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PRELIMINARY OVERVIEW OF THE ECONOMY OF LATIN AMERICA AND THE CARIBBEAN 1989

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I. INTRODUCTION AND SUMMARY

As the 1980s draw to their close under the shadow of the crisis, most of the countries of Latin America and the Caribbean continue to struggle with inflation or seek to consolidate their stabilization efforts against a background of stagnation or even recession, despite the favourable results attained in their efforts to boost their exports.

In 1989, the average per capita product of the region declined for the second year running, falling back to the level already registered in 1977-1978. At the same time, average inflation surged up again for the third year in a row, almost reaching the level of 1 000% for the first time in the history of the region. This deterioration in economic conditions took place even though the region maintained its substantial trade surplus, thanks to a generally modest increase in the value of exports and to the contraction in imports in those countries where the level of activity went down. Despite this considerable surplus, however, there was an increase in the number of countries in arrears with their external debt service commitments.

The general setting of stagnation and high inflation in which the region operated was largely determined by the transfer of financial resources abroad —a phenomenon characteristic of this decade— which amounted in 1989 to some US$25 billion. The poor performance of most of the countries of the region during 1989 —including those of the largest economic size— was particularly strongly influenced, however —as in 1988— either by problems stemming from the upsurge in inflation or by the efforts to combat this, rather than by the shortage of foreign exchange for imports. The inflationary pressures, for their part, mainly had their origin in the inability of the fiscal systems to discharge their essential functions while at the same time keeping up the payments on the external debt. As inflation and a shaky external position mutually sustain each other through exchange rate pressures, 1989 witnessed an increase in the number of countries which were obliged to give up fully servicing their external debt, and indeed, these countries included —for the first time together— three of the four biggest debtors (Argentina, Brazil and Venezuela).

In these circumstances, after eight years of struggling to attain adjustment, stabilization, growth, and the restructuring of their systems of production, groaning under the burden of the external debt, and with little access to fresh external finance, most of the countries of the region continue to display a complex syndrome of structural imbalances, fiscal deficits and low levels of investment, which is reflected in a prolonged period of stagnation, frequently accompanied by high inflation and serious deterioration in real wages.

In short, for the region as a whole the crisis of the 1980s is as bad as ever. As the decade draws to its close, the average per capita product is more than 8% below that of 1980, and the countries have had to bear huge social costs. Indeed, in 1989 there were even serious outbreaks of violence in some countries, the origin of which is to be found at least partly, in the phenomenon just described.

According to preliminary estimates by ECLAC, the gross domestic product of the region as a whole increased in 1989 by 1.1%, which was a little more than the year before, when it grew by only 0.6%, but which was less than the growth of the population, so that the per capita product went down for the second year running, this time by 1%.

The product did in fact actually go down in absolute terms in seven countries, while in 13 others it grew so feebly that their per capita product virtually stagnated or even fell. Significant growth (of more than 2% per capita) was registered only in Barbados, Costa Rica, Paraguay and, above all, Chile (where the per capita product rose by almost 7%). Consequently, the slight improvement in the regional average compared with 1988 was due to the fact that Brazil and Mexico —whose economies account for almost two-thirds of the economic activity of the region— registered a 3% increase in their product during the year: a modest growth rate, but an improvement over the virtual stagnation of the year before.

As already noted, the performance of most of the countries of the region continued to be impaired by inflation or by the stabilization programmes applied in order to control it. Although it is not possible to establish a strict cause-and-effect relationship between levels of inflation and economic growth rates, it is nonetheless true that the biggest drops in the product took place in countries like Peru (-10%) and Argentina (-5.5%) which were on the verge of hyperinflation, or in nations like Venezuela (-8.5%) and Nicaragua (-3%) which are in the midst of stabilization programmes designed to cope with high levels of inflation. High levels of inflation were also crucial in the slow growth of Uruguay (where the product grew by only 0.5%) and the modest performance of the Brazilian economy, while the stabilization programmes which are under way in Ecuador and the Dominican Republic largely explain the modest growth of these countries (0.5% and 3%, respectively) and the fact that low levels of inflation are still in course of consolidation in Bolivia and Mexico was a major reason why their economies grew by only 2.5% and 3%, respectively. In contrast, the only significant increases in the per capita product took place in four countries where inflation has consistently been below 30% per year (Barbados, Chile, Costa Rica and Paraguay).

The massive upsurges in inflation, on the other hand, were eloquent examples of the fatigue caused by the crisis and also of its structural nature. At the end of November, the 12-month figures for inflation had broken new records in Argentina (nearly 4 000%), Peru (almost 3 000%) and Brazil (close to 1 500%). Nicaragua, however, which had registered a rate of inflation of over 30 000% in 1988, managed to bring this down to 3 500% (for the 12 months ending in November), thanks to a drastic stabilization programme. These extraordinarily high rates of inflation were largely due to the inability to control the public deficit —aggravated in some cases by the growing financial burden of high real interest rates on the domestic debt— together with uncertainty about future economic trends and runs on foreign exchange.

Another three countries (Ecuador, Uruguay and Venezuela) had inflation rates of between 50% and 100% per year. In the case of Venezuela, although it is true that the rate of price increases in the 12 months ending in November came to 90% because of the big initial adjustment involved in the new anti-inflation programme, the rate of inflation in the last six months has in fact averaged 2.5% per month. Similarly, as Ecuador's anti-inflation programme has been running longer, the 12-month rate of price increases in that country went down from a peak of almost 100% in March to less than 60% in November. In Uruguay, however, the annual rate of inflation has been creeping up from less than 70% in 1988 to over 80% in 1989.

On the other hand, in 12 countries inflation remained between 10% and a little over 40% per year. Five of them —Colombia, El Salvador, Guatemala, Honduras and Trinidad and Tobago— showed no significant variation compared with 1988. In three countries, however, there was a perceptible increase in the rate of inflation: in Paraguay it went up from 17% to 33% as a result of the freeing and unification of the exchange rate; in Chile it rose from 13% to 21% because of the excessive growth of demand, and in Jamaica the rate went from 9% to 14%, partly because of the impact which the hurricane of the previous year had on the supply of agricultural goods.

At the same time, there were significant reductions in inflation in the Dominican Republic (from 58% in 1988 to 43% this year), in Costa Rica (from 25% to less than 14%), and in Bolivia (from 22% to 16%). The most striking progress, however, was in Mexico, where the severe control of the fiscal sector and the policy of reconciling prices and wages made it possible to bring down the rate of inflation from 52% in 1988 to less than 20% in 1989.

From the foregoing, it can be seen that there has been a marked decline in the number of countries which, until recently, seemed immune to the problem of inflation (especially the Central American nations). Thus, in the present year only three countries of the region (Barbados, Haiti and Panama) registered price increases of less than 10% per year, thus permitting them to be considered as being free from significant problems of inflation.

These conditions of economic stagnation and high inflation were accompanied by an external situation which was less favourable than in the previous two years. Thus, although the value of exports rose by 9%, this growth rate was significantly less than in both 1987 and 1988. Moreover, due to the previous rise in international interest rates, payments of interest and profits for the region as a whole increased by nearly US$4 billion.

In the oil-exporting countries, the growth in their exports (US$5.4 billion) was sufficient not only to cover the increase of US$1.7 billion in factor service payments but also to leave a substantial surplus, equivalent to 10% of their imports, which could be used either to increase the latter or to augment the international reserves. In the case of the non-oil-exporting countries, however, the US$2.5 billion increase in the interest on their debt wiped out most of the modest growth in their exports, so that their ability to increase their imports without drawing down their reserves was severely limited.

In the case of the oil-exporting countries (except Peru), Chile and the Dominican Republic, their increased export value was due primarily to increases in the unit value of external sales, since the prices of petroleum, metals and sugar rose significantly in 1989. In the remaining countries, however, the increases in export value were due above all to bigger export volumes, especially in the five Central American countries, Paraguay and Peru.

The evolution of imports, for its part, was conditioned not only by the amount of growth of exports or by economic reactivation (as the case may be), but also by tariff liberalization or exchange rate lags (as in Mexico and Brazil) and by adjustment and stabilization programmes, which explain the big drops in imports in Argentina (-18%), Nicaragua (-24%), Peru (-31%) and Venezuela (-34%). All in all, imports grew a little less than exports (8%), and as the increase in the value of exports was greater than that of the value of imports, the merchandise trade surplus expanded by nearly US$2.7 billion.

Even so, this bigger surplus still only represented 73% of the net commitments in respect of interest and profits, as these increased because of the prior rises in LIBOR. Consequently, the current account deficit remained around US$11 billion for the third year running. This deficit was covered by a capital inflow of US$13.7 billion, which was much higher than the US$5.3 billion of the year before, although in actual fact the increase in the net inflow of capital into the region was due basically to Mexico and Brazil. Thus, the net capital inflow into Mexico in 1989 represented half of the total net inflow for the region as a whole. This is because, apart from the inflow of resources agreed with the creditor banks, there was repatriation of private capital on account of the attractive domestic interest rates and the climate of exchange stability generated by the agreements. In Brazil, for its part, the heavy outflow of capital (which had amounted to almost US$2 billion in 1988) was checked by the decision to build up arrears on the external debt service and establish stricter controls over foreign-currency operations.

In contrast with the year before —when the countries of the region lost US$5 billion of their reserves— these reserves rose by US$2.5 billion in 1989 because the net inflow of capital into the region was greater than the current account deficit. Likewise, because the net inflow of capital increased faster than payments of interest and profits, the net transfer of resources abroad went down, although it still came to nearly US$25 billion, equivalent to almost 18% of the region's exports of goods and services and about 3% of its gross domestic product. Furthermore, if Mexico is left out of the reckoning, the net transfer of resources abroad by the remaining countries of the region increased from US$17 billion to almost US$23 billion.

The nominal external debt of the region rose slightly in 1989 to some US$416 billion, which meant that in real terms it went down for the second year running, this time by some 5%. On the one hand, the debt tended to go down because of the revaluation of the dollar (in the case of that part of the debt denominated in currencies other than the dollar), the debt/equity swap operations (although these were on a much smaller scale than in 1988), and the decline in the net capital flows from multilateral and bilateral finance agencies. Furthermore, there was only a very scanty inflow of voluntary fresh resources from the commercial banks.

In fact, the biggest source of additional "financing" was the build-up of arrears on the external debt service. Thus, only five of the 19 countries for which up-to-date information is available serviced their debt in full and on time; the other 14 (including three of the four main debtors for the first time together) built up still larger arrears during 1989. Indeed, five countries were even in arrears on their debt service commitments to multilateral agencies.

Owing to the way the balance of payments of the region developed, the debt/exports ratio went down slightly, while the interest/exports ratio increased somewhat. Both these indicators, however, remained at the alarmingly high levels of 315% and 16%, respectively. This means that even after eight years of adjustment, these indicators are still 50% above the levels they registered in 1978-1980, before the debt crisis.

II. MAIN TRENDS

1. Production and employment

The economy of Latin America and the Caribbean remained sluggish in 1989, with a growth in gross domestic product of only 1.1%, slightly higher than the year before, but quite a bit below that recorded in the period 1984-1987. With that, the per capita product declined by almost 1% and thus was somewhat more than 8% less than that of 1980 —when it reached an historical high point— and was equal to the figure for 1978.

Especially influential in that low growth were the sharp drops in the level of activity in Peru (-10%), Venezuela (-8.5%), Argentina (-5.5%), Trinidad and Tobago (-3.5%) and Nicaragua (-3%), as well as in the slow expansion of most of the rest of the economies of the region. The only countries that recorded significant increases in their real product were Costa Rica, Paraguay, some small Caribbean countries and especially Chile, whose economy grew by almost 9%. Brazil and Mexico showed modest growth (3%), although above that of 1988, which explains the slight increase in the growth rate of the region, given that these two countries together generate almost two thirds of the total product of Latin America and the Caribbean (see table 2).

Consequently, the deterioration that has affected living conditions in many of the economies of Latin America and the Caribbean since the beginning of the decade continued to worsen in 1989. Thus between 1980 and 1989, the per capita product fell by 41% in Trinidad and Tobago, 33% in Nicaragua and Guyana, close to 27% in Bolivia, around 24% in Argentina, Peru and Venezuela, between 16% and 19% in El Salvador, Guatemala, Haiti, Panama and Suriname, 12% in Honduras, 9% in Mexico, and 6% in Costa Rica and in Jamaica. The per capita product of 1989 is significantly above that of 1980 only in Cuba (33%), Colombia (14%), Chile (around 10%) and several countries of the Caribbean subregion, such as Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Saint Kitts, Saint Lucia and Saint Vincent (see table 3).

In *Argentina,* the gross domestic product fell by almost 6%, with a decline in manufacturing production —for the third year in a row— of close to 9%, bringing the industrial product to 20% below that of 1986. The inflationary explosion that began in March brought with it a sharp drop in activity, caused both by the depression of the purchasing power of wage earners and by the fact that many enterprises raised selling prices by extremely high precautionary margins and almost completely restricted commercial credit. Beginning with the new stabilization programme put into effect in July, supply tended to become normal, commercial credit reappeared and domestic demand began to recover in some sectors. The agricultural sector also contracted sharply (6.5%), owing to the impact of a long drought that affected a major part of the country. Construction plummeted by 20%, heightening the recessive trend observed the previous year as a reflection of collapsing investment. Overall, the goods-producing sectors declined by 8%, while the real product of services fell by 4%. Also, because of this serious recession, urban unemployment increased from 6.3% in 1988 to 8% in 1989.

In *Peru,* economic activity continued to contract (by 10%, added to the almost 9% drop the year before), as a consequence of the flare-up of inflation. On the one hand, this situation reduced real wages by around 50% during this year, which had a severe impact on private consumption. On the other hand, it generated uncertainty, instability and social unrest, which led to a shrinking of investments. External demand, however, managed to partially mitigate the negative effects of the domestic factors on production, despite the labour difficulties experienced in fishing and mining. This second year of recession once again had its strongest repercussions on manufacturing and on construction, which after recording their lowest level of production between April and May, began slowly to recover from the beginning of the second half of the year onward, owing to measures aimed at reactivating economic activity. In general, production was affected by frequent terrorist attacks, especially due to the interruptions in the supply of electricity. In addition to the recession in urban activities, the agricultural sector contracted, after having grown steadily during the last six years. Credit limitations and the sudden increase in the price of inputs at the time of planting resulted in this decline. Only fishing production, basically for export, recorded growth, thanks to a greater availability of marine resources.

Venezuela's economic activity dropped by 8.5%, after three years of 4% annual growth. Domestic demand contracted even more, both in consumption and in investment. Moreover, the decrease in production was widespread, affecting almost all sectors. The main cause of this recession was the launching, from February onward, of a severe adjustment and stabilization plan, aimed at reducing the macroeconomic imbalances brought on by the sustained expansion of domestic demand during the previous years. The large price adjustments and the marked increase in the cost of credit due to the adjustment programme, together with the heavy advance buying during the year before, contributed to a virtual collapse of domestic demand. Productive activity was also negatively affected by the pronounced rise in the cost of imported inputs, the elimination of several subsidies to enterprises and the near paralyzation of public investment. Construction and manufacturing were the most affected sectors, especially the automotive industry, where production almost completely stopped. Agriculture, even though continuing to benefit from preferential interest rates and subsidies for the purchase of fertilizers, also contracted markedly, a reflection of both the negative expectations of producers and the impact of unfavourable weather conditions. Only the petroleum industry and some branches of the mining and metallurgical industries more oriented to supplying external demand, were able to maintain their levels of activity in 1989. Petroleum activity was particularly favoured by the increase in Venezuela's quota in OPEC and the rise in the price of crude in the international market. To soften the recession's impact on employment levels, a decree was promulgated prohibiting lay-offs up till November, the month in which a programme of temporary work was initiated, employing 170 000 persons in socially-oriented construction projects. Even so, the rate of open unemployment climbed from 7.5% at the end of 1988 to 9.7% in the first half of 1989.

In spite of the jump in inflation, gross domestic product grew by 3% in *Brazil,* a recovery with respect to 1988, a year in which there was a slight drop. This improved performance is partially associated with the attempt of the economic agents to protect themselves against probable losses of assets by buying goods to cover themselves from the persistent decline of the national currency. Growth of the product was based on a strong expansion in construction (almost 8%) and, to a lesser extent, services (3%) and manufacturing (2.4%). Agriculture, in turn, grew only slightly, owing to the unfavourable evolution of agricultural prices and the bottlenecks caused by the low levels of investment in the sector in recent years. Industrial growth, although modest, indicated a recovery compared with the fall recorded in 1988. During the last months of that year, a recession in manufacturing activity appeared, as a consequence of the drop in real income, due to the sharp price rises that took place in anticipation of a new freeze. Demand was even further weakened by the Summer Plan, owing to the rise in real interest rates. In April, however, a change of direction in industrial activity emerged, stimulated by a rise in demand of businesses in order to restock inventories. In March, when the monetary authorities reduced interest rates, funds accumulated by individuals in the financial system were directed toward the purchase of goods. The positive trend in the demand for goods held up after the Summer Plan was dropped, since the new wage policy established in June made it possible for workers to maintain their real income. Notwithstanding, demand weakened once again during the last months of 1989, mainly due to the sharp acceleration of inflation and the uncertainty with respect to the future economic policy.

The return to economic growth, together with the control of inflation and the transfer of less resources abroad, was one of the basic characteristics of the evolution of the economy of *Mexico* during 1989. Gross domestic product climbed by 3%, with a rising trend as the year progressed, causing the per capita product to increase somewhat after three years of decline. That happened largely because of the favourable expectations resulting from the stabilization strategy, which in turn served as the basis for the negotiations to reduce the burden of the external debt. The agreement reached with the creditor banks was decisive for economic recovery, inasmuch as it made it possible, besides facilitating the increase in imports necessary to expand external trade, to attract more foreign investment and to induce the return of Mexican capital. Private investment —foreign and national— turned out to be the agent that stimulated economic activity, despite high domestic interest rates, since public investment remained limited for budgetary reasons. Domestic consumption also showed signs of a slight recovery. However, the various sectors displayed marked differences in their trends. Thus the deepening agricultural crisis stands out in this respect, as a lack of incentives to producers and poor weather conditions adversely affected production. Mining activity, for its part, continued to decline. Manufacturing, on the contrary, recovered sharply, growing by 7% despite lower tariffs. The most dynamic subsectors were those oriented towards the exterior, such as the in-bond assembly plants and capital-goods production. Construction, on the other hand, which had been sunk in a prolonged recession, recovered slightly. The economic recovery generated more employment, bringing down somewhat the urban unemployment rate.

Colombia reduced its growth rate to 3%, with the per capita product increasing by only 1%, less than half the average annual growth recorded during this decade. This decline, after several years of satisfactory performance, was in response to the restrictive policy put into effect at the beginning of the previous year to slow down inflation. The situation was also made much worse by the problems of public disorder associated with the struggle against the illicit drug traffic, which created a climate of uncertainty and had negative repercussions on investments. The restrictive policy had a strong impact especially on industry and construction, sectors that showed very low growth in 1989. The growth rate for most of the industrial branches, which had begun to slacken in the second half of 1988, was negative or below that of the previous year. Only export activities showed a favourable evolution, and external sales offset the reduction on the domestic market. Construction was seriously affected by the restrictions imposed at the beginning of the year on the operations of savings and housing institutions. The agricultural sector, in contrast, showed a more favourable evolution (5%) than the year before, which made it possible to mitigate the negative impact on real income caused by the recession in industry and construction. Mining grew sharply (10%), thanks to the expansion of the production of petroleum, gold and coal. Petroleum production, however, continued below capacity, as a consequence of the attacks against the pipeline and its terminal. The recession in industry did not significantly affect employment, since the enterprises did not begin to reduce permanent personnel, owing to the high cost that action implies. Indeed, the unemployment rate dropped from 11% to less than 10%.

Bolivia grew by 2.5%, continuing the moderate recovery begun in 1987. Nevertheless, the per capita product declined slightly. The performance of the different sectors was very uneven. Mining acquired a new impetus, due to the rationalization of many mining establishments, a growing dynamism in exploiting new minerals, and a relative improvement in international prices. Construction continued its solid recovery (11%), although it remained below the levels attained before the crisis. Agricultural activity, on the other hand, shrunk by some 1.5%, mainly due to the drought which led to smaller harvests than in the previous season for rice, maize and cotton. Soya, however, expanded significantly, owing to an increase of area planted, stimulated by the high prices currently on the world market.

In *Ecuador,* gross domestic product increased by 0.5%, after recovering significantly by 17% in 1988, when petroleum transportation was re-established after having been affected by the earthquake of 1987. In 1989, the petroleum sector contracted by around 6%, after a strong expansion the previous year, because the government decided not to use all of the export quota that OPEC had assigned to it, in order to maintain petroleum reserves. Non-petroleum activities continued to grow slowly (2%). The agricultural sector retrogressed somewhat and industry and construction remained depressed, in response to the restrictions imposed on aggregate demand and to the decline in real wages. Services, on the other hand, recorded an acceptable rate of expansion.

In *Uruguay,* the economy barely grew in 1989 (0.5%), remaining virtually stagnant as in the previous year. That took place within a highly unstable subregional context, the adverse effects of which were added to those of a persistent drought, which affected a good part of the country throughout most of the year. The instability of the neighbouring economies greatly conditioned the Uruguayan economy, with periods of favourable conditions alternating with highly negative situations. Thus after having obtained satisfactory income from tourism —mainly from Argentina— the terms of trade with that country deteriorated rapidly up to the middle of the year, owing to the pronounced decline of the austral on the open market, leading to a large volume of contraband and border purchases which offset previous earnings. The terms of trade with Brazil deteriorated in the area of services and border trade, due to the greater gap in exchange rates in that country, but was very favourable for Uruguay in the goods trade recorded. This allowed for counteracting the adverse effects from the exchange-rate gaps of both neighbouring economies. The increase in the product originated in the services sectors and construction, which showed a strong expansion (10%). On the other hand, the drought caused significant declines in agricultural production and in the generation of hydroelectricity. Manufacturing maintained its overall level of production, although with disparate performances between branches; thus the production of processed foodstuffs increased, on the basis of a higher level of slaughter of cattle, while the stagnation of private domestic demand negatively affected some of the remaining activities. The rate of unemployment, for its part, fell slightly, continuing the decline observed since 1985.

In *Chile,* economic activity displayed exceptional growth. Gross domestic product grew by 8.5%, with the per capita product surpassing for the first time, and by a considerable margin, the high point reached before the crisis of 1982-1983. Expansion was widespread. Thus, industry increased by almost 10% and fishing, commerce and transport even more. Mining and construction also grew at very high rates, while agriculture increased by only 3%, owing to the drought that affected several productive zones for long periods of time. With this expansion, the Chilean economy achieved its sixth year of recovery and growth, stimulated by a sharp rise in domestic demand, as well as by higher export earnings. The huge expansion of domestic demand was due to a notable recovery of private-sector expenditures, both in consumption and in investment. Influential in this was the sustained growth of economic activity, which had progressively raised the expectations of secure earnings on the part of many economic agents, the beginning of some large investment projects (in mining and the paper and paperboard industries), the delayed effect of the expansionary monetary policy of 1988 and the growth of employment. The expansion in fixed investment was notable (16%), continuing the solid recovery of the last few years. The employment situation improved as a result of the growth of economic activity, with the unemployment rate in the metropolitan area having dropped from 10.2% in 1988 to 7.5% in 1989.

The gross domestic product of *Paraguay* grew by around 5.5%, based mainly on a strong expansion in agriculture, mining and manufacturing. Agriculture enjoyed once again favourable conditions for production, in addition to an increase in area planted for the principal export products (cotton and soya). Moreover, wheat production continued to grow in such a way that this year it not only supplied the local market, but also was able to export a surplus to Bolivia. The liberalization of the exchange rate decreed in February contributed to this growth of production for export.

The economic performances of the Central American countries showed a good deal of disparity among them. Thus, Costa Rica had an outstanding performance with a 5% growth, and Guatemala continued to grow at 4%, while Honduras showed less growth (2.5%). In contrast, recession continued in El Salvador and Nicaragua, with the result that the levels of real product remained 6% and 10% respectively below the levels reached at the beginning of the decade.

