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Latin American exports and U.S. new proteccionism: a retrospect and an agenda for negotiations in the eighties

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TEXTO PARA DISCUSSÃO

Nº 44

Latin American Exports
and U.S. New Protectionism:
A Retrospect and an Agenda
for Negotiations in the 'Eighties

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From a Latin American standpoint, two sets of issues should figure prominently in the agenda for negotiations with the United States concerning trade questions in the near future.

The first and currently foremost, stems from the need to reverse the present slump in the region's exports. At the ruling interest-rate levels and bearish atmosphere prevailing in world financial markets, the burden of the large foreign debt accumulated by most Latin American nations in the process of external adjustment to the great International instability of the past decade is a formidable problem to them. It can only be borne without too large a pressure on activity and import levels if the high export growth rates attained by these countries in the past fifteen years are restored and sustained.

Of course, this is not to argue that the problems posed by the present world recession are amenable to bilateral US-Latin American Solutions. What is meant is that the present Latin American external problems are not unconnected with the international propagation of United States domestic macroeconomic management and, in fact, is perceived as a direct consequence of the latter by large sectors of Latin American opinion. Moreover, only the United States can play the leading role in any coordinated attempt towards a sustained expansionary policy among developed countries, and it is on that that Latin America's ability to overcome her present external problems without painful welfare losses and political strains ultimately depends today.

However, when the clouds of the present recession are carried away, the more structural trade policy issues, which marked US-Latin American bilateral trade negotiations, will come again to the fore. This second set of questions can be broadly divided into two main areas of contention. On one hand, there are the long-standing questions relating to trade in primary goods such as that of America's role in a collective effort to alleviate the painful effects inflicted on most of its Southern neighbours by the wide and frequent fluctuations in primary commodity prices. On the other hand, there are the issues relating to the effects of United States trade policy on Latin American exports. Of particular relevance in this context is the problem of how to prevent United States trade restrictions from cutting short the region's increasing trade diversification towards manufacturing exports. This is a most important issue in a longer run view of US-Latin American trade relations and ultimately will depend upon the former's ability to adjust to a changing international division of labour, which relocates an increasing – and presently non-negligible – share of high-productivity world industrial capacity to former Latin American primary exporters.

It is to the discussion of this second set of issues that this paper is addressed. It is to be noted that the kind of questions to be discussed surpass the framework of bilateral negotiations. Indeed, they do not differ from those, which already are and will most certainly be present in the agenda of global North-South economic diplomacy in the coming years. However, given the imperative of a good export performance for macroeconomic stability in most Latin American countries for the rest

of the decade, the importance of United States trade policies to them cannot be minimized as it is still by far the largest single market for Latin American products, accounting for about a third of the region's overall exports and a quarter of her non-oil sales abroad.

The paper is divided into two sections besides these introductory paragraphs. The first briefly surveys the main post-war trends and present position of the commodity composition and direction of Latin American trade. It is followed by an account of recent trade policy issues with special emphasis on trade relations with the United States and a concluding section.

The reader should bear in mind that this paper is no exception to the rule that any work dealing globally with Latin American economic questions is bound to be simplifying not only on account of the large number of countries involved but, especially, because of the enormous differences existing between them as to economic size and output structure. Those unfamiliar with the region's economic geography may perhaps benefit from having a glance at Table 1 in the statistical appendix, before proceeding.

I. A brief outline of post-war trends and present structure of Latin American trade

One of the outstanding achievements of post-war world economic development was the reconstruction and accelerated expansion of a multilateral trade network after over a decade of rampant trade restrictions, bilateralism and war. World trade not only grew very fast by past standards – over 7 percent a year in 1948-73 against 0.5 percent between 1913-48 – as its volume rose on average by 2 percent a year faster than output.

Until the mid-sixties, however, the growth of world trade was not equally shared between industrial and developing nations. Between 1950 and 1965, while the value of industrial countries' exports increased by 345 percent that of developing countries rose by only 198 percent¹. In the same period, the Latin American share of world exports fell continuously from 11.3 to 6.9 percent, as shown in Table 2.

The comparatively poor export performance of LDCs was to a large extent a result of profound transformations in the direction and commodity composition of world trade away from the traditional pre-war division of labour between primary and manufactured good exporters, which accompanied the post-war trade boom. Until the mid-sixties, trade among industrialized economies grew at a much faster rate than between other areas and trade in primary products decreased steadily as a proportion of global trade as their terms of trade continuously deteriorated after the Korean War boom.

However, especially in the case of Latin America, this poor export performance in the two

¹ IMF (1980), pp. 62-63.

decades following the war was also related to the widespread adoption of industrial and foreign economic policies aimed at rapid import substitution by the economically larger countries of the region. Some of them had already begun to follow this development strategy since the 'thirties as a result of external constraints imposed by the depression. After the war, recurrent foreign exchange problems, the grim outlook for trade in primary products and national strategic considerations turned import substitution industrialization into a major policy objective in several countries.

The instruments used to enforce it – overvalued exchange rates plus import Controls or high levels of protection for competing imports, multiple exchange rates, subsidized credit for a government participation in import substituting projects, among others – varied between countries. Nevertheless, the common result was to shift profitability in favour of activities geared to domestic markets. In most countries, with the possible exception of Mexico among the largest, these policies not just curbed the growth of traditional primary exports as inhibited the development of manufacturing exports from long-established branches of industry.

From the mid-sixties onwards the outlook for Latin American exports and balance of payments position began to change rapidly. Faster growth rates in OECD countries led to a sizable increase in world demand for primary products. The value of industrial countries' imports of primary goods, which had risen at an average 3.3 percent a year between 1955 and 1963, grew by 5.8 percent during 1963-68 and 19.1 percent in 1968-73². To this substantial improvement in primary commodity trade was added a sharp increase in international capital flows to the region both in the form of direct investment and, increasingly, money loans; by the end of the 'sixties many Latin American countries were already regular customers in eurocurrency markets.

These changes lifted the foreign exchange constraint traditionally binding on Latin American economies with two important consequences. On the one hand, they arrested and reversed the secular compression of the share of imports in GDP – which had fallen by a third since the early 'fifties – allowing industrial capital formation and activity levels to proceed at faster rates, pushing import substitution into wide areas of intermediate and capital goods in the larger countries, as Table 3 shows. On the other hand, they encouraged a progressive change of exchange-rate regimes, leading to a more favourable treatment to export activities than heretofore through measures such as exchange-rate unification and frequent devaluations aimed at offsetting the usually large differentials between domestic and world inflation rates.

