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CRISIS, ADJUSTMENT, AND DEBT IN LATIN AMERICA, 1981-1985

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A. The economic crisis

1. Characteristics

Between 1981 and 1985 Latin America has experienced its deepest and longest economic crisis since the ill-fated years of the Great Depression. Indeed, so much ground has been lost that, from the standpoint of economic welfare, it is probable that the 1980s will turn out to be a "lost decade" for many of the region's economies, in more than half of which per capita income may prove to be substantially lower in 1990 than it was in 1980.

The crisis has also been widespread and multi-faceted, as well as severe and protracted. Although its repercussions have been more serious and longer lasting in some countries than in others, they have affected both large economies like Mexico and Brazil -that rank among the 12 biggest in the world- and the tiny countries of Central America and the Caribbean; oil-exporters like Venezuela and economies totally dependent on imports of petroleum as Uruguay and Paraguay; countries pursuing relatively more dirigist and inward-oriented development strategies as well as those relying on more market-oriented and outward-looking policies.

Another unique and no less disturbing characteristic of the crisis has been the generalized and simultaneous deterioration of virtually all main economic indicators. Many countries have experienced not only a decline in the level or in the rate of growth of total output but also a deterioration of the employment situation and a decrease in real wages. Moreover, until mid 1985 inflationary processes intensified and became more widespread and the problems of the external sector continued to be very severe.

Thus, the growth rate of GDP fell sharply in 1981, causing the first decline in Latin America's per capita income since 1949. This was followed in 1982 by a reduction in the absolute level of economic activity -the first ever registered in the postwar period- and by a more pronounced decline of

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total output in 1983. Although this downturn was interrupted in 1984, the increase in economic activity was slight and it grew still weaker in 1985. Furthermore, the increase in 1985 was almost entirely due to the rapid growth of the Brazilian economy, which alone accounts for around one-third of the region's production of goods and services and which expanded by over 8% last year. In contrast, in the rest of the region, per capita product declined 1% in 1985. Thus, in Latin America as a whole, GDP per capita was 9% lower in 1985 than in 1980 and its level was only equivalent to that already reached in 1977.

Since at the same time the terms of trade showed a sharp and persistent deterioration and net remittances abroad of interest and profits soared, per capita national income -by far a better indicator of current economic welfare- dropped much more (-14%) than per capita product in the last 5 years.

The unfavourable trend of economic activity has also been quite widespread: between 1980 and 1985 per capita product fell in 21 of the 24 countries for which information is available. Moreover, in many countries this decrease reached colossal proportions: during this period GDP per capita fell 28% in Bolivia and 24% in El Salvador, dropped over 18% in Venezuela, Guyana, Uruguay, Argentina and Guatemala, and more than 11% in Peru, Trinidad and Tobago, Costa Rica, Haiti, Honduras and Nicaragua.

The slump was especially acute in the case of investment. In fact, capital formation, after having grown very rapidly in the 1970s, stagnated in 1981 and fell steeply during the two following years. This brought the investment coefficient in 1984-85 to its lowest level in the past 40 years. Hence, in addition to affecting present living conditions, the crisis has also lessened the possibility of securing a rapid rise in the standard of living in the near future.

As was to be expected, the decline in economic activity has been coupled with a sharp rise in open unemployment and an increase in various forms of underemployment. Despite the decline in unemployment during the last few months of 1985 in most of the region's principal cities, Brazil was the only country in which the average unemployment rate was lower in 1985 than it was in 1980.

The harmful social effects of the deterioration in the employment situation were also exacerbated by a significant decrease in average real wages in most countries and by the cuts in social spending made by many governments with a view to reducing their fiscal deficits.

Despite the increase in unemployment and the drop in real wages, and notwithstanding the weakening of external inflationary pressures, the rate of price increases rose in most of the economies of Latin America during the crisis. In the region as a whole, the annual average variation in the population-weighted consumer price index climbed steadily from 56% in 1980 to 275% in 1985. Even though the extraordinary acceleration of inflation in Bolivia (from 24% in 1980 to nearly 8 200% in 1985) played a large part in these increases, the rise in inflation in the rest of the region was quite substantial. Indeed, Barbados, Honduras, Panama, Trinidad and Tobago and Venezuela were the only countries in which consumer prices rose less than 10% in 1985. On the other hand, in that year inflation reached enormous proportions in Argentina (385%), Nicaragua (335%), Brazil (228%) and Peru (158%) and was also very high in Uruguay (83%) and Mexico (64%).

Nevertheless, since mid-1985 a number of countries have made significant progress in their fight against inflation. Particularly notable advances in this respect were made by Argentina, Bolivia and Peru. The progress made in the fight against inflation during the second half of 1985, although much less striking than in the above three countries, was also substantial in Chile, Colombia, Costa Rica, Ecuador and Venezuela. More recently, Brazil has joined the group of countries which, after experiencing very high and accelerating inflation, have sharply reduced the rate of price increases by the application of unorthodox, shock stabilization programs.

2. Causes

As normally happens with complex economic phenomena, both external and internal factors played an important role in the gestation and precipitation of the crisis. Of course, the specific nature and relative importance of these factors were very different in the various national experiences. Thus, in some of them -and especially in certain Central American countries- the effects of social and political upheavals and the long and painful civil strifes which have marked their recent history were especially decisive, while in other cases mistaken economic policies played a more crucial role. Nevertheless, in most countries two factors were particularly important. The first was the excessive reliance on external indebtedness; the second was the abrupt and protracted deterioration in the external conditions that Latin American countries had to face both in trade and finance from 1980 onwards.

a) The excesses of external indebtedness policy

In essence, the strategy of relying heavily on the use of foreign financing, which many Latin American countries adopted in the second half of the 70s, was the domestic counterpart of two external factors. One was the situation of abundant international liquidity which prevailed between 1974 and 1981; the other involved the extremely expansive policy followed during that period by the private international banks in their relations with many semi-industrialized countries.

The underlying foundation and justification of this strategy was the simple and not exactly novel idea of supplementing domestic savings with external resources in order to increase investment and hence the rate of economic expansion. However, the attraction and practical significance of this way of financing the growth process acquired radically different dimensions from the mid-70s onwards, when there was an enormous increase in the volume of external resources being recycled in international capital markets after the first hike in oil prices and, in particular, when international interest rates turned negative in the mid-70s due to the acceleration of inflation in the industrialized countries.

The possibilities opened up by this new international financial context were initially used by many Latin American countries in order to relieve the adverse effects which the recession in the developed economies and the sudden and substantial rise in the international price of petroleum had had on the purchasing power of their exports. Thanks partly to the procurement of a greater volume of external resources, adjustment to the 1973 oil price rise was gradual and hence expansive. In fact, the region succeeded in riding out the post 1973 oil crisis with only a slowdown in the rate of growth, unlike the OECD economies whose output declined in absolute terms.

In the following years, and in spite of the strong and sustained expansion of their exports, the majority of the economies of Latin America continued to make intensive use of the abundant financial resources offered by the private international banks. In this way, the persistent accentuation of external indebtedness became both a salient characteristic and a basic requirement of their development process.

The heavy reliance on external financing was, however, a double-edged sword. On the one hand, it made it possible to finance higher levels of imports and capital formation, thereby helping to maintain rates of economic growth that were higher than would otherwise have been possible. On the other hand, it helped to maintain economic policies that were bound to increase inflationary pressures and/or lead eventually to balance-of-payments crises. In some countries excessive foreign borrowing enabled governments to expand public expenditure at very high rates while at the same time to repress inflation by keeping artificially low the prices of basic consumer goods and public utilities through generous subsidies. In other countries the plentiful supply of external loans made it possible to maintain during several years exchange rate policies whose central aim was not to keep external equilibrium but to reduce inflation through its effects on expectations and the limits imposed on domestic prices by the fixing of exchange rates and the simultaneous and indiscriminate liberalization of imports.

As was to be expected, in both the countries that overexpanded domestic expenditure and in those which used exchange rate policy as a fundamental tool of stabilization programmes, a common result was a spectacular increase of imports and a persistent loss of competitiveness of both export and import-substituting activities. Nevertheless, in spite of the very fast rise in the trade deficit that these changes brought about, no opportune corrective measures were taken since the ever increasing flow of external loans made it possible not only to finance the import surplus and the rapidly rising flow of interest payments but also to build up international reserves.

Under these circumstances, the policies leading to an excessive growth of internal demand and of setting artificially low real exchange rates were maintained much longer than would have been possible had the supply of external financing been less abundant. But this also meant that the accumulation of both internal and external disequilibria was correspondingly larger. Hence, notwithstanding its relatively high economic growth rate during the second half of the 70s -which far exceeded that of the OECD countries- the region was still very vulnerable to negative changes in the international environment.

This vulnerability became apparent when Latin America began to experience the full impact of the protracted recession that started in the industrialized economies in 1980 and had to face the substantial changes which occurred more or less simultaneously in the international capital markets.

These events affected the development of the region in three main ways. The first and most traditional was the deterioration of the terms of trade; the second was the dramatic rise in the real level of international interest rates and the third -and most devastating- was the sharp drop in the net inflow of capital.

b) <u>The international recession and the deterioration of the terms of trade</u>

As had been the case during other recessions, the fall of economic activity in the industrialized countries diminished their demand for imports and contributed to reduce first the rate of growth and then the absolute level of international trade. This time, however, these negative consequences were aggravated by the revival of protectionist practices in many of the OECD economies, which became more frequent and stringent as unemployment grew and the recession continued. Under such circumstances, the volume of international trade, whose accelerated growth had played a fundamental role in the expansion of the world economy during the postwar period, rose very little in 1980, stagnated in 1981, fell by 2% in 1982, and experienced only a weak recovery in 1983.

This evolution of world trade had extremely harsh consequences on Latin America, as it brought about a sharp drop in the international prices of most commodities. As a result of this, Latin America's term of trade deteriorated steadily during 1981-83, accumulating a loss of about 20%. The fall was particularly serious in the case of the non-oil exporting countries, whose terms of trade had already declined sharply during the triennium 1978-1980.

c) <u>The rise in international interest rates</u>

A second external change that contributed to the crisis was the steep rise in international interest rates, starting in 1978, which in the industrial economies brought real rates of interest to their highest levels in almost half a century.

Since they coincided with the decline in the region's terms of trade, these exceptionally high interest rates brought about an increase in the real cost of external credit for the Latin American countries that far exceeded the rise of real interest rates faced by borrowers in the industrial economies.

Moreover, because the proportions of total debt contracted at variable interest rates had increased very fast in most Latin American countries during the 70s, the rise in interest rates led to an enormous growth in interest remittances. In fact, the value of these soared from under 7 billion dollars in 1977 to about 36 billion in 1983, thus growing over this period in a proportion of 415% that more than doubled the 195% expansion of the total external debt.

d) <u>The decline of net capital inflow and the negative transfer of resources</u>

All things considered, however, what most contributed to precipitate the crisis was the sharp drop in the net inflow of capital, which began in 1982.

The negative impact of this decline in the inflow of loans and investments was particularly severe for two reasons. The first was that it was procyclical in nature, as it occurred simultaneously with the fall in the purchasing power of exports and the severe deterioration in the terms of trade caused by the international recession.

The second was the unusual magnitude of the decrease in the net inflow of capital. In fact, after reaching a record figure of almost 38 billion dollars in 1981, the net inflow of capital plunged to just over 19 billion in 1982 and to a mere 4.5 billion in 1983.

Such a radical drop in external financing would have been dangerous under any circumstances. In this instance, however, its negative effects were compounded by the simultaneous and also sizeable increase in factor payments. Because of these changes, the balance between the two financial flows was drastically altered: In effect, up to 1981 the net amount of foreign loans and investment was well over the amount paid out for interest and profits. Beginning in 1982, however, this situation was reversed as factor payments continued to increase and the net inflow of capital collapsed, thereby forcing Latin America to transfer to the rest of the world a considerable amount of real resources. In fact, during the past four years the region has transferred resources amounting to over US$ 100 billion.

This figure --equivalent to nearly a quarter of Latin America's exports of goods and services during this period-- fails, however, to give an adequate idea of the magnitude of the reversal brought about by the sharply reduced capital inflows and bigger interest payments in the region's import capacity. Whereas in 1978-1981 the <u>positive</u> difference between the net inflow of capital and payments of interest and profits <u>added</u> an amount equivalent to nearly 16% of the region's exports of goods and services to its import capacity, during the four-year period 1982-1985 the <u>negative</u>

difference between these two financial flows substracted an amount equivalent to approximately 26% of the region's external sales of goods and services from its import capacity. The change occurring for this reason between the two periods in question was therefore equivalent to the effect of a deterioration of 42% in the terms of trade.

B. The adjustment process

Primarily, because of this abrupt fall in net capital inflow Latin America could no longer finance current account deficits of the colossal magnitude it had run in 1981-82, amounting to over 35% of total exports. Adjustment policies to reduce external disequilibrium hence became mandatory in nearly all countries.

To be sure, the strictness and persistence with which adjustment policies were actually applied have varied from one country to another, as has the extent to which these policies have been successful in achieving their basic objectives. Nevertheless, in the region as a whole, the reduction in the external imbalance was achieved with extraordinary speed. In fact, in just three years the trade balance showed an impressive turn about: after running a deficit of US$ 1.7 billion in 1981, the region marked up a surplus of nearly US$ 39 billion in 1984. Mainly as a result of these changes in the trade balance, the deficit on current account plummeted in both 1983 and 1984: indeed in 1984 it amounted to no more than US$ 1 billion, which was only 2.5% of the enormous deficit of over US$ 40 billion recorded just two years before. Even though the deficit on current account rose in 1985, at approximately US$ 4 billion it was still much lower than the deficits recorded before adjustment policies began to be applied.

However, because of the way in which it was achieved, this marked reduction in the deficit on current account had a high cost in terms of economic activity and employment.

First, the sudden and drastic nature of the decrease in external financing and the sharp increase in interest payments meant that the time span during which the adjustment had to be carried out was extremely short. Because of this, it was not possible to carry out an adequate re-allocation of resources from the production of non-tradeable goods to export and import substituting activities, since this is a process which, precisely because it requires a significant change in the structure of production, can only be accomplished over a longer period of time.

