunflower seed, hemp seed and linseed.

f/ Wine

g/ Onions, garlic and tobacco.

/There was

There was an improvement in the output of edible oilseeds which helped to ease the chronic national shortage of this commodity. The sunflower crop (62,200 tons) was 13 per cent bigger. The increment was not very satisfactory, however, because the area sown was 36 per cent larger than in 1958. Moreover, recent production was less than in the early fifties, when the sunflower crop reached its peak of expansion. During 1959/60, another oil-bearing plant, colza (Brasica napos olifera) was cultivated on an increasingly larger scale.

Large areas of Chile are climatically ideal for colza growing and its cultivation is being encouraged by the oil industry. Although still small, its production (18,800 tons) expanded by 72 per cent.

As in previous years, the area under sugar beet continued to expand. During 1959, sowings were increased by 50 per cent (up to 12,200 hectares) and output by slightly more. The inauguration of a third sugar mill raised sugar output to 50,000 tons as against 34,000 in 1958. Chile was thus able to supply 23 per cent of the sugar it consumed in 1959.

No data are yet available on livestock production. However, supply difficulties and the consequent pressure on prices indicate that inventories were probably rather small.

(e) Mexico

After several years of steady expansion, total crop production showed no change in 1959 (see table III-10). This was largely due to the substantial contraction in cotton output as a result of the weakening in external demand and the large volume of cotton stocks in Mexico's possession at the end of 1958. Most of the other crops showed substantial increments because of good weather, more generous use of fertilizers and improved seeds and the policy of economic incentives. The rainy season lasted up to the last few months of the year thus benefiting the winter crops in particular.

/Table III-10

Table III-10

MEXICO: CROP PRODUCTION

	1950-54	1957	1958	1959 ^{a/}
	(1954-56 = 100)			
<u>Total crop production</u>	76.6	110.4	118.4	117.8
For export	68.9	108.7	117.0	98.6
For internal consumption	80.4	111.8	119.7	134.3
	(Thousands of tons)			
<u>Principal commodities</u>				
<u>For export</u>				
Cotton (ginned)	295	471	529	375
Coffee	76	102	120	132
Sisal	98	119	123	126
Tomatoes	362	341	355	373
Cottonseed	501	807	866	627
<u>For internal consumption</u>				
Rice	266	381	401	421
Maize	3 592	4 500	5 150	5 700
Wheat	640	1 377	1 150	1 346
Beans	287	410	519	575
Sugar cane	10 935	12 568	14 042	16 584
Sesame	87	113	117	130
Tobacco	36	70	71	71

Sources: Department of Agriculture and Livestock (Secretaría de Agricultura y Ganadería), the Coffee Institute (Instituto del Café) and producers' associations.

^{a/} Provisional figures.

/Great strides

Great strides were made in the growing of staple foodstuffs such as maize (11 per cent increment), wheat (17 per cent), sugar cane (18 per cent), beans (11 per cent) and rice (5 per cent). Crops for internal consumption thus increased 12 per cent, offsetting to some extent the 16-per-cent decline in those for export.

The maize harvest, estimated at some 5.7 million tons, was a record one. It reflected the increment in the area sown (from 6.35 to 6.50 million hectares) and in yield, primarily because of the use of improved seed.^{9/} After supplying internal consumption, this production left a surplus of 300,000 tons which could be exported or go to swell carry-over reserves.^{10/}

Sugar cane production reached a new milestone of 16.6 million tons, which meant an increment of 18 per cent over its 1958 level. Owing to the slow expansion of internal consumption and the glut on the world market, Mexico is finding it difficult in 1960 to dispose of its mounting sugar stocks. Sugar output in 1959 was 1,264,000 tons, as against 1,123,000 in the previous year.

As regards staple exports, the decline in cotton production - from 529,000 to 375,000 tons - was caused by the reduction in the area cultivated which shrank from 1,015,000 hectares in 1958 to 730,000 in 1959.

Government policy was largely responsible for the satisfactory results obtained in agricultural production for domestic consumption in 1959 through more energetic efforts to attain self-sufficiency in food. Loans granted by official banks to the sector increased more than 8 per cent, and guarantee prices for maize, wheat and beans were maintained at the same level as in 1958 by means of an official purchasing power rate.

^{9/} In 1959, the National Maize Commission (Comisión Nacional del Maíz) handed over nearly 8,000 tons of certified seed to farmers for sowing 661,000 hectares to maize.

^{10/} Nevertheless, the export of maize would require a State subsidy, since the internal guarantee price (800 pesos per ton) is much higher than the world market price.

Public investment for developing agriculture, mainly placed in irrigation works, rose from 697 million pesos in 1958 to 739 million in 1959 and extended the irrigated area by 83,000 hectares. Fertilizer production was also encouraged and expanded more than 5 per cent during the year under review.

(f) Uruguay

During the 1959 season, Uruguayan agriculture was beset by numerous adversities. The weather was exceptionally bad and caused considerable losses in crops and livestock, as well as severe damage to communications and energy sources. Agricultural output was so reduced (see table III-11) that Uruguay had to import commodities that it normally exports.

Harvests, the smallest in the past nine years, were 32 per cent below their 1958 level. Bad weather not only meant smaller sowings but also reduced yields substantially. The grain and oilseed crops were most affected. The wheat crop barely reached 360,000 tons, and, in comparison with the 600,000 tons harvested in the previous season, was not enough to cover internal demand. Hence, the importation of 200,000 tons of wheat had to be authorized.^{11/}

Even greater harm was done to the maize crop, since only 133,000 tons were produced, i.e. less than half the good crop of the preceding year. A decline was also recorded for oats and barley (37 and 21 per cent respectively).

The oilseed crops also suffered severely, particularly sunflower.

The situation was equally unfavourable for livestock, since excessive rains and floods spoiled the pastures, the grains sown for fodder and the artificial pasturage. In addition, less grain was produced for feed. The ban on exports of oilcake and the importation of some feed grains eased the situation somewhat. The extreme damp aggravated certain animal diseases

^{11/} Argentina supplied 100,000 tons, in the form of a loan.

Table III-11
URUGUAY: CROP PRODUCTION

	1950-54	1957	1958	1959 <u>a/</u>
<u>(1954-56 = 100)</u>				
Grains <u>b/</u>	69.3	77.1	84.9	50.4
Roots and tubers <u>c/</u>	90.9	97.9	125.3	127.3
Saccharose <u>d/</u>	44.8	86.4	124.2	106.7
Oilseed <u>e/</u>	128.3	108.7	144.2	82.4
Fibres <u>f/</u>	91.7	95.6	100.6	75.4
<u>(Thousands of tons)</u>				
Wheat	529.1	588.9	597.8	359.7
Maize	181.0	168.2	276.2	133.0
Rice	47.6	57.0	57.8	49.3
Sugar beet	82.0	158.2	277.1	222.6
Linseed	95.9	72.4	73.4	72.0
Sunflower seed	88.6	78.7	130.8	48.3
Wool	82.7	86.2	90.7	68.0

Sources: Official statistics.

a/ Provisional figures.

b/ Wheat, maize, rice, oats, barley, rye and bird seed.

c/ Potatoes and sweet potatoes.

d/ Sugar cane and sugar beet.

e/ Peanuts, linseed and sunflower seed.

f/ Wool.

/and parasites

and parasites and supplies of medicaments were inadequate. The floods also caused some losses - especially to sheep - estimated at 1.5 to 2.0 per cent of the herds.

No data are yet obtainable on cattle slaughtering, but everything points to a decline. The number of sheep slaughtered was far less, partly because there were good prospects of a rise in the price of wool which encouraged breeders not to make any further encroachment into their herds. Meat for internal consumption continued to be in short supply especially in the capital, and an attempt was made to enlarge inventories and stabilize prices by importing from Argentina.

For the above-mentioned reasons, the 1959 shearing was smaller in volume, only 68,000 tons of wool being obtained as compared with almost 91,000 in 1958. It was also inferior in quality, especially as regards length and texture.

Various measures were taken in the course of the year to alleviate the situation of the agricultural sector. The most important were the exchange reforms and the obtaining of an external loan of 7 million dollars for agricultural development programmes. The loan from the International Bank is particularly important for Uruguayan agriculture, provided that it is used for the introduction of improved methods of work which will raise productivity substantially; only thus can production be expanded in a country which has no means of pushing back its agricultural frontiers.

5. Analysis of principal commodities

(a) Wheat

In 1959, Latin American production rose to 10.5 million tons, thereby exceeding the poor harvest of the previous year by 8 per cent (see table III-12). In spite of this recovery it was not a very auspicious year for wheat in the region. Weather factors were chiefly responsible for slowing down the normal development of production, the sowings being damaged along a large part of the Atlantic and Pacific coastal belts. Not only were countries such as Uruguay affected - which had had exportable surpluses during the last few years - but also others such as Brazil and Chile which had been trying to cut their imports.

Argentina had a good harvest of 6.7 tons which was 16 per cent larger than that of the previous year. The increase (18 per cent) in the area harvested more than made up for a small decline in yield. In pursuance of the development policy initiated a few years ago, Mexico maintained its wheat production at a level which was quite enough to cover internal demand. With an increment of 16 per cent over its 1958 production level, Colombia also obtained successful results from its policy of economic incentives and the introduction of up-to-date farming methods.

On the basis of the area sown in Brazil, had the crop developed normally, a harvest of 1.1 million tons would have been obtained, almost doubling that of 1958 which amounted to 589,000 tons. But broken weather and plagues wrought such havoc that the latest estimates place production at barely 450,000 tons, i.e. about two-thirds of the average in 1950-54. Uruguay was also affected by very bad weather conditions.

In Chile the harvest was slightly less (3 per cent), although a larger area (5.3 per cent) had been sown. Frosts and rainstorms in important wheat-growing areas in the south near harvest-time reduced the yield 10 per cent below its level of the preceding farm year.

