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UNITED NATIONS
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
SANTIAGO, CHILE, APRIL 1985

CEPAL

Review

Santiago, Chile

Number 25

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The Latin American economy during 1984: a preliminary overview

*Enrique V. Iglesias**

As is customary, at the end of 1984 the Executive Secretary of ECLAC presented a review of developments in the Latin American economy during the past year, and the text of this review is reproduced in the present article. It covers both the general evolution of the region and that of the individual countries, with special attention to production and employment, inflation, and the main aspects of the external sector, such as external trade and the terms of trade, the balance of payments, and the external debt.

In his conclusions, the Executive Secretary notes that during the period under review the downward trend which had been displayed by the economies of the region was halted, and in some cases even reversed. Such a favourable development must be viewed with great caution, however, since the negative side-effects and the fragility of the whole process are very marked. In that connection, he highlights the close dependence of the recent Latin American recovery on the progress of the United States economy, especially in view of the sluggish expansion of the European economy, the possible weakening of the Latin American countries' export capacity, the uncertainty with regard to future interest rates, the deterioration in the terms of trade, the heavy debt servicing burden, etc.

In these circumstances, it is vital for the countries of the region to resume their economic growth. For this, governments must take resolute and coherent action to improve the international environment, consolidate Latin American unity in the face of the crisis, and promote the search for a political solution among all the parties involved in the present serious situation.

*Former Executive Secretary, ECLAC.

The inadequate recovery of economic activity, the sharp increase in the rate of inflation for the fourth consecutive year, and a significant improvement in the external sector situation were the three central features of Latin America's economic evolution in 1984. According to the provisional and partial figures at ECLAC's disposal, it is estimated that Latin America's total gross domestic product increased by 2.6%, after having fallen by 1% in 1982 and by a little over 3% in 1983 (see table 1 and figure 1). Furthermore, the interruption of the downward trend which economic activity had been showing since 1981 was widespread, since the gross domestic product increased in 15 of the 19 countries for which comparable data are available and decreased only in two.

However, inasmuch as the economic recovery was very slight in most countries, and also in consequence of population growth, the per capita product rose by only 0.2% in the region as a whole and once again diminished in 12 of the 19 countries. In these circumstances, Latin America's per capita product was almost 9% lower in 1984 than in 1980 and was similar to that already obtained by the region in 1976. The inadequacy of the recovery was also evidenced by the fact that in most of the countries for which relatively reliable data are available urban unemployment rates continued to rise, while they declined only slightly in the rest.

Nevertheless, and notwithstanding the decrease that had taken place in world inflation in 1984, price increases once again speeded up in Latin America, attaining record rates. The simple average growth rate of consumer prices soared from 66% in 1983 to 116% in 1984, while the average rate weighted by the population went up between those years from 130% to over 165%.

The lack of dynamism in economic activity and the marked accentuation in inflation were accompanied, however, by a considerable improvement in the external sector. As a result of the notable adjustment effort made by many countries of the region and of more favourable world trade trends in 1984, Latin America succeeded in further reducing its balance-of-payments deficit on current account. This deficit, which between 1982 and 1983 had dropped from over US\$ 40 billion to US\$ 9 billion, fell in 1984 to only US\$ 3.1 billion. The imbalance on current account was thus 94% less than that recorded on average during the two-year period 1981-1982. This new reduction of the deficit on

Table 1
LATIN AMERICA: MAIN ECONOMIC INDICATORS^a

Indicators	1975	1977	1979	1980	1981	1982	1983	1984 ^b
Gross domestic product at market prices (billions of dollars at 1970 prices)	257	285	318	336	341	338	327	336
Population (millions of inhabitants)	302	318	334	342	350	358	367	375
Per capita gross domestic product (dollars at 1970 prices)	849	897	953	982	975	943	893	895
Per capita gross national income (dollars at 1970 prices)	848	898	951	985	962	912	860	858
Growth rates								
Gross domestic product	3.6	5.1	6.5	5.6	1.7	-1.0	-3.1	2.6
Per capita gross domestic product	1.1	2.5	3.9	3.1	-0.7	-3.3	-5.3	0.2
Per capita gross national income	-0.5	2.6	4.5	3.5	-2.3	-5.3	-5.7	-0.2
Consumer prices ^c	57.8	40.0	54.1	56.5	56.8	84.5	130.8	175.4
Terms of trade (goods)	-13.5	6.1	4.1	3.3	-8.4	-9.0	-6.2	0.2
Current value of exports of goods	-7.8	19.3	34.6	29.4	7.3	-7.9	-0.2	9.3
Current value of imports of goods	6.5	15.0	25.8	32.4	7.8	-19.9	-28.6	4.4
Billions of dollars								
Exports of goods	33.6	46.7	67.5	87.3	93.8	86.4	86.2	94.8
Imports of goods	39.2	46.9	67.1	88.9	95.8	76.7	54.7	57.2
Trade balance (goods)	-5.6	-0.2	0.4	-1.6	-2.0	9.7	31.4	37.6
Net payments of profits and interest	5.6	8.2	13.7	18.0	27.7	37.6	34.5	37.3
Balance on current account ^d	-14.0	-11.8	-19.6	-28.1	-40.6	-40.6	-9.0	-3.1
Net movement of capital ^e	14.2	17.0	28.6	29.7	37.8	19.2	4.4	10.6
Global balance ^f	0.2	5.2	9.0	1.6	-2.8	-21.4	-4.5	7.5
Total gross external debt ^g	89.4	107.3	182.0	221.0	275.4	315.3	340.9	360.2

Source: ECLAC, on the basis of official figures.

^aProduct, population and income figures refer to the group formed by the countries included in table 2, except Cuba (19 countries). Consumer price figures relate to those 19 countries plus Barbados, Guyana, Jamaica and Trinidad and Tobago, except for the years 1982 and 1983, where Guyana is excluded, and 1984, where Guatemala and Guyana are excluded. The data on the external sector relate to the 19 countries mentioned above.

^bProvisional estimates subject to revision.

^cVariation from December to December.

^dIncludes net unrequited private transfer payments.

^eIncludes long and short-term capital, unrequited official transfer payments and errors and omissions.

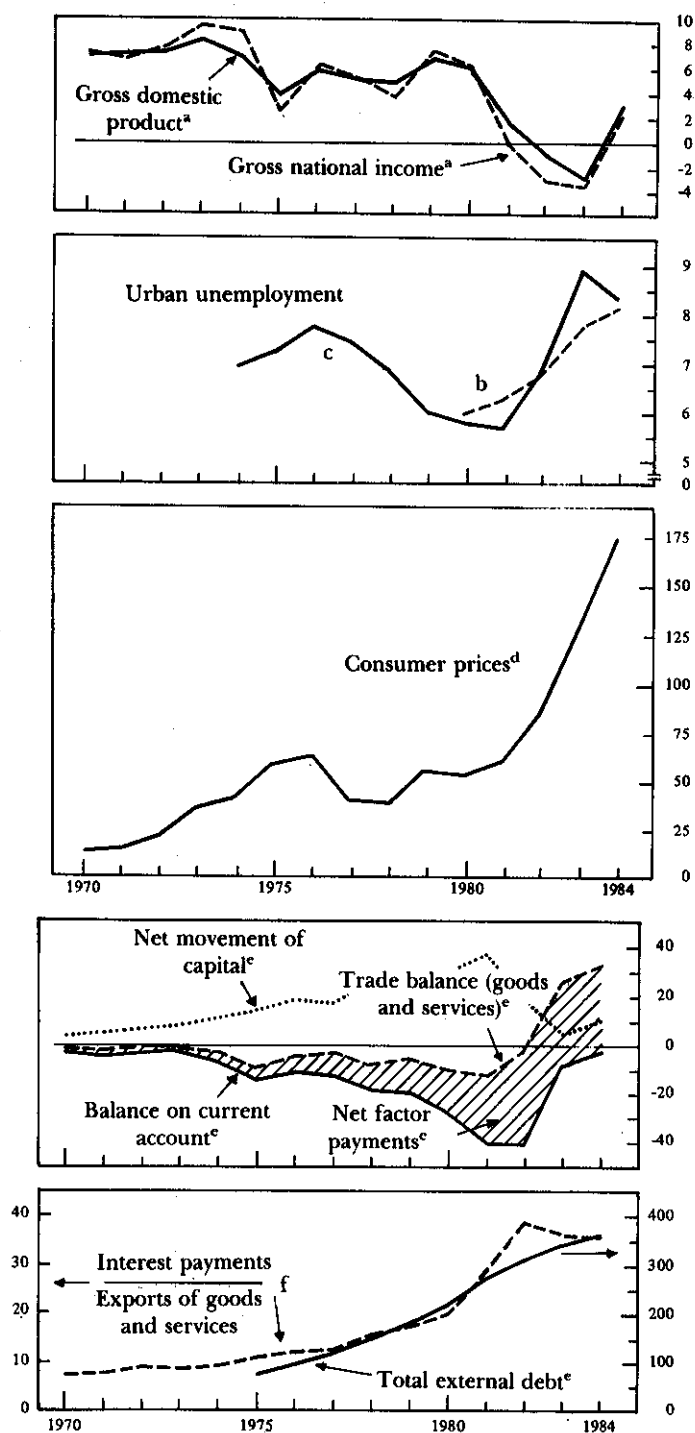
^fRelates to the variation in international reserves plus counterpart items.

^g1975 to 1977: includes officially guaranteed public and private external debt, plus long- and short-term non-guaranteed debt with financial institutions reporting to the Bank for International Settlements. Does not include guaranteed and non-guaranteed debt with other commercial banks, or non-guaranteed supplier loans. 1978 to 1984: see notes to table 13.

current account was mainly due to the increase in the surplus obtained on merchandise trade, which, after increasing from US\$ 9.7 billion in 1982 to US\$ 31.4 billion in 1983, shot up to an all-time high of US\$ 37.6 billion in 1984 (see table 1). Furthermore, conversely to what had happened in the two preceding years—during

which the bigger positive balance recorded on merchandise trade was entirely due to successive and very intensive reduction in the value of imports—, in 1984 it resulted exclusively from the expansion of exports, the value of which rose by over 9%, thanks to vigorous growth of almost 10% in the volume of external sales.

Figure I
LATIN AMERICA: MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

^aAnnual growth rate.

^bWeighted average annual rate for the cities mentioned in figure IV.

^cWeighted average annual rate for the cities mentioned in footnote ^b, except cities in Brazil.

^dWeighted percentage variation from December to December.

^eBillions of dollars.

^fPercentages. Excluding Panama.

The recovery of exports in the first place made it possible to finance a moderate increase (4.4%) in the value of imports —the first increment on record since 1981— and, secondly, more than offset the negative effect produced on the current account balance by the rise in net payments of profits and interest. These remittances climbed from US\$ 34.5 billion in 1983 to US\$ 37.3 billion in 1984, in consequence of the increase in the external debt and the rise in average interest rates in the main international financial markets. Nevertheless, the proportion of the value of exports of goods and services absorbed by net payments of interest and profits in 1984, although still very high (33.5%), was slightly lower than in 1983 (35%) and 1982 (37%).

In 1984, too, there was a recovery in the net inflow of capital, marking a break in the pronounced downward trend that had characterized the two preceding years. After plummeting from a record peak of US\$ 37.8 billion in 1981 and to barely US\$ 4.4 billion in 1983, the net amount of loans and investment obtained by Latin America rose to US\$ 10.6 billion in 1984 (see figure 1). Thanks to this increase, and also owing to the reduction of the deficit on current account, the balance of payments closed with a surplus of more than US\$ 7.5 billion. This positive balance —the first since 1980— permitted a partial recovery

in the level of international reserves, which had dropped by over US\$ 25 billion in the three preceding years. Even so, the net inflow of capital continued to fall far short of the amount of net remittances of interest and profits. In 1984, therefore, Latin America was obliged for the third year running to make a substantial transfer of resources abroad. This transfer reached approximately US\$ 26.7 billion —a sum which, although lower than that of US\$ 30 billion recorded in 1983, implied a reduction in the region's capacity to import equivalent to about 24% of the value of exports of goods and services.

On the other hand, in 1984 the growth rate of Latin America's total external debt continued to slacken. According to provisional estimates the balance of the disbursed external debt amounted to a little over US\$ 360 billion at the end of the year, so that it had increased by 5.6%, i.e., at a lower rate than that of 8% corresponding to 1983 and far below those of 14% and 24% shown, respectively, in 1982 and 1981.

Furthermore, as the growth rate of the external debt was also slower than that of exports, in 1984 the debt/export coefficient decreased for the first time in the last four years. Even so, this coefficient (3.3) was not only still very high in international terms but also far exceeded the levels recorded in Latin America up to 1982.

I

Main trends

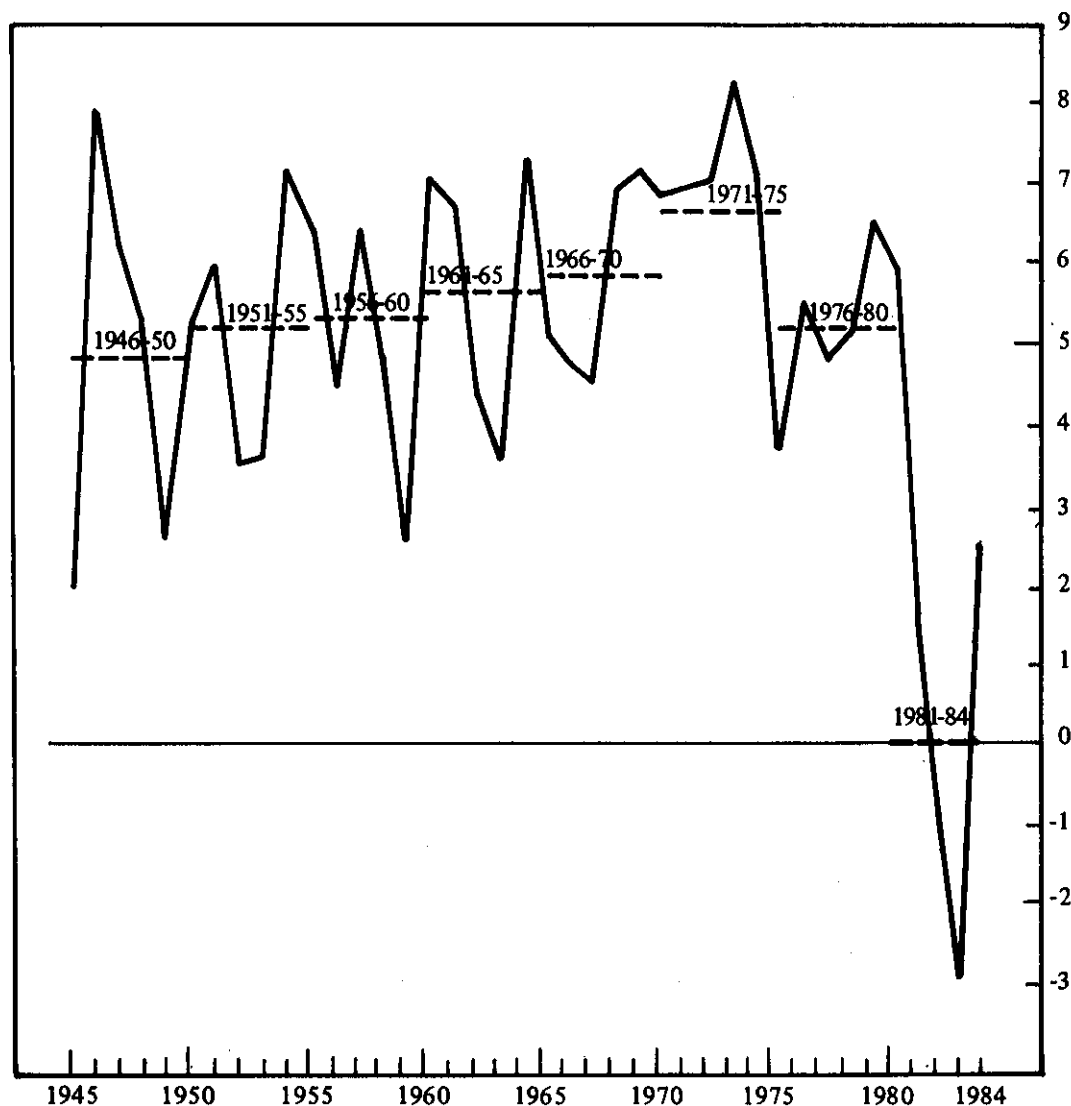
1. *Production and employment*

The year 1984 witnessed an interruption of the sharp downward trend which the growth rate of Latin America's economic activity had been showing since 1979. The region's gross domestic product, which had increased by only 1.7% in 1981 and which fell by 1% in 1982 and by rather over 3% in 1983, went up by 2.6% in 1984 (see figure 11).