The high growth rate of *Costa Rica* was due to the remarkable expansion of the construction sector, the sustained increase of agricultural production and the continuing dynamism of non-traditional agricultural products for export and the in-bond assembly industry. In spite of the unstable subregional situation, gross capital formation also rose, easily recovering from the contraction observed the year before. Thanks to that favourable development, the unemployment rate dropped, although slightly. *Guatemala's* growth was mainly due to the sustained expansion in construction, which recorded an increase of 16% in 1989, stimulated by the strong and continuous growth in gross capital formation. Agricultural production accompanied the expansionary trend to a lesser extent, while industrial activities continued their natural growth. *Honduras's* economic activity decelerated in 1989, causing a negative variation in the per capita product. The October floods damaged zones that produce bananas and some non-traditional export products. To that was added the unfavourable effects of the drought in the centre and south of the country which affected the first harvests of the basic grains.

The recent deepening of the military conflict in *El Salvador,* which for several weeks largely paralyzed industry and services, especially in the capital, contributed to heightening the economic recession in circumstances in which the level of activity was already recording a slight reduction, due to the fall in exports —as a consequence of the lower volume of coffee exported— and the reduction of gross capital formation in both the public and private sectors. Manufacturing declined, despite the fact that sales to the Common Market picked up again during the year. Also the agricultural and construction sectors remained in a state of stagnation, following the serious decline of the year before. *Nicaragua's* gross domestic product fell once again, this time by 3%. This was due to the sharp drop in construction (-15%) and in manufacturing (-8%), affected by the contractive measures adopted to confront runaway inflation, in the context of the serious economic and political crisis that the country has suffered from for years. Agriculture, in contrast, grew by 5%, which allowed for improving the supply of some foodstuffs to the population and increasing exports.

After the collapse recorded in 1988, *Panama's* economic activity stagnated at that low level, as a consequence of the political conflicts, originated in the international sphere the previous year, which continued having a negative impact on the country. The sector most affected was construction, whose sharp drop (-17%) followed the slump of 1988, when it plummeted by around 25%. In contrast, manufacturing recovered partially (10%).

The evolution of economic activity was also generally unsatisfactory in the bigger countries of the Caribbean, even though there were important differences among them. *Cuba's* economic activity increased less than in the previous year (1.5%), with the overall per capita social product stagnating. Added to the enormous difficulties of external financing in freely convertible currencies, which had been present during almost the whole decade, were new problems in the productive sphere, in large part owing to the fact that the reforms taking place in several socialist countries in Europe have hindered the normal regularity, timeliness and quantity of the supply of materials and equipment from that area. For its part, the gross domestic product of *Haiti* remained stagnant, reducing the per capita product. The two key sectors of the Haitian economy —agriculture and subcontracting— declined, while industry and construction slightly increased their levels of activity. For its part, the *Dominican Republic* grew by almost 3%, somewhat higher than the previous year. This recovery was basically due to the sharp expansion in domestic credit to the private sector and to the huge increase of activities in the free zones.

Very disparate situations were recorded in the Caribbean member countries of CARICOM. On the one hand, the gross domestic product of *Trinidad and Tobago,* the largest economy of the subregion, fell by almost 4%. Construction, commerce and most of the services had an unfavourable performance and were responsible for the fall in the level of activity. In contrast, petroleum and petrochemical activity expanded somewhat and agriculture recovered from the low levels of the year before. *Jamaica,* in turn, recorded a growth of only 1% of its real product, as a consequence of the damage produced by Hurricane Gilbert to agricultural supply. On the other hand, construction, mining and manufacturing continued to evolve favourably. *Barbados* also showed a growth of around 3%, thanks to tourism, construction and manufacturing (electronic products, chemicals and wooden furniture). In contrast, the sugar industry plummeted. Finally, most of the remaining small Caribbean States continued the expansionary trend of the last several years in their level of activity.

2. Inflation and wages

Inflation surged in 1989 for the third year running. Although it rose in 12 of the 22 countries for which information is available, only eight experienced rapid accelerations, while in six there were significant drops in the inflation rate, and in the remaining eight the variations were slight (see table 5). However, since the most significant accelerations generally occurred in the most highly populated countries, the average increase in consumer prices weighted by population accelerated from an unprecedented 760% in 1988 to nearly 1 000% in 1989, with generally negative effects on real wages (see table 6).

Four countries suffered runaway inflation, with four-digit rates. The highest was that of Argentina, where the annual price increase soared from 390% in 1988 to a record 3 700% for the 12 months ending in November; this figure was largely determined by the uncontrolled rates in the first half of the year, prior to the implementation of the new stabilization programme (see figures 4 and 5). Inflation also reached record highs in Peru and Brazil of nearly 3 000% and 1 500%, respectively. On the other hand, in Nicaragua, where hyperinflation had soared to 34 000% by the beginning of 1989, the Draconian stabilization programme set up early in the year managed to hold the average price variation down to around 10% monthly during the second half of the year. However, because of the sharp increases during the first quarter, prices rose by 3 500% in the 12 months ending in November.

Inflation rates of 50% to 100%, which are considered unsustainable on the basis of historical patterns, persisted in three other countries (see figure 6). Although the annual price increase has risen above 80% in both Uruguay and Venezuela (a historical maximum in the case of the latter), monthly rates have been coming down in Venezuela after an initial surge caused by the deregulation of prices as part of the stabilization programme early in the year. On the other hand, the inflation rate in Uruguay showed a clear upward trend. At the same time, the Ecuadorian anti-inflation programme initiated in August 1988 was able to lower inflation from 86% in 1988 to monthly rates of approximately 2.5%, with an increase of 60% in the last 12 months.

The annual price increase was between 10% and somewhat over 40% in 12 other countries (see figures 7 and 8). Although these are relatively moderate rates in the regional context, they mean that inflation has been persistent in some countries which have recorded stable rates until this decade (including Costa Rica, El Salvador, Guatemala and Honduras). There were significant accelerations in three of these countries: Paraguay, from 17% to 29%, Chile, from 13% to 21%, and Jamaica, from 9% to 14%. Four countries experienced sizeable decelerations: Bolivia, from 22% to 16%, Costa Rica, from 25% to 14%, the Dominican Republic, from 58% to 43% and Mexico, in particular, where the inflation rate for the past 12 months was 18%, compared to 50% in 1988 and more than 150% in 1987 (see figure 6). There were no marked changes in the rate of increase in prices in the other five countries: Colombia (27%), El Salvador (21%), Guatemala (15%), Honduras (11%) and Trinidad and Tobago (11%).

Lastly, prices increased only slightly in three countries which have traditionally had inflation rates similar to the international rate, namely, Barbados, Haiti and Panama.

Three large-scale stabilization programmes were implemented in 1989: in Nicaragua and Venezuela at the beginning of the year, and in Argentina at mid-year, while the programmes initiated the previous year in Ecuador and Mexico were further improved. Price increases dropped from more than 100% per month to less than 10% per month in Argentina and Nicaragua (although in the former, prices rose again in response to the new adjustment in mid-December); they also dropped to 3% or less monthly in Ecuador and Venezuela; and in Mexico, the inflation rate has been 1.5% monthly for the past 12 months.

During the first half of 1989, a veritable inflationary explosion occurred in *Argentina*, which brought the rate of price increases from 390% at the end of 1988 to a record high of nearly 4 000% in August 1989. The year began with rates lower than 10% monthly. However, from February onward irresistible pressure was exerted on the exchange rate, resulting from the fiscal and external imbalances that had been building up, and from the increasingly volatile expectations about the coming elections. The considerable loss of reserves produced by the rapid flight of domestic assets to foreign currency led to explosive increases in the exchange rate. This virtually uncontrolled surge in the exchange rate —by between 12 and 25 times the original rate in the first half of the year— brought on an acceleration of prices, and hence the monthly price increase reached 33% in April, 79% in May and 115% in June. This runaway inflation led to a contraction in real holdings of money, a collapse in real transactions, a sharp drop in economic activity and a collapse of real wages (which fell by more than 20% in the first half of the year).

At the beginning of July the new authorities announced a stabilization programme based on the following: a) reduction of the fiscal deficit in the short term by raising public rates by up to 600%, the continued shrinkage of wages and public investment, the suspension of 50% of the tax benefits for industrial promotion enterprises and of the reimbursement of export subsidies; b) the announcement of more permanent measures for restructuring the public sector, including tax reform and the privatization of a broad range of public enterprises; c) the fixing of the exchange rate, after a sharp initial adjustment of 116%; and d) negotiation of a price agreement with a group of large enterprises, under which these enterprises would maintain their prices for 90 days, following a considerable initial adjustment, while the wage increases negotiated by collective bargaining would be monitored so that they did not exceed the limits set by the government.

Despite the enormous initial increases that resulted from these measures (200% in July and, because of statistical lag, 38% in August), the programme brought about a favourable change in expectations. The nominal interest rate fell immediately; the gap between the parallel and official exchange rates was eliminated; the liquidation of foreign currency was accelerated, which made it possible to build up reserves again; and the monthly inflation rate fell to 9% in September and around 6% in both October and November. However, the perception that tax reform was controversial, and the uncertainty about whether the fiscal adjustment would be enough to slow down the growth of domestic debt, together with a monetary expansion which might have begun to exceed demand, resulted in a growing gap between the official exchange rate, which was frozen, and the parallel rate, which reached nearly 60% by the beginning of December.

The persistence of this gap encouraged growing expectations that there would be a devaluation and consequent inflationary upsurge, and hence the authorities again adjusted relative prices in mid-December. The exchange rate rose by more than 50%, the price of gasoline and public rates increased by around 60%; public wages went up by 34 000 australes monthly and private wages by 24 000; and part of the domestic public debt was rescheduled for two-year periods. The public's immediate reaction to these measures was negative. There was a drastic reduction in deposits, which fled to assets and foreign currency, with the result that —despite the sharp devaluation— the gap between the parallel and official exchange rates remained above 50%, and the application of new measures appeared imminent.

Inflation in *Peru* rose considerably in 1989, from an unprecedented rate of 1 700% at the end of 1988 to 5 700% in August 1989, the highest figure in its history. Since then, it has been coming down. However, the increase in the consumer price index in the 12 months ending in November was over 2 900%. As a result of this hyperinflation and the economic contraction that followed, real wages fell by approximately 50%.

The inflationary spiral was exacerbated by the drastic adjustments made in the last four months of 1988, namely, a) the sharp devaluation of the inti to avoid the depletion of reserves; and b) the dramatic rise in the prices and rates charged on goods and services produced by public enterprises and in controlled prices, together with the significant cut in many government subsidies —especially food and energy subsidies— in an attempt to close the fiscal deficit. The initial direct effect of these corrective measures was a marked increase in prices; moreover, growing skepticism about the persistence of the economic policy produced hopeful expectations in the economic agents, thereby prolonging these initial effects in the following months. The result was that the monthly average increase in the consumer price index from January to April reached a rate of 45%.

From May onwards, however, the monthly rate declined to 25%. This drop was influenced by the relative rigidity of controlled prices and rates, the prolonged depression of wages and the continued recession in economic activity. Nevertheless, by the end of the year, upward pressures were again generated by increased public sector credit, which accelerated monetary expansion, and the reduction of interest rates, which discouraged investment in financial assets. The combined effect of these policies exerted pressure on the free exchange rate, which tripled between September and early December. The impact of this increase was temporarily counteracted, however, by the shift of imports of inputs from the free market to the official market.

Inflation in *Brazil* reached four digits for the first time in its history, rising from 933% at the end of 1988 to an annual rate of nearly 1 500% for the 12 months ending in November 1989. The year began with the implementation of the Plan Verão, the third attempt at stabilization in four years. The Plan called for a comprehensive price and wage freeze, after initial corrective adjustments —especially in the exchange rate and public charges and rates—, and the elimination of indexation. Unlike the 1986 and 1987 stabilization programmes, a tight monetary policy was put into effect, which pushed the real interest rate up to 15% a month. Following corrective increases of about 30% monthly in the first two months, the increase in the consumer price index remained below 10% monthly until May.

From June onwards, however, inflation returned with a vengeance. On the one hand, the authorities' inability to gain legislative support for their fiscal restructuring proposal —which included the elimination of a number of public agencies, a staff cut, the privatization of government enterprises and the limiting of government spending to what was available in the Treasury— generated negative expectations about the implementation of the Plan. On the other hand, although the high real interest rate at first helped discourage spending, this policy was unsustainable in the long run, since it raised public spending for real interest payments —that is, above and beyond monetary correction— on the domestic debt to levels that were virtually impossible to finance (5% of GDP). Finally, as a result of the freezing of the exchange rate for over three months during a period of rampant inflation, the parallel exchange rate rose to more than twice the official rate.

The accumulation of pressures made it necessary to lift the price freeze in June. A 12% devaluation was decreed and indexation was reintroduced, with provisions for periodic adjustments in most contracts, in the exchange rate, in wages and public rates. Inflation rose to 25% in June and 29% in July and August. More recently, with the approaching elections and growing uncertainty, an agreement was reached with large-scale entrepreneurs to limit price adjustments for 135 products to 90% of the price rise the previous month in order to ward off runaway inflation. Although this agreement prevented outright hyperinflation, price increases continued to accelerate, reaching 41% in November.

Despite this sharp inflationary acceleration, there were no significant drops in real private sector wages compared to the previous year. In fact, the real industrial wage in São Paulo has grown approximately 6%, owing to an automatic monthly adjustment, in line with prices, and additional increases resulting from collective bargaining in the framework of economic recovery.

Nicaragua began the year in a state of complete hyperinflation, the highest ever recorded in Latin America —43 000% in the 12 months ending in January 1989—, which signified an average monthly rate of over 60% a month in 1988. This rampant inflation was due to the worsening of the fiscal and monetary imbalances, which resulted, on the one hand, from the enormous existing subsidies —especially in the form of credit at highly negative real interest rates— and, on the other hand, from the fact that the inflationary acceleration itself considerably reduced real tax revenues by augmenting the loss caused by the inevitable lag in tax collection.

Early in 1989, as the only alternative for containing the hyperinflation, a new stabilization programme was implemented to slow down the creation of money and correct the exchange rate gap. The principal measures included the following: a Draconian cut in public spending, including defence spending; an active policy to adjust the prices regulated by the State; a considerable rise in interest rates, to highly positive real levels; the elimination of the main existing credit subsidies, including those favouring government marketing enterprises; and a sharp devaluation in January, followed by later periodic devaluations, which substantially raised the real exchange rate and kept it high, virtually eliminating the gap between the parallel and official rates.

With the exception of the strong inflationary surge in June and July —resulting from another major devaluation in June (110%)— the monthly price increase has been dramatically reduced. In any case, it is still far from being contained, since inflation persists at monthly rates of around 10%. At the same time, the programme has been accompanied by slowdowns in economic activity, except in the production of staples, and by decreases in employment and the real wage of the public sector.

In *Ecuador*, inflation began to decline significantly as a result of the stabilization programme put into action in August 1988. Although the exchange-rate corrections and lagging price effects caused an increase in the rate of price rises in the initial months of the Plan —reaching a historical high of nearly 100% annually in March 1989—, inflation began to decline steadily in April. In fact, inflation in the 12 months ending in November fell to 59% annually (25 points less than the 1988 rate), and continued to slow down, with the average inflation rate in the last six months being less than 3% a month.

This reduction was basically due to the shrinking of the fiscal deficit and greater monetary control, which became possible as a result of the normalization of petroleum-related activities, adjustment of rates for most public services and favourable expectations on the part of private agents about the deceleration of inflation.

Towards mid-year, nominal minimum wages increased 23% in the public sector and 36% in the private sector. The minimum wages of employees in agriculture, the trades and domestic service were also adjusted. However, since the wage adjustments were significantly lower than the loss of purchasing power during the period when workers were being paid the former minimum wage, real minimum wages actually dropped by about 20% over the year, despite the inflationary deceleration.

Inflation in *Uruguay* rose steadily from over 69% in 1988 to 82% in 1989. At the same time, since wages tended to be adjusted in accordance with past inflation, the real wage fell slightly, especially in the public sector. This inflationary acceleration was influenced by the increase in the monthly devaluation rate, in order to avoid a major loss of competitiveness, particularly with respect to Argentina, where the sharp rise in the real exchange rate led to a great deal of smuggling into Uruguay. At the same time, the contraction of the more heavily taxed production sectors —agriculture, in particular— lowered tax revenues, and the fiscal deficit therefore rose to approximately 6% of the product. As treasury financing is mainly achieved through domestic credit, this increase exerted greater pressure on prices. Lastly, the velocity of circulation of money increased during the year, owing to the rise in expected inflation, and the fact that the interest rate in local currency fell below both the international rate and the expected rate of devaluation. With this reduction in the monetary base in real terms, the rise in the portion of the fiscal deficit financed by currency issue had a greater inflationary impact.

At the beginning of the year, a severe adjustment and stabilization programme was implemented in *Venezuela,* aimed at reducing the macroeconomic imbalances that had resulted from the sustained expansion of domestic demand in the immediately preceding years. The programme included the unification of exchange markets; raising the exchange rate in March (more than 100%), with a freeze until August and subsequent minidevaluations; abolition of price controls, except for 17 basic consumer goods; rises of 70% to 100% in public rates; average increases of only 30% for public sector wages and 54% for the minimum wage.

The immediate impact of such measures was an unprecedented burgeoning of inflation, accompanied by violent protest demonstrations in the major cities. In March alone, consumer prices rose by 21%, representing seven times the monthly average for the 12 prior months. However, the inflation rate then slowed down, dropping to slightly over 2% in August. This result was partly due to the implementation of a restrictive monetary and credit policy, which was reflected in a decrease —in the first half of the year— in the money stock in nominal terms, a substantial drop in liquidity and domestic credit in real terms and a more than doubling of domestic interest rates. In turn, the fiscal policy produced much more contraction than originally planned. On the one hand, government revenue benefited from the favourable effect of devaluation on oil revenues, the increase in the international price of fuels and, to a lesser extent, the rise in public rates. On the other hand, although some current spending —for interest and wages— rose, the delay in the approval of social programmes, designed to mitigate the impact of the adjustment on the poorest groups, kept spending down to less than the amount programmed. Thus, the deficit of the public sector as a whole fell from 8% of GDP in 1988 to about 2.5% in 1989.

The rate of price increases rose to 3% in both September and October, mainly owing to agricultural supply problems. Nevertheless, the subsequent rise in interest rates, and the combined effect of the recession and the lowering of tariffs, helped reduce the increase in prices in November to slightly over 1%. The price rise in the 12 months ending in November, however, reached 90%.

Of the 12 countries that experienced inflation rates considered relatively moderate for the region —10% to 40% annually—, three suffered significant accelerations. The highest was that of *Paraguay,* where the cumulative consumer price index in the 12 months ending in October reached 29%, compared to 17% at the end of 1988. This was mainly due to the initial impact of two actions: the establishment of a free and fluctuating exchange rate —which meant the unification of exchange rates and a more than 100% devaluation affecting the importation of intermediate inputs, the purchase of food staples and debt servicing— and the raising of public rates, which had been lagging behind. However, these measures lowered the external imbalance and public sector deficit, thus enabling Central Bank loans to the public sector to be reduced compared to the previous year, and inflation to be curbed beginning in November.

Meanwhile, inflation rose in *Chile* from 13% in 1988 to 21% in 1989. This upsurge was due to the overexpansion of domestic spending as a result of the delayed effect on demand of the strong monetary expansion of 1988, favourable expectations —reflected in significant increases in the value of property and stocks and shares— and the initiation of large-scale investment projects, which also exerted pressure on the demand for non-tradeables. Because of this acceleration of inflation, the improvement in real wages was modest, despite the extraordinary expansion of the level of activity and the sharp rise in employment.

Lastly, inflation also rose significantly in *Jamaica,* although from much lower rates (9% in 1988), reaching 14% in 1989. This upward trend was influenced by the shortage of foreign exchange and food resulting from the devastation to agricultural supplies caused by hurricane Gilbert and the increase in imports needed for reconstruction, the elimination of some subsidies and the higher international price of imported oil.

Moderate inflation persisted, with little fluctuation, in five other countries. The price rise in *Colombia* in the 12 months ending in November was 27% (compared to 28% in 1988). This slight drop in the inflation rate was due to a somewhat tighter monetary policy and the good performance of the agricultural sector. Thanks to this minor reduction in inflation and to collective bargaining efforts, real wages experienced a slight recovery.

The consumer price index in *El Salvador* increased by 21% in the 12 months ending in September, compared with 18% in 1988. This change was influenced by the new exchange rate policy, which transferred most external transactions to the parallel market (in which the exchange rate is 25% higher than in the official market), the expansion of the public deficit financed with Central Bank credit, and the price deregulation decreed by the new government beginning in June.

The inflation rate in *Guatemala* remained virtually stagnant in 1989, with the price increase hovering around 15%. However, the considerable expansion of domestic credit, mainly to the private sector, exerted strong pressures on reserves, requiring a minidevaluation in August and a subsequent deregulation of the exchange rate (which involved an adjustment of about 20%), pushing the rate of inflation up towards the end of the year.

In *Trinidad and Tobago,* the rate of increase in prices —which had accelerated in 1988 because of the adjustment programme— remained almost unchanged in 1989 (11%), from the delayed effects of the August 1988 devaluation and the price deregulation policy. In *Honduras,* the slow agricultural expansion, together with a wider gap between the official and parallel exchange rates (the latter being used for many imports), raised inflation from 7% in 1988 to 11% annually in the 12 months ending in October. Although modest, this is a relatively high rate for a country that until the present decade has never recorded rates higher than the international rate.

Of the 12 countries with relatively moderate inflation, the rate of growth of prices fell significantly in four. The most notable slowdown occurred in *Mexico*, where the rate fell from 52% in 1988 to less than 20% in 1989. This was due to the anti-inflationary agreement implemented at the end of 1987 (when annual inflation had reached 159%), which was further modified and improved throughout 1988. The changes introduced in 1988 primarily consisted of revising some prices and rates which had been lagging behind, allowing a daily, gradual decline in the exchange rate to prevent a subsequent overvaluation of the peso, and adjusting wages to stem the deterioration of workers' buying power. At the same time, fiscal austerity measures were strengthened, thereby expanding the primary surplus to approximately 7% of GDP. Nevertheless, the sharp rise in both the nominal and real domestic interest rates registered since the end of the previous year raised fiscal spending, increased the operational deficit and endangered the stabilization policy. A decisive factor in preventing this result was the confidence in exchange stability produced by the conclusion of an agreement with the lending bank in July. This markedly reduced the domestic interest rate, signifying a considerable alleviation of the financial burden on the Treasury, which, for the sole purpose of paying the interest on domestic debt, had risen to 4% of GDP. Thus it is estimated that the financial deficit of the public sector was reduced from 12% of GDP in 1988 to 7% in 1989.

Finally, in early December, in order to reduce uncertainty about the future, the government, entrepreneurs and trade unions agreed to extend the agreement until July 1990. Prices continue to be regulated, energy rates have risen by 5% and the minimum wage has gone up by 10%, one month ahead of schedule. Although the wage adjustment will ease the deterioration of real wages that occurred during the year, it will not be enough to offset it completely.

The annual rate of price increases in the *Dominican Republic* lessened to slightly over 40%. As the impact of the relative price adjustments in 1988 became weaker, inflation —which had surged at a rate of 58% that year— fell back to its previous rate. Enormous real and speculative pressures had raised the exchange rate by 80% between mid-1987 and mid-1988, to the highest real level in recent history. Owing to this undervaluation of the peso and the tight fiscal, wage and monetary policies put into force in 1989 —which cut the public deficit from somewhat over 4% of GDP to 3%, and slowed down the expansion of the money supply from 47% to 27%— the nominal exchange rate remained stable and inflation decelerated. However, the lag in the real exchange rate produced a sizeable and growing gap between the official and parallel rates in the latter half of the year, which might bring about a new cycle of devaluation and inflationary acceleration. This cycle might also be boosted by the direct impact of the 67% rise in the price of gasoline in October, when the subsidy for this fuel —equivalent to 16% of its cost— was replaced by an implicit tax equivalent to 39% of its cost.

