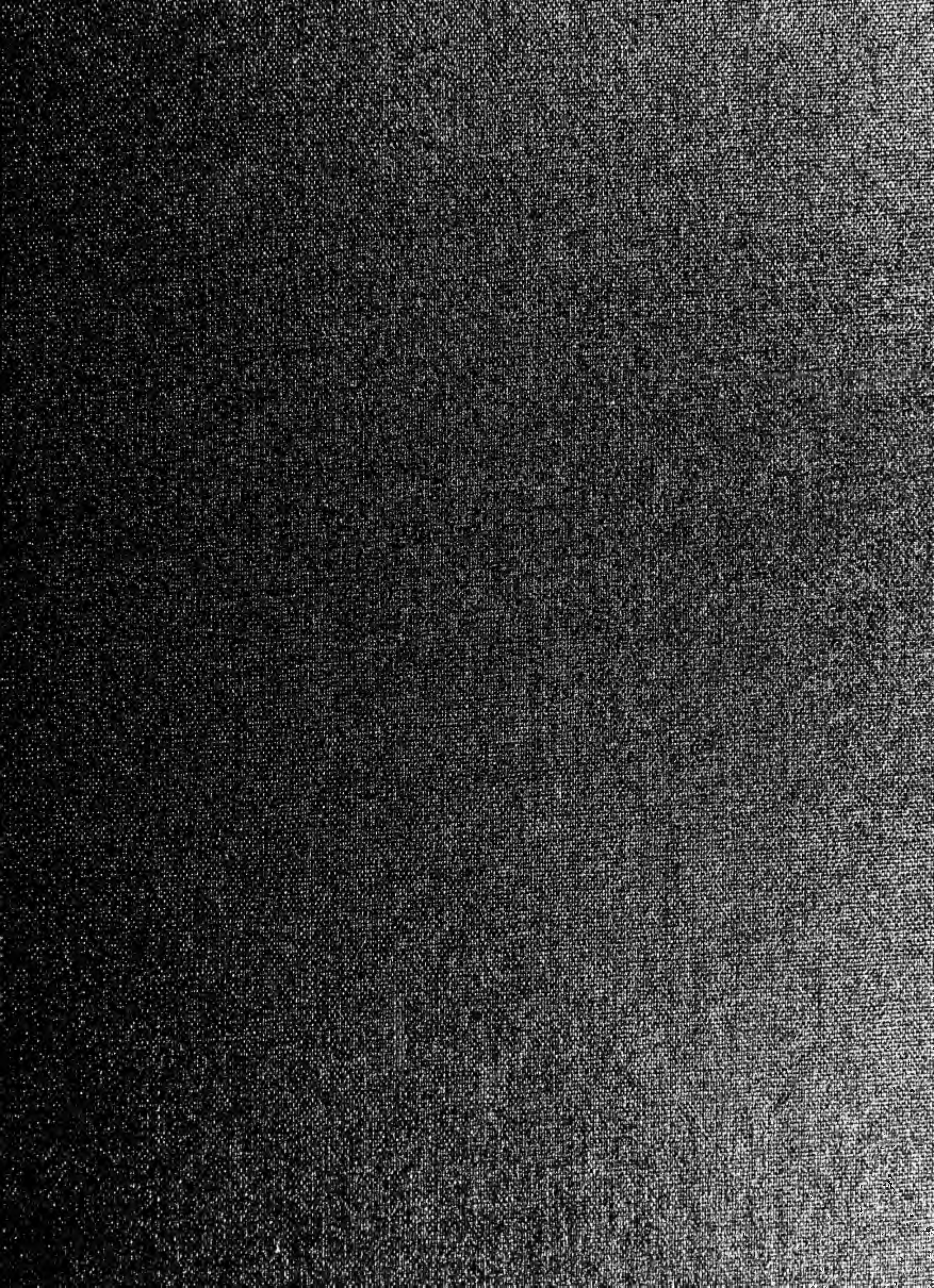

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United States Policies and Latin America's Trade and Debt

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United States Policies and Latin America's Trade and Debt

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Abstract

This paper examines the evolution of Latin America's debt to U.S. private and official banking institutions since the early 1970's and the growing burden of servicing this debt. It then analyzes the evolution of trade relations between Latin America and the U.S., especially the growing trade surplus of Latin America with the U.S. in the 1980's. It concludes with a discussion of the tension between U.S. insistence on Latin America's maintenance of debt servicing and simulteneous U.S. pressure on Latin America to reduce its trade surplus with the U.S.