Second, the size of the disequilibrium which the region was forced to eliminate was exaggerated. For it had to adjust not only to a permanent deterioration in its external accounts, as good theory and practise would require, but also to the deterioration caused by transitory factors (e.g. abnormally high interest rates, an exceptionally prolonged OECD recession, and strong procyclical capital movements). Thus, the "overadjustment" it experienced.

Due to this situation and to the highly unfavourable external environment for the region's exports, virtually the entire burden of correcting the huge initial external imbalance had to be shouldered by imports, whose drastic reduction gave the adjustment a markedly recessionary character.

Thus, the value of imports plunged from nearly US$ 98 billion in 1981 to US$ 56 billion in 1983, while the volume of imports shrank during this brief period by an almost unbelievable 40%.

The falling trend of imports was only briefly interrupted in 1984 when, as a result of the recovery of the industrialized economies and, above all, the enormous increase in United States imports, the volume of Latin America's exports climbed by around 7% and the volume of imports rose for the first time since 1981. However, this increase was very slight (5%) and was followed by the stagnation of import volumes in 1985. Hence, during the last year the volume of imports of the region was still 38% below its 1981 level.

C. Towards growth with external balance

1. Growing out of debt

The adjustment process upon which the region embarked in 1982, although rapid and effective if evaluated from the standpoint of its specific objective (i.e., the reduction of the deficit in the balance-of-payments current account), has been enormously costly in economic and social terms. In most cases the "over-adjustment" which the Latin American countries were forced to carry out has been based almost exclusively on a reduction in the volume of imports which, because of its extraordinary dimension, inevitably affected the levels of output, employment and wages.

Thus, where some observers see success -a major turnaround in external accounts- others see failure -in the form of costly recessions arising from a massive cutback in imports. What almost all are in agreement with, however, is that further reductions in imports or a prolonged continuation of the currently depressed levels of external purchases are out of the question. Further adjustment, if needed, must come not from additional contractions in imports but from the expansion of exports.

One thing is to meet interest payments on foreign debt via reductions in the imports of luxury goods, military hardware, and less urgent capital goods. These are -or were- the "fat" of Latin America's import bill. Another quite different thing is to cutback intermediate imports which are indispensable for production. For the latter save foreign exchange but at the cost of leaving plant capacity idle and generating high unemployment. Yet, since the fat has largely been eliminated, adjustment has increasingly fallen on the reduction of such critical intermediate imports, which save 1 dollar of foreign exchange at a cost of foregoing some 5-6 dollars of domestic output.

It is for this reason that the region is increasingly shifting its focus or strategy for the resolution of external disequilibria from that of pursuing adjustment and debt servicing first, leaving economic growth -or the lack of it- as the residual, to that of satisfying a minimum of economic growth first and leaving the remaining foreign exchange for servicing the debt. For, given the region's efforts, the high costs it has paid, and the resources it has transferred abroad, to continue to privilege debt servicing and adjustment over growth would favor the current assymetry, where the burden of the debt problem is shouldered almost exclusively by debtors.

Thus, it is not difficult to understand why, when imports have been cut to the bone and unemployment and idle capacity have reached intolerable levels, further one-sided adjustment to what are perceived by all observers to be transitory, if protracted, problems in the international economy is not only unfair, but economically inefficient and politically inviable in most countries of the region. Further recessive adjustment is no longer feasible. Indeed, today's basic need is to grow out of the debt problem.

This reordering of priorities may not at first be pleasing to banks or developed countries. Yet, a moment's reflection, should suffice to show that this more symmetrical approach is the only non-confrontational way to meet the debt crisis.

Ultimately, there are but two ways of servicing the debt: either via fewer developed countries' exports or via greater LDC exports. The first is the current approach: only the banks gain; developed countries' growth suffers and LDC development is hamstrung. Moreover, the international financial system is jeopardized the longer debtors are forced to stagnate, and, hence, tempted to adopt unilateral solutions. Only in the second approach -growing out of the debt problem- can all gain; that is, banks will be paid from the growth of LDC exports, and not from the cutback of developed countries' exports.

This latter solution requires the agreement of the key participants -creditor banks, debtors, LDC countries and the governments of developed countries- in recognition of the fact that the debt problem is a systemic one, and not merely one specific to, or brought on by, individual creditors and debtors. This is what the region means by a "political" solution to the debt problem.

To be sure, the strategy of growing out of the debt problem does not put off structural adjustments. Indeed, it requires these. Yet it provides the needed time for such structural adjustments to fully take effect. Thus, domestic policies need to be pursued both to mobilize currently idle resources as well as to restructure production from non tradeables to exports and import substitutes. Even then, the best domestic policies will be to little effect if the evolution of the international economy is not appropriate. LDC exports are developed countries' imports. If they are to rise, world trade must expand. Such an expansion of trade will be painless only if the OECD economies themselves are growing.

The debt problem can thus be successfully and harmoniously resolved only in the context of the virtuous circle of growth in both LDCs and the industrial nations. Without growth in the OECD and certainly in LDCs, full debt servicing will be impossible and spasmodic moratoria and debt renegotiations will prevail.

2. Reducing the external transfer of resources

As already noted, at present, the region's limited import capacity constitutes the main constraint on its economic recovery and growth. Thus, despite the existence of underutilized capital and labour resources (which could be employed in the production of tradeable goods, thereby reducing the external imbalance), they cannot be fully exploited because the shortage of foreign exchange makes it impossible to purchase the necessary volume of complementary imported inputs. To this end, particularly in the short term, the transfer of financial resources must be reduced so that a greater amount of foreign exchange be available to raise imports of basic inputs and capital goods and, so, domestic economic activity.

Two obvious ways for the outward transfer of financial resources from Latin America to be reduced is to lower interest charges, or to increase new lending, or to have a combination of both.

a) Lowering interest payments

During the past four years net interest remittances have absorbed around 36% of the total value of the region's exports, which is double the percentage they represented before the crisis. Hence, if these payments were reduced, it would be possible to raise imports significantly without producing any increase in the deficit on current account. Furthermore, if the decline in interest payments were the result of a drop in international interest rates, of a decrease in the spreads charged to Latin American countries, or of specific agreements reached between them and their creditors, the reduction in the transfer of resources and the ensuing reactivation of the economy could be achieved without expanding the external debt, and would therefore have the additional advantage of not jeopardizing future import capacity.

Hence, the importance that the recent fall in international interest rates be maintained and strenghthened. Yet such a decline, welcome as it is, need not be overrated for the sharp decline in recent months has been in nominal interest rates. Real rates have fallen far less. Yet what is required is that real interest rates decline; in other words, only if nominal interest rates fall more than inflation will the servicing of debt (total interest payments) decline in relation to the region's capacity to service such debt (i.e. exports -whose value tends to rise and fall with world inflation).

In any case, of all the potential international public actions to resolve the crisis, the bringing down of interest rates to historical levels stands out as perhaps the most important. Abnormally high rates have been a primary impulse behind the vicious circle of economic stagnation that has plagued the region; they increase debt burdens, scare off private creditors, and at the same time prejudice export growth through their depressive effects on the volume of world output and trade as well as on the level of primary commodity prices. Moreover, as long as real interest rates persistently remain higher than the growth rate of output, and nominal interest rates remain higher than the growth rate of export earnings, there is a progressive risk that debtor countries will drift into insolvency. Obviously, too, the reduction of interest rates is one of the least conflictive ways of tackling the crisis, since it benefits both debtors and creditors: substantial relief can be afforded to borrowers while new lending by creditors can be minimized. But the reduction of interest rates, it should be recalled, depends ultimately on neither debtors nor creditors but on the policies of the principal industrialized countries. This is an example -possibly the example *par excellence*- of why a satisfactory resolution of the debt crisis cannot be found within the limited confines of debtors and creditors, but depends strongly on the public policy of industrialized countries as well.

b) *Increasing capital inflow*

Nevertheless, for sustained economic growth to be resumed in the short term, in most of the countries of the region more external financing will also have to be made available. Naturally, the less successful public policy is in terms of lowering interest rates, the greater will be the need of larger capital flows for reducing the outward transfer of resources from Latin America to its creditors.

As suggested earlier, the objectives of increased capital inflows ought to be twofold. First, time is needed to permit a more gradual and hence more efficient restructuring of the economy; for efficient structural adjustment is based on a shifting of investment and production towards tradeables and not on a reduction of overall investment and production. Such a shift not only requires a change in relative prices but time for the structural changes in output induced by these to take effect.

Second, the current dearth of new capital lending on the part of banks must be reversed if the overadjustment which the region has been forced to pursue is to be checked. This implies that adjustment should be limited to correct for the deterioration in the region's external accounts caused by permanent factors, whereas capital inflows should be forthcoming to finance the transitory components behind said deterioration.

Of course, what is permanent and what is transitory may be open to debate. Nevertheless, few believe that real interest rates will long remain as abnormally high as they have been in recent years, nor that the prices of basic commodities will indefinitely persist as low as they have been. Indeed, both of these phenomena would seem more the outcome of cyclical factors -the OECD's monetarist price stabilization policies and the prolonged recession these gave rise to- rather than of permanent changes in the international economy. And there is little reason to believe that today's US$12 a barrel oil prices are here to stay. Yet to provide oil exporters with no additional capital to offset such a sharp deterioration in their terms of trade, is to ask them to adjust fully to today's oil prices as if they were indeed to be permanent.

Rather, to the extent that such a deterioration in their external accounts is transitory, it would be unwise for them to fully adjust to them. Such transitory deteriorations ought to be financed.

None of this is to deny that in the medium and long-run the countries of Latin America should gradually reduce their debt/exports and debt/product coefficients. This does not mean, however, they must also reduce the absolute value of their external debt in real terms; and certainly it would be patently absurd to force them to do so in the midst of the deepest and longest crisis to hit them in over half a century.

c) Adjusting conditionality

Conditionality has become one of the more polemical aspects of the adjustment process. Moreover, it has been multiplying steadily during the crisis and aggravating the already severe constraint on public policy brought about by the scarcity of foreign exchange.

First come the commercial banks which condition the adjustment process by the amount of resources they are willing to reschedule and/or lend and the terms and conditions on which that financing will be provided. Secondly, the banks normally link their co-operation to the country's submission to IMF stand-by programmes, which carry their own controversial brand of conditionality on the evolution of the macroeconomy. Thirdly, the Baker Initiative envisages a more important role for the World Bank in the adjustment process, but with this comes more conditionality as an integral part of the Bank's expanded lending for so-called structural adjustment. Finally, much bilateral government-to-government financing is now subject to diverse forms of macro and microeconomic conditionality.

In so far as creditors were to make major concessions on interest rates and increase their loan commitments there would be a legitimate demand for conditionality in the adjustment process. In these circumstances, conditionality would form part of the necessary quid pro quo in debtor-creditor relations, as it provides lenders with an assurance that resources will be used in a way consistent with efficient structural adjustment and improved creditworthiness. But in its present form conditionality is progressively weighing down the adjustment process and fatigue is setting in among the debtors.

One aspect of the burdensomeness of conditionality relates to the fact that there are so many different agencies administering a dose of it, each with its own particular view point and interest. Thus, in Latin America it has now become increasingly difficult to successfully reconcile the different demands on public authorities made by the diverse creditors.

Furthermore, conventional conditionality also enforces an extreme degree of rigidity in economic policy. This is because the economic philosophy underlying it is in practice defined externally and has a homogeneous vision of the world based on a notion of automatic, dynamic market response to equilibrium pricing, liberalization of trade and finance, and privatization of the economy. Moreover, this vision of adjustment tends to be mechanically applied to any and all debtor countries, with limited attention to structural differences in their economies and divergent social preferences. Even more significantly, conventional conditionality also leaves economic growth as a residual in the adjustment process. This, coupled with what some have found to be a recessionary bias in conditionality, means that the debtors' reward for compliance with the demands of their creditors is more often than not economic stagnation and aggravation of social tensions.

The fatigue debtors are experiencing on account of conditionality could be alleviated through some commonsense "adjustments" in creditor policy.

First, the processes of adjustment and stabilization should be considered separately. The practice of demanding external adjustment and stabilization simultaneously may be onerous for the debtors. On the one hand, some external adjustment policies such as devaluation tend in the short term to aggravate inflation. On the other, effective external adjustment --the creditors' legitimate area of concern-- can in practice be achieved even while authorities temporarily postpone attention to stabilization matters. The shortcomings of the conventional approach, which demands progress on the two fronts simultaneously, are attested in the experience of some debtors: countries which have been adjusting quite successfully have found their rescheduling agreements and IMF finance aborted by a failure to meet one or more stabilization targets.

Secondly, conditionality in whatever form becomes much more palatable when economic growth is an integral and explicit part of the programme. In other words, when adjustment and conditionality are designed around explicit, reasonable growth targets it is much easier for authorities to justify policy changes to their political constituencies.

Finally, the introduction of creditor guarantees for reasonable economic growth during adjustment raises the issue of adequate amounts of foreign exchange. Recent empirical work has demonstrated that one of the major reasons for the recessionary bias in conditionality is that it has been accompanied by finance which is insufficient to support socially efficient adjustment. Thus, until creditor governments make a greater financial contribution to the adjustment process, conditionality will be perceived by the debtors as a cost with very few benefits.

In a nutshell, conditionality should be made more flexible, taking into account important national differences in initial conditions and economic structures. Thus, and at the risk of being overly schematic, conditionality should be of a case by case nature, much as debt renegotiation should be the fruit of a general, or political, dialogue. This, of course, would be a virtual reversal of the current approach to the crisis. Which position would better serve the interests not only of creditors or debtors but of the international community as a whole I leave for you to decide.

