CEPAL
Review

UNITED NATIONS
ECONOMIC COMMISSION FOR LATIN AMERICA
SANTIAGO DE CHILE/AUGUST 1982

CEPAL

Review

Number 17 | Santiago, Chile | August 1982

CONTENTS

Exports of Latin American manufactures to the centres: their magnitude and significance

*Mario Movarec**

The dynamism shown by Latin American exports as from 1975 led to the expectation that, if such a growth rate could be maintained, the region would eventually recover to some extent the share it had enjoyed in world trade during the 1950s. Since the decline in its share had occurred in respect of primary commodities and not manufactures, where Latin America's participation in world trade had increased, it is clearly of interest to look into the behaviour of Latin American exports of manufactured goods.

The author discusses in particular Latin America's exports of manufactures to the industrialized countries, since the latter, because of their high income and consumption levels, are the main purchasers of such goods.

After drawing attention to the significance of the trade in manufactured goods from the standpoint of the regional supply and the world demand for imports, he analyses the levels of concentration or diversification of exports shown by the Latin American countries, both with regard to primary commodities such as oil and to manufactures.

In the discussion of the central topic, several important aspects of the export of manufactures are examined, including the identification of manufactured and agroindustrial products exported; the degree of penetration of such products in the markets of the industrialized countries; the shares attained by the exporting Latin American countries, and the distribution of Latin American exports of manufactured goods among the industrialized countries. Finally, the author briefly describes some prospects for the growth of exports of manufactured and agroindustrial products and the possible effect of such growth on total exports from Latin America.

*Staff member of the International Trade and Development Division of CEPAL.

Introduction

This article was written in response to some questions raised by Raúl Prebisch, Director of *CEPAL Review*, in connexion with Latin American exports of manufactures, and particularly those going to the industrialized countries.

The issue has aroused interest for some time because of the need to know what types of manufactured goods are exported by the region to the centres in order to determine as precisely as possible the degree to which such manufactures are penetrating the markets of the importing countries.

When the study of this question was embarked upon, it became evident that it would have to be examined both from the standpoint of the Latin American supply and from that of the demand in the central countries, whose high levels of income and consumption are decisive factors in the level of exports from the periphery.

It is this relationship between the centre and the periphery which has mainly determined the nature of CEPAL's studies of the trends in Latin American external trade. Because of the economic importance of the sector, from the very beginning CEPAL has concerned itself with the formulation of proposals aimed at achieving regional action leading to the development of a trade structure and of trading relations with the rest of the world which would turn international trade into one of the dynamic factors facilitating growth. The dynamic effect generated will depend, on the one hand, on the creation of an increasing flow of exportable products and, on the other, on their having access to the international markets.

1. *Regional supply*

Some of the key points in the export strategy advocated by CEPAL have been:

(a) To promote the protection of basic commodities, seeking for this purpose to establish agreements aimed at stabilizing the prices of food and raw materials; and

(b) To promote the diversification of exports from the countries of the region, seeking gradually to sell manufactures whose production implies the incorporation of increasing value added.

With regard to the first point, in most countries of the region the yearly value of exports is accounted for by only a few commodities. Thus, when their prices on the international market fluctuate sharply, as is often the case, this effects the economies of those countries.

This dependence of economic activity on certain primary commodities goes beyond national boundaries and is equally significant at the regional level: in the late 1970s, primary commodities still represented over 75% of all exports from 23 Latin American countries.[1]

Consequently, this high correlation between the economies of the countries of the region and their basic export commodities gives rise to certain conditioning factors reflected especially in their vulnerability to the instability of demand, substantial price fluctuations on the international market and the unfavourable terms of trade with respect to imported manufactures.

If the prevailing situation —i.e., the high proportion of primary commodities in the total exports of the region— is projected over the short and medium terms, it is seen that the prospects are that this share will not change fundamentally.

The situation justifies the action already taken at the international level to rationalize the supply of such products and encourage understandings with importing countries with a view to establishing new international agreements on basic commodities.[2]

Nevertheless, past and possible future successes in reaching agreement between exporting developing countries and importing developed countries are not enough to eliminate or mitigate the problem of dependence on a limited range of exports. On the contrary, this dependence might even increase unless the achievement of stability in demand and hence in prices is accompanied by the development of an export diversification policy. Thus, for example, if a country whose main export is coffee were to obtain greater income from its exports of this product as a result of higher demand and prices in consumer countries, the same circumstances would cause a rise in the share of coffee in total exports and hence also in the country's dependency on coffee: a situation which has characterized the development of exports in several of our countries in the past. Consequently, the solution of the problems created by sharp fluctuations in the value of exports when the latter are concentrated in one or a few products will depend more on how soon the high weighting of these few products can be reduced through export diversification than on any positive trends in demand in the industrialized countries.

In other words, the possibility of correcting the vulnerability of exports will depend more on the incorporation of new products as part of a diversification effort than on efforts to reach understandings with the importing countries aimed at protecting the level of incomes from traditional exports.

Thus, the export of non-traditional products helps reduce the detrimental effect of sharp variations in export income. The greater the number of products exported, the more varied their sectors of origin and the more balanced their proportions within total exports, the smaller will be the fluctuations caused by the price factor in the value of exports. This will be the case even when a country diversifies its exports solely on the basis of new primary commodities, whether agricultural or mineral, because cyclical variations in prices of basic commodities do not occur simultaneously and often occur in different directions.

While prices in some cases follow an upward trend, in others they move downward or remain stable. This behaviour of prices on the international market explains why the unit values of Latin American exports as a whole have not varied even more with the passage of time. Clearly, this has been due to the dissimilarity of variations in the prices of the export products of the region. Individual large fluctuations offset each other to a certain extent, and this causes the fluctuations in the unit value

[1] See CEPAL, *The external economic relations of Latin America in the 1980s*, E/CEPAL/G.1160, 1981, p. 62.

[2] In 1973, there were 21 associations of producer countries, with 70 member countries, whose objectives were both to protect primary commodities on the international market and to encourage co-operation between producer countries. See CEPAL, *The external economic relations of Latin America in the 1980s, op. cit.*, p. 54.

index for the region as whole to be less pronounced.

It should be noted that the options in this case, i.e., whether to export traditional or new (non-traditional) products, are different from the usual choice between primary and manufactured goods. Since different products are considered non-traditional in different countries and even in individual countries over time, it is difficult to adopt a statistical definition that is applicable throughout the region.

Obviously, as new products are incorporated, whether they be primary or manufactured, it is possible not only to reduce the sharp fluctuations in export income but also, and even more importantly, to avoid external strangulation to the extent that diversification increases the value of exports and generates surpluses on the trade balance and the balance-of-payments current account.

If our analysis were to be limited to external trade, it would appear to be just as suitable to diversify exports with primary commodities as with manufactures.

However, this is where we see the importance of the second point mentioned at the beginning of this article, regarding the advisability of constantly increasing the proportion of exports of industrial goods with a high value-added content because of the benefits this would bring to the national economies.

In the first place, it would ensure more dynamic growth exports because world demand for manufactures is growing at a relatively higher rate than the demand for basic commodities. It would thus make export earnings less prone to fluctuation than has previously been the case. The greater stability of trends in the variation of the unit values of manufactures with respect to basic commodities would also contribute to this.

To these benefits would be added the most important of all, namely, the positive effect within the countries themselves, since it is obvious that manufacturing contributes to the strengthening of the national economic structure, the strengthening and diversification of the industrialization process and, especially, to increasing employment and improving skills.

For all the above reasons, the Latin American and other developing countries have become aware of the advantages of exporting manufactures and have been orienting their export promotion programmes in this direction.

In any event, it should be noted that from the standpoint of the regional supply of exportable goods, manufactures are only one target of the overall export diversification strategy, in the formulation of which they are viewed, however, as the most 'desirable' or 'advisable' exports.

2. *World demand and technology*

From the standpoint of the world demand for imports, on the other hand, trade in manufactured goods takes on greater significance. During the 30 years that have elapsed since CEPAL first put forth its ideas on the subject, important changes have taken place in regional and world trade. Some of these have affected our contries, the largest of which have made considerable progress in diversifying their exports —a subject we will discuss later on. The most revealing development, however, has been that which pertains to modifications in the structure of world trade.

In 1955, manufactures accounted for less than half the world trade in goods (45%). Since then, however, they have increased constantly, and by 1972 they accounted for 63% of world trade. In this latter year, before the oil crisis, fuels represented only 10% and the relative importance of other primary commodities had declined to such an extent that their share (27%) was less than half that of manufactures.

Although after 1974, because of the increase in oil prices, the share of fuels doubled (20%), manufactures retained their leading position in world trade: over the last five years, they accounted for 58%.

Figure 1 shows how manufactures increased at the expense of primary commodities, which decreased gradually and in 1979 amounted to less than half their previous level (22%).

Hence, over the last 25 years there has been a clear trend in world trade: manufactures are displacing primary commodities as far as current value is concerned. This trend is influenced by the following:

1. The relatively greater growth of world

demand for manufactured goods because of the income elasticity of demand for such goods, which favours increased trade in manufactures.