A significant reduction in inflation also occurred in *Costa Rica*, where the growth rate of prices declined from 25% in 1988 to less than 14%, thereby approximating the stabilization programme's target rate for 1989. This result was based, on the one hand, on a tight monetary policy —which, in view of the financing needs of the public sector, had raised the interest rate. On the other hand, the fact that the real rate of exchange had increased to an unusually high level in 1988 permitted a reduction in the rate of devaluation during 1989 which in turn made it possible to retard price increases without widening the existing small gap between the official and parallel exchange rates.

The tight monetary and wage policies put into effect in *Bolivia* held down the inflationary surge —which had raised the growth rate of prices to 22% in 1988—, and the increase in the price index in the first seven months of the year barely reached 3%. However, adjustments to some lagging prices —in particular, an increase of about 20% in fuel prices in August— and a faster rate of devaluation in the third quarter raised prices by nearly 11% between August and November. Nevertheless, the annual inflation rate slowed down to about 16%.

Finally, three countries —*Barbados, Haiti and Panama*—, characterized by a long tradition of fixed exchange rates and stable prices, experienced inflation rates similar to the international rate, as usual. In the case of *Panama*, the actual price increase was virtually zero, owing to the severe economic and liquidity crisis which it has been undergoing.

3. The external sector

a) The international context

The external economic conditions of the Latin American and Caribbean countries in 1989 reflected the impact of trends in the economies of the industrialized countries on the interest due on the region's debt and the markets for its main export commodities.

On the one hand, inflationary pressures in the major industrialized countries led to tougher monetary policies which were reflected in rising interest rates in the first two quarters of the year. The subsequent readjustment of international interest rates failed, because of the lag implicit in the debt contracts prevailing in the region, to prevent these events from adversely affecting the interest due in 1989.

On the other hand, the reversal of cyclical components of the upward trends registered in 1988 in the world prices of some non-oil export products was reflected in 1989 in slower growth rates or even declines in the prices of some products exported by the region. In the case of coffee, prices fell sharply towards the middle of the year when producers encountered difficulties in extending the coffee export agreements.

Oil prices, on the other hand, recovered from the declines they suffered during most of 1988 as a result of the OPEC agreement on new production quotas and export cutbacks by other suppliers as well as difficulties along supply lines arising from accidents against a backdrop of a revival in the world demand for oil.

Finally, the decline in the growth rate of industrialized economies and of world trade from 9% in 1988 to below 7% in 1989 has tended to limit the expansion of the export markets of the countries of the region.

b) Foreign trade and the terms of trade

The value of Latin American and Caribbean exports of goods went up by nearly 9% to US$110 billion following two years of sustained growth of about 14% a year.

The value of exports of both oil-exporting and non-oil exporting countries increased. The value of exports of the former group of countries increased more than 15% as a result of the recovery in international oil prices; although their volumes of exports barely increased. The value of exports of non-oil exporting countries rose by only 5% because of the modest increase (2%) in their volume of exports coupled with a marginal improvement (3%) in average unit values (see table 8).

The increase in the value of exports continued to be quite widespread with increases being registered in 17 of the 19 countries for which information is available. However, the relative increases were disparate; the highest increases were in Bolivia, the Dominican Republic, Paraguay, Peru and Venezuela. Peru's external sales increased by 29% as a result of a sharp recovery in shipments of minerals; contrary to the outcome in 1988, in 1989 Peru also benefited from the rises in international prices. There was also a spectacular increase in the country's exports of fishmeal coupled with an expansion in exports of manufactured goods. Bolivia's exports grew by 17% mainly due to higher average prices for tin and zinc together with increases in shipments of minerals as well as exports of significantly larger volumes of soya beans; exports of natural gas to Argentina, on the other hand, continued to face serious difficulties. The value of Paraguay's exports increased by 16% following an excellent agricultural harvest. The value of the Dominican Republic's exports continued to increase considerably aided by an increase in unit values. During 1989 the large increases in prices of ferronickel and sugar as well as the larger shipments of both commodities contributed strongly to the 19% growth rate.

A large number of countries, Colombia, Costa Rica, Chile, Guatemala, Honduras, Nicaragua, Panama and Uruguay recorded increases of around 10% or higher in the value of their exports. The value of Chile's exports rose by nearly 13% mainly due to the higher average price for copper and the increase in exports of manufactured goods. Colombia, Nicaragua and Uruguay increased their exports by about 11%. In Colombia, the increase in both shipments and prices of crude oil and greater sales of non-traditional commodities (coal and nickel) more than made up for the lower value of coffee exports. The partial recovery in Nicaragua's exports also stemmed from exports of non-traditional products and the increase in the value of Uruguay's exports was the result of greater sales of livestock and livestock products. The rise in the value of Panama's exports was due to greater re-exports through the Colón Free Zone.

Costa Rica and Guatemala increased the value of their exports by nearly 10% while for Honduras the increase was nearly 9%. The growth in Costa Rica's exports was due mainly to the steady increase in sales of non-traditional products and to a lesser extent, of bananas. In the case of Guatemala, the rise in the value of exports was due to increases in volume and better prices for sugar, continued expansion in the sales of non-traditional products as well as larger shipments of coffee which substantially offset the effects of the drop in coffee prices. The increase in the value of exports of Honduras stemmed from the fact that more bananas, cotton and coffee were exported.

Among the oil-exporting countries, Venezuela's exports increased by 23%, those of Mexico by 10%, but those of Ecuador by only 6%. Venezuela benefited from the significant rise in the prices of its hydrocarbons although its shipments of refined products decreased somewhat. In Mexico, the moderate increase in the value of oil exports and the continued growth in industrial exports were offset by a considerable decline in the value of agricultural exports including both coffee and vegetable exports. The moderate increase in the exports of Ecuador was also due to better oil prices since shipments declined somewhat; also, there were some difficulties with respect to the expansion of shrimp exports due to growing competition from other suppliers.

Brazil's already high value of exports remained virtually stable with growth of only a little over 2%. This was due to the sluggish growth of exports of manufactured products which were affected by a relative loss in competitiveness, the slow expansion of agricultural exports and the decline in the value of coffee exports; these factors offset the effect of a solid increase in exports of iron ore and semi-manufactured products. Similarly, the value of Argentina's exports which, in 1988, had recovered amply from the previous decline, almost levelled off; there was a modest increase of nearly 3% in exports as a result of the significant rise in industrial exports and the increase (in volume and price) of wheat exports which compensated for the sharp decline in exports of soya and its derivatives and of maize.

El Salvador recorded a sharp decline (18%) in the value of its exports due to the fall in coffee prices and a reduction in shipments of coffee. These same factors caused a further decline of 4% in Haiti's already depressed exports.

In 1989, there was an increase of 8% in the value of goods imported by the 19 countries for which information is available. This rise was more a reflection of the rise in the unit values of imports (which was more than 5% for the whole region) than of an increase in volumes of imports, which was less than 3% after a rise of 7% per year in the previous biennium.

This moderate variation in regional imports is the result of adverse trends —some of considerable magnitude— at the national levels. The highest rises occurred in Brazil, Mexico, Chile, Panama and Costa Rica. These were offset mainly by declines in imports of Venezuela, Peru, Nicaragua and Argentina.

Generally, cases where even a modest expansion of levels of economic activity were combined with a gradual deterioration in effective real exchange rates (associated in some cases with stabilization policies) resulted in significant increases in the volume of imports. Such increases were even more vigorous in those countries that were liberalizing their trade systems.

In Brazil, the value of imports went up significantly (27%) stimulated by the recovery of growth, the recent liberalization of some import regulations, the gradual deterioration in real official exchange rates and the accumulation of stocks of imported goods as a hedge against the effects of inflation. The value of Mexico's imports increased by 21% partly as a result of economic recovery but mainly because the vigorous economic growth which had begun the previous year following the liberalization of trade and a gradual but steady decline in the effective exchange rate continued. Chile's imports also rose considerably (30%) as a result of the excessive expansion of domestic demand, the decline in the real exchange rate and anticipated purchases of durable goods. The value of Costa Rica's imports went up by 35% following continued liberalization and higher food imports. The increase of 31% in Panama's imports reflected a recovery in the low levels of stocks and an increase in re-exports through the Colón Free Zone. The value of imports of the Dominican Republic increased by 20% while the imports of Paraguay rose by nearly 16%. The value of Colombia's imports continued to increase moderately and stood at 9% (5% in real terms). The value of Bolivia's and Ecuador's imports also rose by 11 and 7% respectively. The value of imports also went up in Guatemala (11%), Haiti (9%), Honduras (8%) and El Salvador (6%).

As a result of the economic recession and various adjustment measures, there were sharp reductions in the value of imports of Argentina (18%), Nicaragua (24%), Peru (31%) and Venezuela (34%). In Argentina, the economic recession and a sharp rise in the real exchange rate were compounded by a strong preference for foreign exchange in cash during the period of hyperinflation. In Nicaragua, the sharp appreciation of the real exchange rate governing trade transactions and the scrapping of foreign exchange subsidies contributed, in a context of recession, to the significant reduction in imports. In Peru, the acute domestic recession was compounded by more expensive imports following the transfer to the free market of most import transactions. In Venezuela, the combined effects of changes in foreign exchange arrangements, lower economic activity and larger stocks of imported goods accumulated from the previous year drastically brought down imports.

As the average unit values of exports were somewhat higher than those of imports, the terms of trade of Latin America and the Caribbean improved slightly (2%) in 1989. However, due to steady declines in the four previous years and a sharp decline in 1981/1982, the terms of trade of the region as a whole was 21% lower than in 1980.

This trend, however, obscures the many variations in magnitude and direction both in the oil-exporting countries and in the other economies. While the terms of trade deteriorated by 2% in the non-oil-exporting countries they improved by 8% in oil-exporting countries as a result of higher international prices for oil and brought about a partial recovery from the decline in the previous year (see tables 10 and 11).

As the volume of the region's exports remained virtually stationary, the purchasing power of exports increased slightly (3.5%). This was due almost entirely to the higher purchasing power of exports of petroleum-exporting countries which rose by 10%. In this connection, the countries with the largest increases in export purchasing power were Peru (21%), Venezuela (18%), Paraguay (17%), the Dominican Republic (13%) and Bolivia (12%).

c) The balance of payments

As the moderate increase in the value of exports was somewhat higher than the increase in the value of imports, the positive trade balance rose to US$28 billion as compared to US$25 billion in the previous year (see table 13).

This modest improvement was basically due to the considerable surpluses of Argentina, Peru and Venezuela, which, as a result of recession, had made changes in their foreign exchange arrangements. These larger surpluses more than made up for the decline in the huge trade surplus of Brazil (US$16 billion) which continued to account for a substantial portion (nearly 60%) of the region's trade balance. The most remarkable trade performance was achieved by Venezuela which turned around a trade deficit of US$1.3 billion to post a trade surplus of US$5 billion. Peru transformed its small trade deficit of the previous year into a surplus of nearly US$1.6 billion. Argentina increased its trade surplus by over US$1 billion to US$5.4 billion. The region's surplus was also boosted by the higher trade balances of Colombia and Uruguay; in the latter case the large trade surplus was attributable almost entirely to higher exports.

Mexico, on the other hand, suffered a setback when its surplus of US$1.7 billion declined to a small deficit of US$200 million —its first deficit in eight years. The decline in Chile's trade surplus was also another factor limiting the increase of the region's trade balance, which also was affected by the significant increase in the trade deficits of the Central American countries, particularly Panama, which recorded a negative balance of nearly US$700 million, and the Dominican Republic.

In the region as a whole, the trade surplus accounted for 73% of the US$38 billion paid out as profits and interests; this proportion was somewhat lower than that of the previous year and would probably have been much higher had the net flows of profits and interests, mainly as a result of higher interest rates charged on the debt of the countries of the region, not increased by over US$4 billion.

As the trade surplus increase was lower than the increase in payments with respect to profits and interests, the current account deficit of Latin America and the Caribbean increased once more, after having declined for two consecutive years, from US$10.3 billion to over US$11 billion (see table 14).

However, such deterioration in the current accounts position of the region was mainly due to the outcome in the non-oil-exporting countries, whose small surplus of the previous year became a deficit of US$5.4 billion, and in Mexico, where the deficit grew from a little over US$3 billion to US$5.5 billion. Brazil's positive balance of US$4.9 billion in 1988 was reduced to almost zero in 1989. Panama suffered a similar fate with its considerable surplus. On the other hand, the current accounts deficits of Costa Rica, Chile and El Salvador increased significantly. In contrast, Venezuela converted its huge current account deficit of the previous year into a surplus of nearly US$1.3 billion while Peru slashed its deficit from US$2.1 billion in 1988 to US$450 million in 1989.

In 1989, Latin America and the Caribbean received a net inflow of capital of about US$14 billion after such inflow had been reduced in 1988 to a little over US$5 billion. This was the result of contrasting currents which included in the accounts as involuntary capital inflows, arrears on debt interest payments, as well as the repatriation of residents' capital, loans relating to debt rescue programmes and direct investments. Thus, the increase in the regional inflow of capital was considerably affected by the net capital inflow of US$6.5 billion achieved by Mexico which had recorded a net outflow of nearly US$3.7 billion in the previous year. Such net inflow was the outcome of direct investments, repatriation of capital by residents and disbursements of multilateral funding agencies. Brazil also managed to convert its net outflow of capital of 1988 into a modest net inflow which reflected arrears in the payment of interest, the inclusion of which in the accounts compensated for effective outflows for similar amounts. In Argentina, on the other hand, net capital inflows were lower than those for the previous year in spite of external debt interest payment arrears because of the enormous outflow of capital.

As the net inflow of capital was higher than the current accounts deficit, the region's overall balance-of-payments situation improved from a deficit of US$5 billion in 1988 to a positive balance of over US$2.5 billion in 1989. As a result, almost all the countries of the region increased their international reserves; the most spectacular performance was by Mexico which increased its reserves by US$1 billion following the considerable losses of reserves during the previous year. Venezuela, whose reserves declined in 1988, managed to arrest the decline during the current year; Argentina, on the other hand, closed the year with a considerable drain in reserves (see table 14 once more).

The region's net transfer of resources abroad declined once again in 1989 to nearly US$25 billion after increasing to nearly US$29 billion in 1988. This was due to the fact that the greater influx of capital during the current year largely compensated for the higher outflows of resources as interest and profit payments. The net capital inflow by itself was higher in 1989 than the payments of interests and profits. However, if Mexico is excluded, the transfer of resources abroad of the other countries of the region increased by US$17 billion to nearly US$23 billion. For the region as a whole, the transfer of resources abroad amounted to over 18% of the value of exports of goods and services; this proportion was lower than that of the previous year while if Mexico is excluded, the transfer increased from 18% of exports of goods and services in the previous year to nearly 23% in 1989 (see table 15).

4. The external debt

a) Main trends

The external debt of Latin America and the Caribbean rose slightly (by less than 1%) in 1989 to around US$416 billion. However, if international inflation is taken into account, then the external debt dropped by about 4% in real terms, an amount similar to the real decrease recorded in 1988 (see table 16).

The stabilization of the amount of debt owed by the countries of the region was the net result of a number of countervailing factors. On the one hand, the revaluation of the dollar against the yen helped to reduce the debt (by over US$3 billion), as did the net payments of principal made by some countries to the IMF and other official creditors. National debt-conversion programmes also brought down the level of external liabilities, although to a much lesser extent than in 1988 due to the tendency of many countries to restrict the scope of these financial operations. On the other hand, except for a medium-term loan to Colombia and a short-term credit to Venezuela, the private international banking system did not grant any new loans to the countries of the region. Thus, the main factor working to increase the region's debt was the accumulation of overdue interest payments. In fact, the only countries in Latin America that managed to avoid falling deeply into arrears during the year were Chile, Colombia, El Salvador, Mexico and Uruguay. The creditors to which overdue debt service payments were owed included private banks as well as governments of industrialized countries, and five countries of the region were even considerably in arrears on their payments to multilateral lending agencies. The irregularity of debt payments was also one of the reasons for the steady decline in the prices of external bank debt paper on secondary markets; the average weighted price of the region's debt paper had fallen to US$0.28 on the dollar by the end of the year, as compared to US$0.38 at the end of 1988 and US$0.64 in 1986 (see table 21).

In contrast to the situation in 1988, when the external debt declined in absolute terms in nine of the countries of Latin America and the Caribbean, in 1989 only five countries managed to reduce their level of debt. The largest decreases were registered by Chile (7%), thanks to the continuation of its active debt conversion programme, and by El Salvador (5%), which was able to make net payments on its debt principal. Brazil lowered its debt by 2% by means of net amortization payments to some official creditors and informal debt-conversion operations.

Countries in which the level of debt rose significantly were Cost Rica (10%), Guatemala, Honduras, Paraguay and Peru (7%), Ecuador (6%) and Nicaragua (5%). In all these cases, arrears in interest payments played a major role in the increase recorded in external liabilities.

The interest/exports ratio for the region as a whole remained at 30% since, although the total amount of interest paid was higher because of the increase in the effective rate of interest on the debt, this rise was almost entirely offset by the increase in the value of external sales. The seeming stability of this indicator of the regional average was, however, a result of opposing trends in the oil-exporting and non-oil-exporting countries. The larger rise in the value of the former group's exports was reflected in a slight decrease (of one percentage point) in its coefficient, while the interest/exports coefficient of the latter group climbed by a similar amount (see figure 12 and table 17).

One of the sharpest decreases in this ratio was recorded by Bolivia due to the greater value of its exports and to the drop in its interest payments made possible by bank debt reduction operations. Peru also lowered its ratio substantially as a consequence of the steep rise in the value of its exports. The most serious deterioration in this indicator was seen in Argentina, where the ratio climbed from 42% in 1988 to 53% in 1989 (which was the highest in the region except for Nicaragua), as a result of both a sharp rise in interest payments and the very limited increase in the value of its exports.

Since the size of the debt remained virtually unchanged while exports expanded, the region's debt/exports ratio fell from 341% in 1988 to 316% in 1989. The drop was greater in the oil-exporting countries because of their better export performance. Among the non-oil-exporting countries, Chile and Uruguay once again registered considerable decreases in their respective coefficients thanks to the combined effect of the reduction of their total debt and the growth of their exports. The only countries in which the debt/exports ratio rose by a notable amount were Haiti and El Salvador.

Although the indicators of the region's external debt burden have shown an improvement in recent years, as the decade drew to a close the picture was not very encouraging. In the vast majority of the countries both the interest payments/exports ratio and the debt/product coefficient remained substantially above the levels generally regarded as being acceptable.

b) Renegotiation of the external debt

The unveiling of the Brady Plan in March 1989 breathed new life into the international strategy for managing the external debt, which had begun to falter towards the end of 1988. This initiative pledges official resources to aid in bringing about a voluntary reduction of the debt in exchange for a country's commitment to carry out structural reforms that would make a resumption of growth possible. In this connection, the Plan contains four new types of provisions.

Firstly, it proposes that banks suspend their pro rata and negative-pledge clauses for a period of three years. These clauses, one of whose basic purposes is to ensure equal treatment among creditors, are included in virtually all loan agreements entered into by international banks and have the effect of delaying debt-reduction negotiations, since prior approval by the majority of the banks involved is required before discounted debt buy-backs or debt-to-bond conversion operations can be undertaken.

Secondly, it urges creditor governments to explore means of lowering tax, accounting and regulatory obstacles to banks' participation in debt reduction programmes.

Thirdly, it proposes that, for the first time, public resources be used to support the debt reduction process. To this end, it recommends that the World Bank and the International Monetary Fund be authorized to extend loans to debtor countries for use as backing for new bond issues to replace existing debt (at a discount) or in replenishing international reserves that have been drawn down in order to repurchase debts. In addition, resources would be provided by creditor governments and countries showing surpluses in order to finance the debt reduction process.

Fourthly, the Plan proposes that when circumstances so warrant, the IMF be authorized to disburse loans to support a country's adjustment process even if the debtor country has not reached a prior financing agreement with its commercial bank creditors. This would constitute a reversal of the general policy applied by the IMF since 1982.

The proposals set forth in the Brady Plan began to be acted upon as the year progressed. Around US$30 billion of official funds were committed for debt reduction purposes: the IMF and the World Bank supplied US$12 billion each for financing debt reduction operations and Japan committed at least US$6 billion. Moreover, during the course of the year the IMF showed its willingness to disburse resources in the absence of a prior agreement with private banks when conditions warranted such a step. Thus, for example, even though debt reduction negotiations were still in progress, the IMF agreed to release the first loan tranches for adjustment programmes in Mexico, Venezuela, Argentina and Ecuador. This was not the first time the IMF had disbursed funds on this basis. However, the systematic application of this new policy in cases involving three of the Third World's largest debtors constitutes a genuine step forward for the international debt management strategy.

Debt reduction programmes based on the Brady Plan were also launched during 1989. In July, Mexico reached an agreement with its Advisory Committee concerning US$48 billion in medium-term obligations out of its total bank debt of US$70 billion. Under this agreement, the banks may choose among three options. The first option is to exchange debt for a 30-year single-maturity bond having a face value equivalent to 65% of the former debt at a floating interest rate of 0.81% over LIBOR. The second is a 30-year bond having the same face value as the former debt but a fixed below-market interest rate of 6.25%. The third, more conventional, option is a rescheduling of debt maturities from 1989 to 1994, together with involuntary loans equal to 25% of a bank's credit exposure. These loans, which are to be provided over the next four years, will mature during the period 1997-2004 and have an interest rate of 0.81% over LIBOR.

The bonds to be exchanged for old debt contain a contingency clause whereby bondholders are to receive additional payments in early 1996 if the international price of oil exceeds US$14 per barrel (adjusted for inflation since June 1990). However, such additional payments are limited to a maximum of 3% annually of the face value of the bond.

These bonds also have US$7 billion of collateral on the principal in the form of a United States Treasury zero-coupon bond and a renewable guarantee of at least 18 months on the interest payments. A total of US$5.7 billion of the collateral is to be financed by loans from the World Bank, the IMF and Japan, while Mexico will put up US$1.3 billion from its international reserves.

In addition, under the agreement the Mexican authorities have made a commitment to permit US$1 billion in debt/equity conversion operations to be conducted per year for the next three and one-half years.

Another arrangement based on the Brady Plan was the agreement reached between Costa Rica and its Advisory Committee last November covering US$1.5 billion of medium-term bank debt and US$325 million of arrears dating back as far as 1986. This agreement provides for only two options: reduction of the debt or of the service thereon; no provision is made for fresh funds without a write-down. In essence, this agreement gives the banks the opportunity to sell their debt back to Costa Rica at a price of about US$0.16 on the dollar. Banks choosing to sell 60% or more of their portfolio will receive an offer to exchange the remainder of the debt for a 20-year bond (including a 10-year grace period) at a fixed below-market interest rate of 6.25%. As an incentive for commitments to undertake large-scale buy-backs, these bonds will include a renewable guarantee of at least 12 months on interest payments. In contrast, banks selling less than 60% of their loans will receive longer-term bonds (25 years, with 15 years grace) at a fixed interest rate of 6.25% with no such guarantee as that provided for in the former case.

Arrears in respect of the debt remaining after the repurchase operation are to be settled by means of a 20% cash payment and the reprogramming of the balance over 15 years (with no grace period) at 0.81% over LIBOR. Again, in order to encourage the banks to undertake large buy-backs, banks selling 60% or more of their portfolio will receive a renewable guarantee on three years of interest payments.

The Costa Rican bonds will also contain a contingency clause whereby the banks will be entitled to additional payments if Costa Rica's GDP exceeds 120% of its 1989 level in real terms. However, such additional payments may under no circumstances be in excess of 4% per year of the aggregate value of the bonds and the loans involved in the rescheduling of arrears in interest. Once these latter loans have been paid, the ceiling for additional payments will drop to 2%.

As part of this package, Costa Rica will also set up a debt/equity conversion programme involving a minimum of US$20 million per annum for the next five years.

About US$253 million will be needed to finance the Costa Rican agreement, of which over US$100 million will come from the World Bank and the IMF in the form of loans. The remainder is to be obtained from as yet unspecified bilateral sources.

