It appears that Japan's GNP is now equal to or greater than the USSR's GNP. It is difficult to make a precise estimate of the USSR's GNP because the USSR rarely releases detailed economic statistics. In any event, even if we assume that the USSR's GNP is greater than Japan's GNP, the difference at the present moment is very small and is bound to disappear in the very near future. The nation which has the largest GNP now is of course the United States, but some social scientists, e.g., Herman Kahn and Ezra F. Vogel, have already predicted that Japan's GNP will surpass America's GNP by year 2000.

3. Latin America - Africa - Asia: A Comparative Economic Outlook for International Business in the 1980's

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Introduction

World economic growth has been hampered by the energy crisis of the 1970's and the developing countries have suffered from it as indicated by their economic slowdown. Between 1960-70, the average annual growth rate of gross domestic product (GDP) for all developing countries was 5.9%. Between 1970-80, the figure is estimated to be 5.2%. The statistics appear even bleaker when using per capita GDP figures. Between 1960-70, the average annual growth rate of per capita GDP for all developing countries was 3.4%. Between 1970-80, it is estimated to be only 2.8%.¹

The future outlook seems to be brighter, however, for the developing world and it is projected that in the 1980's, the average annual growth rate of GDP will reach 5.6% for all developing countries with a per capita GDP growth rate of 3.3%.² It is the purpose of this paper to find out how Latin America fared in the 1970's in comparison with Africa and Asia and to explore the economic outlook of the 1980's for international business.³

I. Comparative Economic Environments

A Quantitative Comparison

Compared to Africa and Asia, Latin America as a whole has the highest average income per capita of $1,015 in 1978 which corresponded to approximately three times the Asian average and five times the African average income per capita as indicated on Table 1. Note that the respective income per capita ratios between Latin America and the other two developing areas of the world tended to remain the same in 1960 and in 1970.

In 1978, the Latin American growth rate of real Gross Domestic Product (GDP) was 4.3%, ranking second after the African growth rate of 6.9% and followed by the Asian growth rate of 3.7%. This could be explained by a higher rate of inflation in Latin America of 43.1% as compared to 21% in Asia and only 6.8% in Africa.

The three developing areas seem to have almost the same rate of growth of population ranging between 2.2 to 2.7% during the last two decades but the proportion of people employed in the agricultural sector in Latin America was only 36.9% as compared to 73% in Africa and 55.7% in Asia. It is reasonable to conclude that Latin

America tends to be more industrialized than Africa and Asia as fewer people work in the agricultural sector and the majority of the population works in the industrial and service sectors of the economy.

A Qualitative Comparison

In comparing the three developing areas of the world it seems necessary to look into the income distribution and the basic needs of people which constitute the quality of economic growth beside the crude quantity of growth.⁴ To do so, some basic indicators such as income distribution, population per physician, adult literacy rate, per capita energy consumption and number of radio receivers per thousand people are selected to be discussed in this paper.⁵

In terms of income distribution, it is shown in Table 1 that the lowest 20% of the Latin American population receives only two percent of the national wealth in 1978 as compared to 5.7% in Africa and 7.4% in Asia. Over the years, it appears that such share of wealth has shrunk in Latin America from 3.9% in 1960 to 3.5% in 1970 and 2.0% in 1978 while it has grown more or less in Africa and Asia. Note, however, that the share of wealth received by the highest 5% of the Latin American population had also shrunk from 37.1% in 1960 to 31.7% in 1978 like it was the trend in Africa and Asia. Such phenomena indicates that more wealth has been distributed among the middle classes in all three areas.

In terms of basic needs, it is shown in Table 1 that Latin American people fared better than those in Africa and Asia in every aspect. The Latin American ratio of population per physician was 1,796 in 1978 as compared to 21,618 in Africa and 4,220 in Asia. The adult literacy rate for the same year was 75.7% in Latin America as compared to 18.4% in Africa and 45.9% in Asia. The Latin American per capita energy consumption was 929 kilograms of coal equivalent per year in 1978 as compared to 75 in Africa and 286 in Asia. Finally, there were 177 radio receivers per thousand people in Latin America as compared to 25 in Africa and 53 in Asia.

II. International Trade and Foreign Direct Investment

International Trade Comparison

As indicated in Table 2, the Latin American trade balance moved from a deficit of $8.7 billion to a small surplus $0.4 billion between 1970-78 while Africa and Asia could not get out from their trade deficit of $3.1 billion and $8.4 billion, respectively, by 1978. Although Latin America also suffered from rising oil-import prices, its trade balance overtime looked better than the other two developing areas due to its higher rate of growth in manufactured exports. It is shown on Table 2 that between 1965-74, the Latin American rate of growth in manufactured exports was the highest with 21.1% as compared to 4.9% in Africa and 18.7% in Asia. Note, however, that Asia is catching up with Latin America in terms of manufactured exports as its export of manufactures to total exports ratio was 48.9% in 1978 as compared to 14.9% in Latin America and only 4.8% in Africa during the same year.

Foreign Direct Investment Comparison

Between 1970-76, the net flow of all foreign direct investment in Latin America amounted to $16 billion which corresponded to approximately three times the flow into