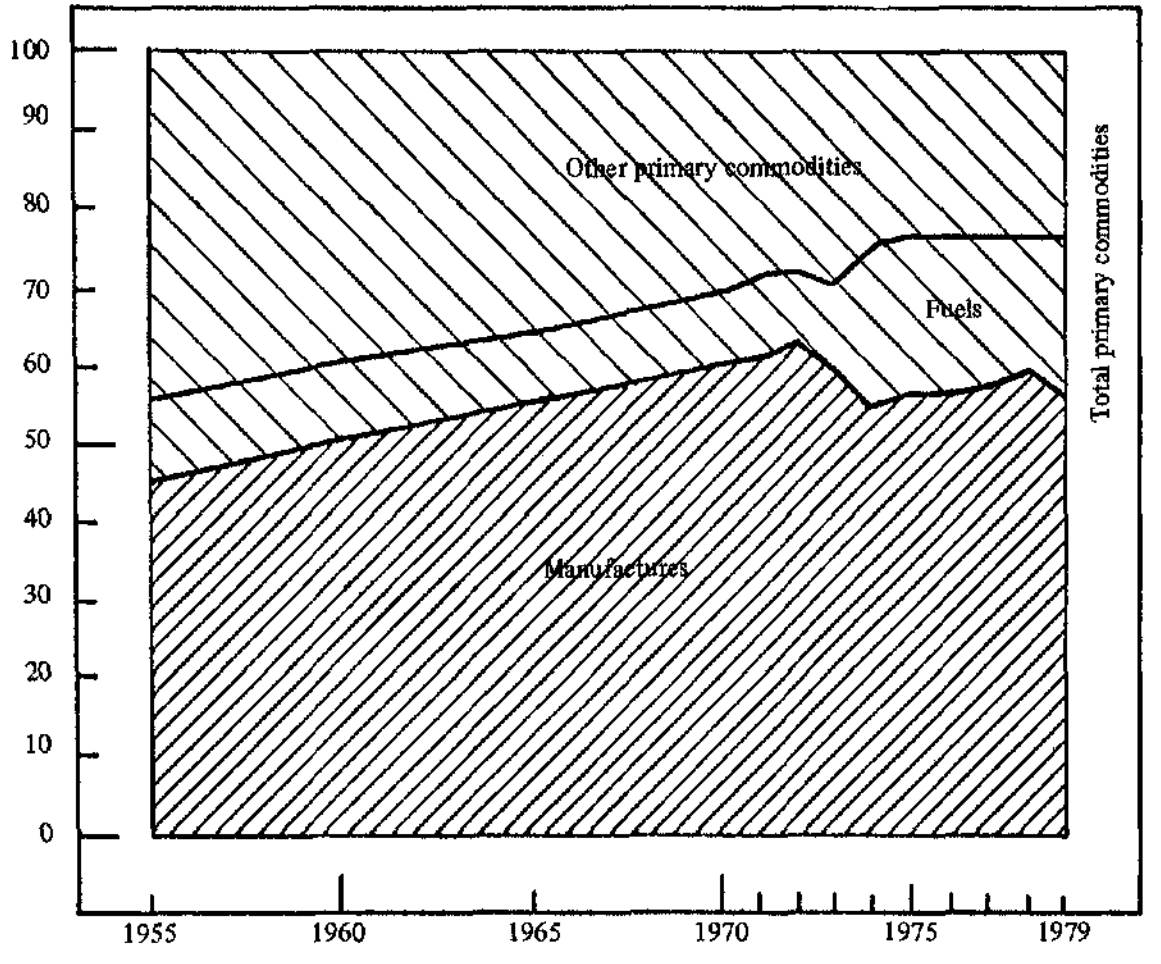
2. Technological advances in the central countries which lead to a gradual reduction in the amount of raw materials and intermediate products used per unit of manufacturing production. Thus, 'production' technologies are increasingly associated with the development of 'substitution' technologies through which 'noble' raw materials (wood, rubber, natural textile fibres, wool, leather, all kinds of metals, non-metallic minerals, etc.) are replaced by synthetic and artificial products in the production of goods in practically all branches of economic activity, such as construction materials, plastics and all kinds of plastic products, artificial and synthetic textile fibres, clothing, footwear, fertilizers and other inputs for agriculture, automobiles and transport vehicles, machinery and equipment in general and miscellaneous manufactures.

Consequently, as a result of the development and application of substitution technologies in the industrialized countries, fewer and fewer inputs of raw materials are required. This reduction takes two forms. On the one hand, world demand for raw materials is rela-

Figure 1

WORLD TRADE: SHARES OF PRIMARY COMMODITIES AND OF MANUFACTURES

(Percentages)



tively lower in terms of quantity (quantum), either because they have been replaced by other inputs or because new techniques allow for the production of industrial goods with less consumption of materials. On the other hand, the use of substitutes brings about substantial drops in the international prices of raw materials.

Substitution technologies would thus appear to have a negative effect on the two factors that affect the value of basic commodity sales: quantity and price. The combined negative effect of the two factors contributes, along with the problems mentioned in the first point, to a decline in the share of raw materials in the value of world trade.

Thus, the growing importance of manufactures in world trade is largely a consequence of the use of increasingly sophisticated production technologies.

This leads us to belive that this trend will continue for some time, since the technology gap between the developing and the industrialized countries is likely to continue growing, despite the efforts made to date, particularly by the United Nations (through UNCTAD), to reach agreements on the transfer of technology that would be favourable to the developing world.

Without going into detail as to what technologies the industrialized countries might transfer to developing countries, we should bear in mind that "technology is the fundamental link between natural and social systems".[3] Thus, the technological development achieved by the industrialized countries is a consequence of their economic and social development. All economic and social factors have contributed to this:[4] the primary productive sectors, manufacturing industries and services (including education and technical, professional and scientific training) and even the behavioural patterns of national societies (punctuality, labour, discipline, sense of responsibility, etc.). Although the influence of such factors on the development of technology cannot be quantified, there is no question but that they continually give it both its orientation and its direction. This, then, is a gradual and continuing process which "increasingly sets the patterns for the definition of needs and the use of resources".[5]

The fact that this takes place gradually makes it possible to develop technology in successive steps whose order allows for progress to be made on the basis of previous achievements. Hence, the essential characteristics of this process is that it is constantly undergoing transformation. That is why today's technology is so different from yesterday's and will also be different from tomorrow's. And that is why we may say that technology "cannot be imported lock, stock and barrel".[6]

But there is always a first step, and this first step is taken with research designed to link the environment with society. Since such research usually begins in the central countries, the techniques developed there on the basis of this research envisage environmental realities and life systems that are different from those exist-

---

[3]See "Present Development Styles and Environmental Problems", Mostafá K. Tolba, *Cepal Review* No. 12, December 1980, p. 13

[4]The expression "economic and social factors" is used here to refer to all categories of activity contained in the *International Standard Industrial Classification of all Economic Activities* (ISIC), United Nations, Statistical Papers, Series M, No. 4, Rev. 2, New York, 1969. Consequently, the three sectors to which reference is made, commonly known as the primary, secondary and tertiary sectors, include all the economic activities that take place in an economy, in the areas of population, production, employment, national income and other economic pursuits. Thus, for example, fuels, the by-products thereof, and energy appear in the classification, according to stage of transformation, in the following major groups and groups of the ISIC: 210 coal mining; 220 crude petroleum and natural gas production; 351 manufacture of industrial chemicals and of petroleum and coal products; 352 manufacture of other chemicals from petroleum and coal; 353 petroleum refineries; 354 manufacture of miscellaneous products of petroleum and coal; 610 petroleum bulk stations; 620 gasoline (petrol) filling stations (retail trade); 4101 the generation, transmission and distribution of electric energy for sale to household, industrial and commercial users; 4102 the manufacture of gas in gas works and the distribution of manufactured or natural gas through a system of mains to household, industrial and commercial users; 4103 establishments primarily engaged in the production and distribution of steam and hot water for heating, power and other purposes.

[5]See, "Present Development Styles and Environmental Problems", *op. cit.*, p. 13.

[6]See Miguel S. Wionczek, "The major unresolved issues in the negotiations on the UNCTAD code of conduct for the transfer of technology", in *CEPAL Review*, No. 10, April 1980, p. 96.

ing in the countries to which the findings are ultimately transferred. In addition, the transfer of technology involves not only 'desirable' but also 'undesirable' features. "What production technology has contributed to human welfare is incalculable. At the same time, however, the evils it brings with it are increasingly obvious and disquieting. I am referring not only to the anomalies of the consumer society but also to pollution, the deterioration of the environment and the irresponsible exploitation of non-renewable natural resources".[7]

At any given time, it is usually possible to transfer only partial aspects of a country's technological process that would make it possible, in industry for example, to improve in another country the methods or techniques for producing certain goods, by means of new and more productive equipment. It is not possible, however, to transfer the increasingly significant changes that take place, as a result of technological progress, in the real productivity of the factors of production and hence in the national economy as a whole.

In any event, the greater the changes that take place in the natural and social systems of the industrialized countries with respect to the developing countries, the greater will be both the technological progress of the former and the technological gap between the two types of countries. What is most likely, therefore, is that the 'technological components' in the production processes of the future will be proportionately greater and will play a stronger role in determining the growing share of manufactures in world trade.

Although this tends to confirm the trends in world trade over the last quarter of a century, in the final analysis what it does is to show the loss of importance of the primary sectors with respect to the secondary and tertiary sectors: a process which goes hand in hand with development.

In a way, the above might lead us to a fatalistic conclusion about the future of the Third World. It should be borne in mind, however, that every trend has its limits. The extent to which the deterioration in the technological relation between the centres and the periphery can go will depend on that initial step mentioned above, i.e., research designed to promote the development of technology in the region. Research is necessary not only to avoid the evils that imported technology brings with it, but also to establish in our countries a link between nature and the living conditions of the inhabitants, which should be more in line with our reality.

Finally, there is a limit beyond which technology cannot go. Even though technology might modify the interrelationship between the centres and the periphery, either in favour of or against the periphery, technology simply cannot do away with matter. That is why technology will never be 'creation'. If technology were developed to the point of being able to create something out of nothing, it would achieve the supreme equality: placing Man on the same level as God. But Man can create nothing out of nothing; he can only transform matter. Herein lies the essential difference between spirit and matter. If we do away with matter, the only thing transferable to Man will be knowledge and knowledge through the Word. "In the beginning was the Word, and the Word was with God, and the Word was God. The same was in the beginning with God".[8]

[7] See Raúl Prebisch, "A critique of peripheral capitalism", in *CEPAL Review*, first half of 1976, p. 19.

[8] Gospel according to St. John, 1: 1-2 (authorized version).

I

Diversification or concentration of Latin American exports?

One development that is contrary to the interests of Latin America and which has been taking place for several years is the decline in its share of world exports. In 1950 this share was 11%, but 30 years later, in 1980, it had dropped to 5%, or less than half.

Twenty-two of the 24 countries of the region that were included in the comparison figured in this decline.[9]

Only Ecuador and Trinidad and Tobago slightly improved their share with respect to 1950, thanks to the contribution made by their oil exports. A high percentage of Trinidad and Tobago's oil exports consists of refined products processed in the country from imported crude oil inputs.

A comparison of each country's 1980 share with a more recent year, 1970, shows that only 4 countries had improved their relative position: Ecuador and Trinidad and Tobago, once again, plus Brazil and Mexico. Oil was also responsible for Mexico's increased share in world trade, which rose to a level similar to 1950 (actually a little lower).

The results of this comparison between 1970 and 1980 serve to show the seriousness of the decline in Latin America's relative position in world trade over the last 30 years, despite the dynamism evident since 1975 in exports from several Latin American countries. It was believed that if this recent dynamism could be maintained, the region would recover part of its past share.[10] However, in 1980, the region's share in world exports was lower not only with respect to 1950 and 1960, but also with respect to 1970 (see table 1).

Table 1

LATIN AMERICA: SHARE IN WORLD EXPORTS
(Percentages)

	1950	1960	1970	1980
WORLD	100.00	100.00	100.00	100.00
Argentina	1.92	0.84	0.56	0.40
Brazil	2.22	0.99	0.87	1.01
Chile	0.47	0.38	0.39	0.24
Mexico	0.86	0.59	0.40	0.81
Paraguay	0.05	0.02	0.02	0.02
Uruguay	0.42	0.10	0.07	0.05
Bolivia	0.12	0.04	0.06	0.05
Colombia	0.65	0.36	0.23	0.21
Ecuador	0.12	0.11	0.06	0.13
Peru	0.31	0.34	0.33	0.19
Venezuela	1.91	1.90	1.00	0.96
Andean Group	3.13	2.74	1.70	1.54
ALADI	9.06	5.67	4.02	4.07
Costa Rica	0.09	0.07	0.07	0.05
El Salvador	0.11	0.09	0.07	0.05
Guatemala	0.13	0.09	0.09	0.08
Honduras	0.09	0.05	0.06	0.04
Nicaragua	0.04	0.04	0.06	0.03
CACM	0.48	0.34	0.36	0.24
Cuba	1.10	0.48	0.33	...
Haiti	0.06	0.02	0.01	0.01
Panama	0.03	0.02	0.03	0.02
Dominican Republic	0.14	0.14	0.07	0.05
Barbados	0.03	0.02	0.01	0.01
Guyana	0.05	0.06	0.04	0.02
Jamaica	0.07	0.13	0.11	0.05
Trinidad and Tobago	0.17	0.22	0.15	0.20
Total Latin America	11.23	7.13	5.16	4.68[a]

Source: United Nations Conference on Trade and Development, Supplement 1980, *Handbook of International Trade and Development Statistics*, and preliminary figures for 1980, based on official statistics.