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UNITED STATES POLICIES AND LATIN AMERICA'S TRADE AND DEBT

by

Werner Baer and Donald V. Coes
(University of Illinois)

Throughout the 1980's the United States, joined by other creditor countries, has insisted that it was Latin America's obligation to service its enormous debt, and to keep the servicing up to date.[1] At the same time, the U.S. government has been under pressure from U.S. import competing sectors to press a number of Latin American countries to eliminate various types of export incentive programs which allegedly violate GATT rules. It has also been under pressure by other groups to press Latin American governments to liberalize their import policies. As a result, the U.S. government has increasingly adopted a pluralistic, and often contradictory, policy posture. This article examines the circumstances which have produced this situation, and considers ways in which a more consistent set of policies can be developed.

Evolution of United States-Latin American Economic Relations

Over much of this century the U.S. has been a major trade partner and source of both direct investment and financial capital of Latin America. The counterpart of the U.S. capital outflow was a current account surplus with the region. This implied a transfer of real resources from the capital-rich region to a less developed one. Most

1 Current U.S. banking regulation force banks to insist on maintenance of interest payments. Interest payments which are in arrears beyond a grace period require the banks to recognize a loss by increasing their loan reserves.

economists would recognize this as a healthy pattern, since it increases world economic efficiency and raises incomes in both areas. Domestic economic policy changes in the U.S., however, have recently reversed this long-run trend. Since the mid-1970's, and increasingly in the 1980's, the U.S. fiscal policy has become more expansionary without being accommodated by monetary policy. The net result has been an enormous increase in real interest rates in the U.S. and the world capital markets and the disappearance of a U.S. capital surplus available to Latin America.

a) Trade Relations. In the period 1970-81 the United States trade balance with Latin America was positive in 7 out of 12 years (see Table 4). But since 1982, when the debt crisis became acute, the U.S. has had very large and continuing deficits with the region. These deficits were due to a combination of decreases in exports to Latin America and substantial increases in imports from the region. It will be noted in Table 4 that U.S. exports to Latin America reached a maximum value of US$ 42.8 billion in 1981, declining thereafter to US$ 25.6 billion in 1983, rising in the following four years, but not again reaching the 1980-2 levels. On the other hand, U.S. imports from Latin America rose considerably in the period; they were at a level of US$ 30.5 billion in 1979, rising to US$ 37.5 billion in 1980; and in 1987 they stood at US$ 47 billion. It will be noted that whereas prior to 1981 the U.S. trade balance with Latin America alternated between small surpluses and deficits, since 1982 the continuing deficits were larger than at any time in the previous decade.

The United States has borne a relatively large share of the current account consequences of Latin America's adjustment after 1982. This is clear from Table 3. Although the United States has been the recipient of only a third or fourth of the service payments on Latin America's external debt, more than half the current trade surpluses which Latin America has had to generate to finance these payments have been earned in trade with

the United States. Although this might be explained in the mid-1980's by overvaluation of the dollar in relation to the other Latin American creditors and trade partners, the U.S.-generated share of Latin America's trade surplus has actually risen since 1985. In this sense the earnings of non-U.S. creditors of Latin America are being maintained through a U.S. trade deficit with Latin America. The decline of U.S. exports to Latin America is due to a number of factors:

1) The recession in many countries of the region resulting from the adjustment programs forced upon them by the debt crisis. The real yearly GDP growth rate of Latin America in the period 1971-80 was 5.9 percent; it fell to - 1.0 percent in 1981-3; and recovered to 3.4 percent in 1984 to 1987.[2] This explains, in part, the U.S. export decline from 1981 to 1983 and the weak recovery in the period 1984-3.

2) The large real devaluation of a number of the region's key currencies, which has made foreign goods more expensive. For the region as a whole, the real effective exchange rate rose by 51 percent from 1980 to 1987.

3) The results of import-substitution investments in the 1970's. This was especially the case of Brazil, where a large proportion of international borrowing was used to build up the capital goods industry.

4) Tariff and non-tariff barriers which were used to squeeze the imports of countries in the midst of the debt crisis.

The growth of U.S. imports from Latin America can be attributed to two factors:

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2 The decline of growth in some of the major countries in the same period was much more pronounced: in the same periods, Argentina's growth declined from 2.6 to -2.9 percent and recovered to only 1.2 percent; Brazil's growth declined from 8.7 to -1.7 percent and recovered to 6.1 percent; and Mexico's growth declined from 6.6 to 1.2 percent and recovered to only 0.9 percent).