The difficulties which some countries had to face in the crop year 1958/59, combined with the slow growth characteristic of wheat production

Table III-12
LATIN AMERICA: WHEAT PRODUCTION
(Thousands of tons)

	1950-54 <u>a/</u>	1957	1958	1959 <u>b/</u>
<u>Habitual exporters</u>				
Argentina	6 193.4	7 100.0	5 810.0	6 720.0
Uruguay	<u>542.0</u>	<u>588.9</u>	<u>597.8</u>	<u>359.7</u>
Total	6 735.4	7 688.9	6 407.8	7 079.7
<u>Deficit countries</u>				
Brazil	649.8	781.1	589.0	450.0
Colombia	130.2	100.0	155.6	180.0
Chile	900.5	988.4	1 214.0	1 177.5
Mexico	671.8	1 376.5	1 150.0	1 346.0
Others	<u>212.6</u>	<u>203.7</u>	<u>205.3</u>	<u>244.0</u>
Total	2 564.9	3 449.7	3 313.9	3 397.5
<u>Grand total</u>	<u>9 300.3</u>	<u>11 138.6</u>	<u>9 721.7</u>	<u>10 477.2</u>

Sources: Official statistics.

a/ Excluding 1952, when Argentina had unusually poor harvests.

b/ Provisional figures.

/in Latin

in Latin America, were not reconcilable with a rapid expansion in consumption. The region is losing its traditional position as a net exporter of wheat. In 1959 Brazil, Chile, Peru and Venezuela, among others had to import increasingly large supplies from abroad, approximating in volume Argentina's exportable surpluses.

(b) Maize

Maize production reached 21.9 million tons, exceeding the previous harvest by 4.5 per cent and the annual average for 1950-54 by 38 per cent (see table III-13). But the maize crop followed very different trends in Argentina, Latin America's traditional maize exporter, and in the other countries. Thus, for example, while the harvest of 4.9 million tons in Argentina in 1959 compares with an average annual production of 8.2 million tons in the five years immediately preceding the war, the 1959 harvest of 16.9 million tons in the rest of Latin America was 52 per cent greater than that of the same quinquennium. In other words, Argentina, with a declining production, has had a smaller exportable surplus every year, whereas the other countries have stepped up their production until it is only slightly less rapid than population growth.

In 1959, Mexico made the greatest progress in maize production. It harvested 5.7 million tons, i.e., 550,000 more than in 1958 and 2.1 million more than in 1950-54. It was therefore unnecessary for any maize to be imported to meet internal demand since a surplus of 300,000 tons was obtained. Brazil, which is currently the leading Latin American maize producer, also had a satisfactory harvest of 7.7 million tons, which was 5 per cent better than the previous year's crop. The Argentine harvest, which was only slightly bigger (2.6 per cent) than in 1958, was the most abundant of the last decade.

During the recent season most of the countries made further efforts to improve maize-growing techniques. The use of improved varieties was possibly the most widespread innovation in Argentina, Chile, Colombia, El Salvador, Mexico and Venezuela.

Table III-13
LATIN AMERICA: MAIZE PRODUCTION
(Thousands of tons)

	1950-54	1957	1958	1959a/
Argentina	2 709 b/	2 698	4 806	4 932
Brazil	6 184	7 763	7 370	7 735
Colombia	827	746	852	850
Chile	72	100	132	133
Mexico	3 592	4 500	5 150	5 700
Paraguay	116	130	130	125
Peru	302	271	294	305
Uruguay	181	168	276	133
Others b/	<u>1 822</u>	<u>1 849</u>	<u>1 888</u>	<u>1 933</u>
	15 805	18 225	20 898	21 846

Sources: Official statistics.

a/ Provisional figures.

b/ Five-year average (table III-5 = 2 877 four-year average).

/(c) Coffee

(c) Coffee

Some striking events took place in the world coffee economy and in that of Latin America during 1959 (see table III-14). The first part of the year was characterized by rather adverse conditions, since the prospect of bumper harvests and undisposable surpluses continued to push prices down. In the second half of the year, the situation changed radically. On the one hand, the conclusion of an international agreement - which in practice obliged all producers to regulate the coffee supply for one year - checked the fall in prices and brought trade back to more normal levels. On the other hand, expectations of a heavy reduction in the 1960 Brazilian crop dissipated, for a time at least, fears of a further increase in Brazil's surpluses.

The 1959 world harvest reached the all-time record level of 66.9 million bags, which represented an increment of 13.5 per cent in relation to the previous year and of 70 per cent over the annual average for the period 1950-54. This expansion in production originated mainly in Latin America, especially Brazil. The Latin American harvest rose to 53.9 million bags, thereby exceeding the preceding year's crop by 16 per cent, whereas non-Latin American producers managed to raise their output only from 12.4 million to 13 million bags.

Weather conditions during the coffee year in question were favourable on the whole for Latin American producers. Except for Colombia, Ecuador, El Salvador and Venezuela, the 11 other coffee-growing countries had better harvests than in 1958.

Brazil recorded the largest increment, in both absolute and relative terms. Its yield of 35.5 million bags was a record and exceeded what had already been a good harvest in the previous year by 7.2 million bags. The State of Sao Paulo increased its production, but the unusual crop was primarily attributable to the State of Paraná, where most of the new Brazilian plantations are to be found.

Although bad weather lowered Colombia's output, it was still considerably more (20 per cent) than the annual average obtained in the period 1950-54.

Table III-14
WORLD COFFEE PRODUCTION
(Thousands of 60-kg bags)

	Average 1950-54	1958	1959 a/	Percentage difference between 1959 and 1958
<u>Latin America</u>	31 678	46 470	53 860	15.9
Brazil	18 082	28 271	35 457	25.4
Colombia	6 100	7 800	7 300	-6.4
Mexico	1 269	2 000	2 200	10.0
Others	6 227	8 399	8 913	6.0
 Africa b/	 5 887	 10 058	 10 571	 5.1
Asia and Oceania b/	<u>1 717</u>	<u>2 369</u>	<u>2 437</u>	<u>2.9</u>
 <u>World total</u>	 39 282	 58 897	 66 868	 13.5

Sources: Official statistics.

a/ Provisional figures.

b/ United States Department of Agriculture, Foreign Agriculture Circular..

/Mexico continued

Mexico continued to reap bigger harvests: the present one, which amounted to 2.2 million bags, was 10 per cent better than its predecessor, and confirmed Mexico's position as the third largest producer in the region after Brazil and Colombia.

The exceptional harvest of 1959, to be sold in the 1959/60 trade year, raised serious problems for the producer countries because of the pressure exerted on prices by the discrepancy between supply and demand. World output of 67 million bags left about 58 million for export, whereas imports fluctuated between 38 and 40 million bags only. The new surplus of 20 million was added to others carried over from preceding harvest by producer countries, particularly Brazil and Colombia.

Up to September 1959, there was an agreement in force among leading Latin American producer countries which obliged them to regulate their exports. The agreement was, however, less effective than was hoped since it did not include producers in Africa, Asia and Oceania. Upon its expiry, a further agreement was signed - this time by nearly all producer countries^{12/} - for the purpose of remedying the current imbalance between coffee supply and demand during one year (October 1959 - September 1960), while a longer-term solution was being sought with the help of importer countries. The new agreement fixed export quotas for each of the producer countries and committed them to regulating sales during the year.^{13/} It also laid down various measures for increasing coffee consumption in producer and importer countries and, with that end in view, provided for the financing of a vigorous publicity campaign.

^{12/} It was also signed by the French Union, the State of Cameroun and Portugal. Belgium and the United Kingdom did not participate but promised to collaborate by also limiting their exports.

^{13/} The quotas fixed were equivalent to 90 per cent of the highest export level reached in 1949-58, and producers with an exportable harvest of less than 2.2 million bags were allowed to choose between this quota and 88 per cent of their exportable production based on the calculations published by the United States Department of Agriculture in the first two months of 1960.

/Brazil is,

Brazil is, of course, the country which is most burdened by exportable surpluses. On 30 December 1959, when nearly 10 million bags of the current's year crop had been exported, Brazilian inventories amounted to 35 million bags, i.e. 16.2 million more than on the same date in 1958. If a further seven or eight million bags were to be sold in the remainder of the trade year 1959/60, at the beginning of the new harvest Brazil would still have between 28 million and 29 million bags in reserve.

Brazil made various efforts in 1959 to reduce its inventories. It promoted internal consumption, sought new markets and destroyed inferior coffee.^{14/} Moreover, it has been trying to raise the quality of the coffee bean and to enhance output efficiency. In order to do so, 1,000 million trees of low productivity will be destroyed and replaced by only 300 million new plants of improved varieties.

Latin American coffee exports reached the all-time record level of almost 31 million bags in 1959, i.e. about 5 million more than in 1957 and 1958. Nevertheless, only six out of the fifteen trading countries in the region - Brazil, Colombia, Guatemala, Honduras, Panama and Peru - increased their external sales. The major part of the increment was attributable to Brazil and Colombia, which together exported 23.8 million bags^{15/} as against 18.3 million in 1958. Most of this big increment went to the United States, which imported 23 million bags in 1959 i.e. 2 million more than in 1958. The reason for such large purchases was heavier consumption in response to the dual stimulus of a price cut and the normalization of stocks, which had fallen to very low levels in importer countries before the international agreement was concluded among the producer countries.

^{14/} Coffee has been sold in non-coffee-growing areas of Brazil at a much lower price than that paid to farmers; a vigorous policy to conquer new markets has been successfully launched with the conclusion of various barter agreements, although the quantity involved was small in comparison with the surpluses left; and, finally, about 10 per cent of the last two harvests was destroyed because of its poor quality.

^{15/} Colombia's exports of 6.4 million bags marked a record. Brazil's sales of 17.4 million bags in 1959 were topped in 1948 and 1949 only.

(d) Sugar

Sugar is one of Latin America's agricultural commodities which has been produced in steadily larger quantities in recent years. As a result, the region has been able to meet growing consumption requirements and make greater strides as an exporter. In 1959, its position was strengthened; the output of 13.8 million tons exceeded the previous harvest by 3.1 per cent and that of 1950-54 by 31 per cent (see table III-15).

In 1959, external demand showed signs of slackening and precipitated a fall in prices. Latin America exported less and stocks mounted in the main exporter countries.

Except in Argentina, good weather helped to produce bigger harvests than in the previous year. The largest output increments were recorded in Brazil, Cuba and Mexico.

Brazil's position as a sugar producer was enhanced. The recent harvest of 3.1 million tons was 100,000 tons more than in 1958 and 1.7 million more than in 1950. The expansion was concentrated in the south of Brazil where a modern industry has been established, motivating factors being low production costs for cane processing and a price and sales policy, partly intended to assist less efficient producers in the north, which guaranteed a market and raised prices to encouraging heights. The dynamic nature of the sugar industry has enabled it to satisfy local requirements and still have increasingly large exportable surpluses.^{16/}

Mexico has also made rapid strides ahead in its sugar production. During 1959, it marked up 1.26 million tons, which was an improvement on the previous harvest (1.12 million) and much better than that of 1950 (590,000). Owing to this expansion, which pushed production ahead of consumption, Mexico began to accumulate some exportable surpluses.

