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European Community Latin American relations

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The Economic and Social Committee would particularly like to acknowledge the assistance given it by the Institute for European-Latin American Relations (IRELA) whose Sub-Director Mr Ricardo LAGOS ANDINO served as the Rapporteur's Expert.

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PREFACE

The countries of Central and South America have been the focus of attention in the Economic and Social Committee on several occasions in recent years. The Committee has drawn up a number of Opinions and Information Reports on the region and, in particular, on the European Community's relations with Latin America, the last one as recently as January 1990 (Rapporteur: Mr Vasco CAL).

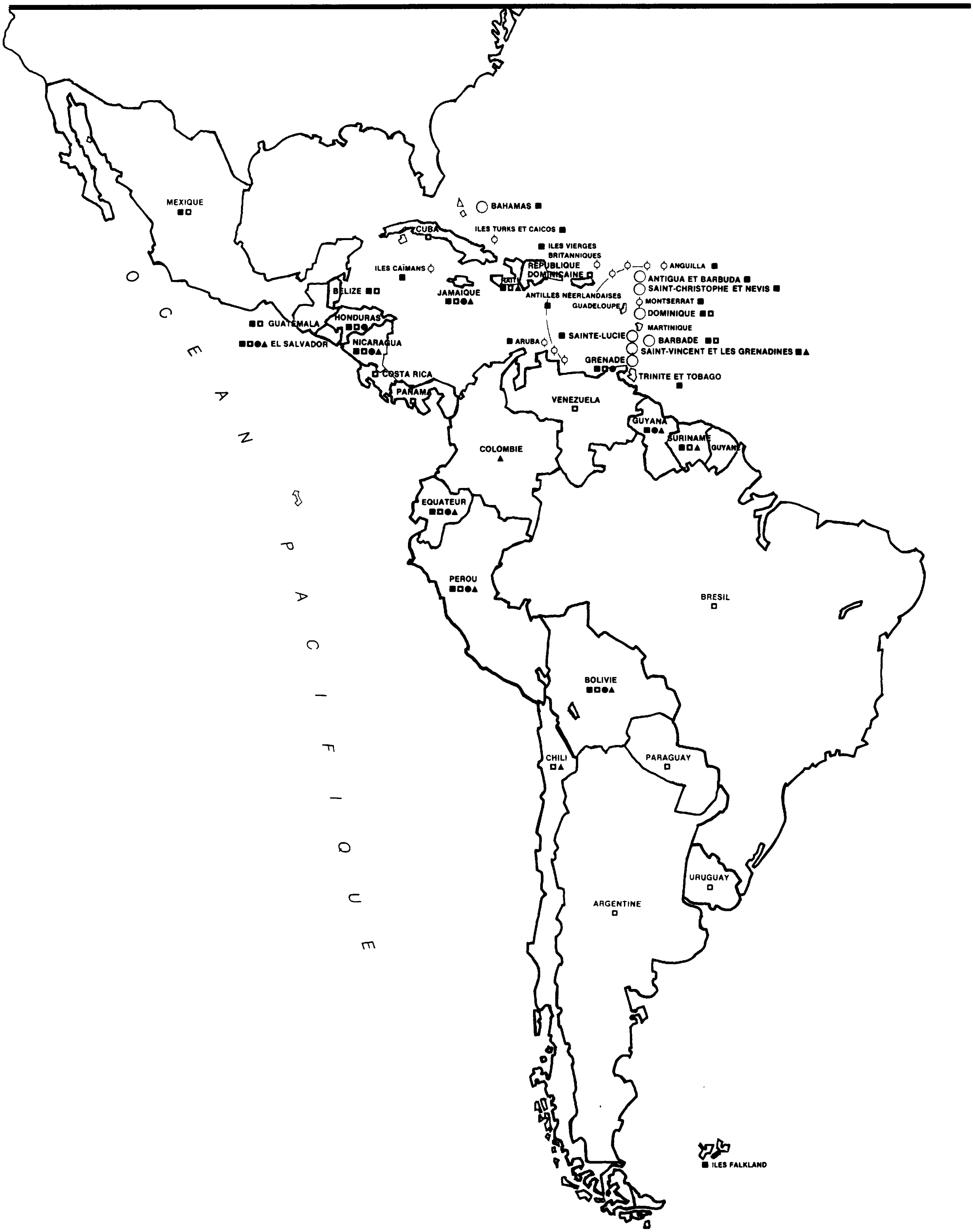
Since then, however, several major developments have occurred affecting directly or indirectly relations between the European Community and Latin America. Above all, the geopolitical situation has changed to a remarkable extent, requiring the Latin American countries to look afresh at their position in the world as a whole. Another major development has been the extent to which regional cooperation in Latin America has taken root. ***MERCOSUR*** *has sprung to life: Argentina, Brazil, Paraguay, and Uruguay have set their course on integration. Euro-Latin American political dialogue is flourishing, meetings abound, particularly between the EC and the* ***Rio Group*** *(Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela); and between the EC and* ***Central America*** *in the context of the* ***San José*** *Conferences.*

Whilst both the San José Conference and the Rio Group had their origins in the troubles then holding sway in the ***Central American Isthmus****, moves are now afoot to bring about economic integration in the region, involving Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. The* ***Andean Pact*** *countries (Colombia, Peru, Ecuador and Bolivia), too, are making moves to revive the Pact, it having lain dormant for several years.*

The Economic and Social Committee has taken good note of the fact that on 4 February 1991 the EC's Council of Ministers approved what the European Commission had the previous year presented as its Guidelines for Community Cooperation with Latin America and Asia. In so doing, the Community clearly intended to give a boost to its longstanding relations with Latin America.

After the so-called ''lost decade'' of the 1980s, Latin America would seem now to be undergoing - in economic terms - a silent revolution. It is, too, in many cases, having to face up to the challenges that so often accompany the consolidation of democracy.

Because the Economic and Social Committee has been monitoring these developments, and always strives to give the Community Institutions the views of Employer, Trade-Union, Farmer and other interest groups at times of policy change, it decided to have its Section for External Relations, Trade and Development Policy prepare an Information Report as a precursor, possibly, to an Opinion drawing on the Conclusions of the present Report.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ILES VIERGES BRITANNIQUES
ILES CAÏMANS
REPUBLIQUE DOMINICAINE
ANGUILLA
ANTIGUA ET BARBUDA
SAINT-CHRISTOPHE ET NEVIS
MONTSERRAT
GUADELOUPE
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SAINT-VINCENT ET LES GRENADINES
TRINITE ET TOBAGO
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PARAGUAY
URUGUAY
ARGENTINE
ILES FALKLAND

The position of Latin America in the new international situation

Consequences for Latin America of the new world order

The bipolar world of the post-war period has been replaced by a new international situation, with the end of the Cold War and the rise of economic superblocs centring on the United States, the European Community and Japan, Latin America's main economic partners. The fresh challenges facing Latin America stem from this new world order and the need to strengthen democracy, as well as for economic and social consolidation.

On the economic front, the way the international situation develops and the consequent effects on Latin America will depend on the outcome of the GATT Uruguay Round, the impact of the European Single Market on trade with Latin America, the scope of the North American Free Trade Agreement (NAFTA) and the possible materialization of the Initiative for the Americas. How Latin America responds to these new international challenges will depend on its ability to achieve levels of productivity and competitiveness conducive to sustained development, and to exploit the new opportunities of the world market.

The uncertain prospects for economic recovery in the USA and progress on the GATT will affect the chances of making a success of and developing relations between the USA/NAFTA and Latin America. Nonetheless, the USA seems to want increased trade with Latin America as a way of stimulating its own economy and securing an economic bloc under its leadership as a bulwark against the growing influence of Japan and the EC.

On the other hand, there are fears that Latin America's role in the new world order will be marginal, as the region will not figure among the new trade blocs' priorities and will not have sufficient financial resources to afford the economic conversion necessary for its integration into the world economy. However, the tendency towards economic recovery in Latin America in the 1990s suggests that the region has the potential to relaunch itself with better competitive prospects.

Eastern Europe, the Commonwealth of Independent States (CIS), North Africa and South East Asia may attract more investment, trade and economic cooperation than Latin America, damaging the region's chances of benefiting from trade expansion and more economic programmes. However, the slight increase in cooperation with the European Community on an institutionalized basis, the advent of the Initiative for the Americas and the possible establishment of the NAFTA show that interest in Latin America has not diminished.

On the political front, the end of the East-West conflict is furthering the general tendency in Latin America to democratization and helping promote peace in countries which have suffered armed struggles for many years. Peace has been achieved in Nicaragua, El Salvador and, to a great extent, Colombia, although confrontation continues in Peru and Guatemala.

The Organization of American States (OAS) has grown stronger in recent years and has been active in condemning anti-democratic activities, in peace negotiations and the defence of human rights. Moreover, some countries have set about gradually reducing the size of their armed forces.

It is important for Latin America to diversify its political and economic relations in the new international situation, and the tendency in the region has been to build up relations with the USA, the EC and Japan. It is to be hoped that Latin America will be able to adopt a unified position vis-à-vis the new role of the international organizations such as the OAS and the UN, particularly in the defence of democracy and peace.

Relations with the economic blocs (USA - EC - Japan)

The population of Latin America was 426 million in 1990, compared with 327 million for the EC, 251 million for the USA and 123 million for Japan. Latin America's per capita income in the same year was $2,490, compared with $18,118 for the EC, $21,551 for the USA and $23,001 for Japan. This is hardly surprising when one considers that the above economic superblocs account for 70% of world GDP but only 20% of world population.

The USA and Latin America

The USA continues to be Latin America's main economic and trade partner and one of its main sources of international cooperation. In 1990 approximately 39% of Latin American exports went to the USA, and imports from the USA accounted for 40.7% of the total. However, Latin America accounts for only a small proportion of the USA's total external trade: it provides 12.42% of US imports and takes 12.57% of its exports.

40% of US direct investment in developing countries goes to Latin America. For some Latin American countries this represents 70% of all foreign direct investment. US official development aid to Latin America amounted to $1,066 million in 1990, or 34% of the regional total.

The establishment of the NAFTA and possibly of a complex network of regional and bilateral trade agreements with the third countries of the region will reinforce this role. Moreover, the debt policy of the USA and the policies of the international financial institutions are of vital importance to the Latin American economies.

In the field of politics, now that the USA's national security and continental geopolitical fears have receded, pressure will be stepped up for action to combat the drugs trade. The USA is deeply concerned by the influx of millions of Latin Americans over the last few decades. It is estimated that between 1 and 1.5 million Latin Americans attempt to enter the USA illegally each year. On other fronts, the USA has urged some countries to cut their armed forces and has supported peace negotiations in Nicaragua and El Salvador after ten years of a policy of counter-insurgency and low-level war.

The EC and Latin America

There are strong historical, political and cultural links between Latin America and the EC. However, the EC's economic presence has not increased substantially and trade has actually shrunk significantly. In 1990 22.9% of the region's exports went to the EC, whilst imports from the EC amounted to 18.2% of the total. Thirty years ago Europe obtained 10% of its imports from Latin America, and 9% of its exports went to the region. These percentages have now been halved. One of the reasons for this is the CAP and the preferential treatment of the Lomé Convention countries which has restricted access for Latin American agricultural products.

Direct investment in Latin America by the EC Member States in 1987 and 1988 amounted to 45% of the OECD total, or approximately one third of overall foreign direct investment. In 1990 the EC overtook the USA as the main provider of official development aid to Latin America with $1,291 million, or 41% of the total.

The political dialogue between the two regions has been institutionalized via the annual interministerial conferences between the EC, the Rio Group and the San José Process. A package of regional agreements are planned with the Cartagena Agreement and Central American countries, and bilateral agreements with Argentina, Uruguay, Brazil, Chile, Paraguay and Mexico. There are Commission delegations in 8 Latin American countries: Chile, Argentina, Uruguay, Brazil, Peru, Venezuela, Costa Rica and Mexico. Since 1974 there have been biennial conferences between the European Parliament and the Latin American Parliament.

The EC's role has made it possible to diversify international relations and markets. For Central America the political dialogue has been a source of stability, a safeguard against the crisis in the region spreading. Current relations are mainly economic however.

The role of Japan

Japan, which takes only 6.3% of Latin American exports, continues to dwindle in importance as a market for Latin American products. In 1990 imports from Japan were stable at about 6.1%. These trade figures seem even lower when considered as a proportion of Japanese totals (only 3.93% of Japanese imports come from Latin America, whilst the region takes a modest 3.06% of Japan's total exports).

An estimated 17% of Japanese foreign investment goes to Latin America, although Japan has hitherto been less important as a source of foreign direct investment than the main European countries. Japan's official development aid to Latin America in 1990 was $482 million, or 15.3% of the total. Japan has not played a significant political role, although its presence in the sub-continent is growing, particularly in connection with direct investment. The Latin American markets of the Pacific seaboard are of interest to Japan.

Formation of a regional bloc or increasing openness?

The impact on the US economy of the ongoing US/Japan rivalry and the emergence of the European Single Market raises the question whether the present process of seeking cooperation and integration with the Latin American countries through the NAFTA and the Initiative for the Americas is part of a policy of regionalizing the world economy. As the dominant economic partner of Latin America, the US is already in a favourable position to further increase its influence in this region and to create a market of more than 700 million people.

In a recent study the OECD concludes that the present process of cooperation and integration between the US and Latin America does not necessarily imply a regionalization of the world economy. The OECD considers the US policy to be part of a programme aiming at supporting the recent political and economic reforms in Latin America, and at the same time trying to secure support for their position in the Uruguay Round. The strong economic basis and sustainable domestic political basis necessary for a commitment to regionalism are lacking. The same is true for the Latin American countries, although the integration process has raised high expectations amongst most of the countries.

Although regionalism is not really to be feared, the emerging process of integration will require a continuing effort to reconcile globalism with the development of regional trade blocs. Also Latin America will be faced with this challenge.