1) An active export diversification program carried out by a number of countries. This was extremely successful in a number of countries. The growth of non-traditional exports was, in part, due to the use of tax and credit incentives.

2) Substantial real devaluations of the currency of a number of Latin American countries, which made exports increasingly competitive.

3) The high growth rate of the U.S. economy in the 1980's after the brief downturn in the early part of the decade.

It is noteworthy that the relative decline of the United States as a trading partner for Latin America was reversed in the 1980's. Table 1 shows that the U.S. market's share in Latin American exports rose from 35 percent in the latter 1970s to 49.4 percent in the mid-1980s, while imports from the U.S. rose from 32.9 percent to 48.7 percent. One explanation for the increasing share of the U.S. in Latin American trade is that the U.S. has had a higher rate of growth than other industrial countries during most of the 1980's, which resulted in a greater degree of U.S. import absorption from the region (this was apparently more important than the competitive advantage which Latin American countries gained in other industrial countries as a result of the devaluation of the dollar.) It is also probable that the decline of the dollar made U.S. goods more attractive to Latin Americans than those from other industrial countries, which would explain the growth of the U.S. share in Latin American imports.

The share of Latin America in U.S. exports fluctuated only slightly, declining 1.3 percentage points in the 1980s, while its share in U.S. imports decreased slightly more.

b) Service Balance. An examination of Table 6 reveals that Latin America's service balance with the United States was always negative in the decades of the 1970's and

1980's, but it worsened substantially in the late 1970's, peaking in 1981. After that year the service deficit declined, but continued at a level substantially higher than before the late 1970's.

The major explanation for the growth of the service deficit can be found in column 2 of Table 6, which consists of "Net Other Private Investment receipts" and represents mostly interest payments. This item ballooned from less than a billion to over 12 billion dollars in 1982 and is responsible for most of the growth in the overall service deficit. The steep rise of this item after 1979 is in great part due to the rapid increase of U.S. interest rates. The use of very tight monetary policy in the U.S. in the late 1970's and early 1980's to cope with inflation, in conjunction with the continuation of expansionary fiscal policy, had a repercussion on interest rates throughout the world (for example, the annual average prime rate rose from 6.83 percent in 1977 to 18.87 percent in 1981, while LIBOR rates rose from an annual average of 6.2 percent in 1977 to 16.5 percent in 1981). Since most of the Latin American debt was on a flexible interest rate basis, these developments substantially increased the burden of the debt to the region.

Column 3 of Table 6 shows that net U.S. government interest receipts were positive, but became negative from 1985 on. This trend was partially due to negotiated reductions of official debt and debt servicing under the Paris Club arrangements. Unfortunately, this easing of official debt service was small in relation to the large private debt service payments the region had to make to U.S.- based creditors. Tax payers of the U.S. and other major creditor countries, in effect, accepted a reduction in income on official debt in order to maintain and even increase Latin American payments to private creditors.

Column 1 of Table 6 contains information on earnings from direct investments. This item was always positive for the U.S., since it was primarily profit remittances by

U.S. companies in Latin America. The decline after 1980 reflects the economic crisis the region was undergoing in the 1980's. As the economies stagnated, profits of U.S. firms declined as did their profit remittances. This trend was reinforced in some countries by controls on the remittance of profits as the balance of payments situation worsened.

c) Capital. During most of the post-World War II period, Latin America has been a major recipient of capital flows through both direct investment and loans. Following its replacement of Great Britain as the dominant foreign economic power in the region after World War I, the United States became the major source of net capital inflows to Latin America. The highpoint of U.S. predominance was reached shortly after World War II, when more than 50 percent of direct investment and capital flows were of U.S. origin. With the recovery and more rapid growth of Western Europe and Japan, U.S. shares have declined, despite the absolute increase of investments through the 1970's. Although the U.S. declined in relative terms, it remained the major source of external capital.

One should also consider that in addition to its importance as the origin of a substantial share of Latin America's foreign capital, the role of the U.S. as the world's leading financial intermediary was particularly important in Latin America, especially after 1973, when U.S.-based multinational banks were responsible for recycling a substantial part of the OPEC surplus to Latin America borrowers. U.S. influence was also important in multilateral organizations, such as the World Bank and the Inter-American Development Bank.

This historical pattern was abruptly changed in the early 1980's. With the explosion of the debt crisis, Latin America became a net exporter of capital to its creditor countries, particularly the United States.