In the region as a whole, however, the increase in economic activity barely exceeded that of the population. The per capita product therefore rose by only 0.2% in relation to the very low

level to which it had sunk in 1983. In fact, in most cases the economic recovery was so weak that although total economic activity expanded in 15 of the 19 countries considered, the per capita product decreased in 12 of them (see tables 2 and 3). Owing to this further decline and, above all, to the marked reduction registered in the three preceding years, the downward trend of the per capita product over the years 1981-1984 attained proportions unusually large in many countries. Thus, during the period in question the per capita product dropped by about 25% in Bolivia; almost 22% in El Salvador; approximately 16% in Uruguay, Venezuela and Guatemala; between

Figure II
LATIN AMERICA: ANNUAL GROWTH RATES OF GROSS DOMESTIC PRODUCT



Source: ECLAC, on the basis of official information.

13% and 14% in Peru and Costa Rica; 12% in Argentina, Haiti and Honduras; 11% in Chile, and 9% in Brazil.

Moreover, the recovery of economic activity tended to be concentrated in the region's large and medium-sized economies, and was, in contrast, very weak in most of the smaller countries.

In Brazil—a country which by itself generates about one-third of Latin America's total domestic product—economic activity increased

about 3.5%, thus offsetting the decline in the preceding year. The reversal of the downward trend which productive activity had been showing since 1981 was principally due to the new and spectacular expansion of the volume of exports, which increased by 16%, largely as a result of the boom in sales to the United States. A further stimulus was provided by fresh progress in import substitution. Sectorally, the bases of the recovery were an expansion of agricultural pro-

Table 2
LATIN AMERICA:
EVOLUTION OF TOTAL GROSS DOMESTIC PRODUCT

Country	Growth rates						Cumulative rates
	1975-1978	1979-1980	1981	1982	1983	1984 ^a	1981-1984 ^a
Argentina	4.8	3.7	-6.2	-5.1	3.1	2.5	-6.0
Bolivia	5.1	1.2	-0.9	-8.7	-7.6	0.5	-16.1
Brazil	6.5	6.8	-1.6	0.9	-3.2	3.5	-0.3
Colombia	4.9	4.7	2.3	0.9	0.8	3.0	7.4
Costa Rica	5.7	2.8	-2.3	-7.3	2.3	3.0	-4.5
Cuba ^b	6.0 ^c	2.9	15.6	2.6	5.2	...	24.8 ^d
Chile	1.7	8.0	5.7	-14.3	-0.8	5.5	-5.4
Ecuador	7.0	5.1	3.9	1.8	-3.3	2.0	4.5
El Salvador	5.5	-5.3	-8.3	-5.6	0.0	1.5	-12.2
Guatemala	5.5	4.2	0.7	-3.5	-2.7	0.0	-5.5
Haiti	3.7	7.5	-2.8	-2.5	-0.6	3.0	-3.0
Honduras	5.8	4.7	1.2	-1.8	-0.5	2.0	0.9
Mexico	5.3	8.8	7.9	-0.5	-5.3	2.5	4.0
Nicaragua	1.2	-10.0	5.3	-1.2	4.0	0.5	8.8
Panama	3.5	9.7	4.2	5.5	0.4	0.0	10.3
Paraguay	9.2	11.4	8.7	-1.0	-3.0	3.0	7.4
Peru	1.5	4.0	3.9	0.4	-10.8	3.5	-3.8
Dominican Republic	4.7	5.3	4.0	1.7	3.9	1.5	11.6
Uruguay	4.1	6.0	1.9	-9.7	-4.7	-2.0	-13.9
Venezuela	5.9	-3.4	-0.3	0.7	-4.8	-1.5	-6.1
Total ^e	4.8	6.1	1.7	-1.0	-3.1	2.6	0.0

Source: ECLAC, on the basis of official figures.

^aProvisional estimates subject to revision.

^bRelates to total social product.

^cRelates to the period 1976-1978.

^dRelates to the period 1981-1983.

^eAverage, excluding Cuba.

duction by over 8% and the reactivation of manufacturing. The latter's output, which had dropped by more than 6% in 1983, increased by about 6% in 1984, achieving especially vigorous growth as from the middle of the year. Nevertheless, and partly owing to a further considerable decline in the construction sector, the average rate of unemployment in the country's most important cities was higher in January-October than in the corresponding period in the two preceding years, although it steadily decreased from June onwards (see table 4).

In Mexico, too, economic activity recovered in 1984. But the increase of about 2.5% obtained

in the gross domestic product did not suffice to compensate its reduction by over 5% in the preceding year, nor was it enough to neutralize completely the population increment. As in Brazil, exports were the main dynamic factor; their volume, after expanding by over 40% in the preceding two-year period, increased by 10% in 1984. The recovery was likewise facilitated by the greater availability of imports. The volume of these latter, which in the two preceding years had contracted by the extraordinary proportion of 68% as a result of the slump in economic activity and above all of the severe measures adopted to reduce the external imbalance, increased by 26%

Table 3
LATIN AMERICA:
EVOLUTION OF PER CAPITA GROSS DOMESTIC PRODUCT^a

Country	Dollars at 1970 prices				Growth rates					Cumulative rates
	1970	1980	1983	1984 ^b	1980	1981	1982	1983	1984 ^b	1981-1984 ^b
Argentina	1 241	1 334	1 166	1 177	-0.9	-7.7	-6.6	1.4	0.9	-11.8
Bolivia	317	382	295	288	-2.1	-3.5	-11.1	-10.0	-2.2	-24.6
Brazil	494	887	798	809	4.8	-3.8	-1.3	-5.3	1.3	-8.9
Colombia	598	824	804	812	1.9	0.1	-1.2	-1.4	1.0	-1.5
Costa Rica	740	974	834	837	-2.1	-4.9	-9.7	-0.3	0.4	-14.1
Cuba ^c	...	...	...	...	-1.9	14.9	2.0	4.6	...	22.6 ^d
Chile	958	1 045	895	928	6.2	4.1	-15.7	-2.4	3.6	-11.2
Ecuador	413	723	678	673	1.9	1.0	-1.1	-6.1	-0.7	-6.9
El Salvador	422	433	344	339	-11.3	-10.9	-8.3	-2.9	-1.4	-21.8
Guatemala	448	589	512	497	0.9	-2.1	-6.2	-5.4	-2.8	-15.5
Haiti	90	114	99	100	5.1	-5.2	-4.9	-3.1	0.4	-12.2
Honduras	313	356	318	314	-0.8	-2.3	-5.1	-3.8	-1.4	-12.0
Mexico	978	1 366	1 284	1 280	5.5	5.1	-3.1	-7.7	-0.3	-6.3
Nicaragua	418	337	331	322	6.7	2.0	-4.4	0.5	-2.8	-4.7
Panama	904	1 174	1 214	1 188	10.5	1.9	3.2	-1.8	-2.2	1.1
Paraguay	383	642	612	611	7.9	5.4	-3.9	-5.9	-0.1	-4.8
Peru	659	690	593	598	1.2	1.2	-2.2	-13.2	0.9	-13.3
Dominican Republic	398	601	615	611	3.6	1.6	-0.7	1.5	-0.7	1.7
Uruguay	1 097	1 426	1 226	1 195	5.3	1.2	-10.3	-5.3	-3.5	-16.2
Venezuela	1 239	1 310	1 147	1 097	-5.1	-3.3	-2.2	-7.4	-4.4	-16.2
Total ^e	709	982	893	895	3.1	-0.7	-3.3	-5.3	0.2	-8.9

Source: ECLAC, on the basis of official figures.

^aAt market prices.

^bProvisional estimates subject to revision.

^cRefers to total social product.

^dRefers to 1981-1983.

^eAverage, excluding Cuba.

in 1984, thus permitting the partial replenishment of stocks and the more normal operation of activities dependent upon imported inputs.

The domestic product also grew by about 2.5% in Argentina. But, in contrast with what happened in Brazil and Mexico, this increase, on the one hand, represented a prolongation of the recovery that had begun in the preceding year—when economic activity had been stepped up by 3%—and, on the other hand, was linked to the greater buoyancy of internal demand rather than to export expansion. Demand was given impetus, especially during the first half of the year, by the considerable increase in real wages, but tended to decline in the last quarter, when a more restrictive economic policy began to be ap-

plied with the aim of reducing the exceptional rate attained by inflation. Thanks to the headway made in total economic activity, the urban unemployment rate was slightly lower in the first semester than during the three preceding years and continued to be by far the lowest in Latin America (see figure III).

The expansion of economic activity was greatest in Chile, where the gross domestic product rose by over 5%, thus partly recovering from its downward plunge during the preceding two-year period. The most dynamic sector was manufacturing, whose output increased by about 10%, under the stimulus of a more expansionary fiscal policy and of various measures designed to limit imports of certain consumer manufactures.

Table 4
LATIN AMERICA:
EVOLUTION OF URBAN UNEMPLOYMENT

(Average annual rates)

Country	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Argentina ^a	3.4	2.6	4.5	2.8	2.8	2.0	2.3	4.5	4.8	4.1	4.0
Bolivia ^b	...	...	...	7.9	4.5	7.6	7.5	9.7	9.4	12.1	13.3
Brazil ^c	...	...	...	...	6.8	6.4	7.2	7.9	6.3	6.7	7.5
Colombia ^d	12.7	11.0	10.6	9.0	9.0	8.9	9.7	8.2	9.3	11.8	13.5
Costa Rica ^e	...	...	5.4	5.1	5.8	5.3	6.0	9.1	9.9	8.5	7.9
Chile ^f	8.3	15.0	16.3	13.9	13.3	13.4	11.7	9.0	20.0	19.0	18.6
Mexico ^g	7.4	7.2	6.8	8.3	6.9	5.7	4.5	4.2	4.1	6.9	6.3
Nicaragua ^h	...	...	...	...	...	21.4	18.3	15.9	18.5	18.9	19.8
Panama ⁱ	7.5	8.6	9.0	...	9.6	11.6	9.8	11.8	10.3	11.2	...
Paraguay ^j	...	...	6.7	5.4	4.1	5.9	4.1	2.2	5.6	8.4	...
Peru ^k	4.1	7.5	6.9	8.7	8.0	6.5	7.1	6.8	7.0	9.2	10.9
Uruguay ^l	8.1	...	12.7	11.8	10.1	8.3	7.4	6.7	11.9	15.5	14.5
Venezuela ^m	7.6	8.3	6.8	5.5	5.1	5.8	6.6	6.8	7.8	10.5	13.9

Source: ECLAC and PREALC, on the basis of official figures.

^aGreater Buenos Aires. Average April-October; 1984, April.

^bLa Paz, 1977, 1978 and 1979, second semester; 1980, average May-October; 1983, second semester; 1984, first semester.

^cMetropolitan areas of Rio de Janeiro, Sao Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife. Average for 12 months; 1980, average June-December; 1984, average January-October.

^dBogotá, Barranquilla, Medellín and Cali. Average for March, June, September and December; 1984, average for March, June and September.

^eNational urban. Average for March, July and November; 1984, March.

^fGreater Santiago. Average for four quarters; 1984, average for three quarters. As from August 1983 data relate to the metropolitan area of Santiago.

^gMetropolitan areas of Mexico City, Guadalajara and Monterrey. Average for four quarters. 1984, average for first two quarters.

^h1979 to 1981, non-agricultural activities; 1982 to 1984, estimates.

ⁱNational urban; 1980, urban unemployment recorded in the population census taken in that year; 1981, 1982 and 1983, metropolitan area.

^jAsunción, Fernando de la Mora, Lambaré and urban areas of Luque and San Lorenzo, annual average; 1981, first semester; 1982, second semester.

^kMetropolitan Lima. 1970, August-September; 1978, average for July-August; 1979, August-September; 1980, April; 1981, June; 1982, 1983 and 1984, official estimate for the whole country.

^lMontevideo. Average for two semesters. 1984, average January-September.

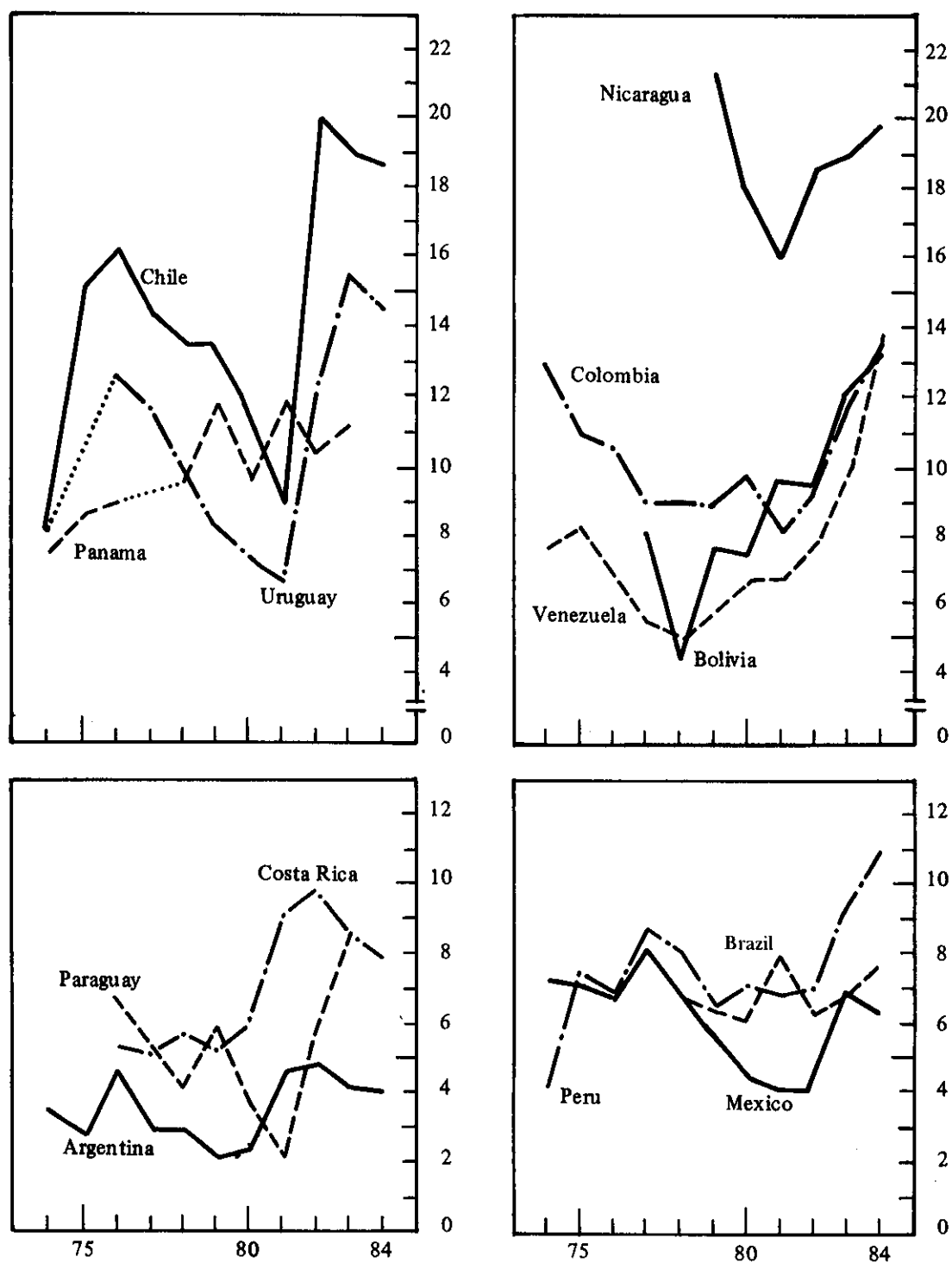
^mNational urban. Average for two semesters; 1984, first semester.