[a] Excluding Cuba.

[9] The following countries were considered: the 11 member countries of ALADI (formerly ALALC), the 5 member countries of the Central American Common Market, and Barbados, Cuba, Dominican Republic, Guyana, Haiti, Jamaica, Panama and Trinidad and Tobago.

[10] During the period 1975-1978, the quantum of exports from Latin America rose at an annual cumulative rate of 9.2%, higher than the 6.8% registered by world trade. Between 1970 and 1975, however, the growth rate of regional exports was only 1.8%, much lower than the world rate of 5.2%. Therefore, during the 1970-1978 period, the physical volume of regional exports grew at and average annual rate of 4.5%, lower than the 6.1% growth rate of world trade.

This shows that the deterioration of Latin America's position in world trade has been very serious and that if this trend is to change, much greater efforts will have to be made than those carried out so far in individual countries.

If in addition to analysing the behaviour of exports by countries (the subjects of trade), we examine them according to major commodity groups (the objects of trade), we note that the decline is accounted for by primary commodities. Thus, these commodities, which in 1970 represented 13% of world exports of such goods, dropped to 11% in 1978. This drop occurred mainly with respect to fuels (from 13% to 9%) and minerals, including non-ferrous metals (from 14% to 11%). Only in 1978 did food and agricultural raw materials recover their 1970 share (see table 2).

In contrast, Latin American exports of manufactures, which in 1970 represented 1% of world trade in such goods, rose in 1978 to 1.4%; this was the only group that increased its share in the value of world exports. Even though this percentage is still quite low, it should be borne in mind that in 1978 manufactures represented 60% of the total value of world trade; consequently, a small percentage increase in respect of this value comes to a significant amount.[11]

These figures highlight the fact that Latin American exports of primary commodities are proportionately more important in world trade than those of manufactures. This confirms the region's traditional position as an exporter of primary commodities.

The increase in the proportion of sales of manufactures, reflecting an increase in Latin America's share in the world trade in industrial goods, is a very positive development which has not only meant an improvement in the region's position on the international market, but

Table 2

LATIN AMERICA: SHARE IN WORLD EXPORTS, BY COMMODITIES
(Percentages)

	Total (SITC 0 to 9)	Food and agricultural raw materials (0+1+2−27−28+4)	Minerals (crude and metallic) and non-ferrous metals (27+28+68)	Fuels (3)	Primary commodities (0 to 4+68)	Manufactures (5 to 8-68)
1970	5.6	13.0	13.6	13.1	13.1	1.0
1971	5.2	12.0	13.0	12.7	12.3	0.9
1972	4.9	11.8	11.7	11.1	11.5	1.1
1973	5.2	11.1	11.2	12.2	11.5	1.3
1974	6.0	11.8	11.8	11.5	11.7	1.4
1975	5.6	12.2	12.5	10.8	11.6	1.2
1976	5.5	12.8	12.8	9.8	11.3	1.3
1977	5.5	13.9	11.5	9.1	11.3	1.4
1978	5.1	12.9	11.0	9.1	11.0	1.4

Source: CEPAL, on the basis of United Nations, *Monthly Bulletin of Statistics*, July 1975, May 1977 and July 1980.

Note: In addition to exports from the 24 countries covered in table 1, this table includes exports from Netherlands Antilles, Bahamas, Bermuda, French Guiana, Greenland, Guadeloupe, the Virgin Islands, Martinique and Suriname.

[11] Thus, for example, in 1978 a 1% increase in the share of the region in world exports of manufactures would have meant an increase in total exports from the developing countries of America of 12%, equivalent to US$ 7.8 billion.

has also promoted the development of the more dynamic sectors of the economies of some of our countries.

The changes that have taken place during the past decade with respect to Latin America's share by groups of goods —a decline in primary commodities and an increase in manufactures exported— mean in reality that there was a diversification of the region's exports. To this must be added the fact that some Latin American countries diversified their exports with non-traditional primary commodities or commodities which ceased to be exported for some time and then were again exported. It should be remembered, however, that this type of diversification cannot be determined at the Latin American level, since when a country exports a primary commodity for the first time, it will by definition be considered a 'non-traditional' commodity, although other Latin American countries will most likely already be exporting it as a traditional one. Thus, diversification at the national level cannot be distinguished regionally and instead actually tends to indicate greater concentration when figures are given for the Latin American countries as a whole.

The most recent case is that of the concentration of Latin American exports on oil during 1981. According to preliminary figures, because of the large increase in external sales of Mexican oil, the value of which rose to US$ 15 billion,[12] this product is estimated to have represented 40% of the total value of the region's exports for that year. This represents the highest participation by a single product ever noted in Latin America.

While because of their magnitude Mexico's external sales of oil changed the percentage shares of the various exports for the region as a whole, the implications for that country's economy are also far-reaching and not free from internal controversy. Oil represented 64% of Mexico's total exports of goods in 1981 and this figure could rise during the next few years. Although it is lower than the figures for Venezuela (91%) and Trinidad and Tobago (89%), there can be no question but that oil has brought about a high concentration of Mexican exports.

However, considering the structure and level of development achieved by Mexican industry and other sectors of the economy, as well as the development projects put underway thanks to the financial resources generated by oil, the significance and effects of this concentration are not comparable with those traditionally observed in other countries of the region. This is all the more evident when one takes into account the seriousness with which the Government of Mexico is carrying out the National Energy Plan and the role it assigns to oil in the economic and social development of the country.

"Today, reserves amount to 72 000 million barrels, while probable reserves are 58 650 million barrels, and the volume of potential reserves, comprising the previous amounts plus cumulative production to date, amounts to 250 000 million.

"A year ago, Mexico's petroleum reserves were sixth, by volume, in the world. Today they are in fourth place and are constantly rising.

"Since 1976, proven reserves of hydrocarbons have multiplied tenfold; production has trebled; exports of crude have grown at exponential rates; refinery capacity has increased 50% during these five years, and capacity for production of basic petrochemicals has practically doubled.

"But the objective of government policy on this matter is not to turn Mexico into a hydrocarbon-exporting country, into an 'oil' country supplying raw materials. This is why we are making such efforts not only to add value to our hydrocarbons, but also to increase the capability of our industry to supply the equipment required by the energy sector itself and by other basic branches of the economy. Thus, factories have been set up to produce valves, compressors, platforms, pipes and other equipment not previously produced in the country. Also, projects are underway for the construction of medium-sized ships, heavy casting and forging capacity, and several steel plants to supply us with the corresponding raw material.

"Increased production of hydrocarbons

[12]See Banco de México, *Comercio Exterior*, José López Portillo, "Quinto Informe Presidencial", 1 September 1981.

has created not only greater demand for capital goods, technical staff and workers, but also, through exports, it has generated resources to acquire from abroad the supplementary technology and equipment we need to achieve integral growth.

"Moreover, we realize that petroleum does not guarantee economic growth unless it is used in harmony and in step with the development of other sectors. Proof of this is the fact that some petroleum-exporting countries declined by 3% in 1980, whereas Mexico grew by over 8% during the same year.

"In Mexico we are 'sowing' petroleum in order to tansform it from a non-renewable resource into a permanent source of income.

"In view of the urgent need to modernize the country while bringing together growth and justice, we have had to overcome the temptation to solve today's problems by making liberal use of the available resources without considering the consequences for tomorrow. This need is the essence of the plans and programmes that have been drawn up and is the basis of the policy we have established for the export of hydrocarbons, which takes us away from the concept of 'petrolization'. It involves the rational, planned use of a resource in order to facilitate and encourage the growth of others. Those who are frightened by the high share of exports accounted for by petroleum at a given time, without considering its relationship with the efforts being made in other sectors and forgetting about the limitations clearly set forth in the plans and programmes, are taking the same approach, are adopting the same mental attitude and, indeed, are being just as hasty as those who advocate exporting all the petroleum we can and blindly adjusting to the forces of the market.

"We repeat and confirm that Mexico is not a petrolized country, nor is it on the way to petrolization. Petroleum only accounts for 7% of the national product; in other words, for each peso produced in the country, only 7 centavos are accounted for by petroleum, whereas in the petrolized countries, for each peso of the product, 46 centavos come from petroleum.

"Of the total budgeted income of the Mexican public sector, 28% comes from petroleum, whereas in the petroleum countries this figure ranges between 50 and 90%.

"In Mexico, investment by the entire petroleum sector is only 12% of the national total, whereas in the petrolized countries it is the main moving force of growth.

"Of the income received by Mexico from abroad (for goods and services), only 38% comes from petroleum, whereas many petroleum countries depend on oil for more than 90% of their foreign exchange.

"The expectations aroused by petroleum and our sudden presence on the oil scene, with all its conflicts, took us by surprise; we have still not been able calmly to comprehend the significance of this situation. We accept the rises in oil prices graciously and naturally, but the minute prices drop we become discouraged and feel sorry for ourselves. Those who thought we were going to rise from poverty, without any effort, to a near paradise, have had a rude awakening; those who thought petroleum was deeded to us by the devil so as to make us forget about tilling the soil have rejoiced morbidly, as have those who see their own success in the failure of the country: there are all kinds of people in our pluralistic and free society.

"I would like to recall that we never promised that oil would bring us a garden of roses. We did say, and it is proving to be true, that oil would give us financial self-determination, that it would be the fulcrum and detonator of economic development.

"We are not going to become great through speculation. Only work will give us that opportunity. Let us keep on working and leave aside all fairy tales, illusions, conceptual terrorism, slander and ill-will."[13]

This is an example of a concentration of exports that has had a 'dynamic' effect, since a new product has been added to exports which, although increasing concentration, also substantially increases foreign exchange income, thus obviating the traditional external strangulation of the country. The term might also be

[13]Excerpts from the Fifth Presidential Report submitted by the President of the Republic, José López Portillo, to the Congress of Mexico on 1 September 1981 (see footnote 12 above).

used to differentiate this type of concentration from the traditional or 'static' concentration of exports, whereby a few products account for a large share of total value and this situation is maintained over time; the effects of this have already been considered.

A suitable indicator for measuring the level of concentration of the external trade of a country is and index of product concentration. Estimates based on indexes calculated according to Hirschman's formula show that over a 17-year period the Latin American countries made significant progress in diversifying their exports. Thus, in 1977 the concentration indexes were lower than those for 1960 in all countries except Jamaica, where the index rose (see table 3).

Brazil was the country that achieved the greatest reduction in its export concentration index: i.e., it achieved the greatest diversification of exports, followed by Argentina and Barbados.

Venezuela, on the other hand, was the country in the region whose concentration index declined the least because petroleum continues to be its major export commodity.