STATISTICAL TABLES

Table 1

LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS[a]

Indicators	1980	1981	1982	1983	1984	1985[b]
	Indexes (1980 = 100)					
Gross domestic product at market prices	100.0	100.4	99.0	96.5	99.6	102.3
Population (millions of inhabitants)	356	364	373	381	390	399
Per capita gross domestic product	100.0	98.1	94.4	89.9	90.7	91.1
Per capita gross national income	100.0	96.2	89.7	85.1	86.1	86.0
	Growth rates					
Gross domestic product	5.3	0.4	-1.5	-2.5	3.3	2.7
Per capita gross domestic product	2.8	-1.9	-3.7	-4.7	0.9	0.4
Per capita gross national income	3.7	-3.8	-6.8	-5.1	1.2	-0.1
Consumer prices[c]	56.1	57.6	84.8	131.1	185.2	274.5
Terms of trade (goods)	5.1	-7.6	-8.9	-1.8	4.1	-2.9
Purchasing power of exports of goods	12.4	0.3	-7.5	5.2	11.6	-4.6
Current value of exports of goods	32.3	7.6	-8.9	0.1	11.5	-5.7
Current value of imports of goods	34.9	7.8	-19.8	-28.5	5.0	-1.9
	Billions of dollars					
Exports of goods	89.1	95.9	87.4	87.5	97.5	91.9
Imports of goods	90.5	97.6	78.3	56.0	58.8	57.6
Merchandise trade balance	-1.4	-1.7	9.1	31.5	38.7	34.3
Net payments of profits and interest	17.9	27.1	38.7	34.2	36.1	35.1
Balance on current account[d]	-28.1	-40.1	-40.9	-7.4	-1.0	-4.4
Net movement of capital[e]	29.5	37.3	19.8	3.0	10.3	4.7
Global balance[f]	1.4	-2.8	-21.0	-4.4	9.3	0.3
Total gross external debt	222.5	277.7	318.4	344.0	360.4	368.0

Source: ECLAC, on the basis of official figures.
[a]The figures on the gross domestic product and consumer prices, refer to the group formed by the countries includes in tables 2, except Cuba (23 countries) and 4, respectively; the index of per capita gross national income and the data on the external sector relate to the same countries, minus Cuba and the English-speaking Caribbean countries. [b]Provisional estimates subject to revision. [c]Variation from December to December. [d]Includes net unrequited private transfer payments. [e]Includes long- and short-term capital, official unrequited transfer payments and errors and omissions. [f]Relates to the variation in international reserves (of reserve sign) plus counterpart entries.

Table 2

LATIN AMERICA AND THE CARIBBEAN: EVOLUTION OF TOTAL GROSS DOMESTIC PRODUCT

Country	Annual growth rates					Cumulative variation
	1981	1982	1983	1984	1985[a]	1981-1985[a]
Argentina	-6.7	-6.3	3.0	2.1	-4.1	-11.8
Barbados	-2.7	-4.5	0.3	3.0	...	-4.3[b]
Bolivia	-0.3	-6.6	-7.3	-3.1	-2.1	-18.1
Brazil	-2.0	1.4	-2.7	4.8	8.2	9.5
Colombia	2.3	1.0	1.2	3.6	2.6	11.2
Costa Rica	-2.4	-7.3	2.7	7.3	1.6	1.3
Cuba[c]	15.1	3.1	3.8	7.4	4.5	38.2
Chile	5.2	-13.1	-0.5	6.2	2.3	-1.2
Ecuador	3.8	1.1	-1.6	4.6	2.7	11.0
El Salvador	-8.4	-5.7	-1.0	1.4	1.4	-12.0
Guatemala	0.9	-3.4	-2.8	0.2	-0.9	-5.9
Guyana	-0.7	-10.8	-10.3	5.8	...	-15.9[b]
Haiti	-1.5	-4.0	0.2	2.8	1.2	-1.5
Honduras	0.7	-0.6	-1.2	2.6	1.6	3.0
Jamaica	2.5	-0.3	1.4	-1.5	...	0.7[b]
Mexico	8.3	-	-5.2	3.5	2.5	9.0
Nicaragua	5.3	-1.2	4.7	-1.5	-2.7	4.4
Panama	4.0	4.9	-0.1	-0.4	3.3	12.2
Paraguay	8.7	-0.7	-3.0	3.3	4.0	12.5
Peru	3.7	-0.2	-12.0	4.4	2.0	-3.0
Dominican Republic	3.9	1.3	4.6	0.7	-2.2	8.4
Trinidad and Tobago	-0.9	2.5	-7.1	-4.5	...	-9.9[b]
Uruguay	1.0	-10.7	-5.9	-1.2	0.4	-15.7
Venezuela	-1.0	-1.3	-5.6	-1.0	-1.2	-9.6
Latin America and the Caribbean[d]	0.4	-1.5	-2.5	3.2	2.7	2.2
Latin America and the Caribbean, excluding Brazil and Cuba	1.5	-2.7	-2.4	2.5	0.2	-1.0

Source: ECLAC, on the basis of official figures.
[a] Provisional estimates subject to revision. [b] Cumulative variation 1981-1984. [c] Relates to total social product. [d] Excluding Cuba.

Table 3

LATIN AMERICA AND THE CARIBBEAN: EVOLUTION OF PER CAPITA GROSS DOMESTIC PRODUCT

Country	Annual growth rates					Cumulative variation
	1981	1982	1983	1984	1985[a]	1981-1985[a]
Argentina	-8.2	-7.8	1.4	0.5	-5.5	-18.5
Barbados	-3.5	-5.2	-0.5	1.8	...	-7.3
Bolivia	-2.9	-9.0	-9.7	-5.6	-4.7	-28.4
Brazil	-4.2	-0.9	-4.9	2.5	5.8	-2.0
Colombia	0.1	-1.1	-1.0	1.4	0.5	-0.1
Costa Rica	-5.0	-9.7	-	4.6	-1.0	-11.2
Cuba[b]	14.4	2.5	3.2	6.8	3.8	34.1
Chile	3.6	-14.4	-2.1	4.5	0.8	-8.7
Ecuador	0.8	-1.8	-4.4	1.7	-0.2	-3.9
El Salvador	-11.0	-8.4	-3.8	-1.5	-1.6	-24.0
Guatemala	-1.8	-6.1	-5.5	-2.6	-3.7	-18.3
Guyana	-2.6	-12.6	-12.0	3.9	...	-22.2[c]
Haiti	-3.9	-6.4	-2.3	0.2	-1.4	-13.1
Honduras	-2.8	-4.0	-4.5	-0.8	-1.7	-13.0
Jamaica	1.1	-1.6	-	-1.7	...	-2.2[c]
Mexico	5.4	-2.6	-7.6	0.9	-	-4.3
Nicaragua	2.0	-4.4	1.3	-4.8	-5.9	-11.6
Panama	1.7	2.7	-2.2	-2.5	1.1	0.7
Paraguay	5.4	-3.6	-5.9	0.2	1.1	-3.2
Peru	1.0	-2.7	-14.3	1.8	-0.6	-14.8
Dominican Republic	1.5	-1.1	2.2	-1.6	-4.4	-3.5
Trinidad and Tobago	-1.5	1.6	-8.0	-5.5	...	-13.0[c]
Uruguay	0.3	-11.3	-6.5	-1.9	-0.3	-18.6
Venezuela	-3.9	-4.1	-8.2	-3.7	-3.8	-21.6
Latin America and the Caribbean[d]	-1.9	-3.7	-4.7	0.9	0.4	-8.8
Latin America and the Caribbean, excluding Brazil and Cuba	-0.9	-5.0	-4.7	0.1	-2.1	-12.1

Source: ECLAC, on the basis of official figures for the gross domestic product. The population figures are taken from CELADE estimates published in *Boletín Demográfico*, Vol. XVIII, Nº 35, January 1985.
[a] Provisional estimates subject to revision. [b] Refers to total social product. [c] Cumulative variation 1981-1984. [d] Excluding Cuba.

Table 4

LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT

(Average annual rates)

Country	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Argentina[a]	3.7	4.9	3.3	3.3	2.5	2.6	4.7	5.3	4.6	4.6	6.3
Bolivia[b]	...	...	7.9	4.5	7.6	7.5	9.7	9.4	12.1	12.6	...
Brazil[c]	...	...	...	6.8	6.4	7.2	7.9	6.3	6.7	7.1	5.3
Colombia[d]	11.0	10.6	9.0	9.0	8.9	9.7	8.2	9.3	11.8	13.5	14.1
Costa Rica[e]	...	5.4	5.1	5.8	5.3	6.0	9.1	9.9	8.6	6.6	6.7
Chile[f]	15.0	16.3	13.9	13.3	13.4	11.7	9.0	20.0	19.0	18.5	17.0
Honduras[g]	...	...	...	...	...	8.8	9.0	9.2	9.5	10.7	11.7
Mexico[h]	7.2	6.8	8.3	6.9	5.7	4.5	4.2	4.1	6.7	6.0	5.0
Nicaragua[i]	...	...	...	...	...	18.3	15.8	19.9	15.2	16.3	...
Panama[j]	8.6	9.0	...	9.6	11.6	9.8	11.8	10.3	11.4	11.1	11.5
Paraguay[k]	...	6.7	5.4	4.1	5.9	4.1	2.2	5.6	8.4	7.4	...
Peru[l]	...	8.4	9.4	10.4	11.2	10.9	10.4	10.6	13.9	16.4	...
Uruguay[m]	...	12.7	11.8	10.1	8.3	7.4	6.7	11.9	15.5	14.0	13.1
Venezuela[n]	8.3	6.8	5.5	5.1	5.8	6.6	6.8	7.8	10.5	12.9	13.3

Source: ECLAC and PREALC, on the basis of official figures.
[a] National urban; average April-October. [b] La Paz, 1977, 1978 and 1979; second semester; 1980, average May-October; 1983 and 1984, second semester. [c] Metropolitan areas of Rio de Janeiro, São Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife, average for 12 months; 1980, average June-December. [d] Bogotá, Barranquilla, Medellín and Cali, average for March, June, September and December. [e] National Urban; average for March, July and November; 1984, average March and November. [f] Greater Santiago; average for four-quarters; as from August 1983 data relate to the metropolitan area of Santiago. [g] National averages. [h] Metropolitan areas of México City, Guadalajara and Monterrey, average for four quarters; 1985, average for three quarters. [i] Non-agricultural activities. [j] National urban; 1980 corresponds to urban unemployment recorded in the population census taken in that year; 1981, 1982 and 1985, metropolitan area. [k] Asunción, Fernando de la Mora, Lambaré and urban areas of Luque and San Lorenzo, annual average; 1981, first semester; 1983, average September, October and November; 1984, average August and September. [l] Non-agricultural activities. [m] Montevideo, average for four quarters. [n] National urban, average for two semesters; 1984 and 1985, national average.

Table 5

LATIN AMERICA AND THE CARIBBEAN: EVOLUTION OF RATE OF UNEMPLOYMENT IN PRINCIPAL CITIES

	1980	1981	1982	1983	1984	1985	1984				1985[a]			
							I	II	III	IV	I	II	III	IV
Latin America[b]	6.2	6.6	7.0	8.1	8.2	7.8	8.6	8.3	8.5	7.6	8.1	7.7	7.5	...
Argentina[c]														
Capital and Greater Buenos Aires	2.3	4.5	4.7	4.0	3.8	5.3	...	4.0	...	3.6	...	5.6	...	4.9
Córdoba	2.4	3.8	4.4	5.0	4.8	5.0	...	4.4	...	5.1	...	5.3	...	4.7
Greater Mendoza	2.3	4.8	4.1	4.5	4.5	3.7	...	5.0	...	3.9	...	3.7	...	3.7
Rosario	3.4	5.8	8.4	6.3	6.7	10.7	...	7.0	...	6.3	...	11.1	...	10.2
Brazil[d]														
Rio de Janeiro	7.5	8.6	6.6	6.2	6.8	4.9	6.9	7.4	6.7	6.0	6.0	5.4	4.5	3.6
São Paulo	5.7	7.3	6.0	6.8	6.8	5.0	7.8	7.5	6.7	5.1	6.1	5.8	4.8	3.5
Recife	6.9	8.6	7.5	8.0	9.0	7.2	8.9	9.6	9.9	7.5	7.8	8.4	7.3	5.4
Porto Alegre	4.5	5.8	5.3	6.7	7.0	5.4	7.6	8.2	6.9	5.3	5.8	6.3	5.6	4.0
Colombia[e]														
Bogotá	7.9	5.5	7.4	9.4	12.2	12.8	12.6	12.0	11.8	12.4	13.7	13.2	12.6	11.7
Barranquilla	8.1	11.1	10.4	13.8	13.8	15.7	14.4	13.1	15.3	12.4	14.3	17.9	17.5	13.1
Medellín	14.7	13.1	13.3	17.0	16.4	16.0	16.1	17.1	15.3	17.1	16.1	16.5	15.6	15.7
Cali	10.0	9.0	9.6	11.6	13.3	14.4	13.4	12.9	14.5	12.5	13.4	15.4	15.2	13.7
Mexico[f]														
México City	4.3	3.9	4.0	6.3	5.8	5.1	5.4	5.3	6.4	6.2	5.7	4.3	5.2	...
Guadalajara	5.0	5.8	5.0	7.4	6.1	3.8	6.9	5.7	6.0	5.7	3.9	3.5	3.9	...
Monterrey	5.2	4.2	4.9	9.8	7.5	5.8	8.3	7.0	8.5	6.2	6.9	5.1	5.4	...
Asunción (Paraguay)[g]	3.9	2.2	5.6	8.4	7.4	...	...	...	7.4	...	...	...	...	...
Caracas (Venezuela)[h]	6.7	5.7	7.0	9.9	13.2	12.5	13.5	12.8	13.8	12.6	...	12.5	...	...
Lima (Peru)[i]	7.1	6.8	6.6	9.0	8.9	...	...	8.9	...	...	...	...	...	...
La Paz (Bolivia)[j]	7.5	...	9.4	12.8	12.6	...	...	...	12.9	12.2	...	...	...	...
Montevideo (Uruguay)[k]	7.4	6.6	11.9	15.5	14.0	13.1	14.6	14.1	14.7	12.7	13.7	13.2	13.6	12.0
San José (Costa Rica)[l]	5.6	9.3	10.5	8.5	6.6	6.5	7.9	...	...	5.2	6.3	...	7.4	5.9
Santiago (Chile)[m]	11.7	9.0	20.0	18.9	18.5	17.0	18.3	18.4	19.0	18.1	17.3	17.2	18.5	15.1

Source: ECLAC, on the basis of official data.
[a] Provisional figures. [b] Weighted average for the 25 cities with the largest population in Latin America. Havana, Santo Domingo, Fortaleza, Curitiba, Guayaquil, San Juan (Puerto Rico) and Guatemala City are excluded, for want of comparable data. [c] Figures for April and October. [d] Quarterly averages. [e] Figures for March, July, September and December; 1985, March, July, September and December. [f] Metropolitan areas; quarterly averages. [g] Including Fernando de la Mora, Lambaré and the urban areas of Luque and San Fernando; 1981, first semester; 1982, first quarter; 1983, average for September, October and November; 1984, average for August, September and October. [h] Metropolitan area; 1980 to 1983, average for two semesters; 1984, quarterly averages; 1985, first semester. [i] Metropolitan area; 1980, April; 1981 to 1984, June. [j] 1980, May to October; 1982 to 1984, average for June to December. [k] 1980, average for two semesters; 1981, quarterly averages. [l] Figures for March, July and November; 1984, March and November only. [m] Greater Santiago, quarterly averages. As from August 1983, data refer to the Metropolitan Region of Santiago.