Main events and tendencies in Latin America

The challenge of democracy

Democratization

The 1960s and 1970s were a period of military rule in most of the Latin American countries, with the exception of Venezuela, Colombia, Mexico and Costa Rica. The 1980s saw the re-establishment of elected governments. At present only Cuba and Haiti still have non-elected governments, and Peru a de facto government.

Between 1988 and 1990 22 elections were held in 19 countries. The most striking feature of these elections was the fact that for the first time in recent decades power was transferred from one elected civilian government to another in Bolivia, El Salvador, Guatemala, Uruguay, Argentina and Brazil. In Paraguay and Chile the long dictatorships of Stroessner and Pinochet were brought to an end. The general elections scheduled in 16 countries for the period 1993-1995 will be another important step towards the consolidation of democracy.

This decision to opt for democracy was reflected in the condemnation by the regional bodies of the coups d'état of 4 February and 27 November 1992 in Venezuela, that of 30 September 1991 in Haiti and the institutional coup of 5 April 1992 in Peru. The vitality of democracy was confirmed by the signing of a declaration at the Second Ibero-American Summit of Heads of State and Government held in Madrid on 23 and 24 July 1992, which was attended by 18 Latin American Heads of State and their Portuguese and Spanish counterparts.

Difficulties in consolidating democracy

However, in some countries there are clear weaknesses in the democratic structures. The armed forces of many of these countries continue to wield great influence and do not consider themselves subordinate to the civil authorities. Disputes and mutual mistrust between national parliaments and sections of some governing parties on the one hand, and the executive on the other, are a feature of political life in Guatemala, Panama, Nicaragua, Brazil, Venezuela, Argentina, Ecuador (during the administration of President Rodrigo Borja), to some extent Bolivia, and Peru before the institutional coup. The intensity and impact of these parliament-government tensions vary from country to country, as do the background circumstances.

These disputes arise because in some countries, e.g. Brazil, Peru, Nicaragua and Guatemala, the current President did not emerge from the political parties but was elected under an entirely separate procedure. This has resulted above all in the loss of these political institutions' credibility with the electorate. In other cases differences have arisen between the executive and legislature when the President had applied (usually economic) policies incompatible with the programme of the government by which he was chosen.

Most of the countries have a presidential system conferring sweeping powers on the executive. However, there are cases of institutional dislocation leading to ungovernability, as in the Venezuelan crisis. In some cases it is the democratic system and its institutions which have lost credibility; this was used as a pretext for the institutional coup in Peru, where a further military-backed coup was attempted on 13 November 1992. The suspension of President Fernando Collor and the political maturity displayed by the parliament represent a first step in resolving Brazil's deep political crisis and are a gauge of the effectiveness of its democracy. Stabilization, however, remains to be achieved.

Some countries still do not have an independent judiciary free of political pressure and corruption. The public administrations of some countries continue to be very unstable, highly politicized, unwilling to modernize, inefficient and lacking in appropriate human and material resources. Cuts in the unwieldy bureaucracy under the pressure of structural adjustment measures have not resulted in greater efficiency, and in some cases important programmes for disadvantaged sections of the population have been abandoned.

The social cost of structural adjustment and consequent popular discontent, together with weaknesses in the democratic structures, are destabilizing factors in many of these countries. Nevertheless, the fact that since 1976 only the military coup in Haiti has succeeded in unseating a directly elected President is an indicator of democratic continuity, despite difficulties.

Human rights

There has been a substantial improvement in human rights in many of the countries which have restored democracy. However, a high level of political violence continues in Peru, Haiti and, to a lesser extent, Guatemala and Colombia, in both of which negotiations or peace talks have been held with guerilla groups. In Cuba there is a lack of civil liberties.

There is also growing social violence and civil insecurity in the Dominican Republic, Brazil, Mexico and Central America, with the exception of Costa Rica. The appearance of paramilitary groups aimed at eradicating supposed antisocial elements, including street children, in cities like Rio de Janeiro and Bogotá is very worrying. It is estimated that 40 children are murdered each month in Rio de Janeiro.

In many of these countries the legal infrastructure is not such as to guarantee the full respect of human rights. There is also marked social discrimination against women, particularly rural areas in the form of a double burden of work and family responsibilities and greater work insecurity. The lack of recognition of the rights of ethnic minorities is a source of tension, particularly in countries with a large indigenous population such as Bolivia, Peru, Ecuador and Guatemala. The indigenous population of the region is estimated at 30 million.

In its 1992 report on violations of trade union rights the International Confederation of Free Trade Unions (ICFTU) expresses the view that America is the most dangerous continent for the defenders of free trade unionism. In all the countries there were various instances of failure to respect these rights. The worst violence against trade unionists occurred in Guatemala, Colombia, Peru and certain other countries. Workers in manufacturing are the most vulnerable, lacking the basic rights enshrined in the various labour laws, and having a higher risk of workplace accidents and working conditions detrimental to their health.

The drugs problem

The Latin American drugs trade distorts economic development and damages the democratic structures as its institutions and authorities succumb to corruption. The modus operandi of the drug cartels and the spread of consumption among the young also entail severe social consequences.

In Bolivia, Peru and Colombia it is estimated that between 600,000 and 1.5 million people (almost 4% of the working population) are directly employed in the drugs trade. In the 1980s this activity brought a poor peasant a per acre income ten times that of a cacao grower and 21 times that of a rice grower.

The producer, transit and money laundering countries suffer serious problems of security, sovereignty and governability. All the countries in the region are affected to a greater or lesser degree. In the coming years the international war on drugs will become ever more complex, and there could be targeted external interventions. In this context the decision of the US Supreme Court of 15 June 1992 permitting the pursuit of international criminals outside the USA should be cited. The drugs problem could also be used as an argument for a return to military rule and low-level wars, as is happening in Peru in the confrontation with the guerrillas and drug traffickers.

This problem has grave consequences for the US and Europe, which are witnessing an upsurge of urban violence. 50% of street crime in these countries is drug-related. 45 million people are estimated to take drugs world-wide, the greatest concentration being in these two regions.

The economic repercussions are also being felt in the developed countries, given the enormous amount of money involved - calculated at between US $300,000 - $500,000 million p.a. across the world, greater than the international oil trade.

90% of cocaine is produced in Bolivia, Colombia and Peru. 200 tonnes a year - accounting for 6.7% of world consumption - is imported into EC countries. The amount of cocaine consumed in the EC countries in 1989 was 90% higher than the previous year.

The challenge of environmental decline

According to FAO (UN Food and Agriculture Organization) data, the tropical forests are being depleted 50% faster than in the preceding decade. 17 million hectares vanish every year, equivalent to the combined area of Austria, Denmark and the Netherlands. Between 1981 and 1990, 40% of deforestation in the developing countries occurred in Latin America. Forest cover in the humid, tropical areas is the worst affected.

The causes include badly-run, destructive forms of agriculture, the uncontrolled felling of trees with no reforestation, mineral extraction which produces deforestation and pollution, infrastructure and dam projects with a negative environmental impact, migration towards areas rich in natural resources, and the drugs industry.

Industry and vehicle emissions have increased considerably, although 60% of CO_2 emissions are concentrated in the industrialized countries while forest burning in the Amazon basin only accounts for 4%, and vehicle exhausts in the developing countries 29%. However, poor waste management is a cause for concern, polluting rivers and nature reserves. Air pollution principally affects major conurbations which are also large industrial centres like Mexico City, Lima, Santiago de Chile, Sao Paulo and so on. The extraction and improper use of oil resources and products is one of the major sources of pollution in the region.

According to the Economic Commission for Latin America (ECLA) US $40,000 million-worth of environmental programmes are needed. Policies, plans and practical means and projects are all required to achieve sustained forest growth, clean up polluting industries, limit urban migration, control vehicle emissions, introduce proper waste management, devise educational campaigns and attain other objectives.

The economic outlook after the "lost decade"

Nature and impact of economic restructuring policy

The 1980s were a "lost" decade for Latin America in terms of economic growth, social development and integration into the world economy. The region's per capita GDP at the end of the decade was lower than at the beginning. Excessive inflation and public deficit were widespread, while the foreign debt soared to unprecedented levels and its share of world trade fell. As a result of the shortfall in public funds, levels of educational provision and public health care and housing - particularly for low-income groups - deteriorated significantly, producing an increase in the percentage of the population classified as poor from 41% in 1980 to 44% in 1989.

In the light of this situation, thorough-going structural reforms were carried out, focussing principally on three aspects: a redefinition of the State's role in generating economic development, the promotion of the region's integration into the international economic system, and making the productive system more competitive. As set out below, these three aspects are closely linked.

In line with the prevailing post-war model of economic development, the Latin American countries saw the State as the principal factor in economic development. The State consequently assumed a number of highly diverse economic functions and was involved in a wide range of branches of production. State intervention, however, finally outstripped its administrative capacity, becoming inefficient and inhibiting the growth of a dynamic private productive sector. The public debt, both domestic and foreign, accompanied by acute financial crises, clearly signalled the end of the model's usefulness. However, it should be noted that the public debt was affected in part by the pursuit of alternative ways of meeting socio-economic development needs. Those organizations which provided funds during this period without regard for the consequences must also bear a share of the responsibility.

The new neo-liberal model currently in favour, which is gaining ground in Latin America too, puts the private sector to the forefront of economic development, with the State restricting its economic role to the creation of a stable framework within which private activity can take place and to the provision of basic social services. As part of this trend, the various Latin American countries have embarked on deregulation and public sector privatization programmes which in some cases, such as Argentina, will involve the sale of almost all state-run enterprises to the domestic and foreign private sector. In other cases, such as Uruguay, the majority of the people have rejected privatization.

State structural reform is not restricted to deregulation: it is accompanied by stricter monetary policy. Greater discipline had been demanded by a number of international financial bodies as a necessary means of lowering inflation rates, which rose to more than 1,000 % p.a. in some countries.

A new attitude to external economic relations is also in the air. The former policy of relative protectionism, based on import substitution as a way of boosting domestic industry, is giving way to a new approach in which the export sector, whose effectiveness is to be founded on its competitiveness on the international market, is becoming the main driving force for economic activity. To this end, tariff and other barriers have been lowered - in the case of countries such as Mexico, Bolivia, Venezuela or Costa Rica, as a condition of membership of GATT, to which most Latin American countries now belong. Only Honduras, Panama, Ecuador and Paraguay are still awaiting entry. Simultaneously, incentives for foreign investment have been introduced, and export-oriented exchange policies devised.

Greater economic competitiveness is one of the primary objectives of structural reform. This involves concentrating efforts on technological development, raising educational and vocational training standards and the provision of incentives for the creation of a more decentralized and diversified productive structure. These measures should help Latin American products be more competitive on the world market on the basis of quality and productivity, not just relatively lower prices.

Progress in structural reform is not uniform throughout the subcontinent. An overall view reveals the formation of different groups of countries: one in which reform continued uninterrupted throughout the 1980s (Chile, Mexico, Bolivia); another in which reform is more recent, and the outcome is consequently more uncertain (Argentina, Brazil, Venezuela, Costa Rica, Colombia); and, lastly, countries such as Peru, Nicaragua, Honduras or El Salvador where reform, although under way, has yet to produce any results. Any classification of this kind must, however, be interpreted in the light of the factors, conditions and determinants specific to each country.

The economy at a turning point

Economic indicators are indeed encouraging, and this is not simply a result of macroeconomic change - the reward is being reaped of the painful restructuring undertaken in the 1980s. The 1990s are already being described as Latin America's ''decade of hope''.

The Inter-American Development Bank (IDB) estimates that in 1991, after three years of stagnation, the region's GDP rose by 2.2% A growth rate of some 3% is projected for 1992. Predictably, the rise in the growth rate is not uniform: Chile, Mexico, Venezuela and Argentina, countries which implemented their reform measures more swiftly or which, like Venezuela and Mexico, profit from oil exports, have attained rates close to or even greater than 5%. The situation is quite different in Brazil, whose GDP accounts for more than 35% of the Latin American total, but which is still relatively stagnant with a zero growth rate in 1991. Brazil's importance for the Latin American economy as a whole is evident, and any economic recovery there would constitute a further stimulus for the new-look Latin America.

Positive growth indicators should not obscure the fact that in per capita income terms, Latin America remains at practically the same level as 15 years ago. Success against inflation has largely resulted from strict monetary policy. Argentina is a good example: the drastic cut in the public deficit, accompanied by the blanket ban on funding the deficit by the Central Bank, has brought inflation down from 1.344% in 1990 to a figure for the last quarter of 1991 equivalent to an annual rate of 6%. Inflation has fallen in countries which have opted for this kind of measure, with varying degrees of stringency, to a general level close to 200% in 1991 - a significant reduction over previous years.

The climate of confidence in Latin American economic development is demonstrated by a positive financial flow into the region for the first time since 1981. Some US $7,000 million are estimated to have been injected in 1991, in contrast to the negative flow of US $16,000 million the year before. This movement largely corresponds to the increase in direct foreign investment, boosted by the privatization programmes. It is thought that a repatriation of national capital is also taking place. This improvement also helped reduce the sums to be paid in accrued interest and foreign debt servicing from US $34,000 million in 1990 to US $29,000 million in 1991. It should be pointed out, in relation to foreign debt, that although a reduction in the accumulated sum has not been achieved - it in fact grew from US $423,000 million to US $431,000 million in 1991 according to IDB data - the successive restructuring plans under the Brady Plan, which has been extended to almost all the countries of Latin America, do hold out the prospect of a manageable situation in the medium-term. Nevertheless, an OECD study reveals that only Mexico and Costa Rica have any positive results to show for implementing the Brady Plan. The debt problem continues to pose a serious threat to Latin American economies, and could once again help trigger future crises.

