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SOCIAL AND ECONOMIC TRENDS IN CENTRAL AMERICA

Synthesis

The body of this report contains the available data on overall economic and social trends in the region over the past two decades. In it, a conscious attempt was made to allow the figures to speak for themselves. This synthesis, on the other hand, seeks to highlight the basic issues that will affect the future development of the region. As a consequence, it is more speculative, and the conclusions and inferences are subject to alternative interpretations.

Central America is facing its worst economic and social crisis since the 1930's. Structural problems that trace to the history and economic traditions of the region have been intensified by a financial and economic crisis due to events in the world economy. Added to this is the impact of political currents and social upheaval that trace to ancient conflicts and to the overthrow of the Somoza government in Nicaragua by a revolution that brought a Marxist government to power.

This paper looks at trends and prospects that are underway or likely even if the military conflicts in Nicaragua and El Salvador are resolved. Under such conditions, per capita Gross National Product (GNP) -- the most basic indicator of economic well-being -- is likely to continue falling in 1983 and 1984. This would extend a steady decline that has been underway since 1979, and bring the per capita GNP level, measured in 1981 dollars, from $1,070 in 1979 to $920 in 1984. Even the assumption of steady growth after 1984 is likely to leave the average person worse off in 1990 than he was in 1979.

This period of economic decline and stagnation becomes even less tolerable when one considers the low average level of health, education, and nutrition of a signficant fraction of the population. These needs cannot be addressed without economic expansion that would provide governments with additional resources. Thus, the inability of the countries to provide enough of a "social dividend" over the medium term to mitigate unrest among economically and socially disadvantaged groups is likely to remain a potential threat to political systems in the region.

Employment is an equally explosive issue, given the limited economic prospects for the 1980's. There has been rapid growth in population over the past two decades resulting from continued high birth rates, while death rates, particularly those for infants, were falling sharply. As a result, young people are entering the labor force at historically unprecedented rates. While the population growth rate of the region is expected to drop from the current 3% to 2.7% over the next few years, the rate of growth of the labor force will be a more rapid 3.3% per year. For El Salvador, Honduras and Nicaragua, the growth in the labor force will be an even more rapid 3.5%. This compares with a growth rate of 3.0% during 1970-81.

The Historic Roots of the Current Crisis

The tables accompanying the body of the paper provide a general overview of the recent economic and social trends in the region. The extensive poverty, the great inequalities in income and status, and the low productivity of labor all provide obvious explanations for the current political crisis. Nevertheless, extensive poverty and low-productivity employment are essential characteristics of all poor countries. If people were educated, healthy and productive, the country would not be underdeveloped. Moreover, great disparities in income are more apparent in the larger countries of Latin America than they are in Central America. In short, poverty and inequality are not the complete explanation for the Central American crisis.

The differences between societies where the political and social systems remain stable and those that break down should thus be seen in more subtle terms. Poverty and inequality are elements, but people tend to react more to changes in their conditions in relation to expectations than to absolute levels of such factors. For example, despite the great income inequalities obvious in Latin American cities, one need only recall the abyss of inequality between the few large landowners and masses of peasants in earlier times to conclude that inequality in the region in the broadest sense has almost surely become less severe. Viewed from this perspective, the current crisis in region could be explained as the result of failure to make adequate progress, in relation to expectations, over the past two decades in overcoming the series of economic, political and social problems that development entails. In this view, the crisis was not inevitable, but was result of inadequate adaptation to challenges imposed by the oil crisis, the world recession, and the need to gradually develop a broadened political base. The region's evolution toward a crisis can be seen in its historical development. This can be seen as involving three phases.

I. 1960-73: Regional Growth

In 1960, Central America was an economic backwater of small, agrarian-based countries. In most of them, about two-thirds of the population worked in agriculture. Even in the most advanced country, Costa Rica, agriculture accounted for half of the labor force. Trade among the countries was small, and all were mainly exporters of coffee and bananas on world markets. Again with the exception of Costa Rica, education and health standards were quite low, and a majority of the population had not completed primary school.

Fueled by the creation of the Central American Common Market (CACM) in 1960, the region experienced a period of rapid economic growth (5-7%/year), with substantial investment in industrialization. Urban employment grew rapidly, but the bulk of the labor force continued to work in agriculture. Some progress was made in the social sectors, with coverage of primary education being extended to more rural areas. Several countries also made some progress toward broader participatory political systems. Nevertheless, except for Costa Rica, the region lagged behind the rest of Latin America in its progress.

II. 1973-80: Structural Imbalance

With easy import substitution exhausted, the CACM began to falter, and an investment slowdown occurred. The subsequent oil price increases then created a structural imbalance, requiring countries to alter their economies by creating new exports and import substitutes to pay for oil imports. Little progress was actually made in restructuring during this period; instead, heavy borrowing and high coffee prices during 1975-79 allowed postponement of adjustment. During this period, the lack of an engine for growth slowed opportunities for employment growth and, consequently, for social mobility. A series of unfavorable political developments also exacerbated the economic problems. Blatant rigging of election results in El Salvador, poor leadership in Guatemala, and perpetuation of the Somoza government in Nicaragua undermined the legitimacy of, and popular support for, existing regimes.

III. 1980-83: Decline

Commodity prices declined sharply after 1979, and debt-service burdens rose sharply as result of high interest rates. As a result, the debt service burden in some countries became unmangeable. The CACM payment system thus fell apart, and intraregional trade declined sharply. Because of the shortage of hard currencies, imports from outside the region also had to be reduced dramatically. The import declines then forced a fall in employment and national output. Violence in the region, along with the economic problems, led to a standstill of investment and to capital flight, further reinforcing the decline in income.

Possible Responses

The trends indicated above demonstrate that restoring a pattern of satisfactory economic and social progress in the Central American region will be extremely difficult. The immediate priority is for economic stabilization that will allow the individual governments to restore financial solvency to their international payments systems. The current situation, where long delays are required in payments for imports and where foreign exchange is rationed by governments, is itself reducing opportunities for economic growth, besides creating ample incentive and opportunity for corruption and fraud. Given a rapid recovery of the world economy and a continued willingness to maintain austerity programs, however, this stabilization process should be complete within about two years. By then, the long-term issues raised above will be central.

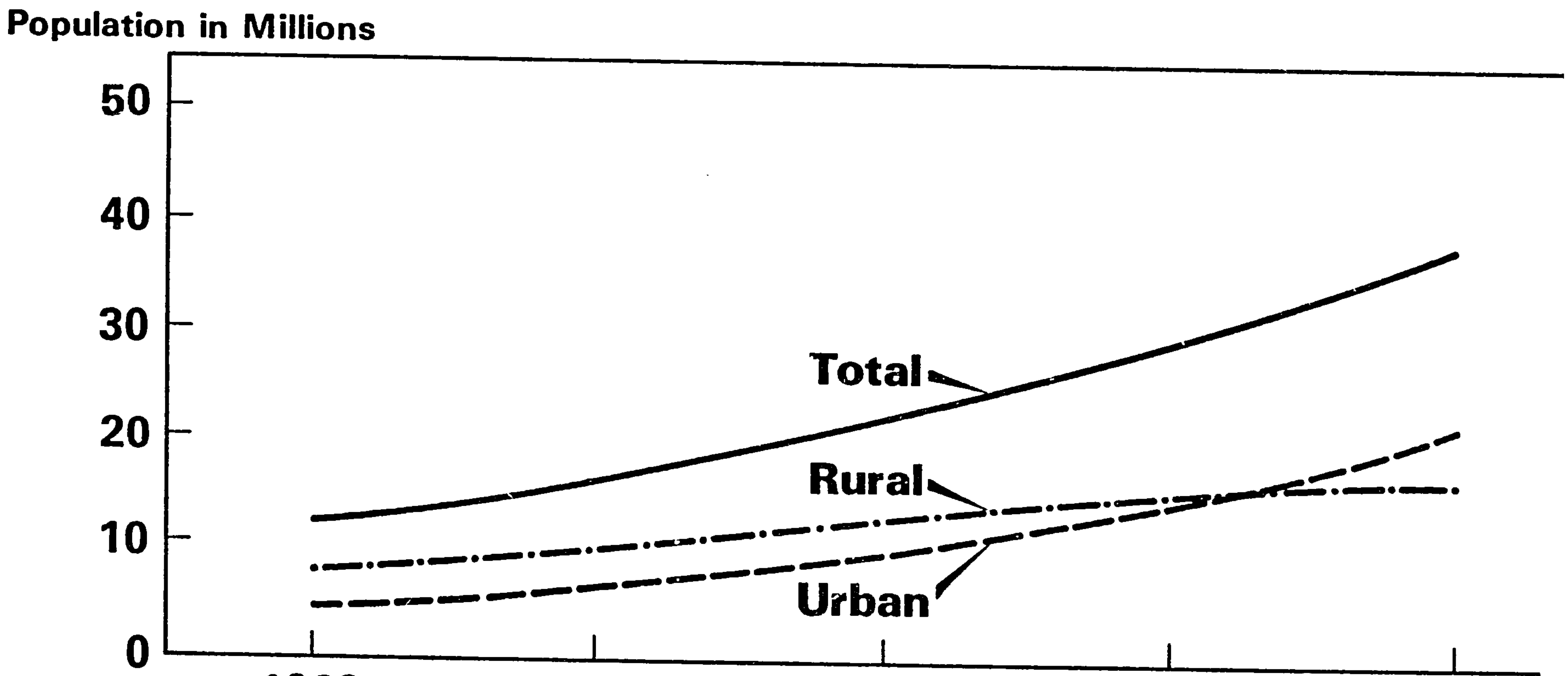
The major challenge is to speed the creation of productive employment in the region, so that the labor force can be absorbed at a much more rapid rate than in the recent past. Given that the major opportunities for internally-generated growth have already been exploited through the CACM, and that no significant opportunities for growth based on exploitation of some rich natural resource appear to exist, the region has little choice but to seek faster growth through participation in the world economy. This is the approach taken by the most successful of the developing countries, notably South Korea and Taiwan, over the past few years.

In essence, the countries of the region will need to generate large amounts of labor-intensive exports for the world markets if they hope to provide any signficant increase in living standards over the next few years. Obviously, the industrial sector is one source of such opportunities. Nevertheless, the magnitude of the job creation required and the great relative importance of agriculture as a source of employment implies that agriculture must also make a substantial contribution, through production and export of higher-value crops as well as through increased processing and agro-industrial activity, to employment generation.

Some progress in these areas can be made through government programs, such as export financing, and technical assistance in export promotion and marketing. Much more important, however, particularly in the longer term, is the elimination of structural disincentives for exports. These include overvalued exchange rates, tariff structures that support inefficient industries and saddle potential exporters with high-cost raw materials, and labor legislation that raises the cost of urban labor above productivity levels. In addition, government regulations and documentation requirements in all of the countries of the region create substantial impediments to new activities, particularly by those lacking special access to the government administrative apparatus. As a result, they tend to favor existing vested interests, limiting upward mobility and reinforcing the highly unequal income distribution.