In addition to these concrete advances, Venezuela was actively engaged in negotiations with commercial banks throughout the greater part of 1989 with a view to the achievement of a debt reduction agreement in accordance with the Brady Plan. Within the framework of these negotiations, in late September the Government of Venezuela arranged for a US$600 million interim short-term loan with private banks to help it settle about US$900 million in overdue interest payments which had mounted up since the beginning of the year. The terms of the loan provided for a 6-month amortization period and an interest rate of 0.875% over LIBOR. Meanwhile, during the second half of 1989 Argentina, Ecuador and Uruguay initiated talks with their commercial bank creditors concerning the possibility of a debt reduction scheme styled on the Brady Plan.

Other events relating to the subject of debt reduction also took place in 1989. In May, Bolivia carried out a largely unpublicized buy-back of US$106 million of its overdue commercial bank debt at a price of US$0.11 on the dollar, which followed upon its 1988 repurchase, using bilateral grants, of around half of its bank debt at the same price. Thus, through these two transactions, Bolivia retired about two-thirds of its outstanding bank debt, with the rest remaining unpaid. In addition, in November 1989 the Government of Chile repurchased US$140 million of its bank debt at US$0.58 on the dollar. With respect to the intra-Latin American debt, the debt reduction agreement involving US$800 million of Bolivian obligations and US$300 million of Argentine liabilities was noteworthy.

Domestic conversion operations did not play as important a role in debt reduction in 1989 as they had in 1988 because many governments chose to limit the scope of such programmes. The exception to this rule was Chile, which continued to sponsor the most ambitious debt conversion programme in the region. Domestic conversions totalled somewhat more than US$2 billion in 1989, bringing the total amount of such conversions since the programme began in 1985 to over US$8 billion. Meanwhile, approximately US$325 million of Venezuela's obligations were converted during the year under it's recently inaugurated external debt conversion programme. Other active debt conversion programmes included those of Uruguay (US$20 million), Peru (US$100 million) and Jamaica (US$60 million).

Negotiations between Honduras and private banks in 1989 led to the rescheduling of US$60 million in outstanding obligations over payback periods of between 14 and 20 years. In addition, 95% of US$16 million in interest arrears were forgiven.

Colombia was the only country which obtained fresh medium-term bank loans in 1989. After quite difficult negotiations, it reached an agreement with its creditor banks for a loan package amounting to US$1.7 billion to refinance most of its 1989-1990 bank debt maturities. Of this sum, US$1.5 billion is in the form of a 12-year loan at a spread of 0.875% over LIBOR. The other US$200 million came from a bond issue having an 8-year term and a 1.5% spread over LIBOR.

Apart from bank negotiations, some obligations were also rescheduled with the Paris Club in 1989. Mexico rescheduled US$2.6 billion of principal and interest falling due within the next three years over a 10-year term with a 6-year grace period. Guyana renegotiated US$150 million of its obligations with the Paris Club as well. On this occasion, it reprogrammed arrears in medium-term debt payments over a 20-year term (with a 10-year grace period), while interest arrears were rescheduled over a 10-year payback period with 6 years of grace. Trinidad and Tobago also reprogrammed US$470 million of bilateral debt over a 10-year term (with 5 years of grace).

The accumulation of arrears continued to be a major means of reducing debt servicing in Latin America in 1989. Arrears mounted up during the year in Argentina, Bolivia, Brazil, Costa Rica, Cuba, the Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Peru and Venezuela (until the last-named country eliminated its arrears in September by means of an interim agreement with private banks).

Finally, late in the year Peru began to regularize its payments to the International Monetary Fund by allocating US$40 million for payment on its total arrears with the IMF of about US$800 million.

III.THE CRISIS AND THE CURRENT SITUATION: SIGNIFICANCE AND IMPLICATIONS

The year 1989 marked the end of a landmark decade in the economic history of the region. At its outset, a long period of growth was culminating amidst ominous signs that an external financial crisis was brewing against a backdrop of large-scale changes in the world economy. It closed on a note of what were in general dramatic economic and social setbacks in the region. The greatest imaginable variety of adjustment, stabilization, reactivation and restructuring efforts have been undertaken in response to the turn taken by events during a decade marked by recession, social deterioration, underutilization or even destruction of production capacities, and an erosion of State apparatuses.

As 1989 drew to a close, the average per capita product was 8% lower than it had been at the start of the decade. Indeed, only five countries had a per capita product that was higher than it had been at the beginning of the 1980s, while in 11 countries it was over 15% lower. During the same period, the welfare gap between the region and the developed world also widened considerably.

Total investment shrank by 20%. As a result of this slowdown in investment, the region's current production capacity is 15% below what it would have been if the region's pre-crisis growth and capital formation trends had not been interrupted.

The extraordinary export effort made by Latin America and the Caribbean was reflected in a 57% expansion in export volumes as compared to 1980, although this yielded an increase of only 24% in the value of the region's exports due to the decline in international prices which occurred in the interim. The growth performance of the export sector in general did not lead to a significantly higher level of imports either —which might have, in turn, contributed to an increase in economic activity— since a large part of the sector's increased earnings were used to service the external debt. Thus, the region as a whole became a net exporter of financial resources on a continuing basis, with the size of this transfer equalling approximately 4% of its gross domestic product.

In addition to the fact that the servicing of the external debt has exacerbated the external constraints affecting the region and the slowdown in domestic investment, its impact on public finances is, in many countries, at the root of the inflationary pressures that have become one of the hallmarks of the decade. Given the existing recessionary situation, these inflationary pressures have, in turn, added to the deterioration of the distributive structure and the spread of extreme poverty in the region.

The overall picture for the 1980s has not, of course, been entirely negative. Many firms succeeded in improving their levels of international competitiveness, and not all the countries have witnessed the same degree of deterioration. Nor do they all share the same set of circumstances or growth constraints. All the countries of the region have, however, been affected by the crisis to some extent. Moreover, in all of the countries, the causes of the crisis have been complex, and it has withstood attempts to resolve it by means of a variety of simple formulas, such as those based on continued adjustment and stabilization efforts in which the sole focus has been the contraction in effective demand.

The complexity of the crisis is illustrated by the turn taken by events in 1988 and again in 1989 when export values rose substantially and large trade surpluses were achieved. These positive developments proved to be insufficient to reactivate the region's economies because the acceleration of inflation made it necessary to give priority to its reduction, even if higher growth rates had to be forgone in order to do so.

After nine years of determined efforts to overcome the crisis, by 1989 most of the countries of Latin America and the Caribbean appeared to have neared the limit of their external adjustment possibilities within their existing production structures, as is indicated by the slowdown in the growth of export volumes, especially of non-traditional items. Nonetheless, the financial obligations arising out of the external debt remain, and continue to limit the region's investment capacity, which is precisely what it needs in order to expand its production capacity.

Under these conditions, whether because of the increase in inflation or because growth has been curbed in order to bring inflation levels down, most of the countries of the region are hovering between recession and stagnation, despite the striking changes they have managed to bring about in their trade balances. The possibility of achieving a significant expansion of exports now hinges on the course taken by international prices more than it does on the countries' ability to boost the volume of their exports, which, moreover, is limited in the short run by the production capacity of export sectors. Furthermore, as discussed earlier, the region's low levels of investment and the tightness of the countries' fiscal budgets mitigate against the expansion of that capacity.

Hence, the focus of efforts to maintain or raise trade surpluses has once again been shifting towards the reduction of imports within recessionary contexts, but in some cases these contexts are chiefly a consequence of attempts to stabilize the economy or of spiraling inflation rather than being due to external adjustment requirements. External imbalances give rise to internal disequilibria, however. On the one hand, the amount of externally-transferable resources needed to service the external debt exceeds the amount of real resources that can be wrung from sustainable trade surpluses. On the other hand, governments come under pressure to make larger devaluations and to maintain higher real exchange rates than would be necessary to spur a reallocation of resources to the production of tradable goods because of the depletion of reserves and the need to prevent massive capital flight.

Efforts have been made and are being continued in all the countries of the region to reduce fiscal deficits and to limit their absorption of domestic resources. Considerable progress has been made in many countries towards bringing about a genuine fiscal adjustment which will permit State functions to be financed with real resources, without resorting to the use of the "inflation tax"; indeed, in some cases such great strides have been made in this direction that large primary surpluses have been achieved. However, in many instances this has been accomplished through wage cuts and a reduction of public investment, whereas what actually makes it difficult to eliminate fiscal deficits is the financial burden placed on public budgets by the external and domestic debt, especially in situations where tax receipts have been reduced by recession, limited by some sectors' resistance to taxation or eroded by rising inflation.

The Latin American and Caribbean governments' ability to cover even part of their current external obligations while maintaining domestic stability will, in some countries, depend on the level of export earnings received by the State itself; this is the case, for example, of Mexico (oil) and Chile (copper). In others, a domestic transfer of financial resources must be carried out from the private sector, which has a foreign exchange surplus from its external trade operations, to the public sector, which has a deficit, so that the latter can make payments on the debt.

This is why the process of increasing the external deficit in order to sustain an outward transfer of resources can only be carried just so far when there is a lack of growth and investment, and it is also the reason why this transfer's impact on fiscal structures and the domestic financial system results in economic dislocations that plunge such economies into inflationary spirals or recession, which, in turn, undermine their growth potential and discourage investment.

In view of the foregoing, it is not surprising that the external debt and its repercussions on the performance of the region's economies continued to be a major concern in 1989. Indeed, the service on the debt came to represent so heavy a burden —especially on public finances— that most of the countries of the region had no option but to mount up arrears (of considerable size in some cases) on their interest payments to private banks, and five countries even fell significantly behind on their payments to the World Bank, the International Monetary Fund or the Inter-American Development Bank.

Herein lies the reason for the great interest surrounding the major events occurring during the year which hint at the possibility of a convergence of the positions held by the large Latin American debtors and their principal creditors. Such a trend may be detected in the proposals adopted in this connection by the Presidents of the member countries of the Permanent Mechanism for Policy Consultation and Concertation (the "Group of Eight") and in the new initiative announced in March by the Secretary of the Treasury of the Government of the United States of America, Nicholas Brady, which introduces major modifications in that government's policy on the issue. Indeed, a number of the countries in the region, notably Mexico and Costa Rica, carried out negotiations with their principal creditors within the framework of this initiative.

Nevertheless, at least from the standpoint of the Latin American and Caribbean countries, this initiative leaves many questions unanswered, particularly as regards its implementation. One refers to the insufficient flow of public resources to enable any multilateral agency to have the liquidity it would need in order to offer the guarantees required to make adequate debt reduction operations viable in a large enough number of countries. Another question has to do with the lack of incentives to induce private banks in the developed countries to take part in such arrangements on a voluntary basis, since this would call for a stable institutional and legal framework which would provide some type of reward for participating in debt reduction programmes and involve some type of disadvantage for banks refraining from doing so. In the coming months the negotiations now underway between the authorities of various countries (including Ecuador, Uruguay and Venezuela) and their respective creditors will put the viability of these new frames of reference to the test and perhaps, along with them, the possibilities for many of the countries in the region to regain their capacity for growth coupled with stability.

TABLES AND FIGURES

Table 1

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

Indicators	1982	1983	1984	1985	1986	1987	1988	1989[b]
Gross domestic product at market prices (index, base year 1980 = 100)	99.0	96.1	99.5	103.0	106.8	109.8	110.5	111.7
Population (millions of inhabitants)	375.5	383.6	391.8	400.3	409.0	417.8	426.5	435.5
Per capita gross domestic product (index, base year 1980 = 100)	94.6	89.8	90.9	92.1	93.4	94.0	92.6	91.7
Growth rates								
Gross domestic product	-1.4	-2.9	3.5	3.6	3.6	2.9	0.6	1.1
Per capita gross domestic product	-3.5	-5.0	1.2	1.3	1.3	0.7	-1.5	-1.0
Consumer prices[c]	84.6	130.5	184.7	274.1	64.5	198.5	757.7	994.2
Terms of trade (goods)	-9.2	1.3	6.6	-4.4	-10.3	-0.5	-1.5	1.9
Purchasing power of exports of goods	-7.7	11.0	13.4	-4.2	-10.7	7.4	7.8	3.5
Current value of exports of goods	-8.8	0.1	11.5	-5.6	-15.1	14.0	13.7	8.7
Current value of imports of goods	-19.9	-28.5	4.0	-0.3	2.6	13.1	13.0	8.0
Billions of dollars								
Exports of goods	87.5	87.5	97.6	92.1	78.3	89.2	101.5	110.3
Imports of goods	78.4	56.0	58.3	58.1	59.6	67.4	76.2	82.3
Trade balance (goods)	9.1	31.5	39.3	34.0	18.7	21.8	25.3	28.0
Net payments of profits and interest	38.8	34.4	36.7	35.3	32.2	31.4	34.2	38.3
Balance on current account[d]	-41.0	-7.3	-0.5	-3.4	-15.8	-10.7	-10.3	11.1
Net movement of capital[e]	20.2	2.9	10.0	2.5	8.7	14.9	5.3	13.7
Global balance[f]	-20.8	-4.4	9.5	-0.9	-7.1	4.2	-5.0	2.6
Total gross external debt[g]	326.9	351.4	367.1	377.3	393.6	416.3	413.0	415.9
Net transfer of resources[h]	-18.6	-31.5	-26.7	-32.8	-23.5	-16.5	-28.9	-24.6

Source: ECLAC, on the basis of official data.
[a] The figures for the gross domestic product and consumer prices refer to the group of countries included in table 2, except Cuba (23 countries) and in table 5, respectively. The data on the external sector relate to the 19 countries mentioned in the table on the balance of payments of Latin America and the Caribbean. [b] Preliminary estimates, subject to revision. [c] Variation from December to December. [d] Includes net unrequited private transfer payments. [e] Includes long and short-term capital, unrequited official transfer payments, and errors and omissions. [f] Corresponds to the variation in international reserves (of opposite sign) plus counterpart items. [g] See the notes to the table "Latin America and the Caribbean: total disbursed external debt". [h] Corresponds to net inflow of capital, less net payments of profits and interest.

Table 2

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

	Annual growth rates								Cumulative variation
	1982	1983	1984	1985	1986	1987	1988	1989[a]	1981-1989[a]
Latin America[b]	**-1.4**	**-2.9**	**3.5**	**3.6**	**3.6**	**2.9**	**0.6**	**1.1**	**11.7**
Oil-exporting countries	**-0.6**	**-5.1**	**2.7**	**2.4**	**-0.9**	**1.4**	**1.6**	**-0.3**	**7.0**
Bolivia	-4.4	-6.5	-0.3	-0.1	-2.9	2.1	2.8	2.5	-6.3
Ecuador	1.1	-1.2	4.8	4.8	3.4	-9.1	17.0	0.5	25.7
Mexico	-0.6	-4.2	3.6	2.6	-3.8	1.5	1.1	3.0	11.9
Peru	0.3	-11.8	4.7	2.3	9.0	7.3	-8.6	-10.0	-5.1
Trinidad & Tobago	0.3	-13.6	-3.4	-2.9	-2.8	-6.8	-3.4	-3.5	-31.8
Venezuela	-1.2	-5.5	-1.5	1.7	6.0	2.2	4.9	-8.5	-3.8
Non-oil-exporting countries	**-1.8**	**-1.4**	**4.0**	**4.4**	**6.5**	**3.7**	**0.1**	**1.9**	**14.6**
Argentina	-5.8	2.6	2.3	-4.6	5.8	1.8	-3.2	-5.5	-13.5
Barbados	-5.2	0.4	3.6	1.0	5.1	3.2	3.0	3.0	12.4
Brazil	0.6	-3.4	5.1	8.4	7.5	3.7	-0.3	3.0	21.0
Colombia	1.0	1.9	3.8	3.8	7.1	5.8	3.6	3.0	36.9
Costa Rica	-7.3	2.7	7.8	0.7	5.3	5.3	2.8	5.0	20.9
Cuba[c]	3.9	4.9	7.2	4.6	1.2	-3.8	2.0	1.5	42.8
Chile	-13.1	-0.5	6.0	2.4	5.3	5.4	7.1	8.5	27.5
El Salvador	-5.7	0.6	2.3	1.8	0.5	2.7	1.5	-1.0	-6.3
Guatemala	-3.4	-2.7	0.0	-0.6	0.3	3.6	3.8	4.0	5.6
Guyana	-10.8	-9.9	2.2	1.1	0.2	0.7	-3.0	-2.0	-20.9
Haiti	-3.4	0.6	0.4	0.4	1.0	-0.3	-0.2	0.5	-4.1
Honduras	-1.8	-0.1	2.5	1.5	5.1	4.0	3.9	2.5	19.8
Jamaica	0.0	1.9	-0.8	-5.5	2.5	5.8	0.5	1.0	7.9
Nicaragua	-0.8	4.6	-1.6	-4.1	-1.0	-0.7	-8.0	-3.0	-9.6
Panama	4.9	-0.1	-0.4	4.8	3.5	2.0	-16.4	0.0	0.4
Paraguay	-0.8	-3.0	3.2	4.0	-0.3	4.5	6.7	5.5	32.1
Dominican Republic	1.3	5.0	0.3	-1.9	3.1	7.1	1.6	3.0	25.7
Uruguay	-10.1	-6.0	-1.3	0.2	7.8	6.4	0.2	0.5	-2.0

Source: ECLAC, on the basis of official data.
[a] Preliminary estimates, subject to revision. [b] Does not include Cuba. [c] Refers to total social product.

Table 3

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

	Annual growth rates								Cumulative variation
	1982	1983	1984	1985	1986	1987	1988	1989[a]	1981-1989[a]
Latin America[b]	**-3.5**	**-5.0**	**1.2**	**1.3**	**1.3**	**0.7**	**-1.5**	**-1.0**	**-8.3**
Oil-exporting countries	**-3.1**	**-7.4**	**0.1**	**-0.1**	**-3.3**	**-1.0**	**-0.8**	**-2.6**	**-14.2**
Bolivia	-6.9	-9.0	-3.0	-2.8	-5.6	-0.6	0.0	-0.4	-26.6
Ecuador	-1.7	-3.8	2.0	2.1	0.7	-11.5	14.1	-2.0	-1.1
Mexico	-3.0	-6.5	1.2	0.2	-6.0	-0.8	-1.1	0.8	-9.2
Peru	-2.3	-14.1	2.1	-0.3	6.2	4.6	-10.9	-12.4	-24.7
Trinidad & Tobago	-1.2	-15.0	-4.9	-4.5	-4.3	-8.3	-4.9	-5.3	-40.8
Venezuela	-4.0	-8.1	-4.2	-1.0	3.1	-0.5	2.1	-10.8	-24.9
Non-oil-exporting countries	**-3.9**	**-3.4**	**1.9**	**2.2**	**4.6**	**1.6**	**-1.9**	**0.1**	**-4.8**
Argentina	-7.2	1.1	0.9	-5.9	4.4	0.5	-4.4	-6.7	-23.5
Barbados	-5.2	0.0	3.2	0.6	4.7	2.4	2.6	2.2	8.1
Brazil	-1.6	-5.6	2.8	6.1	5.2	1.5	-2.4	0.9	-0.4
Colombia	-1.1	-0.2	1.7	1.7	4.9	3.7	1.6	0.9	13.9
Costa Rica	-10.0	-0.3	4.8	-2.1	2.4	2.5	0.1	2.3	-6.1
Cuba[c]	3.3	4.3	6.5	3.9	0.3	-4.7	1.0	0.4	33.5
Chile	-14.5	-2.2	4.3	0.7	3.6	3.7	5.3	6.7	9.6
El Salvador	-6.5	-0.3	1.3	0.5	-1.2	0.8	-0.4	-3.1	-17.4
Guatemala	-6.1	-5.4	-2.8	-3.3	-2.6	0.7	0.8	0.8	-18.2
Guyana	-12.6	-11.7	0.3	-0.8	-1.6	-1.1	-4.6	-3.6	-33.1
Haiti	-5.1	-1.2	-1.4	-1.5	-0.8	-2.1	-2.1	-1.6	-18.6
Honduras	-5.4	-3.6	-1.2	-1.9	1.6	0.7	0.7	-0.7	-12.0
Jamaica	-1.5	-0.4	-2.2	-6.9	1.0	4.1	-1.0	-0.5	-5.8
Nicaragua	-4.0	1.2	-4.8	-7.3	-4.3	-4.0	-11.1	-6.4	-33.1
Panama	2.7	-2.2	-2.6	2.6	1.3	-0.1	-18.2	-2.0	-17.2
Paraguay	-4.0	-6.0	0.0	0.9	-3.3	1.4	3.6	2.6	0.0
Dominican Republic	-1.1	2.5	-2.0	-4.1	0.8	4.7	-0.7	0.7	2.0
Uruguay	-10.6	-6.6	-1.9	-0.4	7.2	5.8	-0.4	-0.1	-7.2

Source: ECLAC, on the basis of official figures for the gross domestic product. The population data used in the calculations for this table correspond to unpublished estimates prepararec by the Latin American Demographic Centre.
[a] Preliminary estimates, subject to revision. [b] Does not include Cuba. [c] Refers to total social product.

Table 4

LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT

(Average annual rates)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Argentina[a]	2.6	4.7	5.3	4.7	4.6	6.1	5.2	5.9	6.3	8.0
Bolivia[b]	7.1	5.9	8.2	8.5	6.9	5.8	7.0	7.2	11.5	10.2
Brazil[c]	6.2	7.9	6.3	6.7	7.1	5.3	3.6	3.7	3.8	3.6
Colombia[d]	9.7	8.3	9.1	11.7	13.4	14.0	13.8	11.7	11.1	9.8
Costa Rica[e]	6.0	9.1	9.9	8.5	6.6	6.7	6.7	5.9	6.4	5.5
Chile[f]	11.7	9.0	20.0	19.0	18.5	17.0	13.1	11.9	10.2	7.5
Ecuador[g]	5.7	6.0	6.3	6.7	10.5	10.4	12.0	12.0	12.3	14.3
Guatemala[g]	2.2	1.5	6.0	9.9	9.1	12.0	14.2	12.1	9.6	7.2
Honduras[h]	8.8	9.0	9.2	9.5	10.7	11.7	12.5	11.4	11.5	9.4
Jamaica[i]	13.8	11.2	14.3	13.1	12.1	10.9	10.9	8.6	8.7	...
Mexico[j]	4.5	4.2	4.2	6.6	5.7	4.4	4.3	3.9	3.5	3.0
Panama[k]	10.4	10.7	10.1	11.7	12.4	15.6	12.6	14.0	20.8	22.0
Paraguay[l]	3.9	2.2	5.6	8.3	7.3	5.1	6.1	5.5	4.6	...
Peru[m]	7.1	6.8	6.6	9.0	8.9	10.1	5.4	4.8	7.9	...
Uruguay[n]	7.4	6.7	11.9	15.5	14.0	13.1	10.7	9.3	9.1	8.7
Venezuela[o]	6.6	6.8	7.8	11.2	14.3	14.3	12.1	9.9	7.9	9.7

[a] National urban, April-October average; 1986: October. [b] National, official estimates. [c] Metropolitan areas of Rio de Janeiro, São Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife. Twelve-month average; 1980: June-December average; 1989: January-September average. [d] Bogotá, Barranquilla, Medellín and Cali. Average for March, June, September and December; 1985: average for March, July, September and December; 1986: average for April, June, September and December; 1989: three-quarter average.
[e] National urban, average for March, July and November; 1984: March and November average; 1986: March and July average; 1987: July. From 1987 onward the figures are not strictly comparable with the data for preceding years due to the methodological changes which accompanied the introduction of the new series of multi-purpose household surveys. [f] Greater Santiago, four-quarter average. As from August 1983, the data refer to the Santiago metropolitan area. As from October 1985, the figures are not strictly comparable with those for preceding periods due to changes in the make-up and size of the samples; 1989: three-quarter average. [g] Country total, official estimates. [h] Country total, official estimates; 1986: urban labour force survey; 1987: March, Central District; 1989: estimates.
[i] National, average for April and October. [j] Metropolitan areas of Mexico City, Guadalajara and Monterrey. As from 1983, refers to urban unemployment; four-quarter average; 1989: three-quarter average. [k] Metropolitan Region; 1980, data from the population census of that year; 1989: estimates. [l] Asunción, Fernando de la Mora, Lambaré and the urban areas of Luque and San Lorenzo. Annual average; 1981: first semester; 1983: average for September, October and November; 1984: average for August, September and October; 1985: average for November and December; 1988: official estimates. [m] Metropolitan Lima; 1985: official estimates.
[n] Montevideo, four-quarter average. [o] National urban, two-semester average; 1984 and 1985: national; 1986: second semester; 1987: first semester; 1989: first semester.