Greater public expenditure was the main cause of the 7% increase in construction, while agricultural production expanded by over 6%, thanks to the marked recovery in harvests of wheat and other traditional products and to the increase of about 35% in the value of exports of fruit. Despite the progress made by the main sectors of production, the unemployment rate fell only slightly in the country as a whole and remained above 18% in Santiago. This result was influenced both by the drastic reduction in the

Government's emergency employment programmes effected at the beginning of the year and by the slackening of the growth rate of economic activity during the second semester.

The rate of economic growth likewise rose in Colombia, where it had been gradually but persistently decreasing during the four preceding years. As in Chile, the two sectors that contributed most to the increase of approximately 3% in the gross domestic product were manufacturing and construction. While the former

Figure III
LATIN AMERICA: EVOLUTION OF URBAN UNEMPLOYMENT



Source: ECLAC, on the basis of official information.

benefited by the rise in the real exchange rate and particularly by the increase of tariffs, the latter was encouraged by the large-scale mobilization of financial resources for housing construction and by public expenditure. In Colombia too, however, the growth of economic activity occurred mainly in the first half of the year and subsequently tended to lose impetus. Moreover, the recovery of industry and construction did not suffice to reverse the rising trend of urban unemployment which had been apparent since 1982. During the first nine months of the year the average unemployment rate in the country's four most important cities climbed to 13.5%, the highest figure recorded in the last eleven years.

The gross domestic product increased by about 3.5% in Peru, after falling by nearly 11% the year before. In essence, the growth achieved in 1984 was due to the recovery of the primary sectors, whose production in 1983 had suffered the severely damaging effects of an exceptional combination of natural disasters. Thus, the agricultural product went up by about 6%, partly making up for its 9% decline in the preceding year; the production of the fishing sector increased by about 40%, i.e., in much the same proportion as it had decreased in 1983; and the product of mining, which had contracted in that year by 8%, expanded in 1984 by about 5%. In contrast, industrial production increased by less than 2%, thus recovering only a minimal part of the ground lost in 1983, when it had declined by 16%, while construction underwent a new reduction of 1%, after having contracted by more than 20% in 1983. In these circumstances, the rate of open unemployment shot up for the third year running and reached an unprecedented level of almost 11% (see table 4).

The evolution of economic activity was relatively similar in 1984 in Paraguay and Ecuador, both of which countries, like Peru, had had to face the effects of exceptionally hostile weather conditions in 1983.

In Ecuador, the gross domestic product, after falling by rather more than 3% in 1983, rose by about 2% in 1984 which was a lower rate than that of population growth. As in the case of Peru, the increase in the product stemmed mainly from the recovery of primary activities. Thus, agricultural production, which in 1983 had con-

tracted by 27% as a result of the devastation caused by torrential rainfall and floods, expanded by 18%; there was a 4% improvement in the fishing sector, offsetting the preceding year's decline; and the joint product of mining and the petroleum industry expanded by about 7.5%. In contrast, manufacturing declined by 2% for the second year in succession and construction increased by less than 1%, after having contracted by 12% in 1983.

In Paraguay, for its part, the product rose by 3%: a rate similar to that of the decline it had suffered in the preceding year. In this country too, however, the expansion of total productive activity was insufficient to offset the effect of population growth, and the per capita product therefore decreased for the third year in a row. As in Ecuador, the most dynamic sector was agriculture, whose product increased by about 6%, after having fallen by 2.5% in the preceding year. And, likewise as in Ecuador, construction continued to decline, as it had in 1982 and 1983, although less steeply.

Neither did the expansion of total production suffice to prevent decreases in the per capita product in 1984 in Bolivia, the Dominican Republic and all the Central American countries, with the sole exception of Costa Rica (see table 3). In most of them productive activity was still being undermined by the uncertainty and instability arising out of the acute political tensions and social conflicts, as well as by the unfavourable evolution of international prices for some of their main export products, such as sugar, bananas, cotton and tin.

Lastly, economic activity declined in 1984 by a little less than 2% both in Venezuela and in Uruguay.

In Venezuela this decrease meant that the per capita product dwindled for the seventh year in succession, its cumulative reduction in 1978-1984 thus amounting to 24%. The main causes of the further downward movement of economic activity in 1984 were the contraction of about 5% in the petroleum industry and the fall of approximately 2% in the other sectors of production. In 1984 the petroleum sector continued to face an adverse international conjuncture which compelled OPEC to reduce its members' production quotas towards the end of the year, including that of Venezuela, for which a cut of 7.5% was

decided upon in the last quarter. The contraction in other activities, in its turn, was due mainly to the very low level at which domestic demand remained and to the uncertainty created by the changes introduced in the exchange system and the prolonged negotiations with the foreign commercial banks for the refinancing of the external debt. In consequence of the decline in economic activity, open unemployment increased for the sixth year in succession and reached almost 14% in the first semester: the highest figure recorded since the existence of reliable statistical data (see figure III).

In Uruguay the reduction of the product by almost 2% in 1984 compounded its much bigger decreases in the two preceding years. This further decline in economic activity reflected both the very unfavourable behaviour of exports—whose volume contracted by more than 14%—and the lack of dynamism displayed by the sectors oriented towards meeting domestic demand, among which the slump of about 16% in construction was particularly striking. Economic activity in general was cramped by the limited amount of financing available, the high level of indebtedness of enterprises and the wait-and-see attitude adopted by entrepreneurs *vis-à-vis* the outcome of the presidential elections at the end of the year. In these circumstances, the rate of unemployment in Montevideo continued to hover around 14.5% and, given the acceleration of inflation, real wages once again decreased (see figure IV).

2. Inflation

Despite the weakness of the economic recovery in most of the countries of the region, the increase in unemployment in many of them, and the attenuation of external inflationary pressures, the rate of increase of prices rose in half the Latin American economies and in the region as a whole reached a new all-time high in 1984. The simple average rate of increase of consumer prices shot up from 66% in 1983 to 116% in 1984 and the rate weighted by the population jumped in the same period from 130% to 165%.

The rate of inflation gathered enormous speed in Argentina and, above all, in Bolivia, and continued to be very high in Brazil and Peru. The rate of increase of prices also accelerated sharply,

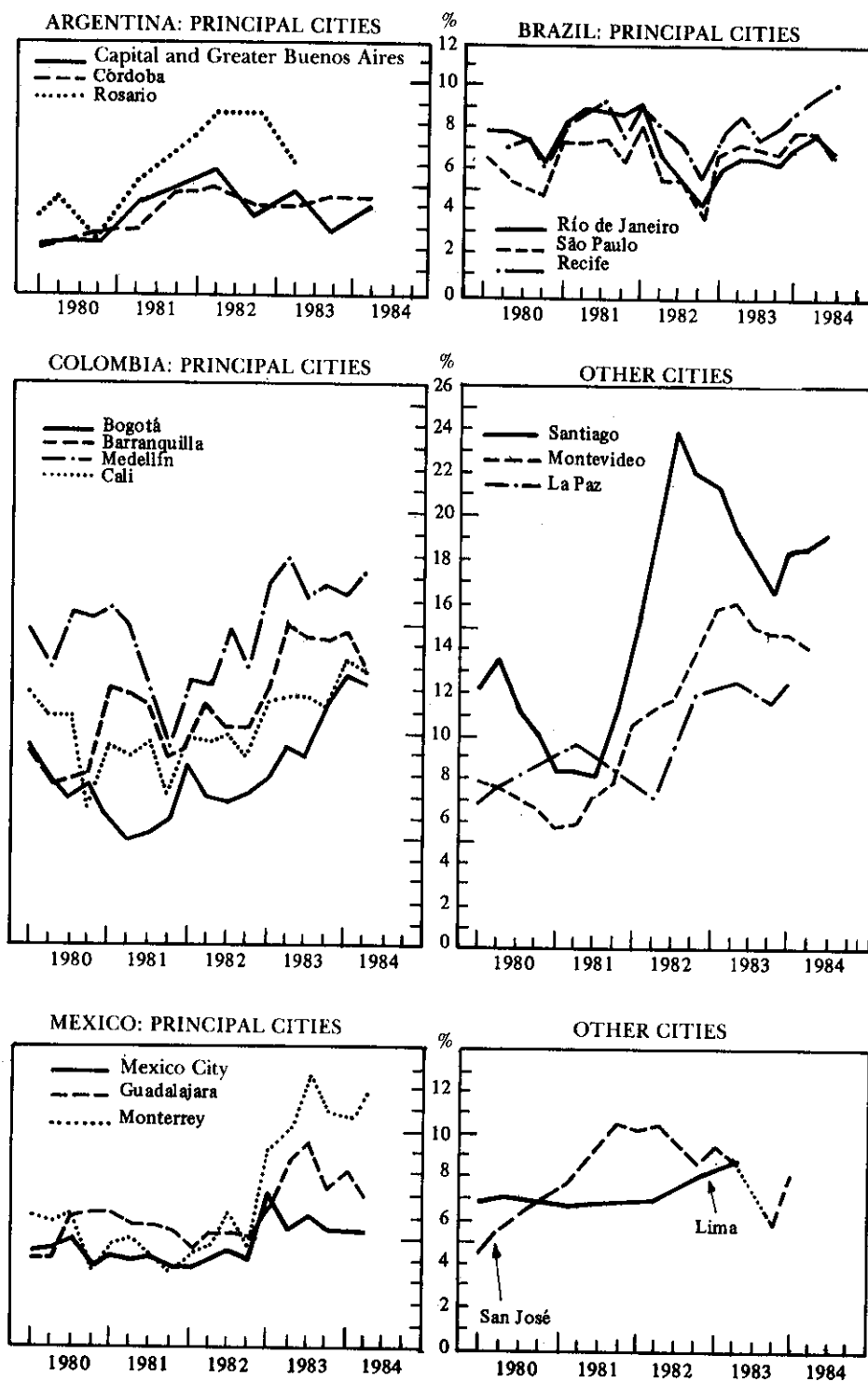
although starting from very different levels, in Uruguay, Nicaragua, Jamaica, Paraguay, Costa Rica, Venezuela and the Dominican Republic. In contrast, inflation declined in Mexico, although it was still high both in historical and in internationally comparative terms; it dropped sharply in Ecuador, it remained at the same levels as the year before in Chile and Colombia; and it was very low in El Salvador, Haiti, Honduras, Barbados and Panama (see table 5).

Figures unprecedented in the economic history of Latin America were reached by inflation in Bolivia, where consumer prices soared by almost 1 100% between September 1983 and September 1984 and will probably rise even higher by the end of the year. At the end of November the exchange system was unified through devaluations of the peso which represented increases of nearly 330% in the case of the exchange rate formerly applicable to essential imports and over 70% in that of the supplementary exchange rate formerly applicable to all other imports. At the same time, the Government raised the official prices of a number of basic foods in proportions that ranged from 40% to 200%, increased fuel prices between 500 and 1 100% and decreed a substantial adjustment of wages and salaries, all of which measures are bound to affect price levels as from December.

The inflationary process also accelerated notably in Argentina. As may be seen in figure v, the annual rate of increase of consumer prices, after rising to 430% at the end of 1983, continued rising with extraordinary rapidity up to October 1984, when it exceeded 700%. This intensification of the inflationary process was primarily attributable to the salary and wage policy applied at the beginning of the year, the rise in interest rates in non-regulated markets and the accentuated inflationary expectations of the majority of economic agents. Nevertheless, the upward trend in the rate of inflation levelled off to some extent in November when a more restrictive economic policy began to be applied.

Inflation also continued very high in Brazil, where it hovered around 200%, and in Peru, where the rate of increase of consumer prices exceeded 100% for the second consecutive year. In Peru the factors most responsible for inflation were once again the high fiscal deficit and the continuous readjustments in the exchange rate.

Figure IV
LATIN AMERICA:
EVOLUTION OF UNEMPLOYMENT IN SOME PRINCIPAL CITIES



Source: ECLAC, on the basis of official information.

Table 5
LATIN AMERICA:
EVOLUTION OF CONSUMER PRICES

(Variation from December to December)

Country	1976	1977	1978	1979	1980	1981	1982	1983	1984
Latin America^a	62.2	40.0	39.0	54.1	56.5	56.8	84.5	130.8	175.4
Countries with tradition- ally high inflation	74.5	47.1	45.7	61.9	61.5	71.7	102.8	156.6	208.0
Argentina	347.5	150.4	169.8	139.7	87.6	131.2	209.7	433.7	675.0 ^b
Bolivia	5.5	10.5	13.5	45.5	23.9	25.2	296.5	328.5	1 682.3 ^c
Brazil ^d	44.8	43.1	38.1	76.0	95.3	91.2	97.9	179.2	194.7 ^b
Colombia ^e	25.9	29.3	17.8	29.8	26.5	27.5	24.1	16.5	16.4 ^b
Chile	174.3	63.5	30.3	38.9	31.2	9.5	20.7	23.6	22.2 ^b
Mexico	27.2	20.7	16.2	20.0	29.8	28.7	98.8	80.8	59.2 ^b
Peru	44.7	32.4	73.7	66.7	59.7	72.7	72.9	125.1	105.8 ^b
Uruguay	39.9	57.3	46.0	83.1	42.8	29.4	20.5	51.5	63.8 ^b
Countries with tradition- ally moderate inflation	7.9	8.8	9.8	20.1	15.4	14.1	12.6	17.2	17.0
Barbados	3.9	9.9	11.3	16.8	16.1	12.3	6.9	5.5	3.9 ^f
Costa Rica	4.4	5.3	8.1	13.2	17.8	65.1	81.7	10.7	15.7 ^g
Ecuador ^h	13.1	9.8	11.8	9.0	14.5	17.9	24.3	52.5	19.1 ^g
El Salvador	5.2	14.9	14.6	14.8	18.6	11.6	13.8	15.5	13.1 ^g
Guatemala	18.9	7.4	9.1	13.7	9.1	8.7	-2.0	15.4	...
Guyana	9.2	9.0	20.0	19.4	8.5	29.1	...	...	...
Haiti ⁱ	-1.4	5.5	5.5	15.4	15.3	16.4	6.2	12.2	8.6 ^j
Honduras	5.6	7.7	5.4	18.9	15.0	9.2	9.4	10.2	6.9 ^k
Jamaica	8.3	14.1	49.4	19.8	28.6	4.8	7.0	14.5	33.1 ^l
Nicaragua	6.2	10.2	4.3	70.3	24.8	23.2	22.2	32.9	40.0 ^c
Panama	4.8	4.8	5.0	10.0	14.4	4.8	3.7	2.0	1.1 ^g
Paraguay	3.4	9.4	16.8	35.7	8.9	15.0	4.2	14.1	25.4 ^g
Dominican Republic	7.0	8.5	1.8	26.2	4.2	7.4	7.1	9.8	21.2 ^m
Trinidad and Tobago	12.0	11.4	8.8	19.5	16.6	11.6	10.8	15.4	13.4 ^f
Venezuela	6.9	8.1	7.1	20.5	19.6	10.8	7.9	7.0	15.7 ^g

Source: International Monetary Fund, *International Financial Statistics*, November 1984, and official information supplied by the countries.

^aTotals for Latin America and partial figures for groups of countries represent average variations by countries, weighted by the population in each year.

^bVariation between November 1984 and November 1983.

^cVariation between November 1984 and November 1983.

^dUp to 1979, figures represent the Consumer Price Index in the city of Rio de Janeiro; from 1980 onwards, the variation in the national total.

^eUp to 1980, figures represent the variation in the Consumer Price Index for manual workers; from 1981 onwards, the variation in the national total, including manual workers and employees.

^fVariation between August 1984 and August 1983.

^gVariation between October 1984 and October 1983.

^hUp to 1982, figures represent the variation in the Consumer Price Index in the city of Quito; from 1983 onwards, the national Consumer Price Index, urban area.

ⁱThe series represents the variation between September of the year indicated and September of the preceding year.