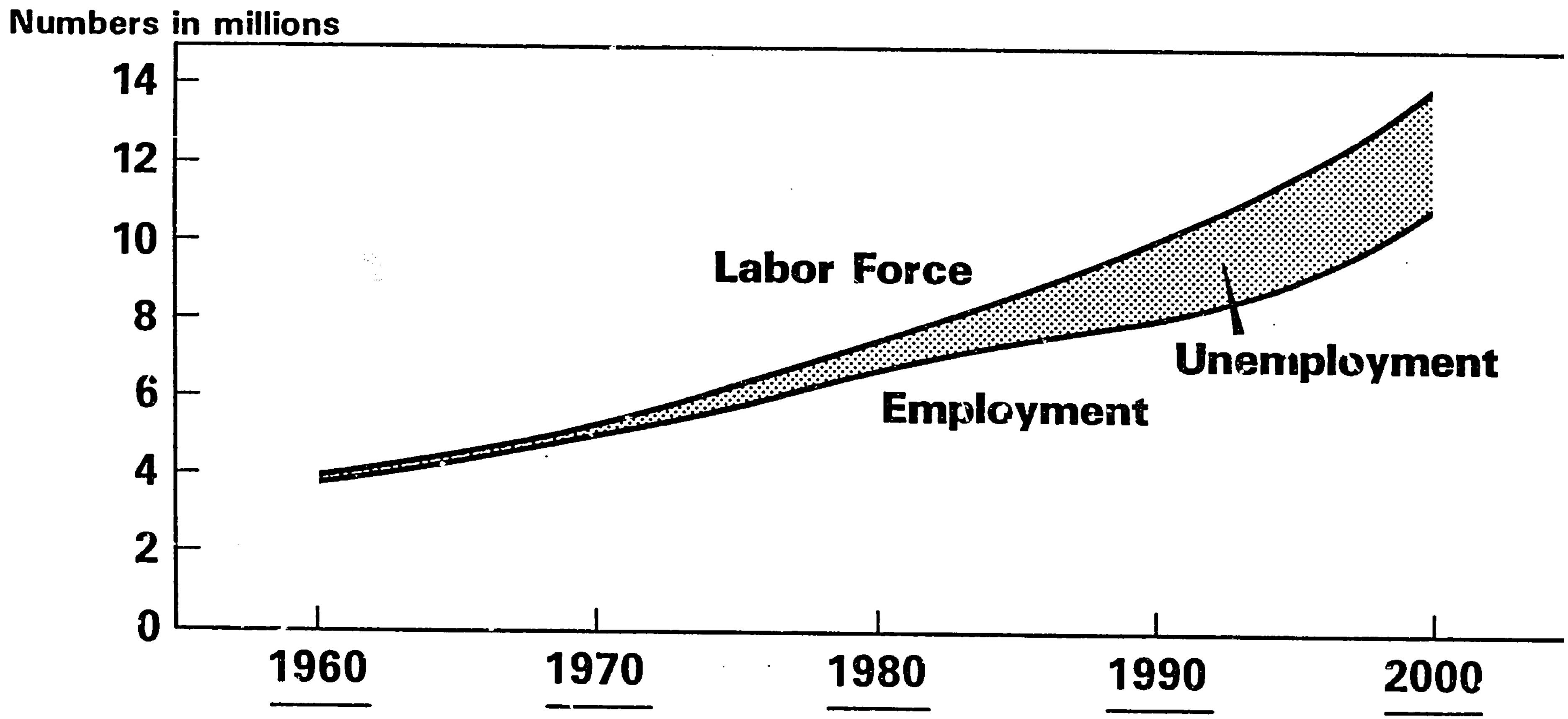
While a direct effort to generate productive employment through export-oriented production may be the major element of an appropriate development strategy, direct action to deal with the problems of extreme poverty in the region also appears essential, both to improve the quality of the human resource base, and to maintain social peace by spreading the benefits of growth more broadly. Spread of availability of adequate basic education to the poorest sectors of society is probably the single most important element in providing greater equality of opportunity over the long run.

Central America
Population Totals and Projections
Urban and Rural



Population	1960	1970	1980	1990	2000
Total	12.3	16.5	22.2	29.0	38.1
Urban	4.4	6.4	9.3	14.2	21.6
Rural	7.9	10.1	12.9	14.8	16.5

Central America
Labor Force and Employment Projections
(Millions)

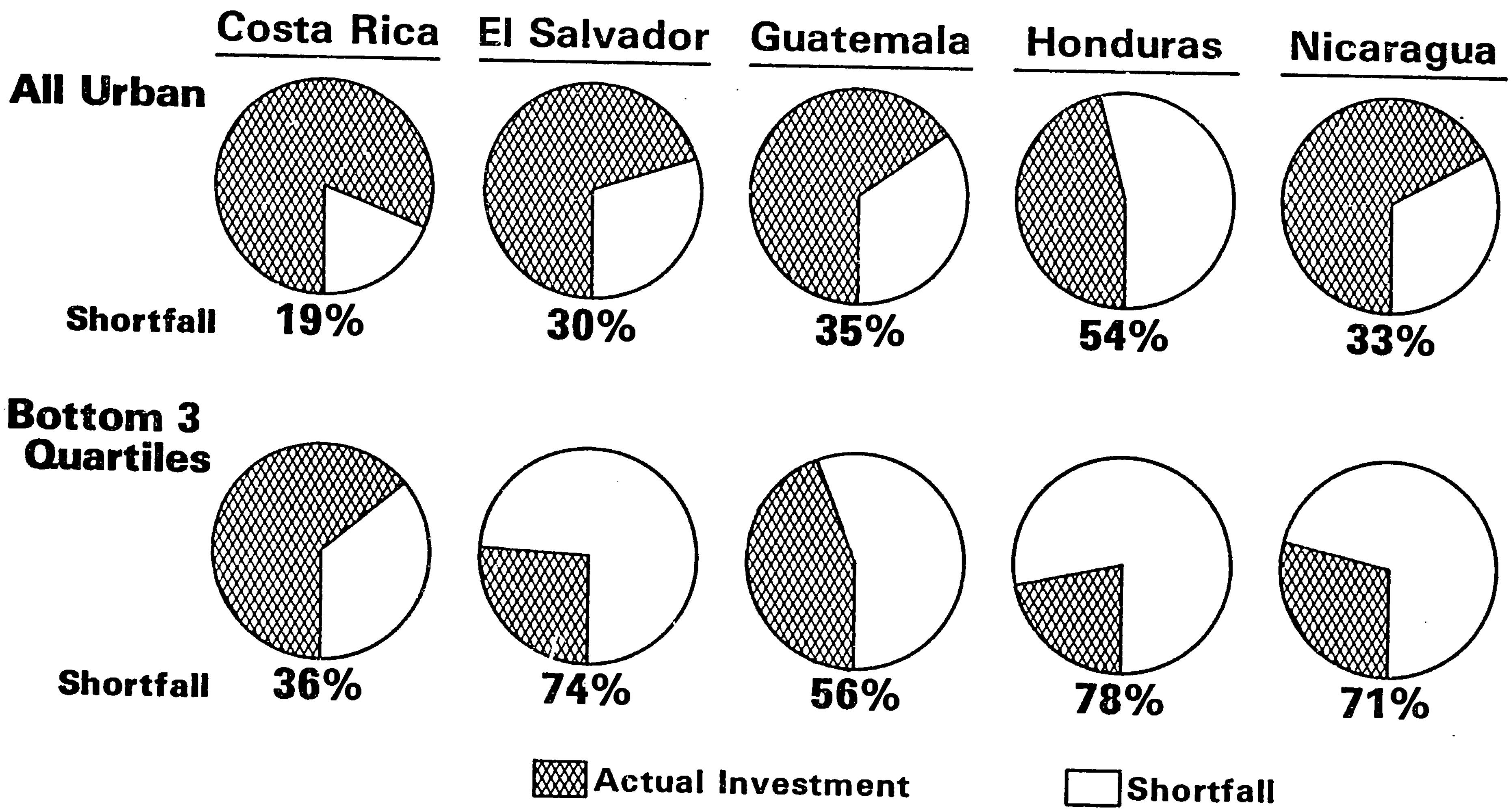


	1960	1970	1980	1990	2000
Labor Force	4.0	5.3	7.3	10.1	14.0
Employment	3.8	5.0	6.9	8.0	10.9
Projected Unemployment	0.2	0.3	0.4	2.1	3.1

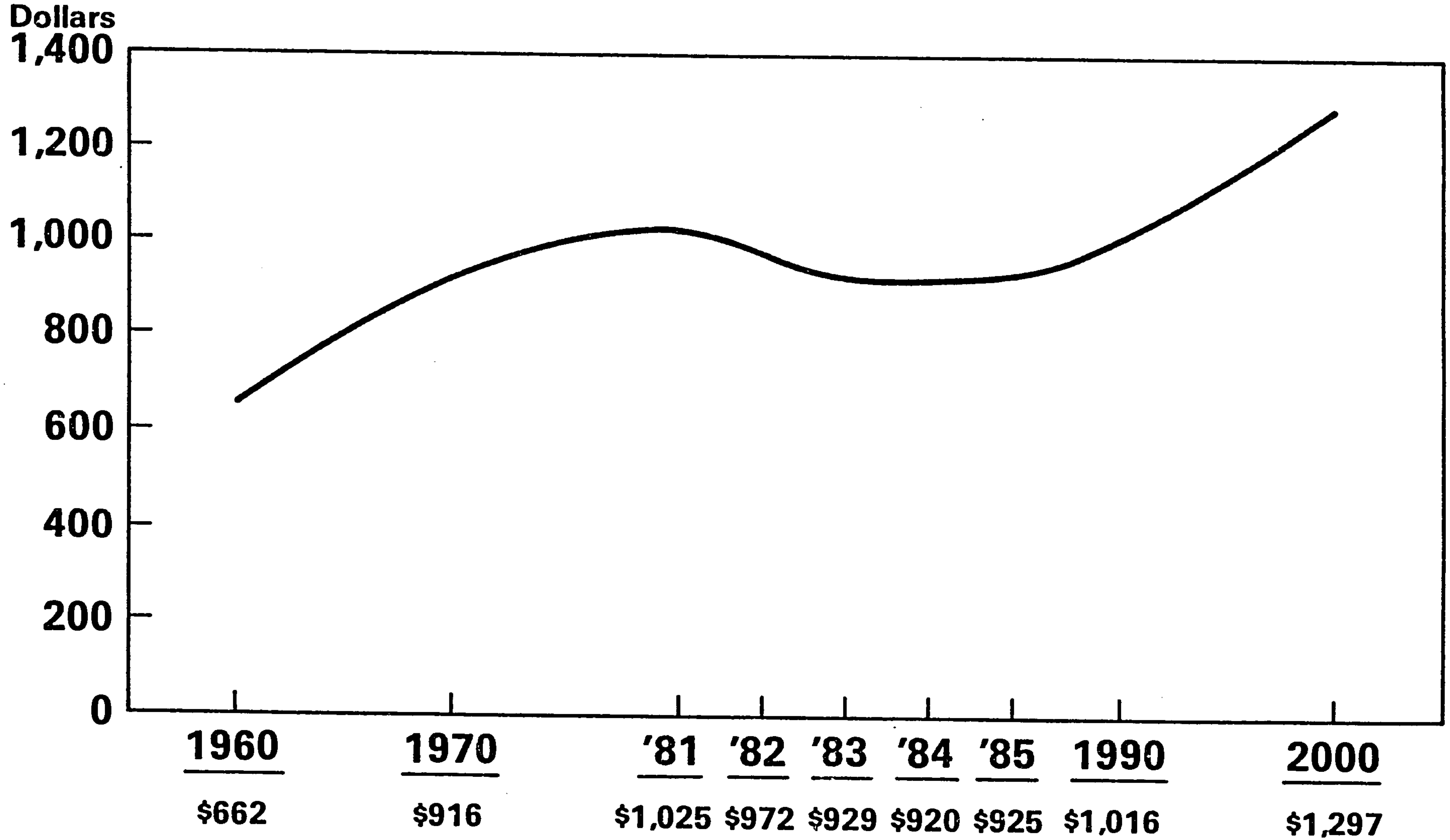
Central America
Structure of Production and Employment

	Labor Force (percent)	Production (percent)
Agriculture	49	24
Industry	20	24
Services	31	52
	100	100

Central America
Actual vs. Required Investment in New Housing



Central America
Growth of Per Capita Income
Actual and Projected, 1981 Dollars



ECONOMIC AND SOCIAL TRENDS IN CENTRAL AMERICA

INTRODUCTION

The countries of the Central American isthmus are experiencing their most severe economic crisis since the 1930s. Per capita income for the region as a whole -- and for most individual countries -- has fallen significantly since 1979 and will suffer another serious decline in 1983. This situation contrasts sharply with economic trends in the 1960s and most of the 1970s, when the region achieved substantial gains in per capita income, as well as in social indicators such as school enrollment ratios, life expectancy, and infant mortality rates. U.S. assistance to the region contributed in an important way to this progress.

The causes of the current economic crisis are both internal and external. Internally, armed conflict in El Salvador and Nicaragua has resulted in considerable destruction of economic infrastructure and productive capacity in industry and agriculture, as well as a loss of human resources, both as direct casualties of the conflict as well as through emigration. Costa Rica and Panama have found their growth constrained by the burden of large external debts accumulated through excessive borrowing. Guatemala, with very little external debt and traditionally sound fiscal policy, has suffered from an unwise spurt of expansionary fiscal policy at the beginning of the current decade. All of the countries of the region, to one degree or another, are constrained by policy rigidities which have made it difficult for their economies to make a necessary adjustment from a trade regime emphasizing production for a limited, protected domestic or regional market, to one oriented toward export production for markets outside the region.