In addition to direct investment, large quantities of foreign and repatriated capital have been attracted to the region by high stock exchange profitability. The Latin American stock markets have unquestionably experienced an unprecedented boom. The following statistics give an idea of the volume of the investment explosion: traded securities grew by 47.5% in Mexico between May 1990 and April 1991, while it is expected that the amount traded on the Brazilian financial market will have risen from US $450 million in 1991 to US $2,000 million in 1992, and there were seven times more transactions on the Buenos Aires stock exchange in 1991 than in the previous year. However, there are signs of a recent downward trend in such transactions in some countries and the stock exchanges are beginning to look unstable.

The removal of import obstacles, combined with the contraction of international trade and the fall in the prices of certain raw materials which account for the bulk of Latin American exports, has led to a worsening trade balance in the region. Export values in 1991 were the same as in 1990, although the actual volume increased. Imports, on the other hand, rose by 19% in 1991, mostly to Argentina, Mexico and Venezuela. This trend seems unlikely to change in the immediate future: on the contrary, heavier current account deficits are expected in most Latin American countries. The balance of payments situation will be offset by the net capital inflow principally driven, as described above, by direct foreign investment.

The Latin American economic situation must, in the final analysis, be viewed within the international context. The economic crisis affecting a large number of Western countries and the delay in the GATT Uruguay Round have not helped Latin America as it pursues integration into, and a greater share of, the world trade structure. Developments such as the opening-up of Eastern Europe or the creation of the European Single market do not, however, seem to have affected direct investment in the region, despite forecasts to the contrary. Investment has been flowing in, attracted by the structural changes heralding a period of greater stability and economic growth.

Social impact of economic restructuring policy

Social imbalances

The economic adjustment policies implemented to apparently positive effect in Latin America during the second half of the 1980s have entailed a considerable social cost. Unemployment, caused in part by the tough policy of privatizing public enterprises and reducing administrative staff, together with cuts in social expenditure by governments weighed down by public-sector deficits, has had the greatest effect on the most vulnerable sectors of society.

This process, however, comes on top of what was already a distorted economic structure, and this is the principal cause of social imbalance. Many factors have contributed, such as the lack of real agrarian and industrial reform, the chronic inadequacy of social services, the foreign debt problem with its burden of an outward flow of resources, or the absence of an urban development policy in the face of mass migration to huge metropolitan centres with their increasingly inhuman living conditions.

This negative picture is even more striking in the case of economies such as Peru, Colombia or most of the Central American countries, embroiled in armed conflict. The social repercussions of the Central American crisis were set out in the October 1991 UNICEF report on Central America: 60% of the population is under-nourished, poverty was estimated at 70% in 1989, 57% of the population in unemployed and 40% lack health care. In Peru, the social cost of the climate of violence can be seen in an underemployment rate of 86% and a minimum wage 8 times lower than would be needed to cover basic requirements.

Human development and social cost

The report on the "human suffering list" published by the Population Crisis Committee, a private non-profit making foundation in Washington, places much of Latin America in the group of countries with "high human suffering", with only Argentina, Chile, Uruguay, Cuba, Jamaica, Panama and Costa Rica appearing among those with a moderate score, and Haiti alone among the Latin American countries with "extreme suffering". Variables such as life expectancy, daily calorie intake, civil rights, per capita GDP or level of education were used to compile the list.

Similar parameters were employed to draw up the UN Development Programme (UNDP) "1992 Human Development Report", which places 160 countries on its "Human

Development Index". Uruguay, Chile, Costa Rica, Argentina, Venezuela and Mexico appear, in descending order, among the 50 leading or "High Human Development" countries. All these countries occupy a higher place on this list than they do in per capita GDP terms. Countries such as Brazil, Colombia, Ecuador, Cuba and Peru are in the middle "Medium Human Development" range, at between 50 and 100 on the list. "Low Human Development" countries include Bolivia, some Central American countries - El Salvador, Nicaragua and Guatemala - with Haiti as the last Latin American country on the list coming 124th.

More detailed analysis of the situation shows that during the "lost decade" poverty in Latin America rose from 41% to 44%, according to ECLA figures. This has emerged with particular clarity in the major cities, subjected to strong migratory pressure. 50% of the urban population lived in poverty in 1990: in 1960 the figure was only 28%. Migration to urban areas can only rise until polices to improve land distribution and modernize farming methods are implemented.

Social expenditure cuts imposed by restructuring have had a particular impact on health and education. Spending on education for the region as a whole rose only slightly between 1986 and 1989, from 3.3 to 3.5% of GDP, while health spending fell from 2 to 1.8% of GDP. The education budget fell in GDP terms in a number of countries where it had traditionally been high, such as Argentina, Uruguay and Chile. Mexico is the only country in which the proportion of the GDP allocated to education and health rose between 1986 and 1989. A stronger education system is, however, essential not only as a weapon against poverty, but also for modernization and technological innovation as demanded by international competition. Illiteracy rates vary widely between the approximately 5% in Argentina to nearly 20% in Bolivia and Brazil, rising to almost 30% in El Salvador and Honduras and 45 and 47% in Guatemala and Haiti respectively.

Employment

Employment has been hard hit by adjustment policy. According to the Inter-American Regional Organization of Workers of the ICFTU, the severe economic crisis afflicting Latin America has generated greater social inequality as a result of the social security cuts and less stringent labour legislation entailed in deregulation, which is needed to attract foreign investment. At the same time, the economic integration and privatization processes at work throughout the subcontinent have weakened the trade unions to the advantage of multinational companies.

Although the official unemployment rate scarcely changed during the decade, the growth of low-productivity jobs - or underemployment - continues to account for a large proportion of total employment. According to the Regional Employment Programme for Latin America and the Caribbean (PREALC), underemployment affected 34% of the working population in 1980, but had risen to 37% in 1989. The rate of underutilization of the labour force, covering both underemployment and unemployment, was 40% in 1980, rising to 42% of the working population in 1989, according to the same source.

Increased activity has also been noted in Latin America's unofficial economy. The need for companies to pursue greater flexibility and cut costs in order to compete nationally and internationally, the rigidity of existing regulations, inefficient administrative bodies which make legislation a lengthy and expensive process, and excessive labour supply are proffered among the explanations for this increase. The trend is therefore towards more insecure employment, demonstrated by the increasing use of part-time and subcontracted working. It is estimated that in Greater Buenos Aires, for example, the percentage of workers lacking any protection under social or labour law rose from 18.7% in 1980 to 29.9% in 1988.

A high growth strategy to remedy the unemployment and underemployment problem will not be easy given the forecast rise in population. Economic growth bordering on 7% will do no more than absorb the additional expansion of the labour force; 8% would be needed to make any headway against unemployment. However, the most optimistic estimates indicate 4% as the highest viable growth rate for the next few years, suggesting rising unemployment for the region.

With nominal pay rises consistently below the rate of inflation, and the loss of union bargaining power, real earnings fell in Latin America during the last decade in both the public and private sectors. The figures speak for themselves: between 1980 and 1989 real earnings in modern medium- and large-scale industrial concerns fell by 7%, rising to 30% for small companies, the same as in the public sector. Earnings fell by 42% in the unofficial sector, and the minimum urban wage fell by 24%.

In the future, the people of Latin America will become increasingly vocal in their demands as the disadvantaged sectors of society press their claims for a greater share in the proceeds of the expected economic growth. It is essential that such demands be met by the authorities and that a coherent social policy be implemented if social stability is to be attained. Consolidation of democracy in the region is, in the long-term, incompatible with the marginalization of broad sectors of the population and with a highly unequal distribution of wealth and privilege.

Regional integration and society

Antecedents, objectives and hopes for integration in Latin America

The objectives set by Latin American integration models have not been met over the last 20 years, intra-regional trade has stagnated and productive synergy between sectors has deteriorated. Intra-regional trade accounted for some 16.3% of the total in 1980, which represents a high point in view of the current 13% or so.

During the 1960s and 70s, Latin American integration processes were marked by a trend in favour of setting up a multilateral-type regional preference zone. Efforts were made to this end through the Latin American Free Trade Association (LAFTA). Faced with the collapse of this model, LAFTA was progressively replaced from 1980 by the Latin American Integration Association (ALADI), with the aim of fostering bilateral economic and trade agreements, based on complementarity between the various member countries' economies.

Similarly, for the two most highly institutionalized processes, the Andean Pact and the Central American Common Market, an initial period of limited achievements was succeeded by a crisis of major proportions. They became paralysed under the impact not only of the economic and financial crisis sweeping throughout Latin America in the wake of the exploding debt issue, but also of increasingly bureaucratic decision-making which hampered real progress towards integration.

The adoption of domestic market-oriented development strategies, shielding regional economies from international competition, together with an import-substitution policy, cut the region off from external markets, obstructed the modernization of production and squeezed technology transfers. Excessive expansion of the State structure was matched only by its inefficiency, holding back economic growth.

Integration has revived to some extent since the mid-1980s. New efforts focus on integrating the region's countries into the international economy and attracting foreign investment by expanding market size, at the same time responding to the region's worsening political and economic vulnerability. Integration is firstly a response to the challenges and opportunities thrown up by an international context the clearest feature of which is the emergence of large, dominant blocs; and secondly, a strategy geared to pressing internal development needs, also linked to the aim of consolidating democracy in the region.

The main emphasis in the integration process is intended to strengthen the external stance of the Latin American countries by reactivating intra-regional trade and, as a result, reinforcing the regional markets' support for efforts to increase exports to outside the region. Integration is an element in the strategy of attaining greater competitiveness and productivity with a view to the world market, and it is hoped better conditions will be forthcoming in trade with the EC, NAFTA and Japan.

The low level of trade within the region and Latin America's diminished share in world trade could be increased in the medium-term if a new integration process is launched. This could have a significant influence on efforts in the region's countries to bring about internal consolidation and international integration.

Current integration processes are represented by MERCOSUR, involving Argentina, Brazil, Paraguay and Uruguay; the Central American Common Market (CACM) made up by Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica; and the Andean Pact, which includes Venezuela, Colombia, Ecuador, Peru and Bolivia. MERCOSUR will constitute a free trade zone and, at present, represents the most coherent and ambitious process, due the scale of the Argentinean and Brazilian economies.

The CACM has failed, over the last 30 years, to achieve consolidation, but owes its continued existence to efforts to revive it by creating the Central American Integration System (CAIS), which is currently at the ratification stage following its signature in Tegucigalpa on 13 December 1991. The Andean Pact is undergoing a critical period in the wake of the Peruvian institutional coup and the application of market deregulation measures in that country which violate Andean Pact agreements. Peru currently has observer status in the Cartagena Agreement. Furthermore, Bolivia has applied for MERCOSUR membership - if accepted, it would have to leave the Andean Pact. The MERCOSUR treaty does not, in any case, provide for any enlargement for a number of years.

The Initiative for the Americas, the NAFTA and existing and future bilateral free trade agreements are new factors which are changing the face of Latin American integration. Some observers have pointed out that the NAFTA's sphere of influence could extend to Central America, the Caribbean and the Group of Three (Mexico, Colombia and Venezuela), forming the only energy self-sufficient region in the world. The Group of Three could replace the Andean Pact, while the rest of South America would remain within the ambit of MERCOSUR, with which the EC has stronger trade links.

A number of countries such as Chile, Peru and Costa Rica continue to prefer a largely internationally-oriented policy, while others have chosen to integrate their economies gradually, as in the case of MERCOSUR. However, the new integration approach includes maintaining an export-based development strategy.

Conditions, problems and opportunities for integration

Overall, it may be stated that Latin American integration is going through a phase of reappraisal and powerful forward momentum, although the positive consequences for growth are not yet evident. The process is still centred around trade and most of the decisions still seem to concern trade. Its medium- and long-term success is dependent on stronger economic ties in the form of a genuine interdependence of economies; among other things this will require the coordination of macro-economic policies, the harmonization of legislation, the creation or reinforcement of regional payment systems, greater collaboration between businessmen in the private sector and the setting-up of common institutions with real management capability.

In some cases the pace at which changes in tariff, fiscal and monetary arrangements are being made is still somewhat out of sync - as is clearly shown in the case of Argentina and Brazil in MERCOSUR. Elsewhere some countries have obligations on two fronts, e.g. Venezuela and Colombia with the Group of Three and with the Andean Pact; this is the result of the political overriding the technical/economic aspect of objectives which on occasion have been set over-hastily and whose compatibility is still not entirely clear. On the whole there has not yet been any movement away from general measures to policies for sectoral integration and there is little dovetailing between the agenda for integration and national agendas.

Certainly, as the time for major decisions approaches and the costs of integration begin to be felt in some economies, there is nothing to indicate that some pressure for protectionism will not re-emerge to derail the projects by means of safeguard mechanisms, special arrangements and a whole gamut of para-tariff restrictions such as compensatory rights, customs duty exemptions and quotas.

Some observers argue that neither the import-substitution integration model of recent decades, with its elements of redistribution and intervention, nor the new liberal development model based on the external sector and integration into the world market have proved capable of overcoming prevailing national interests and differing concepts of how to share the costs and benefits of integration.

The basic requirements for satisfactory integration are political will, the ability to institutionalize the process, which means the transfer of sovereignty to supra-national institutions, the need to extend the process to political and social structures, without whose support no progress is possible, and finally agreements on costs and benefits to facilitate the participation of the less well-off countries. These will be the new challenges facing the next moves towards integration in this region.

Relations between the EC and Latin America

Economic relations

Trade

One of the main reasons for the deterioration in the terms of trade between Latin America and the Community is the structural imbalance in trade: Latin America imports industrial products (about 90 % of total imports from the EC) and exports basic commodities and fuels (about 80 % of total exports to the EC). This makes Latin American trade highly vulnerable to fluctuations in the prices of and demand for its basic commodities; it is affected by the protectionism implicit in such instruments as the Common Agricultural Policy (CAP) and by the European advances in new technologies less dependent on traditional raw materials.

In 1990 the principal Latin American importers of EC products were: Brazil (35.83 % of total exports to Latin America), Argentina (13.53 %) and Mexico (11.48 %). The main countries to which the EC exported its products were: Mexico (24.67 % of the total in 1990), Brazil (23.22 %) and Venezuela (10.76 %).