The major trends in the U.S. capital account with Latin America are summarized in Table 7. The U.S. was a net lender of capital to Latin America in every year between 1970 and 1983, with the exception of 1979, as may be seen in column A. Most of this capital was financial, particularly after 1973, as is clear from column B of Table 7. There were several reasons for the preponderance of financial capital flows rather than equity investment. First, the international financial community at the time regarded such loans as less risky than equity investments, particularly when the loans were made to sovereign governments, since they presumably rested on the taxing capacity of the borrower governments. However incorrect this assumption may appear with the advantage of hindsight and in the light of current emphasis of debt for equity swaps, financial capital flows were clearly preferred in the 1970'.

A second reason was the development and perfection of variable interest rate loans, which appeared to remove interest rate uncertainty for both borrowers and lenders.

Finally, in some countries, such as Brazil, there were technical reasons for the preference for financial capital flows over equity investment, since direct investment regulations did not allow for the effects of inflation in the lending country, while such inflation was automatically incorporated in the nominal interest rate paid on the loan.

Most of this financial capital flow was net lending (see column C of Table 7) by U.S. banks. The net figures, however, do not tell the whole story. Gross U.S. bank lending to Latin America, as measured by the change in U.S. claims on Latin American borrowers by U.S. banks, were always positive (minus indicates a U.S. outflow), except for 1985. Also to be noticed is that gross U.S. lending reached a peak in 1982, sharply dropping off after that period. Much of the gross lending after 1982 was, in fact, forced lending, induced by the necessity to renegotiate and roll over earlier loans.

Latin American capital outflows to U.S. banks are shown in column E. A substantial part of this flow was private capital flight, which increased dramatically after 1977. In 1979, despite the maintenance of gross U.S. lending to Latin America (column D), the doubling of capital outflows resulted in a net capital inflow to the U.S. banking system of more than 7 billion dollars.

An examination of columns C, D, and E together reveals that much of the growth of the gross Latin American debt owed to U.S. banks financed a large capital outflow to these banks. This reflects the capital flight induced, in part, by overvalued exchange rates, combined with domestic crises (especially in such countries as Argentina, Chile, Mexico and Venezuela).

The dramatic reversal of net bank lending to Latin America between 1982 and 1983, when the record 1982 inflow of more than 20 billion dollars was succeeded in 1983 by a net outflow of more than 12 billion, was due both to the sharp drop in gross bank lending to Latin America and the maintenance of private capital outflows to U.S. banks.

Other financial capital flows from the U.S. to Latin America were relatively unimportant by comparison with bank lending, as may be seen from column f) in Table 7. Most of these flows consisted of trade in U.S. and Latin American securities and non-bank financing. Much of the latter was related to multinational operations, i.e. much of it due to financial flows between U.S. parent and Latin American subsidiaries. As was the case with bank lending, there was a reversal in the other net financial flows after 1982.

Table 8 shows the trends in these two types of non-bank lending on a gross and net basis since 1970. One of the most interesting aspects of these capital flows between these two regions is that Latin America became a net lender in securities trade as early as 1977, i.e. 5 years before the debt crisis. In the post-1982 period, net securities outflow from

Latin America amounted to more than US$ 5 billion annually. This may be another manifestation of capital flight.

Direct foreign investment, which is shown in Table 9, was a less important component of the U.S. capital account with Latin America than were financial flows, in part for reasons stated earlier. Like trade in securities, the reversal in net direct investment preceded the 1982 debt crisis. Gross direct U.S. investment in Latin America peaked in 1978 and rapidly declined to a net outflow, which reached nearly US$ 6 billion in 1982.

Conflicting Policy Goals in U.S. Economic Relations with Latin America: An Interpretation.

The economic relations between any country and the rest of the world potentially flow through two major channels: the goods market and the capital (or assets) market. These correspond, respectively, in the balance of payments to the current and the capital accounts, which together in the long-run must offset each other. In most of the postwar period until the 1970's both market participants and policy makers paid much more attention to trade, i.e. the current account.

a) The Capital Account Reversal.

With the rise of multinational banking, beginning in the 1960's and significantly expanded in the 1970's by the availability of petrodollars after the first oil shock, asset market (or capital account) transactions came to eventually upstage trade questions, presenting policy makers with a new series of constraints. In earlier, and apparently simpler days, the makers of U.S. economic policy toward Latin America were primarily concerned with trade questions, notably the maintenance of markets for U.S. exports to

Latin America and the secure access to essential imports from the region. Any resulting current account deficit was assumed to be easily financed via the capital account, implying a capital inflow from the U.S. and other creditor countries to Latin America. This arrangement worked especially well in the mid-1970's, when the international financial community was flush with petrodollars, available to lend at nominal interest rates close to or even below inflation in the creditor countries. Past debts and their servicing requirements were financed by new net borrowing, as was shown above.