External events have probably contributed even more to the economic crisis. The recession in the industrial economies in 1980-82 drove down sharply the prices of the region's primary commodity exports and also lowered the demand for its actual and potential industrial exports. The second oil price shock of 1979-80 sharply raised the costs of a key industrial input which must be supplied almost entirely through imports given the region's negligible petroleum production. At the same time, external debt-servicing obligations rose rapidly, a reflection in part of the heavy borrowing done in the mid- and late 1970s to maintain economic growth after the first oil price shock in 1973-74, and partly of the unexpectedly high interest rates which prevailed in the early 1980s as the industrial countries adopted corrective policies to achieve their own economic stabilization. The countries of the Central

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American isthmus have also faced difficulties in acquiring new short- and medium-term credit, as banks and other private lenders have become worried about political and economic conditions in the region as well as their own relative exposure there.

The economic deterioration in the region has caused unemployment and underemployment to rise to alarmingly high levels, and the incidence of poverty is growing. Despite concerted efforts by most governments in the region to deal with their problems through austerity programs and improved policies, near-term economic prospects are poor. Economic recovery will be especially difficult for countries with large external debts and those dependent on export crops such as coffee and sugar for which medium-term price prospects are not encouraging.

A. SOCIO-CULTURAL OVERVIEW

1. Indigenous Cultures

For millenia, Central America has been a land bridge for migration between North and South America, and for at least five centuries it has received migratory flows from the Caribbean islands. As a result, few clear lines can be drawn between racial groups, except in isolated areas. Intra-regional migration has been particularly heavy since the late 1970s because of political upheaval, further bending the definitions of who lives where.

The primary cultural influences in the region come from the Spanish immigrants who followed Columbus and established economic and social dominance over existing native peoples. Mayans and other indian tribal groups had settled throughout the area several thousand years ago, but their separate cultural identity has disappeared in most of the region. At present, indigenous groups are an important cultural influence only in Guatemala and parts of Belize. There is a variety of separate tribal traditions and languages among the Guatemalan Indians, however, and they have apparently only begun to identify themselves as a single people since the 1940s. This appears to have been one response to civil strife and fear of exploitation by the non-Indian population. In 1980, about 44% of the Guatemalan population was considered Indian, but only one-third of this group were considered to be traditional. The other two-thirds were in various stages of adaptation to Spanish culture. The 56% of the population characterized as non-Indian, are usually referred to as Ladinos. Ladinos are generally a mixture of European and Indian, but the term refers to acceptance of European customs and dress rather than to race.

12

Outside of Guatemala, the importance of indigenous groups is relatively small. The Miskito indians, a mixed-race group of Indians and escaped African slaves, number only some 20,000 and inhabit the Caribbean coast of Nicaragua and Honduras. Small indigenous Indian cultures also exist in Panama. Somewhat more important are the immigrants from Caribbean islands. Most of the Caribbean coast of the region is predominately Black or Black mixed with Indian and Caucasian. Many of the these people descended from migrants from Jamaica in the late 19th and early 20th centuries. West Indian culture is most important in Belize, where more than half of the population is of such roots, while the remainder are a mixture of various Mayan, Hispanic and European cultures. Non-Spanish cultural groups consititute relatively small minorities in Honduras, Nicaragua and Costa Rica.

While the diverse cultural influences at work in Central America undoubtedly affect the nature of the development process in the region, our understanding of the importance of such influences is quite limited. Various theories have been articulated concerning the impact of Spanish or indigenous culture on the pace or structure of development in Latin America. Yet there appears to be no convincing evidence that such influences are, in themselves, a major impediment to economic and social progress.

2. Religious Influences

Roman Catholicism is the dominant religion throughout the region, and the Catholic Church has traditionally been a conservative influence. In recent years, however, several noteworthy developments have occurred. First, liberal elements within the Catholic Church have acquired substantial influence, and have spurred political and social action programs with poorer groups, particularly those in rural areas. This has often brought the Church into conflict with local governments. Second, Protestant sects, notably fundamentalist groups (evangelicos), have become increasingly influential in parts of the region, particularly in Guatemala and El Salvador. Recently deposed President Rios Montt of Guatemala is a member of one such group. As in the case of cultural influences, religious factors are often cited as impediments to development, but the evidence on this matter is quite inconclusive.

3. Indicators of Social Welfare

Average levels of major social indicators, such as literacy rates, infant mortality rates and life expectancy, show that Central America is quite poor by U.S. standards -- or even by those of Latin America as a whole. Literacy in the region is below 70%, life expectancy is 62 years -- thirteen less than that in the U.S. -- and infant mortality is 66 per thousand, or about six times the current U.S. level.

Despite the current poor standards of education and health in Central America, considerable improvement has been made over the past two decades. Primary education has been extended to a larger segment of the population, with coverage of the primary-school age group rising from 68% in 1960 to 84% in 1981. The quality of primary education continues to be poor in much of the region, particularly in rural areas. Most of those without access to primary school live in rural areas. At the secondary level, education has gradually become a middle class aspiration where it previously had been reserved for only the elite. The percentage of the relevant age group in secondary school rose from 12% in 1960 to 29% in 1981. (As in the case of primary education, there is a considerable divergence among countries in coverage. Costa Rica and Panama show the most complete coverage, while Guatemala and El Salvador tend to lag furthest behind.

While progress in spreading education to poorer groups has been notable, improvements in average health standards are even more impressive. Life expectancy in the region rose from 50 years to 62 years between 1960 and 1981. The major factor in this decline was a sharp reduction in infant mortality due both to improved health care and better environmental health conditions, particularly access to potable water. The infant mortality rate fell from 113 per thousand in 1960 to 66 per thousand in 1981. Variation in health standards is even greater in the region than that of education. Costa Rica and Panama register infant mortality rates in the 20-25 range, while those in Honduras and Nicaragua are above 80 per thousand. In poor rural areas of the region, of course, infant mortality rates can be far higher.

B. <u>DEMOGRAPHIC TRENDS</u>

The population of the Central American isthmus nearly doubled from 1960 to 1981, from 12 to 23 million (see Table 1). Close to one-third of the region's population lives in Guatemala, and none of the other countries has more than 5 million people. Belize's population numbers only about 150,000.

The primary factor in the rapid population growth has been a sharp decline in mortality, particularly infant mortality, while birth rates have declined only modestly. A regional birth rate of around 40 per thousand combined with a death rate of 10 per thousand yielded a population growth rate of 3% per year in the last two decades. This was among the highest in the world. The region's population will continue to increase dramatically for years because of the large numbers of young mothers already born, even if fertility rates begin to come down rapidly. Current projections are for a regional population of 38 million in the year 2000.

While the countries of Central America have experienced rapid population growth, they continue to be individually small countries. This small size of the individual economies was a major motivating factor behind the formation of the Central American Common Market (CACM) in 1960. By creating a wider market, the member countries -- Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua -- hoped to expand the scope for industrialization by taking advantage of economies of scale in production. Even this wider market, however, proved to be too small to accomodate the efficient production of as wide a range of industrial products as had been anticipated. Despite rapid population growth in the 1960s and 1970s, the CACM's total population of 21 million in 1981 and its combined GDP in that year were only slightly greater than those of Peru and less than the population and GDP of Colombia.

Between the 1960s and the 1970s, population growth rates slowed significantly only in Costa Rica, Panama, and Belize, with the decline in the latter due largely to emigration. Current projections to the year 2000 show continuing declines in population growth rates in Costa Rica and Panama as well as slower growth in the other CACM countries. Even with these declines, the regional population growth rate between 1980 and 2000 is projected to be 2.7%, a rate at which the population would double in 26 years.

A rapidly growing population results in an age structure heavily weighted toward dependent age groups (particularly persons under 15 years of age), and this places considerable pressure on governments to increase spending for education, health, and other social services. Where population density is high, there are also pressures on the land which result in environmental deterioration, rural landlessness and near landlessness, and rural-to-urban migration. Table 2 shows that population density is especially high in El Salvador: 224 persons per square kilometer (580 per square mile), more than three times the figure for any other country in the region. One of the results of this pressure on the land, beginning decades ago, was considerable migration of Salvadorans across the Honduran border. This movement of population into the region's poorest (but relatively land-abundant) country was a major factor in the Honduran-Salvadoran war of 1969, one of the consequences of which was a crippling of the CACM, generally regarded as having had a successful first decade. Population density is also high in the Guatemalan highlands, though this is masked by a national figure which includes large stretches of sparsely populated (and not very fertile) land. At the other extreme is Belize, with a population density in 1981 of only six persons per square kilometer. Belize is now encouraging immigrants, including those from the CACM countries, and thus its population growth rate is expected to increase in the 1980s and 1990s. Still, Belize can play only a minor role in relieving the region's demographic pressures.

Rural-to-urban migration in the region in the 1960s and 1970s was not as rapid as in some other Latin American countries, with urban populations growing at an average of slightly more than 4% in both decades. The fastest growth was in Honduras and Nicaragua. As demographic pressure on the land rises, however, the rate of growth of urban areas -- and the resulting economic and political pressures on urban and national governments -- might well increase in the coming years.

C. AGGREGATE ECONOMIC TRENDS

The basic data on GNP and trends in economic growth in the region are summarized in Table 3.

Total output of the region in 1981 was $23.4 billion, or about triple the production in 1960. This corresponds to the total production of Maine and New Hampshire, which have a combined population of about one-tenth of that of Central America. The per capita income of Central America is just over $1,000, which puts the region into the World Bank category of "lower middle-income" developing countries. Average incomes are much higher than in "low income" countries, with per capita GNP below $400. China, and most countries of Africa and South Asia, but only Haiti in the Westerm Hemisphere, fall into the low-income category.

There are wide disparities among the individual countries in per capita income. Panama leads the region in per capita income at $1,900, followed by Costa Rica with over $1,400. El Salvador and Honduras have average incomes less than half that of Costa Rica's, while Nicaragua and Guatemala fall in the middle.

The growth of production was quite rapid during the 1960s, averaging 6.3% per year, with a slowdown to 4.1% during 1970-81. The latter figure, however, is strongly influenced by the declines due to the current violence in El Salvador and to that in 1977-78 in Nicaragua. Thus, for most of the region economic performance during the 1960s and 1970s was reasonably satisfactory, and probably historically unprecedented.

In per capita terms, the Alliance for Progress goal of annual economic growth of 2.5% per capita might be considered a reasonable minimum standard of adequate performance. It is higher than the historic per capita growth rate of the U.S. economy of about 1.8% per year, and it implies a doubling of per capita income every 28 years. By this standard, Costa Rica, Panama, Belize, and Guatemala all showed satisfactory growth, while that of Nicaragua was nearly so, at 2.4% per capita, until the wrenching impact of the 1977-78 civil war. El Salvador's per capita growth rate averaged 1.8% during the 1960-78 period, before the internal violence caused sharp declines in production that reduced the 1960-81 average to 1.5%. Honduras falls in last place with an average growth rate for the period of a clearly unsatisfactory 1.1% per capita. it was the poorest country in the region in 1960, and it fell further behind during the next two decades.

The growth performance over the 1980-82 period is summarized in Table 4. Because of world market conditions and external debt problems, all countries of the region except Panama showed a decline in GNP in 1982, after progressively poorer performance in 1980 and 1981. (The high rates for Nicaragua in 1980 and 1981 represent partial recovery after the sharp decline in 1977.)

The structure of production changed only slowly over the 1960-81 period (see Table 5). Typically, the share of total production originating in agriculture declined modestly from about 30% to about 25%, while that of industry rose from about 20% to 25%. There were some differences among countries, with Honduras continuing to be the most heavily agricultural of the Central American countries, but they are rather modest among the CACM countries. However, Panama shows a rather different process, with agriculture declining sharply in relative terms, while the service sector, due in part to Panama's key role in international shipping and banking, rose sharply.

Domestic savings and investment grew substanially during the 1960s and 1970s in all of the Central American countries. The relative prosperity encouraged substantial private sector activity, and governments began playing a significantly larger role during the period. Table 6 summarizes the data for 1960 and 1981, although the figures for the latter year are sharply lower for El Salvador and Guatemala than the average for recent years, because of the political violence.