The main products imported by the EC from the Latin American sub-continent were: foodstuffs (32.36 % of the total in 1990), raw materials (18.83 %) and manufactures (18.31 %). Its main exports were: machinery and transport equipment (48.71 %), chemicals (16.46 %) and manufactures (12.39 %). Latin America's main trading partners in the Community were: the Federal Republic of Germany (accounting for 35 % of exports and 25 % of imports), followed by France, Italy, the United Kingdom and the Netherlands.

In the 80s, 80 % of Latin American exports to the Community consisted of agricultural products, amounting to almost 25 % of total Community imports of this type of product. Bearing in mind the possibility of an increase in Community demand for these products as a result of overall economic growth in the EC and the abolition of existing bilateral preferential trade agreements in the member countries in the wake of the completion of the European Single Market, bananas and coffee would seem to be the products for which there is a potential demand in the 90s. As regards sugar and other temperate zone products, an increase in Community demand will depend on CAP reform and progress in the GATT negotiations.

Despite the fact that the percentage of Latin American exports to the Community has been stable since the last decade, the percentage of EC imports from Latin America has fallen from 8.1% in 1970 to 5.9% in 1980 to 5.5% in 1990. At the same time the percentage of Community exports to Latin America has fallen from 7.2% in 1970 to 6.4% in 1980 to 3.75% in 1990. In 1980 44% of Latin American exports covered by the GSP actually benefited from it; in 1988 this figure had risen to 58%. This trend should continue, above all if account is taken of the more preferential GSP treatment accorded Peru, Bolivia and Colombia since 1991 and Central America since 1 January 1992, covering all products except bananas up until 1994.

It is possible that measures such as the gradual abolition of national quantitative restrictions and safeguard measures which impede intra-Community trade, the removal of non-tariff barriers, especially those involving technical standards and rules, the opening-up of public contracts and the freedom to provide services will have a positive impact on EC trade with Latin America in the coming years.

Investment and capital movements

The total volume of direct investment in Latin America from the countries of the OECD's Development Assistance Committee (DAC) was almost $6,000 million in 1990 (excluding flows to off-shore centres). Mexico attracted most of the direct foreign investment in 1990 and 1991, overtaking Brazil. Short- and long-term capital flows in 1991 reached around 10% of Mexican GDP. Mexico's success in attracting this capital, which largely consists of direct foreign investment and portfolio investment, is due mainly to the open-economy policy introduced by President Salinas and the country's economic recovery, along with the easing of regulations on direct foreign investment.

In terms of accumulated value, the flow of investment funds from Europe to Latin America over the period 1985-1990, excluding tax havens, was concentrated on Brazil (almost half), followed by Argentina (15%), Mexico and Chile. The volume of direct foreign investment by the DAC/OECD members of the EC in Latin America (excluding off-shore centres) was around $3,000 million for 1989 and 1990.

A marked specialization in European investment according to country of origin is also to be observed. In the case of investment in Brazil, for instance, two or three sectors account for more than half of the direct investment of each European country. In Chile, investment is concentrated on the mining sector, which attracted more than half of direct foreign investment in 1991 (against 47% over the period 1982-1991). The service sector comes next (29% of direct foreign investment in the same period), while industry has been growing in importance over the last few years. Belgian and French investment is concentrated in the chemicals and commercial sector; Italian and German firms invest more in heavy industry - machinery, metallurgy and steel - and the motor vehicles industry; the Spanish, besides the steel industry, have recently shown interest in the services sector; British firms invest in oil, minerals and services.

Impact of the European Single Market on Latin America

The first effect of the Single Market will be to generate trade between the Member States through increased growth and productivity in the EC. This means that the Latin American countries will also feel the effects of a deflection of trade, to which they will have to respond by offering a diversified range of products which are competitive in price and quality. On the other hand, there will probably be an upsurge in trade for Latin America in primary agricultural and mining commodities not produced in the Community. Clearly those Latin American countries which do not adopt such a competitive stance will find fewer outlets on the European Single Market, since increasingly advanced production processes use less raw materials.

It is anticipated that most of the medium-income Latin American countries will be less affected by the Single Market. The extent to which these countries benefit from the growth in Community imports will basically depend on the success they have in improving their industrial base and their transport, information and marketing infrastructures as a sine qua non for boosting their exports to the Single Market.

With regard to foreign investment, one effect of the Single Market could be to attract investment which would otherwise flow to the countries of Latin America, especially if the entry of Eastern European countries into the Single Market is confirmed in the next few years. It is also possible, however, that competition between the European, Japanese and North American markets in the developing regions could attract European investment to areas such as Latin America.

A further benefit of the Single Market could be that, with higher incomes and greater prosperity in the EC, Community tourism to other countries is given a boost. This could represent an opportunity for Latin America, as the continent has an extensive tourist infrastructure.

Another aspect to be considered is the question of Latin American citizens resident in Europe, insofar as double nationality agreements could be replaced by new rules for the whole EC. These rules would introduce a new concept of Community citizenship.

In short, there are two distinct and contrasting impressions as to the impact of the Single Market on Latin America: despite some claims that the Single Market will represent a closed trading bloc intent on protecting its own interests and wellbeing, there is no escaping the fact that Europe cannot opt out from its international role in the post-Cold War era and that it is intertwined with Latin America in matters such as the environment, mass immigration and international drugs traffic.

Cooperation

EC-Latin America dialogue

The initiatives undertaken in the field of political dialogue between the two regions have demonstrated the Community's readiness to foster relations with Latin America. To this end various channels and instruments for political cooperation have been established between the two continents, centring on two aspects: political dialogue within the framework of the sub-regional cooperation initiatives - the San José Process in Central America and the Río Group - and bilateral political relations between the EC and Latin America, based on development cooperation.

From October 1984 the San José Process institutionalized an official high-level political dialogue between the two regions, against the backdrop of the Central American crisis and mounting Community interest in backing regional peace initiatives. Since then annual bilateral meetings have been held. The last meeting - San José VIII - was held in Lisbon on 24/25 February 1992. On this occasion the Central American ministers reiterated their interest in cooperation with the European Community with a view to strengthening the electoral process and the rule of law in some countries of the region and to promoting the respect of human rights.

The political dialogue which, since September 1987, has been conducted between the EC and the Río Group builds on the experience acquired from the San José meetings in dealing with the Central American regional conflict; initially the dialogue was between the EC and the Contadora Group - Colombia, Mexico, Venezuela and Panama - later joined by the countries of the Contadora Support Group - Argentina, Uruguay, Brazil and Peru. In contrast to the San José Process, the ministerial meetings of the Community with the Río Group were of an informal nature until their institutionalization as a result of the Declaration of Rome on 20 December 1990. The last meeting between the Ministers of Foreign Affairs of both regions under the auspices of the Río Group took place in Santiago de Chile on 28/29 May 1992. The political conclusions of the meeting take a positive view of the strengthening of democracy in Latin America; in the field of economic cooperation, emphasis was placed on the importance for Latin America of the expansion of European Investment Bank (EIB) external activities to the region, involving projects which are to be examined individually, as agreed by the EC Council on 13 May 1991.

Scope and significance of European development cooperation

The EC Member States are developing their own national cooperation policies, in line with their foreign policy objectives; the EC must complement these national policies, as well as formulating and implementing its own development cooperation policy.

To this end, on 4 May 1991 the EC Council approved the new guidelines on financial and technical aid and economic cooperation with the developing countries of Latin America and Asia. These guidelines drawn up by the EC Commission propose applying a balanced range of cooperation instruments to aid the Latin American developing countries, in addition to fixing multi-annual financial objectives for the period 1991-1995 and increasing the level of budgetary resources allocated to these countries.

The Maastricht Treaty (1992), in the process of ratification by the Member States, sets out, for the first time at treaty level, the principles of a Community development cooperation policy: Community policy in this sphere is to contribute to the general objective of developing and consolidating democracy in these countries, and to that of respecting the human rights and fundamental freedoms of their citizens. The developing countries also have to be integrated gradually into the world economy.

These principles are the sine qua non for the third-generation agreements between the EC and third countries, at present the most advanced instrument of Community cooperation. Besides the democratic underpinning of cooperation, these agreements also cover economic cooperation, comprising seven types of instrument: trade promotion, industrial cooperation, cooperation in energy matters, scientific and technological cooperation, vocational training, support for regional integration and environmental protection measures. The EC has signed third-generation agreements with various Latin American countries: Argentina, Brazil, Chile, Mexico, Paraguay and Uruguay. The agreement with Mexico does not include the clause which makes cooperation dependent on a democratic system, since Mexico regards the choice of democracy as a question of national sovereignty. It is hoped that the negotiations with the Andean and Central American Pact on this type of agreement will be concluded shortly.

At present the European countries and the EC institutions are the most important source of official development aid (ODA) for Latin America - US $1,291 million in 1990. This sum exceeds the aid granted by the US and Japan in the same period. In 1990 about 50% of ODA from the European countries went to the Andean Group. The MERCOSUR and Central American countries received the other half in equal proportions. Besides bilateral cooperation, there is bi-regional cooperation between the EC and Latin America. The EC's ODA was 35 million ECU in 1980, rising to 265 million ECU in 1991, and totalling 1,596 million ECU between 1980 and 1991.

The bilateral cooperation agreements between the EC Member States and the Latin American countries cover bilateral relations and cooperation initiatives aimed at establishing economic links, in particular through joint ventures. The beneficiary country must implement measures which sustain the development of economic relations between both countries, such as those concerning the promotion of foreign investment. There are bilateral agreements of this kind between Italy and Argentina, Brazil, Venezuela and Chile, and between Spain and the same countries plus Mexico, Bolivia and Ecuador.

This trend towards the development of economic and industrial cooperation through the promotion of private investment, linked to policies of macro-economic liberalization in the recipient countries, along with concern for the social dimension and the social effects of cooperation, signify a more active participation by new independent partners in development cooperation relations between the two regions: private-sector operators and institutions and non-governmental organizations (NGOs).

As regards cooperation with Latin American NGOs, the dominant view is that the Latin American organizations should establish agreements directly with the European NGOs. Such a practical approach is positive in that it accords the various organizations in both regions a degree of independence in the identification of priorities and in the planning and implementation of their projects and programmes. Furthermore, the EC has resources to finance measures carried out by European NGOs in third countries, giving priority to areas such as the defence of human rights and development projects in the LDCs.

The cultural aspects of cooperation are reflected in most of the agreements between the EC or its Member States and Latin American countries, extending to the promotion of cooperation in the communications and training spheres. An awareness of a shared cultural heritage is also seen as a cornerstone of relations between Europe and Latin America.

Conclusions

The changes in international relations have unquestionably had a major impact on the economic recovery recently achieved by various Latin American countries. At the same time this recovery is the result of the change of direction effected by these countries themselves in their economic policy. Nevertheless, the outcome of the GATT negotiations, the development of the European internal market and the economic trend in the US will have a decisive bearing on whether Latin America succeeds in sustaining its economic progress. Unless it can expand its markets, the present recovery could well be very short-lived.

A successful conclusion to the GATT negotiations is particularly important for Latin America. Many Latin American countries have made a deliberate effort to organize their foreign trade in such a way as to comply with GATT requirements. A breakdown in the negotiations will make Latin American access to the world market considerably more difficult.

The strengthening of the European and Japanese trading positions has undoubtedly been a major consideration in the US's move towards greater economic cooperation with the Latin American countries. Although most of these countries are involved in cooperation with the US in one form or another, there is no need whatsoever to shut themselves off from the rest of the world. There is as much interest as ever in the European market and European products. Increased European and Japanese investment and cooperation are a possibility. The EC has close political and cultural ties with Latin America and therefore has every reason to maintain and reinforce its presence in this region.

The economic progress achieved with the structural adjustment programmes frequently imposed by the international financial organizations should also be analyzed from a less short-term point of view, with greater attention focussing on the impact of an inappropriate high-speed privatization and deregulation policy with the consequent aggravation of social conditions. Sustained development requires the return of national capital and the channelling of investment to non-traditional sectors. Moreover, the scope of privatization requires some re-thinking where it touches upon the dismantling of the State's financial, productive and cultural potential. Despite the adjustment programmes, it has not been possible to bring public spending down in line with targets. Further financial crises therefore cannot be ruled out, and the foreign debt burden could still seriously hamper development prospects.

Countries with more stable capital markets, such as Mexico, Chile, Argentina and Venezuela, have been more successful in mobilizing resources for privatization by shares issues on the domestic and international markets. However, these programmes would be more effective if investment could be better targeted, since foreign investment seems to have tended to focus on already developed sectors, and has only played a limited part in diversifying production and exports. Moreover, new capital inflows seem mainly tied to short-term operations on the international securities markets, rather than providing a steady inflow of capital. These flows can have a destabilizing effect: if there are fixed exchange rates and high interest rates for example, a rise in short-term capital inflows speeds up money creation - particularly in a climate where the monetary authorities are trying to freeze the money supply - and leads to appreciation of the local currency, fuelling inflation.

Sustained economic development will remain difficult if dependency on foreign finance and investment and imports of capital goods, machinery and raw materials continues, particularly in oil-importing countries. Similarly, the technological gulf between Latin America and the developed world cannot be bridged in the short term, although this is essential to greater competitiveness.

Sustained development in the region could be galvanized if a consumer market enjoying reasonable purchasing power can be created. Employment, pay, monetary, inflation, trade and production incentive policies should therefore take account of the impact on the purchasing power of the people and the distribution of income. It is also important to take into account the real potential of productivity levels.

In brief, although economic recovery is fragile, it could be consolidated if favourable domestic and external conditions prevail; likewise, sustained development calls for democracy and social justice. The accumulated social debt of recent years needs to be paid off gradually over the coming years.