The relatively small advance made by production in Cuba (3 per cent) was a result of the slackening of demand on the international free market.

^{16/} In 1950, the output of 1.4 million tons balanced internal demand. The accelerated growth of production in the following years enabled it to exceed consumption by a little over 800,000 tons in 1959, despite the fact that consumption expanded by approximately 900,000 tons.

Table III-15
LATIN AMERICA: SUGAR PRODUCTION
(Thousands of tons)

	1950-54	1957	1958	1959a/
<u>Habitual exporters</u>	<u>8 598.5</u>	<u>9 854.0</u>	<u>10 391.9</u>	<u>10 720.8</u>
Brazil	1 783.0	2 714.2	3 003.6	3 108.2
Cuba	5 718.1	5 671.9	5 778.6	5 964.1
Peru	515.0	681.4	684.7	705.0
Dominican Republic	573.4	786.5	925.0	943.5
<u>Deficit countries or occasional exporters</u>	<u>1 885.2</u>	<u>2 532.3</u>	<u>2 951.6</u>	<u>3 039.9</u>
Argentina	662.3	657.0	1 014.1	900.7
Colombia	179.7	215.2	242.5	255.0
Mexico	708.5	1 078.0	1 123.0	1 264.0
Venezuela	65.2	192.8	156.3	161.4
Others	269.5	389.3	415.7	458.8
Total Latin America	10 474.7	12 386.3	13 343.5	13 760.7

Sources: Official statistics, International Sugar Council and Foreign Crops and Markets.

a/ Provisional figures.

/Good harvests

Good harvests, 2 to 5 per cent bigger than those of the previous year, were also reaped in the other countries - Colombia, Dominican Republic, Peru and Venezuela. Argentina was the only major producer whose output dropped 11 per cent in relation to its level in 1958. In 1959, bad weather was responsible for the fall in production which, in any event, was sufficient to satisfy internal demand.

The international market was unfavourable in 1959. The increase of 10 per cent in world production affected importer countries - especially those in Europe which meet part of their consumption requirements with sugar beet - and exporter countries alike. In addition, some uncertainty was felt concerning sugar policy in Cuba where reserves were piling up.^{17/}

For Latin American exporter countries, the world market situation meant less foreign exchange income, as regards both prices and volume exported. External sales by the five main producers - Brazil, Cuba, Dominican Republic, Mexico and Peru - amounted to a little less than 7.1 million tons in comparison with 7.9 million in 1958. As a result, there were regional sugar surpluses by the end of the year.

In 1959, the Dominican Republic and Peru were the only countries that managed to sell the whole of their export production for that year. Brazil, Cuba and Mexico, on the other hand, were not able to sell more than 83 per cent and were left with a residue of 1,220,000 tons, which, together with the inventories held at the end of 1958, meant an accumulation of a little more than 3 million tons (approximately 40 per cent of annual exports). As these countries are bound, under the International Sugar Agreement, to maintain buffer stocks which range from 10 to 15 per cent of the quotas allocated to them (between 48,000 and 618,000 tons), the stocks were already about 2.5 million tons over the limit by the end of 1959.

At the end of 1958, the leading sugar exporter and importer countries signed a new international agreement for a term of five years, the purpose of which was to stabilize prices on the so-called "free market". Twelve Latin American countries acceded to it, including Brazil and Peru which had remained aloof from the previous agreement. The quotas fixed by the new agreement amount to 6,755,000 tons, 65 per cent of which corresponds to the Latin American countries.

^{17/} In the first 11 months of 1959, world exports were only 10.7 million tons, i.e. almost 10 per cent less than in the same months of 1958.

/(e) Cacao

(e) Cacao

Latin American cacao production rose to some 300,000 tons in 1959, thereby exceeding its 1958 level by 6.6 per cent and its annual average in 1950-54 by 22 per cent. World output during the same season totalled 900,000 tons, i.e. it was 15 per cent more than in the previous year, although slightly less than the peak level of 1957 (907,000 tons). The African producers were very largely responsible for the increase in world supplies in 1959, since their production rose from 450,000 to 566,000 tons (24 per cent) although it failed to climb as high as its 1957 level (see table III-16).

The production pattern in the different Latin American countries was rather erratic. In Venezuela, there was a slightly smaller harvest, and in Guatemala, Haiti, Honduras and Panama, the previous year's levels were maintained, while crops were larger in Brazil, Colombia, Costa Rica, the Dominican Republic, Ecuador and Mexico.

All producer countries took steps to increase cacao production, either to satisfy the exigencies of local demand or to obtain an exportable surplus. Their main problem was how to renew and/or expand their plantations with varieties that would be resistant to the different diseases to which cacao is prone. Thus, for instance, Colombia adopted special development programmes with a view to boosting production and thereby reducing or eliminating its dependence on external sources; Peru hopes to attain the same objectives very shortly; in Ecuador, greater importance is being attached to the new plantations, especially those on land which had previously been occupied by banana plantations that had ceased to be productive; Mexico, which has zones that are ideal for cacao cultivation, is carrying out similar development programmes; and Costa Rica, the Dominican Republic and Nicaragua are dealing in one way or another with the development of this branch of agriculture.

Brazil, the leading Latin American producer - which, in the last season, accounted for almost 58 per cent of the total regional harvest - registered a record output which was 6 per cent more than in the previous year and 27 per cent higher than the annual average for 1950-54. The cacao plantations have been spreading steadily during the last decade, expanding from 276,000 hectares in 1950 to 460,000 in 1959.

Table III-16
LATIN AMERICA: CACAO PRODUCTION
(Thousands of tons)

	1950-54	1957	1958	1959
Brazil	137.5	164.6	164.2	174.5
Colombia	10.1	12.0	11.7	12.0
Costa Rica	6.0	8.2	8.4	10.1
Ecuador	28.8	31.6	27.1	35.0
Guatemala	0.8	0.7	0.7	0.7
Haiti	2.0	2.0	2.0	2.0
Honduras	0.1	0.1	0.1	0.1
Mexico	9.5	15.3	16.5	17.0
Panama	1.8	2.1	2.1	2.1
Dominican Republic	31.3	35.4	31.2	31.5
Venezuela	<u>16.2</u>	<u>15.2</u>	<u>14.8</u>	<u>14.0</u>
Total Latin America	244.1	287.2	278.8	299.0
Ghana	242.0	268.6	209.8	259.5
Nigeria	104.4	137.9	89.8	142.4
Remainder of Africa	<u>147.6</u>	<u>179.5</u>	<u>158.7</u>	<u>164.5</u>
Total: Africa	489.2	586.0	458.3	566.4
Others	<u>30.6</u>	<u>33.8</u>	<u>42.9</u>	<u>34.6</u>
<u>World total</u>	749.0	907.0	780.0	900.0

Sources: Official statistics and FAO.

/As a

As a result of the fall in production during 1958, international cacao prices rose considerably from the end of 1957 and throughout most of 1958. The average quotation in 1958 for Brazilian Bahia cacao was 43.3 cents per pound as against only 30.5 cents in 1957 and 25.5 in 1956. Yet, the prospects of better harvests in 1959 began to affect world market prices during the last quarter of 1958 and exerted increasing pressure during the whole of 1959, with the result that the average quotation in that year was as little as 35.4 cents per pound, or 18 per cent less than in 1958.

During 1959 world cacao exports rose to 760,000 tons, i.e. 116,000 tons above their low levels of 1958. African exporters were responsible for this upsurge in trade, particularly Nigeria and Ghana which stepped up their exports 59 and 24 per cent respectively. Latin American exports, on the other hand, fell off, mainly because Brazil sold 18,000 tons less than in 1958 in spite of a bigger crop. The reduction in its sales came about because the floor prices fixed for exports were slightly higher than those prevailing on the world market; this slowed down sales and forced the Brazilian authorities to stockpile. Subsequent legislation, which allowed the foreign exchange income deriving from such sales to be auctioned on the free market, reinvigorated exports.

(f) Cotton

Latin American production was a little over 1.2 million tons in 1959, i.e. 9 per cent less than in the previous year. This decline contrasts with the increment of more or less 10 per cent attained in the other cotton-growing countries (see table III-17).

World market conditions had an important influence on the results of cotton production in Latin America. Suffice it to say that countries that are normally exporters supply, according to the year in question, between 90 and 95 per cent of the region's output. Sowings for 1959 were undertaken when the world cotton market showed signs of a slump. During the second part of 1958 and the first half of 1959, prices fell almost uninterruptedly and only began to steady themselves and even pick up slightly in the second half of the year.

Table III-17
LATIN AMERICA: COTTON FIBRE PRODUCTION
(Thousands of tons)

	1950-54	1957	1958	1959a/
<u>Habitual exporters</u>	<u>827.5</u>	<u>1 075.3</u>	<u>1 138.8</u>	<u>1 053.5</u>
Brazil	405.5	397.1	377.3	463.0
El Salvador	9.3	36.0	40.9	31.1
Guatemala	4.1	13.9	16.2	10.6
Mexico	295.3	471.0	529.0	375.0
Nicaragua	20.3	52.9	59.3	52.8
Peru	93.0	104.4	116.1	121.0
<u>Deficit countries or occasional exporters</u>	<u>164.1</u>	<u>149.3</u>	<u>225.0</u>	<u>179.1</u>
Argentina	126.2	104.7	170.6	100.0
Colombia	14.1	20.6	25.9	56.4
Others	23.8	24.0	28.5	22.7
<u>Total Latin America</u>	<u>991.6</u>	<u>1 224.6</u>	<u>1 363.8</u>	<u>1 232.6</u>
<u>World total b/</u>	<u>8 352.0</u>	<u>9 179.0</u>	<u>9 030.0</u>	<u>9 626.0</u>
Latin America as a percentage of the world total	11.9	13.3	15.1	12.8

Sources: Official statistics.

a/ Provisional figures.

b/ United States Department of Agriculture.

/In these

In these circumstances countries such as El Salvador, Guatemala, Mexico, and Nicaragua, which grow cotton primarily for export, reduced the area sown from 1,168,000 to 830,000 hectares (almost 30 per cent) with a consequent more or less proportional decline in output. Mexico's situation was aggravated by the existence of a cotton surplus of 203,000 tons, which by the end of 1958 remained unsold.