D. INFLATION

Historically, inflation has been very moderate in Central America, with governments following conservative monetary policies. As indicated by Table 7, all of the Central American countries had inflation rates below 3% during the 1960s, with virtually no reported inflation in Guatemala and El Salvador. During the 1970s--particularly after the first oil shock--all the countries began experiencing significant inflation, with average rates in the 10-15% range. Most countries are now making progress in reducing inflation as a result of austerity measures, and recent rates are back in the single-digit range for all countries except Nicaragua, where substantial rationing and non-price allocation exists, and Costa Rica, where a dramatic fall in the exchange rate fuelled very rapid inflation in 1981 and 1982. In the latter country, partial figures for 1983 indicate a considerable moderation of inflationary pressures, from 90% to less than 20%.

E. FOREIGN TRADE

The most striking trend shown by the foreign trade statistics, Tables 8-11, is the growing economic openness of the region. Despite the formation of the Central American Common Market (CACM), both the dependency on imports and total levels of exports have risen. Table 8 demonstrates this trend by measuring the rise in ratios of imports and exports to GDP. There are major variations among countries, with Honduras most dependent on foreign trade and Guatemala relatively the most self-sufficient.

Exports grew rapidly during the 1960s, as demonstrated in Table 9. Growth then slowed to less than one-half its previous rate during the 1970s. Despite higher prices paid for oil after 1973, the growth of imports also declined. The region actually benefited from the terms of trade which improved for every country between 1975 and 1978 (Table 9) due to the coffee boom and excellent agricultural prices in general. The second oil crisis, coupled with depressed agricultural prices after 1978, sharply reversed the terms of trade. This was a major factor in generating the economic and financial crises now faced by the region. The present political and social turmoil has masked the fact that the region was facing a period of economic stagnation.

After the CACM was established in 1960, intra-regional trade grew rapidly, from $32.7 million in 1960 to $338.4 million in 1973 representing a growth rate of 19.9% per annum. As Table 11 shows, intra-regional trade represented a substantial percentage of exports by 1973. However, the CACM waa not a major contributor to growth per se. In no country did CACM exports account for more than 8% of GDP and, of course, this total overstates net gains from regional integration. The best estimates of the benefits derived from the CACM was made by William R. Cline of the Brookings Institution for the period up to 1972 (see <u>Economic Integration in Central America</u>, ed. William R. Cline and Enrique Delgado, 1978). Cline's study concludes that total welfare gains represent 1.6% of the region's combined GNP in 1968 and 2.0% of its GNP (excluding Honduras) in 1972. Every country was a net gainer. That is, no country lost due to trade diversion and higher import costs.

As Table 11 shows, intra-regional trade balances were small and easily financed by total trade until 1980. After that year, political turmoil, varying rates of inflation, and trade restrictions led to large deficits for all countries except Guatemala and Costa Rica, which were left with large currency balances from the deficit countries. As a result, automatic conversion of currencies was suspended and trade between CACM countries declined from $1.1 billion in 1980 to $775 million in 1982, or 31%.

F. <u>BALANCE OF PAYMENTS</u>

In 1970 the combined current account balance-of-payments deficit for the countries of the Central American isthmus was $241 million, equivalent to 3.7% of the region's GDP in that year (see Table 12). By 1980 the deficit had climbed to $1,909 million, and in the following year it rose to $2,534 million (10.8% of the GDP). The deficits in the last three years have been highest in Nicaragua and Costa Rica and lowest in Guatemala and El Salvador. These large deficits, and those in preceding years, were financed at first by external borrowing and later by a combination of external borrowing and a drawing down of international reserves. Gross international reserves fell from $1,603 million at the end of 1978 to $584 million at the end of 1981 (see Table 13), and net international reserves became negative for practically all countries.

The current account deficit in 1982 improved to $2,058 million, and gross reserves rose slightly to $669 million, as countries were forced to restrict imports because of a shortage of available foreign exchange. Costa Rica, El Salvador, Honduras, and Panama are now implementing stabilization programs supported by the International Monetary Fund (IMF), and Guatemala has been discussing a similar arrangement with the Fund. Belize recently received IMF assistance under the compensatory financing facility, which provides assistance to partially offset declines in export earnings. Nicaragua has chosen not to seek IMF assistance, apparently objecting to the policy reforms the Fund would likely insist upon as conditionality.

The near-term outlook for the region's balance of payments is not bright. World Bank projections show coffee prices deteriorating in real terms throughout the 1980s, and the outlook for sugar prices is also unfavorable. Although the United States economy is currently in a strong recovery phase, most other industrial countries are still struggling to come out of the recession brought about by the second oil price shock. This limits the demand for developing-country exports, both agricultural and industrial. Moreover, the sustainability of the U.S. recovery may be threatened by higher interest rates, which would both reduce Central America's export prospects and increase its debt servicing requirements.

Most countries in the Central American isthmus have recently taken serious steps to implement export promotion policies aimed at expanding and diversifying exports, and the recent passage of the trade and investment provisions of President Reagan's Caribbean Basin Initiative will provide further incentives, especially for agroindustrial and other manufactured exports to the United States. But given the low base from which their extra-regional manufactured exports is starting, it will be some years before these exports can provide a major contribution to foreign exchange earnings, even if they begin to achieve real growth rates of 15-20% in the next year or so. And for this kind of growth to occur, additional economic policy reforms, as well as an improvement in the political environment, are needed.

In summary, the countries of the region -- especially those with heavy debt-servicing burdens (Costa Rica, Nicaragua, and Panama, as discussed in Part I.G. below) -- will find their economic growth prospects for the 1980s seriously constrained by foreign exchange shortages. In the absence of significant increases in official and private capital inflows (including the return of flight capital back to the Central American isthmus), the prospects for most the 1980s are for slow economic growth, increased unemployment and poverty, and, consequently, growing social unrest.

G. EXTERNAL DEBT

The combined public external debt of the countries of the Central American isthmus (outstanding and disbursed) rose from $158 million in 1960 to $767 million in 1970, then jumped sharply to $9,160 million in 1981 (see Table 14). As noted earlier, much of the debt acquired in the last decade was a response to the first petroleum price shock, as countries sought to cushion the impact that this event had on their economies. A good part of the debt was acquired when countries were favored by relatively high prices for their exports (especially coffee and to a lesser extent sugar), and interest rates on borrowings from commercial banks were relatively low. However, these loans were contracted at variable interest rates (usually LIBOR plus a specified percentage spread); when world interest rates rose sharply, debt servicing requirements increased. This unexpected burden coincided with higher prices for imported petroleum and lower prices for the region's coffee and other major commodity exports.

In retrospect it is clear that some countries had borrowed excessively, with unrealistic assumptions about the sustainability of high commodity export prices and the availability of continued financing of their development programs by commercial banks. The most extreme case was Costa Rica, where external borrowing was used to finance current as well as capital expenditures and where, because of lack of control over decentralized agencies, the central government did not realize how large the country's external public debt had become. By the end of 1981, this debt had reached $2,246 billion (about $1,000 per capita). The terms of Costa Rica's public external borrowing in 1981 show a marked contrast with those in 1970: interest rates averaged 14.2%, up from 5.6%; the average maturity plummeted from 28 to 6 years; and the average grace period fell from six years to two (see Table 15). One year later, Costa Rica's public external debt, including accumulated arrears, had reached approximately $3.5 billion.

Large external debts have also been accumulated by Panama and Nicaragua, whose ratios of debt to GDP in 1981 were 64% and 80%, respectively, compared with 93% for Costa Rica (see Table 15). Debt service as a percentage of GDP, which was no more than 5% in all countries of the region in 1960, soared to more than 60% in some years (Panama in 1978, Costa Rica in 1982 on the basis of payments due, including accumulated arrears), figures that unfortunately are masked by the data in Table 15. Panama brought its debt under control a few years ago; Costa Rica has now reached rescheduling agreements with both its public and private creditors, though even with these

21

reschedulings it is likely to need additional debt relief in the near future. There is insufficient information on Nicaragua's external debt problem, but the large size ($1,975 million at the end of 1981) of the outstanding and disbursed debt and short average maturity of recent loans (10 years in 1981) suggest that repayment will be a serious problem despite the relatively low interest rates (an average of 6.1% in 1981) on recent borrowings.

Guatemala and El Salvador represent the other extreme with respect to debt: per capita debt was only about $90 and $140, respectively, in 1981, and ratios of debt service to exports were just 3% in Guatemala and 4% in El Salvador. New debt is still being acquired largely from international development agencies, on favorable terms. Honduras is in an intermediate position. Although it has access to very soft loans from the official donor community, increased borrowings from commercial lenders lowered the average maturity in 1981 to 19 years and raised the average interest rate to 10.7%, terms that were less favorable than those for Guatemala and El Salvador.

H. LABOR FORCE GROWTH AND EMPLOYMENT

In the five CACM countries the labor force grew at a higher annual rate during 1970-81 than during the previous decade (see Table 16). In contrast, Panama experienced a higher growth rate during 1960-70. Since global labor force participation rates simultaneously fell in all countries but Panama (see Table 17), and international immigration from outside Central America is not substantial, the rise in labor force growth rates during 1960-81 reflects the impact of the rising population growth rates that most countries in the region experienced in the recent past.

Labor force projections for 1980-2000 show a rise in the growth rates of El Salvador and Honduras, falling rates in Costa Rica and Guatemala, and basically stable rates for Nicaragua and Panama. In all instances the projected labor force growth rates are high, suggesting that the Central American economies will have to generate productive jobs at relatively rapid rates during the next two decades if a deterioration of the labor market situation is to be avoided.

Labor force participation rates in Central American countries have shown the same trends as most other Latin

American countries. As shown in Table 17, participation rates have consistently fallen for males and risen for females. Basically because of the greater weight of males in the labor force, the net effect of these opposing trends has been a reduction of global participation rates in all cases except Panama.

These trends are indicative of significant interactions between economic and cultural factors. On the one hand, the fall in the participation rates for men, which occurs in basically all age groups although it is more pronounced among young and elderly men, basically reflects the combined impact of higher rates of school attendance for young adults and higher retirement ratios among older men. On the other hand, the rising participation rates for women -- which take place in practically all age groups -- underline the increasing involvement of Central American women in all aspects of social life.

The sectoral distribution of the labor force experienced marked changes during 1960-80 (see Table 18). The proportion of the labor force in agriculture fell in all countries, especially in Costa Rica, Panama, and Nicaragua. In Honduras and Guatemala more than half of the labor force remained in agriculture. The shares of both services and industry rose, with the increase more pronounced in services. Industry's share of the GDP ranged from 15% in Honduras to 23% in Costa Rica. The services sector accounted for 55% of Panama's GDP and 48% of Costa Rica's, but only for about a quarter of the GDP in El Salvador, Guatemala, and Honduras.

Tables 16 and 18 also shed light on changes in labor productivity (output per worker). A ratio of GDP growth to labor force growth of 1.00 indicates no growth in labor productivity, and a ratio of less than 1.00 indicates negative productivity growth. Table 16 shows that only Nicaragua, between 1970 and 1981, experienced a decrease in productivity. It is evident, however, that all countries experienced significant decreases in the growth of labor productivity during the 1970s.

Sectoral productivity indicators show agriculture with significantly below-average labor productivity in both 1960 and 1980, while productivity in both industry and services was above average. Although these traits are common to all countries, there were inter-country differences in the way relative productivity changed across sectors. For example, while the relative productivity of agriculture rose in Costa Rica, Nicaragua, and marginally, in El Salvador, it fell in Panama and Honduras.

Relative productivity in industry and services was lower in 1980 than in 1960, thus narrowing inter-sector differentials. While this change may reflect a catching up process by agriculture, when one considers that all countries experienced a fall in GDP growth and in overall labor productivity growth during 1970-81 relative to 1960-70, it is plausible to conjecture that the compression of inter-sector differentials in productivity in part relates to a loss of technological dynamism in the faster growing sectors. On the other hand, part of the change is due simply to the greater weight of industry and services relative to agriculture in the GDP.

Figures on open unemployment in the Central American countries are fragmentary and often of poor quality. In Costa Rica, the open unemployment rate rose from 4.5% in 1978 to 8.7% in 1981, but then increased only to a reported 8.9% in 1982 despite a fall in GDP of 8.8%. This implausible result is attributable largely to a significant increase in reported agricultural employment, even though real agricultural output in 1982 fell by about 5%. Panama's reported open unemployment rate (8.2% in 1980, compared with 6.5% in 1975) also underestimates actual unemployment. In both Costa Rica and Panama, the open unemployment rate in 1982 was probably about 13-15%. In El Salvador, unofficial estimates place it at 30% or more. Unemployment rates usually are significantly higher for women than for men.

