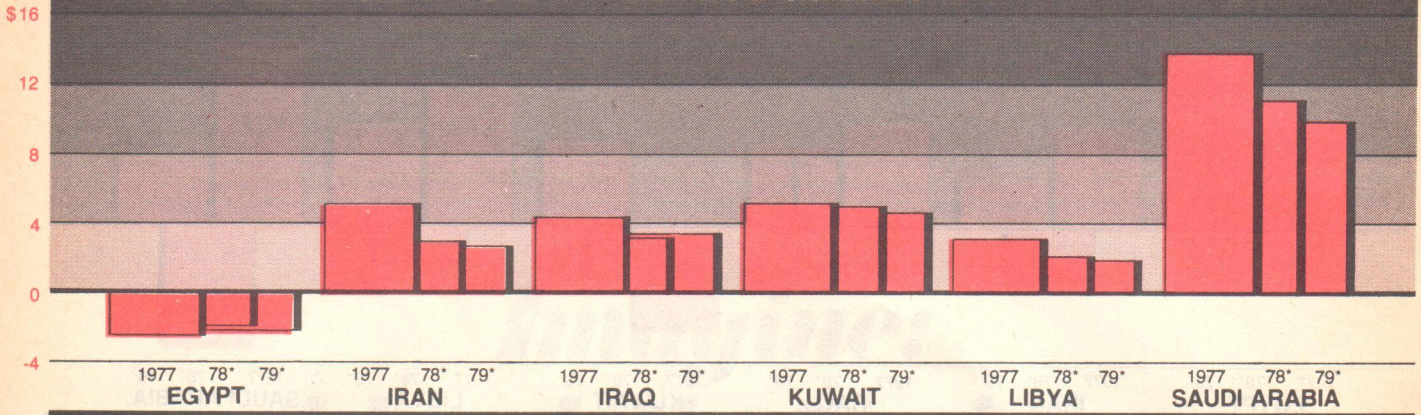


TRADE BALANCE

In billions of U.S. dollars

*Forecasts



infrastructure problems. North Yemen has succeeded in amassing substantial foreign-exchange reserves, thanks to remittances by its citizens working abroad. But work on development projects aimed at industrialization is progressing very slowly. South Yemen, which has become increasingly dependent on the Soviet bloc, is experiencing economic instability and faces major obstacles to development.

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LATIN AMERICA RALLYING

BY A. BELTRAN DEL RIO & PEDRO PALMA

Latin America's over-all economic recovery is continuing on steady course. In 1976 and 1977, regional GDP increased by almost 5 per cent, and it is expected to grow at a similar rate in 1978. Last year, the growth of exports outpaced imports by 5 per cent. As a result, the regional trade balance, which showed a \$400 million deficit in 1976, should chalk up a healthy surplus by the end of 1978. Inflation has abated in some countries but it still remains an extremely serious problem in others.

Mexico's economy expanded slowly in 1977, with a real growth rate of slightly under 3 per cent and an inflation running at 32 per cent. The external current-account deficit, however, was halved to \$1.8 billion. During 1978, real growth will reach almost 5 per cent and inflation should

drop to 18 per cent. Rapid exploitation of the country's huge oil reserves and the consequent introduction of expansionary economic policies should result in a rapid 6 to 8 per cent growth rate starting in 1979.

Oil-rich Venezuela is expected to enjoy real GDP growth rates of 7 per cent in 1978 and 1979, with an annual inflation rate of about 10 per cent. However, a decline in oil exports due to the world oversupply, coupled with rising imports engendered by vast investment projects, will cause mounting trade and current-account deficits. Although development in basic industries like steel, petrochemicals and aluminum will eventually improve the country's trade position, the government should take steps to moderate expenditures and bolster its faltering balance of payments. The result might be slower growth, but the moves would lessen the risk of recession.

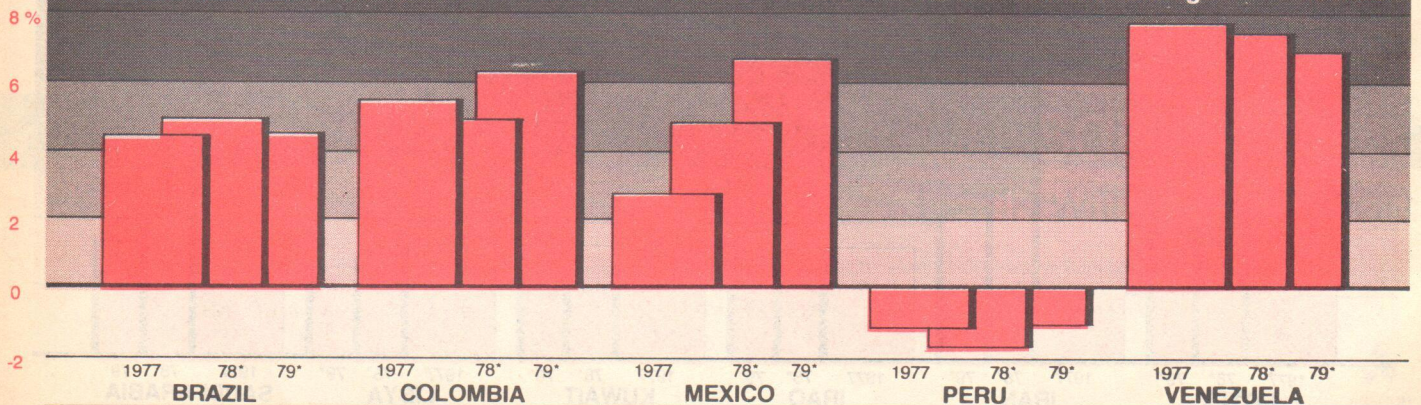
Brazil's economy will remain troubled for the near future, with a relatively low annual economic-growth rate of about 4 to 5 per cent and an inflation rate around 40 per cent. A severe drought is sharply boosting food prices and has substantially cut agricultural export revenues. Declining international prices for coffee will contribute heavily to a near \$1.5 billion trade deficit, despite a spectacular boom in the export of manufactured goods. Given the inflation rate and a foreign debt that could reach \$40 billion by the end of 1978, the new government in Brasilia may be forced to adopt more restrictive credit controls and investment policies. At the same time, it must make plans—possibly including a major devaluation of the cruzeiro—to promote the expansion of exports.