Table 6

LATIN AMERICA AND THE CARIBBEAN: EMPLOYMENT IN MANUFACTURING

(1980 = 100)

	1981	1982	1983	1984	1985[a]	1984				1985[a]			
						I	II	III	IV	I	II	III	IV
Argentina[b]	87.4	82.8	85.5	88.0	88.7	88.3	87.4	87.1	88.9	92.9	84.6	...	...
Brazil[c]	93.1	88.5	81.6	81.5	88.1	79.5	80.6	81.9	83.9	86.0	87.3	88.8	90.7
Colombia[d]	95.5	90.5	84.5	83.6	82.4	82.7	83.3	83.8	84.6	81.9	82.4	82.8	...
Costa Rica[e]	100.4	102.1	123.6	131.8	...	128.8	...	...	134.7	...	...	...	...
Chile[f]	102.2	80.9	78.8	90.3	95.5	81.4	89.4	93.5	97.0	95.2	96.2	87.9	102.8
Ecuador[g]	108.5	110.1	105.3	104.5	...	103.5	101.8	106.2	106.5	...	...	...	...
Panama[h]	101.6	101.4	97.4	91.9	...	93.0	90.9	...	...	...	...	...	...
Mexico[i]	105.6	103.0	93.1	92.2	94.5	91.2	91.8	92.8	92.9	93.1	95.0	95.2	94.0
Peru[j]	101.1	94.7	94.3	84.4	83.3	86.1	84.1	83.5	83.7	83.5	83.7	83.0	83.1
Venezuela[k]	102.4	102.3	96.8	98.0	...	...	96.9	...	101.1	...	...	...	...
Percentage variation[l]													
Argentina[b]	-12.6	-5.3	3.3	2.9	1.0	1.6	1.8	4.3	3.8	5.1	-3.2	...	...
Brazil[c]	-6.9	-4.9	-7.8	-0.2	8.2	-5.0	-2.1	1.2	5.3	8.2	8.4	8.4	8.2
Colombia[d]	-4.5	-5.2	-6.6	-1.1	-1.1	-3.3	-1.4	0.2	0.5	-0.9	-1.1	-1.2	...
Costa Rica[e]	0.4	1.7	21.4	6.6	...	25.7	...	...	-2.1	...	...	...	...
Chile[f]	2.2	-20.8	-2.7	14.7	5.8	8.0	17.9	13.0	19.5	16.9	7.7	-5.9	6.0
Ecuador[g]	8.5	1.4	-4.4	-0.7	...	-1.7	-2.8	0.7	1.1	...	...	...	...
Panama[h]	1.6	-0.2	-4.0	-6.3	...	-5.2	-7.4	...	...	...	...	...	...
Mexico[i]	5.6	-2.5	-9.6	-1.0	2.6	-3.5	-2.4	0.1	1.9	2.1	3.5	2.6	2.8
Peru[j]	1.1	-1.4	-5.4	-10.5	-1.3	-11.9	-12.0	-9.9	-8.2	-3.1	-0.5	-0.6	-0.7
Venezuela[k]	2.4	-0.1	-5.4	2.3	...	...	0.3	...	4.2	...	...	...	...

Source: ECLAC, on the basis of official figures.
[a] Provisional figures. [b] Personnel gainfully employed in productive activities; 1985, January to June. [c] Personnel employed in industry in the State of São Paulo. [d] Total employment in manufacturing industry; 1985, January to September. [e] Wage-earning population employed in industry in the metropolitan area of San José; average for March, June and November; 1984, March and November. [f] Personnel employed in manufacturing industry in Greater Santiago. Quarterly averages. As from August 1983, data relate to the Metropolitan Region of Santiago. [g] Personnel employed in manufacturing. Average for four quaters. [h] Personnel employed in manufacturing in the districts of Panama and Colón. Quarterly averages; 1984, January to June. [i] Personnel employed in manufacturing. Quarterly averages; 1985, January to October. [j] Index of employment in manufacturing in the metropolitan area of Lima Quarterly averages. [k] Personnel employed in manufacturing. Average for two semesters. [l] In relation to the same period in the preceding year.

Table 7

LATIN AMERICA AND THE CARIBBEAN: EVOLUTION OF CONSUMER PRICES

(Variations from December to December)

Country	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Latin America[a]	62.3	40.0	39.0	54.1	56.1	57.6	84.8	131.1	185.2	274.5
Latin America, excluding Bolivia and Cuba	63.2	40.5	39.5	54.3	56.6	58.2	81.3	127.8	152.0	141.8
Argentina	347.5	150.4	169.8	139.7	87.6	131.2	208.7	433.7	688.0	385.4
Barbados	3.9	9.9	11.3	16.8	16.1	12.3	6.9	5.5	5.1	3.0[b]
Bolivia	5.5	10.5	13.5	45.5	23.9	25.2	296.5	328.5	2 177.2	8 170.5
Brazil[c]	44.8	43.1	38.1	76.0	95.3	91.2	97.9	179.2	203.3	223.0
Colombia[d]	25.9	29.3	17.8	29.8	26.5	27.5	24.1	16.5	18.3	22.5
Costa Rica	4.4	5.3	8.1	13.2	17.8	65.1	81.7	10.7	17.3	10.9
Chile	174.3	63.5	30.3	38.9	31.2	9.5	20.7	23.6	23.0	26.4
Ecuador[e]	13.1	9.8	11.8	9.0	14.5	17.9	24.3	52.5	25.1	24.4
El Salvador	5.2	14.9	14.6	14.8	18.6	11.6	13.8	15.5	9.8	32.1
Guatemala	18.9	7.4	9.1	13.7	9.1	8.7	-2.0	15.4	5.2	31.5
Guyana	9.2	9.0	20.0	19.4	8.5	29.1	...	...	...	...
Haiti[f]	-1.4	5.5	5.5	15.4	15.3	16.4	6.2	12.2	6.1	15.0
Honduras	5.6	7.7	5.4	22.5	11.5	9.2	8.8	7.8	3.7	4.2
Jamaica	8.3	14.1	49.4	19.8	28.6	4.8	7.0	16.7	31.2	22.8[g]
Mexico	27.2	20.7	16.2	20.0	29.8	28.7	98.8	80.8	59.2	63.7
Nicaragua	6.2	10.2	4.3	70.3	24.8	23.2	22.2	32.9	50.2	334.5
Panama	4.8	4.8	5.0	10.0	14.4	4.8	3.7	2.0	0.9	0.8[h]
Paraguay	3.4	9.4	16.8	35.7	8.9	15.0	4.2	14.1	29.8	24.0
Peru	44.7	32.4	73.7	66.7	59.7	72.7	72.9	125.1	111.5	158.3
Dominican Republic[h]	7.0	8.5	1.8	26.2	4.2	7.4	7.1	9.8	40.9	39.4[g]
Trinidad and Tobago	12.0	11.4	8.8	19.5	16.6	11.6	10.8	15.4	14.1	6.9[f]
Uruguay	39.9	57.3	46.0	83.1	42.8	29.4	20.5	51.5	66.1	83.0
Venezuela	6.9	8.1	7.1	20.5	19.6	10.8	7.9	7.0	13.3	5.8

Source: International Monetary Fund, *International Financial Statistics*, November 1984, and official information supplied by the countries. [a] Excluding Cuba. [b] Variation between October 1985 and October 1984. [c] Up to 1979, figures represent the Consumer Price Index in the city of Rio de Janeiro; from 1980 onwards, the variation in the national total. [d] Up 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. [e] Up to 1982, figures represents the variation in the Consumer Price Index in the city of Quito; from 1983 onwards, the variation in the national total. [f] Variation between September 1985 and September 1984. [g] Variation between November 1985 and November 1984. [h] Up to 1982, refers to the variation in the Consumer Price Index for the City of Santo Domingo; from 1983 onwards, refers to variation in the national total.

Table 8

LATIN AMERICA AND THE CARIBBEAN: NET INFLOW OF CAPITAL AND TRANSFERS OF RESOURCES

(Billions of dollars and percentages)

Year	Net inflow of capital (1)	Net payments of profits and interest (2)	Transfers of resources (3)=(1)-(2) (3)	Exports of goods and services (4)	Transfers of resources/ exports of goods and services[a] (5)=(3)/(4) (5)
1973	7.9	4.2	3.7	28.9	12.8
1974	11.4	5.0	6.4	43.6	14.7
1975	14.2	5.5	8.7	41.1	21.2
1976	17.8	6.8	11.0	47.3	23.3
1977	17.1	8.2	8.9	55.9	15.9
1978	26.1	10.2	15.9	61.3	25.9
1979	29.0	13.6	15.4	82.0	18.8
1980	29.5	17.9	11.6	107.6	10.8
1981	37.3	27.1	10.2	116.1	8.8
1982	19.8	38.7	-18.9	103.2	-18.3
1983	3.0	34.2	-31.2	102.4	-30.5
1984	10.3	36.1	-25.8	113.9	-22.7
1985[b]	4.7	35.1	-30.4	-108.0	-28.1

Source: 1973-1984: International Monetary Fund, *Balance of Payments Yearbook*; 1985: ECLAC, on the basis of official data.
[a] Percentages. [b] Provisional estimates subject to revision.

Table 9

LATIN AMERICA AND THE CARIBBEAN: RATIO OF TOTAL INTEREST PAYMENTS TO EXPORTS OF GOODS AND SERVICES[a]

(Percentages)

	1978	1979	1980	1981	1982	1983	1984	1985[b]
Latin America	15.5	17.4	19.9	27.6	40.5	35.9	35.7	36.0
Oil-exporting countries	16.0	15.7	16.6	22.6	35.1	32.4	32.2	32.0
Bolivia	13.7	18.1	24.5	32.1	43.5	44.4	63.1	60.0
Ecuador	10.3	13.6	18.2	24.3	30.1	27.4	27.8	24.5
Mexico	24.0	24.8	23.3	29.0	46.0	39.3	40.2	37.0
Peru	21.2	14.7	16.0	24.1	25.1	29.8	34.0	34.5
Venezuela	7.2	6.9	8.1	12.7	21.0	21.6	17.5	22.5
Non-oil-exporting countries	15.1	18.8	23.1	32.7	45.2	39.4	38.7	40.0
Argentina	9.6	12.8	22.0	35.5	53.6	58.4	58.7	54.5
Brazil	24.5	31.5	34.1	40.4	57.1	43.5	38.7	43.5
Colombia	7.7	10.1	11.8	21.8	25.8	26.5	23.6	23.0
Costa Rica	9.9	12.8	18.0	28.0	36.1	32.8	30.7	28.0
Chile	17.0	16.5	19.3	38.8	49.5	39.4	50.0	46.5
El Salvador	5.1	5.3	5.9	7.9	11.9	12.3	13.2	14.0
Guatemala	3.6	3.1	5.3	7.5	7.8	8.7	8.9	11.5
Haiti	2.8	3.3	2.0	2.5	2.2	2.4	5.3	5.0
Honduras	8.2	8.6	10.6	14.5	22.4	16.4	17.1	17.0
Nicaragua	9.3	9.7	17.8	22.2	32.2	14.3	11.7	17.0
Paraguay	8.5	10.7	14.3	16.4	15.6	16.4	14.3	13.0
Dominican Republic	14.0	14.4	14.7	20.2	22.6	24.5	19.7	18.5
Uruguay	10.4	9.0	11.0	12.9	22.4	24.8	33.8	35.5

Source: 1978-1984: ECLAC, on the basis of data from the International Monetary Fund; 1985: ECLAC, on the basis of official data.
[a] Interest payments include those on the short-term debt. [b] Provisional estimates subject to revision.