Some observers argue that in poor countries underemployment provides a more relevant indication of employment problems than open unemployment. Unfortunately, it is difficult to quantify underemployment. One indirect approach focuses on changes in the proportion of own-account and unpaid family workers (hereinafter, OAUF workers) in the labor force. As the incidence of underemployment is likely to be higher among these workers, an increase in their proportion probably reflects an increase in underemployment. Table 19 presents information pertinent to such an analysis. Since the figures relating to agriculture are less reliable than those for OAUF workers in other sectors, the data in Table 19 are disaggregated along these lines.

A main point that emerges from the figures is that the proportion of the labor force accounted for by OAUF workers in agriculture has declined, while that for OAUF workers in other sectors has risen. Since the proportion of wage earners in the labor force rose between 1960 and 1980, one may conjecture that some of the previously underemployed OAUF workers in

24

rural areas have become wage earners in the modern rural and urban sectors and that, in addition, some underemployment has been transferred from rural to urban areas. This implies that current and future recessions are likely to have a stronger impact on urban unemployment than has been the case in the past. From this perspective the potential for social unrest is therefore higher.

I. INCOME DISTRIBUTION

Data on income distribution are poor for reasons of reliability and incompatability of coverage, and they are misleading for conceptual and methodological reasons. For some Central American countries, the evidence presented in Tables 20 and 21 is conflicting, and often it is at variance with the conventional wisdom regarding equity in particular countries. Nevertheless, the bulk of the evidence suggests that there is a relatively high degree of income inequality throughout the region. It is difficult, however, to say what the trend in income distribution has been. Data in Table 20 suggest a trend toward greater equality in income distribution during the 1960s, while Table 21 suggests that the income share of the poorest 40% of the population fell over these years. Information on income inquality in the 1970s is more limited and not readily available.

Table 20 provides information on Gini coefficients of income concentration. Gini coefficients are based on the Lorenz curve, which relates cumulative income shares to the cumulative percentage of income recipients in different income brackets. The higher the figure, the greater is the degree of income concentration (inequality). The Gini coefficients in Table 20 are not directly comparable, either among countries or within the same country over time. Even with the same data set, Gini coefficients can vary by 10-20% depending on what is counted as "income" and on whether the coefficients are based on individual or household incomes (see, e.g., the Honduras data for 1967/68). Thus they provide only a rough indication of income inequality.

Gini coefficients of .50 or more can be considered as very high, and thus a figure of .52 for Costa Rica in 1961 is surprising given that country's reputation for having long followed equitable development policies. The reduction in the Gini coefficient to .44-.48 in 1971 is certainly plausible, but even these figures are relatively high. Data on the income share of the poorest 20% or poorest 40% of the population in Costa Rica show these shares to be higher than in other countries of the Central American isthmus, but data set A in Table 21 shows that the share of the poorest 60% is slightly below the average for 15 Latin American countries, while the shares of the highest 20% and highest 5% are higher than average. Data set B (1971 data) also shows an income share for the highest 20% that exceeds the Latin American average as well as the average for all 49 developing countries in the set. This study, it may be noted, classifies Costa Rica -- as well as the other three countries of the Central American isthmus for which data are available (El Salvador, Honduras, and Panama) -- as a "high income inequality" country. Costa Rica's reputation for equitable development policies would seem to stem more from the widespread coverage of health and educational services provided to its citizens, as well as from relatively greater equality of opportunity to participate in economic, social, and political life in comparison with other Central American countries.

El Salvador's Gini coefficients, and their drop during the 1960s, are very similar, surprisingly, to Costa Rica's, as are the income share data in Table 21. Most observers, however, would regard El Salvador as having a much more inequitable society than Costa Rica. This perception is probably traceable largely to differences in coverage of health, education, and other social services, which is much more limited in El Salvador than in Costa Rica. Moreover, El Salvador's citizens have traditionally not had much of an opportunity to participate freely in the political process, and its large population of landless and near-landless rural laborers has had less hope for alternative, more productive economic opportunities.

Neither Table 20 nor Table 21 provides income distribution data for Guatemala, but sociological and anthropological studies, as well as income data for rural areas -- particularly in the heavily Indian-populated highlands -- leave little doubt that income distribution is very unequal. The distribution of agricultural land is known to be one of the most unequal in the hemisphere.

The Gini coefficients for Honduras, and the income share data in Table 21 (presumably from the same data base) show income inequality to be higher than in any other country of the Central American isthmus for which data are available. This is surprising in view of the conventional wisdom, which sometimes goes to the extreme of suggesting that almost everyone is equally poor and that there are no families as fabulously rich as some in Guatemala or El Salvador. The truth lies somewhere in between these extremes. On the one hand, there is still relatively abundant agricultural land for those who want more of it, and the income data in Tables 20 and 21 probably underestimate imputed income in the form of food produced by farmers for their own families' consumption. On the other hand, health and educational services are not very widespread. At the very least, the available evidence suggests that the conventional wisdom on income inquality in Honduras should be seriously questioned.

There are no income distribution data for Nicaragua in either Table 20 or Table 21. Income inquality during the Somoza years was probably fairly high, and coverage of health and educational services less than what one would expect of a country with Nicaragua's per capita income. The Sandinista regime has provided more income equality, a greater spread of social services, and more of a sense of participation for many people. But unless the regime's overall economic policies change, this may prove to be the kind of "stagnant equality" that has characterized Cuba in the last 25 years.

Income distribution data for Panama are broadly similar to those of Costa Rica, and like its neighbor to the north, Panama since 1960 has achieved widespread coverage of health, education, and other services. Political participation through the electoral process, however, has been more restrictive, though there have been positive movements lately toward a more participatory democratic electoral process.

There are no available data on income distribution in Belize. In general, however, the sense of equity in Belizean society seems to be closer to that in Costa Rica and Panama than to that in the other countries of the region.

J. PUBLIC FINANCE

The role of government in the CACM countries, as measured by the ratio of central government expenditures to GDP, increased steadily from an (unweighted) average of about 13% in 1970 to about 18% in 1980. The ratio rose by at least 3 percentage points in all CACM countries. In Panama, where the ratio was already 20% in 1970, there was a rise to 26% in 1980. There is no comparable 1970 figure for Belize, but in 1980 the central government accounted for 30% of that country's GDP (see Table 22).

Revenue growth in the CACM lagged behind expenditure growth, rising only from 12% of the GDP in 1970 to 13% in 1980. The average central government deficit thus rose from 1% of the GDP to 5% over this period. In Panama, revenues expanded more rapidly, from 15% of the GDP to 20%, but the deficit still rose, from 5% of the GDP to 6%. The deficit in Belize was a modest 3% in 1980.

Since 1980 expenditures in the CACM countries as a whole have levelled off, rising in relation to the GDP in El Salvador and Honduras but falling in Costa Rica and Guatemala. Revenues, however, have also levelled off. While Costa Rica succeeded in reducing its central government deficit from 8% of the GDP in 1980 to 3% in 1982, Honduras and El Salvador experienced rising deficits. In Panama and Belize, both government expenditures and the public sector deficit rose significantly as a percentage of GDP.

A reduction in the fiscal deficit is a major objective of the stabilization programs now being implemented by most of the countries in the region. To date, the sharpest cuts have been in capital expenditures, as governments are understandably reluctant to reduce spending for health, education, and other social services. Public sector wage increases, however, have lagged well behind inflation in some countries. On the other hand, political events in the region have created pressures to increase defense and security expenditures.

K. AGRICULTURE AND RURAL DEVELOPMENT

Agriculture is the largest single sector of the economy in each of the Central American countries. It continues to play a major role in their economies despite a reduction of its relative contribution to output -- a reduction that is a normal part of the process of economic growth. In 1981 agriculture contributed a (weighted) average of 23% of the region's GDP, compared with 29% in 1960. It also still provided nearly half (49%) the number of jobs in the region, compared with about 63% in 1960. Moreover, agriculture continues to contribute the great bulk of the region's foreign exchange earnings from exports to non-regional markets, with coffee alone accounting for about 40% of these earnings. The region now enjoys a healthy positive balance in agricultural trade, but the decline in this balance in 1981 could well continue, given the poor outlook for export prices in the 1980s and the recent sluggishness of production trends.

Because of a relatively good sector performance in the 1960s, per capita food and agricultural production is now about 10% above its level of two decades ago. But production during the 1970s lagged behind population growth, and the current economic crisis makes it difficult to reverse this trend because the credit and foreign exchange necessary to purchase modern inputs are in short supply.

Land and labor productivity in Central American agriculture remain low despite some recent improvements. Crop yields per hectare compare unfavorably with developed countries. Labor productivity averages only about half the economy-wide figures, and in Panama it is only 37%. This is reflected in very low agricultural incomes for many farmers and farm laborers, and thus the incidence of rural poverty is high.

Of Central America's 52 million hectares of land area (including Panama, but excluding Belize), about 5.3 million are in permanent pastures. The United Nations Food and Agriculture Organization (FAO) estimates that as much as 24.1 million hectares could be cropped, while an additional 15.8 million are suitable for permanent pastures. These figures, however, include vast, sparsely populated areas of eastern Honduras, Nicaragua and Costa Rica, as well as Guatemala's Peten region, for which sustainable productive technology has not been developed and which are virtually devoid of infrastructure. Potential cropland is also overstated because sizeable areas must be fallowed in order to maintain the land's productivity under current agricultural practices. Population pressures -- especially in El Salvador and the Guatemalan highlands -- have resulted in deforestation, soil erosion, and other environmental degradation. Even in some sparsely populated colonization areas, agricultural land resources are being depleted by destructive practices associated with shifting agriculture.

Agricultural resources are very unequally distributed in most of the region. Even in Costa Rica, generally regarded as having the most equitable socioeconomic structure in Central America, 36% of the land is in large farms of 500 hectares or more which constitute only 1% of the country's total landholdings. In Guatemala the same percentage of the land is accounted for by a mere 0.2% of all agricultural landholdings, while in El Salvador 1.5% of the landholdings controlled 50% of the land in farms before the recent agrarian reform in that country.

Agricultural price controls, export/import restrictions, credit regulations,and other government policies often have discouraged agricultural production or have misdirected resources within the agricultural sector. Governments have also been slow to encourage or introduce improvements that would expand and make more efficient the domestic and external marketing of agricultural products. In addition, they have done relatively little to stimulate improvements in production techniques and technologies through crop, livestock, and forestry research, extension services, and technical education. Some countries -- especially Costa Rica, Panama, and Nicaragua -- have demonstrated a concern with broader aspects of rural development by widening the coverage of health and educational services in rural areas. Nevertheless, throughout the region insufficient attention has been given to the encouragement of agroindustry and other non-agricultural rural enterprises that could provide more employment and reduce the incidence of rural poverty.

L. PROJECTIONS OF KEY ECONOMIC AND SOCIAL TRENDS 1980-2000

The population of the Central American isthmus, which totalled 23 million in 1981, is currently projected to grow to 29 million in 1990 and to 38 million in the year 2000 (see Table 23). This represents an annual growth rate of 2.7%, lower than the 3.0% growth rate of the two preceding decades but still a very rapid rate of demographic expansion. The potential social and economic consequences of a continued high rate of population growth, discussed elsewhere in this document, highlight the importance of seeking measures to lower the population growth rate in the remainder of this century below the current projection.

While additional resources for family planning can have an important impact on population growth rates, there is abundant evidence to suggest that lower population growth rates also depend heavily, perhaps predominantly, on rapid economic growth accompanied by policies that promote a widespread sharing of the benefits of economic expansion. Family planning programs are especially effective in such an environment because the demand for family planning information and services tends to grow rapidly when men, and especially women, have more economic and social options in their lives.

Unfortunately, the economic outlook for the short term, and even the medium term, is not bright for the countries of the Central American isthmus. The region's terms of trade remain unfavorable, and prospects for a significant improvement in the near future are not great, largely because of unfavorable price prospects for coffee and sugar, two of the region's major exports. Short-term prospects for diversification and expansion of agroindustrial and other manufactured exports are constrained by the slow economic recovery in the industrial countries as a group, and by political and security problems in several Central American countries. These problems have had a negative effect on domestic and foreign investment and on private foreign lending, not only in the countries directly concerned, but in the rest of the region as well. The recent passage of the trade and investment provisions of President Reagan's Caribbean Basin Initiative will have a positive effect on export prospects in the region, but the short-run benefits will be modest. Moreover, the full potential of these meaaures cannot be realized without a solution to the region's political and security problems.