However, the removal of the anti-export bias implicit in previous economic policies was not restricted to this. Towards the end of the 'sixties there was a growing belief that as a consequence of recent GATT tariff liberalization rounds and, especially, as the outcome of GSP negotiations started

² GATT (1978), Table A.6.

in 1964 and high OECD growth, there would be an increasing room for the region's manufacturing exports. Thus, economic policy in the industrializing countries of Latin America also came to incorporate a battery of incentives for manufacturing exports such as fiscal subsidies, drawbacks, low interest rate export and pre-export credit lines and so on.

The effects of these measures at a time of fast expansion of world trade was impressive. Total Latin American exports rose by 10.8 percent a year in contrast to the 3.6 percent of the previous fifteen years. Manufacturing exports soared at an astonishing 26.5 percent a year from 1965-73 while world trade in manufactures grew by only 16.4 percent.

The larger and more industrialized countries – Argentina, Brazil and Mexico – responded faster to the changing environment of world trade and domestic policies, and were responsible for the largest part of the growth in manufacturing exports, as can be seen in Table 4.

However, just as the prospects for the growth and diversification of Latin American exports brightened came the challenge of the first oil shock and its sequel of recession in major industrial countries and global instability.

Managing the large deficits generated in Latin American non-oil exporters' current accounts by the sudden oil price rise of 1973-1974 and the slump in world trade in 1974-1975 did not prove as difficult as initially expected. The substantial levels of foreign long-term lending these countries were able to attract allowed external adjustment to be spread longer, thus preventing the need to re-enact trade and foreign exchange restrictions in the fashion of the 'fifties.

Increased foreign indebtedness was not an option left to these countries. It was a phenomenon common to almost every non-oil developing nation as a necessary result of the rapid recessive adjustment of developed countries' current account deficits and the resilience of the OPEC surpluses and, last but not least, immensely eased by the accommodating behaviour of world financial markets. The latter, in fact, turned large-scale foreign borrowing into part and parcel of the growth strategy adopted after 1973 in several Latin American countries. Since the long-term feasibility of this strategy depends crucially upon maintaining a good export performance – on the basis of which creditworthiness is ultimately assessed – it reinforced the trend towards export-promoting policies established from the mid-sixties.

Since 1973, however, good export performance in the South has not nearly depended on wise domestic policies to the extent it did under the favourable conditions prevailing before the first oil shock. Of course, these policies are still a necessary condition, but the much greater instability in world trade caused by uncertainty over future paths of key exchange rates and, especially sharp cyclical fluctuations and protectionist measures in industrial countries, have played a far more important role in determining the behaviour of Latin American exports.

The regions non-oil exports, which still accounted for about one-half of total export earnings,

felt most severely the impact of this unstable economic environment. As can be seen in Table 5, their prices experienced very large fluctuations both by past standards and in relation to manufactured goods as a result of the markedly cyclical demand pattern in the North and of the slump in the prices of tropical beverages – which have a large weight in the region’s non-oil primary exports bill – in 1978.

In contrast to the unsettled behaviour of primary commodities, Latin American manufacturing exports followed a much more stable and predictable path after the world trade setback of 1974-75. Their performance relative to others regions varied between sectors as even the gross disaggregation presented in Table 6 shows. These differences do not just reflect productivity differentials but a host of other factors. Among them the sectoral uneven distribution of (a) fiscal incentives, (b) the extent of excess capacity created by the deceleration in Latin America’s output growth in the second half on the decade and (c) the presence of multinational corporations – as intra-firm transfers account for about 40 percent of the region’s manufacturing trade³ – are, perhaps dominating influences.

Nevertheless, the aggregate performance of manufactures was good. Although expansion was slower than in the booming early ‘seventies, their total value rose rapidly after 1975 – at 23.2 percent a year against 17.1 for world trade in manufactures as shown in Table 6 – re-establishing the trend towards an increasing share of manufactures in total exports, as depicted in Table 7.

The effects of fast import-substitution industrialization, the growth of manufacturing exports and the oil crisis were not confined to the changes in the commodity composition of exports and imports shown in Table 7. There were also important alterations in the direction of Latin American exports, as Tables 8A and 8B show. In that respect an outstanding fact was the steady and large fall in the proportion of Latin American non-oil exports absorbed by developed countries while the share of other areas, and particularly intra-Latin American trade, increased substantially, as can be seen in Table 8C.

This shift was partially a result of higher rates of growth in LDCs since 1973. To a greater extent, however, it is a reflection of the general trend towards larger manufacturing exports as can be seen by the high shares of trade in manufactures with these countries shown in Table 9.

This Table also shows that the notion that Latin American manufacturing exports to developed countries are predominantly composed of technologically simple goods produced with cheap labour is mistaken. This fact can be explained by the massive presence of multinationals in Latin America’s leading high-technology export sectors in the larger countries as can be noted by comparing the composition of selected manufacturing exports shown in Table 10 with data referring only to intra-firm trade in selected manufacturing groupings presented in Table 11. Table 10 also calls attention to

³ IBD (1982), p. 134.

the very large country concentration of Latin American manufacturing exports, especially in the modern-capital goods industries in Argentina, Brazil and Mexico.

II. The new protectionism, trade in primary products and US-Latin American commercial relations

The structural changes in Latin American trade since the mid-sixties outlined above began and were consolidated in times of unprecedented world trade expansion and growing liberalism among industrial countries. The so-called Dillon (1960-61) and Kennedy (1963-67) tariff reduction GATT negotiations gave a new impetus to trade liberalization: for a group of eight OECD countries⁴ the average tariff level, which was still over 25 percent by the end of the fifties after having fallen from above 50 percent in 1950, was reduced to 18 percent from 1961 and to about 9 percent after 1967.

Tariffs for light manufactures of special interest to industrialising countries such as textiles and clothing were not much affected by these measures. However, following UNCTAD's 1964 meeting, LDC pressures for preferential access for their manufactured and semi-processed products to industrial country markets began to be heard. After long negotiations, they were successful, and GSP (Generalized System of Preferences) schemes were implemented by the EEC and Japan in 1971.

Although the actual benefits conceded by these schemes will be critically analysed below, the fact that they were implemented in spite of running against GATT principles of non-discrimination and generalized MFN treatment is illustrative of the general trend towards freer trade in developed countries pointed out above.

Towards the end of the pre-oil crisis trade boom, however, this mood was already beginning to change. As the outcome of the far-reaching post-war changes in the output structure of the periphery, as illustrated for Latin America in the preceding section, penetration of LDC manufactures in industrial country markets rose fast. By 1973, the share of these goods in developed countries' total manufacturing imports reached 20 percent, against only 11 percent a decade earlier⁵. Following the 1973-74 oil shocks, the sharp decline in developed countries' demand, the rise in their unit labour costs and renewed efforts by industrializing countries to stimulate their manufacturing exports reinforced these still latent anti-liberal feelings, triggering defensive protectionist reactions.