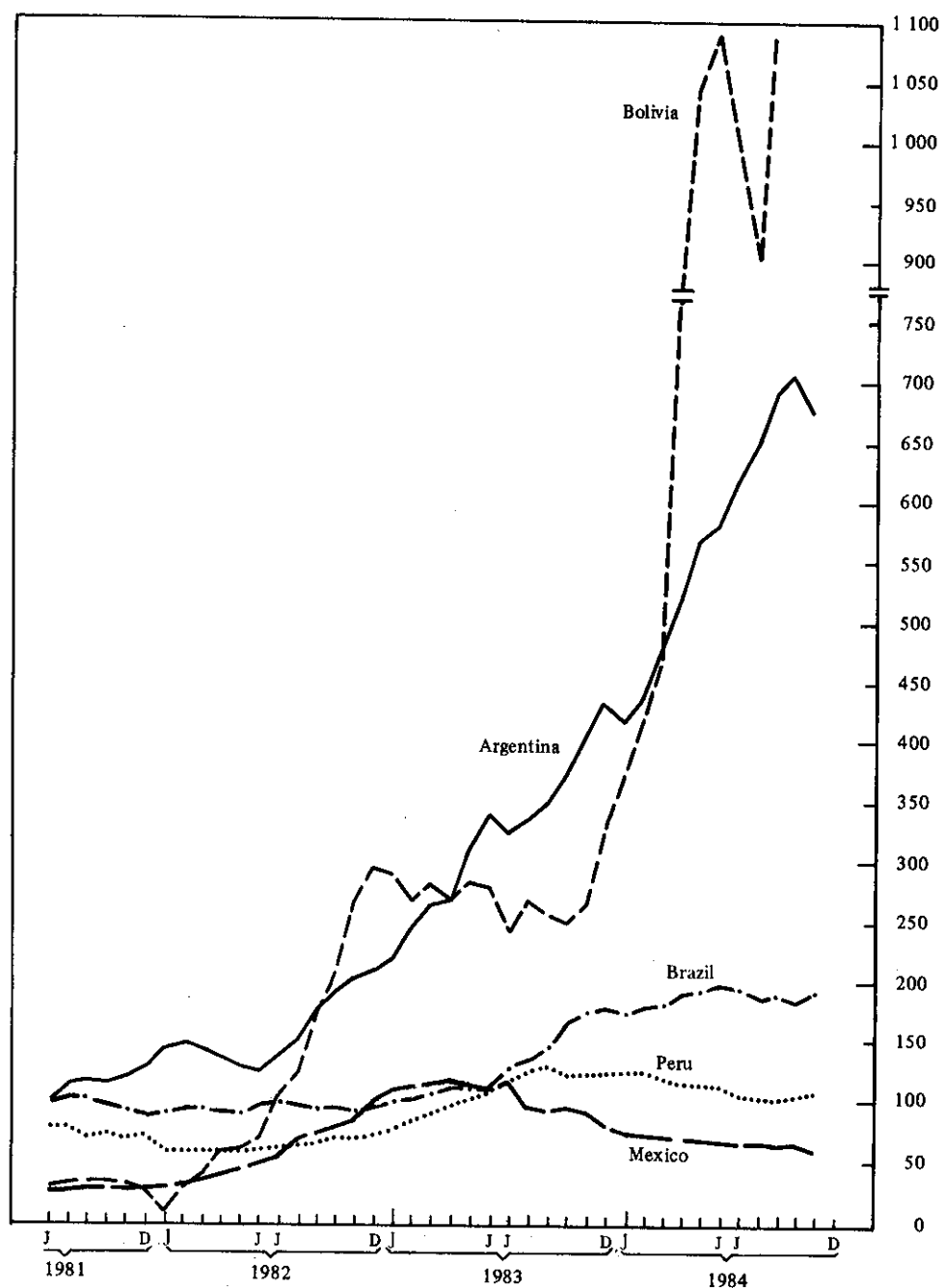
^jVariation between June 1984 and June 1983.

^kVariation between March 1984 and March 1983.

^lVariation between July 1984 and July 1983.

^mVariation between May 1984 and May 1983.

Figure V
LATIN AMERICA (SELECTED COUNTRIES):
TWELVE-MONTHLY VARIATIONS IN THE CONSUMER PRICE INDEX



Source: ECLAC, on the basis of official information.

As for Brazil, the high rate of inflation there reflected not only the indexing of almost all the main variables which affect costs, but also the

elimination of subsidies on the price of petroleum and other basic commodities.

The inflationary process intensified marked-

ly for the second consecutive year in Uruguay, Nicaragua and Paraguay and for the third successive year in Jamaica. Thus, in 1984 consumer prices rose by over 60% in Uruguay, 40% in Nicaragua, 33% in Jamaica and 25% in Paraguay.

Inflation also rose in Costa Rica after dropping spectacularly since the middle of 1982, and increased perceptibly in Venezuela and the Dominican Republic. However, in these three countries the rate of inflation was hovering in the neighbourhood of 15% as the year ended and, in the case of Venezuela, was lower than had been originally predicted on the basis of the devaluation of the bolívar and the changes introduced in the exchange system at the beginning of the year.

On the other hand, the downturn which the inflation in Mexico had begun to show in the middle of 1983 persisted in 1984 (see figure v). However, consumer prices still rose by nearly 60% by the end of the year. This rise, which is considerably higher than the one of 40% set as a goal by the economic authorities, helped to produce a new drop in the purchasing power of wages and salaries and a more rapid erosion than had been predicted in the real level of the exchange rate, which made it necessary to increase the daily devaluation of the peso at the beginning of December.

Inflation also fell, but much more markedly, in Ecuador. After reaching a historical high of over 60% in September 1983 as a consequence, primarily, of the sharp drop in the supply of agricultural commodities caused by the floods that year, the rate of inflation then fell continuously, dropping below 20% at the end of 1984. This persistent decline in the intensity of the inflationary process was largely due to the normalization of food supplies and prices due to the recovery of agriculture and the application of a restrictive monetary and fiscal policy by the economic authorities.

By contrast with what had happened in previous years, in Chile and Colombia the situation in respect of inflation at the end of 1984 was essentially the same as in 1983, in that in Chile, the increase in consumer prices remained in the neighbourhood of the 23% recorded the preceding year, while in Colombia the inflation of close to 16.5% recorded in 1983 was repeated.

However, in Chile the similarity in these fig-

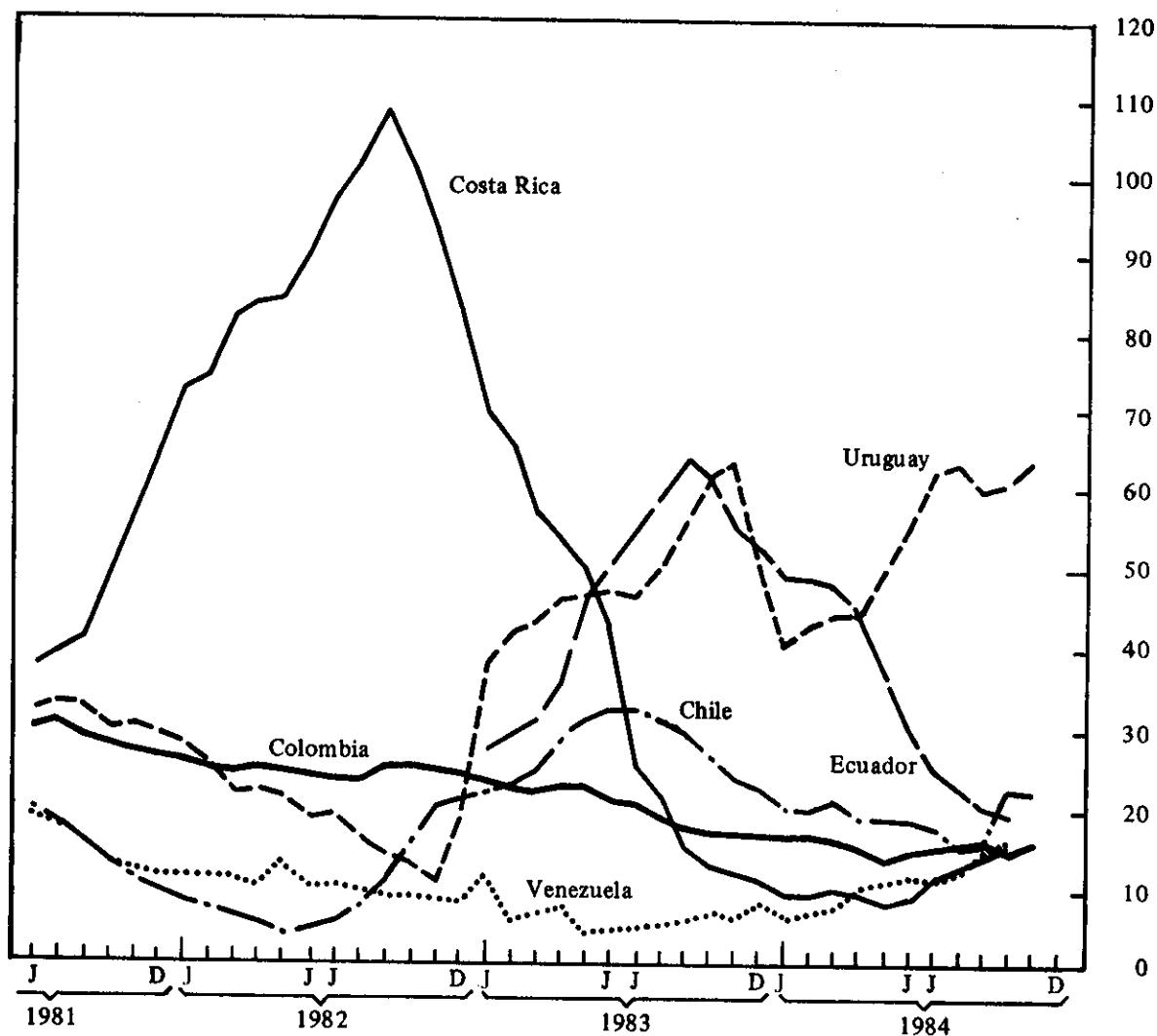
ures conceals appreciable differences shown by the rate of the inflation during the two years. As may be seen in figure vi, up to August 1984 the inflation continued on the downward course initiated in the middle of the preceding year. In fact, in the first eight months of the year, consumer prices rose by less than 8%. This trajectory was, however, changed by the increase of nearly 24% in the exchange rate decreed in September, which caused a sudden increase in prices the following month.

In Colombia, on the other hand, the inflation trajectory retained the notable stability which has characterized it in recent years. The rate of increase of prices continued to fall gradually and almost constantly during the first part of the year and increased only slightly at the end, as a result, primarily, of the readjustments introduced in the prices of certain products such as gasoline, which had lagged behind.

3. *The external sector*

The adjustment effort made by many Latin American economies and the more dynamic climate created by world trade made it possible for the situation in the external sector to improve appreciably in 1984. The trade surplus for the region as a whole reached the unprecedented figure of US\$ 37.6 billion, which was four times as high as the one recorded barely two years previously. Moreover, the larger surplus occurred because exports grew more rapidly than imports and not because imports fell more intensively than exports as had happened in the two preceding years. An increase in the trade surplus also made it possible for the second consecutive year to reduce the negative balance on current account, which amounted to the equivalent of less than one-tenth of the negative balances recorded in 1981 and 1982. The decrease in the deficit on current account and the moderate increase in the net inflow of capital helped to generate a surplus in the balance of payments of close to US\$ 7.5 billion, thereby reversing the downward trend which international reserves had shown since 1981. Moreover, in 1984 the growth rate of the external debt continued to slacken and the terms on which the countries of the region renegotiated their international banking commitments improved.

Figure VI
LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTHLY
VARIATIONS IN THE CONSUMER PRICE INDEX



Source: ECLAC, on the basis of official information.

a) *Foreign trade and the terms of trade*

After having fallen by nearly 8% in 1982 and having declined slightly in 1983, the value of exports of goods in Latin America rose by over 9% in 1984. This advance was due entirely to the vigorous expansion in the volume of external sales, which rose by nearly 10%. Unlike what had happened the preceding year, only a small proportion of this expansion was offset by a drop in unit value (see table 6).

Although the increase in the value of exports of the region as a whole was to a large extent attributable to the spectacular growth of Brazil's external sales, which rose by 23%, it also reflected progress made by exports in other countries. Thus, their value rose by over 13% in the Dominican Republic and Costa Rica, by 11% in Argentina and Haiti, by over 8% in Venezuela and by between 5% and 7% in El Salvador, Honduras, Mexico, Ecuador and Guatemala. However, in all these countries, with the exception of Mexico

Table 6
LATIN AMERICA:
EXPORTS OF GOODS
(Indexes: 1970 = 100, and growth rates)

Country	Value				Unit value				Quantum			
	Index	Growth rates			Index	Growth rates			Index	Growth rates		
	1984 ^a	1982	1983	1984 ^a	1984 ^a	1982	1983	1984 ^a	1984 ^a	1982	1983	1984 ^a
Latin America	692	-7.9	-0.2	9.3	297	-10.3	-8.1	-0.5	233	2.7	8.6	9.8
Oil-exporting countries	843	-3.8	-4.1	6.0	443	-16.1	-10.3	-3.3	190	14.8	7.0	9.6
Bolivia	382	-9.0	-8.6	-3.8	429	-3.5	3.1	3.6	89	-5.7	-11.4	-7.3
Ecuador	1 060	-7.9	0.9	5.3	456	-7.7	-7.8	0.9	233	-0.2	9.5	4.4
Mexico	1 743	10.7	0.7	5.7	334	-13.0	-10.5	-4.0	522	27.3	12.5	10.1
Peru	291	1.3	-8.4	-0.2	263	-10.4	3.6	-9.5	111	13.1	-11.6	10.3
Venezuela	611	-18.2	-10.2	8.4	1 140	-7.8	-7.3	-3.0	54	-11.3	-3.2	11.9
Non-oil-exporting countries	599	-12.0	4.0	13.9	230	-7.9	-4.9	4.1	261	-2.4	9.3	9.4
Argentina	491	-16.6	2.8	11.1	253	-12.0	-7.4	4.0	194	-5.3	11.1	6.8
Brazil	984	-13.3	8.6	23.1	237	-7.2	-5.9	6.0	415	-6.6	15.4	16.1
Colombia	387	-0.1	-6.6	1.6	313	8.9	-4.0	8.3	124	-8.3	-2.7	-6.2
Costa Rica	417	-13.1	-2.3	13.3	259	-5.5	-2.2	6.7	161	-8.1	-0.1	6.1
Chile	330	-3.1	3.3	-4.1	126	-17.2	-0.1	-5.0	262	16.7	3.4	0.5
El Salvador	332	-11.8	4.0	7.1	285	4.8	-5.5	3.3	117	-15.8	10.0	3.7
Guatemala	386	-7.6	-9.0	4.9	223	-7.7	-12.8	3.4	173	0.0	4.4	1.6
Haiti	510	15.5	2.7	11.1	274	1.0	-4.1	5.0	186	14.4	7.2	6.2
Honduras	417	-13.7	2.6	6.9	267	-4.0	-2.0	-0.4	156	-10.0	4.8	7.2
Nicaragua	240	-20.1	5.5	0.1	204	-6.0	-9.6	7.4	118	-15.0	16.7	-6.6
Panama	193	0.4	-8.1	-20.9	236	-15.1	0.6	-5.0	82	18.3	-8.6	-16.6
Paraguay	582	-0.6	-17.7	16.4	268	-12.7	-9.3	5.0	217	13.9	-9.2	10.9
Dominican Republic	417	-35.4	2.0	13.9	259	-30.0	6.9	4.1	161	-7.7	-4.6	9.4
Uruguay	445	2.2	-7.9	-13.9	234	-6.5	-7.3	0.6	190	9.3	-0.6	-14.4

Source: ECLAC, on the basis of official figures.

^aPreliminary estimates subject to revision.

and Haiti, the increase in the value of exports was not enough to offset their decline during the two preceding years.

On the other hand, the value of exports stagnated completely in Nicaragua, because of the drop in the volume exported, and in Peru, as a consequence of the decline in unit value. A decrease in unit value, brought about primarily by the drop in international copper and fish meal prices, was also the cause of the 4% decrease in the value of the exports of Chile, while a marked contraction in the volumes exported was responsible for the decline in the value of the external sales of Bolivia and Uruguay.

Also by contrast with what happened in the

two preceding years, in 1984 the value of imports increased. The rise by somewhat more than 4% was, however, very meagre after the precipitous drop in external purchases which took place in both 1982 and 1983.

In addition to being weak, the expansion of imports was concentrated in a small number of countries. Thus, the value of imports rose significantly only in Mexico (26%), Costa Rica (18%), Chile and Ecuador (12%), El Salvador (9%) and Uruguay and Venezuela (8%). However, it was only in Costa Rica that the increase achieved in 1984 meant that the volume of imports that year was greater than in 1981 (see table 7).