It is now clear to all that the asset market disequilibrium or capital account deficit of Latin America could not continue indefinitely. Some capital market participants appeared to have perceived this point sooner than others. As we noted in the preceding section, increases of Latin America holdings of U.S. securities began to accelerate as early as 1976 (see Table 8), while increases of U.S. holdings of Latin American securities peaked in 1975 and actually decreased from 1978 onwards. A similar trend is evident in trade in non-bank financial assets, in which net U.S. outflows peaked in 1980. Latin American bank deposits in the U.S. began to accelerate sharply in 1978 (Table 7). Direct investment flows to Latin America began to fall off after 1978 (Table 9).

Although our data mask considerable variations in capital flows between the U.S. and individual Latin American countries, it is clear from the aggregate data that the bank debt crisis of 1982 was anticipated by a number of years in other international capital markets. In retrospect, one wonders why the U.S. banking community steadily increased its lending through 1982, when gross U.S. bank lending to Latin America reached more than US$ 51 billion.

Although the turnabout in U.S. bank lending to Latin America came later than any other reversal in capital flows, when it did occur, it was brutal. Gross lending fell by

nearly US$ 40 billion between 1982 and 1983, and in 1985 there was an outflow (see Table 7). At international bankers' insistence prospects for any new lending became contingent on a sharp improvement in the current account, which given the insistence on the maintenance of interest payments, required an even larger improvement in the trade surplus.

b) Conflicting Interests of Participants in U.S.-Latin American Trade and Capital Movements.

Until it belatedly recognized the long-run inviability of continued growth of Latin American indebtedness, the international banking community was a willing partner in expansionary Latin American fiscal policies. In any economy, when domestic savings are not sufficient to finance domestic investment as well as the common excess of public expenditures over tax receipts, the balance must come from abroad in the form of a current account deficit. In this sense Latin America's worsening current account imbalances in the 1970's were intimately linked to insufficient domestic savings and, particularly to growing public sector deficits. In many of the countries of the region the growth of public sector expenditures outstripped both overall economic growth and the growth of tax receipts. Such public sector deficits could be financed either through money creation, or through local or foreign borrowing. The last of these three means of financing the deficit, foreign borrowing, was little used by most Latin American countries before the end of the 1960's. With the vast increase in international capital availability in the 1970's, few Latin American governments resisted the temptation to go to the international capital markets rather than to their domestic savers and taxpayers. This demand for financing by Latin American governments proved profitable for the international banking community, which was often as willing to lend to a sovereign government in Latin America as to private investors at home.

With their heightened perception of the long-run risks inherent in the process, as well as its ultimate inviability, the international banking community began to sound like the bankers they once had been. From 1982 on the bankers insisted on evidence of credit-worthiness as a pre-condition to roll over expiring debt, which had become increasingly short-term.

The bankers' central aim was the achievement of trade surpluses large enough to finance interest payments on the outstanding debt, given their new reluctance to advance new loans. The means by which this was to be accomplished were less important to them than the end. As a trade surplus can be achieved through either export expansion or import contraction, both types of policies received the bankers' support, as well as that of the IMF. In the short-run, it is probably much easier to generate a trade surplus by reducing imports than by increasing exports. As Table 4 suggests, most of the sharp reversal of Latin America's trade balance in the early 1980's came through a reduction of imports rather than an export expansion. This decrease of imports was the result of several factors: direct import restrictions, real devaluation, and, perhaps most importantly, a decline in the GDP growth rate (which in some countries became negative for the first time since the Great Depression of the 1930's). Poor Latin American performance on the export side was due, in part, to the world-wide recession in the early 1980's, as well as to sharp declines in the price of a number of important Latin American primary exports. The aggregate export figures, however, hide the tremendous strides which were made by some Latin American countries in pushing manufactured exports, most notably Brazil and Mexico.[3] Thus, by the mid-1980's one might judge the banking communities to have

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3 Brazil's overall manufactured exports increased from US$ 6.6 billion in 1979 to US$ 15.1 billion in 1984 and are expected to reach US$ 18 billion in 1988. Mexico's non-traditional exports rose from US$ 1.2 billion in 1981 to US$ 4.1 billion in 1985.

attained their objective, in that the region was producing the trade surpluses necessary to service the debt.