The new impetus of Latin American integration schemes derives principally from a desire to open up trade, emphasizing the need to enter the international economy through improved competitiveness and productivity. The EC is running support programmes for the integration processes: such programmes must take account of the need to prevent the countries with fewer resources becoming marginalized from the processes. Such processes must make provision for compensatory mechanisms to strike a balance by channelling resources from the countries of greatest potential towards the least developed, and integration schemes should comprise common social policies aimed at the most vulnerable groups and be provided with the means to ensure the participation of the social actors.

Moreover, some economic, political, social and church circles have spoken out on the risk that integration might favour the interests of certain economic groups while marginalizing, in particular, medium- and small-scale employers, while also failing to take sufficient account of aspects of employment, pay and labour policy which could be affected by the emergence of broader markets.

Despite the continuity of democracy in the region, a number of countries are experiencing problems related to governability, the credibility of democratic structures, corruption and inefficient administrations. The new international climate, for its part, is propitious to the consolidation of Latin American democracy. EC-financed programmes to support democracy must therefore be maintained, expanded and better funded. Democracy involves not only free elections, a parliamentary system and a popularly-elected government, but also an adequately-funded, independent judicial system and other means of participation in decision-making, and respect for citizens' human, civil and social rights in a context of social justice and equality of opportunity. In this context it is particularly significant that the IVth General Episcopal Conference of the Catholic Church of Latin America, held in Santo Domingo in October 1992, criticized structural adjustment polices and voiced concern at debt, deregulation and deterioration of the environment, as having a direct effect on the rise in poverty.

Although the human rights picture is improving, serious transgressions continue to occur in certain countries, while trade union rights are still violated in different ways and to different degrees in all the countries. Similarly, the social position of women and the marginalization of ethnic minorities remain a feature in many countries, revealing the contradiction between laws and international treaties on the one hand, and reality on the other.

Against this backdrop, EC cooperation programmes for human rights, such as that signed with Central America on 25 February 1992, assume special significance. Practical arrangements must also be sought to insert human rights clauses into treaties concluded between the EC and Latin American countries or groups of countries. EC cooperation should include programmes involving a tripartite approach to encourage participation and promote mutual respect and cooperation between the social actors, and to promote social and trade union rights.

The only trade instrument applying to Latin American trade with the EC is the Generalized System of Preferences (GSP). However, its current operation is still inadequate. Furthermore, some EC countries impose quotas on imports from Latin America such as textiles and other agricultural and industrial products. Similarly, origin and shipment requirements have restricted the use of the GSP. Moreover, this complex system is little known in some countries. It is therefore clearly necessary for the EC to apply arrangements which facilitate the use of the GSP to Latin America's benefit.

Careful thought should be given to the institutionalization and legalization of NGO and informal sector activities, together with other means offering the chance of more effective action in favour of social justice, opening up alternative paths for participation and bringing about a reinforcement of civil society - while taking the necessary precautions to ensure that development aid programmes aimed at such entities do not generate dependency but promote effective self-sufficiency. Participative structures, a tripartite approach, official recognition of the social function of NGOs and an increase in continuous informal sector activities are all elements contributing to the creation of a balance of power.

Cultural cooperation between the EC and Latin America still has no defined competences or proper instruments and, in most cases, does not figure in existing agreements. The human and cultural dimension must assume greater significance, through comprehensive programmes to safeguard the historical, linguistic and ethnic heritage and through cooperation between universities, art centres and tourist initiatives.

The drug problem affects both producer and consumer countries. A policy fostering co-responsibility between the developed world and Latin America might help governments in their campaigns against drug production and trafficking. Such campaigns are directed against both supply and demand, and involve not only police and financial measures, but require international coordination and cooperation programmes to encourage alternative crops for poor farmers producing cocaine or other drugs. The EC has granted preferences for Colombian, Peruvian, Bolivian and

Central American products - except bananas - until 1994, as an anti-drug measure. The real impact of this measure will need to be assessed, and thought given to how to make better use of the preferences and, most importantly, to the possibility of extending them beyond 1994.

The worsening environmental situation in Latin America is an aspect of EC-Latin American relations which should receive special attention. The principle of EC responsibility both within the Community and outside it was established at the Dublin European Council of 25-26 June 1990. Cooperation in this field must be expanded, particularly concerning damage to tropical forests and urban pollution. The consequences for the region of the transfer of certain types of polluting industry and waste from the developed countries to parts of Latin America should also be examined. Natural resources cannot be protected, or used in a rational and sustainable manner, if poverty is not eliminated and the quality of life of local inhabitants improved. Similarly, economic development must be accompanied by sufficient funding for environmental programmes.

Lastly, it should be pointed out that the EC has invested considerable effort in adjusting development concepts, priorities, areas and cooperation mechanisms with a view, in particular, to restructuring cooperation in such a way as to reach a balance between Latin America and the ACP countries. Cooperation planning on a five-year basis will help ensure continuity of priority projects. EC participation via international cooperation programmes is highly positive. However, coordination and complementarity between EC and Member State development cooperation policy is still lacking: such coordination, as provided for in the Maastricht Treaty, would unquestionably contribute to greater efficacy. Furthermore, the social actors remain peripheral to decision-making and implementation procedures on cooperation issues within international bodies, donor States and beneficiary States in both regions. Policy-making on cooperation and on economic and international relations are closely linked: consequently inter- and intra-regional contacts must be stepped up in order to ensure complementarity and offset any possible harmful effects on the development of the countries concerned.

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APPENDIX I

Features of the various integration and cooperation programmes

MERCOSUR

The Asunción Treaty, establishing the Southern Common Market (MERCOSUR), was signed on 26 March 1991. The rapprochement between Argentina and Brazil, initiated in 1986, considered by many commentators to be the main forerunner of this new phase, initially concentrated on intensifying bilateral trade, focussing on making the two countries' industries more mutually compatible through specific agreements in the capital goods sector, central to the first stage of bilateral integration. After five years, the two countries are appreciably closer: trade has doubled in six years, rising in value from US $1,100 million in 1985 to approximately US $2,400 in 1991. Both countries are now engaged on an ambitious project to create a common market by 1995, including Uruguay and Paraguay, under the title of MERCOSUR, representing a potential market of 190 million, with a per capita income of US $2,500.

The impact of this project on the economies of the two countries has, however, to date been uneven: while Argentina has increased its share of the Brazilian market considerably, accounting for about 10% of its exports, Brazilian sales to Argentina have not grown significantly and the structure of its external trade remains unchanged in its orientation towards the developed countries. The contrast in the recent progress of these two economies - Argentina, with an acceptable level of stabilization and incipient economic recovery, and Brazil, still subject to instability and stagnation - is generating concern in some circles as to the achievement in the medium term of the required convergence between them.

There are signs that Bolivia and Chile may in the future join MERCOSUR, which would create a free trade zone encompassing 46% of the Latin American population, more than 55% of its GDP, over 40% of its exports and more than 70% of intra-regional trade. 39 of Latin America's leading 50 companies belong to this group of countries.

Central American integration

Following years of acute regional crisis, similar targets are being set by the countries of Central America with the adoption of the Central American Economic Action Plan on 15-17 June 1990 by the Presidents of the Central American Common Market (CACM) countries plus Panama. The CACM comprises Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica. After the 1980s, a period in which Central America underwent not only an acute economic crisis but severe political disruption flowing from armed conflict, Central American leaders decided to give a new impetus to the integration process, under which completely free trade in agricultural produce should be introduced in 1992, together with a programme for the lowering of tariff barriers leading in 1994 to a Central American free trade area.

It has also been decided to harmonize customs tariffs from 1 January 1993. Central American integration had made appreciable progress during the 1960s, with 26% of its trade within the region by 1970; 20 years later this figure had fallen to 12%. The creation of the Central American Integration System, under the terms of the Tegucigalpa Protocol of 13 December 1991, will represent a major step forward in putting the integration process on an institutional footing. The CACM has moved much closer to Panama and to the Caribbean Community (CARICOM), with the first bi-regional meeting being held in San Pedro Sula, Honduras, on 29-31 January 1992.

Nevertheless, the outlook for Central America is not encouraging: the region's 28 million inhabitants have a per capita income of US $830 - this means that 70% of its population cannot cover its basic needs. A small number of agricultural products such as coffee, bananas, sugar and cotton account for 70% of production. The economies of these countries depend very closely on progress in the Uruguay Round and on the outcome of negotiations with the giant blocs, such as with the EC concerning bananas. It has been suggested that the EC might set up a quota system with a 20% tariff on this product from 1993. This is opposed by the Latin American banana-exporting countries. Similarly, the fall in coffee prices in 1992 to approximately one-third of 1989 levels will hit the region hard.

The Andean Pact

The Andean Pact, a sub-regional group set up in 1969, had until recently made only the most modest progress in liberalizing trade. The Member States - Colombia, Venezuela, Peru, Ecuador and Bolivia - decided by means of the La Paz Act, signed on 30 November 1990, to shorten the timescale, agreeing to set up a free trade area by 1992, followed by a customs union by 1995. Today, more than 20 years after its foundation, only 3.8% of the Andean countries' total trade is intra-regional, highlighting the need for measures to raise this level.

However, progress has been interrupted as a result of recent political and economic disagreement between Cartagena Agreement members and, in particular, by other countries distancing themselves from Peru since the coup d'état of 5 April 1992. Peru has observer status until the end of 1993, while Bolivia has applied to join MERCOSUR, although the latter does envisage enlargement for several years.

The Group of Three

This is another body demanding serious attention, comprising Mexico, Colombia and Venezuela, set up on 10 October 1990. The Group, which plans to create a free trade zone in 1994, is noteworthy both for the degree of similarity between a number of its main export goods in particular - and for the fact that it is based on those economies which have demonstrated the liveliest growth rates in recent years and which are relatively homogeneous. Energy cooperation is indeed the central plank of the process in the initial phase, providing its main impetus. These countries also have a special relationship with Central America: since the San José Agreement of 3 August 1980, Mexico and Venezuela sell oil to the Central American countries at concessionary prices.

Bilateral agreements

Both MERCOSUR and the Group of Three, together with an extensive network of bilateral agreements built up over the last two years, including the Mexico-Chile agreement of September 1991, share the particular feature of going beyond the narrow confines of the agreements traditionally applied within the Latin American Integration Association, typified by partial tariff reductions with loose deadlines for implementation.

The Tuxtla Gutiérrez Declaration, signed by Mexico and the five CACM nations on 11 January 1991, is a further example, planning free trade by 1996. If this general trend towards liberalization continues, growing convergence between the different integration bodies and various bilateral economic agreements is to be expected.

Chile, which has signed important bilateral agreements with countries such as Argentina, Venezuela and Mexico, has decided not to become a member of MERCOSUR, despite the invitation of the member countries to join. The Chilean Government justified this decision on the grounds that Chile was ahead of the other countries of the Southern Cone in putting its public finances back on a sound footing and reducing inflation and - more importantly - had gone further than its partners in liberalizing its external trade, levying a single 11% tariff and eliminating para-tariff restrictions.

Chile, which quit the Andean Pact in 1976 because it disagreed with the Group's then protectionist stance towards foreign investment, has left the door open for its future integration into MERCOSUR. Nevertheless, the country's economic policy-makers would seem to be satisfied with its broad range of ties with other countries by means of bilateral agreements and it is not likely that Chile, if it does not find stable partners, will modify a type of regional integration from which it has benefited. It should not be forgotten that Chile, along with Colombia, was the only Latin American country to improve its per capita income during the 80s, at the same time substantially boosting its exports and attracting considerable foreign investment.

NAFTA

Since 1989 Mexico has been drawing closer to the United States, culminating in the signing of the NAFTA by Mexico, the US and Canada on 13 August 1992. The setting-up of a zone including Mexico was announced by the three parties on 5 February 1991. Historically the greater part of Mexico's foreign trade has been with its northern neighbour and in recent years, with its rethink of protectionist and nationalist policies, it has decided to give priority to its integration in the North American economic area. However, 75% of NAFTA inter-regional trade is between Canada and the US, while Mexico-US trade accounts for 24% and Mexico-Canada 1%.

As part of the process of liberalization Mexico has succeeded in attracting a huge inflow of foreign investment and in improving its international image. 65% of direct foreign investment in Mexico comes from the US. The economic policy-makers think that Mexico will be able to maintain its high growth rates and promote the modernization of the country by rapidly entering into a free trade agreement with the US and Canada. Critics think that most local industry would not be able to withstand North American competition and that the country would become a centre for assembly firms, "screwdriver plants", and would import polluting industries from the other side of the Rio Grande, exacerbating its external dependence.

The Initiative for the Americas

On 27 June 1990, one year after Mexico began its rapprochement with the US, the Bush Administration surprised the whole region by launching the Initiative for the Americas. This initiative contained a proposal for the setting-up of a free trade area throughout the whole region. It also included proposals for an increase in investment, a reduction in debt and environmental programmes.

In fact, the free trade agreements so far signed by the US with Chile, the MERCOSUR countries, Peru, El Salvador, Bolivia, Colombia, Costa Rica, Honduras, Venezuela and Ecuador are not strictly speaking liberalization agreements, but only framework agreements which set up the machinery for negotiation and consultation on trade and investment. Nevertheless, the Initiative for the Americas highlights the US's recognition of the special importance of the Latin-American region for its commercial interests and illustrates the growing dynamism of the region, thanks to the process of adjustment and liberalization and to its greater internal cohesion.

The Latin-American countries have welcomed the proposal and very few of them have seen in it an attempt by Washington to weaken, to its own advantage, Latin-American moves towards integration. On the contrary, the proposal has generally been seen as a factor propitious to integration. A study published by the World Bank in 1992 contains an assessment of the effects of the Initiative for the Americas on Latin American exports, concluding that it will be of fairly limited benefit to these exports. The report asserts that only two countries in the region, Brazil and Mexico, would receive 90% of the benefits because of the greater volume of their sales and their superior capacity to respond to the removal of tariff and non-tariff barriers. The authors point out that for some of the countries the benefits may be very limited and much less than those accruing to the US.