Argentina's cotton harvest was also considerably reduced (from 170,600 to 98,000 tons) because of the torrential rains which ruined extensive sowings and damaged others.

Brazil, on the other hand, reaped a good harvest, which was 23 per cent bigger than in 1958 and the highest for the last six years. Peru's crop was also 4 per cent larger.

Among the deficit countries which launched a vigorous campaign to boost production Colombia is outstanding. In 1959, its efforts bore results in the shape of an exceptionally good harvest of 56,400 tons, more than double the previous one and exceeding internal consumption requirements by 11,000 tons. Thanks to this surplus, Colombia was able to send its first exports (800 tons) to some European countries in the early part of 1960.

In 1959, cotton prices on the international market fell again in relation to their level in 1958. This drop was 12 per cent for Mexican and Peruvian cotton and 8 per cent for Brazilian.

Cotton exports reached much higher levels than in 1958: those of the three leading exporter countries - Brazil, Mexico and Peru - rose to 593,000 tons, which represents an increment of 20 per cent. Thus, Latin America's income from cotton exports increased, since the larger volume exported more than made up for the fall in prices.

Chapter IV

RECENT DEVELOPMENTS IN LATIN AMERICAN LAND REFORM

I. GENERAL ASPECTS

The slow development of Latin American agriculture has up to now been one of the principal obstacles to the region's economic progress; production has failed to keep pace with the growing demand for foodstuffs and raw materials of an expanding and increasingly urbanized population with rising income levels. Moreover, because of its extremely low average income, the agricultural population does not offer an adequate market for industrial goods. Both factors act as a powerful brake on the balanced growth of the Latin American economy.

Among the reasons for this situation, one of the most important - because of the chain reaction which it produces - is undoubtedly the faulty agrarian structure prevailing in almost all Latin American countries. It is largely responsible for low agricultural labour productivity and the consequent miserable level and inequitable distribution of income, bad soil utilization, the poor rate of capital formation, the scarcity of up-to-date farming techniques, the archaic systems of labour remuneration and the low educational level of the rural population. It is thus apparent that these structures would have to be changed by means of land redistribution if resources are to be better utilized, farm techniques are to become more up to date and levels of productivity are to be raised. A far-reaching institutional change would be the only way to increase the average per capita product and to distribute income so as to enable the agricultural sector to play the role which is expected of it in Latin American economic development.

It is no easy matter to carry out these changes since the problem is extremely complicated, involves nearly all branches of agriculture and is closely bound up with the other sectors of the economy. Furthermore, because of its peculiar and complex characteristics, the problem has

/never been

never been studied exhaustively. A comprehensive appraisal of the way in which the production process and its composite factors are affected by the different systems of land tenure and sizes of holding is sorely needed, as well as a sufficiently large team of specialists in the economic and social aspects of land reform and an adequate methodology for a study of the problem.

Admittedly, it is not easy to assemble the necessary specialized information in order to achieve this objective. The tremendous and complex variety of climates, soils, racial and cultural features, customs, and economic, political and social factors in Latin America have led to the formation of different types of agriculture peculiar to each area, types which, in their turn, have entirely different agrarian structures. Each country has specific problems that are distinct from those of its neighbours, and even within each country, the most heterogeneous situations are to be found depending on the climate, soil and population. Each area requires a special study and individual solutions. It is therefore impossible to generalize in this matter, and any attempt to adapt exogenous solutions to Latin America's needs might seriously damage agriculture itself and the economy as a whole.

In order to provide some picture of the manifold features of the agrarian structures to be found in Latin America, some of the most outstanding will be rapidly reviewed.

The agrarian structure which presents the greatest problems for economic development is perhaps the feudal type which still prevails in certain parts, especially the Andean sierra and cordillera. It is characterized by the heavy concentration of property in the hands of a few, the existence of a large labour force subjected to an inhumane system of exploitation with antiquated forms of remuneration which are hardly enough to maintain a bare subsistence level, the under-utilization of resources, particularly the soil and labour force, extremely limited capital formation in the rural areas which is reflected in rudimentary

/farming methods

farming methods and minimum labour productivity. In such areas, more than 60 per cent of the active population is generally engaged in agricultural work, much of it outside the monetary system.

Another of the principal systems in Latin America is what may be called "plantation farming". This is also characterized by the concentration of land in the hands of a few persons and the inadequate utilization of the soil factor but it has achieved a fairly high degree of technical efficiency through the investment of sufficient capital to allow considerable specialization in one particular crop. The relatively high productivity of labour does not benefit the worker proportionately. As a rule, agricultural workers are badly paid and their annual income is still at a low level since they are usually employed on a seasonal basis. While remaining the principal source of employment in the areas where it is practised, this type of farming predominates in many tropical countries, where crops are mainly grown for export. Examples are to be found in the areas that produce sugar, bananas, coffee, cacao and cotton.

One rural activity that has its own characteristics and occupies an important position in many Latin American countries is tropical stock-farming which is distinguished by a heavy concentration of ownership combined with marked under-utilization of the soil which is covered by natural pasture of little nutritive value and extremely low yield. Generally remote from the big consumer centres and with few means of communication, this type of animal husbandry is practised on ranges, at a poor technical level, with a minimum investment of capital and consequently very low productivity. In spite of the fact that population density is not at all high in these areas, on-the-range stockfarming does not require large labour inputs, there is no competition for the labour force available and wages are low.

Mention should also be made of semi-capitalized agriculture in the vicinity of more or less large urban centres or industrial zones. Here the big estate predominates side by side with numerous small holdings, and shares the characteristics of both systems as regards the under-utilization of resources and many of the problems already described above. Most of the large estates are farmed according to an ill-balanced system

/of land

of land tenure based on short-term leases, sharecropping and permanent labourers who are given small lots of land to cultivate in part payment.

Lastly, there are the areas sown to grain where population density is low and good prospects exist of mechanizing the agricultural work on a large scale. A heavy concentration of ownership is also to be observed in these parts, with the resulting predominance of extensive farming and scant use of modern techniques. Although the farm work is fairly thoroughly mechanized, other techniques and inputs such as fertilizers and pesticides are little employed. Labour productivity is relatively high, but is in a rut because of the lack of technical progress and the decreasing productivity of the soil.

All these types of structure present manifold variations which need individual solutions. Hence, it is not only advisable to make thorough studies of land tenure and of the influence of the size of holding on production and labour systems, but to extend such studies to include technical aspects, capital requirements and financing for the expansion of production, as well as the behaviour of the agricultural population, etc. When such studies are undertaken, it should be borne in mind that agriculture is not an independent branch of the economy and that production possibilities should be linked up with internal and external demand for foodstuffs and raw materials of agricultural origin, the supply of inputs and income levels in the other economic sectors.

II. THE SITUATION IN SELECTED COUNTRIES

Up to a very few years ago, most of the Latin American countries - with the exception of Mexico - made no attempt to find basic solutions for the problems posed by agrarian structures that were retarding their economic and social development. The situation has changed recently; nearly all Governments are making determined efforts to deal with these problems in the way and to the extent that the internal conditions of each country permit. The swing in world opinion in favour of higher income levels and more rapid economic development in the less advanced countries and the fact that the United Nations and specialized agencies are

/taking direct

taking direct action to promote the study and introduction of land reforms have helped to form the attitude that such reform should be regarded as an indispensable part of economic and social progress. Several countries - Bolivia, Cuba and Venezuela - have already launched land reform programmes; others are studying plans or draft legislation which in some cases has even been submitted to the legislative bodies. On the whole the atmosphere is propitious for the consideration of far-reaching structural changes, and partial measures have been taken in open up the land to agricultural workers who have none.

A brief outline will now be given of recent developments in land reform and settlement in some of the Latin American countries.

1. Land reform in Bolivia

Next to Mexico's, Bolivia's land reform has been in operation for the longest period. The relevant legislative decree was promulgated in August 1953 and entered into force immediately. It would thus seem the best procedure to refrain from comment on the decree and instead to analyse - in so far as the scanty data available permit - the results which are being achieved.

The very promulgation and implementation of the decree offered Bolivia excellent opportunities to pull itself out of its economic and social rut and marked the starting point of a development process which has already started but the full results of which will not become apparent until later.

At the time when the decree was promulgated, agriculture was the main obstacle to Bolivia's economic development. Absorbing slightly more than 60 per cent of the country's active population, it contributed only 28 per cent to the formation of the gross domestic product. Average agricultural productivity was barely a quarter of that of the other economic sectors. In these circumstances, the rural sector was unable to provide a market for production and urban services, or to contribute effectively to the satisfaction of urban demand for foodstuffs and fibres. In actual fact, the great majority of the rural population was outside the monetary economy and scraping a bare living.

One of the main causes for this situation was the prevalence of a highly unsatisfactory agrarian structure in which the semi-feudal and unproductive latifundio predominated in combination with a labour system which kept the farm labourer at little better than the level of a serf to be inhumanly exploited by many landowners.

The Land Reform Decree put an stop to this situation by abolishing the latifundio and, above all, freeing rural workers from the state of semi-slavery in which they were living. These workers thereupon acquired a new personality which equipped them to become a productive force in the economy. Owners of a small plot of land, which they had previously received from the landowner in payment for the days of work which they were forced to give on the estate without further remuneration of any kind, were at last in a position to cultivate their land freely for their own benefit and to raise their level of income to a considerable extent. Among the sweeping changes which have taken place in Bolivia in the last seven years, one of the most important has been land reform, which undoubtedly brought about a real improvement in the economic situation of the agricultural worker.

The implementation of the reform has been a slow process and all kinds of difficulties and problems have been overcome. It should be borne in mind that the agricultural sector in Bolivia was virtually unknown. Apart from some very general information, the necessary studies for undertaking its complete reconstruction were lacking. The 1950 census itself had some important gaps and could be regarded as only a rather rough approximation of the actual state of affairs. More than 90 per cent of the rural population was illiterate and knew nothing of weights or measures and even less of modern farming techniques. The physical environment itself was a forbidding problem, characterized as it is by a wide variety of ecological and human resources each with its own climate, altitude, topography and customs. The numerous geographic zones are almost completely cut off from one another, and the racial and social groups live there with their own closed cultural systems and mores and a modicum of contact with the rest of the population.