The order in which the countries managed to reduce their concentration indexes was as follows:

Country	Reduction of concentration index between 1960 and 1977 (percentages)
— Brazil	63
— Argentina and Barbados	50 - 60
— Guatemala, Panama and Costa Rica	30 - 40
— Dominican Republic, Honduras, Mexico, Ecuador and Nicaragua	20 - 30
— Colombia, Trinidad and Tobago, Guyana and El Salvador	10 - 20
— Venezuela	8
— Jamaica was the only country whose concentration index rose (by 21%)	

Concentration indexes were not calculated for the remaining Latin American countries in 1960 and/or 1977.

In table 3, the countries are classified in decreasing order of the concentration index for 1977, so that the first countries on the list are those with the greatest concentration of exports and the last ones are the most diversified. It may be noted that Argentina, Mexico and Brazil are among the latter. Since 1977, Mexico's concentration index has probably changed significantly and Brazil's more moderately. In Mexico, the index should have risen appreciably because of the heavy participation of petroleum, while in Brazil, a country which has continued diversifying its exports at a constant rate, the concentration index should be lower. Thus, the index for Brazil would be closer to the value shown for Argentina and the Mexican index would be further away from those two countries.

As we have just seen, Brazil is the country that has achieved the greatest diversification of its exports. This process, which has brought about noteworthy results, has been characterized by:

(i) The high growth rate of exports, which has exceeded the rate for world trade;[14]

(ii) Highly diversified sales of both primary and industrial products in very significant amounts;

(iii) Diversification with respect to countries and zones of destination, leading to an increase in the number of co-participating countries, which now include buyer nations in Africa and the Middle East.

The high growth rate of Brazilian exports has been significantly stimulated by certain products which, since they do not correspond to any of the basic commodities previously occupying a major place in the region's exports, had probably not been considered or included in some of the national export promotion programmes.

However, with only three 'non-traditional' products, to which little or no importance had been attached until a few years ago (poultry

[14]The value of Brazil's exports increased between 1970 and 1980 at a cumulative annual rate of 22%, higher than the 20% registered by world trade. In 1981, Brazilian exports rose by 16% over the 1980 value, whereas the value of world trade for the first half of 1981 declined by 1% with respect to the same period in 1980.

Table 3

LATIN AMERICA: CONCENTRATION INDEXES OF EXPORT COMMODITIES

Countries[a]	1960	1966	1968	1976	1977
Jamaica	0.560	0.536	0.553	0.509	0.679[b]
Venezuela	0.725	0.702	0.692	0.688[c]	0.668
Trinidad and Tabago	0.766	0.864	0.680	0.633	0.626
El Salvador	0.712	0.500	0.413	0.448	0.609
Colombia	0.743	0.664	0.609	0.530	0.600
Ecuador	0.644	0.650	0.515	0.564	0.507
Chile	...	...	0.747	0.547	0.471
Guyana	0.543	0.554	0.527	...	0.456
Guatemala	0.694	0.496	0.337	0.306[c]	0.444
Haiti	...	...	0.406	0.280[c]	0.438
Barbados	0.862	0.740	0.655	0.436	0.423
Costa Rica	0.609	0.462	0.379	0.337	0.409
Dominican Republic	0.541	0.598	0.553	0.563[c]	0.407
Honduras	0.511	0.531	0.460	0.358	0.397
Panama	0.561	0.592	0.581	0.492[c]	0.370
Nicaragua	0.460	0.517	0.391	0.313	0.364
Peru	...	...	0.335	0.287[c]	0.266
Uruguay	...	...	0.458	0.271	0.257
Brazil	0.580	0.463	0.400	0.237	0.217
Mexico	0.272	0.243	0.147	0.174	0.212
Argentina	0.300	0.322	0.207	0.164	0.149
Cuba	...	...	0.754	0.871[c]	...
Bolivia	...	...	0.492	0.444[c]	...
Paraguay	...	...	0.301	0.272[c]	...

Source: Calculated by the secretariat of UNCTAD on the basis of the Hirschman index. The index of concentration for each commodity is equal to 1.0 if only one commodity is exported (maximum concentration) and the value declines with rising degree of diversification of exports. The Hirschman indexes were calculated according to the following formula:

$$Hj = \frac{\sqrt{\sum_{i=1}^{182} \left(\frac{xi}{X}\right)^2} - \sqrt{1/182}}{1 - \sqrt{1/182}}$$

where j = country index
xi = export value of product i
$X = \sum_{i=1}^{182} xi$
and 182 = number of products at the three-digit level of the SITC.

See United Nations Conference on Trade and Development, Geneva, *Handbook of International Trade and Development Statistics*, 1969, 1979 and 1980.

[a] Decreasing order according to Hirschman concentration index for 1977.
[b] Index for 1976.
[c] Index for 1975.

meat, orange juice and footwear) Brazil is receiving foreign exchange amounting to at least twice that received by six countries of the region for their total exports and equivalent to that received by seven other countries (see table 4).

With regard to the destination of these products, it is worth pointing out that they are sold to countries with high per capita incomes such as the Middle Eastern and the industrialized countries. The Middle Eastern countries import poultry meat, while the industrialized countries are the main purchasers of orange juice and footwear.

It is interesting to note, on the other hand, that less than 3% of the total amounts of these products are exported to Latin America (see table 5).

Table 4

BRAZIL: EXPORTS OF THREE NON-TRADITIONAL PRODUCTS TOTALLING AN AMOUNT EQUIVALENT TO THE EXPORTS OF 13 LATIN AMERICAN COUNTRIES, 1980

(Millions of dollars)

Exports from Brazil		Total exports of	
Poultry meat	207	Barbados	189
Orange juice	339	Guyana	389
Footwear	388	Haiti	211
Total for the 3 products	934	Nicaragua	532
		Panama	336
		Paraguay	400
		Bolivia	942
		Costa Rica	1 017
		El Salvador	963
		Honduras	835
		Jamaica	960
		Dominican Republic	962
		Uruguay	1 029

Source: International Monetary Fund, *International Financial Statistics*, Washington, December 1981; CEPAL, E/CEPAL/L. 260, "A Preliminary Balance-Sheet of the Latin American Economy during 1981"; Banco do Brasil, External Trade Department, *Weekly information bulletin* No. 736, March 1981.

Table 5

BRAZIL: DESTINATION OF EXPORTS OF THREE NON-TRADITIONAL PRODUCTS, 1978

(Percentages)

	Poultry meat (BTN 02.02)	Fruit juices (BTN 20.07)	Footwear (BTN 64.01 to 64.06)
Africa	3.3	-	-
Latin America	1.0	2.4	0.9
Middle East	94.9	-	-
Industrialized countries	0.8	97.1	98.3
USSR and Eastern Europe	-	0.5	0.6
Not specified	-	-	0.2

Source: Ministerio de Fazenda, Secretaría da Receita Federal, Coordenação do sistema de informações económico-fiscais, *Comercio Exterior do Brasil, Exportação*, 1978.

Note: The main product under position 20.07 is orange juice.

The diversification achieved by Brazil, which may be measured by the reduction of the concentration index discussed above, becomes clearly evident when one notes how the relative importance of coffee has gradually declined (see table 6). Moreover, Brazilian exports from the automotive sector are estimated at nearly US$ 2 billion for 1981: a value which is higher than that of coffee for the same year. According to estimates, these exports were distributed more or less equally between the industrialized and the developing countries, with sales to the region estimated at US$ 250 million. These figures are very significant, since coffee accounted for 74% of exports in 1952, whereas in 1981 its estimated share was no more than 8%.

Table 6

SHARE OF COFFEE IN TOTAL EXPORTS OF BRAZIL AND COLOMBIA
(Percentages)

Period	Brazil	Colombia
1950-1954	61	81
1955-1959	61	82
1960-1964	53	71
1965-1969	41	62
1970-1974	20	51
1975-1979	16	59
1980	12	61

Source: International Monetary Fund, *International Financial Statistics*, Washington, February 1960, Supplement 1978, July 1980 and December 1981.

No other country has diversified its exports as much as Brazil. Thus, for example, in Colombia the share of coffee also declined, to the point where in 1974 it represented 44% of total exports, but since then it has gained in importance again, rising to 61% in 1980. It should be noted that in 1977 coffee exports caused the concentration index to rise with respect to 1976 (see table 3).

In brief, there has been a diversification of exports in Latin America, and manufactures have contributed to this process in varying degrees, depending on the country concerned.

The case of Mexico, where petroleum caused a concentration of exports whose implications have already been discussed, allows us to draw some conclusions.

Although every export promotion strategy seeks to achieve a high degree of diversification by increasing the participation of manufactures, the real goal is to reverse the existing situation where primary commodities are preponderant, so that manufactures may take over this leading role and displace commodities from Latin American exports.

It should be borne in mind, however, that Latin America has a wealth of basic resources, which in the final analysis constitute one of its most important heritages. Other countries, such as those of the Old World and Japan, lack many of these resources. Thus, they will always need them and be concerned with obtaining them, not only by importing them but particularly by investing in their development in the countries which have them.

With respect to manufactures, on the other hand, the industrialized world has not shown comparable interest in promoting their production in Latin America, although there has been a large-scale industrial redeployment in the countries of South-East Asia aimed at taking advantage of the unique conditions and characteristics of that region.

Consequently, in our countries the development of export-oriented industry will have to depend to a large extent on domestic savings. Given the low coefficients of savings and domestic investment noted in Latin America, the proportion of these that can be used for the necessary industrial development may well be inadequate. This gives rise to serious questions about the region's prospects for improving its participation in world exports, since this will call for an increase in exports of manufactures of a magnitude that will probably be difficult to achieve. Consequently, it is also rather unlikely that primary commodities will in future play only a minor role in exports.

Moreover, what has happened in Brazil with respect to the diversification of exports, where certain non-traditional products based on primary commodities have become quite important, provides a valuable example for

other countries in the region of what can be achieved in this field. But the cases analysed might also lead to erroneous forecasts being made unless it is borne in mind that Brazil, because of its territorial extension, is endowed with enormous resources which allow it to compete on the international market with new products whose export can be increased at very high annual rates. This means that many of the successes achieved in Brazil might be difficult to achieve in other countries of the region, particularly in those that are relatively less developed economically. Finally, this gives rise to the question of whether economic integration might not provide these countries with a timely alternative for trying to improve their position on the international scene. This is particularly relevant in the light of the protectionist measures increasingly being put into practice by the developed countries.

II

Exports of manufactures

Exports of Latin American manufactures went to the following destinations in 1978:[15]

	Percentage
Developed countries	*54.0*
— United States	30.9
— EEC	15.4
— Canada	1.4
— Japan	2.0
— Other developed countries	4.3
Countries with centrally planned economies	2.2
— Eastern Europe	1.1
— Soviet Union	0.7
— Asia	0.4
Developing countries	*43.8*
— Latin America	36.9
— Africa	3.8
— Asia (except the Middle East)	1.3
— Middle East	1.8

The dynamism shown by Latin American exports of manufactures, reflected in the increase in their share in world trade, represents an advance which not only means that sales on the international market are growing, but also shows that some countries have strengthened certain areas of their domestic industry, which have played their part in this improvement. Hence, what we are concerned with is determining, from the standpoint of Latin American supply, the countries, sectors and products which contributed to that growth, and likewise, from the standpoint of demand, the countries which imported those products.