Table 10

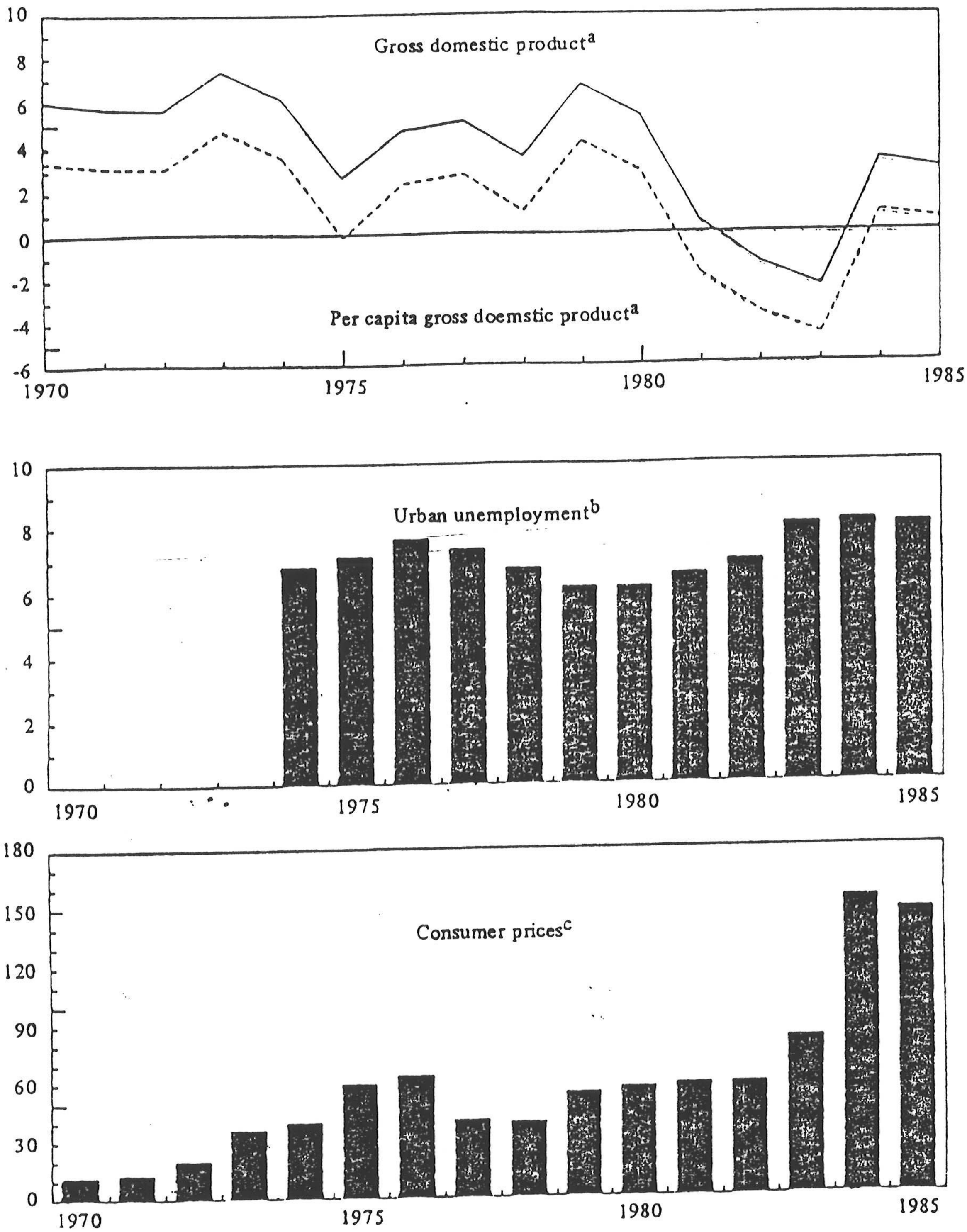
LATIN AMERICA AND THE CARIBBEAN: EVOLUTION OF AVERAGE REAL WAGES

Country	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985[a]
					Annual average indexes (1980 = 100)						
Argentina[b]	119.6	80.5	79.3	77.9	89.5	100.0	89.4	80.1	103.6	131.5	114.3
Brazil[c]	80.9	28.7	89.1	93.9	95.1	100.0	108.5	121.6	112.7	105.1	113.1
Colombia[d]	86.5	88.5	83.5	93.2	99.3	100.0	101.4	105.2	110.4	118.7	114.0
Costa Rica[e]	70.2	79.6	87.0	94.7	99.2	100.0	88.3	70.8	72.5	84.7	92.2
Chile[f]	69.5	70.5	79.6	84.7	91.8	100.0	109.1	108.7	97.1	97.4	93.0
Mexico[g]	98.8	107.4	109.1	106.2	104.5	100.0	103.0	107.5	76.2	71.7	73.1
Peru[h]	119.9	130.0	108.7	94.9	88.9	100.0	98.2	100.4	83.6	70.8	59.7
Uruguay[i]	136.5	128.5	113.2	109.1	100.3	100.0	107.5	107.2	85.0	77.3	88.0
					Percentage variation[j]						
Argentina[b]	-5.9	-32.7	-1.5	-1.8	14.3	11.8	-10.6	-10.4	29.3	26.9	-13.0
Brazil[c]	9.9	5.9	4.0	5.4	1.3	5.2	8.5	12.1	-7.3	-6.7	7.8
Colombia[d]	-1.8	2.2	-5.6	11.5	0.5	0.8	1.1	3.7	5.0	7.5	-3.3
Costa Rica[e]	-3.7	-13.2	9.4	8.8	4.8	0.8	-11.7	-19.8	10.9	7.8	8.9
Chile[f]	-4.2	1.4	12.9	6.5	8.3	9.0	9.1	-0.4	-10.6	0.3	-4.5
Mexico[g]	5.6	8.6	1.6	-2.7	-1.6	-4.3	3.0	4.3	-29.1	-5.9	1.9
Peru[h]	-14.9	8.5	-16.6	-12.7	-6.3	12.4	-1.8	2.2	-16.7	-15.3	-15.7
Uruguay[i]	-8.8	-5.8	-11.9	-3.6	-8.1	-0.4	7.5	-0.3	-20.7	-9.1	14.1

Source: ECLAC and PREALC, on the basis of official data.
[a] Provisional figures. [b] Wages of manual workers in manufacturing. [c] Average wages in basic industries, deflated by the Rio de Janeiro CPI; 1985, average January to November. [d] Wages of manual workers in manufacturing; 1985, average January to September. [e] Declared wages of workers covered by Social Security; 1985, January to November. [f] Average wages of manual workers in non-agricultural sectors. [g] Average wages in manufacturing; 1985, average January to July. [h] Wages of manual workers in the private sector in the metropolitan area of Lima; 1985, average January to October. [i] Index of average real wages. [j] In relation to the same period in the preceding year.

Figure 1

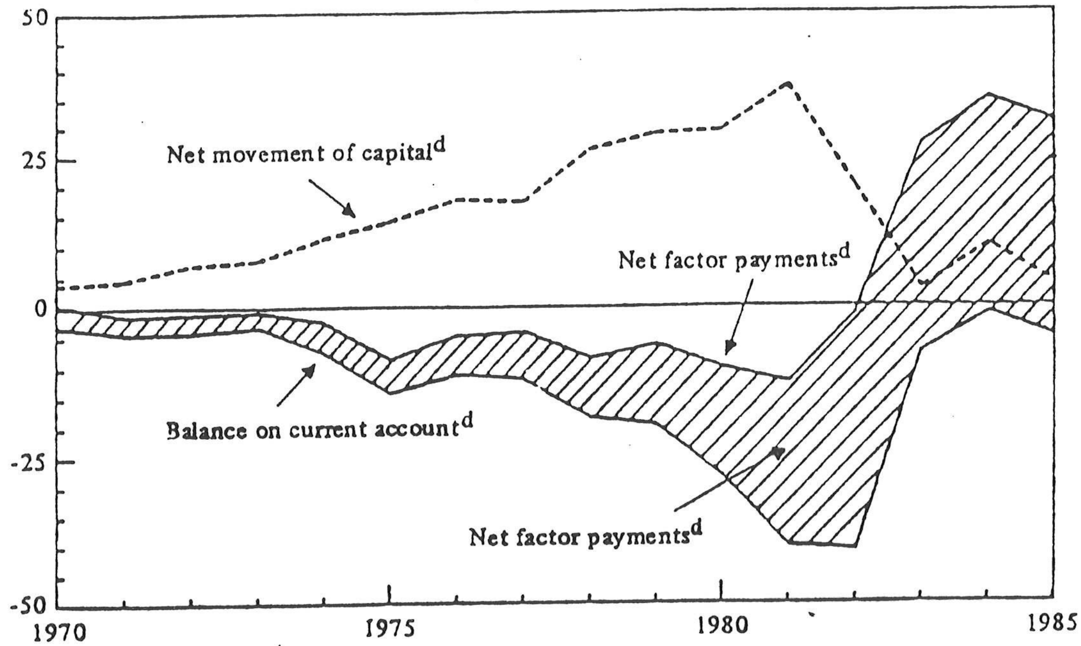
LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS

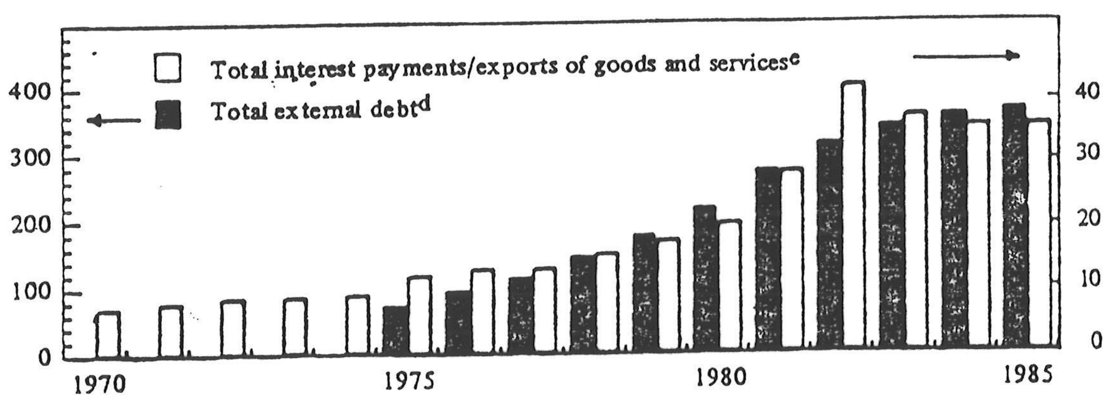


Source: ECLAC, on the basis of official data.

[a] Annual growth rate. [b] 1970-1984: weighted average annual rate for 18 of the 25 most populous cities of Latin America; 1985: weighted average annual rate for the cities mentioned in figure 3. [c] Percentage variation from December to December. Excludes Bolivia.

Figure 1 (Concluded)



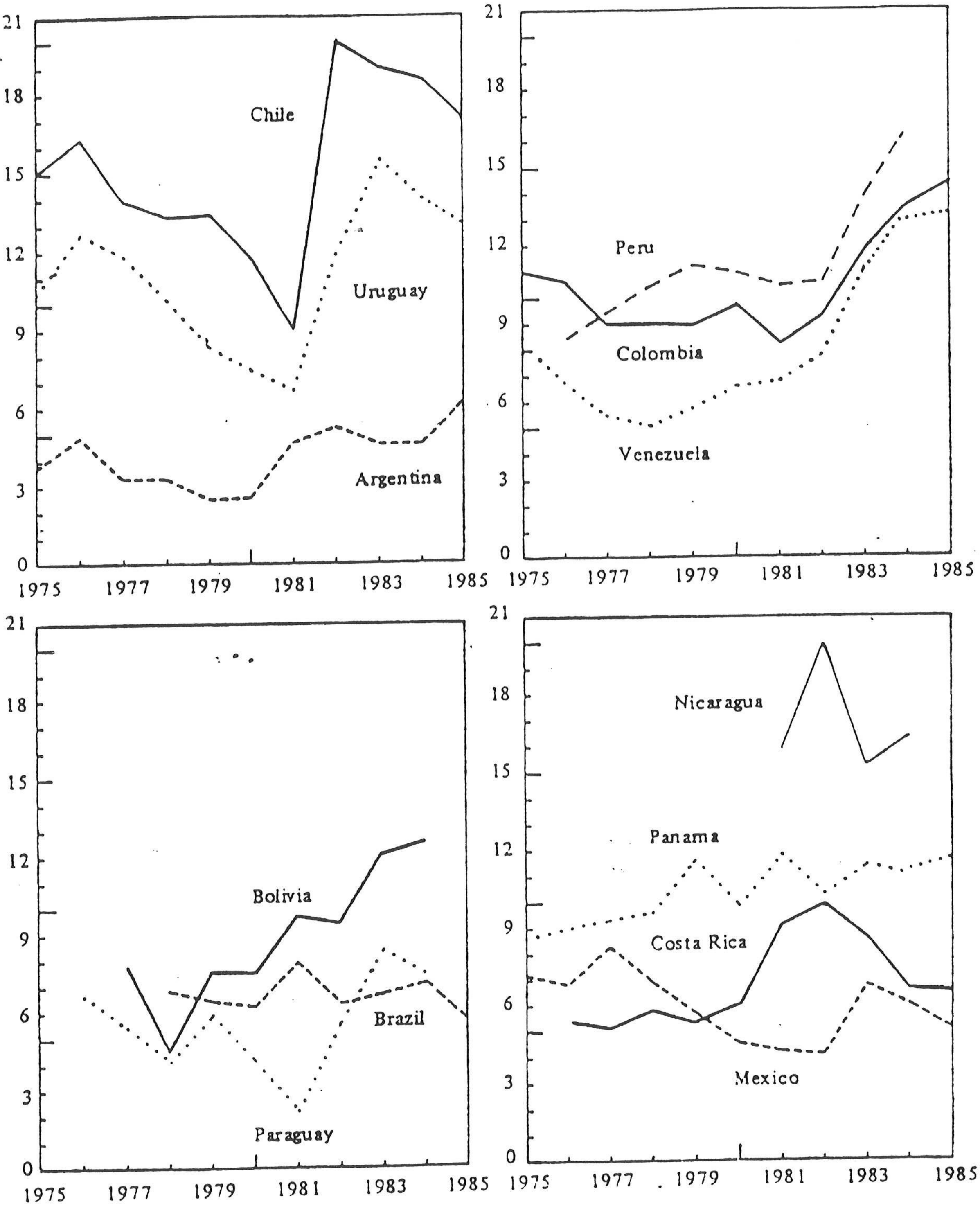


[d]Billions of dollars. [e]Percentages.