/Furthermore - and

Furthermore - and this is perhaps one of the main problems to be dealt with by the reform - the agricultural population is very badly distributed. It is chiefly concentrated in the high zones, particularly the cultivable valleys and tablelands which are usually rather small in size. As a result, the population is crowded together on crop land that is generally poor and eroded, where - without the help of irrigation - the climate makes harvests uncertain. For instance, in one area of this kind - the Cochabamba valley - the rural population density is as much as 66 inhabitants per square kilometre. Conversely, on the tropical and semi-tropical plains in the eastern part of Bolivia, where there are large tracts of relatively fertile land, the population density is less than 1 person per square kilometre. Population shifts might ease the situation, but the Bolivian country dweller from the sierra is strongly attached to the piece of ground on which he was born and where he has worked all his life and it is extremely difficult to move him to a lower zone where the climate, vegetation and customs are different.

Bad population distribution and the impossibility of removing at short notice at least some of the population from the high plateaux and valleys to different areas or activities other than agriculture have given rise in a number of regions - especially the Cochabamba valley and the land bordering on Lake Titicaca - to a serious problem: the appearance of minifundia, which, if not remedied in time, may create economic difficulties as serious as that represented by the latifundia or even more so. Small plots have sprung up - sometimes of less than a hectare - on unfertile land, on which a precarious type of agriculture is practised. Even if the owner succeeds in advancing to semi-intensive or intensive crop-growing, this will never bring him in an income much higher than what he received before the reform and will keep him largely under-employed.^{1/}

^{1/} See Second Latin American Seminar on Land Problems, Document IP2, Bolivia, Basic Documentation, first and second parts, p. 52.

A statistical break-down by departments shows that the average area handed over to each rural family is 1.80 hectares in Cochabamba, 4.84 in Potosí, 6.18 in Tarija and 7.63 in Chuquisaca.^{2/} But if the allocations made by the National Agrarian Reform Council in the whole country up to December 1959 are taken into account, the average area assigned per person in each family was 24.75 hectares. In judging this figure, however, it should be remembered that much of the land is in poor areas with very low and occasional yields and that it can only just be described as agricultural. In such conditions, the larger tracts that had to be allotted in order to ensure the recipients a minimum subsistence level raised the over-all average.

Herein lies one of the greatest problems for Bolivia's economic development in the immediate future. Not only have the necessary measures to ease population pressure in the already occupied zones not been taken, but it has proved impossible to find employment - outside the rural environment or in less densely populated agricultural zones - for the large number of people who swell the "active (agricultural) population" sector every year as a result of vegetative growth. If a solution is not found to this problem in the near future, the first beneficial effects of the land reform will be completely nullified by the spread of minifundia, under-employment and an increasing imbalance between development in the agricultural sector and in the other sectors of the economy.

The radical economico-social transformation which the Land Reform Decree is trying to bring about has lacked some of the material and technical elements necessary for its achievement. Apart from the complex and slow procedures used for the allotment of land, the National Agrarian Reform Council was unable to accelerate the process owing to insufficient funds and a small and inadequately trained staff, far less to provide the supplementary services that were necessary if production

^{2/} See in El Diario, La Paz, 1 January 1960, the article on the report cited in footnote 1.

was not to decline. A further factor was the economic disorganization which had an adverse effect on the country during the first five years of reform, and which was caused, inter alia, by the acute inflationary process and the inadequate exchange system which were remedied to a certain extent by the stabilization measures of 1956.

In addition, the Decree lacked proper programming. An endeavour was made to implement it simultaneously over most of the country without the requisite specialized personnel and without a prior and detailed study of the economic, social and racial characteristics of each region. The process made slow headway during the first six months of implementation and imbued both former landowners and the beneficiaries themselves with a feeling of uncertainty which led to serious drops in production.

From May 1955, when the distribution began, to June 1959, 34,357 title-deeds had been issued allocating a total of 657,149 hectares to 24,371 persons. The process was greatly expedited after June, and in six months 12,500 executory title-deeds were given out assigning a total of 407,600 hectares to 8,237 persons. Up to 31 December 1959, a total of 32,608 heads of families had received 46,857 title-deeds (29,636 individual and 17,221 collective), which corresponded to 1,064,749 hectares of crop and pasture land.^{3/} Since Bolivia's agricultural population consisted of approximately 370,000 families,^{4/} in six years only a little less than 10 per cent received title-deeds.

The serious economic problems which beset the country and the lack of experts have prevented the State from supplying rural workers with the necessary credit and technical assistance for the reform to be wholly successful and living conditions to improve more rapidly. The

3/ Analytical report on agrarian reform submitted by the President of the National Congress (mimeographed document).

4/ According to ECLA studies, Bolivia's agricultural population in 1955 was 2,038,000 persons. Assuming each family to consist of 5.5 persons on the average, the number of families would be 370,000.

different organizations that are concerned with the development of agriculture (Ministry of Agriculture (Ministerio de Agricultura), Joint Bolivian-United States Agricultural Mission (Servicio Agrícola Interamericano), Ministry of Rural Affairs (Ministerio de Asuntos Campesinos), Banco Agrícola de Bolivia, United Nations Joint Field Mission on Indigenous Populations - Andean Highlands Development Corporation (Corporación de Fomento), Ministry of Defence (Ministerio de Defensa) and the National Council of Co-operatives (Consejo Nacional de Cooperativas) - have not yet been able to do any effective work because they lack the requisite funds for reaching down to the rural worker himself and dispelling his indifference to technical progress. Again, the lack of co-ordination among all these bodies has not only prevented them from doing more efficient work as a whole but has also hindered their individual activities. The only one to achieve something positive as regards agricultural research, mechanization and extension services was the Joint Bolivian-United States Agricultural Mission, thanks to the ample funds supplied by the United States Government. Even so, it is estimated that no more than 15 per cent of the rural workers had any contact at all with the Mission.

Credit for agricultural development purposes is virtually non-existent, since the only body specializing in this in Bolivia has very little capital which is barely enough to cover a small part of the farmers' requirements. With the aid of money contributed by the Agricultural Mission, the Banco Agrícola launched a supervised credit programme in 1955 which, up to July 1959, had made only 7,174 loans in all amounting to a total of little more than 1.5 million dollars. Of these loans, 5,382 were for workers who had executory title-deeds.

The co-operative movement has not been as successful as was expected. Two hundred and eighty six co-operatives of different kinds, especially of the consumer type, were set up and were joined by 31,301 rural workers. Nevertheless, more than 90 per cent of the co-operatives have failed owing to the complex problems confronting the country.^{5/}

^{5/} For further details, see Document IP2, op.cit., pp. 61 and 63.

The greatest strides made towards a better life for agricultural workers were in education. The Government took steps to extend the benefits of elementary education to rural areas and in seven years managed to double the number of schools, teachers and pupils. The former increased from 2,300 in 1953 to 4,452 in 1959, while the number of teachers rose from 3,014 to 6,087 in the same period and the number of pupils from 70,640 to 157,999.^{6/}

The efforts made to settle the tropical and semi-tropical zones in eastern Bolivia are also worthy of mention, even though it cannot be said that they fully responded to needs or that they had any very resounding success. Government action was confined to the establishment of the following settlements in the Department of Santa Cruz: Cotoca, for which the United Nations Andean mission is responsible and has succeeded in settling 70 families; Aroma with 181 families; Cuatro Ojitos with 307; Hacaytu with 176; and, lastly, Okinawa and San Juan, consisting of 330 and 155 Japanese families, respectively. Voluntary settlement, on the other hand, made far greater progress, since 40,000 to 50,000 persons, mainly Quechuas and Aymarás, are estimated to have settled in the last fifteen years in the provinces of Clapare, Department of Cochabamba, districts of Caranavi and Inquisivi, Department of La Paz and various parts of the Department of Santa Cruz.

The rapid structural change imposed by the land reform - together with the initial uncertainty felt as regards handing over land to rural inhabitants - led, in the first few years, to a sharp contraction in the area cultivated and a decline in agricultural output. With the passage of time, the situation has been altering rapidly. Even though this change is difficult to quantify in the absence of adequate statistical data, both the area cultivated and the volume of production appear to have exceeded their respective totals prior to 1953. Furthermore, there are signs that output in some sectors of production has been so great that prices have fallen considerably.

^{6/} Ibid, p. 47.

It should be remembered that most of this advance took place with the same primitive farming methods as followed in the past. But there are signs that the natural armour of the indigenous inhabitants against technical progress is being pierced since fertilizer consumption has leapt up - especially for potato-growing - and some interest has been evinced in modern methods of farming and even in machinery. None the less, these advances are still too small to exert much influence on agriculture.

In short, it may be said that, despite all the problems which have harassed land reform in the course of its implementation and despite the lack of economic and technical resources, land reform has taken root and is beginning to make a definite contribution to the economic development of Bolivia. Food imports are starting to drop, the domestic supply of agricultural commodities is larger and there is even a possibility that small surpluses may be obtained for export.

2. Land reform in Cuba

In Cuba, the crop and livestock industry produces from 40 to 45 per cent of the national income and accounts for slightly more than 90 per cent of the total value of exports. Moreover, approximately 40 per cent of the total active population is engaged in agricultural activities. Yet in spite of the fact that there is more than enough land and labour available to satisfy domestic demand for foodstuffs and raw materials that can be produced in tropical and semi-tropical zones, Cuba has, for many years, been forced to import such commodities as rice, beans, fats, oilseed and oil, cotton and maize, at an average annual value of 95 million dollars. The gravity of the situation was enhanced by the fact that only half the crop land available was used for annual or perennial crops, since the sugar companies owned approximately 50 per cent of the total cultivable area.^{7/}

Prior to land reform, the structure of Cuban agriculture was one in which the latifundia predominated. Single-crop farming of the plantation type had been established and this, although exploiting with relative efficiency Cuba's comparative advantages as regards sugar and tobacco production, left the economy at the mercy of a sharply fluctuating external market and excluded the possibility of diversified production, so that half the arable land was thus under-utilized. The existence of large estates and a high degree of crop specialization led to severe under-employment and seasonal unemployment in the agricultural labour force which, in turn, resulted in a low average yearly income of not more than 180 dollars per active person and only 91.5 dollars per rural inhabitant.^{8/}

The structural characteristics of Cuban agriculture may be summed up as follows:

(a) According to the 1946 census, out of a total of 159,958 farming units, 894 (0.56 per cent of the total) covered more than 1,000 hectares and absorbed 36.1 per cent of the farm area. At the other extremity,

^{7/} Apart from the land under their ownership these enterprises rented about 800,000 hectares, which gave them control over 70 to 75 per cent of the cultivable area in Cuba. See Agricultural development in Cuba (E/CN.12/164 Annex D), 1950

^{8/} See J. Valdes G., La reforma agraria cubana; sus fundamentos y aplicación (document PP/10), Second Latin American Seminar on Land Problems, Montevideo, Uruguay, 1959.