Although this may have solved the immediate problem from the viewpoint of the international banking community, the achievement of the trade surplus was not in the interest of other U.S. policy constituencies. Latin America had long been one of the major U.S. export markets, particularly for capital goods. The sharp decline of Latin America's imports fell particularly hard on U.S. manufacturers, already hard hit by the overvalued U.S. dollar, high interest rates and the domestic recession of the early 1980's.

Although the initial burden of Latin American trade adjustment fell primarily on U.S. exporters, the subsequent success of Latin American exporters of manufactured goods affected a different group, U.S. producers of import-competing goods. For the first time, Latin American manufactured goods posed a serious threat in sectors such as steel, textiles, machinery, clothing, footwear, transport equipment, and others. These new pressures led to predictable reactions by the threatened domestic producers. They were not long in filing charges against Latin American countries for using tax and credit subsidies, allegedly in violation of GATT rules. Even when these charges were rejected, they often forced potential Latin American exporters to incur substantial additional costs.

U.S.-based multinationals located in Latin America in some respects enjoyed a more favorable position in the Latin American trade balance turnaround, since they enjoyed a better access to U.S. markets. They benefitted from the sharp fall in relative real wages and other domestic costs within Latin America, as well as from a variety of export incentives instituted by Latin American countries. This was partially offset, however, by increased administrative barriers to imports, which were particularly severe in industries using a large amount of imported components.

c) The Decapitalization of Latin America and U.S. Political Interests

The sharp reversal in net capital flows to Latin America occurred, perhaps not coincidentally, with a reversal in the political tide. Between the mid-1970's and mid-1980's authoritarian governments were replaced by democratic regimes in most Latin American countries.[4] This trend was particularly evident in several of the major countries of the region, notably Argentina and Brazil. Few would question America's long-term interest in encouraging the trend towards increasing political openness. Short-term U.S. economic policy, however, may work at cross-purposes and even undercut our long-term political goals.

Governing Latin American countries has never been easy, either for dictators or democrats, as the region's century of political instability has shown. When the burden of effecting a net resource transfer to the rest of the world is added to existing problems, the survival of fragile new democracies is even more precarious. U.S. policy makers have not been blind to this, as U.S. promptness in arranging bridge loans to major borrowers when credit markets closed in 1982 and 1983 has shown. In the longer-run, U.S. support for World Bank, IDB, and other multilateral assistance is based, in part, on the belief that it may be less expensive to provide modest help to the region now than face the costs of major upheavals in the future.

The time may have come when such incremental assistance is no longer sufficient to deal with Latin American economic conditions in the last decade of the 20th century. Past U.S. pressure on Latin American debtor countries to follow IMF-endorsed austerity programs has been a short-term success in the narrow sense of avoiding default and major

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4 In the mid-1970's the 19 Latin American nations (Spanish and Portuguese-speaking) could be classified into 14 authoritarian regimes and 5 democracies. By the mid-1980's, the number of democratic governments had risen to 13.

international financial crises, by keeping debt servicing up-to-date as a condition for periodic rolling over of the principal. These short-run benefits, however, have incurred enormous long-run costs . They have caused a severe decline in the standard of living of the region today, and perhaps even more ominously, tomorrow, through a decline of investment.

The available data are unmistakably discouraging. Latin America's real minimum wages decreased by over 15 percent between 1980 and 1985 (in Mexico the decline was 43 percent and in Brazil 16 percent), while the output per capita, which had increased by 33 percent in between 1970 and 1981, declined by 3.3 percent in the years 1982 to 1987. Latin America's investment/GDP ratio, moreover, was 22.6 percent in the period 1970-81, falling to 16.6 percent in 1982-7, as the net yearly transfer of capital abroad in the years 1983-7 totalled US$ 25 billion.[5] For many Latin Americans, the 1980's have been decade.

Not only does the decline in the region's standard of living threaten the long-term survival of democratic governments, but the decline of investment activity will make it increasingly difficult for Latin American economies to keep up with the rest of the world. Low investment activity will result in Latin America's falling increasingly behind in productivity and technology, which will make it difficult to maintain, let alone increase, its share of the world market.

The region's trade surpluses in the 1980's, especially with U.S., as noted above, resulted from efforts to compress imports and, in some countries, to promote exports through incentive programs and real depreciation. The consequent pressures from U.S. interest groups anxious to maintain their sales to Latin America and from other groups,

5 These data were taken from: Inter-American Development Bank, *Economic and Social Progress in Latin America: 1988 Report*; U.N., Economic Commission for Latin America and the Caribbean, *Economic Panorama of Latin America 1988*.

who feel threatened by Latin America's penetration of U.S. markets have placed additional constraints on U.S. policy.