Although bound by GATT-rules not to resort to "old", tariff, protectionism, industrial countries developed a series of very effective non-tariff barriers aimed at selective market closure- allowed by the GATT articles for abnormal situations – to stop the tide of LDC manufacturing exports'

⁴ These include The US, The UK, West Germany, Japan, France, The Netherlands, Belgium and Sweden. Cf. ECLA/UM (1979), p. 121.

⁵ Fishlow *et. al.* (1981), p. 19.

competition. Some of these are unilateral and formal, such as quantitative restrictions or countervailing duties charged especially to compensate for subsidies granted to exports in the country of origin. Other result from bilateral negotiation – the so-called orderly marketing agreements – which enforce quotas and permissible rates of growth for particular imports from individual countries under the threat of formal action. These are usually informal, “voluntary”, agreements but equally effective safeguards against rapid import penetration.

The U.S. was no exception to the trend towards protectionism in industrial countries. The Trade Act of 1974, which empowered the D.S. executive to monitor trade and enforce non-tariff barriers in case “grave injury” was done to a domestic trade by high import growth, led to a large increase in the application of those measures. During the life of the Act, which extends from January 1975 to December 1979, at least 111 subsidy and 119 antidumping countervailing duty cases were filed⁶. According to an OAS Secretariat document, effective application of these measures by the U.S. Government rose from 16 in 1971-74 to 62 between 1975 and September 1978⁷.

The increase in U.S. new protectionism is also detectable from its effects on the clauses governing the U.S. GSP scheme, which began operation in January 1976. On one hand a “competitive need” criteria was introduced among the rules of the scheme, according to which GSP duty free tariff treatment is phased out if exports of a particular product from a beneficiary country becomes larger than 50 percent of total American imports of that product or larger than a dollar limit, fixed initially at \$ 25 million annually, and variable according to U.S. GDP growth. For countries with a small degree of export diversification or large exports of semi-processed primary goods, as is the case of several Latin American countries, this can mean exclusion from the benefits of GSP for their chief export products. In fact, of the \$ 3.5 billion of total Latin American exports to the U.S. eligible in principle for duty free treatment under GSP in 1978, only \$1.5 billion actually got this benefit⁸.

On the other hand, about 700 tariff items, corresponding to “import sensitive” manufactures – i.e., those competing with low productivity, non-competitive, branches of American industry benefitting from government relief schemes – were not included in the GSP. This was tantamount to excluding from preferential treatment items such as textiles, clothing, footwear, iron and steel, all products of special interest to several Latin American countries, as can be seen in Table 10A and usually already enjoying high rates of tariff protection.

These restrictions placed on access to the advantages given by the U.S. preference scheme greatly diminished its effectiveness to Latin America. Using 1971 trade data, the trade diversion and trade creation benefits derived by Latin American countries from its application were estimated at \$

⁶ Finger (1981), p. 265.

⁷ OAS (1978), p. 2.

⁸ OAS (1980), quoted in McCulloch (1981), p. 243.

74.6 million, that is, just 1.2 percent of the region's total exports to the U.S. in that year⁹.

However, in spite of the small significance of the US GSP, there was much concern at UNCTAD – where Latin American countries have traditionally a strong say – when the “donour” countries started meetings in Tokyo in 1973 for a new round of GATT MFN- tariff reductions¹⁰. The worries of the “beneficiary” countries stemmed from fears of the effects of further developed country tariff reductions on the preferential margins enjoyed by them under the GSPs.

Although some is better than nothing, their worries seem unjustified, at least as far the GSP – erosion effects of the Tokyo round – concluded in 1979 and to be enforced from 1980 to 1985 – on Latin American trade with the U.S. are concerned. Table 12, constructed using pre-Tokyo tariff rates and 1974 trade data, shows that the weighted average U.S. MFN tariff rate on Latin American manufactures is below 10 percent even if only the non-oil countries are taken into account. Although these averages may give a distorted view of the rates actually paid by some manufactures, as can be guessed from Table 13, they are quite low. If one considers, for instance, that between 1974 and 1980 the average real exchange rate of Latin American currencies appreciated by over 20 percent against the dollar on account of management problems caused by very high inflation rates and large capital inflows, the GSP-erosion effects of the Tokyo round do not look menacing¹¹. In fact, the impact of the five-year phased tariff reductions contemplated in the Tokyo agreements can be easily countervailed by not too large real exchange rate devaluations.

Of much greater relevance to US- Latin American trade relations in the Tokyo agenda were the negotiations concerning codes of conduct regulating the application of non-tariff barriers¹². The outcome of these talks effectively hurt Latin American trade for at least two reasons.

Firstly, because the introduction of preferential treatment to developing countries in the clauses of the all-important code regulating the use of export subsidies and the application of countervailing duties – such as larger periods to spread the abolition of subsidies and lighter countervailing duties – was made in exchange for the introduction of the concept of “graduation” or the “enabling clause” among GATT rules. This clause prescribes that entitlement to preferential treatment conceded to any country is temporary and conditioned to the members’ judgement of its stage of development. Its introduction in the agreement resulted from pressure by U.S. negotiators at Tokyo and was the price paid by LDCs for the formal acceptance of discriminatory treatment in their favour by the GATT. Needless to say, the logic and fairness of this two-tier classification in a world in which only five nations are responsible for over 50 percent of world non-oil exports has been strongly criticized in

⁹ Baldwin and Murray (1977), p. 39.

¹⁰ See, for instance, UNCTAD (1974).

¹¹ Data on Latin American exchange rates from IDB (1982), p. 44.

¹² Up to 1979, for instance, the U.S. government was not bound to prove that grave injury was being inflicted upon a domestic industry before taking retaliatory action under the 1974 Trade act.

Latin America, especially in the larger countries¹³.

Secondly, as the price paid by the Carter Administration to have the Tokyo agreements approved by the U.S. Congress, authority to implement America's trade policy was, according to an authority, "shifted from the relatively free-trade oriented Treasury Department to the Commerce Department". This may be of significance since the Tokyo negotiations still left a large room for discretionary non-tariff barriers to be erected against LDC exports in the US, as they failed to reach an agreement on a code of conduct relative to the sensitive issue of safeguards against disruptive imports. Thus, Latin American exporters are still liable to arbitrary exclusion from U.S. markets in products, which, as mentioned above, are of particular interest to their future trade growth.

On occasion, some country or product may receive special treatment for International or domestic political reasons¹⁴, but the bargaining power of the adversely affected country in orderly marketing agreements with the US Government is usually quite low. Besides, as latecomers, the large Latin American exporters usually face markets already regulated by safeguards erected against the Asian NICs.

New U.S. protectionist measures, as noted above, are of interest to Latin America mostly for their effect on exports of manufactures. However, in spite of the progressive export diversification experienced by Latin American countries in the recent past, conditions affecting trade in primary products are still of even greater concern to them. This is so not just because of the greater size of their trade in commodities, but also because of the importance, a few products still have on their export bills, as Table 14 shows.