Projections of GDP growth in the Central American isthmus to the year 2000 are shown in Table 24. Using World Bank data for 1981 as a base, GDP figures for 1982 are computed on the basis of the growth rates reported in Table 4, and 1983 figures are calculated on the basis of recent estimates of economic performance during the current year. Projections are then made for 1984, 1985, 1990, and 2000. All figures are in constant (1981) dollars.

Aggregate GDP in the region as a whole fell by 2.7% in 1982, and a further decline of 1.6% is anticipated in 1983. Some recovery is expected in 1984, but the projection shows a positive regional growth rate of only 1.5%. Short-term prospects are restricted by the economic stabilization programs that will continue to be implemented in 1984, by a relatively slow (though improving) recovery in the industrial countries, and by the uncertainties of the political and security environment, even if that environment improves as anticipated. By 1985 all these constraints will be less binding, and a regional growth rate of 3.3% is projected. This is still a slow rate of economic growth, but rapid recovery in a number of countries will continue to be constrained by debt-servicing obligations and by the need for countries to move toward positive (and growing) net international reserves. It is not until 1985, it may be noted, that aggregate GDP for the region is projected to recover its 1981 level.

31

Recovery from the 1982-83 decline is projected to be strongest in Belize (an average GDP growth of 4.5% in 1984-85), less vigorous in Honduras, Nicaragua, and Panama (2.9% to 3.2%), and weakest in Costa Rica, El Salvador, and Guatemala (1.8% to 2.5%). Nevertheless, El Salvador could well achieve a GDP growth rate of 4.0% in 1985 if that country's political and security problems are well on their way to solution by that time.

Projections for 1985-1990 show regional growth rates ranging from an average of 3.8% in Nicaragua (even assuming continued heavy foreign capital inflows and reformed policies within the current economic model, debt servicing being a major constraint) to 5.0% in El Salvador, Honduras, and Belize. Costa Rica's growth rate (4.0%) will continue to be limited by heavy debt-servicing requirements. The regional growth rate for 1985-90 is 4.6%, bringing aggregate GDP in 1990 to $29.5 billion, or 26% above the 1981 level of $23.5 billion.

The projections for 1990-2000 show a regional growth rate of 5.3%, raising aggregate GDP to $49.4 billion in the year 2000. This assumes restoration of a vigorous international economy where trade and capital flows can function without major impediments. The projected regional growth rate is still below that of the heady days of the 1960s (6.3%) and the early 1970s, largely because of heavier debt-servicing requirements, relatively less availability of concessional finance, and greater caution of the part of both borrowers and lenders regarding the acquisition of new debt. The projections assume that some important economic policy reforms will have been implemented and institutionalized, but it is assumed that social, cultural, and political obstacles will prevent a radical shift to a very open economic model along the lines adopted by the East Asian "Gang of Four" (Hong Kong, Singapore, South Korea, Taiwan).

The population figures in Table 23 may now be combined with the GDP figures in Table 24 to project trends in per capita income for the remainder of the century. Table 25, using World Bank 1981 figures as a base, shows that per capita GNP (assumed to change at the same rate as per capita GDP) falls in all countries of the region through 1984. The decline is sharpest in Costa Rica, El Salvador, and Guatemala. For the region as a whole, per capita GNP is projected to decline by a total of 11.1% between 1981 and 1984. Thereafter it begins, slowly, to rise, by 0.6% in 1985 and by an annual rate of 1.8% between 1985 and 1990. The regional per capita GNP in 1990, approximately $1,000, is still 2% below the 1981 figure of $1,020 (see Table 3). The countries not regaining their 1981 level of per capita GNP are Costa Rica, El Salvador, and Guatemala.

From 1990 to 2000, per capita GNP in the region is projected to grow at an annual rate of 2.6%, raising the per capita GNP figure to $1,290. This is only slightly higher than the 1981 figure for the Dominican Republic, leaving the region still at a relatively low level of development compared to the rest of Latin America.

A particularly disturbing aspect of the GDP projections for the 1980s and the 1990s is their implication for employment. Table 16 shows that the labor force in all of the countries in the Central American isthmus is projected to grow faster than the overall population, a reflection of the rapid population growth of the recent past and of higher participation rates for women. For the region as a whole, the projected labor force growth rate is 3.2%.

This projected labor force growth rate for the 1980s is faster than the projected GDP growth rate of only 2.6%. Thus, even if average labor productivity in the economy is constant, economic growth in the 1980s would be insufficient to absorb all new entrants into the labor force, let alone reduce current rates of unemployment. For the countries of the region to be more competitive in external markets, however, productivity in some industries will have to rise rapidly, and under normal circumstances one would expect average labor productivity in the economy as a whole to increase. But even assuming a relatively labor-intensive pattern of development, resulting in an elasticity of employment with respect to GDP of 0.6 (employment growth rate divided by GDP growth rate), employment would grow by only 1.6% a year, leaving half of each year's addition to the labor force, on the average, unemployed.

The countries most affected would be Costa Rica, El Salvador and Guatemala. It is possible, of course, that open unemployment would not in fact grow by this amount each year, and that the problem would turn up instead as underemployment. In other words, employment elasticity would be greater than 0.6, and average productivity in some sectors or even industries would be falling. If employment elasticity exceeded 1.0, average productivity for the economy as a whole would decline. This alternative of greater underemployment is hardly more desirable than that of higher rates of open unemployment.

These projections, of course, are highly disturbing. Open unemployment rates throughout the region are already at, or near, double figures, and they would rise considerably under the economic growth scenario projected above. Even in the 1990s, when GDP is projected to grow by 5.3%, an employment elasticity of 0.6 would result in employment growth of just 3.2% a year, exactly matching labor force growth but not creating any employment opportunities for those already unemployed.

The implication of this scenario is that countries must give serious consideration to adopting additional economic policy reforms in an effort to increase production, both for domestic and regional markets as well as for external markets. This will require better resource allocation, including significant changes in policies that currently distort resource use in favor of capital goods and away from labor. Policies that do more to attract external capital inflows (direct investment as well as loans and credits) would be an important element of a growth-enhancing strategy.

The employment problem in the Central American isthmus will become more of an urban problem during the 1980s and 1990s. Table 26 shows that all countries in the region will be more than 50% urbanized by the year 2000, compared with two in 1980. The regional average will rise from 43% in 1980 to 55% at the end of the century. Whether the problem appears as higher open unemployment or greater underemployment, those affected are better able to mobilize their discontent in urban areas than in rural areas. This will increase the danger that social unrest will be manifested in ways that cause serious economic and political disruptions.

In addition to facing the challenge of finding jobs for a rapidly growing labor force, Central American countries must also face the demands for medical care and other social services by populations that will be living longer. Table 27 shows that life expectancy in the region, already believed to be 60 or more in all countries except Nicaragua and averaging 63 years, is projected to rise to an average of 70 during the period 2000-2005. If economic growth does not exceed the projections in Table 23, meeting these demands will be difficult.

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34

Table 1

Population at Mid-Year, 1960 and 1981, and
Population Growth Rates, 1960-2000

	Population at Mid-year (millions)		Population Growth Rates (percent)		
	1960 a/	1981	1960-1970	1970-1981	1980-2000 b/
CACM					
Costa Rica	1.2	2.3	3.4	2.8	2.1
El Salvador	2.6	4.7	2.9	2.9	2.8
Guatemala	4.0	7.5	3.0	3.1	2.6
Honduras	1.9	3.8	3.1	3.4	3.1
Nicaragua	1.4	2.8	2.6	3.9	2.9
Panama	1.1	1.9	2.9	2.3	2.1
Belize	0.1	0.1	2.9	1.9	2.4c/
REGIONAL TOTAL OR AVERAGE	12.3	22.9	3.0	3.0	2.7

Sources: World Bank, World Development Report 1983, Annex Tables 1 and 19; World Bank, Economic Report on Belize, Report No. 4446-BEL (Washington, D.C., 26 April 1983); Belize Census of Population 1960.

a/ Extrapolations based on the growth rate trends reported in this table.

b/ Projected.

c/ Estimate.

Table 2

Population Density and Urbanization, 1960 and 1981

	Population Density (person/km2)		Urban Population as a % of the Total		Average Annual Growth Rate of Urban Population (percent)	
	1960	1981	1960	1981	1960-70	1970-81
CACM						
Costa Rica	24	45	37	44	4.2	3.6
El Salvador	124	224	38	41	3.2	3.4
Guatemala	37	69	33	39	3.8	3.9
Honduras	17	34	23	36	5.4	5.5
Nicaragua	11	22	41	54	4.0	5.0
Panama	14	25	41	55	4.4	3.6
Belize	4	6	n.a.	n.a.	n.a.	n.a.
REGIONAL AVERAGE	23	44	- -	n.a.	n.a.	n.a

Source: World Bank, <u>World Development Report 1983</u>, Annex Tables 1, 19.

n.a. Not available.

Table 3

Long-Term Economic Growth Rates, 1960-1981

	Total GDP (millions of 1981 dollars)		Per Capita GNP (1981 dollars)		Average Annual Rate of Growth of Real GDP (percent)		Average Annual Rate of Growth Real Per Capita GNP (percent)
	1960 a/	1981	1960 a/	1981	1960-70	1970-81	1960-81
CACM							
Costa Rica	800	2,630	770	1,430	6.5	5.2	3.0
El Salvador	1,430	3,550	480	650	5.9	3.1	1.5
Guatemala	2,790	8,660	660	1,140	5.6	5.5	2.6
Honduras	940	2,380	480	600	5.3	3.8	1.1
Nicaragua	1,170	2,590	760	860	7.3	0.8	0.6
Panama	1,000	3,490	1,010	1,910	7.8	4.6	3.1
Belize	50b/	160b/	580	1,080	-----5.7b/-----		3.0 c/
REGIONAL TOTAL OR AVERAGE	8,180	23,460	660	1,020	6.3	4.1	2.1

Sources: World Bank, World Development Report 1983, Annex Tables 1-3 and p. 204 (Belize); World Bank, Economic Report on Belize, Report No. 4446-BEL (Washington, D.C., 26 April 1983).

a/ Extrapolations based on the real growth rate trends reported in this table.

b/ GNP and GNP growth rate.

c/ 1960-80.

Table 4

Economic Growth Performance, 1980, 1981, and 1982
(percentage changes)

	GDP			Per Capita GDP		
	1980	1981	1982	1980	1981	1982
CACM						
Costa Ri	1.2	-4.6	-8.8	-1.2	-6.8	-10.9
El Salvad	-9.0	-9.5	-5.4	-11.2	-11.7	-7.8
Guatemala	3.7	0.9	-3.4	0.7	-2.1	-6.2
Honduras	2.8	0.3	-1.2	-0.8	-3.1	-4.7
Nicaragua	10.0	3.9	-1.0	6.4	5.4	-4.4
Panama	6.0	4.3	4.1	3.5	1.8	1.7
Beliz	4.3	2.6	-0.5	0.4	0.6	-2.3

Sources: A.I.D. and IMF reports, based on country national accounts statistics; World Bank, Economic Report on Belize, Report No. 4446-BEL (Washington, D.C. 26 April 1983); World Bank, Guatemala: Country Economic Memorandum, Report No. 4195-GU (Washington, D.C., 31 May 1983); United Nations Economic Commission for Latin America (Nicaragua).

Table 5

Structure of Production, 1960 and 1981
(percent)

	Agriculture 1960	Agriculture 1981	Industry 1960	Industry 1981	(Manufacturing) a/ 1960	(Manufacturing) a/ 1981	Services 1960	Services 1981
CACM								
Costa Rica	26	23	20	28	(14)	(20)	54	49
El Salvador	32	26	19	20	(15)	(15)	49	54
Guatemala	30	25	16	22	(13)	(16)	54	53
Honduras	37	32	19	25	(13)	(17)	44	43
Nicaragua	24	20	21	33	(16)	(26)	55	47
Panama	23	10 b/	21	21 b/	(13)	(10) b/	56	69b/
Belize	n.a.	44	n.a.	17	n.a.	(8)	n.a.	39

Sources: World Bank, World Development Report 1983, Annex Table 3; Inter-American Development Bank, Social and Economic Progress in Latin America: 1982 Report (1960 Guatemala data); World Bank, Guatemala: Country Economic Memorandum, Report No. 4195-GU ashington, D.C., 31 May 1983); Economic Report on Belize, Report No. 4446-BEL ashington, D.C., 26 April 1983).

a/ Part of the industrial sector.

b/ 1980 figure.