It is in the interest of both the U.S. and Latin America to find a more permanent solution to reduce the real burden of the debt. The markets' own mechanism of debt relief, in the form of discounts on the fact value of the debt in the secondary market, is not a satisfactory solution, since it is uncertain and arbitrary, providing little incentive for long-term investment.[6]

Once the debt burden is substantially decreased, Latin America will have more foreign exchange available to allow itself to liberalize imports and thus increase economic efficiency. A substantial increase in Latin American imports would also make it possible to raise the region's investment ratio and thus expand and modernize its productive capacity. Finally, a substantial increase in Latin America imports could also disarm the opposition to the penetration of non-traditional goods from Latin America into the U.S. market.

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6 In November 1988, for example, Brazilian debt was selling in the secondary market at about 40 percent of its face value, while Mexican debt was selling at about 45 percent and Argentine debt at less than 20 percent. (*The Economist*, 26 November, 1988, p. 112.

Table 1

a) Share of U.S. in Latin American Exports and Imports

Yearly Average	Exports	Imports
1960-3	37.2%	41.8%
1977-9	35.0%	32.9%
1984-6	49.4%	48.7%

b) Share of Latin America in U.S. Exports and Imports

Yearly Averate	Exports	Imports
1970-2	14.9%	13.6%
1977-9	15.3%	13.8%
1985-7	14.0%	12.1%

Source: Calculated from data in U.S. De partment of Commerce, Survey of Current Business, various issues; and Interamerican Development Bank, Economic and Social Progress in Latin America, 1982 and 1987.

Table 2

Latin America: Proportion of Net Investment PaymentsAbroad Going to the United States

(percentage of total payments)

1980	25.9
1981	16.8
1982	37.6
1983	37.6
1984	27.3
1985	27.5
1986	28.4
1987	20.0

Source: calculated from Survey of Current Business and IDB, Economic and Social Progress in Latin America: 1988 Report

Table 3

Latin American Trade and Investment
Earning Balances with the U.S

(Percent of Global Trade and Investment Balances)

	Investment Earning Balances	Trade Balances
1980	25.9%	
1981	16.8%	
1982	37.6%	71.0%
1983	33.7%	54.5%
1984	27.3%	48.3%
1985	27.5%	46.3%
1986	28.5%	61.4%
1987	20.0%	60.4%

	Net Investment Service Payments	Net Non-Investment Service Payments
1980	74%	*
1981	57%	*
1982	38%	4%
1983	33%	42%
1984	27%	79%
1985	28%	76%
1986	28%	102%
1987	29%	

*Latin American trade deficit in 1980 and 1981

Source: calculated from data in Survey of Current Business, and in Inter-American Development Bank, Economic and Social Progress in Latin America, 1988 Report.

Table 4

US Merchandise Trade With Latin America

Year	Merch. Exports (2)	Merch. Imports (17)	Merch. Trade Balance
1970	6494	-5913	581
1971	6433	-6115	318
1972	7241	-7068	173
1973	9950	-9645	305
1974	15823	-18658	-2835
1975	17108	-16177	931
1976	16843	-17204	-361
1977	17921	-21162	-3241
1978	22034	-23041	-1007
1979	28555	-30535	-1980
1980	38811	-37521	1290
1981	42804	-39099	3705
1982	33164	-38561	-5397
1983	25581	-41867	-16286
1984	29767	-48366	-18599
1985	30788	-46110	-15322
1986	30877	-41426	-10549
1987	35089	-47258	-12169

Source: U.S. Department of Commerce, Survey of Current Business, several issues.

Table 5
US Goods and Service Trade Balance
with Latin America

Year	Exports Goods & Services (1)	Imports Goods & Services (16)	Balance Goods & Services
1970	10395	-8407	1988
1971	10427	-8575	1852
1972	11200	-9859	1341
1973	15225	-13069	2156
1974	23365	-23596	-231
1975	25448	-21384	4064
1976	26516	-22887	3629
1977	30435	-27819	2616
1978	38182	-31338	6844
1979	50875	-42572	8303
1980	68553	-52922	15631
1981	79813	-58300	21513
1982	71124	-62177	8947
1983	57196	-63852	-6656
1984	64050	-75470	-11420
1985	62992	-70318	-7326
1986	61168	-64901	-3733
1987	65819	-74916	-9097

Source: same as Table 4.