In the other economies of the region, with

Table 7
LATIN AMERICA:
IMPORTS OF GOODS

(Indexes: 1970 = 100, and growth rates)

Country	Value				Unit value				Quantum			
	Index	Growth rates			Index	Growth rates			Index	Growth rates		
	1984 ^a	1982	1983	1984 ^a	1984 ^a	1982	1983	1984 ^a	1984 ^a	1982	1983	1984 ^a
Latin America	447	-19.9	-28.6	4.4	313	1.5	-2.1	-0.3	143	-18.7	-27.2	4.7
Oil-exporting countries	433	-20.1	-44.4	14.1	266	0.0	-4.2	1.4	163	-20.1	-41.9	12.4
Bolivia	337	-37.0	12.4	-5.6	311	-2.6	-3.3	4.7	108	-35.3	16.2	-9.9
Ecuador	633	-7.6	-35.4	12.0	244	0.0	-1.0	0.0	259	-7.6	-34.8	12.2
Mexico	447	-40.0	-46.5	29.6	277	6.0	-7.3	2.5	161	-43.4	-42.3	26.1
Peru	348	-2.1	-26.8	-10.8	320	2.0	3.3	4.0	109	-4.1	-29.2	-14.2
Venezuela	429	12.0	-50.1	8.4	243	-5.7	-5.5	0.2	177	18.8	-47.2	8.2
Non-oil-exporting countries	456	-19.7	-15.9	-0.8	352	-3.2	-5.6	0.1	130	-17.1	-11.0	0.8
Argentina	285	-42.2	-15.2	3.6	314	-4.9	-4.4	2.0	91	-39.4	-11.3	1.5
Brazil	573	-12.2	-20.4	-7.0	410	-3.6	-6.1	-2.4	140	-8.9	-15.3	-4.6
Colombia	589	13.5	-11.9	-0.7	259	-4.4	-6.3	2.3	227	18.7	-6.1	-3.0
Costa Rica	387	-28.4	14.6	24.4	372	5.3	2.8	5.1	104	-32.0	11.5	18.2
Chile	377	-44.1	-22.7	16.1	367	-7.7	-7.9	-0.3	103	-39.4	-16.0	16.3
El Salvador	467	-8.1	-2.8	13.3	345	5.7	1.7	3.5	135	-13.0	-4.4	9.2
Guatemala	425	-16.6	-17.8	7.3	362	6.3	3.2	4.2	118	-21.6	-20.3	3.2
Haiti	719	-15.5	2.7	-1.9	350	7.3	2.5	5.0	206	-21.2	2.0	-6.6
Honduras	370	-24.2	11.8	-1.3	315	1.0	-1.0	1.0	117	-25.0	12.9	-2.3
Nicaragua	436	-21.6	7.6	0.2	360	5.3	3.8	1.4	121	-25.5	3.7	-1.2
Panama	333	0.0	-13.5	-11.4	450	4.9	1.6	3.8	74	-4.6	-14.9	-14.9
Paraguay	757	-7.9	-22.5	5.2	332	3.7	-4.2	4.0	228	-11.2	-19.1	1.1
Dominican Republic	437	-13.4	3.2	-6.4	320	2.2	-1.7	0.3	137	-15.3	4.9	-6.6
Uruguay	387	-34.8	-28.7	6.0	319	-7.1	-8.4	-1.8	121	-29.8	-22.2	8.1

Source: ECLAC, on the basis of official figures.

^aPreliminary estimates subject to revision.

the sole exception of Argentina and Guatemala, where the volume of external purchases increased slightly after severe drops in the two preceding years, the volume of imports continued to decrease and tended to limit the recovery of economic activity.

There was also a break in 1984 in the marked and persistent deterioration shown by the terms of trade of Latin America since 1980. As may be seen in table 8, the terms of trade for the region as a whole remained almost stable in 1984. However, this stability was the result of opposing tendencies shown by the terms of trade in the petroleum-exporting countries and in the other

economies of the region. In the former, the terms of trade declined for the fourth consecutive year, while in the group of non-oil-exporting economies they rose by 4.5% after having shown a slight rise the preceding year.

However, since in these economies the terms of trade had deteriorated markedly in the period 1979-1982, the respective index was still 26% less than in 1978, and in 1984 it remained at one of the lowest levels recorded since 1930. Conversely, in the case of the petroleum-exporting countries, the deterioration in the terms of trade during the past four years was not such as to nullify the notable progress made in the 1979-

Table 8
LATIN AMERICA: TERMS OF TRADE (GOODS)

(Indexes: 1970 = 100, and growth rates)

Country	Indexes				Growth rates				Cumulative rates	
	1975	1980	1983	1984 ^a	1981	1982	1983	1984 ^a	1979-1980	1981-1984 ^a
Latin America	114	121	95	95	-8.4	-9.0	-6.2	0.2	7.0	-21.7
Oil-exporting countries	188	235	175	166	-5.7	-16.0	-6.4	-4.6	40.8	-29.3
Bolivia	111	139	139	138	-5.0	-1.0	6.6	-0.9	15.7	-0.6
Ecuador	162	239	185	188	-10.0	-7.7	-6.8	1.7	36.7	-21.3
Mexico	106	164	129	120	-1.0	-18.0	-3.4	-6.8	37.9	-26.8
Peru	104	130	95	82	-17.6	-12.1	0.2	-13.3	50.6	-37.1
Venezuela	340	511	485	470	-1.0	-2.2	-1.9	-3.2	63.8	-8.0
Non-oil-exporting countries	83	76	63	66	-14.4	-4.9	0.8	4.5	-13.7	-14.3
Argentina	99	93	79	81	-4.7	-7.5	-3.2	2.4	17.2	-12.6
Brazil	85	66	53	58	-16.6	-3.8	0.2	8.8	-23.7	-12.5
Colombia	82	126	114	121	-22.5	13.9	2.3	6.3	-16.2	-3.9
Costa Rica	77	94	69	70	-14.3	-10.2	-4.9	2.0	-5.0	-25.3
Chile	52	47	37	34	-21.0	-10.4	7.8	-7.4	-4.1	-28.0
El Salvador	87	103	83	83	-12.6	-0.8	-7.1	0.4	-22.6	-19.1
Guatemala	69	92	62	62	-8.2	-13.2	-15.6	-0.6	-19.2	-33.3
Haiti	92	98	78	78	-9.4	-5.8	-6.6	0.0	-12.9	-20.2
Honduras	91	105	86	85	-13.0	-5.0	-1.0	-0.8	-7.1	-18.9
Nicaragua	79	78	54	57	-11.3	-10.7	-13.0	6.5	-19.6	-26.6
Panama	109	72	57	53	-0.1	-19.0	-1.0	-8.4	-2.5	-26.7
Paraguay	104	96	80	81	4.6	-15.8	-5.3	0.9	-22.1	-15.9
Dominican Republic	148	101	78	81	3.6	-31.5	8.6	4.0	19.0	-19.8
Uruguay	74	80	72	73	-11.7	0.6	1.3	1.8	-5.7	-8.4

Source: ECLAC, on the basis of official figures.

^aPreliminary estimates subject to revision.

1980 biennium. Thus, in all these economies, with the exception of that of Peru, the index of the terms of trade was still far higher than that of any non-oil-exporting country, with the sole exception of Colombia (see table 8).

The stabilization of the terms of trade and the marked increase in the volume of exports meant that in 1984 the purchasing power of the latter experienced its first significant increase since 1980 (see table 9 and figure VII). However, this rise was the net result of very uneven changes in the purchasing power of exports in different countries of the region. Thus, while this variable increased at an extraordinary rate (25%) in Bra-

zil and rose from between 10% and 12% in Argentina, Paraguay and the Dominican Republic and by about 7% in Venezuela, Ecuador and Mexico, it fell markedly in Panama (-28%), Uruguay (-11%) and Bolivia (-9%) and also dropped in five other countries.

b) *The balance of payments*

As a consequence of the much greater rise in the value of exports than in that of imports, the surplus on trade in goods experienced a new and significant increase in 1984. In actual fact, the amount of US\$ 37.6 billion to which the surplus

Table 9
LATIN AMERICA: PURCHASING POWER OF EXPORTS OF GOODS
(Indexes: 1970 = 100, and growth rates)

Country	Indexes				Growth rates				Cumulative rates	
	1975	1980	1983	1984 ^a	1981	1982	1983	1984 ^a	1979/1980	1981/1984 ^a
Latin America	132	208	201	221	1.8	-6.6	1.9	9.7	28.4	6.3
Oil-exporting countries	166	308	303	317	1.9	-3.5	0.1	4.5	71.1	2.9
Bolivia	133	165	135	123	-6.3	-7.6	-5.8	-8.8	12.3	-25.5
Ecuador	280	466	409	438	-6.5	-7.8	2.0	7.0	29.1	-6.0
Mexico	127	458	586	626	17.3	1.3	7.6	6.8	101.2	36.6
Peru	74	140	94	91	-22.8	-2.5	-10.7	-3.3	61.8	-35.0
Venezuela	214	301	217	251	-6.2	-13.8	-10.9	8.1	68.6	-16.4
Non-oil-exporting countries	109	152	150	169	-3.3	-7.2	10.2	13.2	1.0	11.8
Argentina	78	139	142	157	10.6	-12.9	6.0	10.6	1.7	12.9
Brazil	135	179	193	240	4.0	-10.2	15.3	24.7	5.4	34.3
Colombia	124	194	150	150	-25.5	4.0	0.1	-0.2	-1.1	-22.8
Costa Rica	107	142	106	113	-5.3	-17.3	-4.6	6.1	-6.7	-20.5
Chile	67	109	95	89	-24.1	3.9	11.2	-6.5	27.9	-18.1
El Salvador	121	156	94	97	-29.3	-16.5	2.5	3.1	-0.3	-37.7
Guatemala	101	172	106	107	-18.7	-12.9	11.7	0.8	-0.1	-37.9
Haiti	99	193	150	146	-33.2	8.8	7.2	2.9	14.5	-24.5
Honduras	94	164	128	133	-13.2	-14.6	5.1	3.8	8.1	-19.0
Nicaragua	113	82	66	67	6.4	-22.3	-2.5	2.1	-49.1	-18.0
Panama	118	77	60	43	-11.9	-3.8	-9.2	-28.0	-14.9	-44.6
Paraguay	139	203	159	175	-4.4	-4.0	-10.7	10.5	-19.2	-13.5
Dominican Republic	224	150	116	130	18.1	-36.7	3.7	12.2	6.5	-13.3
Uruguay	83	140	156	139	4.9	8.7	-2.6	-11.0	0.2	-0.9

Source: ECLAC, on the basis of official figures.

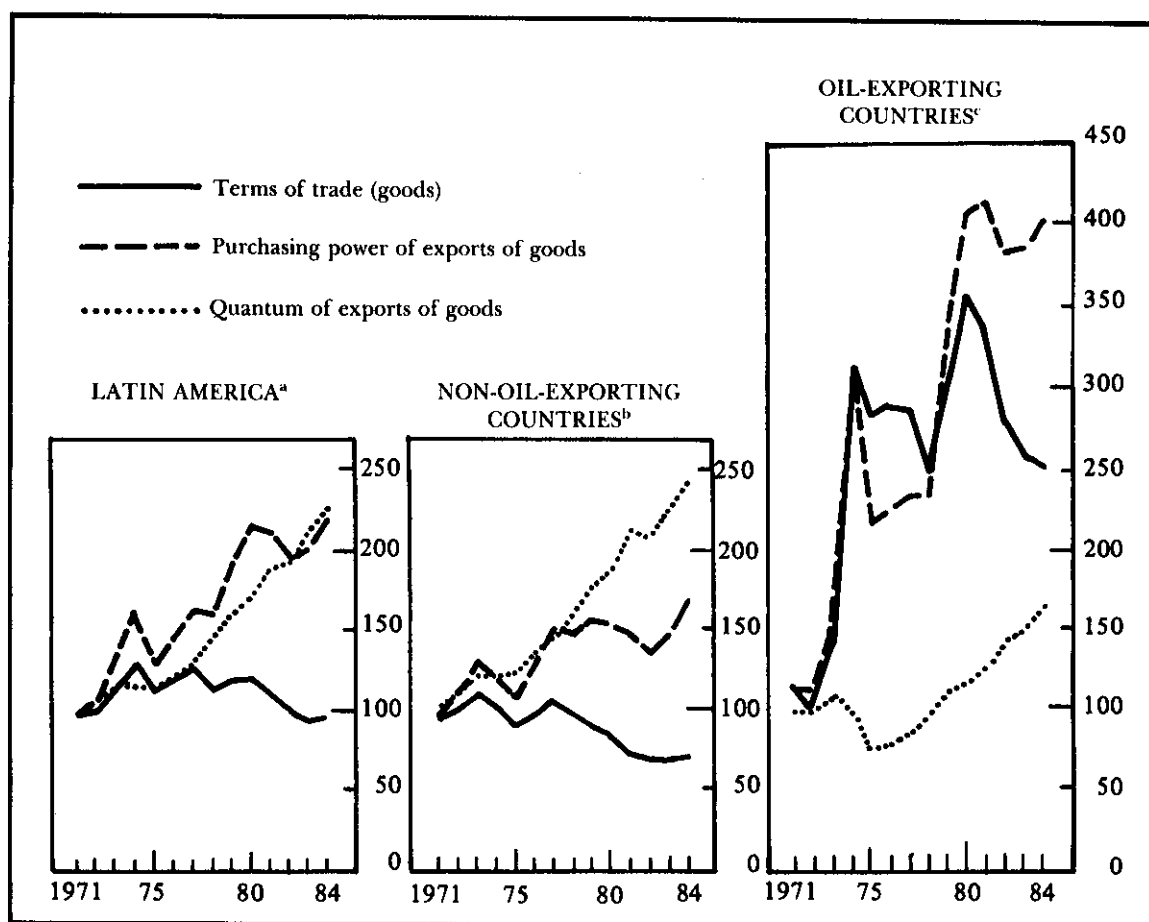
^aPreliminary estimates subject to revision.

rose was not only 20% higher than in 1983 but was nearly four times higher than that recorded only two years previously (see table 10).

This result was primarily attributable to the enormous expansion in the positive balance obtained by Brazil, which nearly doubled, rising from less than US\$ 6.5 billion in 1983 to US\$ 12.6 billion in 1984, thereby well exceeding the initial forecasts. It was also due, however, to the significant increase for the second year running in the trade surplus of Argentina and Venezuela, the doubling of that achieved by Peru, and the reduction in the deficit on trade in goods in Colombia, Haiti, Honduras, Panama and the Dominican Republic.

In the region as a whole the surplus achieved on trade in goods made it possible to finance the entire net payments of interests and profits in spite of the fact that they rose from US\$ 34.5 billion in 1983 to US\$ 37.3 billion in 1984. Thanks to this and also to the new and marked decrease in net payments for services in 1984, the deficit on current account fell by 65% and amounted to less than one-tenth of that recorded only two years previously (see table 11). However, the reduction in the overall deficit on current account was the result of trends in opposing directions observed in the different economies of the region. The country most responsible for this drop was Brazil, which recorded a deficit of a

Figure VII
LATIN AMERICA: EVOLUTION OF SOME FOREIGN TRADE INDICATORS
(Indexes: 1970 = 100)



Source: ECLAC, on the basis of official information.

^aNineteen countries.

^bFrom 1970 to 1975, includes 16 countries. As from 1976 Mexico and Peru are excluded.

^cFrom 1970 to 1975, includes Bolivia, Ecuador and Venezuela; as from 1976 Mexico and Peru are added.

bare US\$ 550 million, whereas only two years previously it had had a deficit of over US\$ 16.3 billion. In addition, in 1984 the negative current account balances of Argentina, Colombia, Peru, Paraguay, Nicaragua, Costa Rica and Haiti continued to decline. As for Venezuela and Mexico, they remained the only two countries in the region to obtain surpluses in their current operations, although Mexico's surplus was 10% lower than the one achieved the previous year. On the other hand, the deficit in Chile (which was exceeded only by those of Colombia and Argenti-

na) and that of Ecuador rose markedly in 1984, and a moderate increase was experienced in the negative balances of Bolivia and of the majority of the countries of Central America (see table 11).