Table 5

LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES

(December-December variations)

	1981	1982	1983	1984	1985	1986	1987	1988	1989[a]
Latin America	**57.5**	**84.6**	**130.5**	**184.7**	**274.1**	**64.5**	**198.5**	**757.7**	**994.2**
Argentina	131.2	209.7	433.7	688.0	385.4	81.9	174.8	387.5	3 731.0[b]
Barbados	12.3	6.9	5.5	5.1	2.4	-0.5	6.3	4.4	6.3[c]
Bolivia	25.2	296.5	328.5	2 177.2	8 170.5	66.0	10.7	21.5	15.7[b]
Brazil	91.2	97.9	179.2	203.3	228.0	58.4	365.9	933.6	1 476.1[b]
Colombia	27.5	24.1	16.5	18.3	22.3	21.0	24.0	28.2	27.1[b]
Costa Rica	65.1	81.7	10.7	17.3	11.1	15.4	16.4	25.3	13.9[d]
Chile	9.5	20.7	23.6	23.0	26.4	17.4	21.5	12.7	21.1[b]
Ecuador[e]	17.9	24.3	52.5	25.1	24.4	27.3	32.5	85.7	59.2[b]
El Salvador	11.6	13.8	15.5	9.8	30.8	30.3	19.6	18.2	21.2[f]
Guatemala	8.7	-2.0	15.4	5.2	31.5	25.7	10.1	12.0	14.5[b]
Haiti	16.4	4.9	11.2	5.4	17.4	-11.4	-4.1	8.6	5.9[d]
Honduras	9.2	8.8	7.2	3.7	4.2	3.2	2.7	6.7	10.8[d]
Jamaica	4.8	7.0	16.7	31.2	23.9	10.5	8.4	8.8	14.2[d]
Mexico	28.7	98.8	80.8	59.2	63.7	105.7	159.2	51.7	18.2[b]
Nicaragua	23.2	22.2	35.5	47.3	334.3	747.4	1 347.9	33 602.6	3 452.4[b]
Panama	4.8	3.7	2.0	0.9	0.4	0.4	0.9	0.3	0.1[b]
Paraguay	15.0	4.2	14.1	29.8	23.1	24.1	32.0	16.9	28.7[d]
Peru	72.7	72.9	125.1	111.5	158.3	62.9	114.5	1 722.6	2 948.8[b]
Dominican Republic[g]	7.3	7.2	7.7	38.1	28.4	6.5	25.0	57.6	43.2[d]
Trinidad & Tobago	11.6	10.8	15.4	14.1	6.6	9.9	8.3	12.1	11.0[f]
Uruguay	29.4	20.5	51.5	66.1	83.0	76.4	57.3	69.0	81.9[b]
Venezuela	11.0	7.3	7.0	18.3	5.7	12.3	40.3	35.5	90.0[b]

Source: International Monetary Fund, *International Financial Statistics*, November 1989, and data provided by the countries.
[a] Figures correspond to the variation in prices during the preceding twelve-month period ending in the month indicated for each country. [b] Corresponds to the variation between November 1988 and November 1989. [c] Corresponds to the variation between July 1988 and July 1989. [d] Corresponds to the variation between October 1988 and October 1989. [e] Up to 1982, corresponds to the variation in the consumer price index for the city of Quito; from 1983 onward, corresponds to the variation in the national total. [f] Corresponds to the variation between September 1988 and September 1989. [g] Up to 1982, corresponds to the variation in the consumer price index for the city of Santo Domingo; from 1983 onward, corresponds to the variation in the national total.

Table 6

LATIN AMERICA AND THE CARIBBEAN: REAL AVERAGE WAGES

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989[a]
				Annual average indexes (1980 = 100)						
Argentina[b]	100.0	89.4	80.1	100.5	127.1	107.8	109.5	103.0	97.3	88.7
Brazil										
Rio de Janeiro[c]	100.0	108.5	121.6	112.7	105.1	112.7	121.8	102.4	107.1	105.6
São Paulo[d]	100.0	104.7	107.2	94.0	97.9	120.4	150.7	143.2	152.1	156.2
Colombia[e]	100.0	101.3	104.7	110.1	118.1	114.6	120.1	119.2	117.7	119.1
Costa Rica[f]	100.0	88.3	70.8	78.5	84.7	92.2	97.8	89.2	87.5	...
Chile[g]	100.0	108.9	108.6	97.1	97.2	93.5	95.1	94.7	101.0	102.9
Mexico[h]	100.0	103.6	104.4	80.7	75.4	76.6	72.3	72.8	72.1	...
Peru[i]	100.0	101.8	110.2	93.4	87.2	77.6	97.5	101.3	77.4	36.9
Uruguay[j]	100.0	107.5	107.1	84.9	77.1	88.1	94.0	98.5	99.7	98.9
				Percentage variation[k]						
Argentina	11.8	-10.6	-10.4	25.5	26.5	-15.2	1.6	-5.9	-5.5	-8.8
Brazil										
Rio de Janeiro	5.2	8.5	12.1	-7.3	-6.7	7.2	8.1	-15.9	4.6	-1.4
São Paulo	8.4	4.7	2.4	-12.3	4.1	23.0	25.2	-5.0	6.2	2.7
Colombia	0.8	1.3	3.4	5.2	7.3	-3.0	4.8	-0.7	-1.3	1.2
Costa Rica	0.8	-11.7	-19.8	10.9	7.9	8.9	6.1	-8.8	-1.9	...
Chile	9.0	8.9	-0.3	-10.6	0.1	-3.8	1.7	-0.4	6.7	1.9
Mexico	-2.9	3.6	0.8	-22.7	-6.6	1.6	-5.6	0.7	-1.0	...
Peru	12.4	1.8	8.3	-15.2	-6.6	-11.0	25.6	3.9	-23.6	-52.3
Uruguay	-0.4	7.5	-0.4	-20.7	-9.2	14.3	6.7	4.8	1.2	-0.8

Source: ECLAC, on the basis of official data.
[a] Preliminary figures. [b] Average total monthly wages in manufacturing. Twelve-month average; 1989: January-October average. [c] Average wages in basic industry, deflated by the CPI for Rio de Janeiro. Twelve-month average; 1989: January-August average. [d] Average wages in manufacturing in the State of São Paulo, deflated by the cost-of-living index for the city of São Paulo. Twelve-month average; 1989: January-June average. [e] Wages of manual workers in manufacturing; 1989: first semester. [f] Average remunerations declared by persons covered by the social security system. [g] Average remunerations of wage-earners in non-agricultural sectors. Twelve-month average; 1989: January-October average. [h] Average wages in manufacturing; twelve-month average. [i] Wages of private-sector manual workers in Metropolitan Lima; 1989: average of January, April and June. [j] Index of average real wages. Twelve-month average; 1989: January-October average. [k] With respect to the same period of the preceding year.

Table 7

LATIN AMERICA AND THE CARIBBEAN: URBAN REAL MINIMUM WAGES

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989[a]
	Annual average indexes (1980 = 100)									
Argentina [b]	100.0	97.8	97.8	136.9	167.7	117.1	111.1	122.3	95.6	77.1
Brazil [c]	100.0	106.0	106.8	95.9	87.4	88.9	89.0	72.6	68.7	70.6
Colombia [d]	100.0	98.9	103.6	107.9	113.5	109.4	114.2	113.0	109.9	110.7
Costa Rica [e]	100.0	90.4	85.9	99.3	104.4	112.2	118.7	118.6	116.5	116.5
Chile [f]	100.0	115.7	117.2	94.2	80.7	76.4	73.6	69.1	73.4	79.7
Ecuador [g]	100.0	86.2	75.9	63.6	62.8	60.4	65.0	61.4	53.6	42.3
Mexico [h]	100.0	101.9	92.7	76.6	72.3	71.1	64.9	60.6	53.6	50.7
Paraguay [i]	100.0	103.9	101.9	94.2	93.8	99.6	108.3	122.6	134.2	140.6
Peru [j]	100.0	84.2	77.8	89.2	69.0	60.3	62.5	66.1	57.6	26.7
Uruguay [k]	100.0	103.4	104.6	89.6	89.9	94.1	88.3	91.1	85.6	78.6
Venezuela [l]	100.0	86.2	78.5	73.9	66.5	96.8	92.3	95.3	76.2	68.6
	Percentage variation [m]									
Argentina	17.3	-2.2	0.0	40.0	22.5	-30.2	-5.1	10.1	-21.8	-19.3
Brazil	2.6	6.0	0.8	-10.2	-8.9	1.7	0.1	-18.4	-5.4	2.7
Colombia	2.5	-1.1	4.8	4.2	5.2	-3.6	4.4	-1.1	-2.7	0.7
Costa Rica	1.4	-9.6	-5.0	15.6	5.1	7.5	5.8	-0.1	-1.8	...
Chile	0.3	15.7	1.3	-19.6	-14.3	-5.3	-3.7	-6.1	6.2	8.6
Ecuador	65.5	-13.8	-11.9	-16.2	-1.3	-3.8	7.6	-5.5	-12.7	-21.1
Mexico	-6.7	1.9	-9.0	-17.4	-5.6	-1.7	-8.7	-6.6	-11.6	-5.4
Paraguay	8.2	3.9	-1.9	-7.6	-0.4	6.2	8.7	13.2	9.5	4.8
Peru	23.8	-15.8	-7.6	14.7	-22.6	-12.6	3.6	5.8	-12.9	-53.6
Uruguay	-4.6	3.4	1.2	-14.3	0.3	4.7	-6.2	3.2	-6.0	-8.2
Venezuela	62.8	-13.8	-8.9	-5.9	-10.0	45.6	-4.6	3.3	-20.0	-10.0

Source: ECLAC, on the basis of official data.

[a] Preliminary figures. [b] National minimum wage; 1989: January-October average. [c] Minimum wage for the city of Rio de Janeiro, deflated by the corresponding CPI; 1989: January-September average. [d] Minimum wage for upper urban sectors; 1989: January-June average. [e] National minimum wage. [f] Minimum income; 1989: January-October average. [g] General minimum official living wage; 1989: January-October average. [h] Minimum wage in Mexico City, deflated by the corresponding CPI; 1989: January-August average. [i] Minimum wage in Asunción and Puerto Stroessner; 1989: January-September average. [j] Minimum wage in Metropolitan Lima for non-agricultural activities; 1989: January-October average. [k] National minimum wage for persons over 18 years of age; 1989: January October average. [l] National minimum wage for non-agricultural activities. [m] With respect to the same period of the preceding year.

Table 8

LATIN AMERICA AND THE CARIBBEAN: EXPORTS OF GOODS, FOB

(Indexes 1980 = 100 and annual growth rates)

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1989[a]	1987	1988	1989[a]	1989[a]	1987	1988	1989[a]	1989[a]	1987	1988	1989[a]
Latin America	**124**	**14.0**	**13.7**	**8.7**	**79**	**5.4**	**4.0**	**6.9**	**157**	**8.3**	**9.4**	**1.6**
Oil-exporting countries	**98**	**19.7**	**-0.2**	**14.9**	**65**	**14.9**	**-7.8**	**13.9**	**151**	**4.3**	**8.1**	**0.9**
Bolivia	67	-4.9	4.6	17.1	88	-3.7	-2.5	11.5	77	-1.3	7.2	4.9
Ecuador	93	-7.5	9.0	6.2	57	2.1	-9.4	10.5	162	-9.5	20.4	-3.8
Mexico	141	28.8	0.0	9.9	64	10.9	-6.3	9.5	221	16.2	6.7	0.5
Peru	89	5.2	1.3	28.7	98	11.5	16.0	7.5	90	-5.6	-12.7	19.6
Venezuela	66	15.8	-3.2	23.0	62	26.1	-13.6	23.0	107	-8.2	12.1	0.0
Non-oil-exporting countries	**147**	**10.3**	**23.4**	**5.2**	**90**	**-1.5**	**11.6**	**3.0**	**163**	**12.0**	**10.6**	**2.1**
Argentina	117	-7.2	44.0	2.6	86	4.7	14.6	5.5	136	-11.3	25.7	-2.8
Brazil	172	16.5	29.5	2.3	86	-2.2	10.7	0.0	201	19.1	16.9	2.3
Colombia	143	6.2	-8.8	10.6	95	-19.4	4.0	8.5	151	31.7	-12.3	2.0
Costa Rica	132	2.3	8.9	9.4	93	-6.8	6.4	-1.5	142	9.8	2.3	11.0
Chile	169	24.4	35.0	12.8	103	17.6	28.5	11.0	164	5.8	5.0	1.7
El Salvador	46	-24.0	3.0	-17.9	65	-28.4	11.0	-8.5	72	6.1	-7.1	-10.3
Guatemala	77	-6.5	9.5	9.5	83	-18.0	8.5	-2.0	93	14.0	1.0	11.8
Haiti	70	10.1	-25.7	-4.0	94	10.9	-8.6	-7.5	74	-0.8	-18.7	3.8
Honduras	114	-5.3	5.8	8.6	99	-9.6	8.3	-3.0	116	4.9	-2.4	12.0
Nicaragua	58	19.3	-20.3	10.6	93	3.8	1.5	-4.0	62	15.0	-21.5	15.0
Panama	115	5.7	7.2	11.2	117	-3.5	10.1	1.0	98	9.5	-15.8	10.1
Paraguay	318	65.9	15.4	15.7	113	22.3	10.0	4.0	280	35.6	4.9	11.3
Dominican Republic	110	-1.5	25.6	18.6	108	-8.9	29.8	16.5	102	8.2	-3.2	1.8
Uruguay	147	8.7	18.8	11.1	103	12.0	9.7	6.0	143	-2.9	8.3	4.8

Source: ECLAC.

[a] Preliminary estimates.

Table 9

LATIN AMERICA AND THE CARIBBEAN: IMPORTS OF GOODS, FOB

(Indexes 1980=100 and annual growth rates)

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1989[a]	1987	1988	1989[a]	1989[a]	1987	1988	1989[a]	1989[a]	1987	1988	1989[a]
Latin America	**91**	**13.1**	**13.0**	**8.0**	**100**	**5.8**	**5.6**	**5.2**	**91**	**6.9**	**7.0**	**2.7**
Oil-exporting countries	**97**	**11.5**	**31.4**	**-2.0**	**100**	**3.8**	**7.7**	**5.4**	**97**	**7.5**	**22.1**	**-7.1**
Bolivia	94	8.3	-25.0	11.3	98	-0.9	5.9	4.5	97	9.3	-29.2	6.6
Ecuador	77	25.9	-21.4	7.2	90	3.6	6.9	5.0	86	21.6	-26.5	2.1
Mexico	121	6.5	55.3	20.9	102	4.9	7.4	5.0	119	1.5	44.6	15.1
Peru	61	23.1	-13.4	-31.0	93	2.1	5.1	6.0	66	20.5	-17.6	-34.9
Venezuela	70	12.3	31.1	-34.4	98	3.8	6.7	4.0	71	8.3	22.9	-36.9
Non-oil-exporting countries	**87**	**14.2**	**0.7**	**16.7**	**99**	**7.1**	**4.2**	**5.0**	**88**	**6.7**	**-3.3**	**11.1**
Argentina	43	22.6	-8.9	-17.5	115	6.7	8.4	6.5	37	14.9	-15.9	-22.5
Brazil	81	7.4	-2.4	27.0	98	9.2	3.8	6.0	83	-1.6	-6.0	19.7
Colombia	115	11.2	19.1	9.2	101	4.9	4.5	4.0	116	6.1	13.9	5.0
Costa Rica	125	19.3	2.7	35.0	101	2.4	4.1	6.0	124	16.5	-1.4	27.3
Chile	115	28.9	21.0	30.0	98	12.5	5.6	6.0	117	14.5	14.5	22.8
El Salvador	114	2.5	4.0	6.0	118	4.8	5.3	6.0	96	-2.2	-1.2	0.0
Guatemala	106	52.1	6.2	10.8	101	4.1	3.6	6.0	106	46.2	2.5	4.5
Haiti	97	2.6	-8.8	9.2	109	1.5	0.1	5.5	90	1.1	-8.8	3.7
Honduras	104	2.3	2.5	8.0	114	2.1	1.8	6.5	91	0.2	0.8	1.3
Nicaragua	68	1.0	-2.2	-24.1	102	6.6	2.0	6.0	66	-5.2	-4.1	-28.4
Panama	110	6.7	-19.3	30.8	95	2.4	2.0	4.0	116	4.2	-20.9	25.8
Paraguay	176	42.5	-1.8	15.6	76	10.2	1.1	7.0	231	29.4	-3.0	8.1
Dominican Republic	127	17.7	1.0	20.3	93	4.3	2.3	5.0	137	12.9	-1.2	14.7
Uruguay	67	32.6	3.0	1.2	92	8.9	2.9	7.0	73	21.7	0.1	-5.4

Source: ECLAC.
[a] Preliminary estimates.

Table 10

LATIN AMERICA AND THE CARIBBEAN: TERMS OF TRADE (GOODS), FOB/FOB

(Indexes: 1980=100, growth rates and cumulative percentage variation)

	Indexes				Growth rates					Cumulative variaton
	1986	1987	1988	1989[a]	1985	1986	1987	1988	1989[a]	1981-1989[a]
Latin America	**79**	**79**	**78**	**79**	**-4.4**	**-10.3**	**-0.5**	**-1.5**	**1.9**	**-20.8**
Oil-exporting countries	**64**	**70**	**60**	**65**	**-1.2**	**-33.4**	**10.6**	**-14.4**	**8.0**	**-35.0**
Bolivia	95	92	85	90	-7.8	-8.6	-2.7	-7.9	6.7	-9.6
Ecuador	73	72	61	64	1.3	-24.9	-1.4	-15.2	5.1	-36.3
Mexico	65	69	60	63	1.6	-25.6	5.7	-12.8	4.2	-37.5
Peru	87	95	104	106	-3.6	-3.8	9.1	10.4	1.4	5.8
Venezuela	54	66	53	63	-4.7	-51.2	21.7	-19.1	18.2	-37.2
Non-oil-exporting countries	**94**	**87**	**93**	**91**	**-7.3**	**13.1**	**-8.1**	**7.2**	**-2.0**	**-9.1**
Argentina	73	72	76	75	-17.6	-10.1	-1.9	5.7	-1.0	-25.0
Brazil	97	87	92	87	-2.7	15.6	-10.4	6.6	-5.7	-13.0
Colombia	120	92	92	96	-8.4	29.9	-23.1	-0.4	4.3	-4.3
Costa Rica	106	97	99	92	-2.7	20.6	-9.0	2.2	-7.1	-8.4
Chile	79	83	100	105	-6.9	8.8	4.4	21.7	4.8	5.2
El Salvador	89	61	64	55	-4.8	28.1	-31.6	5.5	-13.8	-45.0
Guatemala	108	85	89	82	-5.6	30.0	-21.2	4.7	-7.5	-17.6
Haiti	99	108	99	86	5.8	12.6	9.3	-8.6	-12.4	-13.7
Honduras	101	90	95	87	14.3	23.1	-11.5	6.5	-8.9	-13.2
Nicaragua	104	100	99	91	-7.0	5.8	-3.9	-0.2	-9.5	-9.2
Panama	125	118	127	123	1.6	24.1	-5.7	7.9	-2.8	23.4
Paraguay[b]	127	141	153	149	-15.5	4.3	11.0	8.8	-2.8	48.6
Dominican Republic	94	82	105	116	-14.9	14.7	-12.6	26.8	11.0	16.0
Uruguay	103	106	113	112	-9.6	16.4	2.8	6.6	-0.9	11.9

Source: ECLAC.
[a] Preliminary estimates. [b] From 1986 onward, "Goods" includes trade in energy, which was previously included under "Services".

Table 11

LATIN AMERICA AND THE CARIBBEAN: PRICES OF MAIN EXPORT COMMODITIES

(Dollars at current prices)

	Annual averages					Growth rates				Cumulative variation
	1970-1980	1986	1987	1988	1989[a]	1986	1987	1988	1989[b]	1989/1970-1980
Unrefined sugar [c]	12.8	6.1	6.8	10.2	12.3	48.8	11.5	50.0	20.6	-3.9
Coffe (mild) [c]	121.8	192.7	112.3	135.1	119.2	32.3	-41.7	20.3	-11.8	-2.1
Cocoa [c]	86.3	93.8	90.6	72.1	59.9	-8.3	-3.4	-20.4	-16.9	-30.6
Bananas [c]	11.8	22.1	26.5	24.6	19.7	20.1	19.9	-7.2	-19.9	66.9
Wheat [d]	125.1	115.0	115.0	146.0	171.0	-16.7	0.0	27.0	17.1	36.7
Maize [d]	127.5	112.9	109.4	135.7	143.8	-16.6	-3.1	24.0	6.0	12.8
Beef [c]	82.2	95.0	108.2	114.2	112.7	-2.8	13.9	5.5	-1.3	37.1
Fish meal [d]	354.7	321.0	383.0	544.0	406.0	14.6	19.3	42.0	-25.4	14.5
Soya beans [d]	232.4	208.0	216.0	304.0	285.0	-7.6	3.8	40.7	-6.3	22.6
Cotton [c]	61.2	52.9	76.1	63.4	72.2	-14.3	43.9	-16.7	13.9	18.0
Wool [c]	131.5	147.7	182.9	207.1	194.4	5.0	23.8	13.2	-6.1	47.8
Copper [c]	69.6	62.3	80.8	117.9	132.5	-3.1	29.7	45.9	12.4	90.4
Tin [e]	3.9	2.6	3.1	3.3	4.1	-51.9	19.2	6.5	24.2	5.1
Iron ore [d]	17.6	21.6	22.1	22.3	24.2	-1.8	2.3	0.9	8.5	37.5
Lead [c]	25.3	18.4	27.1	29.8	29.9	4.0	47.3	10.0	0.3	18.2
Zinc [c]	29.7	38.0	42.4	60.2	84.0	-5.9	11.6	42.0	39.5	182.8
Bauxite [d f]	103.5	165.2	164.8	164.8	-	0.5	-0.2	0.0	-	-
Crude petroleum [g]										
Saudi Arabia	10.0	12.5	16.3	12.8	15.9	-49.0	30.4	-21.5	24.2	59.0
Ecuador	-	15.0	18.0	15.2	17.2	-43.6	20.0	-15.6	13.2	-
Mexico	-	13.0	16.6	12.9	14.9	-47.2	27.7	-22.3	15.5	-
Venezuela	10.1	12.5	16.2	12.3	15.7	-47.9	29.6	-24.1	27.6	55.4

Source: UNCTAD, Monthly Commodity Price Bulletin 1960-1984 and October 1989: International Monetary Fund; *International Financial Statistics*, Yearbooks, 1981 and November 1989; *Petroleum Intelligence Weekly*, 1984-1989, various issues; Energy Economics Research Limited, Oil and Energy Trends, April 1989; ECLAC, on the basis of official data.

Note: Unrefined sugar, FOB, Caribbean ports, for export to the free market. Coffee mild arábica, ex-dock New York. Cocoa beans, average of daily prices (futures), New York/London. Central American Bananas, CIF North Sea ports. Cotton, Mexican M 1-3/32", CIF Northern Europe. Wool, clean, combed, grade 48's, United Kingdom. Beef, frozen, and deboned, all sources, United States ports. Fish meal, all sources, 64-65% protein, CIF Hamburg. Wheat, United States No. 2, Hard Red Winter. Maize, Argentina, CIF North Sea ports. Soya beans, United States, No. 2, yellow bulk, CIF Rotterdam. Copper, tin, lead and zinc, spot cash prices on the London Metal Exchange. Iron ore, Liberia, C 61% Fe, CIF North Sea ports. Bauxite, Guyana (Baltimore). Petroleum, Saudi Arabia: Heavy-27 (U.S. Gulf Coast); Ecuador: Oriente-30 (U.S. Gulf Coast); Mexico: Maya Heavy-22 (U.S. Gulf Coast); Venezuela: Tía Juana-22 (Caribbean).