Table 7, therefore, shows the structure of Latin American exports of manufactures to the industrialized countries and to the developing countries. Within the group of developing countries intra-regional trade and trade with other developing countries are shown separately.

It will be noted that Latin American exports of manufactures to the industrialized countries and to the developing countries differ significantly as regards their share in certain categories.

Exports to the developing countries contain a higher proportion of capital goods (machinery and transport equipment) and chemicals than those going to the industrialized countries. Whereas machinery and transport equipment sold within the region represent a slightly higher percentage (39%) than sales to the industrialized countries (36%), these capital goods account for more than half (55%) of Latin American manufactures exported to other developing countries. These sales were made by Brazil (94%) and, in equal percentages, by Argentina and Mexico (3%).

The industrialized countries, on the other hand, purchase a much higher percentage of

[15] See United Nations, *The external economic relations of Latin America in the 1980s*, *op. cit.*, table A.

Table 7

LATIN AMERICA: STRUCTURE OF EXPORTS OF MANUFACTURES TO INDUSTRIALIZED COUNTRIES, DEVELOPING COUNTRIES AND LATIN AMERICA, 1978
(Percentages)

SITC	Manufactures	Industrialized countries	Developing countries		
			Total	Latin America	Others
	Total manufactures	*100.0*	*100.0*	*100.0*	*100.0*
5	Chemicals	10.9	15.8	17.5	5.6
6-68	Basic manufactured goods	30.9	31.7	31.0	36.3
65	Textile yarn and fabrics	8.2	7.3	6.7	11.1
67	Iron and steel	7.4	6.3	5.5	10.8
7	Machinery and transport equipment	35.7	41.3	38.9	55.3
73	Transport equipment	7.5	17.9	11.9	52.4
8	Miscellaneous manufactured articles	22.5	11.2	12.6	2.8
84	Clothing	9.6	3.5	3.9	1.2
85	Footwear	5.0	0.7	0.8	0.1

Source: Same as table 8, and CEPAL, on the basis of official statistics of the Latin American countries.

miscellaneous manufactured articles (23%), consisting mostly of non-durable consumer goods such as clothing and footwear, whereas the share of these manufactures in trade with developing countries and within the region is smaller.

Finally, the share of basic manufactured goods in the imports by the different regions is comparable, amounting to 31% in imports by the industrialized countries and 32% in those by the developing countries.

It will be noted from the above that the major share of Latin American manufactures are bought by the industrialized countries (54%). The main purpose of this article is to go more deeply into this fact. Certain basic definitions and concepts have been adopted to throw light on the subject.

1. *Definitions of certain basic concepts*

In dealing with this subject, it was found necessary to restrict certain basic concepts to definitions pertaining to the coverage of coparticipating countries, the concept of penetration into a market and the definition of manufactures. It was also necessary to investigate the distortion produced by statistics with regard to products subject to offshore assembly in the region.

(a) *Regions coparticipating in trade*

Research was centered on a universe consisting, on the one hand, of 24 exporting countries of Latin America, and, on the other, the United States, the nine member countries of the European Economic Community (EEC), Canada and Japan.

In 1978, these countries together purchased 92% of Latin American exports of manufactures to the industrialized countries[16] and are, consequently, the main importers of processed products in the developed world.

(b) *The concept of penetration in a market*

In order to determine the degree of penetration of Latin American manufactures in the industrialized countries, information is needed not only on what industrial goods those countries import but also on what they produce and export, in order to measure the degree or level of penetration of one or more products in terms of the apparent consumption thereof.

[16] Not including the following industrialized countries: members of EFTA, Spain, Gibraltar, Greece, Malta, Yugoslavia, Australia, New Zealand and South Africa.

Since this type of information is not available, however, the research will be limited to determining the share of Latin American manufactures within total imports of manufactured goods by the industrialized countries.

Therefore, we have chosen as our source of information the statistics compiled by the industrialized countries that are published by the United Nations Statistical Office.

(c) *Limitations inherent in statistical information*

The conclusions of an empirical study such as this depend to a large extent on the quality and reliability of the statistics used. The data compiled by the importing countries that had to be used for this study, give a distorted picture of the trade relations we are trying to identify.

Because of the subcontracting arrangements between United States firms and offshore assembly operations located in Mexico, near the border, there is a statistical discrepancy in the two countries' official statistics on trade between them.[17] These differences arise from the valuation given to the finished products upon their return to the United States, which includes the imputed value of parts previously produced in the United States and not in Mexico, inasmuch as they entered Mexico only temporarily for purposes of assembly and finishing.

Although, when they return to the United States for marketing, these products are subject to customs duty only on the portion of the value added corresponding to the work done in Mexico, the statistics record the total value of the finished product. The value added in Mexico, however, represents no more than 30% of the value of the finished product.[18]

This is why there are such large differences between the records of the two countries in respect of several manufactured products classified in different chapters of the SITC.

In view of this situation, a detailed and exhaustive comparison of Mexican export statistics and United States import statistics was made in order to determine what products are involved and clean up the data so as to avoid mistaken conclusions. In addition, as will be seen in detail later on, after making several adjustments in the over-valued amounts shown in the import statistics, some modifications were made with regard to the share of manufactured products, the ranking of the Latin American exporting countries and the distribution by destination of the exports originally shown in these statistics.

Once the adjustments for offshore assembly are made, it becomes evident that trade between Mexico and the United States, because of its magnitude and particularly because of the methods used in compiling statistics, is substantial enough to alter the results for the region as a whole. If the current method of recording statistics persists, their impact could increase even more in view of the proposal for the creation of a free trade zone along the 3 218 kilometres of border between the United States and Mexico.[19]

[17] In 1978, United States and Mexican records on the flow of goods exported by Mexico to the United States show the following:

	(Millions of dollars)
Mexican exports to the United States	4 057
United States imports from Mexico	6 195
Statistical discrepancy	2 138

See: International Monetary Fund, *Direction of Trade Yearbook*, 1980.

[18] See Héctor Soza, "The Industrialization Debate in Latin America", *CEPAL Review*, No. 13, April 1981, p. 54.

[19] "... I have proposed that the United States and Mexico should support the creation of a free trade zone all along the border. My proposal, introduced recently at a hearing held by a United States trade advisory commission, is to establish such a zone along a 200-mile strip in the territory of each country, extending along the entire border from Brownsville, Texas, to San Diego, California. This would constitute a mini-Common Market. Any product grown, produced or manufactured within the zone, on either side of the border, could be traded free of duty within the zone.

"After a ten-year trial period, the zone could be extended to include more or all of the territory of both countries. If successful, the are could be extended even more, to include not only the United States and Mexico but also Canada and the other nations of Latin America and the Caribbean."

Excerpt from the article "La frontera como centro de amistad", by Abelardo L. Valdez, in *Visión*, Vol. 57, No. 3, 10 August 1981.

Ambassador Abelardo L. Valdez was administrator for Latin America of the Agency for International Development (AID) between 1977 and 1979, and Chief of Protocol of the White House (1979-1981).

(d) *Definition of manufactures*

The concept of manufactures must be defined; any definition used will be a conventional one.

There are several international classifications which define manufactures, either directly or indirectly, according to basic criteria adopted for specific purposes; hence, they are all different from one another.[20]

In some cases, these classifications are not the most appropriate for use with regard to international trade, because of the purposes for which they were originally prepared.[21]

In other cases, the definition of manufactures is based on considerations of a practical nature, for purposes of obtaining external trade data at the world level.[22]

Finally, there are classifications such as those of GATT and UNCTAD,[23] which were created to facilitate negotiations, both bilateral and multilateral, within the framework of the activities of those agencies.

The United Nations statistics on the flows of world trade in manufactures, by regions and countries, use the definition based on sections 5 to 8 (except division 68, non-ferrous metals) of the SITC; consequently, we must use this as well when comparing data for the Latin American countries with data for world trade, since the latter do not use any other classification.

Since the world trade date are based on the SITC, so is the classification of manufactures. Although we have, for this reason, used that definition of manufactures, our analysis also covers agroindustrial products from sections 0 and 1 of the SITC.

In any event, this definition is not entirely suitable for studying the trade relations of the Latin American countries, since it includes as manufactures certain traditional export products such as leather, included in section 6, and tanning extracts of vegetable origin, included in section 5. Likewise, it excludes from the category of manufactures such semi-manufactured products included in division 68, non-ferrous metals (copper, nickel, aluminium, lead, zinc and tin) as wire, tubes, pipes and fittings therefore, which are exported by many Latin American countries in relatively large amounts.

2. *Exports of manufactures to the centres*

Trade in manufactures and agroindustrial goods between Latin America and the industrialized countries is shown in tables 8, 9 and 10, which serve as a basis for the following analysis: table 8 shows the value of this trade according to the SITC structure, while tables 9 and 10 show the manufactured and agroindustrial goods traded, in descending order or percentage of total trade.

Latin American manufactures imported by the industrialized countries in 1978 represented 1.8% of all imports of processed goods. Mexico, Brazil and Argentina accounted for 77% of such sales from the region.

The imports of the industrialized countries are distributed as follows: United States, 68%; EEC, 25%; Japan, 4%; Canada, 2%.

The differences between the Mexican and United States records in respect of products finished in Mexico for re-entry to the United

[20] See the following definitions of manufactures: (a) United Nations, various studies and publications: sections 5 to 8 except division 68 of the Standard International Trade Classification (SITC); (b) United Nations, United Nations Conference on Trade and Development (UNCTAD), Trade and Development Board, Committee on Manufactures, *The Definition of Primary Commodities, Semi-manufactures and Manufactures*, TD/B/C.2/3, July 1965; (c) GATT, chapters 25 to 99 of the Nomenclature of the Customs Co-operation Council; (d) United Nations, *Statistical Papers*, Series M, No. 4, Rev. 2, International Standard Industrial Classification of all economic activities (ISIC), major division 3, manufacturing.

[21] This is the case with regard to the ISIC, which is a classification of economic activities and not of products.

[22] Because of the structure of the SITC and the fact that it goes from minor (5-digit categories) to major (1-digit sections), the data organized according to this classification may be easily regrouped by sections in order to obtain values for the external trade of manufactures.

[23] Note that the classification established in 1965 by the UNCTAD Trade and Development Board met a strongly felt need in international economic relations. It was implicitly understood in the deliberations carried out from the beginning in UNCTAD between the industrialized and the developing countries that the former were producers of industrial products whereas the Third World countries produced primary commodities. Up to then, however, there had been no internationally recognized classification to define products of one or the other category.

States caused an overvaluation in import statistics of US$ 1 700 million. This value is much higher than that of actual exports of Mexican manufactures, which are estimated at US$ 950 million. United States statistics, on the other hand, show imports of manufactures valued at US$ 2 652 million.