Leaving aside the controversial issues relating to long-term trends in commodity terms of trade, which occupied a substantial part of post-war literature, two factors have traditionally been pointed out by Latin Americans as adversely affecting the performance of the region's primary exports. The first is the level and structure of the tariffs applied by industrial countries to crude and semi-processed food and raw materials. The second, although not related to trade policy in a classical sense but, nevertheless, of utmost importance to Latin America, is the large instability of foreign exchange earnings which primary producers are frequently subject to as a consequence of fluctuations in commodity prices.

Developed country tariffs on primary products have been mainly criticized for its Progressive escalation against items with higher degrees of processing. This characteristic of the tariff structure

¹³ See, for instance, Abdenur and Sardenberg (1981).

¹⁴ A good example of this, given by Fishlow, Carrière and Sekiguchi is "the restriction applied by the United States in 1977 to imports of footwear from South Korea and Taiwan. In 1981, with expiration due, the International Trade Commission recommended extension of these quotas for only two years and for Taiwan alone. Despite pressure for harsher limits by Congressional representatives from affected districts, the Reagan Administration has gone further and allowed the quotas to lapse... South Korea and Taiwan figure importantly in the national security strategy of the Administration, the more so because of continuing ties to China. The New England region most affected by shoe imports is also heavily Democrat, unlike textile South". Fishlow *et. al.*, (1981), p. 54.

of industrial countries can be detrimental to primary exporters for both static and dynamic reasons. On the one hand, it may affect the distribution of value added in the chain of food and raw materials processing between trade partners as well as LDCs potential foreign exchange earnings. The latter can be substantial: according to an UNCTAD study, adding one stage of processing to a group of ten basic raw products before export would have brought an additional \$ 27 billion in gross export earnings to developing countries in 1975 – that is about 25 percent of total exports of non-OPEC LDCs in the same year¹⁵. On the other hand, higher elaboration of primary products could give a sizable push towards industrialization in more backward areas without provoking the allocative distortions which presumably have occurred in more closed and inward-looking post-war industrialization experiments.

In assessing the effects of tariff escalation on primary exports, not only nominal but also effective rates of protection should be considered. The latter takes into account the fact that nominal tariff rates are poor indicators of the impact of protection in industries relying heavily on dutiable imported inputs, and measures the effect of protection on value added per unit of output of the importing country industry. Effective protection is thus a better indicator of how the tariff structure of industrial countries affects resource allocation in the processing of crude materials on a world scale.

Table 15 gives some indication of the effects of U.S. post-Kennedy round tariff structure on primary products at different stages along the processing chain, for a sample of 21 major non-oil commodities¹⁶.

It shows that, although nominal US rates are not high – and, indeed, except for stage 1 goods are lower than those charged on average by the EEC and Japan – they do escalate against more elaborated products and that effective rates of protection at the more advanced stages of processing can be twice or almost three times higher than nominal rates due to higher value added coefficients at those stages. If one considers that by the mid ‘seventies 73.5 percent of Latin American non-oil exports to the OECD countries were composed of stage 1 commodities¹⁷, the effect of the American tariff structure on Latin American trade may be perverse, as the US absorbs almost 40 percent of her food and raw materials exports to the OECD.

To a large extent, however, for more elaborated products, the problem of tariff escalation mixes up with the more sensitive issues relating to non-tariff barriers discussed above. In this sense, Latin American trade in primary products could considerably gain from a general liberalization of trade.

¹⁵ UNCTAD (1978). The products included in the list are cotton, coffee, cocoa, natural rubber, jute, tropical woods, leather, copper, bauxite and phosphates.

¹⁶ The Tokyo negotiation, of course, slightly affected these values. For an estimate of overall OECD effects, see Fishlow *et. al.* (1981), p. 61.

¹⁷ UN/ECLA (1979), p. 37. This figure is based on a sample of the 17 chief primary exports of Argentina, Barbados, Brazil, Colombia, Costa Rica, Guatemala, Guyana, Honduras, México, Trinidad-Tobago and Venezuela.

Estimates of the effects of a 50 percent across-the-board cut in tariffs and quantifiable non-tariff barriers on OECD agricultural imports only, from a sample of 57 developing countries, indicate that it would cause a 5 percent rise in *total* exports for the group of six Latin American countries included in the sample, and that these countries would reap over half of the resulting increase in world agricultural exports¹⁸.

The frequent and violent commodity price fluctuations are, as mentioned above, another factor hampering Latin America's export performance and the benefits she derives from trade in primary goods. The usual policies towards minimizing their short and medium-term effects are either direct buffer stock stabilization schemes or the operation of special funds to compensate for their effect on export earnings.

Large-scale commodity stabilization programmes dates back to the Brazilian coffee valorisation scheme of 1907 and were since then applied with varying degrees of success to certain primary products by single producing countries or, as usually done since the war, through international commodity agreements involving both producers and consumers. However, at least a formal wide international consensus on the far-reaching consequences of the problem of commodity price instability was achieved with its explicit inclusion among the leading issues in the report approved at the first UNCTAD session in 1964, calling for a world trade system more responsive to developing country needs.

Although the accelerated recovery of primary product prices, which followed UNCTAD'S 1964 conference, abated the enthusiasm of LDCs about *ad-hoc* international action towards stabilization, the tremendous post-1973 instability brought the issue back at the 1976 UNCTAD meeting at Nairobi, when a resolution was passed creating the Integrated Programme for Commodities. The main objective of the Programme was to stabilize the prices of 18 primary products with special attention to 10 "core" commodities through buffer stock management and other auxiliary devices. Its basic difference from existing international commodity agreements would be its broader product coverage and the overall reduction of financial needs and risks, obtained from diversification.

However, negotiations over operational details of the common fund to finance stockpiling and, especially, over political issues relating to the amounts and country distribution of the distributions to the fund as well as to voting rights in the management of the Programme, dragged on since the first working committee meeting held in March, 1977. Eventually, by the end of 1979, agreement was reached on the size of the fund but at clearly insufficient levels to be effective.

There is still some academic debate over the magnitude of the benefits – especially over whether there exists a trade-off between the rise in producers' revenues and price stability – and the finance

¹⁸ Valdes (1979), quoted in McCulloch (1981).

needed to achieve effective stability. However, there are signs that if effectively implemented the Programme could be of great significance to Latin America, which between 1975 and 1979 was responsible for 26.3 percent of world exports of the ten core commodities covered by it¹⁹. In fact, recent simulations of the operation of an UNCTAD-type integrated scheme for 6 commodities of particular interest to Latin America over a 13-year period show that, provided that there is enough financial resources and buffer stocks to keep fluctuations within a 15 percent band around 1950-75 price trends, the discounted value of exports revenue gains for Latin American producers would be about \$ 4.5 billion, that is 16 percent of yearly average exports between 1970-75.