Table 6
Net US Service Trade with Latin America

Year	Net D.Inv. Earnings	Net Other Pvt.Inv. Receipts	Net U.S. Govt. Receipts	Net Services Invest.	Net Services Non.Inv.	Net Services All
1970	1380	107	150	1637	-230	1407
1971	1432	274	129	1835	-301	1534
1972	1258	286	132	1676	-508	1168
1973	1594	377	136	2107	-256	1851
1974	1934	930	220	3084	-480	2604
1975	1542	1438	188	3168	-35	3133
1976	1931	2085	223	4239	-249	3990
1977	3558	2651	211	6420	-563	5857
1978	4463	3828	210	8501	-650	7851
1979	5770	4766	243	10779	-496	10283
1980	5846	7891	157	13894	447	14341
1981	4832	10924	92	15848	1960	17808
1982	2382	12127	258	14767	-423	14344
1983	405	10835	371	11611	-1981	9630
1984	516	9570	17	10103	-2924	7179
1985	2434	7905	-288	10051	-2055	7996
1986	4216	5697	-620	9293	-2477	6816
1987	4179	2449	-299	6329	-3257	3072

Source: same as Table 4.

Table 7
US Financial Capital Flows to Latin America
Banking and Total Net Capital Flows

Year	US claims Banking (a)	US Liab. Banking (b)	Net US Banking Claims (c)	Financial Capital Flows (- = out) (d)	Total Capital Flows (e)	Total Non-Bank Fin. Cap.Flows (f)
1970	-376	-815	-1191	-1435	-1997	-244
1971	-589	-325	-914	-938	-1569	-24
1972	-1480	876	-604	-777	-1080	-173
1973	-1471	2109	638	322	-298	-316
1974	-6950	4344	-2606	-3655	-5880	-1049
1975	-9041	3217	-5824	-6333	-7716	-509
1976	-14841	4457	-10384	-11409	-11441	-1025
1977	-7038	4878	-2160	-2534	-5979	-374
1978	-10449	8404	-2045	-2621	-6333	-576
1979	-10549	18102	7553	8045	5273	492
1980	-26697	5186	-21511	-24741	-26170	-3230
1981	-43995	29799	-14196	-14191	-12826	5
1982	-51471	28092	-23379	-20861	-14316	2518
1983	-13740	25821	12081	11308	14752	-773
1984	-1624	15327	13703	22763	24907	9060
1985	4483	-1513	2970	5563	2372	2593
1986	-8037	26173	18136	22562	12661	4426
1987	-6634	8288	1654	4857	-2118	3203

Source: same as Table 4.

Note: Column f consists of changes in net holdings of securities plus net changes in U.S. non-banking claims. Column c = d + e; column d = c + f; column a = b + net direct investment from Table 9.

Table 8
US Financial Capital Flows to Latin America
Securities and Non-banking

	US Holdings of L.Amer Securities (47)	L.Amer Holdings U.S. Securities (61)	Net Securities (minus: US outfl	US Claims Non-Bkg (48)	US Liab. Non-Bkg (62)	Net US Non-banking Claims
1970	-135	66	-69	-365	190	-175
1971	-33	56	23	-249	202	-47
1972	-45	-9	-54	-234	115	-119
1973	-107	43	-64	-548	296	-252
1974	-93	24	-69	-779	-201	-980
1975	-347	43	-304	-303	98	-205
1976	-219	198	-21	-1080	76	-1004
1977	-151	280	129	-643	140	-503
1978	181	351	532	-1372	264	-1108
1979	310	88	398	-377	471	94
1980	37	330	367	-2090	-1507	-3597
1981	27	97	124	-241	122	-119
1982	3	449	452	2502	-436	2066
1983	658	674	1332	-2207	102	-2105
1984	2190	862	3052	3355	2653	6008
1985	1957	543	2500	781	-688	93
1986	3309	4360	7669	-1485	-1758	-3243
1987	913	2290	3203			

Source: same as Table 4.

Table 9
US Direct Investment Balance
with Latin America

Year	U.S. Direct Invest in L.A. (46)	L.A. Direct Invest in U.S. (59)	Net Dir. Invest. (- = outflow from U.S.)
1970	-601	39	-562
1971	-691	60	-631
1972	-279	-24	-303
1973	-673	53	-620
1974	-2270	45	-2225
1975	-1347	-36	-1383
1976	-146	114	-32
1977	-3632	187	-3445
1978	-4207	495	-3712
1979	-4043	1271	-2772
1980	-2655	1226	-1429
1981	58	1307	1365
1982	5820	725	6545
1983	3066	378	3444
1984	1625	519	2144
1985	-3875	684	-3191
1986	-7450	-2451	-9901
1987	-7336	361	-6975

Source: same as Table 4.

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