Figure 2

LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT IN SELECTED COUNTRIES

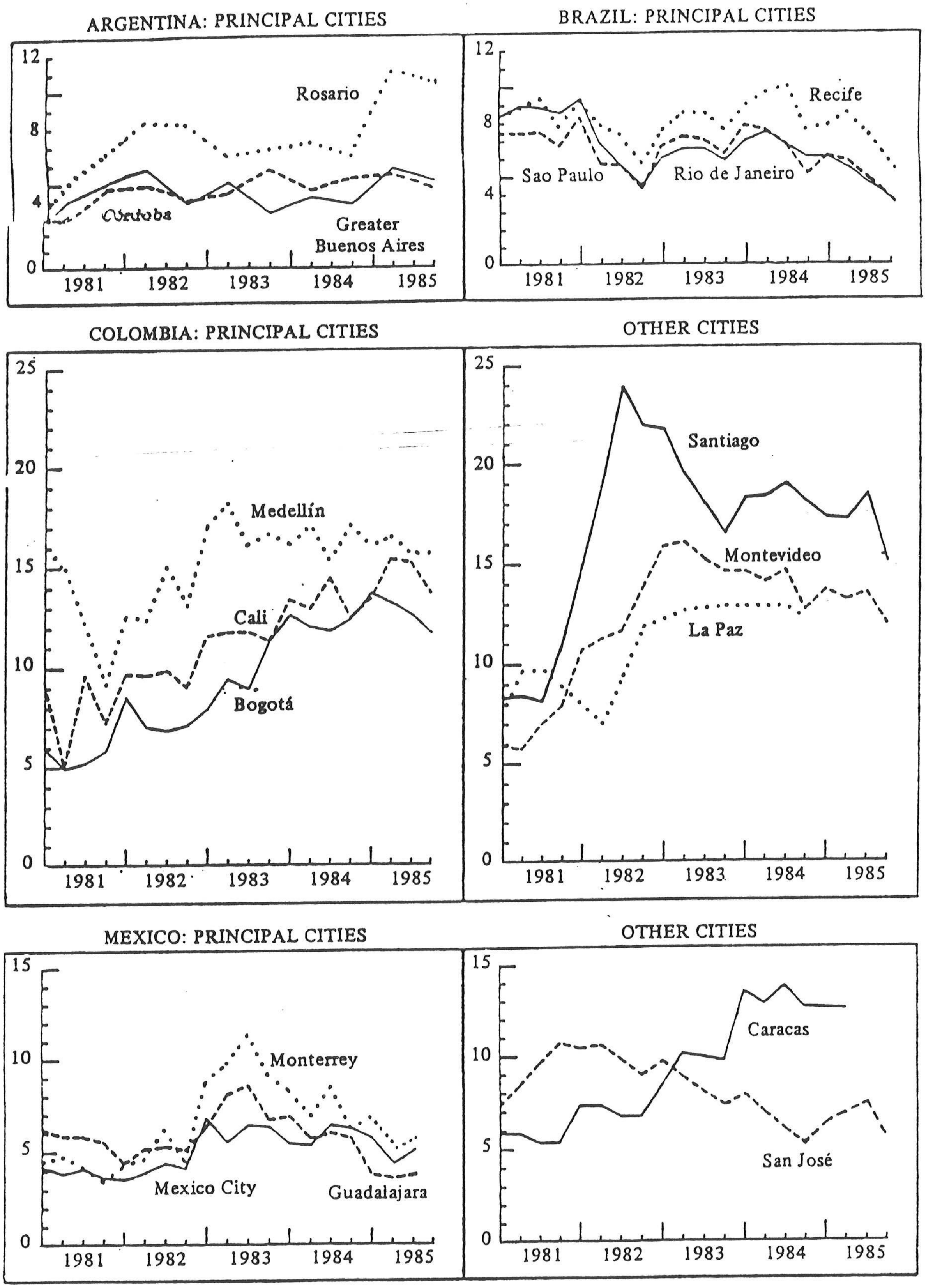
(Annual average rates)



Source: ECLAC, on the basis of official data.

Figure 3

LATIN AMERICA AND THE CARIBBEAN: UNEMPLOYMENT IN SOME PRINCIPAL CITIES

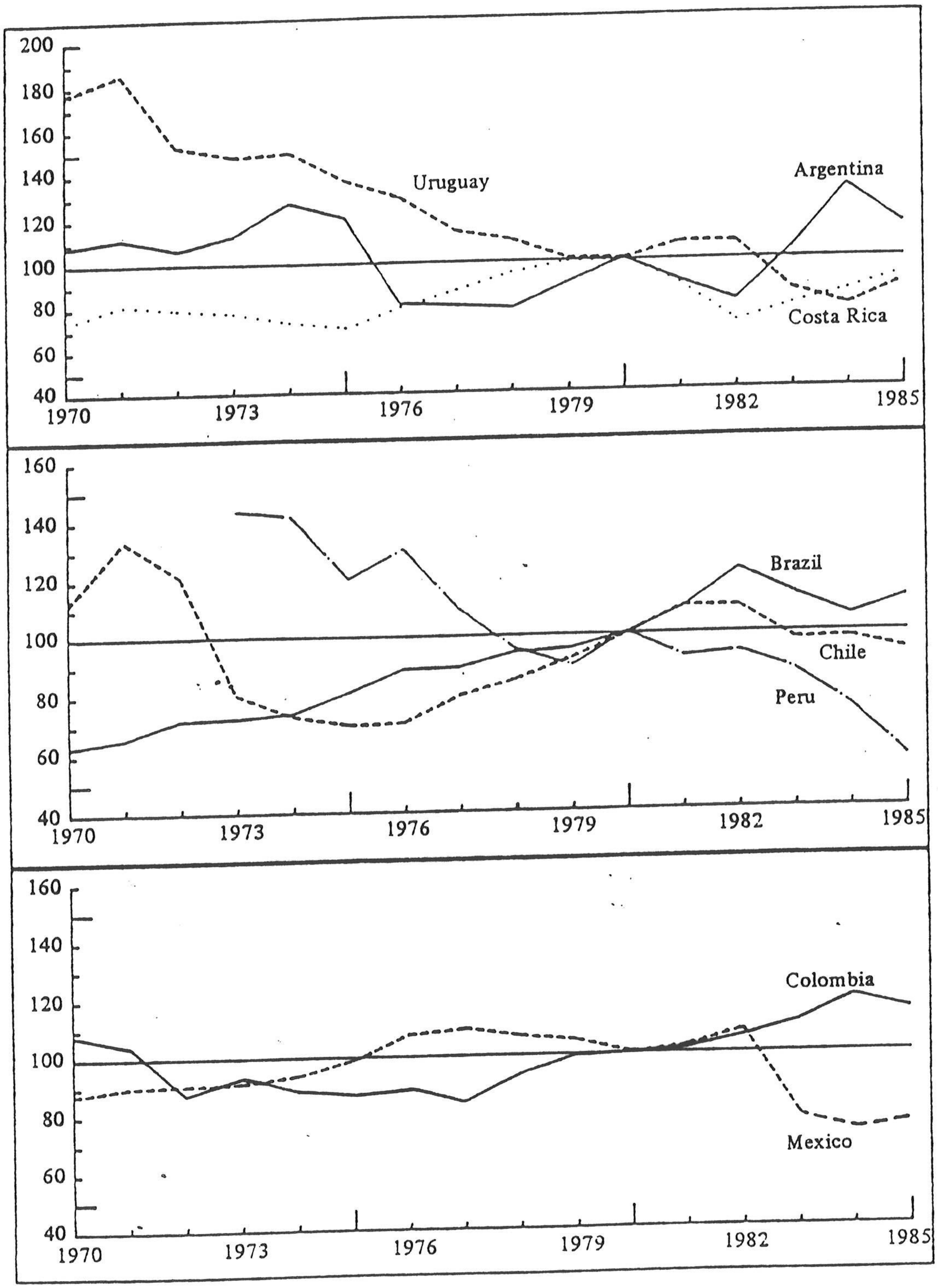


Source: ECLAC, on the basis of official data.

Figure 4

LATIN AMERICA AND THE CARIBBEAN: REAL AVERAGE WAGES IN SELECTED COUNTRIES

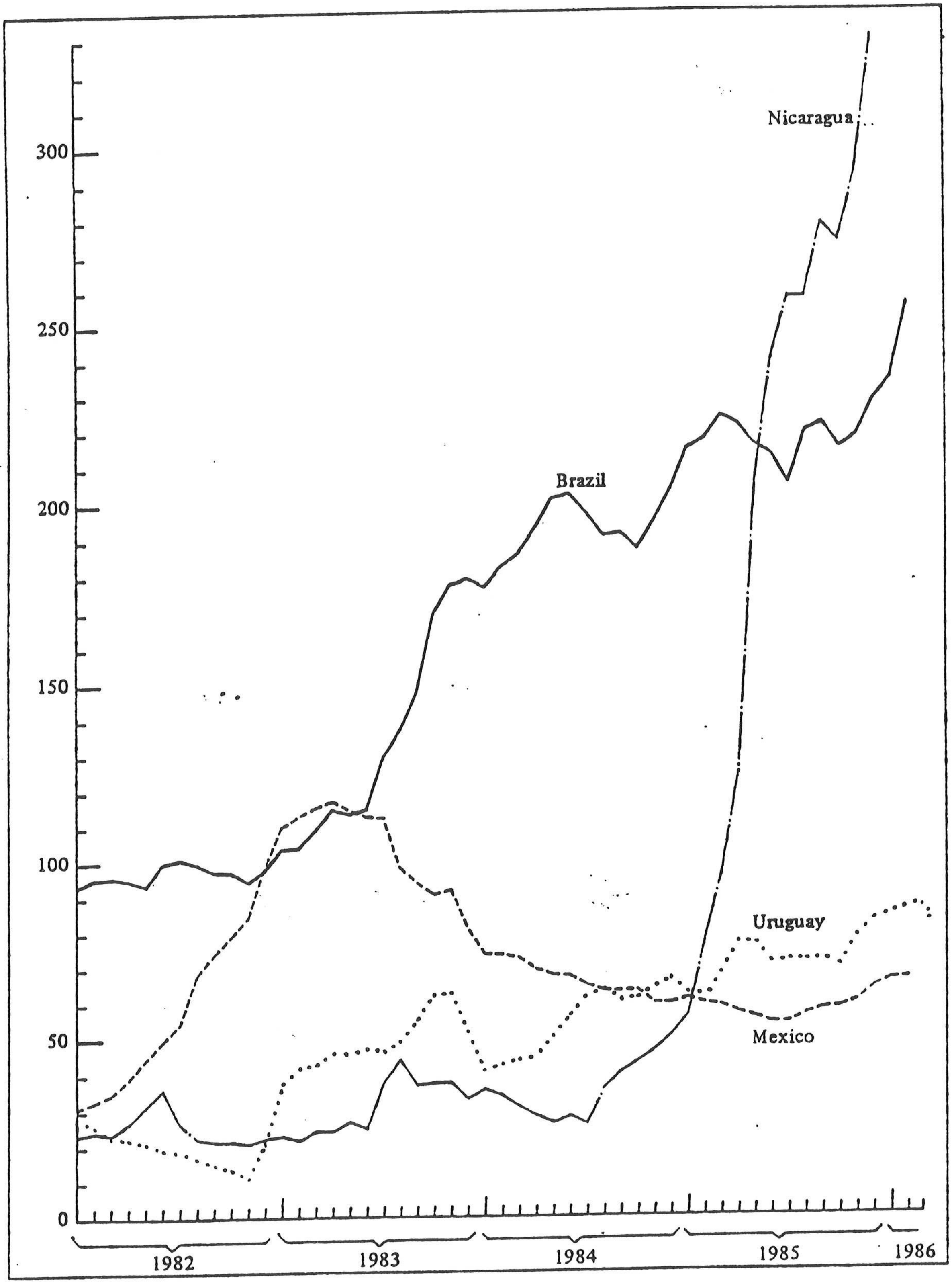
(Indexes 1980 = 100)



Source: ECLAC, on the basis of official data.

Figure 5

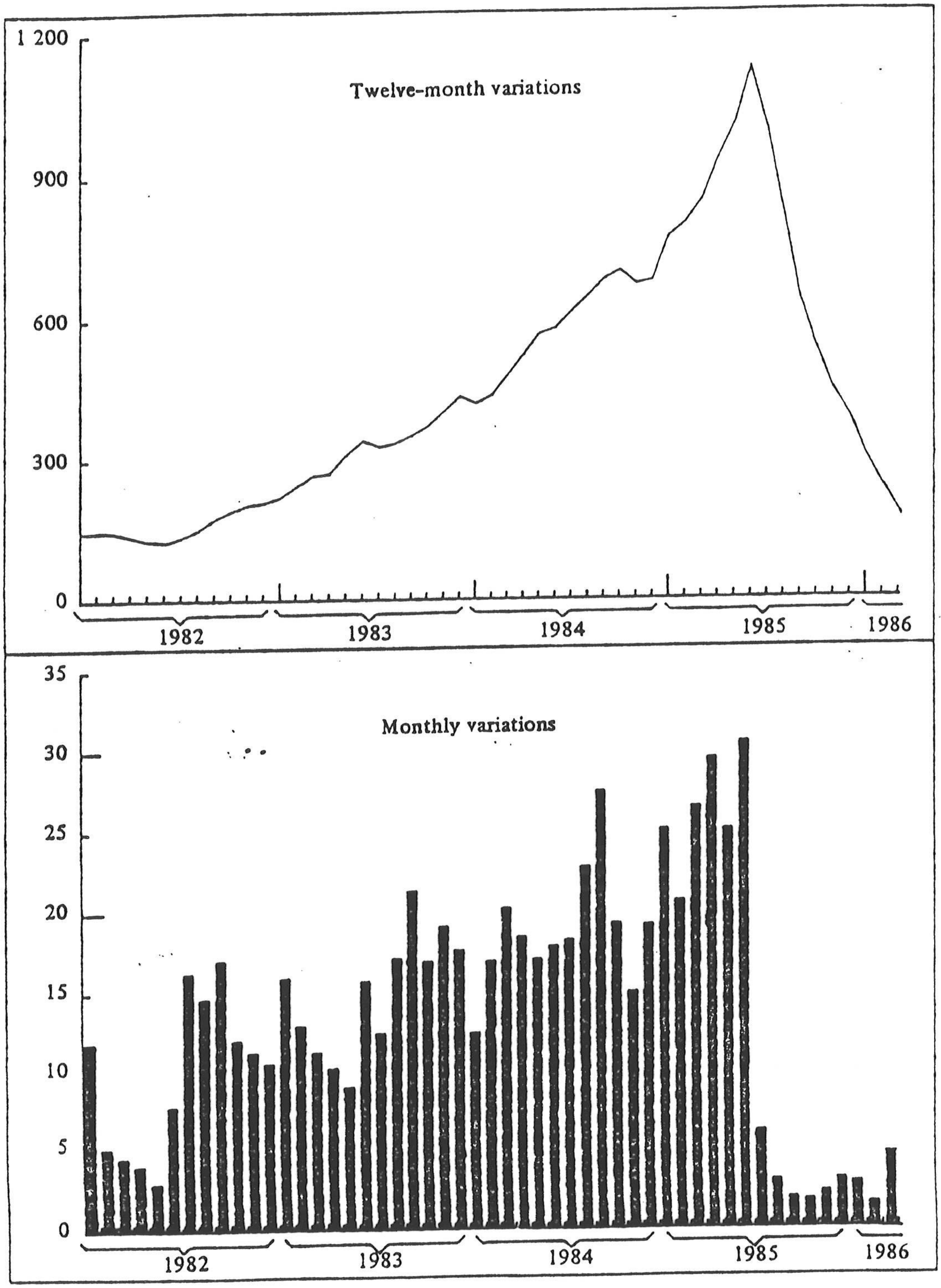
LATIN AMERICA AND THE CARIBBEAN: TWELVE-MONTH VARIATIONS IN THE CONSUMER PRICE INDEX OF SELECTED COUNTRIES



Source: ECLAC, on the basis of official data.