The Latin American Integration Association (ALADI)

Established by the Treaty of Montevideo in 1980, ALADI promotes the progressive reduction of intra-regional trade barriers with a view to a Latin American common market. It currently has 11 members: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. Members are divided into three categories according to their level of economic development, which determines the degree of favourable trade status granted by the other member countries. An important feature is the provision by the Treaty of Montevideo for its signatories to enter into partial trade agreements which do not necessarily extend to all 11 members, the aim being to facilitate regional integration in different ways and in different stages, but always involving progress towards the final objective of a Latin American common market. ALADI also represents a common reference point for many sub-regional integration schemes, including MERCOSUR, the Andean Pact, the Chile-Mexico free trade agreement and a range of other bilateral and sectorial arrangements. ALADI's principal institution is the Council of Ministers, comprising the Ministers for Foreign Affairs of the countries concerned. Its General Secretariat is responsible for providing technical assistance in customs and statistical issues.

The Latin American Economic System (SELA)

SELA was set up in 1975 with the aim of promoting intra-regional cooperation and establishing a permanent channel of consultation and coordination between its 26 member States. Its highest authority, the Latin American Council, consisting of government ministers from all the member countries, meets annually. SELA's Permanent Secretariat, administered by the organization's Secretary-General, is based in Caracas.

The Inter-American Development Bank (IDB)

Founded in 1959, the IDB is an international financial institution whose purpose is to boost economic and social development in Latin America and the Caribbean. The Bank has 27 members in the region and 17 others from the rest of the world, including a number of EC countries. Decisions are taken by the Board of Governors, on which each member State is represented. The Bank also has a 12-member Executive Board, responsible for running its day-to-day operations. The Bank has to date released almost US $ 150,000 million in project funds. Its basic credit capital rose to US $ 22,000 millions for the 1990-93 period. It is set to play an important part in the Initiative for the Americas investment programme.

The Rio Group

Originally known as the Group of Eight, the title comes from the Declaration of 18 December 1986 on political cooperation between the governments of the region. Membership currently stands at 11: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. Two countries have observer status: one representing the Caribbean and another for Central America. Following President Fujimori's institutional coup of 5 April 1992, Peru has not been invited to attend Group meetings. The Rio Group is at present Latin America's most active forum for discussion and active promotion of integration, at the political cooperation level. The Group has official links with the EC, with annual conferences of Ministers for Foreign Affairs from the two groups. On 20 December 1990, representatives of the Ministries for Foreign Affairs of the EC and relevant Latin American countries signed the Rome Declaration, which includes a broad-ranging programme of mutual consultation and cooperation. The most recent joint EC-Rio Group meeting was held on 28-29 May 1992 in Santiago, Chile.

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APPENDIX II

Statistical tables

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TABLE I

BASIC ECONOMIC INDICATORS FOR LATIN AMERICA AND OTHER WORLD REGIONS

	Latin America	South Asia	East Asia	Sub-Saharan Africa	OECD countries
Population 1990 (millions)	433	1,148	1,577	495	777
Average Annual Population Growth, 1980-1990 (%)	2.5	2.4	2.2	2.7	0.8
Per capita GNP, 1990 (US Dollars)	2,180	330	600	340	20,170
Average Annual GDP Growth, 1980-1990(%)	1.6	5.2	7.8	2.1	3.1
Gross Domestic Investment, 1990 (% of GDP)	19.0	21.0	37.0	16.0	22.0
Average Annual Growth of Manufacturing Added Valve 1980-1990 (%)	1.7	6.8	12.4	3.1	3.3
Average Annual Export Growth 1980-1990 (%)	3.0	6.8	9.8	0.2	4.1
Degree of Openness to Trade, 1990 (%)[1]	22.1	19.1	53.7	40.8	30.5

Sources: World Bank, World Development Report 1992, Washington DC; and IRELA calculations

TABLE II

BASIC SOCIAL INDICATORS FOR LATIN AMERICA AND OTHER WORLD REGIONS

	Latin America	South Asia	East Asia	Sub-Saharan Africa	OECD countries
Life Expectancy, 1990 (Years)	68	58	68	51	77
Adult Literacy Rate, 1990 (%)	84	47	76	50	96
Infant Mortality Rate 1990 (Per 1000 Births)	48	93	34	107	8
Daily Calorie Intake, 1989	2,721	2,215	2,617	2,122	3,417

Sources: World Bank, World Development Report 1992, Washington DC; and IRELA calculations

[1] Total combined exports and imports in relation to GDP.

TABLE III

SELECTED INDICATORS ON THE LATIN AMERICAN PRESENCE IN THE INTERNATIONAL ECONOMIC CONTEXT, 1980-1991

	1980	1985	1988	1989	1990	1991
Total Debt (Millions of US Dollars)	242,596	390,893	428,150	428,150	431,091	429,174
Secondary Market External Debt (Average % of face value)	64.2	37.7	42.7	31.7	32.6	40.2
External Debt as % of GDP	35.1	61.1	54.1	47.5	40.8	37.4
External Debt as % of exports of goods and services	197.1	316.0	314.9	277.2	261.4	268.0
Debt-Service Ratio (as % of exports of goods and services)	37.4	38.6	40.1	29.6	25.3	29.6
FDI flow towards Latin America (millions of US Dollars)	6,115	4,290	7,999	7,175	8,147	9,782
Latin America as a Recipient of net FDI flows to developing countries (%)	66.2	40.4	40.9	30.4	32.3	39.6
Resource Transfer[2] (US $ 1,000 millions)	13.1	-32.3	-28.8	-28.3	-16.0	6.7

Sources: World Bank, World Debt Tables, Washington DC; Economic Commission for Latin America and the Caribbean (ECLAC) 1991 Preliminary results of the Latin American and Caribbean economy, Santiago de Chile; and IRELA calculations

[2] Net capital flow excluding interest payments and profit expatriation; ECLAC estimates.

TABLE IV

PRINCIPAL INDICATORS ON THE ECONOMIC SITUATION OF LATIN AMERICAN COUNTRIES, 1991 (% data)

	Annual GDP Growth	Annual Export Growth	External Debt as % of exports of goods and services
Caribbean			
Dominican Republic	-0.7	5.5	218
Haiti	-0.4	-10.1	464
Mexico and Central America			
Costa Rica	-0.2	10.5	180
El Salvador	3.1	7.1	220
Guatemala	2.0	2.8	159
Honduras	-1.9	-1.8	307
Mexico	4.8	1.5	258
Nicaragua	-0.4	-9.7	2,441
Panama	9.3	20.5	122.4[3]
South America			
Argentina	5.0	-5.3	436
Bolivia	3.5	-8.5	386
Brazil	0.0	1.9	344
Chile	5.1	6.6	158
Colombia	2.0	6.1	181
Ecuador	2.9	3.5	363
Paraguay	2.5	-8.0	120
Peru	2.0	1.3	430
Uruguay	3.0	-4.5	337
Venezuela	9.2	-9.1	196

Source: IDB, 1991 Annual Report, Washington DC, 1992; IMF, Direction of Trade Statistics, various issues, Washington DC; Economic Commission for Latin America and the Caribbean (ECLAC), 1991 Preliminary results of the Latin American and Caribbean economy, Santiago de Chile; and IRELA calculations.

[3] 1990 data.

TABLE V

LATIN AMERICAN CONTRIBUTION TO WORLD PRODUCTION, TRADE, SERVICES AND FOREIGN DIRECT INVESTMENT, 1985 AND 1990

% Contribution	**1985**	**1990**
World GDP	4.6[4]	4.6
World Exports[5]	6.2	4.9
World Imports	3.8	3.7
Income from services[6]	4.2	4.0
Payments for services[7]	4.6	4.1
Inward FDI	8.8	4.0
Outward FDI	0.2	0.2

Source: IMF, Balance of Payments Statistics Yearbook 1991, Washington DC; IMF, Direction of Trade Statistics Yearbook 1991, Washington DC; World Bank, World Development Report 1992, Washington DC.

[4] 1986 data.

[5] Excluding intra-EC trade.

[6] Income and payments for services are based on service balance data; interest-bearing securities are excluded.

[7] See above.

TABLE VI

EC12 TRADE WITH LATIN AMERICA, 1974-1991
(in US $ millions and %)

Year	EC 12 Imports from Latin America			EC 12 Exports to Latin America			Trade balance	
	Value	1974 = 100	Variation (%)[1]	Value	1974 = 100	Variation (%)[1]	Value	EXP/IMP (%)[2]
1974	9,819	100	-	9,094	100	-	-725	92.6
1975	9,799	100	-0.2	10,415	115	14.5	616	106.3
1976	10,795	110	10.2	9,588	105	-7,9	-1,207	88.8
1977	13,268	135	22.9	11,300	124	17.9	1,968	85.2
1978	13,948	142	5.1	13,028	143	15.3	-920	93.4
1979	18,453	188	32.3	16,485	181	26.5	-1,968	89.3
1980	23,216	236	25.8	19,156	211	16.2	-4,060	82.5
1981	22,982	234	-1.0	18,901	208	-1.3	-4,081	82.2
1982	21,636	220	-5.9	14,937	164	-21.0	-6,699	69.0
1983	22,213	226	2.7	11,417	126	-23.6	-10,796	51.4
1984	22,307	227	0.4	11,963	130	3.9	-10,444	53.2
1985	23,110	235	3.6	11,874	131	0.1	-11,236	51.4
1986	20,000	204	-13.5	14,277	157	20.2	-5,723	71.4
1987	22,681	231	13.4	16,072	177	12.6	-6,609	70.9
1988	27,676	282	22.0	16,240	179	1.1	-11,436	58.7
1989	29,150	297	5.3	17,269	190	6.3	-11,881	59.2
1990	32,704	333	12.2	20,033	220	16.0	-12,671	61.3
1991	32,493	331	-0.7	22,458	247	12.1	-10,035	69.1

Sources: EUROSTAT, Foreign Trade, various editions, Brussels-Luxembourg; EUROSTAT, Analysis of EC-Latin America Trade, Brussels-Luxembourg 1984; and IRELA calculations.

[1] % Variation compared to previous year.

[2] Exports as a % of imports.

TABLE VII

EC SHARE OF LATIN AMERICAN IMPORTS AND EXPORTS, 1974-1991
(as %)

Year	Imports	Exports
1974	24.1	23.7
1975	24.2	25.5
1976	23.2	24.7
1977	22.1	26.0
1978	22.4	25.2
1979	20.5	26.2
1980	19.1	23.8
1981	18.0	22.4
1982	17.6	23.4
1983	16.7	23.4
1984	16.4	21.8
1985	17.4	22.9
1986	22.4	23.3
1987	21.0	22.3
1988	20.0	24.4
1989	18.4	23.8
1990	15.9	22.5
1991	16.3	22.1

Source: IMF Direction of Trade Statistics, various issues, Washington DC and IRELA calculations.

TABLE VIII

LATIN AMERICAN SHARE OF EC IMPORTS AND EXPORTS, 1974-1991 (as %)

Year	Extra-EC[1]		Trade with Developing Countries	
	Imports	Exports	Imports	Exports
1974	6.0	6.9	12.2	20.8
1975	5.9	7.1	13.0	18.4
1976	5.7	6.2	12.4	16.0
1977	6.5	6.2	13.9	15.2
1978	5.9	6.0	13.9	14.5
1979	6.0	6.3	13.8	16.2
1980	5.9	6.3	12.9	15.4
1981	6.5	6.4	14.2	14.3
1982	6.6	5.4	15.3	12.3
1983	7.3	4.3	18.0	10.4
1984	7.2	4.3	18.6	11.5
1985	7.5	4.1	19.4	12.1
1986	6.1	4.2	18.9	13.5
1987	5.8	4.1	18.1	13.3
1988	6.0	3.8	20.1	12.1
1989	5.9	3.8	19.3	11.9
1990	5.6	3.7	17.8	11.7
1991	5.3	4.3	17.4	12.7

Sources: EUROSTAT, Foreign Trade, various editions, Brussels-Luxembourg; EUROSTAT, Analysis of EC-Latin America Trade, Brussels-Luxembourg 1984; and IRELA calculations.

[1] Total EUR12 trade, excluding trade between EC Member States.

TABLE IX

EC 12 IMPORTS FROM LA 20 BY COUNTRY AND SUB-REGIONAL GROUPS, 1970-1990
(Values in Millions of US Dollars and as Percentage of Total)

Country	1970		1975		1980		1985		1990	
	Value	%	Value	%	Value	%	Value	%	Value	%
LA 20	5,006	100.00	9,799	100.00	23,216	100.00	23,110	100.00	32,704	100.00
Argentina	1,136	22.69	1,297	13.24	2,810	12.10	2,504	10.84	4,424	13.53
Bolivia	99	1.98	138	1.41	238	1.03	126	0.55	150	0.46
Brazil	1,233	24.63	3,217	33.34	6,653	28.66	7,992	34.58	11,719	35.83
Chile	685	13.68	694	7.08	1,978	8.52	1,338	5.79	3,333	10.19
Colombia	241	84.81	563	5.75	1,701	7.33	1,270	5.50	1,866	5.71
Costa Rica	52	1.04	138	1.41	263	1.13	213	0.92	553	1.69
Cuba	97	1.94	473	4.83	448	1.93	308	1.33	414	1.27
Dominican Republic	29	0.58	165	1.68	113	0.49	87	0.38	149	0.46
Ecuador	60	1.20	156	1.59	283	1.22	219	0.95	451	1.38
El Salvador	69	1.38	171	1.75	348	1.50	156	0.68	149	0.46
Guatemala	60	1.20	239	2.44	387	1.67	176	0.76	177	0.54
Haiti	14	0.28	24	0.24	91	0.39	64	0.28	45	0.14
Honduras	49	0.98	68	0.69	202	0.87	213	0.92	211	0.65
Mexico	163	3.26	464	4.74	2,785	12.00	3,914	16.94	3,753	11.48
Nicaragua	34	0.68	115	1.17	138	0.59	109	0.47	101	0.31
Panama	45	0.90	138	1.41	255	1.10	295	1.28	624	1.91
Paraguay	33	0.66	109	1.11	273	1.18	244	1.06	567	1.73
Peru	374	7.47	337	3.44	763	3.29	733	3.17	1,023	3.13
Uruguay	111	2.22	180	1.84	349	1.50	190	0.82	722	2.21
Venezuela	422	8.43	1,063	10.85	3,138	13.52	2,959	12.80	2,273	6.95
LAIA	4,557	91.03	8,268	84.38	20,971	90.33	21,489	92.99	30,281	92.59
ANDEAN GROUP	1,196	23.89	2,257	23.03	6,123	26.37	5,307	22.96	5,763	17.62
MERCOSUR	2,513	50.20	4,853	49.53	10,085	43.44	10,930	47.30	17,432	53.30
CACM	264	5.27	731	7.46	1,338	5.76	867	3.75	1,191	3.64

Sources: European Parliament, Directorate-General for Research, Trade Relations between the European Community and Latin America, Statistical Reference Series 1, Brussels-Luxembourg; EC Commission, EUROSTAT, External Trade Statistics, various issues, Brussels-Luxembourg; and IRELA calculations.