Colombia's economy is plagued by inflation. This year, consumer prices are expected to jump more than 30 per cent. Falling world coffee prices, combined with rapidly rising imports, will result in a poor yearly trade balance. The country's large international reserves could discourage the government from taking any drastic action to restrict imports, a move that could trigger even stronger price pres-

REAL GROSS DOMESTIC PRODUCT

Per cent change

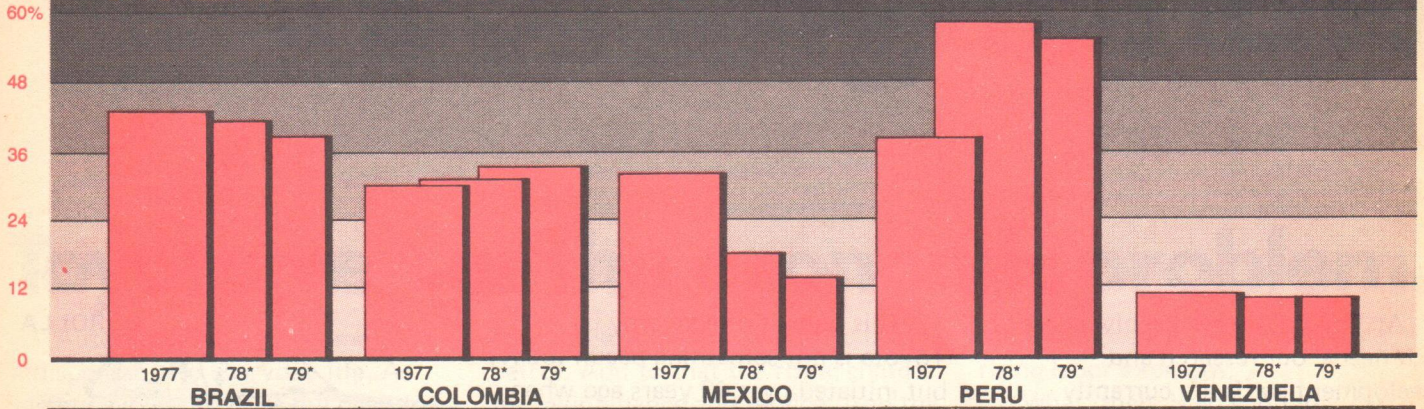
*Forecasts



INFLATION RATE

Per cent

*Forecasts



ures. Coffee-price problems and credit restraints, along with general political and economic uncertainty, may keep Colombia's 1978 GDP growth rate below 5 per cent, slightly less than last year. But economic growth could reach 6 per cent next year, if the government decides to pursue expansionary fiscal policies.

Argentina has made progress in its battle against inflation. From a staggering high of 400 per cent in 1976, the inflation rate dropped to 176 per cent in 1977 and is expected to average 110 per cent this year. But a decline in wheat production, a continued decrease in consumer demand and a recent crisis in the automobile industry may push the economy into another recession. A difficult and uncertain year lies ahead.

Neighboring Chile is in somewhat better shape. Growth of real GDP is expected to be about 4 per cent this year and inflation should hold at around 40 per cent, a substantial improvement over the three-digit inflation of recent years. Reduced import restrictions may—as intended—help dampen inflation. But the cost could be high: an erosion in the balance of payments and reduced real growth, with a consequent worsening of critically high unemployment.

Peru faces some of the continent's most difficult problems. Inflation is expected to soar from last year's 38 per cent to near 60 per cent this year and next. Real GDP should decline by almost 2 per cent, giving Peru negative growth rates for the next two years. Recently initiated austerity measures may tend to block economic recovery, but they should help to curb inflation and sustain an improving trade balance. Even so, unless the government succeeds in its efforts to restructure the huge external debt service, these changes will seriously erode the capital-account balance and the country's over-all balance of payments.

The Central American economies, with the exception of strife-torn Nicaragua, are expected to enjoy healthy growth

and declining inflation in 1978. By contrast, most of the English-speaking Caribbean countries are forecast to remain in serious recession for several years. Yet even here, there is some hope. The Caribbean Economic Community and Common Market (Caricom) is soon to set up a multilateral clearing facility to enable financially troubled members to postpone payments for imports from more prosperous members. In addition, Caricom plans to provide a \$60 million financial fund to bail out the most distressed economies of the region.

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AFRICA FALTERING

BY TETTEH A. KOFI

The Black African economies are in serious trouble. Most of the countries of the region depend heavily on commodity exports for economic growth. But since early 1977, world demand for raw materials has slackened and Black Africa's commodity revenues have steadily declined. Consequently, regional growth for 1977 barely reached 2 per cent. For 1978 growth is expected to be marginal at best. Compounding the region's difficulties are a host of other problems. Civil war, government corruption, economic mismanagement, rising indebtedness and a series of natural disasters have combined to push many countries to the brink of economic collapse.

Zambia's problems typify the fragile nature of the Black

REAL GROSS DOMESTIC PRODUCT

Per cent change

*Forecasts