Although this potential gains to Latin American primary exporters is not negligible, the major impact of commodity price stabilization to both exporters and importers would come from stability itself.

As far as exporters are concerned, the main benefit would result from the possibility of dampening balance of payments fluctuations and their effect on macroeconomic stability. In the case of Latin America, where minerals and tree crops – products with longer investment leads and larger proportions of fixed costs to total costs – account for a large share of total commodity exports, one could argue on a priori grounds that this could be particularly beneficial. In fact, this may explain why commodity price stabilization has traditionally ranked high among regional policies as well as the leading role Latin Americans have usually played in the organization of International commodity agreements.

If could be argued that this could be achieved directly by export earnings stabilization funds. Indeed industrial countries seem to favour this approach, witness the drawings allowed by the IMF under the Compensatory Financing Facility of the EEC STABEX fund open to underdeveloped ex-European territories. However, access to these funds usually occur *post-factum* and do not prevent, of course, price fluctuations from happening. On the other hand, successful commodity price stabilization, by preventing violent price explosions can have important additional benefits in terms of *global* macroeconomic stability. This is so because as shown by the international experience of the past ten years, the cost-induced impact of the sudden upsurges in primary product prices on industrial countries price levels²⁰ has triggered non-accommodating adjustment policies which through their depressive impact on the aggregate demand for commodities caused the spectacular price collapses of 1974-75 and 1981-82, with grave consequences for world economic stability²¹.

¹⁹ UNCTAD (1981), p. 220.

²⁰ The effects of commodity price instability on industrial country price levels are not negligible. According to one estimate, 45 percent of the 1973 rise in the US consumer price index occurred as a result of large non-oil commodity price increases above trend values. Besides, because of the downward inflexibility of industrial prices, these inflationary upsurges, induced directly or indirectly by food and raw material price explosions, can have a significant permanent “ratchet” effect. On this, see Popkin (1974) and Behrman (1977).

²¹ For a fuller discussion of the propagation mechanisms implicit in the preceding argument, see Kaldor (1976) and Taylor

III. Medium-term policy choices and urgent needs

In the two preceding sections, it was shown that two broad trends influence the scenario in which US-Latin American trade relations take place today. The first is the irreversible tendency towards greater diversification and increasing participation of manufactured and semi-manufactured goods in Latin American exports, resulting from the post-war structural changes undergone by several national economies and spurred by their growing internationalization since the mid-‘sixties. The second, which ultimately results from the decreasing complementarity between the US and Latin American economies accompanying the abovementioned process, is the patent move of US trade policy towards greater protectionism in recent years.

It is unlikely, however, that the conflicts inevitably arising from these trends should be solved within the framework of bilateral negotiations. On the one hand, they are not a special feature of Latin American relations with the US but one instance of a much broader problem involving all the world’s major trading areas. On the other hand, the continuous decline of US world economic hegemony since the war has eroded its political power to enforce a genuinely liberal world trading system and most certainly its will to move alone in this direction.

From a Latin American point of view a realistic dialogue with the US concerning trade should, therefore, begin by defining how American action in international organizations could be conducive to better prospects for Latin American trade.

In relation to the need to remove the barriers now, encumbering the growth of the region’s manufactured and semi-manufactured exports the US position at GATT can be of decisive influence to the future of Latin American trade in the negotiations towards the elaboration of a special code against disruptive imports. Conflict is most certain to arise for, in the end, they involve a painful and slow-working adjustment of the productive structure of mature industrial economies in this area. However, the facts that in the future the US is bound to continue to face competition from ever more complex manufactured products – as forcefully argued in the Watkins and Karlik study for the US Congress Joint Economic Committee²² – and that the present American barriers overtly penalises the most successful exporters, being both unfair and inefficient, has to be faced.

The most promising negotiated approach towards freer trade in “sensitive” products seems to be long-term arrangements providing for Progressive trade liberalization in areas in which existing barriers prove to be more detrimental to the growth of Latin American exports. The gains from negotiated long-term arrangements are many. Among them, longer periods in which to spread adjustment in the US and a correct signalling of export opportunities to Latin American countries are

²² Watkins and Karlik (1978), *passim*.

probably the most significant. Moreover, this targeted liberalization could be negotiated collectively or by individual countries against a phasing out of present preferential treatment conceded under the GSP or in GATT's countervailing duties code²³. If this negotiating strategy is followed, however, the choice of products and the speed in which subsidies are to be withdrawn could be of importance to Latin America, because of the danger of trade diversion to other competitors, especially in some light manufactures as textiles and clothing.

The other area in which a more sympathetic US approach to Latin American trade problems could bring lasting benefits would be in the negotiations concerning the implementation of UNCTAD's commodity price stabilization programme. The US has up to now been in the forefront of the opposition to the effective implementation of the scheme even though the benefits which would accrue from the operation of the IPC both to Latin America and to the world economy seem to be substantial.

It should be noted that better market access to Latin American manufactures and the expected benefits from commodity price stabilization, although undeniably important in a long-run perspective, are not nearly important at the present to the prospects for Latin American trade as the urgent need to revert the recessive trends in world trade visible since 1981, as well as the more recent contraction of the flow of long-term capital to the region. During last year, the collapse of Latin American terms of trade caused by sharply deflationary pressures in industrial countries as well as the heavy burden of interest payments on the foreign debt, triggered recessive adjustment policies in most countries of the region. In spite of a 10 percent fall in the value of aggregate regional exports these policies sharply turned the US\$ 0.6 billion trade deficit of 1981 into a US\$ 8.8 billion trade surplus in 1982 through a drastic cut in imports. Nevertheless, the region's current account deficit reached US\$ 33.0 billion last year, while net capital inflows fell from US\$ 42.1 billion in 1981 to US\$ 19.2 billion in 1982, as a consequence of the severe confidence crisis in world financial centers in the second half of the year.

The recessive balance of payments adjustment policies thus failed to restore external equilibrium. Their domestic macroeconomic effects were, however, truly alarming. Preliminary data show that Latin America's GDP *fell* – for the first time in the past 43 years – by over 1 percent, output per capita falling by over 3 percent. The terms of trade collapse made the fall in incomes even more pronounced.

In conclusion, it should be stressed that restoring the growth of world trade and averting trade conflicts are hot unrelated issues. The adjustment needed in industrial countries so as to minimize the present conflicts with LDC exporters as well as the reforms needed to impart greater stability to

²³ In more general terms, this has been proposed in McCulloch (1981).

commodity markets would be much eased in an environment of sustained world trade growth.

However, restoring Latin American trade growth today to a large extent presupposes solving the financial difficulties faced by several countries of the region – especially the larger among them. The severe adjustment problems created by the recent drying up of international long-term bank loans, superimposed on a world trade recession, led to the generalized adoption of extremely severe deflationary adjustment policies, which are bound to affect the growth of the important intra-regional trade in a substantial way.