Table 6

Savings and Investment, 1960 and 1981
(as a percent of GDP)

	Gross Domestic Investment		Gross Domestic Savings		Foreign Savings	
	1960	1981	1960	1981	1960	1981
CACM						
Costa Rica	18	28	13	25	5	3
El Salvador	16	12 b/	11	10 b/	5	2 b/
Guatemala	10	17	8	11	2	6
Honduras	14	24	12	18	2	6
Nicaragua	15	24	12	6	3	18
Panama	16	29	11	23	5	6
Belize	n.a.	27	n.a.	14	n.a.	13

Sources: World Bank, World Development Report 1983, Annex Table 5; World Bank, Economic Report on Belize, Report No. 4446-BEL (Washington, D.C., 26 April 1983).

a/ Equivalent to the current account deficit in the balance of payments.

b/ 1980 figure.

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Table 7

Average Annual Rate of Inflation, 1960-70 and 1970-81,
and Annual Rates, 1980, 1981, and 1982
(percent)

	GDP Deflator		Consumer Price Index		
	1960-70	1970-81	1980	1981	1982
CACM					
Costa Rica	1.9	15.9	18.1	37.1	90.1
El Salvador	0.5	10.8	17.4	14.8	11.8
Guatemala	0.3	10.4	10.7	11.4	0.4
Honduras	2.9	9.1	15.6	10.2	9.9
Nicaragua	1.8	14.2	35.3	22.6 a/	n.a.
Panama	1.6	7.6	13.8	7.3	4.3
Belize	3.4	8.7	16.3b/	6.8 b/	-5.8 b/

Sources: GDP deflators: World Bank, World Development Report 1983, Annex Table 1 and p. 204 (Belize); consumer price indices: International Monetary Fund, International Financial Statistics.

a/ First 6 months of 1981 compared with the same period in 1980.

b/ GDP deflator.

n.a. Not available

Table 8

Foreign Trade as a Percentage of GDP, 1960, 1970, and 1980-1982 (based on current prices)

	Exports[a] as a Percentage of GDP					Imports[a] as a Percentage of GDP				
	1960	1970	1980	1981	1982	1960	1970	1980	1981	198[illegible]
CACM										
Costa Rica	21	28	27	33b/	44b/	26	35	37	37b/	39
El Salvador	20	25	34	27	24	25	25	33	34	30
Guatemala	13	19	21	17	15	15	18	24	23	18
Honduras	20	26	37	33	27	24	34	45	40	29
Nicaragua	22c/	27	43d/	n.a.	n.a.	24c/	29	27d/	n.a.	n.
Panama	31	37	45	42	9	36	41	48	48	45
[illegible]	n.a.	n.a	94	89	/4	n.a.	n.a.	110	107	96

Sources: IMF, International Financial Statistics and country reports; World Bank, Report on Belize, Report No. 4446-BEL (Washington, D.C., 26 April 1983); World Bank, Guatemala: Country Economic Memorandum, Report No. 4195-GU (Washington, D.C., 31 May

a/ Goods and services.

b/ The 1981 and 1982 figures reflect the substantial depreciation of the Costa Rican colon in 1981. In dollar terms, exports in 1981 were virtually unchanged, and in 1982, they fell b 13%; imports fell by 21% in 1981, and by another 28% in 1982 (See Table 10).

c/ 1961 figures.

d/ 1979 figures. The 1979 import figure is abnormally low because of the severe foreign exchange shortage following the civil war.

n.a. Not available.

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Table 11

CACM - Exports in Regional Trade, Selected Years
(millions of U.S. dollars)

Exports to CACM	1960	1973	1976	1980	1981	1982
Costa Rica	1.9	69.2	134.9	270.4	224.8	164.6
El Salvador	12.7	106.8	176.0	295.8	206.9	173.7
Guatemala	7.3	137.6	189.1	403.7	378.9	337.3
Honduras	7.4	13.3	37.7	83.8	65.8	47.4
Nicaragua	3.4	61.5	119.1	75.4	70.8	52.1
Exports to CACM as % of Exports						
Costa Rica	2.1	31.7	32.2	27.0	22.4	18.8
El Salvador	11.0	26.8	21.4	27.5	25.9	24.8
Guatemala	5.5	25.6	19.9	26.6	29.2	28.1
Honduras	10.9	4.6	8.8	9.9	8.4	6.9
Nicaragua	4.5	19.9	19.9	16.8	14.1	12.8
Exports to CACM as % of GDP						
Costa Rica	0.4	5.1	5.8	5.6	7.4	6.5
El Salvador	2.2	8.0	8.1	8.6	6.0	4.7
Guatemala	0.7	5.4	4.3	5.1	6.1	3.8
Honduras	2.2	1.5	3.1	3.3	4.4	1.7
Nicaragua	1.0	5.0	6.5	3.5	2.7	2.0
Trade Balances Within CACM						
Costa Rica	-1.7	-14.5	-18.4	58.6	72.5	52.7
El Salvador	-0.8	14.0	-37.1	-24.6	-98.3	-90.0
Guatemala	-0.3	48.0	111.7	248.4	186.0	122.3
Honduras	2.1	-19.1	-22.0	-19.7	-52.5	-37.0
Nicaragua	0.7	-28.4	-33.9	-225.1	-139.7	-64.9

Sources: IBRD, Central America Special Report on the Common Market, September 29, 1980; Secretariat for Central America Integration (SIECA); Anuario Estadistico Centroamericano de Comerico Exteror 1980; UN/ECLA, Preliminary Tabulations from SIECA (adjusted) 1981, 1982.

Table 12

Deficit(-) or Surplus(+) in the Current Account of the Balance of Payments, 1970 and 1980-1982

	Millions of U.S. Dollars				Percentage of GDP			
	1970	1980	1981	1982	1970	1980	1981	1982
CACM								
Costa Rica	-74	-664	-425	-242	-7.5	-14.4	-16.4	-9.6
El Salvador	9	-15	-274	-270	0.9	-0.4	-7.8	-7.4
Guatemala	-8	-176	-565	-371	-0.4	-2.2	-6.5	-4.2
Honduras	-64	-317	-303	-212	-9.0	-12.7	-11.5	-7.6
Nicaragua	[illegible]	-454	-516	-464	[illegible]	-20.8	-19.8	-18.0
[illegible]	-64	-271	-429	-474	-6.1	-7.8	-11.1	-11.3
Be[illegible]	n.a	-12	-22	-25	n.a	-8.1	-13.5	-16.3
REGIONAL TOTAL	41	[illegible]	-2,354	-2,058	—	—	—	—

Sources: A.I.D. and IMF country reports, based on central bank/monetary authori data; World Bank, Economic Report on Belize, Report No. 4446-BEL (Washington, D.C., April 1983); World Bank, Guatemala: Country Economic Memorandum, Report No. 4195-GU (Washington, D.C., 31 May 1983); World Bank, World Development Report 1983, Annex Ta 14 (1970 balance); IMF, International Financial Statistics (1970 GDP).

n.a. Not available.

Table 14

External Debt Indicators, 1960, 1970, and 1971

	External Public Debt Outstanding and Disbursed (millions of U.S. dollars)			(as a percentage of GDP)			Debt Service as a ercentage of Exports of Goods and Services		
	1960	1970	1981	1960	1970	198	1960	1970	1981
CACM									
Costa Rica	44	134	2,246	9	14	93	5	10	15 b/
El Salvador	23	88	664	4	9	19	3	4	4
Guatemala	26	106	684	2	6	8	2	7	3
Honduras	11	90	1,223	4	13	47	3	3	13
Nicaragua	22	155	1,975	[illegible]	21	80	4	11	n.a.
Panama	32	194	2,368	8	19	64	2	8	12 c/
Belize	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a	n.a.	3
REGIONAL TOTAL a/	158	767	9,160	-		—	—	—	—

Sources: Inter-American Development Bank, Econom[illegible] and Social Progress in Latin America: 1982 Report, Appendix Tables 56 and 61; World Bank, World Development Report 1983, Annex Tables 16 and 3; World Bank, Economic Report on Belize, Report No. 4446-BEL (Washington, D.C. 26 April 1983).

a/ Excludes Belize, whose outstanding debt is small; at the end of 1982, the country's public and publicly guaranteed debt, including the undisbursed portion, was $71 million.

b/ Does not include interest and principal due but not paid in the second half of the year. In the fall of 1981, it was estimated that principal and interest payments due in the last quarter of that year, and during 1982, plus payment of arrears, would require the equivalent of 65% of projected commodity export earnings during this period.

c/ Panama's debt-service/export ratio averaged 43% during 1978-80.

n.a. Not available.

Table 13

Total International Reserves (Minus Gold), 1970 and 1978-1982
(millions of U.S. dollars, end of year)

	1970	1978	1979	1980	1981	1982
CACM						
Costa Rica	14	194	119	146	131	226
El Salvador	45	268	140	78	72	108
Guatemala	61	742	696	445	150	112
Honduras	20	184	209	150	101	112
Nicaragua	49	51	n.a.	n.a.	n.a.	n.a.
Panama	16	150	119	117	120	101
Belize	n.a.	14	10	13	10	10
REGIONAL TOTAL	205	1,603	1,293 a/	949 a/	584 a/	669 a/

Source: IMF, International Financial Statistics (line 1.1.d).

a/ Excluding Nicaragua, whose international reserves are believed to have been very low throughout this period.

n.a. Not available.

Table 15

Terms of Public External Borrowing, 1970 and 1981

	Average Interest Rate (percent)		Average Maturity (years)		Average Grace Period (years)	
	1970	1981	1970	1981	1970	1981
CACM						
Costa Rica	5.6	14.2	28	6	6	2
El Salvador	4.7	3.7	23	24	6	7
Guatemala	5.2	6.5	26	24	6	7
Honduras	4.1	10.7	30	19	7	4
Nicaragua	7.1	6.1	18	10	4	3
Panama	6.9	14.4	15	13	4	4
Belize	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: World Bank, World Development Report 1983, Annex Table 17.

Table 16

Labor Force Growth Trends, 1960-1981, and Projections, 1980-2000

	Average Annual Growth of Labor Force (%)			Ratio of GDP Growth Rate to Labor Force Growth Rate	
	1960-70	1970-81	Projections 1980-2000	1960-70	1970-81
CACM					
Costa Rica	3.5	3.9	2.8	1.86	1.33
El Salvador	2.6	2.8	3.5	2.27	1.11
Guatemala	2.8	3.2	2.9	2.00	1.72
Honduras	2.5	3.1	3.5	2.12	1.23
Nicaragua	2.3	3.8	3.9	3.17	a/
Panama	3.4	2.4	2.6	2.25	1.92
Belize	2.1	3.4 b/	n.a.	—— 2.11 b/ ——	

Sources: World Bank, World Development Report 1983, Annex Table 21; World Bank, Economic Report on Belize, Report No. 4446-BEL (Washington, D.C., 26 April 1983); Table 3 of this document.

a/ Close to zero.

b/ 1960-1980.

n.a. Not available.

Table 17

Global and Sex-Specific Labor Force Participation Rates
(percent)

	Costa Rica			El Salvador			Guatemala			Honduras			Nicaragua			Panama		
	Global	Males	Females	Global	Males	Females	Global	Males	Females	Global	Males	Females	Global	Males	Females	Global	Males	Females
1950	49.1	83.9	14.3	50.6	85.2	16.1	49.4	85.7	12.3	49.4	86.7	11.6	49.6	85.8	13.8	49.3	77.8	19.5
1960	47.1	78.7	15.3	49.2	81.8	16.6	47.4	82.0	12.0	48.2	84.2	11.9	18.2	80.8	16.2	48.4	74.5	21.0
1970	44.9	73.2	16.3	47.2	77.1	17.2	45.4	78.1	11.8	45.9	78.7	13.0	16.3	75.7	18.3	49.8	72.2	26.3
1980	46.5	73.8	18.8	47.2	75.2	18.8	45.8	77.4	13.3	45.5	75.4	15.5	17.0	74.6	20.4	50.3	71.0	28.7

Source: International Labour Office, Regional Employment Programme for Latin America and the Caribbean, Mercado de Trabajo en Cifras 1950-1980 (1982).