Contrary to what happened in the preceding two years, when the reduction in the deficit on current account was accompanied and to a large extent caused by a dramatic decline in the net inflow of capital, in 1984 it coincided with a recovery in the flow of loans and investments received by the region. The value of the latter

Table 10
LATIN AMERICA: TRADE BALANCE

(Millions of dollars)

Country	Exports of goods FOB			Imports of goods FOB			Trade balance (goods)		
	1982	1983	1984 ^a	1982	1983	1984 ^a	1982	1983	1984 ^a
Latin America	86 389	86 168	94 790	76 726	54 727	57 170	9 663	31 441	37 620
Oil-exporting countries	44 877	43 033	45 620	34 349	19 117	21 820	10 528	23 916	23 800
Bolivia	828	757	730	429	482	460	399	275	270
Ecuador	2 343	2 365	2 490	2 181	1 408	1 580	162	957	910
Mexico	22 081	22 235	23 500	14 434	7 723	10 000	7 647	14 512	13 500
Peru	3 293	3 017	3 010	3 271	2 723	2 430	-428	294	580
Venezuela	16 332	14 695	15 890	13 584	6 781	7 350	2 748	7 878	8 540
Non-oil-exporting countries	41 512	43 135	49 170	42 377	35 610	35 350	-865	7 525	13 820
Argentina	7 622	7 838	8 700	4 859	4 120	4 270	2 763	3 718	4 430
Brazil	20 172	21 906	26 960	19 395	15 434	14 360	777	6 472	12 600
Colombia	3 215	3 003	3 050	5 404	4 759	4 720	-2 189	-1 756	-1 670
Costa Rica	871	851	960	780	894	1 110	91	-43	-150
Chile	3 706	3 827	3 680	3 642	2 818	3 270	64	1 009	410
El Salvador	704	732	780	826	803	910	-122	-71	-130
Guatemala	1 200	1 092	1 150	1 284	1 056	1 140	-84	36	10
Haiti	174	179	200	336	352	350	-162	-173	-150
Honduras	677	695	740	681	761	750	-4	-66	-10
Nicaragua	406	429	430	723	778	780	-317	-349	-350
Panama	345	317	250	1 441	1 246	1 100	-1 096	-929	-850
Paraguay	396	326	380	711	552	580	-315	-226	-200
Dominican Republic	768	783	890	1 257	1 297	1 220	-489	-514	-330
Uruguay	1 256	1 157	1 000	1 038	740	790	218	417	210

Source: 1982, 1983: International Monetary Fund; figures for 1983 for Costa Rica, Ecuador, El Salvador and the Dominican Republic are ECLAC estimates. Figures for Chile for 1982, 1983 and 1984: Central Bank of Chile.

^aECLAC, preliminary estimates subject to revision. Figures rounded to the nearest ten.

was, moreover, considerably higher than that of the negative balance on current transactions. As a consequence, the balance of payments closed for the first time since 1980 with a surplus of nearly US\$ 7.5 billion.

Notwithstanding the recovery of the net inflow of capital, its value continued to be very much lower than that of net payments of interest and profits. In the end, as in the two preceding years, Latin America transferred a substantial volume of resources to the exterior in 1984. In fact, this transfer amounted to close to US\$ 26.7 billion, which, although lower than the transfer of nearly US\$ 31 billion recorded the preceding year, represented a reduction in import capacity

equivalent to approximately 24% of exports of goods and services (see table 12).

The lion's share of that transfer was attributable to Mexico, Brazil, Venezuela and Argentina, although in relative terms appreciable amounts were also transferred from Ecuador, Peru, Uruguay and Bolivia. On the other hand, Paraguay, Haiti and the Central American countries, with the exception of Costa Rica, continued to receive a considerable volume of resources from the exterior (see table 11).

c) The external debt

According to preliminary estimates, the total

Table 11
LATIN AMERICA: BALANCE OF PAYMENTS
(Millions of dollars)

Country	Net services payments ^a				Net payments of profits and interest				Balance on current account ^c				Net movement of capital ^d				Total Balance ^e			
	1982	1983	1984 ^b	1985	1982	1983	1984 ^b	1985	1982	1983	1984 ^b	1985	1982	1983	1984 ^b	1985	1982	1983	1984 ^b	1985
Latin America	12 745	6 596	4 030	37 641	37 641	34 465	37 330	-40 613	-8 957	-3 090	-3 090	-3 090	19 200	4 435	10 615	-21 413	-4 522	7 525		
Oil-exporting countries	8 182	3 062	1 050	15 097	15 097	13 609	16 090	-13 257	7 185	6 590	6 590	6 590	533	-4 947	-2 300	-12 724	2 238	4 290		
Bolivia	122	141	150	415	415	424	490	-121	-271	-340	-340	-340	153	252	220	32	-19	-120		
Ecuador	530	367	260	847	847	718	950	-1 215	-128	-300	-300	-300	875	274	240	-340	146	-60		
Mexico	2 390	549	-1 000	11 271	9 108	10 100	-5 922	4 968	4 968	4 500	4 500	4 500	1 812	-2 946	-1 000	-4 110	2 022	3 500		
Peru	315	254	200	1 034	1 034	1 133	1 320	-1 777	-1 093	-940	-940	-940	1 637	1 027	870	-140	-66	-70		
Venezuela	4 825	1 751	1 440	1 530	1 530	2 226	3 230	-4 222	3 709	3 670	3 670	3 670	-3 944	-3 554	-2 630	-8 166	155	1 040		
Non-oil-exporting countries	4 563	3 534	2 980	22 544	22 544	20 856	21 240	-27 356	-16 142	-9 680	-9 680	-9 680	18 667	9 382	12 915	-8 689	-6 760	3 235		
Argentina	434	761	1 150	4 716	4 716	5 409	5 430	-2 354	-2 436	-2 150	-2 150	-2 150	1 686	-13	2 550	-668	-2 449	400		
Brazil	3 589	2 407	1 900	13 495	13 495	11 012	11 400	-16 314	-6 842	-550	-550	-550	11 120	4 946	5 220	-5 194	-1 896	4 670		
Colombia	87	317	40	787	787	839	650	-2 897	-2 739	-2 260	-2 260	-2 260	2 021	829	640	-876	-1 910	-1 620		
Costa Rica	-21	-5	-70	345	345	415	370	-206	-383	-360	-360	-360	331	401	330	125	18	-30		
Chile	555	471	540	1 921	1 921	1 703	1 840	-2 372	-1 116	-1 930	-1 930	-1 930	1 026	587	1 990	-1 346	-529	60		
El Salvador	72	32	50	129	129	196	220	-271	-239	-330	-330	-330	242	418	330	-29	179	0		
Guatemala	231	177	260	122	122	114	40	-376	-225	-240	-240	-240	338	276	240	-38	51	0		
Haiti	87	83	80	14	14	12	20	-182	-208	-200	-200	-200	137	175	220	-45	-33	20		
Honduras	52	54	40	202	202	149	200	-249	-260	-240	-240	-240	204	213	240	-45	-47	0		
Nicaragua	65	112	90	140	140	61	90	-514	-519	-530	-530	-530	580	588	420	66	69	-110		
Panama	-849	-886	-820	236	236	306	240	-538	-409	-330	-330	-330	524	440	350	-14	31	20		
Paraguay	92	-25	10	-14	-14	53	70	-391	-252	-270	-270	-270	329	257	135	-62	5	-135		
Dominican Republic	-97	-164	-230	254	254	299	330	-457	-454	-230	-230	-230	311	276	230	-146	-178	0		
Uruguay	266	200	-60	197	197	288	340	-235	-60	-60	-60	-60	-182	-11	20	-417	-71	-40		

Source: 1982, 1983: International Monetary Fund; the figures for 1983 for Costa Rica, Ecuador, El Salvador and the Dominican Republic are ECLAC estimates subject to revision. Figures for Chile, 1982, 1983 and 1984: Central Bank of Chile.

^aExcluding net payments of profits and interest.

^b1984:ECLAC, preliminary estimates subject to revision. Figures rounded to the nearest ten.

^cIncluding net private unrequited transfer payments.

^dIncluding long- and short-term capital, official unrequited transfer payments and errors and omissions.

^eCorresponds to variation in international reserves (of opposite sign) plus counterpart items.

Table 12
LATIN AMERICA: NET FINANCING DISPOSABLE AFTER PAYMENT OF
PROFITS AND INTEREST

(Billions of dollars)

Year	Net inflow of capital	Net pay- ments of profits and interest	Net disposable financing (3) = (1)-(2)	Real net disposable financing ^a	Exports of goods and services	Net disposable financing/ exports of goods and services ^b (6) = (3) / (5)
	(1)	(2)	(3)	(4)	(5)	(6)
1973	7.8	4.2	3.6	8.3	28.9	12.5
1974	11.4	5.0	6.4	12.5	43.6	14.7
1975	14.2	5.5	8.7	15.5	41.1	21.2
1976	18.2	6.8	11.4	19.4	47.3	24.1
1977	17.0	8.2	8.8	14.1	55.9	15.7
1978	26.1	10.2	15.9	23.7	61.4	25.9
1979	28.6	13.6	15.0	19.8	82.0	18.3
1980	30.0	18.0	12.0	13.9	105.8	11.3
1981	37.7	27.7	10.0	10.6	114.1	8.8
1982	19.2	37.6	-18.4	-19.1	101.9	-18.1
1983	4.4	34.5	-30.1	-30.9	100.5	-30.0
1984 ^c	10.6	37.3	-26.7	-26.7	113.0	-23.6

Source: International Monetary Fund, *Balance of Payments Yearbook* (several issues); and ECLAC estimates, on the basis of official figures.

^aObtained by deflating column 3 by the United States wholesale price index, base 1984 = 100.

^bPercentage.

^cPreliminary estimates subject to revision.

external debt of Latin America at the end of 1984 amounted to approximately US\$ 360 billion. Thus, it appears to have increased by close to 5.5%, thereby continuing the more moderate growth trend of external indebtedness begun in 1982 (see table 13).

The rate of increase of the debt was also lower than that of exports of goods and services in 1984. Consequently, the debt/exports ratio fell for the first time in the past four years. However, the magnitude of this coefficient (3.3) was still very high in international terms and was also very much higher than that of approximately 2.3 recorded, on average, during the period 1978-1981.

Moreover, owing both to the increase in the debt and to the rise in average interest rates in the main international financial markets in 1984, as may be seen from figures VIII and IX, the interest payments made by Latin America increased by close to 10%, i.e., at a rate somewhat lower than

that of the increase in exports of goods and services. Therefore the ratio of interest payments to exports fell only slightly—to 35%—and continued to be very much higher than the ratios recorded prior to 1981. This relation was much higher in Bolivia (57%), Argentina (52%) and Chile (45%) but was, on the other hand, considerably lower in Colombia (21%), Paraguay (19%), and especially in the countries of Central America and the Caribbean (see table 14).

Finally, in 1984 the terms on which the countries of Latin America renegotiated their external debt improved. The commissions and the spreads over and above the basic interest rates, as well as the rescheduled maturities and the repayment periods for new credits obtained in the second and third rounds of negotiations, represented an advance over the extremely unfavourable terms granted in 1982 and 1983. The change was especially marked in the cases of Mexico, Venezuela and Argentina, whose agreements with the respective bank committees pro-

Table 13
LATIN AMERICA: TOTAL DISBURSED EXTERNAL DEBT

(End-of-year balance in billions of dollars)

Country	1978	1979	1980	1981	1982	1983	1984 ^a
Latin America	150 893	181 978	221 059	275 422	315 336 ^b	340 937 ^b	360 170 ^b
Oil-exporting countries	64 390	77 585	92 324	118 963	135 657 ^b	145 672 ^b	153 460 ^b
Bolivia ^c	1 762	1 941	2 220	2 450	2 373	3 065	3 200
Ecuador	2 975	3 554	4 652	5 868	6 187	6 689	6 860
Mexico	33 946	39 685	49 349	72 007	85 000 ^{bd}	90 000 ^{bd}	95 900 ^{bd}
Peru	9 324	9 334	9 594	9 638	11 097	12 418	13 500
Venezuela ^c	16 383	23 071	26 509	29 000	31 000	33 500	34 000
Non-oil-exporting countries	86 503	104 393	128 735	156 459	179 679	195 265	206 710
Argentina	12 496	19 034	27 162	35 671	43 634	45 500	48 000
Brazil ^f	52 285	58 907	68 354	78 580	87 580	96 500	101 800
Colombia	4 247	5 117	6 277	7 930	9 421	10 405	10 800
Costa Rica	1 870	2 333	3 183	3 360	3 497	3 848	4 050
Chile ^g	6 664	8 484	11 084	15 542	17 153	17 431	18 440 ^h
El Salvador	986	939	1 176	1 471	1 683	2 000	2 300
Guatemala	821	934	1 053	1 409	1 504	1 766	1 910
Haiti ^c	210	248	290	372	410	446	600
Honduras	971	1 280	1 510	1 708	1 800	2 079	2 250
Nicaragua ^c	961	1 131	1 579	2 163	2 797	3 385	3 900
Panama ^c	1 774	2 009	2 211	2 338	2 820	3 275	3 550
Paraguay	669	733	861	949	1 204	1 469	1 560
Dominican Republic	1 309	1 565	1 839	1 837	1 921	2 572	2 850
Uruguay	1 240	1 679	2 156	3 129	4 255	4 589	4 700

Source: ECLAC, on the basis of official information; Brazil and Venezuela: ECLAC, on the basis of data from the Bank for International Settlements.

^aPreliminary figures.

^bFigures not comparable with those prior to 1982, owing to the inclusion of the Mexican commercial bank debt.

^cPublic debt.

^dIncluding commercial bank debt. Estimates on the basis of data supplied by the Secretariat of Finance and Public Credit.

^eIncluding the public debt plus the non-guaranteed long- and short-term debt with financial institutions reporting to the Bank for International Settlements.

^fIncluding the total medium- and long-term debt plus the short-term debt with financial institutions reporting to the Bank for International Settlements.

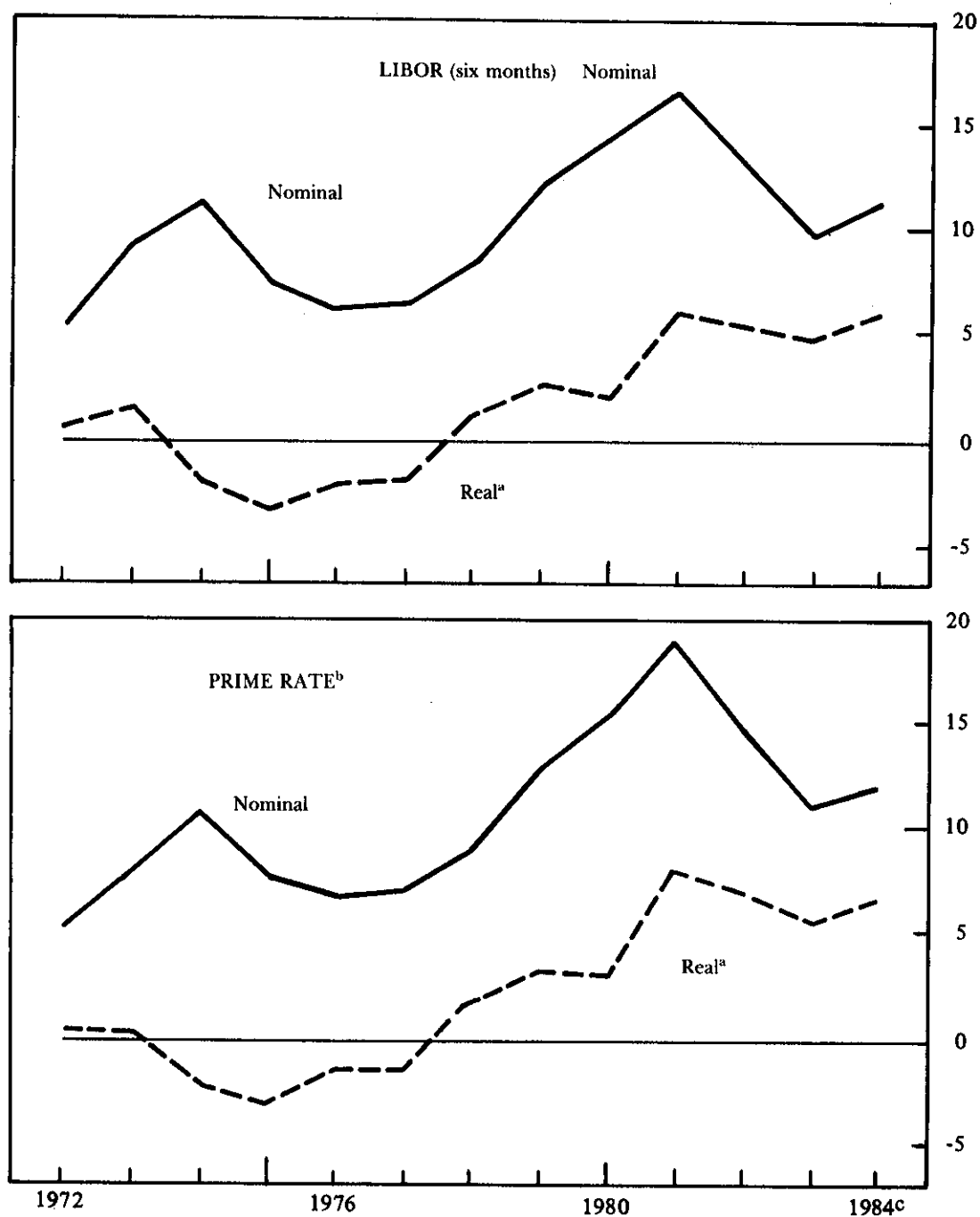
^gShort-, medium- and long-term debt, excluding debt with IMF and short-term credits for foreign trade operations.