Table 8

INDUSTRIALIZED COUNTRIES: IMPORTS OF MANUFACTURES AND AGROINDUSTRIAL PRODUCTS FROM LATIN AMERICA, 1978
(Millions of dollars)

SITC	Importers / Manufactures	Imports by industrialized countries from	
		Latin America	World
	AGROINDUSTRIAL PRODUCTS	1 504	20 160
	FOOD	1 389	13 663
013	Meat in airtight containers	334	1 710
032	Fish in airtight containers	46	1 284
053	Fruit, preserved and fruit preparations	373	2 394
(053.5)	Fruit juices	(340)	(925)
055	Vegetables, roots and tubers, preserved	42	1 864
071.3	Coffee extracts and essences	355	689
073	Chocolate and other food preparations containing cocoa	183	1 236
099	Food preparations n.e.s.	19	932
	BEVERAGES	87	5 596
112	Alcoholic beverages	86	5 380
122	TOBACCO MANUFACTURES	28	901
5	CHEMICALS	815	50 522
51	Organic and inorganic chemicals (oxides and salts)	538	16 681
6	BASIC MANUFACTURED GOODS	2 302	108 769
61	Leather, dressed furskins and leather manufactures	383	2 708
63	Wood manufactures	168	4 717
64	Paper, paperboard and manufactures thereof	82	12 775
65	Textile yarn, fabrics and made-up articles	611	22 150
66	Non-metallic mineral manufactures	320	21 034
67	Iron and steel	549	26 508
69	Manufactures of metal, n.e.s.	153	13 907
7	MACHINERY AND TRANSPORT EQUIPMENT	2 661	182 341
71	Machinery, other than electric	727	63 959
711	Power generating machinery	357	11 567
714	Office machines	185	11 135
719	Machinery and appliances (other than electrical) and machine parts, n.e.s.	125	23 108
72	Electrical machinery, apparatus and appliances	1 372	41 372
722	Electric power machinery and switchgear	261	7 093
723	Equipment for distributing electricity	74	1 266
724	Telecommunications apparatus	572	12 656
729	Other electrical machinery and apparatus	441	15 480
73	Transport equipment	556	77 010
732	Road motor vehicles	368	64 705
735	Ships and boats	103	3 630
8	MISCELLANEOUS MANUFACTURED ARTICLES	1 674	75 366
83	Travel goods, handbags	93	1 614
84	Clothing	717	21 426
85	Footwear	369	6 515
89	Miscellaneous manufactured articles	363	23 728

(Continuation table 8)

SITC	Manufactures (Importers)	Imports by industrialized countries from: Latin America	Imports by industrialized countries from: World
891	Musical instruments, sound recorders and reproducers	77	4 989
894	Toys and sporting goods	109	4 196
	TOTAL AGROINDUSTRIAL PRODUCTS	1 504	20 160
	TOTAL MANUFACTURES	7 452[a]	416 998
	TOTAL MANUFACTURES AND AGROINDUSTRIAL PRODUCTS	8 956	437 158

Source: Compiled by the author on the basis of United Nations Statistical Office, *1978 World Trade Annual*, New York, Walker and Company, 1980.

[a]It is estimated that this figure includes US$ 1 700 million of overvaluation in United States records of imports of manufactures from Mexico. This value would affect the following divisions:

	Millions of dollars
71. Machinery, other than electric	184
72. Electrical machinery, apparatus and appliances	972
73. Transport equipment	164
84. Clothing	186
89. Miscellaneous manufactured articles	195

Table 9

INDUSTRIALIZED COUNTRIES: IMPORTS OF LATIN AMERICAN MANUFACTURES, 1978

(Percentages)

SITC PRODUCT	Share of product as a percentage of all manufactures exported from Latin America	Market share of Latin American exporting countries (per cent)	Distribution among industrialized countries	Latin American share in imports of manufactures by the industrialized countries	Additional amount required to reach 1.4% (millions of dollars)
TOTAL MANUFACTURES	100.0	Mexico 39, Brazil 28, Argentina 10, Colombia, Uruguay and Jamaica 3, Dominican Republic, Haiti, El Salvador and Venezuela 2, Peru 1, Panama 0.8, Trinidad and Tobago and Chile 0.7, Costa Rica 0.6, Barbados 0.5, Nicaragua, Guyana and Paraguay 0.3, Bolivia, Cuba, Honduras and Guatemala 0.2, Ecuador 0.1.	United States 68.4, EEC 25.3, Japan 3.9 and Canada 2.4	1.8	a

(Continuation Table 9)

SITC PRODUCT	Share of product as percentage of all manufactures exported from Latin America	Market share of Latin American exporting countries (per cent)	Distribution among industrialized countries	Latin American share in imports of manufactures by the industrialized countries	Additional amount required to reach 1.4% (millions of dollars)
84 CLOTHING (outergarments, undergarments, clothing accessories, fur clothing and other articles of furskins)	9.6	Mexico 30, Uruguay 15, Brazil 10, Dominican Republic and Haiti 7, El Salvador and Colombia 5, Costa Rica 4	United States 83, EEC 15, Canada 1	3.3	–
65 TEXTILE YARNS, FABRICS AND MADE-UP ARTICLES (yarn and thread of silk, wool, cotton, flax, ramie and true hemp; of synthetic and artificial fibres. Includes fabrics made of these fibres and manufactures such as blankets and coverlets, bedlinen, carpets and mats and tapestries)	8.2	Brazil 44, Mexico 16, Argentina and Colombia 10, Peru 8, Uruguay 7	ECC 54, United States 38, Canada 5, Japan 3	2.8	–
724 TELECOMMUNICATIONS APPARATUS (television and radio broadcast receivers; electrical telephone and telegraph equipment, microphones, loudspeakers and amplifiers)	7.7	Mexico 81, Brazil 18	United States 92, EEC 4, Canada 3, Japan 1	4.5	–
67 IRON AND STEEL (pig iron, ferroalloys, ingots, bars, rods, angles shapes, sheets, hoops, wire, tubes and fittings of iron or steel)	7.4	Brazil 47, Argentina 23, Mexico 14, Dominican Republic 11, Venezuela 3, Chile 2	United States 61, EEC 27 Japan 10, Canada 2	2.1	–
51 CHEMICAL ELEMENTS AND COMPOUNDS (aluminium oxides and hydroxides, zinc oxides and peroxides, lead oxides, inorganic acids, liquid or disolved ammonia, hydrocarbons, ethyl alcohol, etc.)	7.2	Jamaica 38, Mexico 25, Argentina 14, Brazil and Trinidad and Tobago 7	United States 59, EEC 34, Japan 6, Canada 1	3.2	–
729 ELECTRICAL MACHINERY AND APPARATUS (batteries and accumulators, thermionic valves and tubes, transistors, electrical lighting equipment for vehicles, electrical supply meters and electrical condensers)	5.9	Mexico 59, Brazil 20, El Salvador 13, Haiti 3	United States 91, ECC 8, Canada 1	2.8	–

(Continuation Table 9)

	SITC PRODUCT	Share of product as a percentage of all manufactures exported from Latin America	Market share of Latin American exporting countries (per cent)	Distribution among industrialized countries	Latin American share in imports of manufactures by the industrialized countries	Additional amount required to reach 1.4% (millions of dollars)
61	LEATHER, LEATHER MANUFACTURES AND DRESSED FURSKINS (machine leather bands and belting, saddlery and other harnessmakers' goods; parts of footwear. The main category is tanned leather)	5.1	Argentina 51, Brazil 23, Uruguay 7, Mexico 6	EEC 55, United States 38, Canada 5, Japan 2	14.1	–
85	FOOTWEAR (footwear with soles of leather or with soles of other materials such as rubber, plastic material, wood or cork. Also includes boots, spats, leggins, etc.)	5.0	Brazil 72, Mexico 12, Uruguay 8, Argentina 6	United States 76, EEC 20, Canada 4	5.7	–
732	ROAD MOTOR VEHICLES (bodies, chassis, frames and other parts; chassis with engines mounted)	4.9	Mexico 67, Brazil 27, Argentina 4, Colombia 2	United States 65, EEC 32, Canada 2, Japan 1	0.6	538
711	POWER GENERATING MACHINERY, OTHER THAN ELECTRIC (internal combustion engines for automobiles and aircraft)	4.8	Brazil 67, Mexico 28, Argentina 4	United States 53, EEC 41, Japan 4, Canada 2	3.1	–
66	NON-METALLIC MINERAL MANUFACTURES (cement, glass and glass manufactures, non-refractory ceramic bricks, tiles and similar products, articles of asbestos and articles of minerals n.e.s)	4.3	Mexico 42, Colombia 20, Brazil 19, Venezuela 17	United States 67, EEC 18, Japan 14, Canada 1	1.5	–
722	ELECTRIC POWER MACHINERY AND SWITCHGEAR (electrical apparatus for making and breaking or for protecting electrical circuits, electric power machinery, motors and rotary and static convertors)	3.5	Mexico 82, Brazil 8, Haiti and Dominican Republic 3	United States 97, EEC 2, Canada 1	3.7	–
714	OFFICE MACHINES (electronic calculating machines, typewriters)	2.5	Brazil 41, Mexico 34, El Salvador 10, Argentina, Barbados and Haiti 4	United States 51, Japan 25, EEC 20, Canada 4	1.7	–

(Continuation Table 9)

	SITC PRODUCT	Share of product as a percentage of all manufactures exported from Latin America	Market share of Latin American exporting countries (per cent)	Distribution among industrialized countries	Latin American share in imports of manufactures by the industrialized countries	Additional amount required to reach 1.4% (millions of dollars)
63	WOOD AND CORK MANUFACTURES (excluding furniture) (plywood boards, window and door frames, parquet flooring, tool handles, etc.)	2.3	Mexico 50, Brazil 38, Honduras and Bolivia 3	United States 70, EEC 26, Japan 3, Canada 1	3.6	–
69	MANUFACTURES OF METAL, N.E.S. (structures of iron and steel, containers, wire cables, wire mesh of iron or steel, of copper and aluminium, nails, screws and nuts, tools for use in the hand or in machines, cutlery, household equipment of base metals)	2.1	Mexico 65, Brazil 21, Chile 5, Argentina and Colombia 3	United States 93, EEC 5, Canada 2	1.1	42
719	MACHINERY AND APPLIANCES (other than electrical) and MACHINE PARTS (heating and cooling equipment, pumps and centrifuges, lifting and loading machinery, non-electrical domestic appliances, non-electrical motorized hand tools)	1.7	Mexico 65, Brazil 16, Argentina 8, Venezuela 6	United States 84 EEC 13, Canada 2, Japan 1	0.5	198
894	TOYS AND SPORTING GOODS (baseballs, fishing and hunting equipment, equipment for indoor games)	1.5	Mexico 47, Haiti 33, Brazil 12	United States 92, EEC 3, Canada 4, Japan 1	2.6	–
735	SHIPS AND BOATS (tugs, dredgers, floating structures)	1.4	Brazil 51, Panama 48, Argentina 1	United States 15, EEC 55, Japan 30	2.8	–
83	TRAVEL GOODS AND HANDBAGS	1.2	Mexico 30, Brazil 23, Uruguay 16, Colombia 12, Dominican Republic 10, Argentina 7	United States 81, EEC 15, Canada 4	5.8	–
64	PAPER, PAPERBOARD AND MANUFACTURES THEREOF, (newsprint paper, other printing and writing paper, paper bags, paperboard boxes and other containers)	1.1	Brazil 46, Mexico 44, Argentina 6	United States 82, EEC 17, Canada 1	0.6	97

(Continuation Table 9)

	SITC PRODUCT	Share of product as a percentage of all manufactures exported from Latin America	Market share of Latin American exporting countries (per cent)	Distribution among industrialized countries	Latin American share in imports of manufactures by the industrialized countries	Additional amount required to reach 1.4% (millions of dollars)
891	MUSICAL INSTRUMENTS, SOUND RECORDERS AND REPRODUCERS (gramophones, tape recorders, phonograph records, recorded tapes, string musical instruments and n.e.s.)	1.0	Mexico 90, Brazil 9, Haiti 1	United States 92, EEC 8	1.5	–
723	EQUIPMENT FOR DISTRIBUTING ELECTRICITY (insulated wire and cable, electrical conduit tubing and joints therefore of base metal lined with insulating material)	1.0	Mexico 84, Dominican Republic 5, Chile 4, Brazil 3	United States 95, EEC 5	5.8	–

Source: Compiled and calculated by the author on the basis of United Nations Statistical Office, *1978 World Trade Annual*, *op.cit.*

[a] After adjustment is made for offshore assembly, the 1.8% share in the pevious column drops to 1.4%.