TABLE X

EC 12 EXPORTS FROM LA 20 BY COUNTRY AND SUB-REGIONAL GROUPS, 1970-1990
(Values in Millions of US Dollars and as Percentage of Total)

Country	1970		1975		1980		1985		1990	
	Value	%	Value	%	Value	%	Value	%	Value	%
LA 20	3,905	100.00	10,415	100.00	19,156	100.00	11,874	100.00	20,033	100.00
Argentina	615	15.75	1,047	10.05	3,474	18.14	1,184	9.97	1,577	7.87
Bolivia	42	1.08	109	1.05	131	0.68	79	0.67	108	0.54
Brazil	764	19.56	2,983	28.64	3,765	19.65	2,045	17.22	4,651	23.22
Chile	263	6.73	330	3.17	984	5.14	602	5.07	1,490	7.44
Colombia	205	5.25	432	4.15	943	4.92	794	6.69	1,035	5.17
Costa Rica	53	1.36	86	0.83	150	0.78	159	1.34	211	1.05
Cuba	252	6.45	718	6.89	808	4.22	709	5.97	846	4.22
Dominican Republic	59	1.51	94	0.90	174	0.91	154	1.30	275	1.37
Ecuador	76	1.95	211	2.03	468	2.44	378	3.18	418	2.09
El Salvador	43	1.10	87	0.84	95	0.50	95	0.80	142	0.71
Guatemala	54	1.38	118	1.13	199	1.04	149	1.25	232	1.16
Haiti	15	0.38	31	0.30	60	0.31	75	0.63	79	0.39
Honduras	22	0.56	41	0.39	106	0.55	110	0.93	115	0.57
Mexico	516	13.21	1,264	12.14	3,468	18.10	2,144	18.06	4,942	24.67
Nicaragua	32	0.82	60	0.58	56	0.29	122	1.03	92	0.46
Panama	158	4.05	499	4.79	572	2.99	695	5.85	719	3.59
Paraguay	21	0.54	47	0.45	160	0.84	92	0.77	223	1.11
Peru	181	4.64	663	6.37	625	3.26	391	3.29	426	2.13
Uruguay	73	1.87	114	1.09	366	1.91	146	1.23	297	1.48
Venezuela	461	11.81	1,481	14.22	2,552	13.32	1,751	14.75	2,155	10.76
LAIA	3,217	82.38	8,681	83.35	16,936	88.41	9,606	80.90	17,321	86.46
ANDEAN GROUP	965	24.71	2,896	27.81	4,719	24.63	3,393	28.58	4,141	20.67
MERCOSUR	1,473	37.72	4,191	40.23	7,765	40.54	3,467	29.19	6,748	33.68
CACM	204	5.22	392	3.76	606	3.16	635	5.35	792	3.95

Sources: European Parliament, Directorate-General for Research, Trade Relations between the European Community and Latin America, Statistical Reference Series 1, Brussels-Luxembourg; EC Commission, EUROSTAT, External Trade Statistics, various issues, Brussels-Luxembourg; and IRELA calculations.

TABLE XI

EC 12, USA AND JAPAN TRADE WITH LA 20, 1970-1990
(values in millions of US$)

Year	EC 12		USA		JAPAN	
	Imports	Exports	Imports	Exports	Imports	Exports
1970	5,006	3,905	5,077	5,698	1,343	995
1975	9,799	10,415	12,617	15,669	2,466	4,493
1980	23,216	19,156	31,318	36,053	5,584	8,179
1981	22,982	18,901	33,539	38,951	6,495	9,729
1982	21,636	14,937	33,929	30,095	6,078	8,203
1983	22.213	11,417	37,291	22,621	6,286	5,452
1984	22,307	11,863	44,288	26,303	7,012	7,354
1985	23,110	11,874	45,492	27,852	6,076	7,257
1986	20,000	14,277	41,560	27,969	5,927	8,147
1987	22,681	16,072	46,427	31,573	6,037	7,736
1988	27,676	16,240	51,160	39,855	7,934	8,089
1989	29,150	17,269	57,410	44,375	8,392	8,144
1990	32,704	20,033	64,209	49,423	8,796	92,570

Sources: European Parliament, Directorate-General for Research, Trade Relations between the European Community and Latin America, Statistical Reference Series 1, Brussels-Luxembourg; EC Commission, EUROSTAT, External Trade Statistics, various issues, Brussels-Luxembourg; IMF, Direction of Trade Statistics, various issues, Washington; and IRELA calculations.

TABLE XII

TRADE BALANCE OF EC 12, USA AND JAPAN WITH LA 20, 1970-1990
(Values in millions of US$)

Year	EC 12		USA		JAPAN	
	Trade Balance	ICR (%)[1]	Trade Balance	ICR (%)[1]	Trade Balance	ICR (%)[1]
1970	-1,101	78.0	621	112.2	-348	74.1
1975	616	106.3	3,052	124.2	2,027	182.2
1980	-4,060	82.5	4,735	115.1	2,595	146.5
1981	-4,081	82.2	5,412	116.1	3,234	149.8
1982	-6,699	69.0	-3,834	88.7	2,125	135.0
1983	-10,796	51.4	-14,670	60.7	-834	86.7
1984	-10,444	53.2	-17,985	59.4	342	104.9
1985	-11,236	51.4	-17,640	61.2	1,181	119.4
1986	-5,723	71.4	-13,591	67.3	2,220	137.5
1987	-6,609	70.9	-14,854	68.0	1,699	128.1
1988	-11,436	58.7	-11,305	77.9	155	102.0
1989	-11,881	59.2	-13,035	77.3	-248	97.0
1990	-12,671	61.3	-14,786	76.97	-467	95.02

Sources: European Parliament, Directorate-General for Research, Trade Relations between the European Community and Latin America, Statistical Reference Series 1, Brussels-Luxembourg; EC Commission, EUROSTAT, External Trade Statistics, various issues, Brussels-Luxembourg; IMF, Direction of Trade Statistics, various issues, Washington; and IRELA calculations.

[1] ICR: Percentage of imports covered by exports

TABLE XIII

FDI FLOWS FROM THE EC TO LATIN AMERICA AND THE CARIBBEAN, 1980-90
(in US $ millions)

Country	1980-84	1985	1986	1987	1988	1989	1990	1985-90	1980-90
Argentina	937	100	116	316	201	188	221	1,142	2,079
Brazil	2,818	268	472	693	970	718	536	3,657	6,476
Chile	336	73	46	80	214	218	80	711	1,047
Colombia	118	6	15	-38	28	99	53	162	280
Dominican Republic	24	1	2	2	8	6	19	38	62
Ecuador	31	1	-2	11	20	63	15	107	138
Guatemala	252	154	4	-15	1	3	-5	142	394
Mexico	639	78	58	420	178	-176	318	877	1,516
Paraguay	64	-10	6	2	4	6	7	14	78
Peru	33	28	6	19	21	6	12	93	126
Uruguay	77	2	10	6	13	56	48	135	212
Venezuela	189	47	41	105	160	65	20	439	628
Others	84	-3	67	-49	-2	24	24	60	143
TOTAL	5,602	745	841	1,552	1,816	1,276	1,348	7,577	13,179
Off-shore centres	2,862	767	68	477	2,239	626	801	4,978	7,840
Unidentified and unspecified flows	610	1,104	29	8	116	94	166	1,348	1,936
GRAND TOTAL	9,074	2,616	938	2,037	4,171	1,996	2,315	14,074	23,146

Note - These figures include Spanish official development aid.

Source: OECD, Database on FDI flows to Developing Countries, Paris; Secretaría de Estado para el Comercio, Ministerio de Industria, Comercio y Turismo, Sector exterior 1990, Madrid.

TABLE XIV

LATIN AMERICA AND THE CARIBBEAN: FDI FLOWS FROM EUROPE, THE USA AND JAPAN[1] (excluding off-shore centres) (US $ millions)

Country	1979-1982	1983-1986	1987-1990	1985	1986	1987	1988	1989	1990
Belgium	89	24	136	13	9	26	57	-5	58
France	1,161	394	588	174	49	784	111	112	281
Germany	1,458	721	1,366	66	67	377	398	302	2.89
Italy	322	473	477	122	8	97	210	114	56
Netherlands	204	350	480	25	137	48	17	122	293
Spain	722	303	706	45	61	89	148	187	282
Switzerland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
U.K.	1,141	1,241	2,561	286	507	805	842	437	477
Europe	5,097	3,506	6,314	733	838	1,525	1,783	1,269	1,736
USA	8,524	-415	8,412	-747	256	708	943	3,544	3,217
Japan	2,058	555	1,364	-159	116	-23	471	343	573

Note: Spanish FDI figures are not strictly comparable with FDI data published by the OECD. For further information see Annex I.

Sources: OECD, Paris, Official Development Administration, Statistical Department, (unpublished data), London, and Secretaría de Estado de Comercio, Ministerio de Industria, Comercio y Turismo, Sector exterior 1990, Madrid.

[1] Values refer to all data which could be specified by country.

TABLE XV

OVERALL EC COMMISSION AID COMMITMENTS BY COUNTRY AND REGION OF LATIN AMERICA, 1976-1991
(values in US $ millions and as percentage)

Aid to countries	1976		1991		1976-1991	
	Millions of Dollars	%	Millions of Dollars	%	Millions of Dollars	%
ARGENTINA	-	-	4,436	1.7	21,663	1.3
BOLIVIA	2,583	17.4	25,301	9.5	226,517	13.6
BRAZIL	0,190	1.3	17,487	6.6	75,825	4.6
COLOMBIA	0,034	0.2	12,918	4.9	70,299	4.2
COSTA RICA	0,022	0.2	1,850	0.7	43,122	2.6
CUBA	-	-	1,803	0.7	36,671	2.2
CHILE	0,894	6.0	24,610	9.3	93,712	5.6
ECUADOR	0,022	0.2	15,625	5.9	75,904	4.6
EL SALVADOR	0,022	0.2	17,711	6.7	71,697	4.3
GUATEMALA	0,906	6.1	22,869	8.6	87,123	5.2
HAITI	4,696	31.7	5,010	1.9	98,332	5.9
HONDURAS	3,287	22.2	3,569	1.3	121,648	7.3
MEXICO	0,034	0.2	10,200	3.8	53,129	3.2
NICARAGUA	0,045	0.3	28,963	10.9	268,940	16.2
PANAMA	-	-	0,146	0.1	6,993	0.4
PARAGUAY	0,123	0.8	17,205	6.5	28,159	4.7
PERU	1,342	9.0	46,244	17.4	225,561	13.6
DOMINICAN REPUBLIC	0,235	1.6	4,415	1.7	32,099	1.9
URUGUAY	0,358	2.4	3,897	1.5	17,589	1.1
VENEZUELA	0,034	0.2	1,528	0.6	7,092	0.4
TOTAL COUNTRIES	14,825	100.0	265,786	100.0	1,662,076	100.0
AID TO REGIONS						
LATIN AMERICA		-	24,494	26.1	101,412	20.9
CENTRAL AMERICA		-	54,435	58.1	284,675	58.6
SOUTH AMERICA		-	13,656	14.6	15,962	3.3
ANDEAN PACT		-	1,169	1.2	83,369	17.2
TOTAL REGIONS		-	93,754	100.0	485,418	100.0
TOTAL AID	14,825		359,540		2,147,494	
COUNTRY/REGION AID RATIO	100 / 0		74 / 26		77 / 23	

Source: EC Commission, Etat d'engagements des projets communautaires au 5 mai 1992, Brussels.

TABLE XVI

ORIGIN BY COUNTRY OF BILATERAL ODA RECEIVED BY LATIN AMERICA FROM EC AND OTHER DAC COUNTRIES, 1975-1990 (net disbursements, values in millions of US$ and as percentage of total)

DONOR COUNTRY	1975		1980		1985		1990	
	VALUE	%	VALUE	%	VALUE	%	VALUE	%
Belgium	14.2	2.30	18.6	2.00	12.2	0.60	34.9	1.11
Denmark	2.1	0.34	4.4	0.47	5.7	0.28	23.2	0.74
FR Germany	128.0	20.77	262.3	28.27	203.2	10.03	481.9	15.33
France	15.1	2.45	49.2	5.30	103.4	5.11	196.0	6.24
Italy	4.8	0.78	6.7	0.72	69.1	3.41	338.6	10.77
Netherlands	25.8	4.19	103.2	11.12	82.2	4.06	190.6	6.06
UK	33.0	5.35	20.5	2.21	13.0	0.64	26.7	0.85
Total DAC-EC	223.0	36.18	464.9	50.10	488.8	24.14	1,291.9	41.10
USA	306.0	49.65	281.0	30.28	1,204.0	59.46	1,066.0	33.91
Japan	46.6	7.56	117.2	12.63	194.7	9.61	482.4	15.35
Total DAC	616.3	100.0	928.0	100.0	2,025.0	100.0	3,143.1	100.00

Sources: OECD, Geographical Distribution of Financial Flows, various issues, Paris; and IRELA calculations.