^hIn the month of September.

vided for a marked reduction in commissions, or even their elimination; a considerable decrease in the spread over the basic rates; longer repay-

ment periods for the corresponding debts, and longer amortization periods (see tables 15 and 16).

Figure VIII
NOMINAL AND REAL INTERNATIONAL INTEREST RATES
(Percentages)



Source: ECLAC, on the basis of data from Morgan Guaranty Trust, *World Financial Markets*, and from *Economic Report of the President*, Washington, February 1984.

^aNominal rate deflated by the consumer price index of the industrialized countries.

^bPreferential rate granted by United States banks to their best clients.

^cAverage January to November.

Year	Month	Prime Rate ^a (%)	LIBOR (six months) (%)
1982	Jan	15.5	16.5
1982	Feb	16.0	16.0
1982	Mar	15.5	16.5
1982	Apr	15.0	16.0
1982	May	15.5	16.5
1982	Jun	15.0	16.0
1982	Jul	15.5	16.5
1982	Aug	15.0	16.0
1982	Sep	14.5	15.5
1982	Oct	13.5	14.5
1982	Nov	13.0	14.0
1982	Dec	12.5	13.5
1983	Jan	12.0	13.0
1983	Feb	11.5	12.5
1983	Mar	11.0	12.0
1983	Apr	10.5	11.5
1983	May	10.5	11.5
1983	Jun	10.5	11.5
1983	Jul	10.5	11.5
1983	Aug	10.5	11.5
1983	Sep	10.5	11.5
1983	Oct	10.5	11.5
1983	Nov	10.5	11.5
1983	Dec	10.5	11.5
1984	Jan	11.0	12.0
1984	Feb	11.5	12.5
1984	Mar	12.0	13.0
1984	Apr	12.5	13.5
1984	May	13.0	14.0
1984	Jun	13.5	14.0
1984	Jul	13.5	14.0
1984	Aug	13.0	13.5
1984	Sep	12.5	13.0
1984	Oct	12.0	12.5
1984	Nov	11.5	12.0
1984	Dec	10.5	12.5

^aPreferential rate granted by United States banks to their best clients.

Table 14
LATIN AMERICA: RATIO OF TOTAL INTEREST PAYMENTS TO EXPORTS
OF GOODS AND SERVICES^a

(Percentages)

Country	1977	1978	1979	1980	1981	1982	1983	1984 ^b
Latin America	12.4	15.5	17.4	19.9	26.4	39.0	35.8	35.0
Oil-exporting countries	13.0	16.0	15.7	16.5	22.3	32.0	31.0	33.0
Bolivia	9.9	13.7	18.1	24.5	35.5	43.6	49.3	57.0
Ecuador	4.8	10.3	13.6	18.2	24.3	30.1	26.0	31.5
Mexico	25.4	24.0	24.8	23.1	28.7	39.9	36.7	36.5
Peru	17.9	21.2	14.7	16.0	21.8	24.7	31.2	35.5
Venezuela	4.0	7.2	6.9	8.1	12.7	21.0	20.3	25.0
Non-oil-exporting countries	11.9	15.1	18.8	23.3	31.3	46.6	40.7	36.5
Argentina	7.6	9.6	12.8	22.0	31.7	54.6	58.4	52.0
Brazil	18.9	24.5	31.5	34.1	40.4	57.1	43.4	36.5
Colombia	7.4	7.7	10.1	13.3	21.6	25.0	21.7	21.5
Costa Rica	7.1	9.9	12.8	18.0	25.5	33.4	41.8	32.0
Chile	13.7	17.0	16.5	19.3	34.6	49.5	39.4	45.5
El Salvador	2.9	5.1	5.3	6.5	7.5	11.9	14.2	15.0
Guatemala	2.4	3.6	3.1	5.3	7.5	7.8	7.6	4.0
Haiti	2.3	2.8	3.3	2.0	3.2	2.4	4.9	5.0
Honduras	7.2	8.2	8.6	10.6	14.5	22.4	17.7	19.0
Nicaragua	7.0	9.3	9.7	15.7	15.5	33.2	19.3	18.5
Paraguay	6.7	8.5	10.7	14.3	15.9	14.9	24.3	19.0
Dominican Republic	8.8	14.0	14.4	14.7	10.5	22.6	24.9	23.5
Uruguay	9.8	10.4	9.0	11.0	13.1	22.4	27.6	31.5

Source: 1977-1983: International Monetary Fund, *Balance of Payments Yearbook*; 1984: ECLAC, on the basis of official data.

^aInterest payments include those on the short-term debt.

^bPreliminary estimates subject to revision.

Table 15
LATIN AMERICA: TERMS OF RESCHEDULING OF THE EXTERNAL DEBT OWED TO
PRIVATE BANKS IN THE FIRST ROUND OF RESCHEDULINGS: 1982/1983^a

Country	Amounts involved (millions of dollars)	Maturities rescheduled or year of drawing new credit	Terms			Commissions ^b
			Spread over LIBOR	Period (years)		
				Total	Grace period	
Brazil						
Amortization rescheduled	4 800	1983	2.50	8.0	2.5	1.50
New credits	4 400	1983	2.13	8.0	2.5	1.50
Costa Rica						
Amortization rescheduled	620	1982-1984	2.25	8.5	4.0	1.38
New credits	—	—	—	—	—	—
Cuba						
Amortization rescheduled	140	Sep. 1982-1983	2.25	8.0	3.0	1.25
New credits	—	—	—	—	—	—
Chile						
Amortization rescheduled	3 460	1983-1984	2.13	8.0	4.0	1.25
New credits	1 300	1983	2.25	7.0	4.0	1.25
Ecuador						
Amortization rescheduled	2 200	Nov. 1982-1983	2.25	7.0	1.0	1.25
New credits	430	1983	2.38	6.0	1.5	1.25
Honduras						
Amortization rescheduled	120	1982-1984	2.38	7.0	3.0	1.38
New credits	—	—	—	—	—	—
Mexico						
Amortization rescheduled	23 000	Aug. 1982-1984	1.88	8.0	4.0	1.00
New credits	5 000	1983	2.25	6.0	3.0	1.25
Nicaragua						
Amortization rescheduled	550	...	c	12.0	5.0	—
New credits	—	—	—	—	—	—
Panama						
Amortization rescheduled	180	1983	2.25	6.0	2.0	1.50
New credits	100	1983	2.25	6.0	2.0	1.50
Peru						
Amortization rescheduled	380	1983	2.25	8.0	3.0	1.25
New credits	450	1983	2.25	8.0	3.0	1.25
Dominican Republic						
Amortization rescheduled	570	1982-1983	2.25	6.0	2.0	1.25
New credits	—	—	—	—	—	—
Uruguay						
Amortization rescheduled	630	1983-1984	2.25	6.0	2.0	1.38
New credits	240	1983	2.25	6.0	2.0	1.38

Source: ECLAC, on the basis of official data and information from various national and international sources.

^aFor further information on the first round of reschedulings see Part Two of the *Economic Survey of Latin America and the Caribbean 1983*, ECLAC publication, LC/L. 302, November 1984, and *Economic Survey of Latin America 1982*, pp. 74-84.

^bCalculated as a percentage of the total amount of the transaction and paid once only at the time of signing the loan contract. It should be noted that evidence has been found that some commissions were not declared, and consequently the figures could underestimate payments under this head.

^cNicaragua pays a maximum rate of 7%; the difference between the prevailing interest rate and the 7% ceiling will be capitalized.

Table 16
LATIN AMERICA: TERMS OF RESCHEDULING OF THE EXTERNAL DEBT OWED TO
PRIVATE BANKS IN THE SECOND AND THIRD ROUNDS OF RESCHEDULINGS^a

Country	Amounts involved (millions of dollars)	Maturities rescheduled or year of drawing new credit	Terms			
			Spread over LIBOR	Period (years)		Commissions ^b
				Total	Grace period	
Second round of reschedulings: 1983/1984						
Brazil						
Amortization rescheduled	5 400	1984	2.00	9.0	5.0	1.00
New credits	6 500	1984	2.00	9.0	5.0	1.00
Cuba						
Amortization rescheduled	103	1984	1.88	9.0	5.0	...
New credits	—	—	—	—	—	—
Chile						
Amortization rescheduled	—	—	—	—	—	—
New credits	780	1984	1.75	9.0	5.5	0.63
Ecuador						
Amortization rescheduled	600	1984	1.75	9.0	4.0	0.88
New credits	400	1984	...	...	...	...
Mexico						
Amortization rescheduled	—	—	—	—	—	—
New credits	3 800	1984	1.50	10.0	5.0	0.63
Peru						
Amortization rescheduled	1 560	1984-Jul. 1985	1.75	9.0	5.0	0.75
New credits	—	—	—	—	—	—
Third round of reschedulings: 1984/1985						
Argentina						
Amortization rescheduled	13 900	1982-1985	1.38	12.0	3.0	—
New credits	4 200	1985	1.63	10.0	3.0	0.63
Mexico						
Amortization rescheduled	43 000	1985-1990	1.13	14.0	—	—
New credits	—	—	—	—	—	—
Venezuela						
Amortization rescheduled	28 500	1983-1988	1.13	12.5	—	—
New credits	—	—	—	—	—	—

Source: ECLAC, on the basis of official data and information from various national and international sources.

^aFor further information on the second round of reschedulings see Part Two of the *Economic Survey of Latin America and the Caribbean 1983*, ECLAC publication, LC/L. 302, November 1984.

^bCalculated as a percentage of the total amount of the transaction an paid once only at the time of signing the loan contract. It should be noted that evidence has been found that some commissions were not declared, and consequently the figures could underestimate payments under this head.

II

Conclusions

In past reports we described the present economic crisis in Latin America as being the worst since the black years of the Great Depression. The crisis unleashed in 1981 has in fact been the severest, most widespread and longest crisis suffered by Latin America in the past half century and has proved to be very costly both economically and socially. In order to cope with the difficult balance-of-payments situation, the region was forced to embark on painful economic adjustment processes, which have already been in effect for four years and have had great social and even political implications.

In the economic sphere, it was necessary to cut imports drastically in order to generate surpluses on the trade balance which would make it possible to service the debt. This process was in practice accompanied by an abrupt contraction in domestic expenditure which in many cases also led to a decline in production and employment levels.

Thus, the region's per capita product fell in 1983 to the level at which it had stood as far back as 1976. In addition, in many countries unemployment rose alarmingly, and there was an increase in both visible underemployment (persons who work less than a normal workday) and invisible underemployment (which is reflected in a proliferation of unstable activities where productivity is very low and which are not covered by social security or by the benefits of labour legislation). This deterioration in the employment situation was accompanied by marked drops in real wages, which in many countries now stand at levels close to those recorded early in the past decade. At the same time, food, health and living conditions deteriorated, in some cases patently, and basic social investments and expenditure were sacrificed, which will naturally affect the possibilities for raising the standards of living in the next few years.

Taken together, these factors go a long way towards explaining the social pressures observed in various countries in the region. In addition to this, some Latin American countries are victims of political instability and even armed conflict, all

of which adds up to a disquieting social situation.

As shown by the figures presented in the sections above, in 1984 there was a halt and in some cases a tendency towards reversal of the downward trend which some main economic indicators had been showing. This fact must, however, be evaluated level-headedly rather than greeted with optimism which might prove to be naive. As we have pointed out on many occasions, global figures are not necessarily indicative or representative of the situation existing in all the countries of the region, since they tend to reflect more faithfully the economic picture of the economies of larger size.

Thus, as is borne out by recent experience, those countries with a greater capacity to respond to relative price changes and with closer links to the United States market were able to increase their exports to that country markedly. The greater flexibility of their production apparatus also enabled them to put import substitution into practice rapidly. To do this they had recourse to idle or underutilized installed capacity, some of which had been generated by the heavy investments made in preceding periods and some of which was due to the marked drop in domestic demand. This was true in particular of Brazil and Mexico.

Other countries, however, were unable to make this kind of progress in respect of either increased exports or import substitution, although they too had introduced marked changes in their relative prices. In some of them the short-term inelasticity of their production sectors or their traditional links with external markets which were less dynamic or receptive than the North American market represented important obstacles to the achievement of significant progress in the adjustment process.

However, the relatively favourable performance of some of the larger economies in the region and the capacity shown by them and a few other countries for managing very difficult balance-of-payments situations has in recent months produced a general feeling of relief in some international circles. Although this feeling

is justified up to a point in view of the capacity shown by some Latin American countries for restructuring their domestic economy so as to be able to cope with the balance-of-payments crisis, it would be dangerous for it to grow into unqualified optimism *vis-à-vis* the immediate future. It is obvious that in the next few years it will be necessary first to consolidate the undoubted progress which has been made so far and second to correct those negative aspects which still persist. This is the purpose of the following observations.

1. *Contributions to an evaluation of the adjustment process*

In the adjustment process which has been carried out so far, a distinction must be drawn between, first, certain positive factors; second, some elements which are responsible for the fact that this process is still fragile and vulnerable, and finally some persistent and obviously negative factors which could reverse the generally favourable changes that began to appear in 1984.

a) *Positive elements*

In the course of 1984 some positive elements appeared in the region's adjustment policy which had a decisive effect on the performance of some economies, especially those of larger size. These elements include:

i) The reactivation of the world economy, and especially that of the United States, with the result that the growth of the OECD countries was over 4% — a moderate rate, but one which is well above the rate of around 2.5% recorded in the two preceding years. The greater growth of the industrialized countries helped to generate considerable expansion in the volume of international trade. It was characterized in particular by the bigger demand for imports by the United States economy, which was in turn reflected in a trade deficit in that country of the order of US\$ 125 billion.

ii) The more favourable performance of the central economies and the rapid expansion of the North American demand for imports had a favourable effect on exports from the countries of the region. Thus, during the first eight months of 1984, Latin America increased its ex-

ports to the North American market by somewhat more than 20%, and some of the countries with greater export capacity, which redirected their sales to the United States more rapidly, experienced an even higher rate of increase.

iii) Agreements to reschedule the external debt negotiated by many Latin American countries with the International Monetary Fund and with international private banks helped to bring the more difficult and pressing balance-of-payments situations under control. As pointed out above, these negotiations went through various phases, in the course of which the terms for refinancing the debts were appreciably improved. Attention should be drawn in particular to the terms of renegotiation achieved by Mexico and Venezuela and those of the agreement recently reached between Argentina and its bank committee, all of which included pluriannual reschedulings of due dates, considerably longer maturities, and a sizeable reduction in the spreads over basic rates and other bank intermediation costs (see tables 15 and 16).

iv) The favourable trend followed by international interest rates in recent months, following a period of marked rises. If the recent two-and-one-half point reduction in international rates is maintained throughout 1985, the region will benefit by a net saving in debt servicing of approximately US\$ 6.5 billion per year.

v) The increase in Latin America's international reserves. This increase, coming after the declines recorded in the past three years, gives a certain amount of leeway in the management of external payments and, if it lasts, will tend to improve the countries' credit and its terms so that their external debt commitments can be renegotiated more favourably.