Table 10

INDUSTRIALIZED COUNTRIES: IMPORTS OF LATIN AMERICAN AGROINDUSTRIAL PRODUCTS, 1978

(Percentages)

SITC PRODUCT	Share of total agroindustrial exports from Latin America	Shares of exporting Latin American countries	Distribution among industrialized countries	Latin American share of total imports of agroindustrial products by the industrialized countries	Additional amount required to reach 7.5% (millions of dollars)
TOTAL AGROINDUSTRIAL PRODUCTS	100.0	Brazil 58, Argentina 19, Mexico 9, Ecuador 6, Colombia 1.8, Paraguay 1.7, Chile 1.2, Peru and Dominican Republic 0.8, El Salvador 0.5, Venezuela 0.4, Costa Rica and Uruguay 0.2, Haiti, Cuba, Honduras and Panama 0.1	United States 60, EEC 31, Canada 7, Japan 2	7.5	–

(Continuation Table 10)

	SITC PRODUCT	Share of total agroindustrial exports from Latin America	Shares of exporting Latin American countries	Distribution among industrialized countries	Latin American share of total imports of agroindustrial products by the industrialized countries	Additional amount required to reach 7.5% (millions of dollars)
053	PRESERVED FRUITS AND FRUIT JUICES	24.8	Brazil 74, Mexico 14, Argentina 11	United States 53, EEC 32, Canada 14, Japan 1	15.6	–
071.3	COFFEE EXTRACTS AND ESSENCES	23.6	Brazil 91, Colombia 4, El Salvador and Mexico 2	United States 57, EEC 31	51.5	–
013	MEAT IN AIRTIGHT CONTAINERS	22.2	Argentina 64, Brazil 28, Paraguay 7, Uruguay 1	EEC 53, United States 43, Canada 3, Japan 1	19.5	–
073	CHOCOLATE AND OTHER FOOD PREPARATIONS CONTAINING COCOA	12.2	Brazil 51, Ecuador 41, Colombia and Peru 2	United States 96, Japan 3	14.8	–
112	ALCOHOLIC BEVERAGES (wine, cider, fermented beverages, beer and distilled alcoholic beverages	5.7	Mexico 50, Jamaica 23, Trinidad and Tobago 13, Argentina 6, Guyana 4, Chile 2	United States 61, EEC 20, Canada 13, Japan 6	1.6	318
032	FISH IN AIRTIGHT CONTAINERS	3.1	Mexico 48, Chile 26, Peru 17, Venezuela 4	United States 68, EEC 30, Japan 2	3.6	50
055	VEGETABLES, ROOTS AND TUBERS PRESERVED	2.8	Mexico 67, Dominican Republic 10, Brazil and Chile 7	United States 76, EEC 17, Canada 7	2.3	98
122	TOBACCO MANUFACTURES (cigars, cigarettes, manufactured tobacco, including smoking and chewing tobacco and snuff)	1.8	Cuba 36, Jamaica 21, Honduras and Mexico 11	United States 57, EEC 43	3.1	40
099	FOOD PREPARATIONS N.E.S.	1.3	Mexico and Dominican Republic 26, Argentina, Brazil and Venezuela 11, Costa Rica, Chile and Panama 5	United States 95, Japan 5	2.0	51

Source: Compiled and calculated by the author on the basis of United Nations Statistical Office, *1978 World Trade Annual*, *op. cit.*

If we deduct the US$ 1 700 million of overvaluation from the total value of Latin American manufactures (i.e., US$ 7 452 million), the amount will be reduced to US$ 5 751 million.

Evidently, with this adjustment, the share of Latin American manufactures imported by the industrialized countries would also change, dropping from 1.8% to 1.4%.

In turn, this adjustment would change the shares of the exporting Latin American countries, as the order of importance of Mexico and Brazil would be reversed, with Brazil taking first place, with 36%, followed by Mexico, with 22%; Argentina, for its part, would continue in third place, but with a higher share: 13%.

The participation of the three countries together would drop to 71%, with the 6% difference being distributed proportionally among the remaining Latin American countries.

In any event, it should be noted that even when adjustments are made for offshore assembly, a very high proportion of this trade is concentrated in Argentina, Brazil and Mexico, as the remaining 29% is distributed among the 21 other Latin American countries.

The adjustment for offshore assembly also changes the percentage distribution by destination, even though the order of importance is not changed. Thus, the United States' share would decline from 68% to 59%, but the United States would continue to be the main purchaser of Latin American manufactures. The EEC share would rise from 25% to 33% and the minor roles of Japan and Canada would not change.

(a) *Penetration of manufactures*

As we have noted, after adjustment for offshore assembly, Latin American manufactures represent 1.4% of the imports of industrialized countries.

Above that average level of 1.4%, there are 21 items which have found a more favourable market in the industrialized countries.

The product that has penetrated the most, leather manufactures (including tanned leather), amounts to 14%. Nevertheless, this high participation is explained by the fact that this category consists mainly of tanned leather, a semi-manufacture that has traditionally been exported by the region.

The level of penetration of the other products is as follows:

Product	Penetration ranking (%)
Railway vehicles	6 - 7
Equipment for distributing electricity; travel goods and handbags; footwear	5 - 6
Telecommunications apparatus	4 - 5
Electric power machinery and switchgear; wood manufactures; clothing; chemicals (aluminium oxides and hydroxides); motors; works of art n.e.s.	3 - 4
Yarns, fabrics and made-up articles, electrical machinery and apparatus; tugs, dredgers, floating structures; essential oils and perfume materials, iron and steel	2 - 3

These products were mainly exported by Mexico, Brazil and Argentina.

(b) *What products are exported*

The most important export item is clothing, which represents 9.6% of Latin American manufactures exported to the centres. Clothing and the 10 items following it in importance account for 70% of the region's exports of manufactures to the centres. Hence, a quick look of these items will make it easier to understand their significance and importance.

Two of the most important groups, i.e., chemical elements and compounds, and leather, dressed furskins and manufactures thereof, include products that are largely primary commodities or semi-manufactures. Thus, chemical elements include aluminium oxides and hydroxides (alumina), which are exported by Jamaica in the amount of US$ 206 million, while the other item also contains a high proportion of goods that are actually traditional exports, such as leather and dressed furskins, mentioned above.

Of the 11 main categories, 5 are overvalued

as a result of offshore assembly: clothing; television and radio broadcast receivers and other telecommunications apparatus; batteries and electric accumulators and thermionic valves and tubes, transistors and other electrical equipment; road motor vehicles; internal combustion engines for automobiles and aircraft.

One symptomatic fact that shows the difference between industrial production proper and subcontracting and offshore assembly is that United States records show imports of electrical machinery and apparatus from Mexico as amounting to US$ 257 million, whereas the EEC imports only US$ 3 million worth of such items from the same country. Brazil, on the other hand, exports these products in the following proportions: to the United States, 26%; to the EEC, 65%; to Canada, 5%, and to Japan, 4%.

The fourth most important item is SITC division 67, which includes goods produced by the iron and steel industry. These products are considered semi-manufactures in the UNCTAD classification; however, in some UNCTAD documents, division 67 is excluded from manufactures and included under primary commodities.

The second most important item comprises yarns and fabrics. This is unquestionably the most 'traditional' category of manufactures exported from the region. Only 7 countries participate in this trade, with Brazil accounting for a very high percentage of it (44%).

The importance of footwear as a regional export product is also due to sales from Brazil, whose share is 72%.

In brief, there are two elements in Latin American exports of manufactures that make it difficult to understand clearly their true significance. In the first place, some export items include a high percentage of semi-manufactures obtained as by-products of primary commodities which are actually traditional export products.

In the second place, products finished in Mexico and re-exported to the United States are recorded at much higher values than the value added in Mexico, as a result of which the region appears with a higher share than it actually has.

What does seem very clear, in the export of manufactures is that this trade is highly concentrated in the three biggest countries of the region.

If the manufactured products exported by Latin America were classified by use or economic purpose, the structure would appear as follows:

	%
Total manufactures	100.0
Consumer goods	29.2
Non-durables	17.9
Durables	11.3
Intermediate processed products and construction materials	42.2
Capital goods	28.6
For agriculture and industry	13.3
Transport equipment[24]	15.3

The share of intermediate processed goods and construction materials is particularly high, i.e., 42%, compared with the 29% each for consumer goods and capital goods.

The main items included under non-durable consumer goods are clothing (10%), footwear (5%), toys and sporting goods (1.5%), and travel goods and handbags (1.2%).

The main item under consumer durables is telecommunications equipment, which includes television and radio broadcast receivers (8%); these are followed in importance by tape recorders and other sound reproducers (1%) and works of art (paintings and drawings), 1%.

Intermediate processed products and construction materials include mainly textile yarns and fabrics (8%), iron and steel (7%) aluminium oxides and hydroxides (alumina) and other minerals (7%), leather and dressed furskins and manufactures thereof (5%), cement, glass and non-metallic mineral manufactures (4%), wood manufactures (2%), metal manufactures (2%) an paper, paperboard and manufactures thereof (1%).

Among capital goods, transport equipment accounts for 15% of all manufactures exported

[24]In addition to division 73 of the SITC, transport equipment includes group 711, automobile and aircraft engines, and part of group 729 (electrical lighting equipment for vehicles).

by Latin America; capital goods for agriculture and industry account for 13%.

The main exports of capital goods for agriculture and industry consist of electric power machinery and switchgear (4%), office machines (3%) and machinery and appliances other than electrical (2%).

(c) *Latin American exporting countries*

As we have seen, Brazil, Mexico and Argentina account for 71% of sales of manufactures. This high concentration may be noted in almost all cases; thus, Brazil is among the three major exporters of 34 of the 48 items making up the total for manufactures. Mexico, for its part, accounts for 43 items, while Argentina exports 17.