98,253 units (67.7 per cent of the total), of more than 1 hectare but less than 25, occupied only 11.2 per cent of the farm area;

(b) The big estates concentrated on growing sugar cane and on stock farming. About half the island's total production of cane was in the hands of 3 per cent of the big cane-growers. Moreover, six sugar mills occupied approximately 60 per cent (874,000 hectares) of the entire sugar cane area, which means an average of 148,000 hectares per mill.^{9/}

(c) Sugar production, the keystone of the Cuban economy, was Cuban-owned only to a very small extent. In 1958, only 24 per cent of the sugar mills belonged to Cuban entrepreneurs who, together cultivated 33 per cent of the sugar cane area.^{10/}

(d) On the big estates, the land was meagrely used and extensive farming practices were the rule. Farms of over 1,000 hectares grow crops on only slightly more than 10 per cent of their total area and kept a large proportion of their arable land idle, either by long-term crop rotation or by leaving it as natural pasture with a very low yield;

(e) Most agricultural workers - approximately 65 per cent of the total - had no land of their own and either had to lease it in various ways or become sharecroppers. A large number of them (8.6 per cent of the total) were newcomers with no legal rights to the land that they cultivated (squatters).

On 17 May 1959, the Government promulgated and implemented with increasing rapidity a land reform Act designed to transform completely the structure of Cuban agriculture. Its aims were as follows:

(a) To promote economic development by distributing natural resources more equitably and raising the income of the agricultural worker, so as to convert him into a more efficient producer and consumer of the goods and services provided by other sectors of the economy;

(b) To abolish the latifundia and single-crop farming in favour of co-operative units or private small or medium-size farms with diversified

9/ Ciclo de conferencias sobre reforma agraria, Havana, 1959, p.10

10/ See Anuario azucarero de Cuba, 1958, pp.82 and 87

production and a minimum area of 26 hectares which would assure the farmer a satisfactory income;

(c) To eliminate all leases and sharecropping and to create a de jure system by virtue of which the land belongs to those who work it;

(d) To protect properties given free of charge under the law by forbidding their sale to private persons, their incorporation into civil or commercial associations and their division in the event of their being inherited;

(e) To oblige every landowner to work his land under pain of withdrawal of the title-deed granted by the State; and

(f) To promote greater productivity of the different factors of production through investment, the introduction of modern farming techniques, agricultural extension services and co-operatives.

Within the broad framework of these general objectives, the Act includes numerous provisions which will be mentioned here so that the more important details may be noted.

In banning the latifundia, the Act lays down that no natural or juridical person may own more than 392.6 hectares (100 caballerías).

The Act also contains a provision of great economic significance which shows that those who drafted it were anxious to adapt themselves to changing techniques and to seek maximum output efficiency. It states that, in the case of exceptions to "areas devoted to one or several crops, or any other agricultural activity, whether or not industry is involved, and which, if they are to be used efficiently and a rational economic yield is to be obtained from them, would have to consist of a larger piece of land than established as the maximum", it will be the responsibility of "The National Institute for Agrarian Reform (Instituto Nacional de Reforma Agraria) to decide to which areas exceeding the maximum of 100 caballerías the present Act shall apply, care being taken to preserve the economic unit of production and, where several crops are grown, the relationship among them and between these crops and any other form of agricultural activity!" *

At the other end of the scale, the Act provides for a "minimum subsistence allotment" (mínimo vital), designed to enable a rural family of five persons to earn enough to enjoy an acceptable level of living. In fixing this minimum

at 26.8 hectares (2 caballerías) of non-irrigated fertile land, remote from urban centres and used for crops with an average economic yield - or the equivalent depending on the quality of the soil as laid down by the National Institute for Agrarian Reform - the Act affords the farmer an opportunity of earning an income which may easily amount to as much as 2,000 dollars a year.

The "minimum subsistence allotment" in terms of land is given to the farmer gratis; he is also offered the opportunity of acquiring additional tracts of land up to a total of 67.1 hectares (5 caballerías) since the owners are compelled to sell, specially when he is a tenant farmer, sharecropper or squatter who has worked a larger area before the reform. It should not be forgotten that such farmers may acquire more land, if they so desire, up to a maximum of 30 caballerías.

When land is being redistributed, first priority is given to tenant farmers of all kinds, sharecroppers and squatters. According to the 1946 census, there were about 101,000 of them occupying 3.8 million hectares (42 per cent of the farm area). Of this number, 68,940 owned holdings that were less than the minimum allotment but larger than a hectare. It appears from various official calculations that there is more than enough land for the minimum subsistence allotment - and even a little over - to be assigned to all these farmers, but the allocation is certain to present some problems, since in many cases it will be difficult - if not impossible - to give them the minimum area on land that adjoins or is near to the holdings they occupied before the reform. Furthermore, as there are no detailed maps marking out the areas occupied by tenant farmers and sharecroppers, the Act provides that the landowners themselves shall make the requisite statement on leases, areas allotted and other basic information. If such statements are disputed by the recipients and disputes arise among them concerning the right to occupy the same plot of ground, the process of redistribution may create serious problems, delay the implementation of the Act and even necessitate the transfer of a number of farmers to zones other than those in which they were working.

Second priority in the redistribution of land was given to the agricultural workers who had been evicted from the land which they were

/cultivating, and

cultivating, and to resident agricultural workers and labourers who worked and lived on the land that was being reallocated but had none themselves. According to the 1946 census, there were 55,000 permanent and 420,000 temporary labourers in Cuba, of which 15,000 and 120,000 respectively worked on estates that were subject to expropriation. If the minimum allotment were to be granted to all these labourers, there would not be enough land to go round.

As most of the workers in question have no knowledge of farming techniques or the requisite administrative ability to farm efficiently, the Act provides for the formation of co-operative units on all lands not occupied by tenant farmers or sharecroppers, which are liable to be expropriated. Through the introduction of co-operative farming it will be possible - always provided that the necessary facilities are available for adequate capital formation, the adoption of modern techniques and satisfactory operations - to ward off a sharp fall in domestic production when the changes in agrarian structure occasioned by the reform are carried out. It will also be possible to utilize, without detriment to the national economy, the sizable nucleus of agricultural workers who, upon taking over private property without the necessary knowledge and administrative ability, will require several years before they can produce at least as efficiently as before their change of status.

There are other possible economic advantages to be obtained from the introduction of the co-operative system. If a fairly small number of large co-operative farms is established, it is easier to attract or train the director or technical administrators to run them efficiently enough to reap the benefits of economies of scale. Such units will also guarantee steady and permanent employment for workers who were hitherto forced to migrate and were employed on a seasonal basis only. The Government has given great encouragement to the co-operative movement and by the end of January 1960 about 800 units had been established.

In articles 29 to 32 the Act "recognizes the constitutional right of the owners concerned to receive compensation for the expropriated property", prescribes the conditions for assessing the value of the property and provides that payment will be made in Land Reform Bonds issued in national

currency and maturing in 20 years at an annual rate of interest of not more than 4.5 per cent".^{11/}

The Act further provides, with respect to land redistribution, that parcels of land below the "minimum subsistence allotment" are to be transferred to agricultural workers free of charge. According to estimates based on the 1946 census, some 2.5 million to 3 million hectares of land will thus be handed over. This measure, which may be considered an act of social justice, may in the long run create difficulties for Cuba's rural economy since land donated free of charge will probably be badly run and eventually deteriorate. Steps ought perhaps to have been taken to make the recipients realize that they were receiving a valuable asset which they must look after carefully in order to reap lasting benefits. The land might have been sold at a low price, payable in instalments over a long-term.

By 31 January 1960 the National Institute for Land Reform (INRA) had instituted legal proceedings for the expropriation of only 918,000 hectares (68,000 caballerías) of land, 887,000 hectares (65,000 caballerías) of which were foreign-owned. Some of this property consists of sugar mills. Except in a few cases, the State has not taken over this property but the legal expropriation proceedings, including prior assessment and other formalities, are now under way.

In many other cases INRA has actually intervened and taken over some 3 million hectares (225,000 caballerías) of property and has set up production co-operatives on them without instituting expropriation proceedings. Most of this property consists of livestock and agricultural enterprises,

^{11/} "Compensation shall be fixed on the basis of the agricultural property registered with the municipal assessment authorities before 10 October 1958." The National Institute for Land Reform (INRA) is to make an assessment of the installations and buildings subject to expropriation that are erected on such property, as well as of property the value of which cannot be determined. It is further provided that, if the value has been increased by the action of the State, 45 per cent of the increment is to be paid to INRA for the benefit of the agricultural workers who receive land on the site.

virtually all of which are owned by Cubans.

The issuance of title deeds to small owners has proceeded slowly and, in fact, has scarcely begun. As of 31 January 1960, only 1,751 deeds had been handed over: 966 to owners of less than 1 caballeria, 410 to owners of from 1 to 2 caballerias and 375 to persons owning over 2 caballerias. Some 3,000 additional deeds were being processed for small farmers with less than two caballerias. A single deed of co-operative ownership had been issued even though 800 co-operatives had already been formed.

The Government set up the National Institute for Land Reform in order to carry out land reform and promote the development and diversification of agricultural production. The Institute is an independent organ whose rulings in all matters relating to land redistribution and the preparation and implementation of agricultural development plans are final. It has authority "to study, order the necessary research and carry out such measures as may be necessary to achieve the objectives of the Act", as well as to decide, after the necessary studies have been made, on the distribution and granting of the land affected, to fix the area and boundaries of the Rural Development Zones, to organize and direct the agricultural co-operatives and co-operative training schools, and to take charge of all aspects of land reform operation and financing. It also has authority to establish a credit department to whose regulations the credit policy of the Agricultural Division of the Banco Nacional de Fomento Agrícola e Industrial de Cuba (BANFAIC) must conform.

Withing its terms of reference as an agricultural research and development organ, INRA must set up, in every part of the country, agricultural production development units composed of agricultural or animal research and experimental centres, agricultural extension centres and equipment and machinery units to serve farmers.