Figure 6

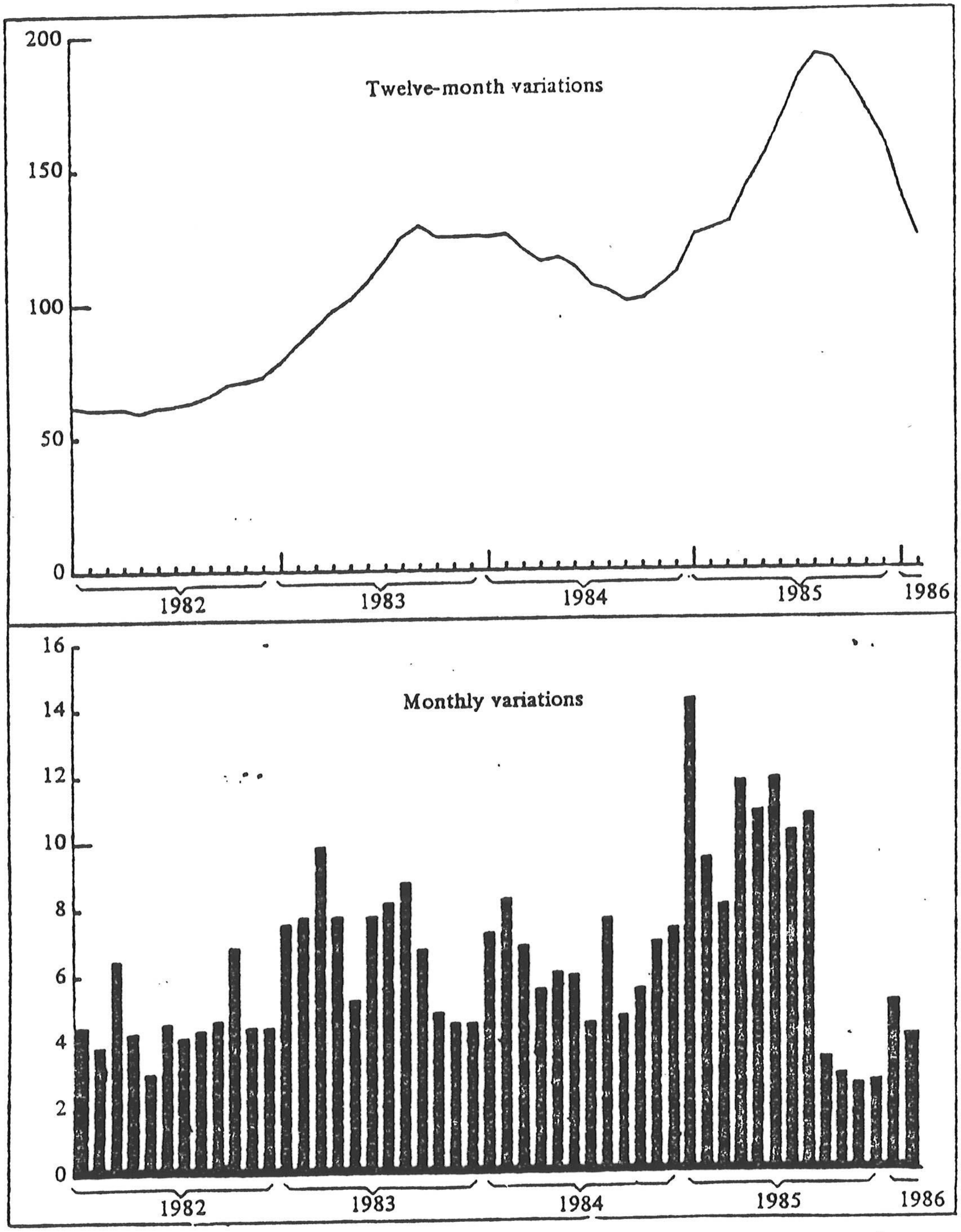
ARGENTINA: CONSUMER PRICE INDEX



Source: ECLAC, on the basis of official data.

Figure 7

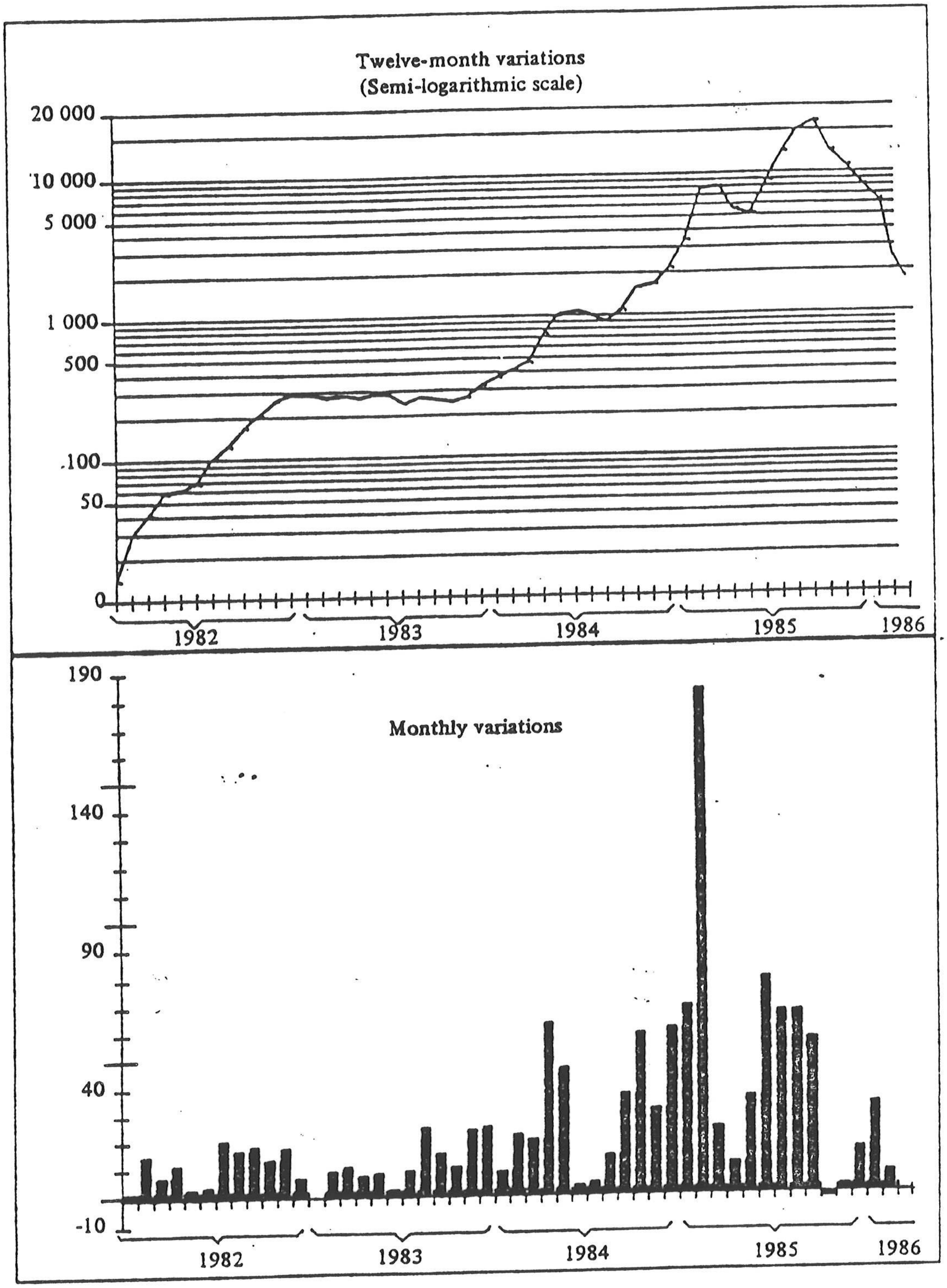
PERU: CONSUMER PRICE INDEX



Source: ECLAC, on the basis of official data.

Figure 8

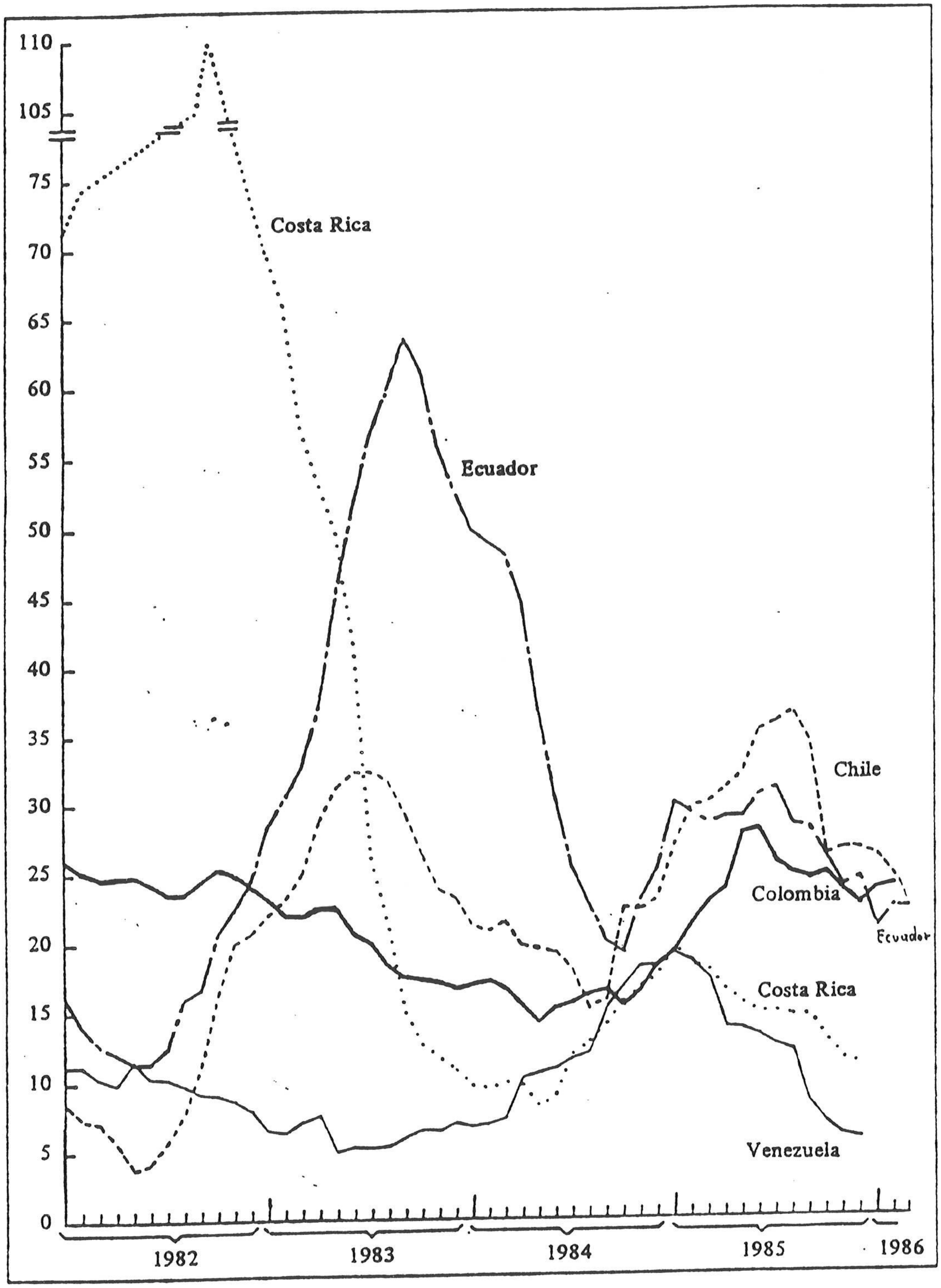
BOLIVIA: CONSUMER PRICE INDEX



Source: ECLAC, on the basis of official data.

Figure 9

LATIN AMERICA AND THE CARIBBEAN: TWELVE-MONTH VARIATIONS IN THE CONSUMER PRICE INDEX OF SELECTED COUNTRIES

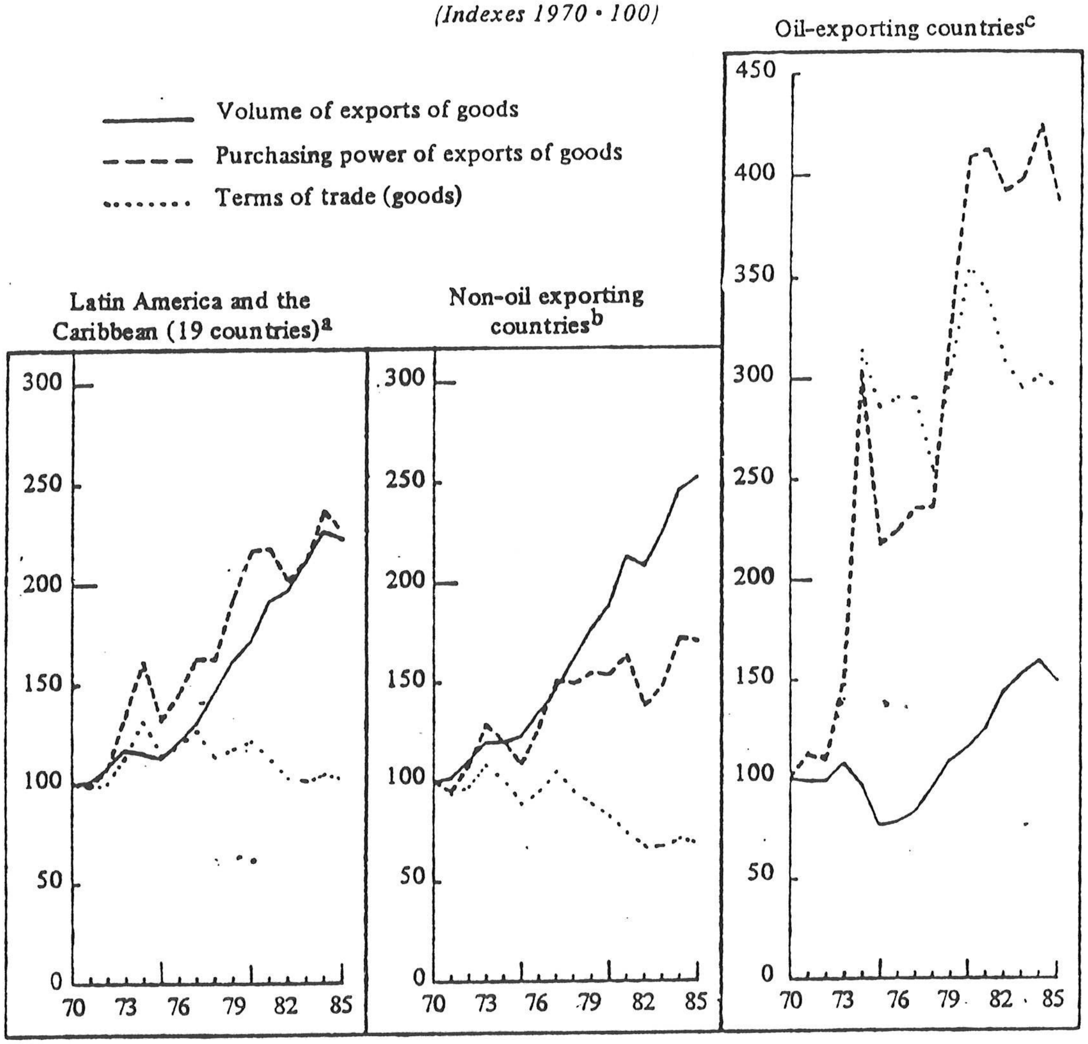


Source: ECLAC, on the basis of official data

Figure 10

LATIN AMERICA AND THE CARIBBEAN: TERMS OF TRADE, VOLUME AND PURCHASING POWER OF EXPORTS (GOODS)