Table 10

Sectoral Distribution and Sectoral Productivity of the Labor Force, 1960 and 1980

	Sectoral Distribution (%)						Relative Sectoral Productivity (average for economy = 100)					
	Agriculture		Industry		Services		Agriculture		Industry		Services	
	1960	1980	1960	1980	1960	1980	1960	1980	1960	1980	1960	1980
CACM												
Costa Rica	51	29	19	23	30	48	[illegible]1	59	105	126	180	113
El Salvador	62	50	17	22	21	27	[illegible]2	54	112	95	233	193
Guatemala	67	55	14	21	19	25	[illegible]5	45	114	105	284	212
Honduras	70	63	11	15	19	23	[illegible]3	49	173	167	232	191
Nicaragua	62	43	16	20	22	37	[illegible]9	53	131	155	250	124
Panama	51	27	14	18	35	55	[illegible]5	37	150	117	160	125
Belize	n.a.	n.a.	n.a	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: World Bank, World Development Reports, 1982 (Table 3) and 1983 (Table 21); sources for Guatemala as indicated in Table 3 of this report.

Table 19

Proportion of Own-Account and Unpaid Family Workers a/ in The Agricultural and Non-Agricultural Labor Force, 1950-1980
(percent of total labor force)

	1950		1960		1970		1980	
	Agri-culture	Other Sectors	Agri-Culture	Other Sectors	Agri-culture	Other Sectors	Agri-culture	Other Sectors
CACM								
Costa Rica	20.4	6.3	20.1	6.9	18.6	7.3	14.8	7.1
El Salvador	35.0	7.5	24.9	7.5	28.0	9.2	30.1	10.8
Guatemala	44.8	11.0	39.0	12.9	37.0	12.9	33.1	13.7
Honduras	50.3	4.5	49.7	6.7	40.3	9.8	32.5	14.0
Nicaragua	25.9	6.5	28.5	9.1	26.0	12.6	23.8	17.6
Panama	47.0	6.3	41.5	6.8	31.7	10.4	24.6	12.1
Belize	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: National census and survey figures, as reported in International Labour Office, Regional Employment Programme for Latin America and the Caribbean, Mercado de Trabajo en Cifras 1950-1980.

a/ Professional, technical and related workers have been excluded from the own account and unpaid family workers.

n.a. Not available.

Table 20

Gini Coefficients of Income Concentration, Various Years a/

	Year	Unit on Which Computation is Based	Gini Coefficient
CACM			
Costa Rica	1961	Households	.52
	1971	Per Capita b/	.48
	1971	Households	.44
El Salvador	1961	Economically Active Pop.	.55
	1965/[illegible]	Population c/	.54
	1969	Population c/	.47
Guatemala	n.a.		
Honduras	1967/68	Per Capita b/	.57
	1967/68	Households	.63
	1967/68	Households	.62
Nicaragua			
Panama	1960	Income Recipients	.50
	196[illegible]	Economically Active Pop	.56
	197[illegible]	Income Recipeints	.45
	197[illegible]	Income Recipients	.43
Belize	n.a.		

Source: Shail Jain, Size Distribution of Income: A Compilation of Data (Washington, D.C.: World Bank, 1975).

a/ Data with nationwide coverage only.

b/ Distribution of income among individuals, ranked by per capita household income.

c/ Not well defined.

n.a. Not avail[illegible]

Table 21

Percentage of National Income
Received by Selected Population Groups

A. Late 1950s and 1960s

	Poorest 20%	Poorest 60%	Middle 40-60%	Highest 20%	Highest 5%
CACM					
Costa Rica	6.0	25.4	12.1	60.0	35.0
El Salvador	5.5	23.6	11.3	61.4	33.0
Guatemala	n.a.	n.a.	n.a.	n.a.	n.a.
Honduras	n.a.	n.a.	n.a.	n.a.	n.a.
Nicaragua	n.a.	n.a.	n.a.	n.a.	n.a.
Panama	4.9	28.1	13.8	56.7	34.5
Belize	n.a.	n.a.	n.a.	n.a.	n.a.
Average, a/ 15 Latin American Countries	4.9	26	12	56	31
Average, a/ 44 Countries	5.6	26	12	56	30

B. Late 1960s and Early 1970s b/

	Year	Poorest 40%	Middle 40%	Highest 20%
CACM				
Costa Rica	1971	11.5	30.0	58.5
El Salvador	1969	11.2	36.4	52.4
Guatemala	n.a.	n.a.	n.a.	n.a.
Honduras	1968	6.5	28.5	65.0
Nicaragua	n.a.	n.a.	n.a.	n.a.
Panama	1969	9.4	31.2	59.4
Belize	n.a.	n.a.	n.a.	n.a.
Average, 18 Latin American Countries		11.4	31.4	57.2
Average, 49 Developing Countries		13.4	31.9	54.7

Sources: (A) Irma Adelman and Cynthia Taft Morris, "An Anatomy of Income Distribution Patterns in Developing Countries," Development Digest 9, No. 4 (1971): 24-37; (B) Montek S. Ahluwalia, "Income Inequality: Some Dimensions of the Problem," Finance and Development 11, No. 3 (September 1974): 2-8, 41.

a/ Unweighted.

b/ The 66 developing and developed countries studied in source (B) were grouped into "high," "middle," and "low" inequality categories. All countries in the Central American isthmus for which data are available fell into the "high inequality" group.

n.a. Not available.

Table 22

Central Government Revenues, Expenditures, and Surplus(+)/Deficit(-) as a Percentage of GDP, 1970, 1975, and 1980-1982

	1970	1975	1980	1981	1982
A. Revenues					
CACM					
Costa Rica	15.0	14.3	12.0	12.8	13.2
El Salvador	11.0	13.0	11.5	12.2	11.9
Guatemala	8.7	[illegible].6	9.6	8.6	8.4
Honduras	12.4	12.6	15.2	14.0	13.7
Nicaragua	10.7	11.9	14.2 b/	n.a.	n.a.
Panama	15.3	15.4	20.5	21.3	25.0
Belize a/	n.a	n.a.	27.7	25.8	29.1
B. Expenditures					
CACM					
Costa Rica	16.0	17.0	20.0	18.1	16.3
El Salvador	11.0	13.5	15.9	18.4	18.5
Guatemala	9.4	9.8	14.2	15.7	12.5
Honduras	15.2	14.8	18.0	16.8	20.5
Nicaragua	12.1	17.7	21.4 b/	n.a.	n.a.
Panama	19.9	23.0	26.1	27.3	33.0
Belize a/	n.a.	n.a.	30.4	32.2	34.4
C. Surplus (+) or Deficit (-)					
CACM					
Costa Rica	-1.0	-2.7	-8.0	-5.3	-3.1
El Salvador	*	-0.5	-4.4	-6.2	-6.6
Guatemala	-0.7	-0.2	-4.6	-7.1	-4.1
Honduras	-2.8	-2.2	-2.8	-2.8	-6.8
Nicaragua	-1.4	-5.8	-7.2 b/	n.a.	n.a.
Panama	-4.6	-7.6	-5.6	-6.0	-8.0
Belize a/	n.a.	n.a.	-2.7	-6.4	-5.3

Sources: IMF, International Financial Statistics (lines 80-82); World Bank, Economic Report on Belize, Report No. 4446-BEL (Washington, D.C., 26 April 1983); A.I.D. and IMF country reports.

a/ Data for 1980-1982 are fiscal years beginning April 1.

b/ 1979 figures.

n.a. Not Available.

*Less than +/-0.1.

Table 23

Population in 1981 and Projections for 1985, 1990, and 2000[a]
(millions)

	1981	1985	1990	2000
CACM				
Costa Rica	2.3	2.5	2.8	3.4
El Salvador	4.7	5.2	6.0	7.9
Guatemala	7.5	8.3	9.4	12.2
Honduras	3.8	4.3	5.0	6.8
Nicaragua	2.8	3.1	3.6	4.8
Panama	1.9	2.1	2.3	2.8
Belize	0.1	0.2	0.2	0.2
REGIONAL TOTAL	22.9	25.7	29.3	38.1

Source: Table 1.

a/ Population growth rates are assumed to be constant between 1980 and 2000. For country growth rates, see the last column of Table 1.

Table 24

Gross Domestic Product (GDP), 1980-1982 Actual and Projections for 1983-1985, 1990 and 2000[a]
(millions of 1981 U.S. dollars)

	1981	1982	1983	1984	1985	1990	2000
CACM							
Costa Rica	2,630	2,400	2,340	2,360	2,420	2,950	4,800
El Salvador	3,550	3,360	3,290	3,320	3,460	4,410	7,540
Guatemala[b]	8,660	8,370	8,100	8,180	8,420	10,600	18,100
Honduras	2,380	2,350	2,330	2,390	2,480	3,170	5,670
Nicaragua	2,590	2,560	2,640	2,720	2,800	3,380	5,240
Panama	3,490	3,630	3,600	3,670	3,810	4,720	7,690
Belize[d]	165	165	170	175	185	235	385
REGIONAL TOTAL	23,465	2,835	2,470	22,815	23,575	29,465	49,425

Sources: Tables 3 and 4; AID/LAC/DP projections

a/ Based on the following GDP growth rates:

	1982	1983	1984	1985	1985-90	1990-2000
CACM						
Costa Rica	-8.8	-2.5	1.0	2.5	4.0	5.0
El Salvador	-5.4	-2.0	1.0	4.0	5.0	5.5
Guatemala[b]	-3.4	-3.2	1.0	3.0	4.7	5.5
Honduras	-1.2	-1.0	2.5	4.0	5.0	6.0
Nicaragua[c]	-1.0	3.0	3.0	3.0	3.8	4.5
Panama	4.1	-1.0	2.0	3.8	4.4	5.0
Belize[d]	-0.3	3.0	4.0	5.0	5.0	5.0

b/ Growth rate projections through 1985 from World Bank, Guatemala: Country Economic Memorandum, Report No. 4195-GU (Washington, D.C., 31 May 1983), optimistic case. The projection for 1985-90 is the same as the World Bank's optimistic-case projection for 1986-88.

c/ Assumes a continuation of the current economic model (reformed).

d/ Growth rate projections through 1990 from World Bank, Economic Report on Belize, Report No. 4446-BEL (Washington, D. C., 26 April 1983). The 1981 figure in Table 3 was rounded to $160 million.

Table 25

Per Capita Gross National Product, 1981-1982
Actual and Projections for 1983-1985, 1990 and 2000[a]
(U.S. Dollars)

	1981	1982	1983	1984	1985	1990	2000
CACM							
Costa Rica	1,430	1,280	1,220	1,210	1,210	1,330	1,760
El Salvador	650	600	570	560	570	630	820
Guatemala	1,140	1,070	1,010	1,000	1,000	1,110	1,460
Honduras	600	570	550	550	550	610	800
Nicaragua	860	830	830	830	830	870	1,010
Panama	1,910	1,950	1,890	1,890	1,920	2,140	2,840
Belize	1,080	1,100	1,060	1,070	1,100	1,250	1,600

Sources: Table 3 (1981 base: World Bank figure); Table 1 (projected population growth rate, assumed to be constant between 1980 and 2000); Table 24 (growth rate of GDP, assumed to be the same as the growth rate of GNP).

Table 26

Urbanization Projections, 1980-2000
(percentage of population in urban areas)

	1980	1990	2000
CACM			
Costa Rica	49.4	48.9	55.9
El Salvador	41.1	45.6	52.6
Guatemala	38.9	44.3	51.6
Honduras	35.6	43.3	51.0
Nicaragua	53.3	59.7	65.9
Panama a/	54.4	61.0	67.1
Belize	49.4	51.7	58.1
REGIONAL AVERAGE b/	43.4	48.1	55.1

Source: United Nations, Patterns of Urban & Rural Population Growth (New York, 1980).

a/ Excludes the former Canal Zone.
b/ Weighted by population in 1981, 1990, and 2000, respectively.

Table 27

Life Expectancy Projections, 1980-1985, 1990-1995, and 2000-2005
(years)

	1980-1985	1990-1995	2000-2005
CACM			
Costa Rica	70.9	72.7	73.1
El Salvador	64.8	69.2	72.1
Guatemala	60.7	65.8	69.1
Honduras	59.9	65.3	69.4
Nicaragua	57.6	62.4	66.1
Panama	70.7	72.4	72.8
Belize	n.a.	n.a.	n.a.
REGIONAL AVERAGE a/	63.4	67.1	70.0

a/ Weighted by population in 1981, 1990, and 2000, respectively.