The relatively high shares of the Dominican Republic, Haiti and El Salvador should also be noted. In the case of Haiti and El Salvador, their importance stems from the fact that in recent years they have established free trade zones near their international airports, where enterprises engaged in offshore assembly assemble and mount parts sent by transnational corporations for re-export to the United States and Europe; the manufactures exported by the the Dominican Republic are also produced and in same way, although the assembly operations are not located near the airport.

(d) *Countries of destination*

Among the industrialized countries, imports of Latin American manufactures are also highly concentrated, in this case in the United States and the EEC. Japan, on the other hand, imports only 4 items, totalling between 10% and 30% of the amount imported by those countries overall; these are iron and steel, nonmetallic mineral manufactures, office machines, and tugs dredgers and floating structures. Canada imports the least, as it accounts for no more than 10% in any given category.

3. *Exports of agroindustrial products*

The region exports 14 categories of agroindustrial products to the centres. The four most important ones are: preserved fruit and fruit juices; coffee extracts and essences; meat in airtight containers; and chocolate and other food preparations containing cocoa. Altogether, these items account for 83% of all the agroindustrial products sold.

They are followed in importance by alcoholic beverages and preserved fish and vegetables, which added to the above raise the share to 95%. None of the remaining products amount to 2%.

(a) *Penetration of agroindustrial products*

Imports from Latin America represent 7.5% of the agroindustrial products imported by the industrialized countries.

The products that have penetrated these markets to the largest extent are coffee extracts and essences, which amount to 52% of the total imports of such products. Brazil accounts for 91% of these sales.

These are followed by other goods that have been introduced in the markets of the central countries in proportion that, although not as high as the above, are at least double the average 7.5% penetration of the agroindustrial sector. Thus, Latin American penetration in respect of preserved meat is 20%, of fruit juices 16%, and of chocolate and other food preparations containing cocoa 15%. Brazil sells over 50% of the fruit juices and chocolate, while Argentina exports 64% of the preserved meat.

As regards the remaining agroindustrial goods, their penetration is very low, less than the 7.5% average. Curiously enough, Brazil is a relatively large exporter of only one of these, sugar confectionery (38%). Its share of all the rest is very low.

(b) *Exporting countries*

Of the agroindustrial goods purchased from Latin America by the industrialized countries, 86% come from Brazil, Argentina and Mexico. The concentration of sales from these three countries is higher than that of manufactures, where only Brazil and Argentina arrive at 77%.

They are followed in importance by Ecuador, which accounts for 6% because its exports of chocolate and other food preparations containing cocoa amount to 41% of the value of regional exports of these products.

Colombia, Paraguay and Chile account for less than 2% of exports and the 10 remaining countries have shares of less than 1%.

Argentina, Brazil and Mexico are fre-

quently among the three largest exporters of the various agroindustrial products. Mexico is first in respect of 8 products, Brazil in respect of 7 and Argentina in respect of 6 of the 14 on the list.

(c) *Countries of destination*

The main destination of agroindustrial products is the United States, which buys twice as much as the EEC countries. Canada and Japan buy less than 10% of all purchases of these goods by the developed countries.

The United States is the main importer of all agroindustrial goods, except preserved meat. In contrast, Japan purchases the least of each product.

4. *Growth prospects for exports of manufactures and agroindustrial goods*

As we have seen, Latin American penetration in the markets of the developed countries is greater with respect to agroindustrial goods than to manufactures.

The Latin American share of all agroindustrial goods imported by the industrialized countries is 7.5%; its share of manufactures is only 1.4%.

Among agroindustrial goods, coffee extracts and essences account for 52%; it is to be expected, however, that such a high percentage will eventually decline rather than increase, particularly as a single country, Brazil, accounts for 91% of these exports.

Because of the existing marketing systems and the import quotas established by the industrialized countries, as well as possible competition from new producers outside the region and preferences granted to producers from other regions linked with the EEC, the high proportion of sales by a single exporting country could well suffer a reduction.

On the other hand, there is a greater possibility that sales of goods now having a below-average share will increase, either because some of the arguments mentioned above might work in their favour or because established trading links for those products can be expected to permit an improvement in their currently low levels of penetration.

Considering the above, estimates have been made of the dollar increases to be expected in respect of exports of manufactured goods now having a share below the average of 1.4% and of agroindustrial products having a share of less than 7.5%, should such exports reach the average figures mentioned.

In the case of manufactures, 27 items would increase in value and this would mean an increase of US$ 1 746 million in total exports of manufactures to the industrialized countries. This increase would raise the value of exports of manufactures from the region to those countries by 30% and would raise the share of manufactures in the imports of industrialized countries from 1.4% to 1.8%.

In the case of agroindustrial goods, the improvement would be proportionally greater than in the case of manufactures. Thus, 11 items out of a total of 15 having a share of less than 7.5% would increase in value, by a total of US$ 805 million. This means that exports of agroindustrial goods from the region to industrialized countries would increase by 54% and the share of agroindustrial goods in imports of the industrialized countries would go up from 7.5% to 11.5%

Although these increases might be achieved through the conjecturally estimated improvement in the position of manufactured and agroindustrial goods showing low levels of penetration, their effect on the total value of exports from Latin America would not be very significant, as this value would only increase by 5%. Latin America's share in world exports would only increase by 0.2%; this same low percentage of increase (0.2%) would also be registered in its share of world exports of manufactures.

This latter fact leads to the conclusion that, as we stated in the previous chapter, Latin America's prospects for improving its share in world trade will depend on its exports of manufactures increasing substantially, since primary commodities have gradually lost their relative importance. For this to happen, both the agroindustrial and the manufactured goods mentioned in this article will have to enter the international markets to a much greater extent than is presently the case and, other goods that have not yet penetrated those markets will have to be added.

Assuming optimistically that this actually happens and that Latin America is thus able to recover its past importance, another question would arise which may be even more important: which countries of the region would benefit from these increases? Brazil, Mexico and Argentina currently account for three-fourths of Latin American exports of manufactures. What is most likely to happen, therefore, is that those same countries will increase or at least maintain their share, since the access of Latin American manufactures to the central countries is largely made possible by the penetration capacity of those three countries (installed industrial capacity, technology, entrepreneurial organization, marketing systems and export promotion, competitiveness on the international markets, export financing, etc.).

Finally, it has also been noted that when any of these three countries, particularly Brazil, shows low levels of penetration for its manufactures, these levels are also low for the region. In other words, if the three major countries do not penetrate, there is no penetration by Latin American manufactures on the international markets.

5. *Exports of manufactures and agroindustrial goods in 1980*

After this article had been completed, the OECD published the 1980 external trade statistics for its member countries.[25] This publication enabled us to update the information contained in this study in order to find out what changes had taken place in 1980 with regard to Latin American exports of manufactures and agroindustrial goods to the centres.

The following is a summary of the main conclusions to be drawn from the figures for 1980:

Latin American manufactures imported by the industrialized countries in this year represented 1.8% of the latter's total imports of this type of goods. This same percentage had been reached in 1978; consequently, the low level of penetration of Latin American manufactures in the centres has not changed.

Mexico, Brazil and Argentina account for 79% of such sales from the region. The concentration of exports of manufactures in these three countries is higher than that shown for 1978 (77%), because of the greater relative importance of Mexico (40%) and Brazil (31%). Argentina, on the other hand, registered a lower share (8%).

As we have already noted, the differences between the records compiled by the United States and by Mexico in respect of products finished in Mexico and subsequently re-exported to the United States cause an overvaluation in the latter's import statistics.[26] In 1980, this overvaluation amounted to US$ 2 500 million. This is much higher than actual exports of Mexican manufactures during that year, which are estimated at US$ 1 134 million. United States statistics, on the other hand, show imports of Mexican manufactures amounting to US$ 3 634 million.

If we subtract the US$ 2 500 million corresponding to the overvaluation in United States statistics for imports of manufactures from Mexico from the total value of US$ 9 919 million of Latin American manufactures exported to the centres, the latter figure drops to US$ 7 419 million, and this adjusted value changes the penetration percentage of Latin American manufactures in the industrialized countries, which then drops from 1.8% to 1.3%.

This adjustment would also change the participation of the three major Latin American exporters, as the rankings of Mexico and Brazil would be reversed, with Brazil moving to first place (42%), followed by Mexico (22%); Argentina's share would then be 10%.

[25] Organization for Economic Co-operation and Development (OECD), *Trade by Commodities*, 1980.

[26] In 1980, United States and Mexican records on the flow of goods exported by Mexico to the United States showed the following:

	(Millions of dollars)
Mexican exports to the United States	9 688
United States imports from Mexico	*12 774*
Statistical discrepancy	3 086

See: International Monetary Fund, *Direction of Trade Yearbook*, 1981.

As mentioned earlier, in 1978 El Salvador, Haiti and the Dominican Republic had a relatively important role in the region because of their exports of finished products through subcontracting or offshore assembly arrangements. In 1980, Haiti maintained its 2% participation because of its exports of sporting articles (mainly baseballs sent to the United States); the Dominican Republic increased its share from 2% to 3%, while El Salvador's share was reduced to half (1%) because of the aggravation during the second half of 1980 of internal conflicts that affected offshore operations to such an extent that they are probably paralysed by now. The transnational corporations that used to operate in El Salvador have probably moved to other countries of the area, given their practice of moving about in order to enter into offshore assembly arrangements in countries where unemployed labour can be hired at minimal wages.

With regard to the remaining Latin American countries, no significant changes are to be observed with respect to their 1978 share in exports of manufactures to the centres.

The percentage distribution by destination, after adjustment is made for offshore operations, is as follows: 54% to the United States, 35% to the EEC, 8% to Japan and 3% to Canada. A comparison of these figures with the 1978 figures shows that the United States continues to be the main buyer of Latin American manufactures, although its percentage is somewhat lower. The EEC and Japan increased their purchases, also slightly, while Canada remained the same.

The goods showing a significantly higher level of penetration are electrical machinery, apparatus and appliances, and television broadcast receivers. Mexico's share is so high, however, that its exports to the United States alone amount to US$ 1 562 million, or 80% of the value of the region's exports of such goods. As we have explained before, this figure includes a high proportion of overvaluation; hence, the penetration level for those products, nearly 4%, is not realistic.

With regard to the remaining manufactures exported by the region, there were no significant variations in 1980 with respect to the 1978 levels.

As regards exports of Latin American agroindustrial goods to the centres, in 1980 they amounted to US$ 1 749 million, 16% higher than in 1978. The 1978 penetration level is comparable to the 1980 level (7.2%).

During the latter year, the Latin American supply of agroindustrial goods was more diversified, inasmuch as the participation of Argentina, Brazil and Mexico dropped to 80%. This was mainly due to the drop in prices for coffee extracts and essences which, since it brought about a drop in the value of coffee exports with respect to 1978, in turn brought down the share of Brazil, the main coffee exporter.

With respect to distribution according to the buyer countries, in 1980 the order was the same as in 1978, i.e., United States (54%), EEC (39%), Canada (5%) and Japan (2%).

The 1980 data show that no significant changes have occurred with respect to 1978 that would alter the analysis made in the preceding chapters. Indeed, they confirm the clear trend towards concentration in Brazil, Mexico and Argentina, of Latin American exports of manufactures to the centres.