(Indexes 1970 = 100)



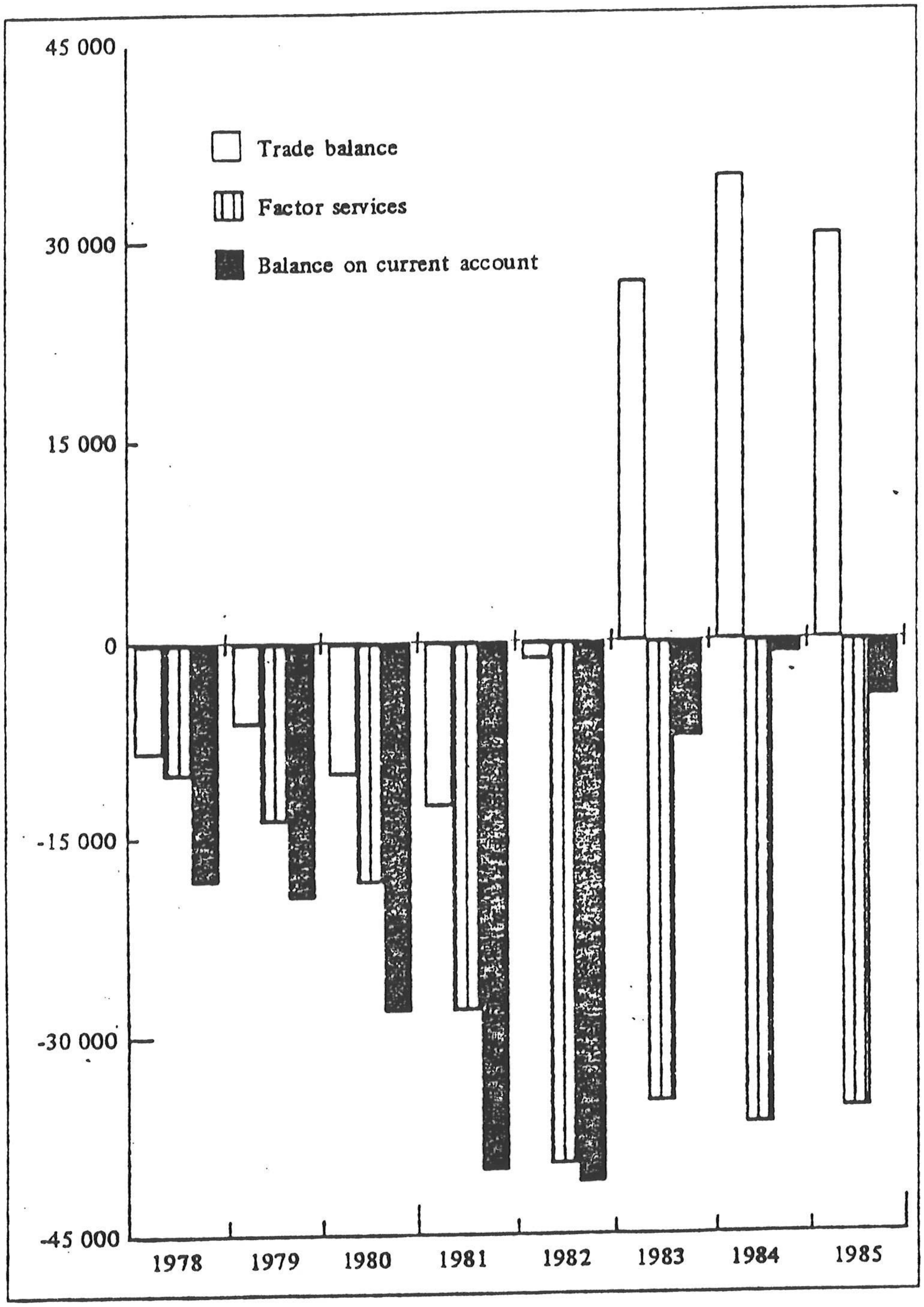
Source: ECLAC, on the basis of official data.

[a]Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela. [b]From 1970 to 1975, includes the following 16 countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay. From 1976 onwards, Mexico and Peru are not included. [c]From 1970 onwards, includes Bolivia, Ecuador and Venezuela; from 1976 onwards, includes Mexico and Peru in addition to those three countries.

Figure 11

LATIN AMERICA AND THE CARIBBEAN: MAIN COMPONENTS OF THE CURRENT ACCOUNT

(Millions of dollars)

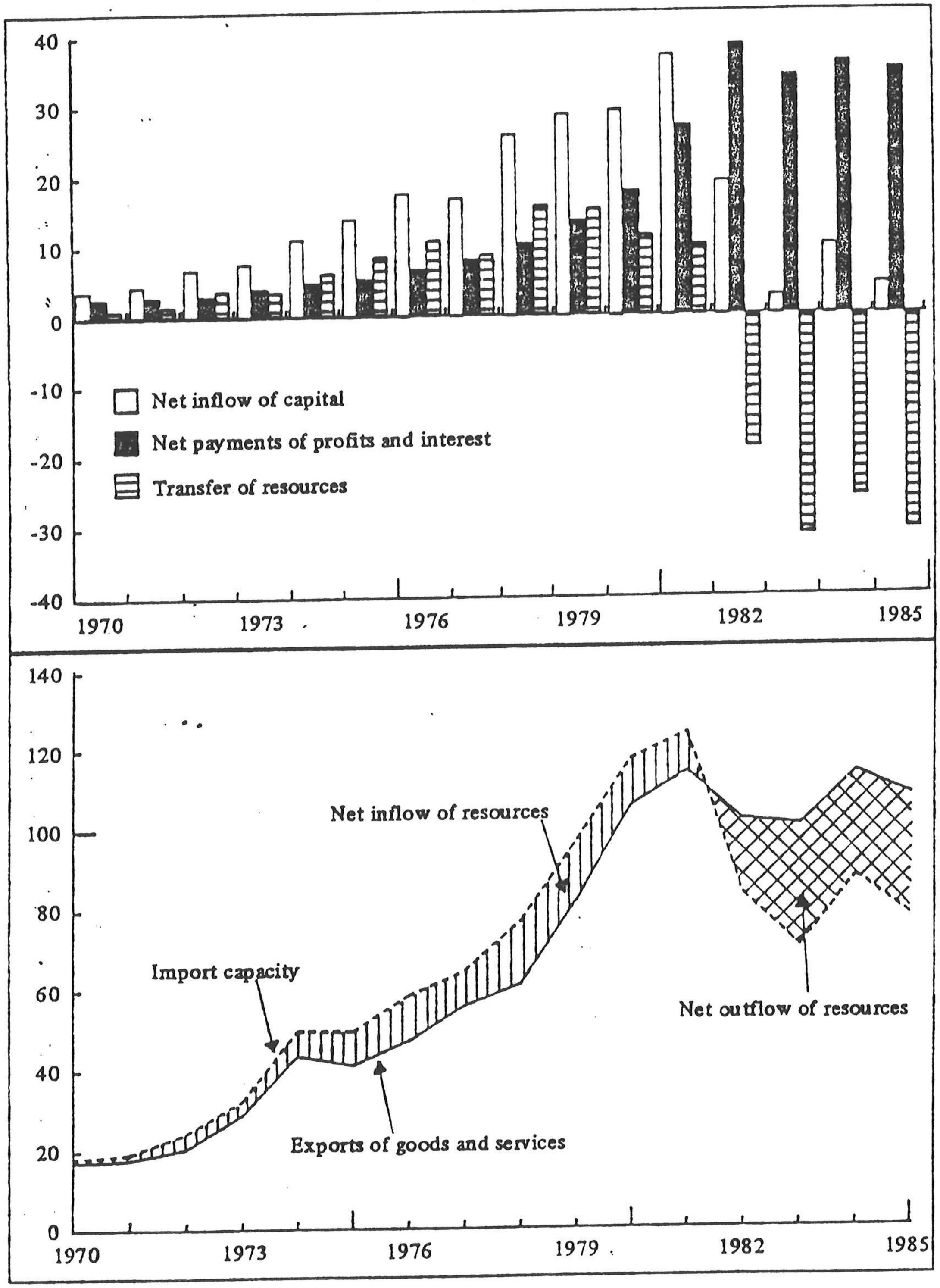


Source: ECLAC, on the basis of data provided by the International Monetary Fund and official figures.

Figure 12

LATIN AMERICA AND THE CARIBBEAN: NET CAPITAL INFLOW AND TRANSFER OF RESOURCES

(Billions of dollars)

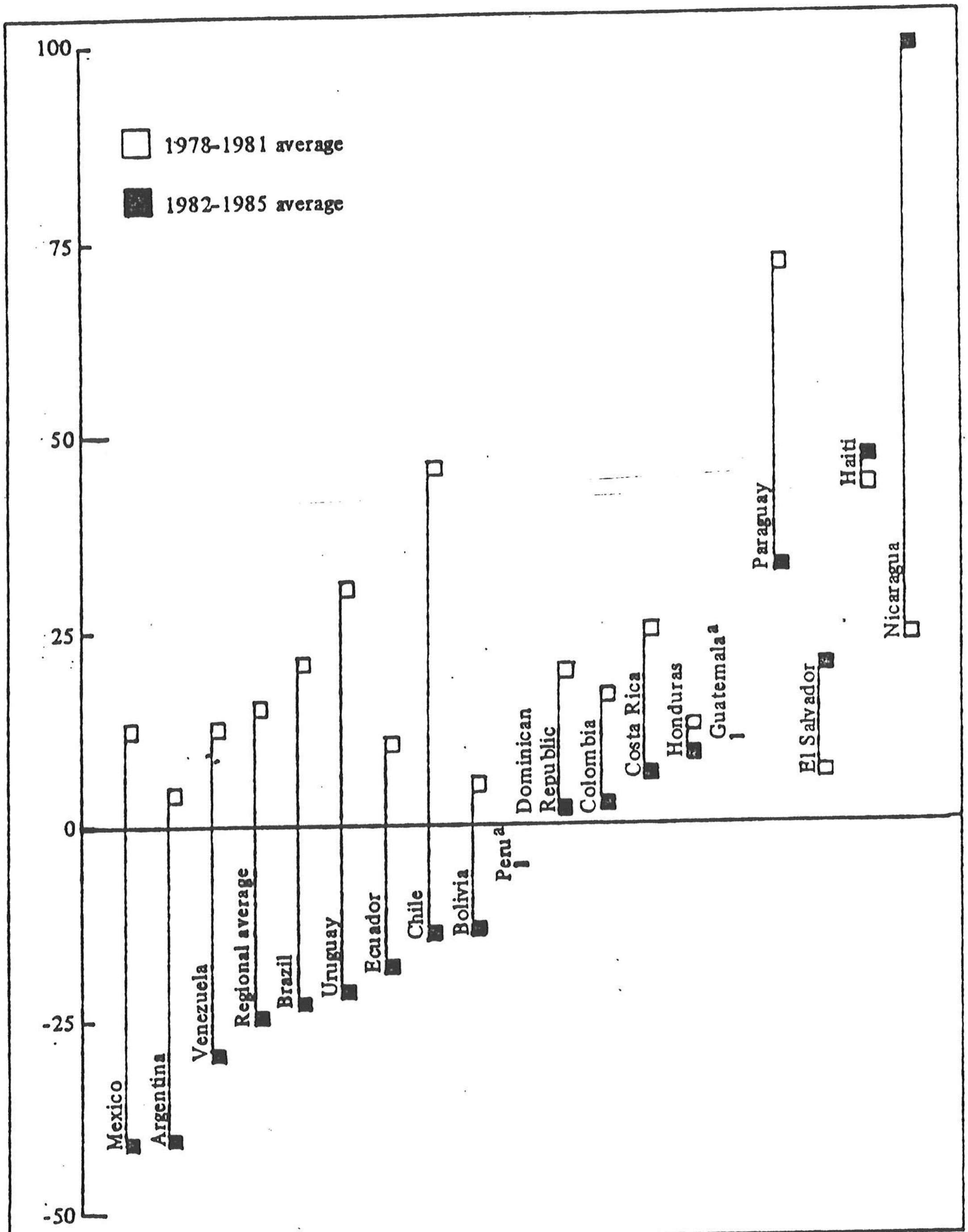


Source: ECLAC, on the basis of data provided by the International Monetary Fund and official figures.

Figure 13

LATIN AMERICA AND THE CARIBBEAN: RATIO BETWEEN THE TRANSFER OF RESOURCES AND EXPORTS OF GOODS AND SERVICES

(Percentages)



Source: ECLAC, on the basis of official data.

[a]Averages are the same for both periods.