Lastly, the Act provides for the incorporation within INRA of all autonomous institutions in existence on the date of its promulgation and concerned with the stabilization, regulation, publicity and protection of agricultural production. These institutions are the Tobacco Stabilization Fund, the Cuban Sugar Stabilization Institute, the Rice Stabilization Administration, the Sugar Arbitration Commission, and the Cuban Coffee Stabilization Institute.

/The huge

The huge task for which INRA is responsible calls for careful planning within the limits of the financial and technical resources at its disposal. These resources do not seem at the moment to be adequate for the long-range programme it has formulated, which can be summarized in the following twelve points:

1. To maintain output;
2. To effect import substitution, particularly as regards rice, beans, onions, garlic, maize, millet, edible fats and cotton;
3. To introduce more advanced techniques in the four major branches of agriculture: sugar, cattle-breeding (including dairy farming), tobacco and coffee;
4. To produce for export not only the primary commodities mentioned in point 3 but also sisal, maize, potatoes, vegetables and fruit;
5. To promote a number of special programmes aimed at increasing the output of poultry and Virginia-style tobacco, and the regional development of the Zapata marshes and the Baracoa area;
6. To set up a marketing scheme in order to eliminate the unnecessary middlemen and to provide facilities designed to improve the various stages of the marketing process;
7. To set up people's shops to provide consumer goods to rural workers at lower prices;
8. To carry out "external economic projects", i.e. road, hydroelectric, sanitation, education and housing projects;
9. To train agricultural experts in various specialities, especially agronomists, co-operative managers and experts in cultivation methods and in animal husbandry;
10. To prepare a forestry plan;
11. To carry out a project of scientific experimentation for agricultural development;
12. To industrialize the country.

The implementation of the Land Reform Act in Cuba and the way in which its terms are being interpreted raise a number of questions which are worth commenting upon.

/In the

In the first place, the question may be asked whether the great speed with which the programme is being launched is consistent with the financial resources, skilled personnel and minimum facilities which are essential if so drastic a redistribution of land is to be carried out without seriously jeopardizing agricultural production and therefore the national economy.

If the large estates are to be divided up effectively - i.e. if production is not to suffer and the objective of crop diversification is to be achieved - considerable capital must flow into rural areas for the purchase of equipment and tools, the erection of buildings, warehouses, shops, fences, etc. A credit agency will also have to be set up to provide funds for the new owners. Since the latter lack technical and administrative ability, this agency will probably have to take the form of a supervised credit scheme.

Another question that arises concerns the number of experts available in Cuba who could properly direct the many and complicated phases of land reform ranging from the formulation of the actual work programme and agricultural ^{policy to agricultural} experiments and extension, the organization and administration of the new holdings and co-operatives and marketing schemes for the new diversified production. It will certainly take several years to train these experts and this will depend on the measures adopted to expand educational facilities and change the secondary and higher education programmes.

It has already been pointed out that the co-operative system seems to be the best way to incorporate rapidly into the productive labour force the vast number of agricultural labourers who formerly worked in the sugar plantations as journeymen and who lacked the administrative and technical ability to operate small farms. This scheme will raise organizational difficulties, particularly in view of the serious obstacles that a shortage of efficient executive staff may create. There is also the danger that administrative over-staffing in these units may hamper their operations and thus adversely affect output efficiency and costs.

Hence, land reform cannot fully succeed unless every phase is carefully planned from a short, medium and long-term point of view. These plans must cover every minute detail of agriculture and must be closely related to broader planning in respect of the other branches of economic activity. Only thus will it be possible to ensure the balanced development of the Cuban economy and to formulate an agricultural policy through which the proposed comprehensive programme can be successfully completed.

3. The Venezuelan Land Reform Act

Unlike the situation in most other Latin American countries, agriculture is not Venezuela's chief economic activity. In 1956, 42 per cent of the active population was employed but only 8.2 per cent contributed to the gross product. In that year agricultural exports, consisting mainly of coffee and cacao, amounted to only 3 per cent of the export quantum.

Urbanization has proceeded at a rapid rate over the past twenty years thanks to petroleum extraction and, as a result, virtually the entire natural increase of the agricultural population migrated to the urban centres, thus producing a relative reduction in the number of rural inhabitants. In absolute terms, the rural population has tended to remain at about 700,000 while employment in other branches of activity increased rapidly.

Generally speaking, there is neither a shortage of arable land in Venezuela nor a heavy density of population in the rural areas. On the contrary, the problem would seem to be one of inadequate use of the available land.

To these two factors - a stable active rural population and ample land - must be added the relatively substantial funds that have recently been channelled into the agricultural sector leading to an annual average production increase of about 5 per cent.

In spite of this marked improvement, the growth rate of the agricultural sector is still the slowest in the entire economy. Per capita output has increased slightly but not enough to narrow the widening gap between agriculture and the other sectors. As a result, the income of the rural worker is far below that of the average urban worker in Caracas - 1,500 bolívares as compared with 14,500. The agricultural sector has thus so far failed to provide an adequate market for industrial and urban goods and services.

On the other hand, agricultural output, although it has risen, has proved very inflexible in face of the growing demand for food and raw materials produced by the increasing number of urban workers and their higher income. Output has failed to meet rising demand and imports have soared out of all proportion, increasing from 200 million bolívares in 1946 to 517 million in 1956. The volume of imports represented one-third of Venezuela's total agricultural output.

A number of factors are responsible for the growing disparity between urban and rural productivity and income, among the most important being the defective agrarian structure and a customs policy that allows foodstuffs to be imported at prices below the cost of domestic production.

According to the National Agricultural Survey of 1956, out of a total of 397,823 holdings 1.7 per cent (6,759 units) were over 1,000 hectares in size and represented 74.45 per cent (21,993 hectares) of the total farm area. At the other end of the size scale, 74.38 per cent of the holdings of 1 to 20 hectares (295,897 units) represented only 5.33 per cent (1,572,631 hectares) of the area covered by the census.^{12/}

This disparity in the size of holdings becomes even more evident when the prevailing land tenure schemes are taken into account. Only 25 per cent (100,000 units) of the farms are worked by the owners themselves. The remainder, amounting to a little more than 297,000 units, are operated either by tenant farmers (94,600 units), sharecroppers (9,200 units), or other combined methods (194,000 units) including squatters.

As an example of the inadequate use that Venezuela makes of its land, suffice it to point out that of 29.6 million hectares of agricultural holdings in 1956, only 2.9 million (9.9 per cent) were under cultivation or lying fallow, and 2.6 million (8.8 per cent) consisted of artificial pastures. The remainder was composed of natural grazing land (51.4 per cent), fallow or idle land (3 per cent), and woods and unproductive areas (27 per cent). Soil utilization was much more unsatisfactory in the larger estates of over 1,000 hectares, in which only 3.7 of the total area was under cultivation, as against 51.3 per cent in farms of 1 to 20 hectares.

On 6 March 1960, the Venezuelan Government promulgated and implemented a Land Reform Act which not only deals with land tenure problems but also seeks to provide the basis for an agricultural policy designed to improve productivity and output, including the provision of such supplementary services as may be needed for this purpose.

^{12/} Farms of less than one hectare are excluded.

The objectives of the Act are set out in the introductory part and may be summarized as follows:^{13/}

1. Transformation of Venezuela's agrarian structure and participation of the rural inhabitants in its economic, social and political life through an equitable land ownership, tenure and development scheme based on fair land distribution, adequate credit facilities and assistance of every kind to agricultural producers;
2. To achieve the above objectives the Act:
 - (a) Guarantees and lays down regulations concerning the right of private ownership in accordance with the principle of the social function of such ownership;
 - (b) Guarantees the right of every person capable of engaging in agricultural work to own land that can be worked economically;
 - (c) Promotes the development of small and medium-size family estates and agricultural co-operatives;
3. Gradual incorporation into the national economy of land in rural areas or regions which could be farmed economically but is either inadequately used or inaccessible for lack of communications, and where there is no irrigation, sanitation etc.;
4. Formulation of plans for the over-all development of economic areas or river basins;
5. Provision of additional public services as may be necessary to enable landowners to comply with the principle of the social function of the land they occupy;
6. Raising the status of agricultural work by regulating it and its juridical relationships.

This shows that the scope of the Act is very broad, since its underlying principle is that land reform does not merely involve redistribution and improved land tenure systems but also that such changes

^{13/} The comments in this section refer to the Land Reform Bill presented to Congress on 23 July 1959. The bill was adopted with minor amendments which do not affect the substance of these notes.

must be accompanied by all the economic facilities, technical development and supplementary services necessary to ensure the efficient operation of the new units, the maintenance or increase of output, and higher incomes for agricultural workers.

Chapters I and II of the Act outline the rational role that public and private property should play from the economic and social points of view. The right of every person, whether a citizen of Venezuela or a foreigner, to own any amount of land providing that its social function is fulfilled is recognized and safeguarded. The definition of what must be done for the land to fulfil its "social function" is left somewhat vague, but it is provided that only the following categories of land may be expropriated: (a) unproductive land; (b) land worked indirectly by tenant farmers (arrendatarios and visatarios), sharecroppers (medianeros and aparceros), settlers (colonos) and squatters (ocupantes); (c) agricultural areas used as natural pasture for fattening cattle on the range. It is further stated that expropriation will be resorted to only if there is no idle land or other State-owned rural property in the area on which agricultural workers are to be settled.

The Act also provides that land or estates, the workable area of which does not exceed 150 hectares of first-class arable soil, 300 hectares of second-class arable soil, and 2,000 and 5,000 hectares respectively of first and second-class grazing land may not be expropriated. Owners of larger estates are entitled to reserve for themselves any areas thereof whose characteristics are such that they are not subject to expropriation.

The characteristics of the various classes of arable and grazing land are described but, as in the case of the social function of the land, the details are somewhat vague on the distinctions between them, particularly as regards first-class dry grazing land. Since this vagueness may make it possible, in borderline cases, to evade expropriation by wilfully assigning land to the wrong category, it is to be hoped that these provisions will be clarified in the regulations for the enforcement of the Act in order to avoid difficulties in future.

/Lastly, the

Lastly, the Act authorizes the State to tax fallow or idle land so as to compel the owners of large farms either to work or sell such land. To fulfil the purposes of the land reform taxes may also be levied State-owned water and on privately-owned water in excess of the amount required for a rational use of the soil concerned, as well as on irrigation and drainage works.