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Table 1
Latin America: 1979
Selected Size Distribution Indicators

(figures in brackets represent shares in the countries' sample totals)

	GNP (US\$ millions)	Population (millions)	Exports (US\$ millions)
Industrialized Countries	375.669 (70.6)	209.3 (63.0)	31.822 (45.2)
Argentina	60.879 (11.4)	27.3 (8.3)	7.810 (11.1)
Brazil	207.370 (39.0)	116.5 (35.0)	15.244 (21.7)
México	107.420 (20.2)	65.5 (19.7)	8.768 (12.4)
Medium-size economies	102.505 (19.2)	68.6 (20.6)	25.461 (36.2)
Colombia	26.361 (4.9)	26.1 (7.8)	4.062 (5.8)
Chile	18.421 (3.5)	10.9 (3.3)	3.766 (5.3)
Peru	12.483 (2.3)	17.1 (5.2)	3.474 (4.9)
Venezuela	45.240 (8.5)	14.5 (4.3)	14.159 (20.2)
Others ¹	54.168 (10.2)	54.4 (16.3)	13.108 (18.6)
Latin America	532.342 (100.0)	332.3 (100.0)	70.391 (100.0)

¹ Other IBRD members. Includes Bolivia, Costa Rica, Dominican Republic, El Salvador, Ecuador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Trinidad -Tobago and Uruguay.
Source: IBRD (1981), Tables 1 and 8.

Table 2
Latin America: 1960-1979
Share in World Exports of Selected Commodity Groups (in %)

Year	1960	1965	1970	1975	1979
Total Exports	7.9	6.9	5.7	5.5	5.2
Food	17.4	16.1	15.9	14.6	14.8
Agricultural raw materials	7.0	7.9	5.9	4.7	4.5
Minerals and ores	13.3	13.8	13.6	11.6	11.6
Fuels	25.6	20.5	15.1	10.8	9.2
Manufactured goods	0.5	0.6	1.0	1.3	1.5
Chemicals	1.7	1.6	2.3	2.8	2.3
Iron and Steel	0.6	1.1	1.1	0.8	1.9
Machinery and Transport Equipment	0.1	0.1	0.4	0.7	0.9
Others	0.6	0.9	1.2	1.7	2.1

Sources: UNCTAD (1979) and UNCTAD (1981), tables A.1 to A.10

Table 3
Latin America: 1950-1974
Manufacturing Industry Output Structure (in %)

Year	1950	1960	1974
Industrialized Countries ¹	100.0	100.0	100.0
Non-durable consumer goods	63.8	51.5	36.2
Intermediate products	23.5	28.9	35.2
Durable consumer and capital goods	12.7	19.6	28.6
Medium-size economies ²	100.0	100.0	100.0
Non-durable consumer goods	64.8	54.7	49.5
Intermediate products	28.3	30.2	33.0
Durable consumer and capital goods	6.9	15.1	17.5
Other ³	100.0	100.0	100.0
Non-durable consumer goods	79.3	76.8	68.1
Intermediate products	14.2	16.5	23.8
Durable consumer and capital goods	6.5	6.7	8.1
Latin America	100.0	100.0	100.0
Non-durable consumer goods	65.5	54.1	40.3
Intermediate products	23.3	28.2	34.1
Durable consumer and capital goods	11.2	17.7	25.6

¹ Argentina, Brazil and Mexico

² Colombia, Chile and Peru

³ Bolivia, Dominican Republic, Ecuador, Panama, Paraguay and CACM countries.

Source: ECLA/UN (1979), Table 32.

Table 4
Latin America: 1965-1973
Manufacturing Exports (in million of current dollars and 5%)

	1965	1970	1973
Manufacturing exports			
Argentina	144	420	978
Brazil	237	580	1672
Mexico	183	444	1200
Others*	386	731	1275
Latin America	950	2175	5125
Share of manufacturing exports in total exports of:			
Argentina	5.1	12.3	19.0
Brazil	7.5	9.7	17.9
Mexico	13.0	30.0	40.8

* Includes other ALADI members, CACM and CARIFTA/CARICOM members, Panama and Dominican Republic.

Sources: ECLA/UN (1979), p. 60 and Ranis (1982), pp. 223 and 225.

Table 5
Latin America: 1973-1981
Indicators of Primary Exports Performance (rates of change in the year shown)

Year	1963-72	1973	1974	1975	1976	1977	1978	1979	1980	1981
GDP growth of major trading partners unit value of:	5.0*	6.2	0.1	-1.2	5.2	4.5	4.0	4.0	3.3	0.8
World manufacture exports	3.0	17.7	21.8	12.3	-	9.0	14.7	14.5	11.0	-5.0
Latin America non-oil primary exp.	4.3	47.4	20.9	-12.5	23.0	27.3	-13.6	14.2	14.0	-14.7

* Refer to 1968-1972

Source: IMF (1981), Tables 9, 14 and 76

Table 6
Latin America and The World: 1975-1979
Yearly Rates of Export Growth of Selected Groups of Manufactured Products (in %)

	Latin America	World
Chemicals	14.0	19.7
Iron and Steel	38.3	11.5
Machinery and Transport Equipment	23.5	15.9
Textiles	16.3	17.4
Others	26.0	19.7
Total Manufacturing	23.2	17.1

Source: UNCTAD (1981), A6, A7, A9, A10 and All.

Textiles are defined as Including SITC classes 26, 65 and 84.

Table 7
Latin America: 1960-79 – Commodity composition of Trade (in %)

Exports	1960	1965	1970	1973	1975	1979
Food	42.6	42.8	41.3	40.0	35.1	33.5
Agricultural raw materials	9.5	9.1	6.0	5.5	3.3	3.6
Ores and metals	12.5	13.9	17.5	1.2	9.6	9.5
Fuels	31.8	28.4	24.4	26.3	38.2	35.7
Manufactured goods	3.6	5.8	10.4	14.5	13.2	17.2
Imports	1960	1965	1970	1973	1975	1979
Food	12.6	13.6	11.0	12.5	10.0	10.2
Agricultural raw materials	3.7	3.8	3.0	2.7	1.8	2.1
Ores and metals	2.0	3.0	3.0	2.7	2.3	2.7
Fuels	14.3	12.9	11.7	15.7	23.0	21.1
Manufactured goods	67.4	66.7	69.1	64.3	60.6	59.4

Note: Commodity groups defined as follows: Food (SITC 0+1+22+4), Agricultural raw materials (SITC 2-22-27-28), Ores and metals (SITC 27+28+68), Fuels (SITC 3) and Manufactured goods (SITC 5 to 8 less 68). Totals do not add up to one hundred because of rounding.