TABLE XVII

ILLITERACY
(Percentage of the population aged 15 or more)

Country	About			
	1970	1980	1985[8]	1990[11]
Argentina	7.4	6.1	5.2	4.7
Barbados	0.7[9]	0.5[12]	...	...
Bolivia	36.8	...	27.5	22.5
Brazil	33.8	25.5	21.5	18.9
Colombia	19.2	12.2[11]	15.3	13.3
Costa Rica	11.6	7.4	8.2	7.2
Cuba	...	2.2[12]	7.6	6.0
Chile	11.0	8.9	7.8	6.6
Ecuador	25.8	16.5	17.0	14.2
El Salvador	42.9	32.7[11]	31.2	27.0
Guatemala	54.0	44.2	48.1	44.9
Guyana	8.4[12]	...	4.6	3.6
Haiti	78.7	62.5	51.2	47.0
Honduras	43.1	...	32.0	26.9
Jamaica	3.9[12]	...	2.0	1.6
Mexico	25.8	16.0	15.3	12.7
Nicaragua	42.5	...	13.0	...
Panama	18.7	12.9	13.6	11.9
Paraguay	19.9[10]	12.3	11.7	9.9
Peru	27.5	18.1	18.0	14.9
Dominican Republic	33.0	31.4[13]	19.6	16.7
Surinam	...	35.0[14]	7.3	5.1
Trinidad and Tobago	7.8	5.1	3.9	...
Uruguay	6.1	5.0	4.7	3.8
Venezuela	23.5	15.3	14.3	11.9

Source: ECLAC, 1991.

[8] UNESCO estimate.

[9] UNESCO estimate. Persons without school education have been counted as illiterate.

[10] Persons without school education have been counted as illiterate.

[11] Population aged 10 or more.

[12] Population aged 10-49.

[13] Excluding the forest-dwelling indigenous population. Population aged 5 or more.

[14] Excluding the forest-dwelling indigenous population.

TABLE XVIII

ENROLMENT BY LEVEL OF EDUCATION
(a) First level education
(Gross enrolment rates)[15]

COUNTRY	AGE GROUP[16]	1970	1980	1982	1985	1986	1987	1988	1989	1990
Argentina	6-2	113.6	106.0	112.1	107.0	109.0	110.0	111.0	...	...
Barbados	5-10	108.0	100.0	103.0	111.2	...	...	...	...	...
Bolivia	6-13	76.2	84.0	85.5	...	87.0	91.0	81.0	81.0	...
Brazil	7-14	78.7	99.0	101.6	101.0	103.0	101.0	103.7	105.0	...
Colombia	6-10	105.0	102.1	103.1	107.0	98.1	106.0	106.0	107.0	...
Costa Rica	6-11	109.6	105.6	101.2	97.2	99.3	99.7	100.7	100.0	...
Cuba	6-11	123.1	105.7	108.3	104.1	101.4	105.0	104.0	103.0	...
Chile	6-13	104.8	108.8	105.6	106.0	105.0	103.0	102.0	100.0	98.0
Ecuador	6-11	99.4	112.8	114.3	116.9	118.0	118.0	...	...	...
El Salvador	7-15	61.4	74.9	70.1	77.2	...	79.0	80.0	78.0	...
Guatemala	7-12	58.3	70.8	70.2	75.5	75.5	77.0	79.0	...	...
Guyana	6-11	99.0	95.0	95.0	103.0	106.0	...	...	...	...
Haiti	7-12	46.2	76.0	81.0	96.0	83.0	84.0	...	...	...
Honduras	7-12	87.3	92.8	99.3	109.5	112.2	113.1	114.2	...	...
Jamaica	6-11	119.0[17]	103.0	105.5	100.0	99.8	101.0	104.0	105.0	...
Mexico	6-11	103.5	115.0	120.0	119.0	119.0	118.0	117.0	114.0	112.0
Nicaragua	7-12	80.0	99.0	105.8	101.0	98.0	99.0	99.0	95.0	...
Panama	6-11	102.0	106.2	104.8	105.0	106.0	106.3	105.6	106.5	...
Paraguay	7-12	104.9	103.7	103.6	103.0	102.0	103.0	103.8	106.0	...
Perú	6-11	106.6	114.0	118.0	122.0	118.9	118.6	120.0	123.0	126.0
Dominican Republic	7-12	98.4	117.6	115.1	126.0	101.0	98.0	...	95.0	...
Surinam	6-11	131.0	125.0	...	132.0	129.0	...	124.0	...	...
Trinidad and Tobago	5-11	107.0	99.0	98.0	96.0	98.0	99.0	...	97.0	...
Uruguay	6-11	112.1	106.4	108.8	110.0	110.0	106.0	106.0	...	...
Venezuela	7-12	98.6	108.7	110.3	108.0	107.0	106.0	105.0	...	...

Source: ECLAC, 1991.

15 Total enrolments in the corresponding age-group population, multiplied by 100. The comparability of this data is affected by changes in the educational systems of certain countries, set out in the explanatory notes.

16 Legal age limits of the population considered in the denominator of the gross enrolment rate.

17 Age limits: 6 to 10 years.

TABLE XIX

PUBLIC HEALTH EXPENDITURE[18]
(Percentage of GDP at current prices)

Country	1970	1980	1982	1985	1986	1987	1988	1989	1990
Argentina	0.3	0.5	0.3	0.5	0.6	0.6	...	...	...
Bahamas	...	2.4	2.7	2.7	2.9	...	...	...	...
Barbados	5.0	5.0	4.1	4.0	4.1	4.2	...	...	...
Bolivia	0.9	1.7	0.4	0.4	...	...	...	...	...
Colombia	...	4.8	4.4	5.0	4.4	5.0	5.0	4.5	3.6
Costa Rica	...	11.3	6.3	6.8	...	5.5	5.9	5.7	...
Chile	1.7	2.1	3.6	2.7	2.0	...	...	...	...
Ecuador	0.5	1.8	2.2	1.1	1.1	1.4	1.3	1.1	...
El Salvador	1.3	1.5	3.7	2.9	...	...	...	...	...
Guatemala	...	1.6	1.4	0.7	1.0	...	...	...	...
Guyana	2.1	4.1	4.9	4.2	4.0	4.4	...	...	...
Haiti	1.1	0.8	1.3	0.9	...	...	...	...	...
Honduras	1.5	2.2	3.1	2.0	2.6	2.2	...	...	...
Jamaica	...	...	10.6	6.1	6.2	6.0	6.2	6.9	...
Mexico	...	0.4	0.3	0.3	0.4	0.3	0.3	...	...
Nicaragua	0.7	4.4	4.4	5.0	6.6	...	...	...	...
Panama	1.8	1.6	1.6	1.8	1.6	2.0	1.9	...	...
Paraguay	2.0	0.4	0.5	0.7	0.4	0.4	...	...	...
Peru	0.9	0.8	0.8	1.0	1.0	1.0	1.0	1.0[19]	0.8[20]
Dominican Republic	...	2.0	1.2	1.0	1.0	...	...	...	...
Trinidad and Tobago	...	1.3	2.3	2.7	3.0	3.2	...	...	...
Uruguay	...	1.0	1.0	1.0	1.2	1.1	1.1	1.3	1.4
Venezuela	1.7	1.3	1.7	1.8	2.0	...	...	...	...

Source: ECLAC, 1991.

[18] Consolidated central government expenditure.

[19] Provisional figures.

[20] Official estimates.

TABLE XX

LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT
(Average annual rates)

	1983	1984	1985	1986	1987	1988	1989	1990	1991[a]
Argentina[b]	4.7	4.6	6.1	5.2	5.9	6.3	7.6	7.4	6.5
Bolivia[c]	8.5	6.9	5.8	7.0	7.2	11.6	10.2	9.5	8.1
Brazil[d]	6.7	7.1	5.3	3.6	3.7	3.8	3.3	4.3	5.0
Colombia[e]	11.7	13.4	14.1	13.8	11.8	11.2	9.9	10.3	10.3
Costa Rica[bf]	8.5	6.6	6.7	6.7	5.9	6.3	3.7	5.4	5.0
Chile[g]	19.0	18.5	17.0	13.1	11.9	10.0	7.2	6.5	7.9
Ecuador[h]	6.7	10.5	10.4	10.7	7.2	7.4	7.9	...	...
El Salvador[b]	...	...	...	...	...	9.4	8.4	10.0	...
Guatemala[i]	9.9	9.1	12.0	14.0	11.4	8.8	6.2	6.4	6.5
Honduras[j]	9.5	10.7	11.7	12.1	11.4	8.7	8.0	7.1	8.4
Mexico[k]	6.6	5.7	4.4	4.3	3.9	3.5	2.9	2.9	2.6
Panama[l]	11.7	12.4	15.7	12.7	14.1	21.1	16.3	16.8	15.1
Paraguay[m]	8.3	7.3	5.1	6.1	5.5	4.7	6.1	6.6	...
Peru[n]	9.0	8.9	10.1	5.4	4.8	7.1	7.9	8.3	...
Uruguay[o]	15.5	14.0	13.1	10.7	9.3	9.1	8.6	9.3	9.2
Venezuela[b]	11.2	14.3	14.3	12.1	9.9	7.9	9.7	10.5	10.9

Source: ECLAC and REPLAC, based on official figures.

[a] Preliminary figures. [b] National urban. [c] National. [d] Rio de Janeiro, São Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife metropolitan areas. [e] Bogotá, Barranquilla, Medellín and Cali. [f] Statistics since 1987 are not strictly comparable with those from before as the methodology of the Multi-purpose Household Survey has been modified. [g] Greater Santiago. From 1983 onwards, figures are for the Santiago metropolitan area. Statistics since 1985 are not strictly comparable with those from before, due to changes in the design and size of the sample. [h] Total for the country. Since 1986, Permanent Household Survey in Quito and Guayaquil. [i] Total country. [j] Total for country until 1985; 1986, Urban Workforce Survey. 1987, Central District and San Pedro de Sula and five cities; 1988, national urban; 1989 and thereafter Tegucigalpa. [k] Mexico city, Guadalajara and Monterrey metropolitan areas. [l] Metropolitan region.[m] Asunción, Fernando de la Mora, Lambaré and Luque and San Lorenzo urban areas. [n] Metropolitan Lima. [o] Montevideo.

TABLE XXI

HUMAN DEVELOPMENT INDEX

		Life expectancy at birth (years) 1990	Adult literacy rate % 1990	Average length of school education (years) 1990	Illiteracy rate index	Average year index	Educational achievement	Real per capita GDP (PPA $) 1989	Real adjusted GDP	Human development index	GNP classification minus HDI classification*
1	Canada	77.0	99.0	12.1	1.00	0.98	2.98	18.635	5.031	0.981	10
29	Uruguay	72.2	96.2	7.8	0.97	0.63	2.56	5,805	4.891	0.880	22
36	Chile	71.8	93.4	7.5	0.93	0.61	2.47	4,987	4.854	0.863	32
42	Costa Rica	74.9	92.8	5.7	0.92	0.46	2.31	4,413	4.413	0.842	25
43	Argentina	71.0	95.3	8.7	0.95	0.71	2.61	4,310	4.310	0.833	16
44	Venezuela	70.0	88.1	6.3	0.87	0.51	2.24	5,908	4.895	0.824	12
46	Mexico	69.7	87.3	4.7	0.86	0.38	2.09	5,691	4.888	0.804	15
55	Colombia	68.8	86.7	7.1	0.85	0.58	2.27	4,068	4.068	0.758	26
59	Brazil	65.6	81.1	3.9	0.78	0.31	1.87	4,951	4.851	0.739	-5
61	Cuba	75.4	94.0	7.6	0.94	0.62	2.49	2,500*	2.500	0.732	1
62	Panama	72.4	88.1	6.7	0.87	0.54	2.27	3,231	3.231	0.731	7
77	Ecuador	66.0	85.8	5.6	0.84	0.45	2.12	3,012	3.012	0.641	9
78	Paraguay	67.1	90.1	4.9	0.89	0.39	2.17	2,742	2.742	0.637	7
81	Peru	63.0	85.1	6.4	0.83	0.52	2.17	2,731	2.731	0.600	6
83	Dominican Rp.	66.7	83.3	4.3	0.81	0.34	1.96	2,537	2.537	0.595	18
96	El Salvador	64.4	73.0	4.1	0.68	0.33	1.68	1,897	1.897	0.498	-13
97	Nicaragua	64.8	81.0*	4.3	0.78	0.35	1.90	1,463	1.463	0.496	2
100	Guatemala	63.4	55.1	4.1	0.46	0.33	1.24	2,531	2.531	0.485	-9
101	Honduras	64.9	73.1	3.9	0.68	0.31	1.67	1,504	1.504	0.473	-9
109	Bolivia	54.5	77.5	4.0	0.73	0.32	1.79	1,531	1.531	0.394	0
124	Haiti	55.7	53.0	1.7	0.43	0.13	0.99	962	962	0.276	4
160	Guinea	43.5	24.0	0.8	0.07	0,06	0.20	602	602	0.052	-41

Source: UNDP, Human Development: 1992 report, Santafé de Bogotá (Tercer Mundo Editores) 1992, pp. 292-299.

* The Human Development Index (HDI) is produced by weighting a number of indicators, with the aim of finding a better indicator to measure development levels than the commonly-used per capita GDP. Development is defined not only as economic growth, but also in terms of popular well-being and opportunities for individual choice. A figure close to 1 indicates a high level of human development. The classification shows each country's level in comparison with others.

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