[a] January-September average. [b] January-September average as compared to average for 1988. [c] US cents per pound. [d] Dollars per metric ton. [e] Dollars per pound. [f] 1988: January-May average. [g] Dollars per barrel.

Table 12

LATIN AMERICA AND THE CARIBBEAN: PURCHASING POWER OF EXPORT OF GOODS

(Indexes: 1980=100, growth rates and cumulative percentage variation)

	Indexes				Growth rates					Cumulative variation
	1986	1987	1988	1989[a]	1985	1986	1987	1988	1989[a]	1981-1989[a]
Latin America	**101**	**109**	**117**	**122**	**-4.2**	**-10.7**	**7.4**	**7.8**	**3.5**	**21.5**
Oil-exporting countries	**82**	**94**	**88**	**96**	**-6.7**	**-28.2**	**14.6**	**-6.7**	**10.0**	**-3.7**
Bolivia	61	58	57	64	-17.0	-9.0	-4.4	-1.9	12.0	-36.3
Ecuador	108	97	98	100	17.0	-20.5	-10.4	1.3	1.2	-0.5
Mexico	113	139	130	136	-7.7	-24.3	22.8	-6.9	4.7	35.7
Peru	77	79	76	92	1.0	-14.0	2.3	-3.8	21.3	-7.9
Venezuela	54	60	55	65	-10.1	-38.9	11.5	-8.8	18.0	-34.9
Non-oil-exporting countries	**119**	**123**	**145**	**145**	**-1.8**	**5.4**	**2.9**	**18.0**	**0.1**	**44.6**
Argentina	91	79	104	100	0.2	-21.0	-13.3	32.1	-3.7	0.3
Brazil	134	143	178	172	-0.7	0.0	6.6	24.6	-3.6	71.5
Colombia	149	151	132	140	-17.0	59.3	1.4	-12.8	6.2	40.1
Costa Rica	116	116	121	125	-7.3	21.1	-0.4	4.4	3.1	24.7
Chile	112	124	159	169	10.0	15.8	10.7	27.6	6.4	68.8
El Salvador	70	51	50	39	-7.2	20.2	-27.6	-2.0	-22.4	-61.4
Guatemala	75	68	71	74	-5.0	6.2	-9.8	4.7	3.4	-26.5
Haiti	84	89	66	60	5.0	-17.2	6.9	-26.7	-9.0	-40.4
Honduras	100	92	95	97	1.0	19.9	-7.3	3.5	2.1	-2.6
Nicaragua	59	68	47	54	-24.0	-16.1	13.6	-30.4	4.0	-46.0
Panama	118	122	112	120	19.4	29.3	3.6	-8.6	7.4	19.7
Paraguay [b]	206	317	356	418	-4.0	86.3	53.5	12.3	17.4	318.0
Dominican Republic	87	82	100	113	-14.2	3.8	-6.4	22.6	12.8	12.7
Uruguay	130	131	151	156	-9.9	44.4	0.4	15.3	3.7	56.2

Source: ECLAC.

[a] Preliminary estimates. [b] From 1986 onward, "Goods" includes trade in energy, which was previously included under "Services".

Table 13

LATIN AMERICA AND THE CARIBBEAN: TRADE BALANCE (GOODS)

(Millions of dollars)

	Exports of goods FOB			Imports of goods FOB			Trade balance (goods)		
	1987	1988	1989[a]	1987	1988	1989[a]	1987	1988	1989[a]
Latin America	89 212	101 479	110 315	67 406	76 157	82 280	21 806	25 322	28 035
Oil-exporting countries	36 417	36 323	41 735	26 909	35 377	34 670	9 508	946	7 065
Bolivia	519	542	635	646	485	540	-127	57	95
Ecuador	2 021	2 203	2 340	2 054	1 614	1 730	-33	589	610
Mexico	20 649	20 648	22 700	12 199	18 945	22 900	8 450	1 703	-200
Peru	2 661	2 696	3 470	3 178	2 752	1 900	-517	-56	1 570
Venezuela	10 567	10 234	12 590	8 838	11 581	7 600	1 735	-1 347	4 990
Non-oil-exporting countries	52 795	65 156	68 580	40 497	40 780	47 610	12 298	24 376	20 970
Argentina	6 359	9 160	9 400	5 384	4 907	4 050	975	4 253	5 350
Brazil	26 156	33 874	34 650	15 050	14 688	18 650	11 106	19 186	16 000
Colombia	5 661	5 163	5 710	3 793	4 516	4 930	1 868	647	780
Costa Rica	1 109	1 207	1 320	1 245	1 278	1 725	-136	-71	-405
Chile	5 224	7 052	7 955	3 994	4 833	6 285	1 230	2 219	1 670
El Salvador	591	609	500	925	962	1 020	-334	-353	-520
Guatemala	980	1 073	1 175	1 330	1 413	1 565	-350	-340	-390
Haiti	210	156	150	311	284	310	-101	-128	-160
Honduras	844	893	970	894	917	990	-50	-24	-20
Nicaragua	295	235	260	734	718	545	-439	-483	-285
Panama	2 521	2 338	2 600	3 116	2 515	3 290	-595	-177	-690
Paraguay	952	1 098	1 270	1 049	1 029	1 190	-97	69	80
Dominican Republic	711	893	1 060	1 592	1 608	1 935	-881	-715	-875
Uruguay	1 182	1 405	1 560	1 080	1 112	1 125	102	293	435

Source: 1987 and1988: ECLAC, on the basis of figures supplied by the International Monetary Fund; the 1987 and 1988 figures for El Salvador and Nicaragua and the 1988 figures for Brazil and Guatemala are ECLAC estimates; 1989: ECLAC, on the basis of national data.

[a] Preliminary ECLAC estimates. The figures have been rounded to the nearest ten or five.

Table 14

LATIN AMERICA AND THE CARIBBEAN: BALANCE OF PAYMENTS

(Millions of dollars)

	Net service payments[a]			Net payments of profits and interest [c]			Balance on current account[d]			Net capital movements[e]			Global balance[f]		
	1987	1988	1989[b]	1987	1988	1989[b]	1987	1988	1989[b]	1987	1988	1989[b]	1987	1988	1989[b]
Latin America	3 197	3 736	3 460	31 421	34 179	38 315	-10 711	-10 309	-11 095	14 874	5 274	13 665	4 163	-5 035	2 570
Oil-exporting countries	129	-9	-700	11 105	12 175	13 825	-1 453	-10 870	-5 490	5 196	-176	8 035	3 743	-11 046	2 545
Bolivia	139	109	100	277	283	235	-526	-314	-220	478	271	270	-48	-43	50
Ecuador	315	245	215	914	1 010	1 000	-1 263	-657	-605	1 163	671	820	-100	14	215
Mexico	-2 083	-2 426	-2 400	7 195	7 712	8 380	3 722	-3 130	-5 500	1 951	-3 666	6 500	5 673	-6 796	1 000
Peru	422	452	305	1 344	1 600	1 720	-2 283	-2 108	-455	1 524	1 984	1 425	-759	-124	970
Venezuela	1 336	1 611	1 080	1 375	1 570	2 490	-1 103	-4 661	1 290	80	564	-980	-1 023	-4 097	310
Non-oil-exporting countries	3 068	3 745	4 160	20 316	22 004	24 490	-9 258	561	-5 605	9 678	5 450	5 630	420	6 011	25
Argentina	719	715	540	4 478	5 124	6 500	-4 232	-1 586	-1 690	2 281	3 490	1 190	-1 951	1 904	-500
Brazil	2 361	2 999	3 690	10 316	11 371	12 300	-1 456	4 909	110	3 588	-1 888	100	2 132	3 021	210
Colombia	565	291	450	1 968	1 789	1 800	344	-460	-455	58	636	540	402	176	85
Costa Rica	47	-9	-110	297	332	350	-442	-356	-600	480	598	660	39	242	60
Chile	463	645	680	1 700	1 919	1 985	-869	-282	-925	1 005	1 106	1 160	136	824	235
El Salvador	-47	-87	10	147	146	120	-233	-186	-395	182	272	250	-51	86	-145
Guatemala	107	124	80	170	166	180	-528	-477	-455	474	395	495	-54	-82	40
Haiti	80	94	135	21	24	30	-146	-182	-260	162	204	150	16	22	-110
Honduras	69	79	15	238	264	270	-341	-349	-285	406	368	290	65	19	5
Nicaragua	129	98	85	208	151	155	-766	-732	-525	504	562	545	-262	-170	20
Panama	-790	-800	-790	12	-28	-5	149	625	95	-187	-630	-105	-38	-5	-10
Paraguay	-111	107	10	174	122	150	-158	-158	-80	196	-10	195	38	-168	115
Dominican Republic	-485	-485	-645	306	318	320	-441	-218	-230	308	341	215	-133	123	-15
Uruguay	-39	-26	10	281	306	335	-139	13	90	221	6	-55	82	19	35

Source: 1987 and 1988 : ECLAC, on the basis of figures supplied by the International Monetary Fund; the 1987 and 1988 figures for El Salvador and Nicaragua and the 1988 figures for Brazil and Guatemala, are ECLAC estimates; 1989: ECLAC, on the basis of official figures.

[a] Does not include net payments of profits and interest. [b] Preliminary ECLAC estimates. The figures have been rounded to the nearest ten or five. [c] Includes interest due. [d] Includes net unrequited private transfer payments, which were of a significant level in 1989 for the followinrg countries: Colombia, El Salvador, Guatemala, Mexico and the Dominican Republic. [e] Includes short- and long-term capital, unrequited official transfer payments, and errores and omissions. [f] Corresponds to the variation in international reserves (of opposite sign) plus counterpart enterprises.

Table 15

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

(Billions of dollars and percentages)

	Net capital inflow (1)	Net payments of profits and interest (2)	Transfer of resources (3)=(1)-(2) (3)	Exports of goods and services (4)	Transfer of resources/ exports of goods and services (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	14.3	5.6	8.7	41.1	21.2
1976	17.9	6.8	11.1	47.3	23.5
1977	17.2	8.2	9.0	55.9	16.1
1978	26.2	10.2	16.0	61.3	26.1
1979	29.1	13.6	15.5	82.0	18.9
1980	29.7	18.1	11.6	107.7	10.8
1981	37.6	27.2	10.4	116.1	9.0
1982	20.2	38.8	-18.6	103.2	-18.0
1983	2.9	34.4	-31.5	102.4	-30.8
1984	10.0	36.7	-26.7	113.7	-23.5
1985	2.5	35.3	-32.8	109.3	-30.0
1986	8.7	32.2	-23.5	95.5	-24.6
1987	14.9	31.4	-16.5	108.2	-15.2
1988	5.3	34.2	-28.9	122.9	-23.5
1989[b]	13.7	38.3	-24.6	133.8	-18.4

Source: 1973-1988: ECLAC, on basis of figures supplied by the International Monetary Fund; 1989: ECLAC, on the basis of official figures.
[a] Percentages. [b] Preliminary estimates.

Table 16

LATIN AMERICA AND THE CARIBBEAN: TOTAL DISBURSED EXTERNAL DEBT [a]

	End-of-year balance in millions of dollars						Growth rates				
	1984	1985	1986	1987	1988	1989[b]	1979-1981	1982-1983	1984-1987	1988	1989[b]
Latin America	**367 058**	**377 274**	**393 649**	**416 352**	**412 986**	**415 900**	**23.0**	**11.1**	**4.3**	**-0.8**	**-0.7**
Oil-exporting countries	**153 434**	**156 444**	**161 640**	**168 215**	**167 975**	**170 505**	**24.6**	**10.3**	**2.6**	**-0.1**	**-1.5**
Bolivia [c]	3 208	3 294	3 536	4 162	3 993	4 100	13.4	9.5	7.2	-4.1	2.7
Ecuador	7 596	8 111	9 077	10 267	11 034	11 700	21.1	19.7	8.7	7.5	6.0
Mexico	96 700	97 800	100 500	102 400	100 400	99 900	30.8	12.0	2.2	-2.0	-0.5
Peru	12 068	13 877	15 630	16 942	18 725	19 980	1.0	14.0	8.0	10.5	6.7
Venezuela [d]	33 862	33 362	32 897	34 444	33 823	34 825	26.0	4.1	-0.2	-1.8	3.0
Non-oil-exporting countries	**213 624**	**220 830**	**232 009**	**248 137**	**245 011**	**245 395**	**21.7**	**11.8**	**5.6**	**-1.3**	**0.2**
Argentina	46 903	49 326	51 422	54 700	59 000	61 100	42.1	12.8	5.0	7.9	3.6
Brazil [e]	104 926	105 126	111 045	121 174	113 300	111 100	14.5	10.2	5.6	-6.5	-1.9
Colombia	12 350	14 063	14 987	15 663	16 454	16 950	28.0	16.1	8.2	5.1	3.0
Costa Rica	3 752	3 742	3 922	4 194	4 100	4 500	13.3	14.7	4.4	-2.2	9.8
Chile	19 659	20 403	20 716	20 660	18 971	17 610	30.7	7.6	3.5	-8.2	-7.2
El Salvador	1 949	1 980	1 928	1 880	1 913	1 825	19.1	8.4	-0.1	1.8	4.6
Guatemala	2 495	2 694	2 674	2 700	2 647	2 830	19.3	25.0	6.0	-2.0	7.0
Haiti [c]	607	600	697	741	785	800	21.1	22.3	7.9	5.9	1.9
Honduras	2 392	2 794	3 018	3 105	3 045	3 260	17.8	17.0	9.6	-1.9	7.1
Nicaragua [c]	4 362	4 936	5 760	6 270	7 220	7 570	27.4	21.5	13.5	15.2	4.8
Panama [f]	4 368	4 774	4 935	5 324	5 400	5 500	13.3	14.2	5.0	1.4	1.9
Paraguay	1 654	1 772	1 855	2 043	2 002	2 150	12.4	24.5	8.6	-2.0	7.4
Dominican Republic	3 536	3 720	3 812	3 795	3 844	3 900	24.4	14.0	3.5	1.3	1.5
Uruguay	4 671	4 900	5 238	5 888	6 330	6 300	36.1	22.0	6.6	7.5	-0.5

Source: ECLAC, on the basis of official figures.
[a] Includes debt owed to the International Monetary Fund. [b] Preliminary figures. [c] Public debt. [d] Total debt according to official figures and data supplied by the international financial agencies. [e] Up to 1984, correponds to World Bank data. [f] World Bank data.

Table 17

LATIN AMERICA AND THE CARIBBEAN: TOTAL INTEREST DUE AS A PERCENTAGE OF EXPORTS OF GOODS AND SERVICES

(Percentages)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989[a]
Latin America	**20.4**	**28.0**	**41.0**	**36.2**	**36.4**	**35.8**	**36.6**	**30.4**	**29.5**	**29.9**
Oil-exporting countries	**16.8**	**22.5**	**35.6**	**31.4**	**33.8**	**32.8**	**35.5**	**29.1**	**31.1**	**29.9**
Bolivia	25.0	34.6	43.4	39.8	49.8	46.8	42.1	38.4	40.7	28.2
Ecuador	18.3	22.8	30.3	27.4	30.7	25.5	30.0	32.7	33.5	31.3
Mexico	23.3	29.0	47.3	37.5	39.1	37.3	38.4	29.6	30.8	29.8
Peru	18.4	24.1	25.1	29.8	33.2	34.0	33.0	38.2	43.3	36.8
Venezuela	8.1	12.7	21.0	21.6	24.1	25.3	31.1	23.7	27.0	27.2
Non-oil-exporting countries	**23.9**	**33.8**	**46.8**	**40.9**	**39.0**	**38.5**	**36.6**	**31.1**	**28.7**	**29.9**
Argentina	22.0	35.5	53.6	58.4	57.6	51.1	51.0	50.9	42.4	53.1
Brazil	34.1	40.4	57.1	43.5	39.6	40.3	41.4	33.1	29.3	30.6
Colombia	11.8	21.9	25.9	26.7	22.8	28.9	20.5	20.5	21.9	21.8
Costa Rica	18.0	28.0	36.1	33.0	26.6	24.9	21.8	21.2	21.6	21.6
Chile	19.3	38.8	49.5	38.9	48.0	43.5	37.9	26.4	21.8	19.1
El Salvador	5.9	7.8	11.9	12.2	12.3	11.1	10.1	13.6	13.7	14.5
Guatemala	5.3	7.6	7.8	8.7	12.3	14.6	17.3	13.6	12.5	14.6
Haiti	2.1	2.7	2.4	2.4	5.2	5.4	5.2	6.0	8.7	11.6
Honduras	10.6	14.4	22.4	16.4	15.9	16.1	19.5	18.3	19.9	19.4
Nicaragua	24.3	37.4	41.8	44.8	56.1	72.0	83.6	64.1	55.6	56.1
Paraguay	13.4	14.8	13.5	14.3	10.1	8.3	18.5	9.2	8.4	8.1
Dominican Republic	19.9	19.1	22.7	24.5	18.1	18.7	18.9	20.4	18.7	16.4
Uruguay	11.0	12.9	22.4	24.8	34.8	34.2	24.7	24.8	23.8	26.7

Source: ECLAC, on the basis of official figures.
[a] Preliminary estimates.

Table 18

LATIN AMERICA AND THE CARIBBEAN: TOTAL DISBURSED EXTERNAL DEBT AS A PERCENTAGE OF EXPORTS OF GOODS AND SERVICES [a]

(Percentages)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989[b]
Latin America	**212**	**247**	**331**	**354**	**327**	**351**	**423**	**394**	**341**	**316**
Oil-exporting countries	**187**	**220**	**279**	**304**	**282**	**308**	**419**	**369**	**356**	**313**
Bolivia	262	348	317	380	400	458	530	640	593	526
Ecuador	162	202	231	261	249	246	351	419	419	412
Mexico	216	259	335	345	321	357	459	371	345	307
Peru	207	239	281	334	316	366	427	499	494	420
Venezuela	148	160	200	229	216	214	326	304	303	261
Non-oil-exporting countries	**236**	**273**	**386**	**405**	**371**	**392**	**427**	**413**	**332**	**318**
Argentina	275	329	475	485	488	490	608	673	532	541
Brazil	321	313	417	416	364	381	456	431	309	303
Colombia	128	199	232	303	239	314	233	230	255	240
Costa Rica	184	229	286	312	294	306	281	289	251	262
Chile	188	311	370	390	437	457	404	327	230	186
El Salvador	97	174	208	216	218	219	188	209	215	247
Guatemala	61	96	144	183	204	231	229	237	208	199
Haiti	87	155	152	191	190	178	239	231	313	372
Honduras	147	180	259	270	283	309	299	320	300	302
Nicaragua	369	464	702	804	1 013	1 405	1 958	1 912	3 046	2 656
Paraguay	152	171	195	317	214	163	234	158	144	129
Dominican Republic	171	183	260	267	258	281	271	244	220	194
Uruguay	141	183	276	324	362	391	349	381	359	321

Source: ECLAC, on the basis of official figures.
[a] Calculated on the basis of the external debt figures given in table 16 and the corresponding data on exports of goods and services.
[b] Preliminary estimates.

Table 19

LATIN AMERICA AND THE CARIBBEAN: PRICES OF EXTERNAL DEBT PAPER ON THE SECONDARY MARKET

(As a percentage of face value)

	1986			1987			1988			1989		
	January	June	December	January	June	Decembre	January	June	December	January	June	November
Argentina	62	65	66	64	52	35	32	25	21	20	13	13
Bolivia	...	6	7	8	9	11	11	11	10	10	11	11
Brazil	75	74	74	72	62	46	46	51	41	37	31	21
Colombia	82	81	86	86	85	65	65	65	57	56	57	64
Costa Rica	...	48	35	35	36	15	15	11	12	13	14	17
Chile	65	67	67	68	70	61	61	60	56	60	61	59
Ecuador	68	64	65	65	50	37	35	27	13	13	12	15
Guatemala	...	52	60	61	67	77	57	...	...	...	...	...
Honduras	...	40	40	40	39	22	22	22	22	22	17	21
Jamaica	...	45	45	45	38	33	33	38	40	40	41	40
Mexico	69	59	56	57	57	51	50	51	43	40	40	35
Nicaragua	...	4	4	4	5	4	4	2	2	2	1	1
Panama	...	69	68	68	67	39	39	24	21	19	10	12
Peru	25	20	18	18	14	7	7	6	5	5	3	6
Dominican Republic	...	45	45	45	45	23	23	20	22	22	22	13
Uruguay	...	63	66	68	74	60	59	60	60	60	56	50
Venezuela	80	76	74	75	71	58	55	55	41	38	37	35
Average [a]	...	64.9	64.2	63.7	58.5	46.5	45.1	45.4	37.7	35.2	31.9	27.5

Source: United Nations, Department of International Economic and Social Affairs (DIESA), on the basis of figures provided by Soloman Brothers, High Yield Department.

[a] Weighted according to bank debt.