If privately-owned buildings have to be expropriated in the interests of agriculture, the Act on Expropriation for Public or Social Use will be applied, except in cases specifically provided for. Owners affected by such expropriation will receive compensation in cash if the value of the property does not exceed 30,000 dollars. Compensation for larger amounts will be paid partly in cash and partly in State bonds.

It is estimated that the land reform will benefit a little over 400,000 families of small farmers and agricultural workers over a period of about 10 years. In order to make adequate parcels of land available to these inhabitants it would seem that a fairly large number of big privately-owned estates of over 2,500 hectares each will have to be expropriated. If this is not feasible, State-owned farmland in less accessible areas will have to be used or capital invested in more accessible areas now covered with woodland or that require irrigation or drainage works.

The Act gives top priority to the allocation of parcels to tenant farmers (pisatarios and arrendatarios), share-croppers (medianeros), settlers and persons now working the land to be distributed. The price of each parcel is based on the cost of purchase and of the public work and improvements undertaken in it.^{14/} Payment is to be made over a period of not less than 20 and not more than 30 years. Under no circumstances may the annual amortization rate exceed 5 per cent of the gross sale of the produce of the land. Provision is also made for the free grant of land under certain conditions.

Under the Act agricultural workers are entitled to denounce property that fails to fulfil its social function and thus becomes subject to expropriation.

^{14/} A sliding scale of reductions has been fixed for the recipient's dependents.

The Act lays down general rules which allow considerable flexibility as regards the size of the parcels. Size is to be determined on the basis of topography and soil characteristics, provided that the prospective owner and his family can do most of the work and that the productive capacity of the parcel is adequate to raise his economic level, to allow the land to be developed efficiently and to contribute to an increase in national production.

In order to fulfil one of the main purposes of the Land Reform Act - the participation of the rural population in the economic, social and political development of the country - the Act provides for the establishment of various bodies and services designed to make available to the new landowners every facility they may need in order to ensure that the land fulfils its social function. These services cover, inter alia agricultural credit, research and extension, market organization, rural housing, agricultural co-operatives, roads, irrigation and sprinkler systems, schools and hospitals.

Although not covered in the Land Reform Act, the efforts made by the Government to carry out resettlement as a means of land redistribution should be mentioned.

The settlement policy began slowly in 1938. By 1948 only 941 families had been settled on a total of 32,688 hectares of land. The rate increased sharply during the next ten years so that 5,754 families had been settled on 103,698 hectares of land by 1958. Settlement projects were given further impetus in 1959 and, as a result, 3,014 families were settled on farms totalling 33,890 hectares (an average of 10.2 hectares per family) and 857 families on land suitable for animal husbandry covering 200,000 hectares (an average of 240 hectares per unit).

The chief criticism that can be levelled at the settlement programme is its high cost. Even before he starts to work his land the settler receives a house which is far above the standard of housing prevalent in the area. Moreover, while it is being built he receives a daily allowance that is sometimes very high. These and other grants tend to make the settler a ward of the State and some projects are therefore anti-economic.

4. The case of Colombia

Since the thirties the Colombian Government has attempted to solve the problems of land tenure and the very inadequate use of land. Only 30 per cent of the total area is used for crops or livestock. Of the 300,000 square kilometres thus occupied about 10 per cent is used for crops and the rest for grazing on the range.

The acts and decrees promulgated to remedy this state of affairs have fallen short of land reform and in most cases have not been fully applied. Act 200, promulgated in 1936, contained a number of provisions designed to promote agriculture, one of which was that a person who worked a State-owned piece of land for five consecutive years became its owner. On the other hand, in order to oblige the owners to make proper use of the land, it was stipulated that the land would revert to the State if it was not worked economically for a period of ten consecutive years. Unfortunately the regulations giving effect to this Act contained a number of errors which prevented it from being fully applied. Several years later further attempts were made to promote agriculture, penalize those who failed to ensure that their land fulfilled its social function and reward those who saw that it did. Act 100 of 1944 and legislative Decree 290 of 1957 were promulgated for this purpose. The latter, containing novel features for Latin America, classifies land according to its capacity for agricultural development and makes it mandatory gradually to increase the cultivated area every year. Failure to comply with this provision is penalized according to a scale of fines based on a percentage of the assessed value of the land.

As these legal provisions were not related to a general development plan and were not accompanied by the establishment of machinery or organs to ensure their application, it was not possible to carry them out, particularly as regards the compulsory development of idle land.

In 1959, Colombia again became interested in land reform and within a relatively short period of time a number of bills were drafted which, while not providing specifically for over-all land reform came close to that objective. Most important among these are Bill No. 10 on the

/economic use

economic use of land and the treatment of idle land, submitted to Congress by the Executive, the riders to this bill presented by two deputies, and a "Land Reform Bill" proposed by the Colombian Farmers' Association. The first two are more or less similar and, with slight differences, lay down rules for the distribution of land, the incorporation of idle land into the country's agricultural production by means of settlement, the construction of roads of access, irrigation and drainage projects and the provision of other services essential to agricultural development. Land which the Government deems necessary for distribution is declared to be a public utility and its expropriation is ordered in accordance with existing legislation and against payment.

Under Bill No. 10, owners of holdings must use them economically and, to that end, Colombian soil is classified into four types which must be cultivated in proportion to its potential and its "economic access" to means of communication. These obligations may be fulfilled through a tenant farmer. Penalties are provided for failure to comply with this measure in the form of progressive surtaxes up to 20 per cent of the assessed value of the land in the fourth consecutive year of violation. If the regulation is not complied with by the fifth year, the land may be expropriated.

The riders to Bill No. 10 recommend measures to make the expropriation process more effective, introduce variations in the forms of payment for expropriated land and stipulate that only rural holdings of less than 50 hectares are exempt from expropriation, provided that they are worked adequately and efficiently. The riders also include a proposal for the establishment of a National Agrarian Institute, an autonomous institution which would be responsible for the application of every aspect of the Act and for the greatest

/possible development

possible development of agriculture.

The bill presented by the Colombian Farmers Association provides for more conservative measures, in most cases, than those proposed in the two bills referred to earlier, particularly with respect to the area of land that must be developed.

Moreover, as a means of protecting the tenure of tenant farmers and share-croppers, the Ministry of Agriculture presented to Congress Bill No. 4, according to which the rental of holdings must not exceed 12 per cent of the assessed value and the tenant farmer must be allowed the use of the land for at least four years. The tenant farmer's obligations with respect to the use and conservation of the soil are also set out.

In May 1959, Congress promulgated Act. No. 20 relating to the land reform programme proposed in Bill No. 10. The Act authorizes the Caja Colombiana de Ahorros and other credit agencies to invest 50 million pesos in land distribution programmes, instructs the Ministry of Agriculture to make land available to agricultural workers who have none, and empowers the Ministry to expropriate land necessary of such distribution, including idle land in the public domain and on State property.

With regard to settlement programmes, plans are now being carried out in part, or are about to be initiated, for the incorporation of at least 600,000 hectare into the national economy. Active measures are under way in the areas of Ariare, Sarare, Caquetá, Lebrija and Sumapas, where about 1,000 families have received parcels of land and some 4,000 former settlers have joined the settlement scheme of the Caja Agraria.

Lastly, it should be pointed out that the United States has promised Colombia financial and technical assistance in carrying out its land reform programme.

5. The situation in Ecuador

While no radical steps have been taken in Ecuador to facilitate land distribution or to improve the land tenure system, the Government has for some years been enacting legislation for the compulsory development of privately-owned land and the distribution of State-owned land. Thus, under an Act promulgated in 1936, to which Emergency Decree No.10 of 1954 gives further effect, land must revert to the State if it has not been duly registered or if at least one-fourth of its area has not been worked during the past ten years. The same Act provides for the distribution of idle land in lots of 25 to 50 hectares and possibly up to 200 hectares. By 1955 the Directorate of Idle Lands and Settlement (Dirección General de Tierras Baldías y Colonización) had issued 3,752 provisional and 5,701 permanent title-deeds.

In 1957, Emergency Decree No.12 established the National Settlement Institute (Instituto Nacional de Colonización), attached to the Ministry of Economic Affairs, for the purpose of taking an inventory of public and private land suitable for settlement, promoting the settlement of rural families on this land within the framework of an organic settlement scheme, and receiving and ruling on complaints relating to State-owned land. The Institute is further instructed to take such action as may be necessary to ensure the success of the settlement policy with respect to both supervised and spontaneous settlement.

As a first step the Institute initiated in 1958 the Pilot Settlement Project of Santo Domingo de los Colorados, for which the Government received a loan of 2 million dollars from the United States Export-Import Bank and undertook to provide a sum equivalent to 1,830,000 dollars as its contribution to the financing of the project. Thirty families were settled, and 1,700 hectares of land reclaimed, of which 1,000 were under cultivation by the time the project was in operation for slightly over a year. Upon completion of the project, 314 families will have been settled, and 10,200 hectares of land reclaimed including 3,700 hectares placed under cultivation.

/Apart from

Apart from this project, the National Settlement Institute proposes to extend its activities to other coastal areas. Moreover, preliminary studies have been undertaken in the eastern part of the country to see whether it cannot be used to relieve the population pressure in the mountainous areas of the south. The Institute has other plans as well, including the distribution and resettlement of estates owned by public welfare institutions.^{15/}

The Government's desire to launch a land reform programme was given practical effect by Congress when it requested the National Economic Planning and Co-ordination Board (Junta Nacional de Planificación y Coordinación Económica) to draft a bill. The objectives which the latter seeks to achieve may be summarized as follows:

1. The State must increase the number of farm owners and raise the standard of living of the rural population by making more land available for farming and ensuring an equitable distribution of land and irrigation facilities;
2. For the aforesaid purpose agricultural policy shall aim at:
 - (a) preventing the formation of anti-economic units, particularly the concentration of large areas in the hands of a few owners;
 - (b) promoting the establishment of small family agricultural units;
 - (c) encouraging the creation of an agricultural middle class;
3. State-owned land must be disposed of or leased for a period of up to 99 years;
4. Settlement must be promoted and supervised by the National Institute of Land and Settlement, established under the same Act;^{16/}

^{15/} Following the enactment of a Legislative Decree of October 1908, the State became the biggest landowner in the country since it took over all property owned by religious communities, amounting to 71 estates with a total area of 130,426 hectares in the sierra. The product of these estates - most of which are rented to private operators - is for the benefit of welfare institutions.

^{16/} This new body will have much broader authority than the present Settlement Institute.