Sources: UNCTAD (1979), tables A.1 to A.5 and A.8, and UNCTAD (1981), tables 3.2A, 3.2B and A.7.

Table 8A
Latin America: 1960-1979 Exports by Area of Destination
(in millions of dollars FOB and % of total)

Year	1960	1970	1979
World	10.170 (100.0)	17.707 (100.0)	85.378 (100.0)
Developed Market Economies	8.004 (78.7)	13.221 (74.7)	56.027 (65.6)
USA	4.020 (39.5)	5.818 (32.9)	29.405 (34.4)
EEC	n. a.	4.554 (25.7)	15.941 (18.7)
Japan	265 (2.6)	974 (5.5)	3.295 (3.9)
Others	3.719 (36.6)	1.875 (10.6)	7.386 (8.7)
Developing Countries	1.860 (18.3)	3.366 (19.0)	22.963 (26.9)
Latin America	1.680 (16.5)	3.035 (17.1)	18.733 (21.9)
Africa	105 (1.0)	119 (0.7)	1.642 (1.9)
West Asia	28 (0.3)	37 (0.2)	1.290 (1.5)
Others	47 (0.5)	175 (1.0)	1.298 (1.5)
Socialist Countries	306 (3.0)	1.120 (6.3)	6.388 (7.5)

Source: UNCTAD (1979), Table A.I and UNCTAD (1981), Table A.I.

Table 8B
Imports by Region of Origin
(in million of dollars FOB and % of Total)

Year	1960	1970	1979
World	10.040 (100.0)	18.623 (100.0)	98.215 (100.0)
Developed Market Economies	7.843 (18.1)	13.909 (74.7)	59.292 (60.4)
USA	3.870 (38.5)	6.477 (34.8)	27.728 (28.2)
EEC	n. a.	4.425 (23.8)	17.257 (17.6)
Japan	315 (3.2)	1.112 (6.0)	6.320 (6.4)
Others	3.665 (36.5)	1.895 (10.2)	7.988 (8.2)
Developed Countries	1.950 (19.4)	3.684 (19.8)	34.036 (34.7)
Latin America	1.680 (16.7)	3.035 (16.3)	18.733 (19.0)
Africa	44 (0.4)	237 (1.3)	2.872 (2.9)
West Asia	61 (0.6)	234 (1.2)	10.013 (10.2)
Others	165 (1.6)	178 (0.9)	2.418 (2.5)
Socialist Countries	247 (2.5)	1.030 (5.5)	4.887 (5.0)

Source: UNCTAD (1979), Table A.1 and UNCTAD (1981), Table A.1.

Table 8C
Latin America: 1960-1979

Non-fuel Exports by Area of Destination (in millions of dollars FOB and % of total)

Year	1960	1970	1979
World	6.930 (100.0)	13.384 (100.0)	54.872 (100.0)
Developed Market Economies	5.999 (86.6)	10.364 (77.4)	34.532 (62.3)
USA	2.840 (41.0)	3.981 (29.7)	12.713 (23.2)
EEC	n. a.	4.179 (31.2)	13.937 (25.4)
Japan	259 (3.7)	938 (7.0)	3.219 (5.9)
Others	2.900* (42.0)	1.266 (9.4)	4.663 (8.5)
Developing Countries	625 (9.0)	1.900 (14.2)	13.968 (25.5)
Latin America	530 (7.6)	1.642 (12.3)	10.660 (19.4)
Africa	37 (0.5)	90 (0.7)	1.058 (1.9)
West Asia	24 (0.3)	37 (0.3)	973 (1.8)
Others	34 (0.5)	131 (1.0)	1.277 (2.3)
Socialist Countries	306 (4.4)	1.120 (8.4)	6.372 (11.6)

* Includes the EEC.

Source: UNCTAD (1979), Tables A.1 to A.10 and UNCTAD (1981), Tables A. 1 to A.10.

Table 9
Latin America: 1979
Commodity Composition of Exports by Area of Destination
(in % of total in each commodity group shown)

	U.S.	Other industrial Countries	Latin America	Other Developing Countries	Socialist Countries	Total Value (US\$ millions)
Food	23,8	41,9	10,8	5,3	18,1	28,604
Agricultural raw materials	10,9	48,4	18,3	9,1	12,8	3,038
Ores and minerals	20,7	55,4	15,3	2,6	7,8	8,104
Fuels	54,7	15,1	24,5	3,0	(.)	30,506
Manufactured Goods	25,6	26,0	38,8	7,0	2,4	14,668
Chemicals	23,6	31,5	37,7	5,7	2,2	2,910
Iron and steel	21,0	32,5	31,9	7,2	6,3	1,341
Machinery and transport equipment	23,4	19,0	45,5	11,8	0,2	4,131
Textiles	15,7	42,5	23,8	6,7	11,1	3,600
Other	29,0	26,6	36,5	4,4	3,0	6,286

Source: UNCTAD (1981), Tables A.1 to A.10.

Table 10
Latin America: 1979

Selected Country Shares in Total Manufacturing and Selected Manufactured Exports (in %)

	Total Manufacturing	Chemicals	Textiles	Clothing	Footwear	Iron and Steel	Transport Equipment	Electrical Machinery	Non-Electrical Machinery	Other
Larger industrialized countries	62.8	36.5	66.2	48.7	81.5	73.0	90.1	81.1	93.1	54.5
Argentina	15.2	10.2	6.1	19.0	8.4	13.9	26.6	9.1	21.0	17.7
Brazil	34.3	10.6	46.1	22.8	67.4	45.1	55.5	58.5	61.3	21.0
Mexico	13.3	15.7	14.0	6.9	5.7	14.0	8.0	13.5	10.8	15.0
Medium-size economies	10.7	8.2	14.2	11.3	-	3.7	5.4	2.7	3.7	19.1
Chile	4.1	4.4	-	-	-	3.7	1.2	1.0	1.1	8.9
Colombia	5.2	3.0	10.1	11.3	-	-	1.9	1.7	2.6	8.3
Peru	1.4	0.8	4.1	-	-	-	3.3	-	-	1.9
Oil-exporting countries	3.1	12.6	1.8	1.5	-	2.3	0.6	0.7	0.9	3.8
Others	22.4	42.7	18.8	38.5	18.5	21.0	3.9	15.5	2.3	22.6
Latin America	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UN (1980), *passim*.