Figure 1

LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS

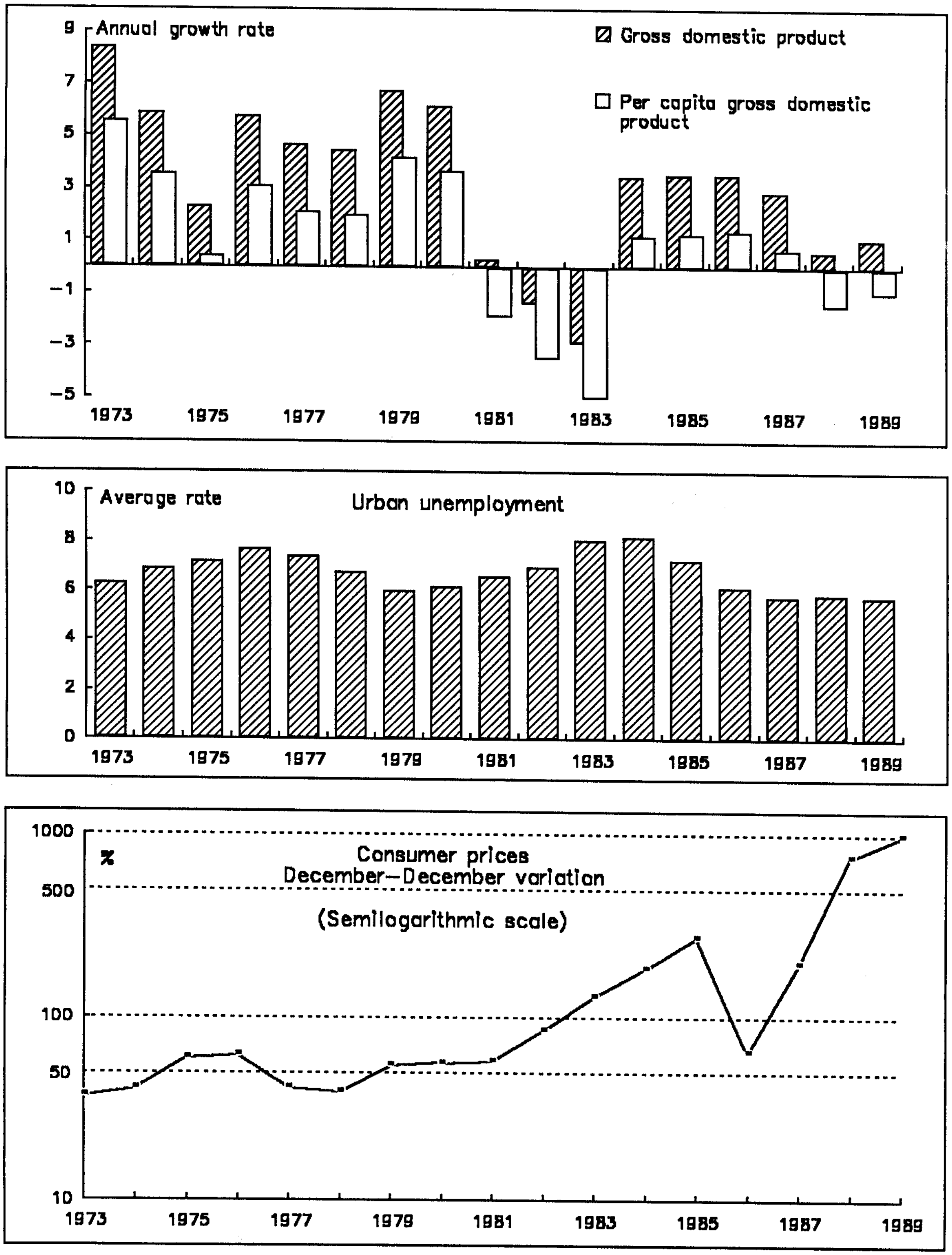
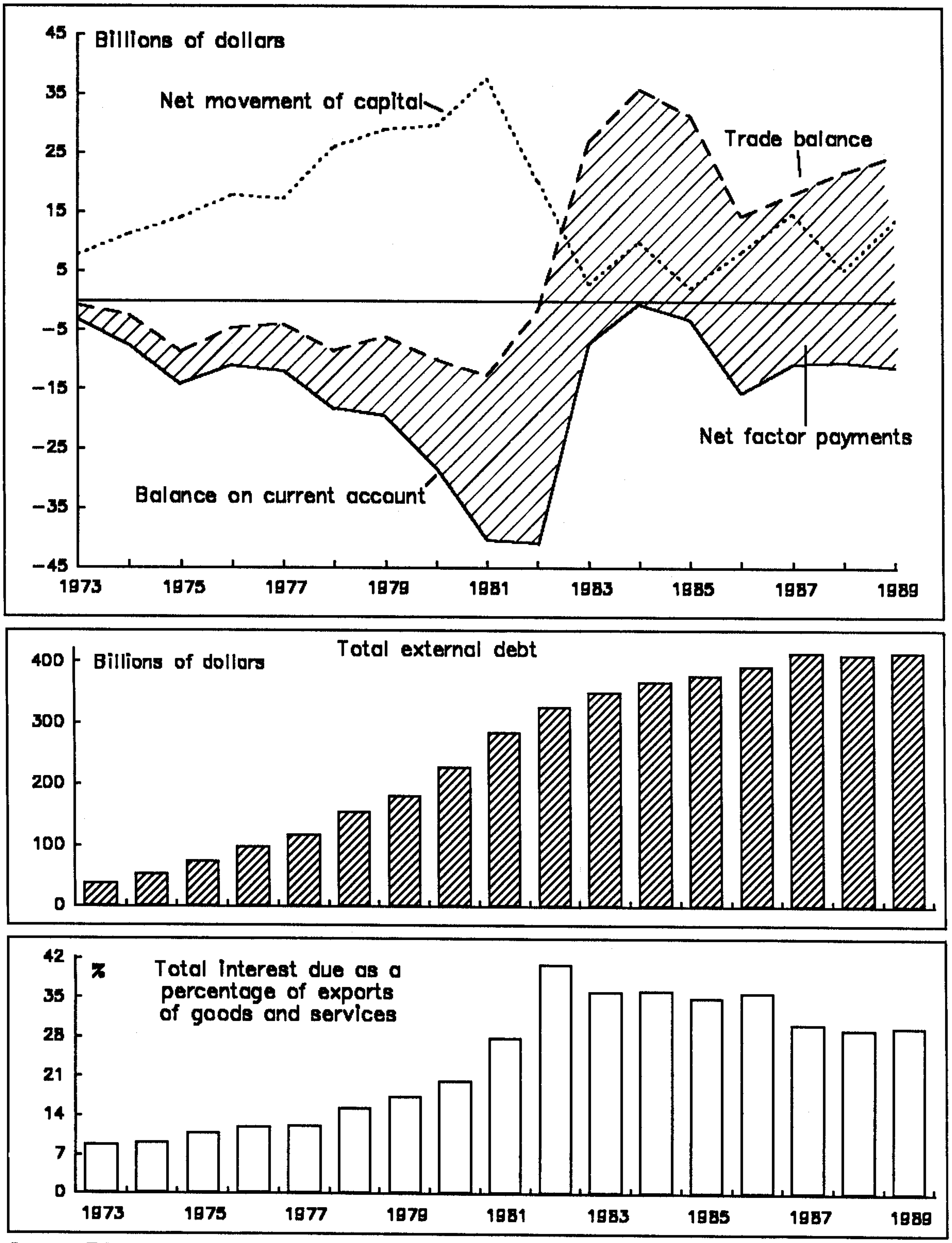


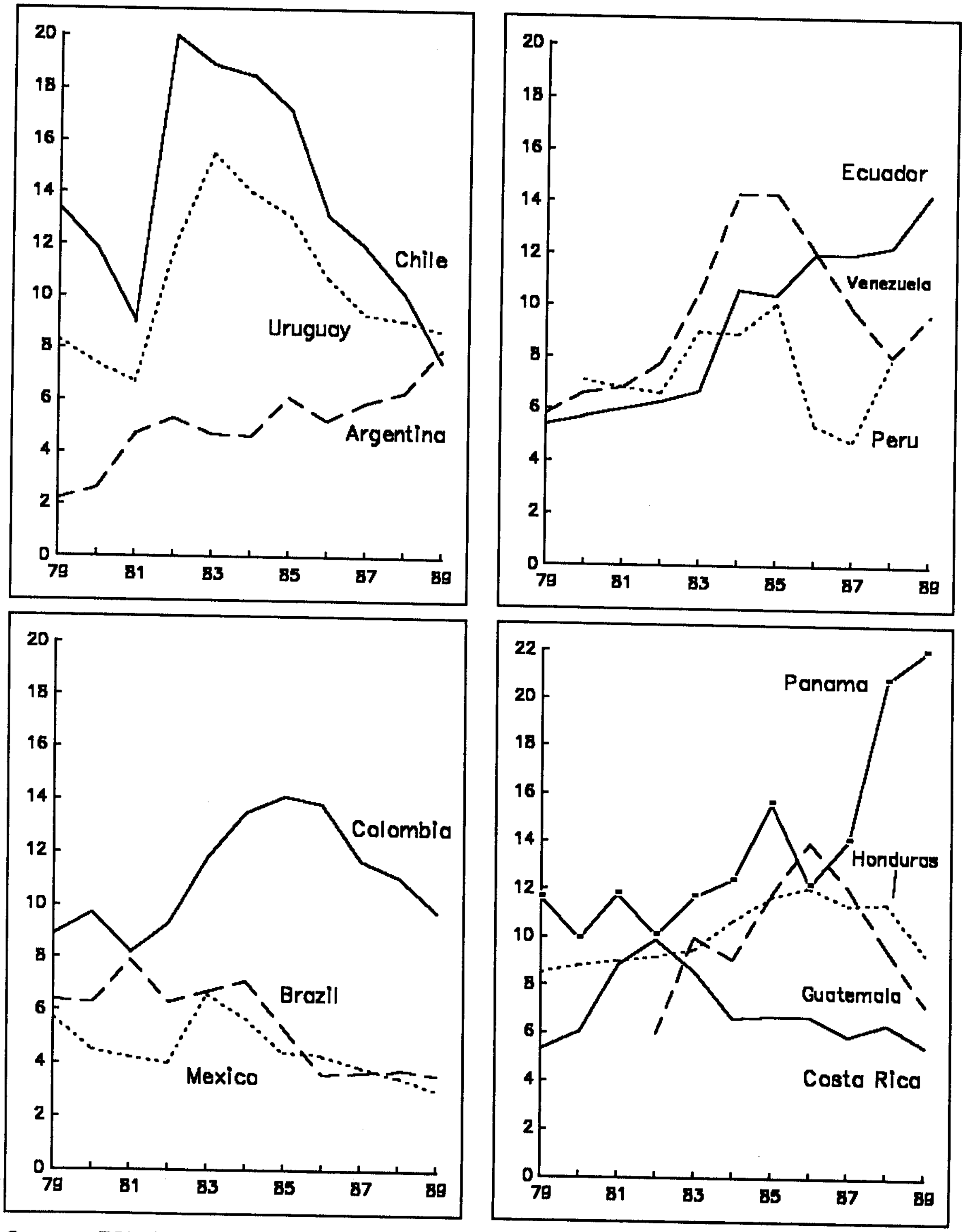
Figure 1 (conclusion)



Source:ECLAC, on the basis of official data.

Figure 2

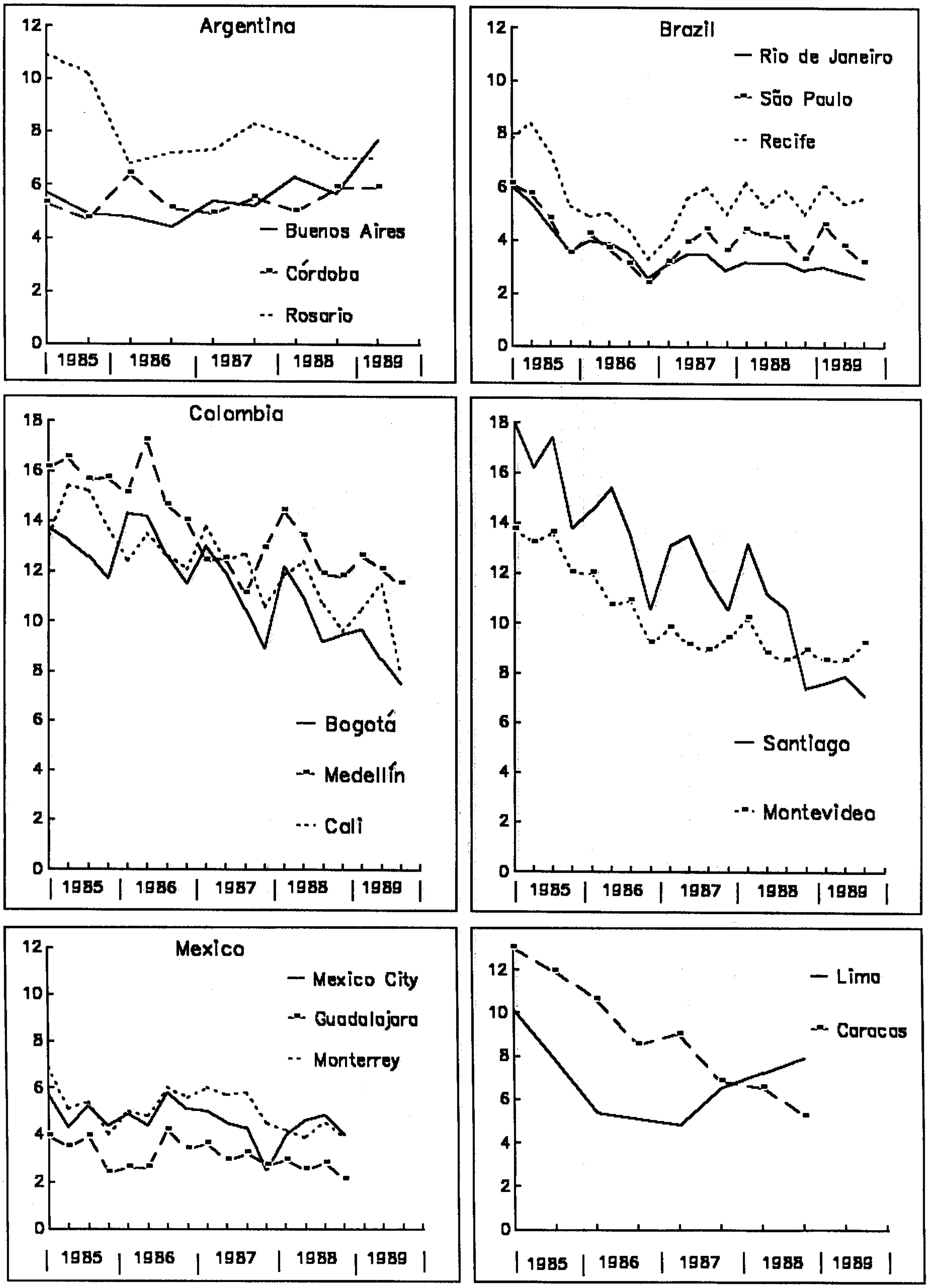
LATIN AMERICA (SELECTED COUNTRIES): EVOLUTION OF URBAN UNEMPLOYMENT
(Annual average rates)



Source: ECLAC, on the basis of official data.

Figure 3

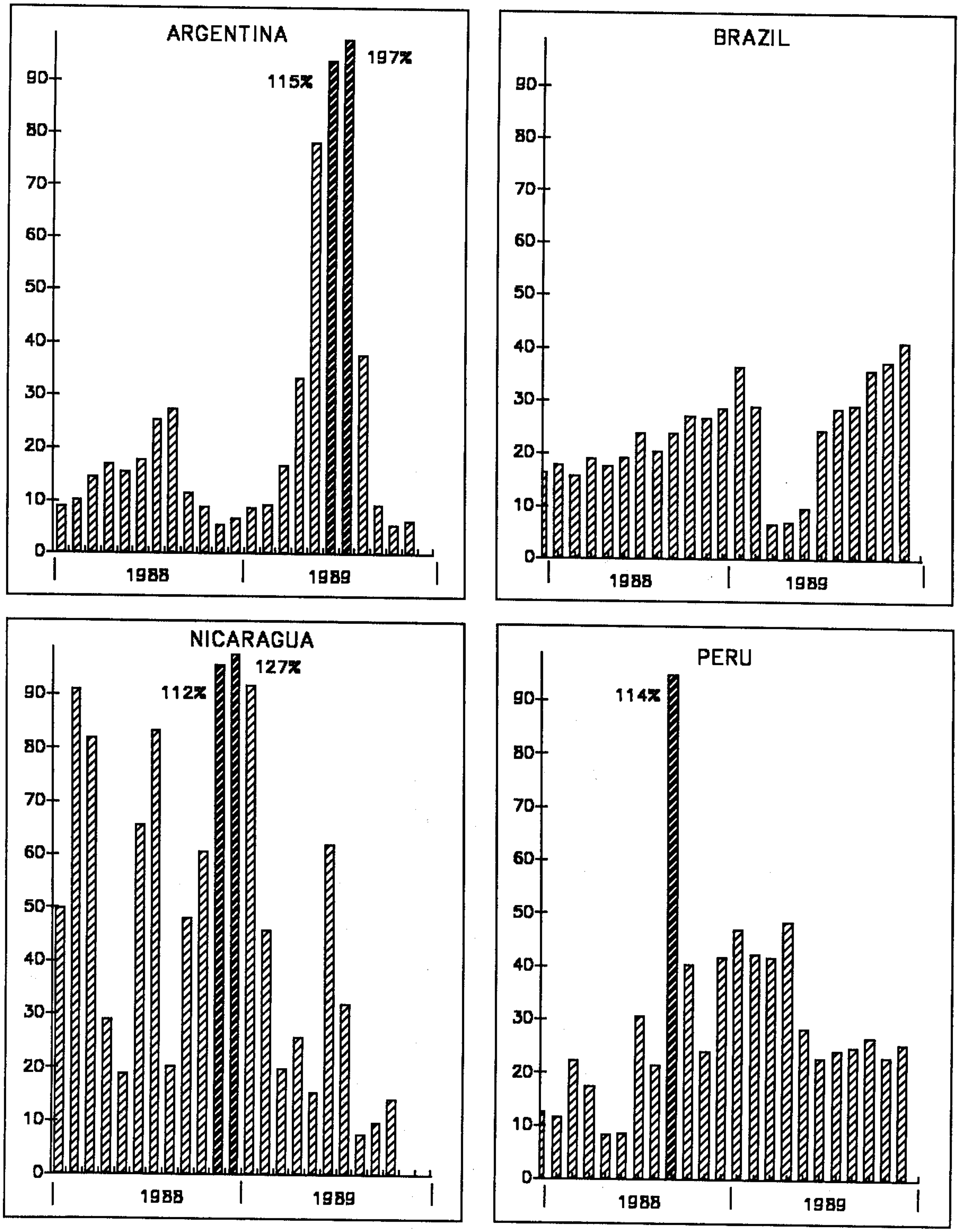
LATIN AMERICA: UNEYPLOYMENT IN SOME PRINCIPAL CITIES



Source: ECLAC, on the basis of official data.

Figure 4

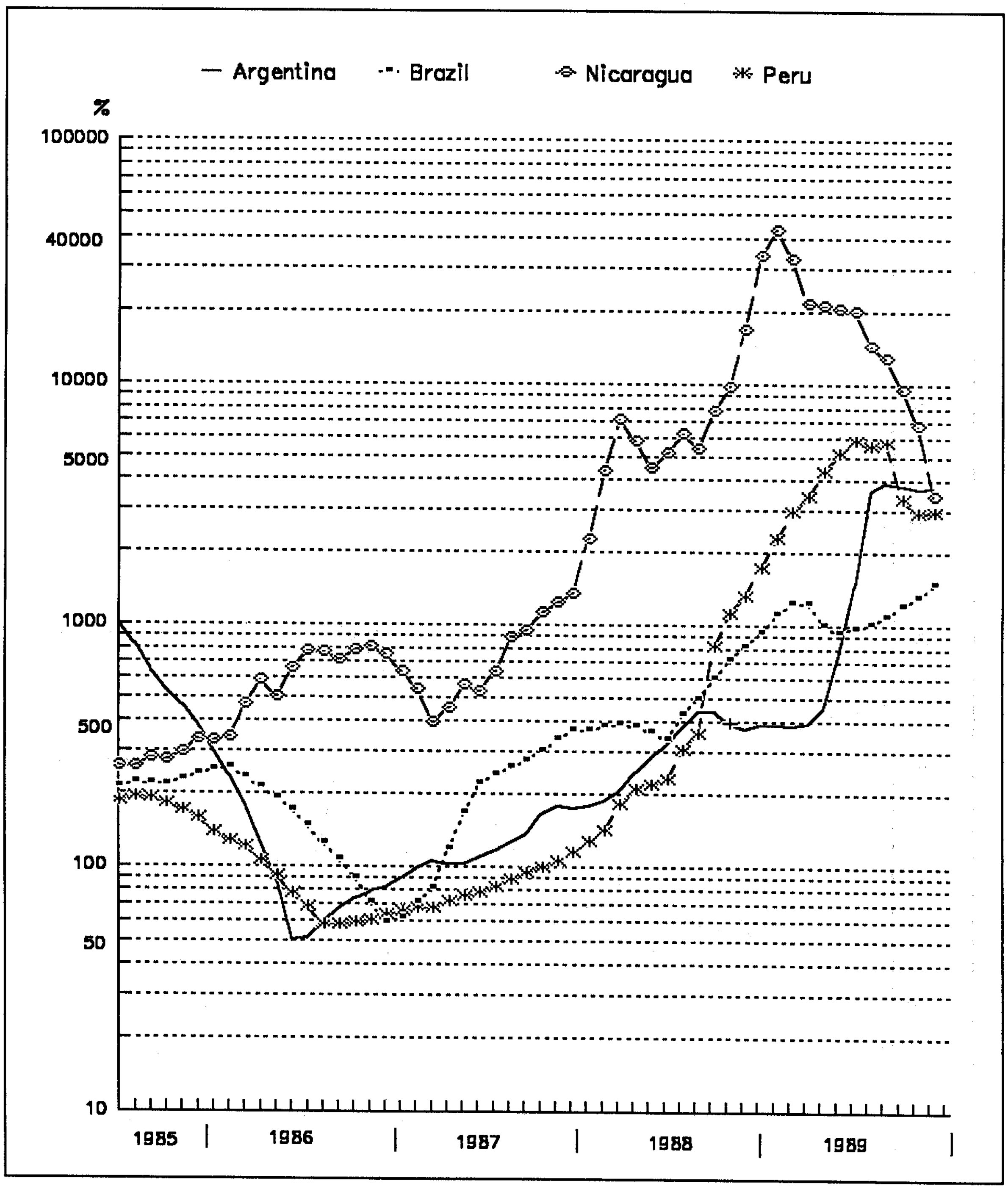
MONTHLY VARIATIONS IN THE CONSUMER INDEX IN ARGENTINA, BRAZIL, NICARAGUA Y PERU
(Percentages)



Source: ECLAC, on the basis of official data.

Figure 5

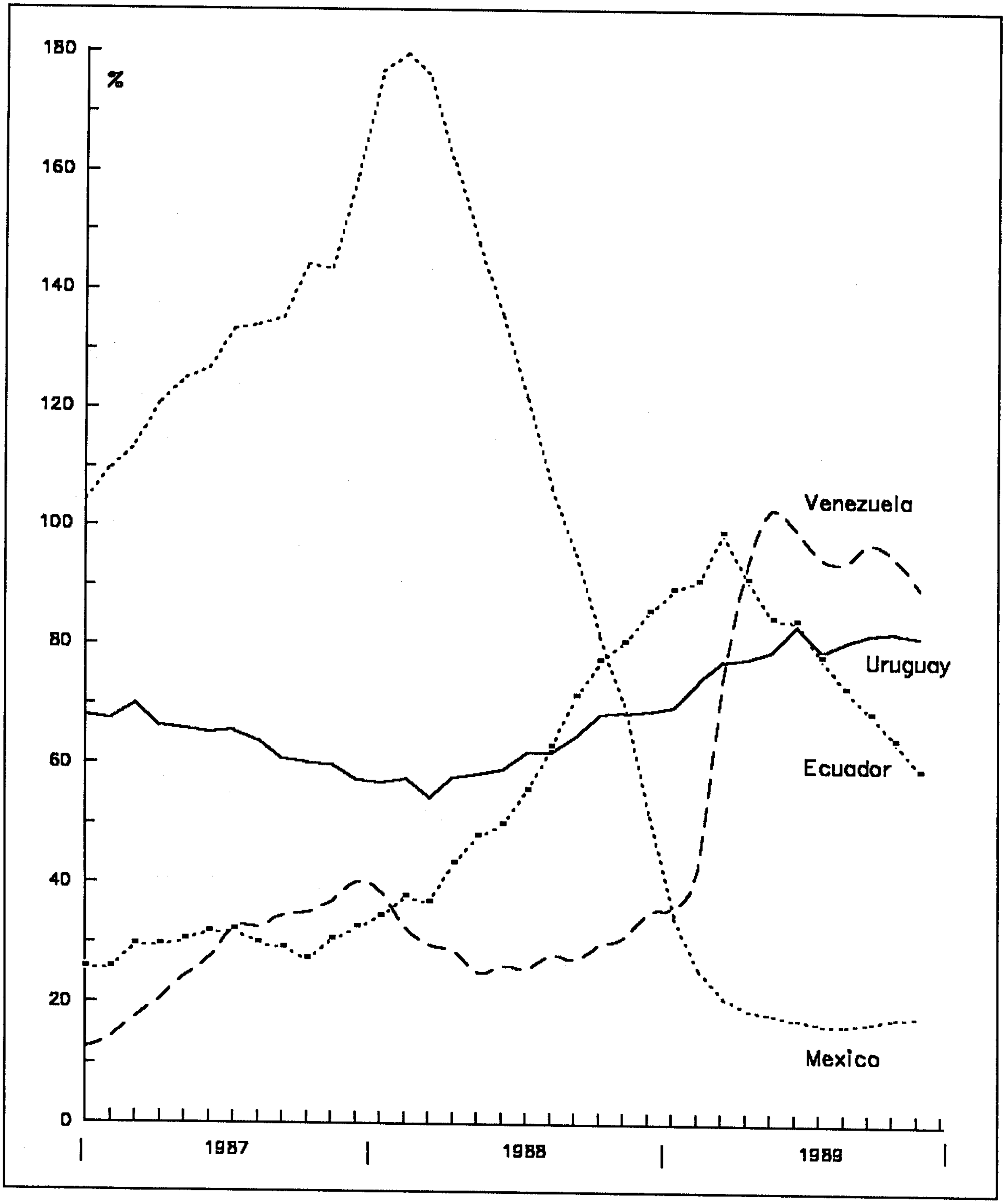
LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTH VARIATIONS IN THE CONSUMER PRICE INDEX



Source : ECLAC, on the basis of official data.