These positive elements on the external front have been strengthened, moreover, by a growing capacity for dialogue among the countries of the region concerning the problem of the debt and the external adjustment. In slightly less than one year, important meetings have been held at Quito, Cartagena and Mar del Plata, by contrast with what happened in previous periods, when the topic of the debt tended to be dealt with strictly at the bilateral level. Although in the region the case-by-case treatment of the processes of debt renegotiation has not been ques-

tioned, a general awareness has been building up among political representatives at the highest level and Latin American economic and financial authorities concerning the need for a stronger regional dialogue in order to identify collective action at the international level of improving the general atmosphere of the current negotiations.

b) *Weakness and shortcomings*

Recognizing the positive elements described above does not of course mean overlooking those aspects which still give cause for legitimate concern regarding the prospects for the immediate future and in particular the probable behaviour of the world economy during 1985, that being a factor which will have a marked effect on the viability and cost of the present adjustment policies.

Persistent causes for concern include:

i) The marked dependence of the recent expansion of Latin American exports on the rate of domestic growth and the increase of imports in the United States. The degree and manner in which this country may reduce its high trade deficit in the future might have a marked effect on the future of the region's exports and restrict one of the mechanisms which has so far been most important in dealing with balance-of-payments problems.

ii) In addition to the preceding cause for concern there is the lack of asymmetry in the recovery of other industrial centres (especially those in Europe) with which many countries of the region are linked commercially. The scant economic dynamism shown by these countries in recent years, together with the processes of structural adjustment on which they have embarked, have helped to generate high rates of unemployment which in turn create strong protectionist pressures, limiting the possibilities for expansion of some of the potentially more dynamic categories of Latin American exports.

iii) The path followed by interest rates in the future will continue to be a factor of extraordinary importance for the countries of the region and, in some cases, will in the short term be of greater importance even than the performance of the terms of trade. Considerable uncertainty exists in this respect. While in some circles a steady drop in interest rates is predicted,

in others it is felt that they may well begin to climb again, which would considerably hamper the present adjustment processes, bring about a considerable rise in the cost of debt servicing and complicate the processes of renegotiation.

iv) Possible weakening of export capacity. To a fairly large extent, the rapid increase in the volume of exports recorded in the past two years was based on domestic production surpluses which remained available for export as a result of the sharp drop in domestic demand. It therefore follows that if economic growth is resumed and gathers force in our countries, some of that surplus might be decreased or even depleted, being absorbed by domestic demand. Ultimately, it will be necessary to increase production capacity, which requires time and, above all, more domestic and external savings to finance the necessary investments.

c) *Purely negative factors*

In addition to the positive factors and the fragility of the adjustment process, to which attention has been drawn above, we must note the persistence of some unequivocally negative factors.

i) The unfavourable performance of the terms of trade has affected and continues to have a very severe effect on many countries of the region which depend on exports of raw materials. Contrary to what happened on the occasion of other reactivations of the world economy, on this occasion the terms of trade of the Latin American countries have remained at abnormally low levels or have risen very little. In this respect, it is worth recalling that the international prices of commodities as decisive for the exports of some countries of the region as sugar and copper have fallen in real terms to their lowest levels in the past half century. In these circumstances, for many countries of the region there is naturally less possibility of rapidly increasing the value of their exports, and the social and political costs of the adjustment process are of course more difficult for them to bear.

ii) The majority of the countries of the region have had to continue to transfer resources to the exterior as a consequence of the high interest rates prevailing on international markets and the decline in the net inflow of capital. This transfer,

in addition to its substantial size, is having a harmful effect in that it has to be carried out at a period in which the terms of trade have fallen to extremely low levels.

iii) The high cost of servicing the external debt has in more than a few cases begun to constitute an inflationary factor, since a considerable portion of the public deficit originates precisely in the payment of interest on the debt. Difficulties in balancing public budgets in these conditions induce governments to have recourse to deficit financing which often has an inflationary effect and aggravates the other pressures on prices and costs.

iv) Finally, it is a known fact that external private capital is still being withheld and that this applies in particular to the provision of additional net financing of bank origin. Private external investment has also yet to recover.

2. *The social and political imperative of growth*

The prolonged economic recession of recent years, the severity of its social costs and its disquieting political implications mean that for all the countries of the region there is an imperative need to get back on the path to economic expansion. This objective now seems more attainable than it did a year or two ago.

One fact in support of this view is that although slow and uncertain, recovery has already begun in almost all the countries of the region. Another, more fundamental positive sign is the existence of abundant human, natural and capital resources which are idle or underutilized and could be mobilized to initiate a sustained and vigorous recovery providing it is possible to limit the external constraints and efficacious and austere policies are applied at the domestic level.

It should be borne in mind that the drops in production and income levels in recent years will make it necessary to expend considerable effort in the majority of our countries just to return by the end of the decade to those standards of living we had already achieved when it began. Moreover, even this goal, which in a very real sense means recognizing that there will be a "lost decade" from the point of view of economic and social progress, does not appear viable in every case. In fact, some countries of the region will not

return to the standards of living they enjoyed at the end of the 1970s until the first half of the 1990s.

It is therefore clear that we cannot rely exclusively on market forces in overcoming the difficult problems of the present. Surmounting them will require decisive and consistent action on the part of the governments, both to consolidate economic recovery and to lay the foundations for a more autonomous, dynamic and equitable style of development than in the past.

It is for this reason that, in spite of the attenuation in 1984 of some of the more negative characteristics of the adjustment process, we continue to feel the need for additional action both to achieve an improvement in the international setting and to enhance the quality of domestic policies.

a) *Improvement of the international climate*

The international climate will improve for the countries of the region to the extent that two key objectives are met. These are first, consolidated and increased growth in the central countries and, second, harmonization of external relations with the objective of the sustained growth of the Latin American economies.

i) *Consolidation and extension of the recovery of the centres.* The consolidation and extension of the recovery in the centres is essential if the international climate of adjustment is to improve. However, that recovery will help to strengthen our economies only if it is accompanied by an increase in international trade, a reduction of interest rates and the recovery of the terms of trade.

Historically, the growth of the central economies has stimulated the expansion of the volume of world trade. However, it must be emphasized that, as shown by the recent trends of the international prices of several basic Latin American export commodities, greater activity in the central economies does not always lead to the restoration of the old levels and structures of trade. With growing intensity, commodity import substitution policies, economizing on the use of raw materials and energy thanks to scientific and technological innovation and the use of substitutes, are changing the intensity of the relationship which existed between the

growth of the central economies and the international demand for commodities. Moreover, levels and trends with regard to interest rates and terms of trade are also of basic importance in reducing the real cost of debt servicing.

The outlook in this connection is, however, affected by the persistence of protectionist measures, which have tended to increase in recent years, especially as applied to commodities such as agricultural products, textiles and products of the iron and steel industry, which are highly sensitive in terms of exportable Latin American production. A recent GATT report issued in mid-December 1984, raises a serious warning concerning these tendencies, which not only jeopardize the achievement of increased levels of trade but also reduce the capacity of the Latin American countries to obtain the foreign currency they need to service their external debt and to finance the increase in imports which is indispensable if they are to reembarc on economic growth.

ii) *Bringing debt renegotiation more in line with the objectives of growth.* As we have noted on previous occasions, the heavy net transfer of resources to the exterior which Latin America has effected in the past three years has produced a situation which, should it persist, would decisively limit the growth of the region's economies. In this respect, it should be borne in mind that for interest payments alone some Latin American countries have had to transfer the equivalent of between 3% and 10% of their gross domestic product.

Thus, it is indispensable to bring these payments within limits which are compatible with the financing of increased imports and the increased investments needed for the growth process. We therefore feel that, having gone beyond the emergency stage of the adjustment processes, the region should initiate co-operation policies such as those outlined below with their creditors and in collaboration with the industrial countries:

—New approaches to renegotiation of the external debt designed to reduce the amount expended on servicing it to levels comparable with the achievement of adequate rates of economic growth. If this is to be accomplished, the real interest rates applicable to the external debt should approach their historic levels of around 2%. So long as this remains impossible,

alternative options should be explored for negotiating agreements with the creditor banks aimed at putting ceilings on the share of exports which can be earmarked for interest payments on the debt. The establishment of such limits, which would differ from country to country, would reduce the tremendous vulnerability experienced by the economies of the region due to their having to meet fixed external financial commitments in circumstances in which their foreign currency earnings from trade and external financing fluctuate violently. In our opinion, agreements in the future between countries and the IMF should explicitly incorporate this growth condition and should take account of its implications by developing more flexible ways of coping with debt servicing.

—A more active policy is called for on the part of multilateral public financing agencies. It is paradoxical that in recent years the volume of resources of public origin has in practice followed a procyclical trend. In relative terms, the region received more net resources from multilateral public financing agencies in the past decade than in the present one, when such capital should play a basic compensatory role. If it is to play this role, not only is a greater volume of resources needed but those resources must be directed towards the investments with the highest priority in the present circumstances, and it must also be possible to disburse them rapidly. By the same token, consideration should be given to imaginative ways in which international public financing agencies may act as mobilizers of private resources. To this end, funds of multilateral origin could act as a catalyst in attracting investment resources from private banking sources.

—The mobilization of private investment must play an important role. This means suitably adapting both domestic policies and the incentives offered by the capital exporting countries. In this respect, it must be emphasized that because of the need for the Latin American economies to recover, and since their long-term structural adjustment calls for industrial reconversion, external savings must supplement the indispensable national savings efforts.

iii) *The special case of countries with less capacity to react to and defend themselves against the crisis.* Special consideration should be given to the case of countries which have less capacity to take

advantage of the stimulation of external demand or which, because of the limited size of their domestic market, have greater difficulty in effecting efficient import substitution. The experience of recent years has shown that within the region there are countries which have less capacity to bear the costs incurred on account of adjustment policies and are not always able to take full advantage of the opportunities offered by international trade. If adjustment policies are to be successful in these countries, there is a need for new investment and a substantial reallocation of production resources, and both of these take time and require special support from public finance agencies. It is for this reason that in the case of these countries, both the multilateral and bilateral public financing agencies should play a leading role, supplementing the adjustment measures negotiated with the IMF. If this does not happen, the costs of the adjustment process may well be excessively burdensome and difficult to bear both socially and politically.

b) *The quality of domestic policy*

This is not the time to go into details on the fundamental role which domestic policy must play in resuming the growth process and promoting the structural transformation of the Latin American countries: a topic to which we have referred on past occasions. However, we must insist on the need to improve the quality and consistency of these policies in view of the fact that, as a consequence of the crisis, the room to manoeuvre has shrunk considerably.

In the short term, it is urgent to promote and consolidate recovery and to get back on the path to economic growth, while at the same time applying policies which ensure equitable distribution of the costs of adjustment among the various sectors. In particular, there is an urgent need to improve the situation in the more underprivileged social sectors, which suffer most in a crisis such as that experienced by the region in recent years. The need to make economic and social policies more efficient becomes even more apparent when consideration is given on the one hand to the existence of powerful inflationary processes in many countries and, on the other, to the inevitable austere context in which the majority of those countries will have to develop in the rest of this decade.

In the medium term, the countries of the region must try to increase the room for manoeuvre in the management of their policies and must achieve a greater degree of autonomy from external restrictions. The present situation, in which the amount of the external debt is so large compared to the value of exports, makes the development process extraordinarily vulnerable. It is for this reason that the active promotion of exports and the efficient substitution of imports must necessarily form part of any development policy.

In the long term, the region should profit from the lessons to be learned from the crisis as it advances towards the establishment of a new style of development, in which not only can the economic growth imperative be satisfied but the challenges presented by changes in the international situation can be met in a flexible way and the benefits of progress can be distributed more fairly than in the past.

3. *Political dialogue and meeting of minds in Latin America*

The present adjustment processes have been considered from two apparently contradictory angles. On the one hand, in the centres it has been felt that this was a purely technical matter which should be tackled exclusively through negotiation with the private commercial banks and through support policies and the supervision of the International Monetary Fund.

The Latin American countries, for their part, have embarked on a course of bilateral agreements while at the same time laying increasing stress on the political dimensions of the crisis and on the need for global support mechanisms for decreasing the costs incurred on account of the adjustment process and also distributing these costs more equitably between themselves and the creditor bodies. These positions have been based on the serious economic and social repercussions of the adjustment process and have given recognition to the unavoidable internal responsibility for both the origin of the crisis and its solution.

The countries of the region have also taken the line that a political approach might improve the international climate and create conditions in which the adjustment can be better borne, with

reciprocal benefits for debtors and creditors. The reports recently adopted at Quito, Cartagena and Mar del Plata have stressed this dimension. At the same time, they have pointed out that just as responsibility for the gestation of the crisis was shared among external and internal factors, the same must be true of the responsibility for solving or surmounting it.

We believe that these two points of view—the technical and the political—are now more likely to be reconciled and to give way to a mutually beneficial dialogue. On the one hand, the Latin American countries have borne most of the costs of the adjustment and have—with a few exceptions—managed to bring the more serious aspects of their indebtedness under control. On the other hand, in the creditor countries there is beginning to be some perception and recognition of those elements which increase the cost of adjustment for the debtor countries and are beyond their means of control, as happened in the case of the high interest rates and the prolonged depression of the terms of trade.

We also feel that since the involuntary loans made by the international private banking system in recent years have encountered resistance from medium-sized and small banks, there will be a tendency for the debt to concentrate in the big financial institutions of the industrialized countries. This will make it still more apparent that it is politically advantageous to the creditor countries to improve the international terms of the adjustment.

We believe that in this context the opening of a political dialogue along the lines suggested by the Latin American countries becomes more viable and interesting for the parties to it. Such a dialogue could, without interfering with the present adjustment mechanisms, analyse such topics as the following:

a) Creation of contingency mechanisms, in addition to those which now exist, so that events which might change the present terms of the adjustment can be dealt with. It must be borne in mind that the available defence mechanisms have already been used and that it would therefore be of benefit to all concerned to analyse arrangements for dealing with unexpected situations which are not desired by any of the actors in the process.

b) Analysis of legally and economically viable

formulas for ensuring that in the process of renegotiating the debt, the servicing of the debt is brought into line with the aims of sustained long-term development of the economies of the region. There are a considerable number of proposals in this connection, and it will be useful to analyse them with a view to reaching a full consensus on this matter.

c) Greater harmony between the IMF support and supervision policies and the complementary action taken by multilateral credit institutions such as the World Bank and the Inter-American Development Bank, along the lines suggested above. This action should lead not only to the provision of additional capital for such institutions but also to the more rapid disbursement of new capital and the mobilization of private resources in creative and innovative ways.

Some of these topics could be the subject of both formal and informal discussions at the forthcoming meetings of the Development Committee of the Fund and the Bank and of the IMF Interim Committee, to be held in April 1985.

To promote the holding of such a debate on constructive lines it is essential to have a meeting of minds at the Latin American political level. In this connection, the next stage in the consultations among governments, which will be held in the Dominican Republic, will provide an occasion for moving ahead in this dialogue on the lines indicated at the previous meetings, i.e., informal contacts should be initiated with the treasuries and monetary authorities of the industrialized countries with a view to holding a constructive dialogue free of any reciprocal lack of confidence which may have existed when a situation of greater uncertainty prevailed.

Finally, this account of the notable challenges and costs caused by the crisis would be incomplete if no mention were made of the gradual erosion which is becoming apparent in the capacity to take a long-term view of the situation. The economic and political actors, overwhelmed by the severity and urgency of the problems at hand, have concentrated on short-term solutions, and on more than a few occasions a feeling of discouragement and confusion has spread. There is uncertainty concerning what roads to take in the future, towards what goals to orient the transformation of production, what roles to assign to the private and public sectors and, in

general, how to put new styles of development together.

ECLAC, in accordance with its most cherished traditions, has decided to promote a full scale debate concerning the future of the region, which will draw on the lessons of the past in exploring new development projects designed to regain the social and temporal perspective needed to produce an economic and political

transformation capable of bringing the region out of the crisis.

To this end, and in line with the suggestions made at the latest ECLAC session, the Secretariat will convene a technical meeting in 1985 to submit to the member governments the central policy lines needed to face up to the challenges and take advantage of the opportunities that the future holds for the region.