Table 10A
Latin America: 1977
Commodity Composition of Manufacturing Exports
(in % of total manufacturing exports of each of the countries shown)

	Chemicals	Textiles	Clothing	Footwear	Iron and Steel	Transp. Equip.	Electr. Machin.	Non-Electr. Machin.	Others
Large exporters of manufactures	11.3	9.9	3.9	3.8	7.6	13.0	7.6	17.4	26.0
Argentina	13.0	3.7	6.2	1.6	6.0	15.0	3.5	16.1	34.9
Brazil	6.0	12.5	3.3	5.7	8.6	14.6	9.9	21.0	18.4
Mexico	23.1	9.8	2.5	1.2	6.9	5.4	5.9	9.6	35.6
Medium-size economies	15.3	12.5	5.3	-	2.3	5.5	1.5	4.1	53.5
Colombia	11.5	18.2	10.8	-	-	3.4	1.9	5.9	48.3
Chile	21.3	-	-	-	5.9	2.7	1.4	3.3	65.4
Peru	11.8	27.9	-	-	-	21.8	-	-	78.5
Oil-exporting countries	60.1	2.0	1.9	-	3.7	1.4	1.0	2.9	27.0
Others	36.9	10.9	8.5	2.4	6.1	1.1	4.0	1.1	30.5
Latin America	19.5	10.1	5.0	2.9	6.6	9.0	5.9	11.7	30.0

Source: UN (1980), *passim*.

Table 11

US Related-Party Imports of Selected Manufactured Goods by Country of Origin: 1977
(as % of total US imports of each manufactured good for country shown)

	Textiles	Clothing	Footwear	Non-Electrical Machinery	Electrical Machinery
Argentina	0.5	2.9	0.8	39.1	76.1
Brazil	9.2	18.0	0.5	59.9	95.3
Mexico	9.6	68.0	60.9	87.7	95.6

Source: Helleiner and Lavergne (1979), p. 307.

Table 12
Indicators of United States Trade Barriers against Latin America¹

	Value of total Imports (\$ million)	Imports subject to FMN		Imports Under GSP		Value of Imports Subject to OTBs (\$ million)		
		Value (\$ million)	Weighted Average tariff rate	Value (\$ million)	Weighted Average tariff rate	Export restraints	Licensing plus quotas	
All Goods								
Latin America ²	17,999	15,853	2.2	1,767	0.0	382	7,922	
Non-oil Countries ³	10,465	6,558	4.1	1,731	0.0	377	1,497	
Major Exportures of Manufactures ⁴	5,402	4,080	5.2	1,322	0.0	255	765	
Primary Products								
Latin America	14,592	13,611	1.4	978	0.0	20	7,922	
Non-oil Countries	5,388	4,327	2.7	958	0.0	19	1,497	
Major Exportures of Manufactures	2,882	2,269	3.7	613	0.0	16	765	
Manufactures								
Latin America	3,407	2,242	7.4	789	0.0	362	0	
Non-oil Countries	3,281	1,773	9.3	774	0.0	359	0	
Major Exportures of Manufactures	2,521	1,811	7.1	709	0.0	239	0	

¹ Compiled using 1974 trade data and 1977 regime.

² Includes Argentina, Bahamas, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Netherlands Antilles, Peru, Trinidad and Tobago and Venezuela.

³ Latin America excluding, Venezuela, Trinidad and Tobago, Bahamas, and Netherlands Antilles.

⁴ Brazil, Argentina and Mexico.

Source: Computed from Yeats (1979), pp. 216-220.

Table 13
 US MFN Tariff Incident on Latin American Exports
 (in % of total exports of each of the country groups shown)

	Free	Low	Medium	High
Major Exporters of Manufactures	40.9	28.5	21.8	8.1
Oil-Exporting Countries	7.7	92.2	-	-
Non-oil Exporting Countries	50.0	40.9	4.3	4.5
Total	22.7	68.3	6.2	2.8

Note: Country Classification as in Table 12.

Source: UNCTAD (1979), Table 7.3.

Table 14
Export Diversification Indicators for Selected Latin American and Industrial Countries

	Diversification Index*					Number Commodities of Exported**		Product Concentration
	1962	1968	1972	1976	1978	1968	1978	1977
USA	0.349	0.335	0.335	0.394	0.359	179	179	-
Germany	0.439	0.355	0.315	0.376	0.324	177	179	-
Japan	0.548	0.453	0.423	0.502	0.464	165	165	-
Latin America								
Brazil	0.806	0.758	0.682	0.667	0.586	123	154	39.2
Argentina	0.805	0.766	0.762	0.686	0.669	129	155	26.6
Mexico	0.690	0.663	0.537	0.542	0.549	136	146	40.3
Colombia	0.831	0.767	0.715	0.742	0.758	90	110	70.7
Chile	0.868	0.863	0.864	0.861	0.812	61	113	59.4
Uruguay	n. a.	0.915	n. a.	0.795	0.778	25	94	48.0
Peru	0.831	0.867	0.933	0.892	0.825	53	96	45.1
Ecuador	0.913	0.915	0.951	0.783	0.771	26	53	78.4
Guatemala	0.893	0.734	0.723	0.760	0.769	91	99	64.7
Nicaragua	0.879	0.795	0.745	0.774	0.776	71	90	61.9
Costa Rica	0.931	0.750	0.769	0.763	0.756	78	95	64.1
Paraguay	0.903	0.882	0.885	0.902	0.919	26	33	60.8
Panama	0.915	0.886	0.882	0.856	0.832	26	50	66.7
Trinidad-Tobago	0.853	0.820	0.811	0.759	0.775	74	82	93.2
Dominican Republic	0.912	0.882	0.910	0.900	0.900	36	63	70.5
El Salvador	0.866	0.728	0.738	0.778	0.753	86	91	74.3
Honduras	0.873	0.793	0.846	0.848	0.855	60	60	68.3
Bolivia	0.926	0.893	0.923	0.764	0.824	20	37	69.0
Venezuela	n. a.	0.882	n. a.	0.790	0.807	61	82	94.9

* Absolute deviation of country commodity shares from world trade structure as follows: $S_j = \frac{\sum_i |h_{ij} - h_i|}{2}$, where: h_{ij} is the share of commodity i in total exports of country j , h_i is the share of commodity i in total world exports. The index ranges from 0 to 1, with the latter representing maximum commodity concentration. For some countries, the fourth year reported is 1975.

** Number of products exported at the SITC three – digit level (182 products). This figure includes only those products which accounted for more than 0.3 per cent of the country's total exports *or* which exceeded US\$ 50,000 in 1968 and US\$ in 1979.

Source: For 1962 and 1972 data, Yeats, A. J. (1979), pp. 43-44. For the rest, UNCTAD (1981), Table 4.5 and UNCTAD (1980), Table 4.3D.

Table 15

Post-Kennedy Round U.S. Protection against Crude and Processed Raw Materials

Degree of processing	Nominal rate	Effective rate
Stage 1	3.9	3.9
Stage 2	7.3	14.7
Stage 3	7.6	20.6

Note: Degree of processing rises from Stages 1 to 3. Of the 21 products included in the sample only 7 had less than three identifiable stages.

Source: Yeats (1979), pp. 83 and 89.