Figure 6

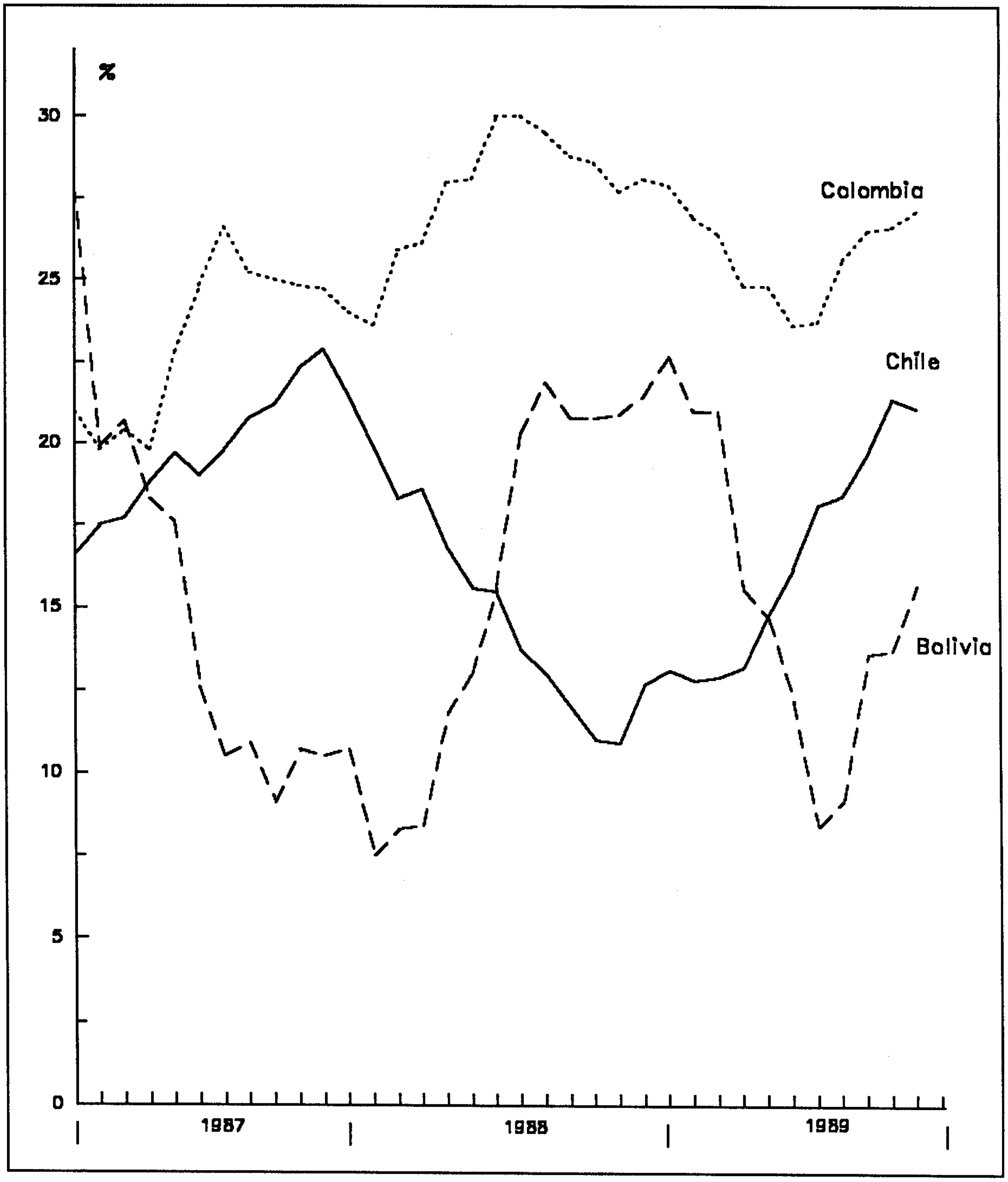
LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTH VARIATIONS IN THE CONSUMER PRICE INDEX



Source: ECLAC, on the basis of official data.

Figure 7

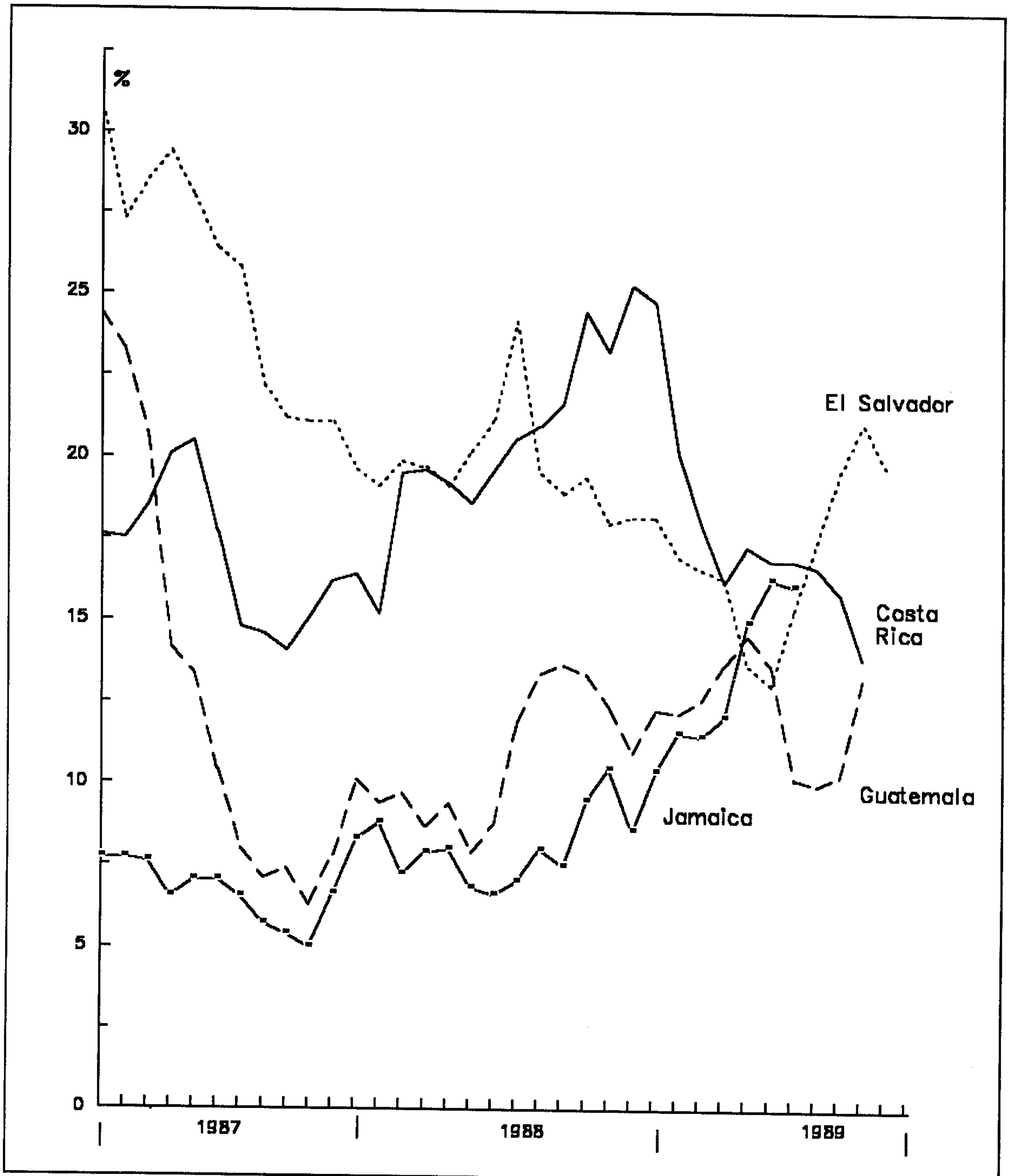
LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTH VARIATIONS IN THE CONSUMER PRICE INDEX



Source: ECLAC, on the basis of official data.

Figure 8

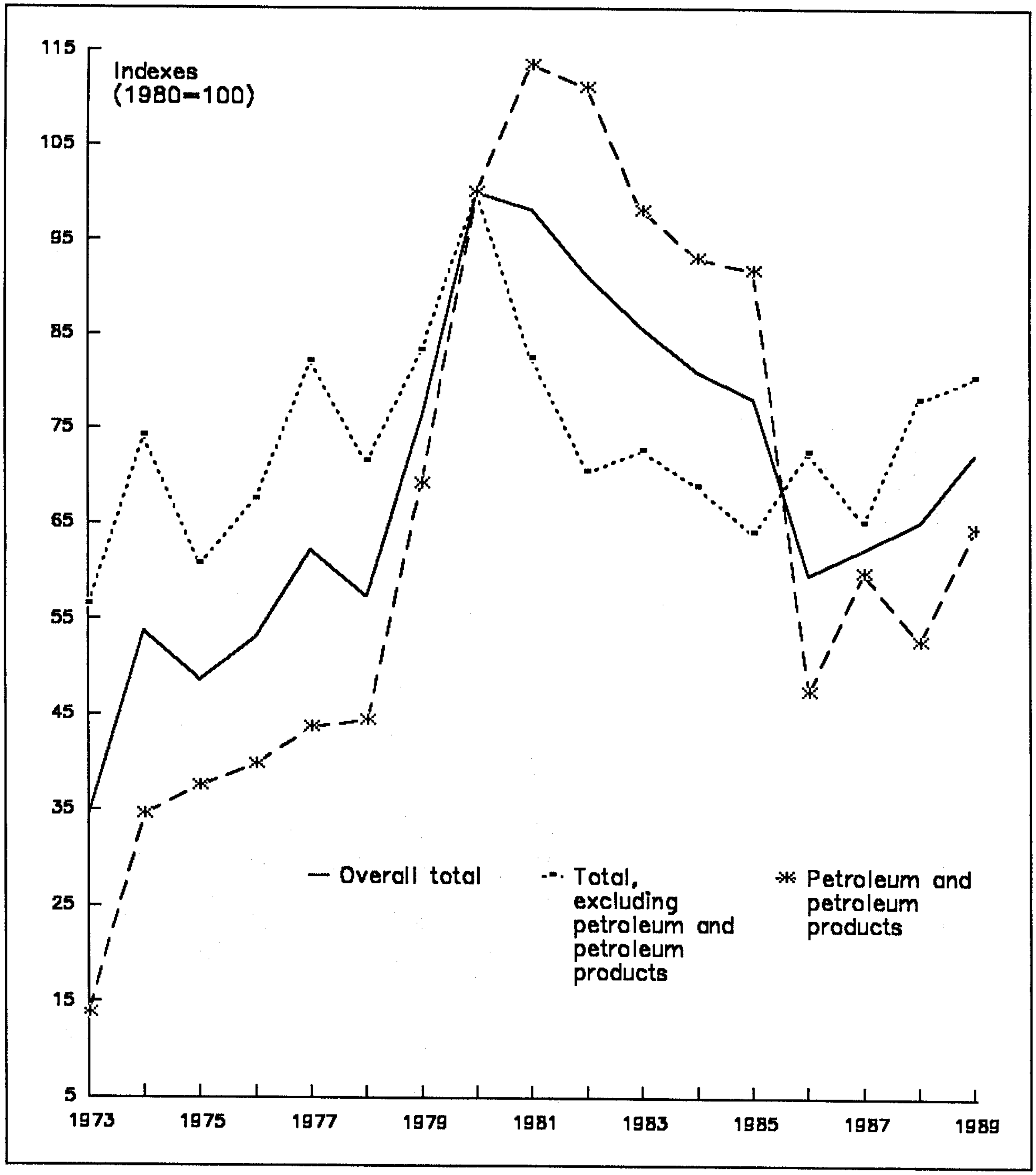
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): TWELVE-MONTH VARIATIONS IN THE CONSUMER PRICE INDEX



Source: ECLAC, on the basis of official data.

Figure 9

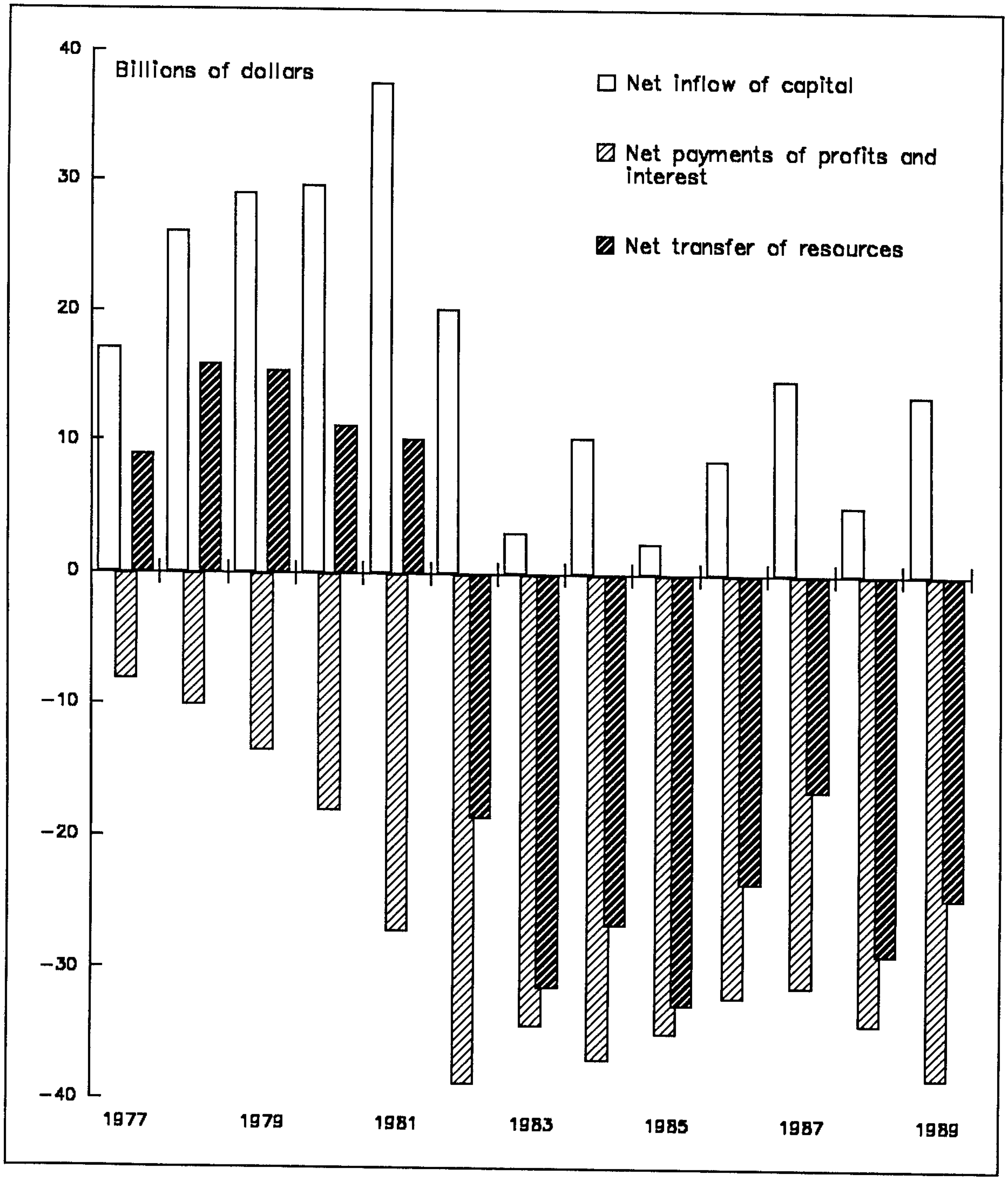
LATIN AMERICA AND THE CARIBBEAN: EXPORT PRICE INDEXES



Source: ECLAC.

Figure 10

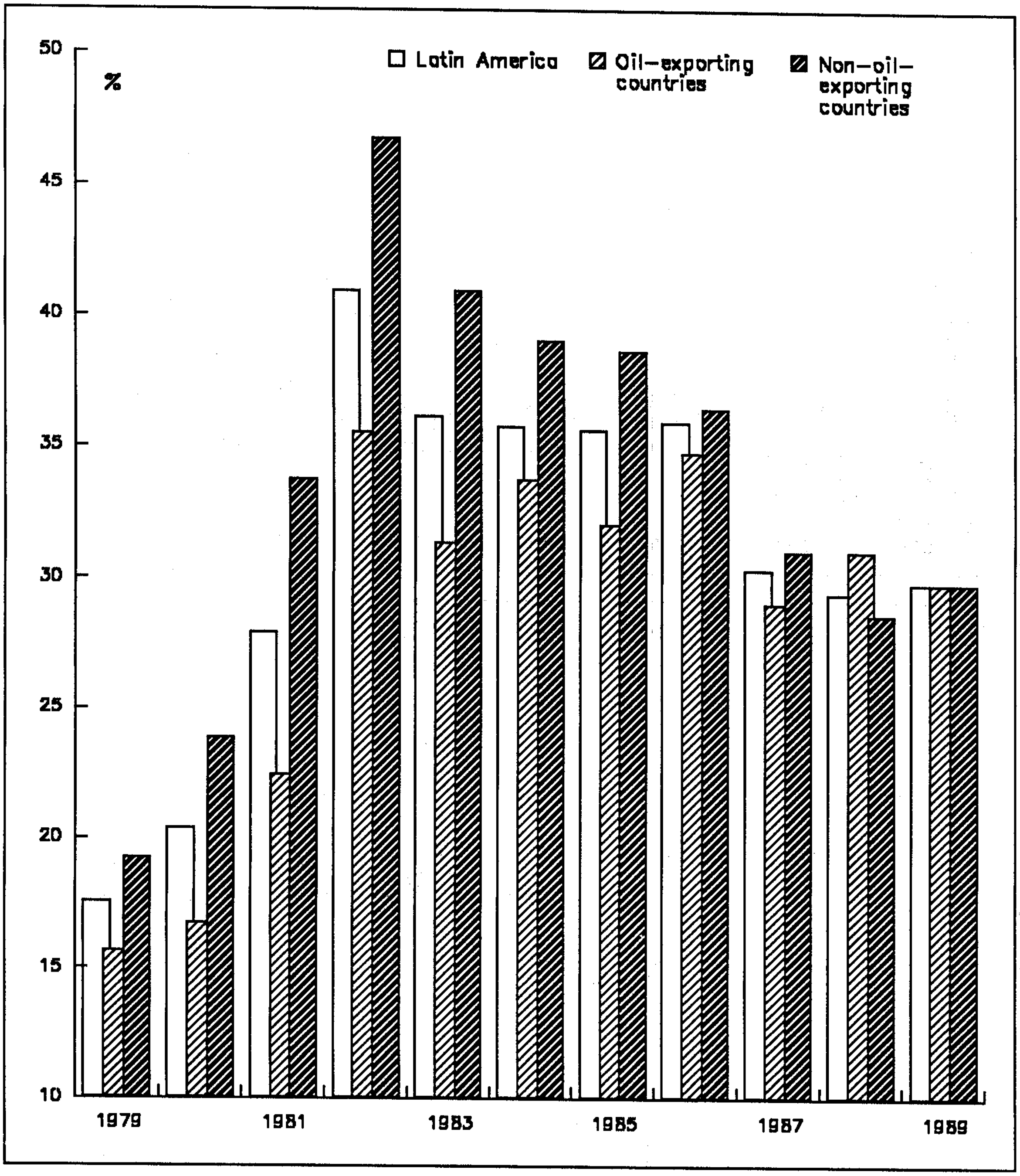
LATIN AMERICA AND THE CARIBBEAN: NET INFLOW OF CAPITAL AND NET TRANSFER OF RESOURCES



Source: ECLAC, on the basis of data from the International Monetary Fund.

Figure 11

LATIN AMERICA:INTEREST DUE, AS A PERCENTAGE OF EXPORTS OF GOODS AND SERVICES

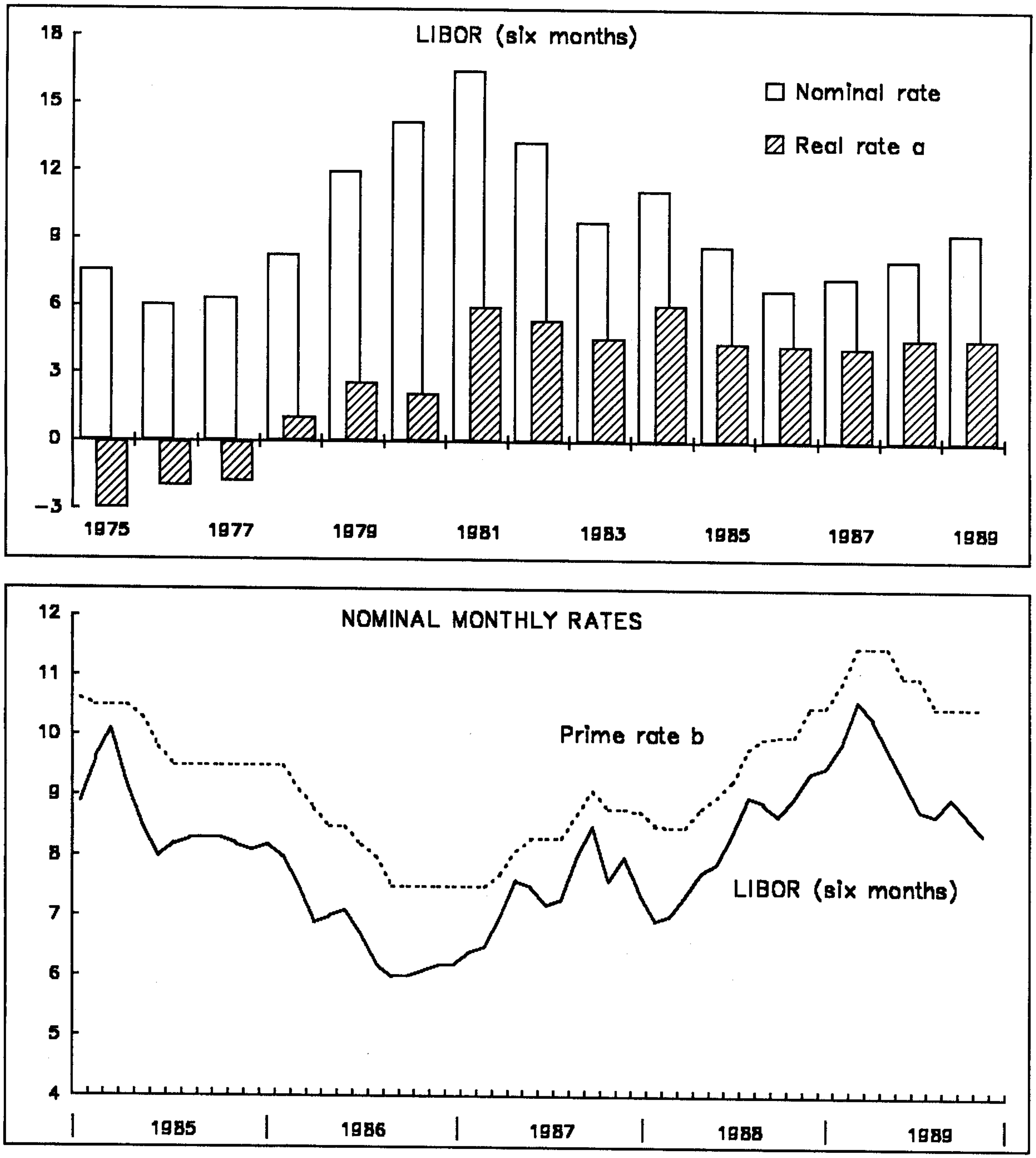


Source: ECLAC, on the basis of data from the International Monetary Fund

Figure 12

INTERNATIONAL INTEREST RATES

(Percentages)



Source: ECLAC, on the basis of data from the International Monetary Fund.

a Nominal rate deflated by the consumer price index of the industrialized countries.

b Preferential rate granted by United States banks to their best clients.