The Impact of the Mexican Devaluation on Belize

by
CARLA BARNETT

Prepared for the XX Meeting of Technicians of Central Banks of the American Continent, La Paz, Bolivia, 6th-11th November, 1983.

Central Bank of Belize
August, 1983

THE IMPACT OF THE MEXICAN DEVALUATION ON BELIZE

CONTENTS

	Page
Introduction	1
A Brief Look at Belize	3
Recent Experience in Belize's External Trade	5
The Events of 1982	9
Conclusion	20
Sources/References	23
Appendix Tables	

Any views expressed in this paper are those of the author and do not necessarily reflect those of the Central Bank of Belize.

Carla Barnett
Central Bank of Belize

INTRODUCTION

During 1982, the Mexican peso was devalued three times. These devaluations, along with the imposition of controls over the movement of foreign currency, the nationalization of private banks and the institution of a dual exchange rate system, were an attempt to come to terms with a rapidly deteriorating balance of payments and a foreign debt estimated at US$80 billion and growing. More importantly approximately US$17 billion of this debt was short term (callable within ninety days) adding immediacy to a problem already compounded by high levels of inflation and interest rates. The years leading up to 1982 saw Mexico become a major oil producer and exporter and on the basis of large oil revenues, the level of foreign borrowing was greatly increased to boost the level of domestic consumption and investment by both the private and the public sectors. The instability in the world oil market which was evidenced in 1981, worsened in 1983 and as a result of declining demand and softening prices, Mexico's oil revenues declined drastically, placing excessive pressure on the balance of payments and debt servicing capabilities of that country.

The first major devaluation was in February. The value of the peso was reduced by 30.0 percent against the United States dollar. Simultaneously (the Belize dollar tied to the United States dollar at BZ$2.00 = US$1.00) the peso declined in relation to the Belize dollar. This precipitated an almost immediate increase in border traffic as Belizeans sought better prices in the border town of Chetumal. By August, when the peso was again devalued, border traffic was stabilizing at new heights more than fifty percent above pre-devaluation levels.

The increased border traffic was symbolic of a variety of repercussive effects following the Mexican devaluation. For example, Belizean retailers experienced a dry spell when consumers turned away from the relatively more expensive goods imported from places other than Mexico. This shift led to a decline in recorded imports and therefore also in collections of import duties, having serious implications for Central Government's finances for the 1982-1983 fiscal year, the balance of payments and holdings of foreign reserves.

A BRIEF LOOK AT BELIZE

Belize's location in Central America (with borders facing Mexico, Guatemala and the Caribbean) together with its largely bi-lingual population (although English is the first language, Spanish is a very close second) affords the development of unique relationships among Belize, its English speaking neighbours of the Caribbean and its Spanish speaking neighbours on the mainland. Since the opening up of the area by the Europeans in the seventeenth century, Belize has thrived on trade - not only the import/export trade in raw materials and supplies, but also the entrepôt trade whereby many goods destined for the inland areas of Yucatan and Guatemala were passed through the ports of Belize.

The primary activity of the British seamen who came to Belize in the seventeenth and eighteenth centuries was the extraction of timber and to a lesser extent other forestry products (for example:- Chicle and resin). The proceeds from the export of these products were used to import the bulk of the food and materials required to sustain the population. When the basis of the economy began to shift from forestry to sugar and later also to citrus and bananas, the main trading relationships remained the same: goods were exported from Belize in the raw state and the funds thus generated were used to import goods to satisfy the basic needs of the populace.

Belize is an agriculture-based economy - the chief produce being cane sugar. Grown exclusively in the two northern districts of Corozal and Orange Walk, sugar-cane is processed at the two factories of the Belize Sugar Industries Ltd., a subsidiary of the Tate and Lyle group, and the sugar produced is exported in the raw state. Sugar export earnings can account for more than one-half of Belize's total export earnings in a good year and up to 25 percent (1980) of gross domestic product. As a result, Belize's economic performance in any given year is closely tied in with the performance of the sugar industry. The experiences of recent years have borne this out. Peak earnings (eg. 1977/78) for the sugar industry have been the years of highest levels of liquidity and foreign reserves of the financial system. During 1981 and 1982, however, the low world price of sugar eroded sugar industry earnings tremendously and this impacted on both liquidity and foreign reserve holdings.

Other large scale agricultural industries include citrus, bananas and rice. The productivity of the two latter industries, however, has declined significantly over the past several years. Small farm production tends towards food crops and livestock (vegetables, pigs and poultry etc.) but Belize still imports significant quantities of food. Food accounts for approximately one-quarter of total imports by value.

Manufacturing industry is dominated by producers of aerated drinks, cigarettes, beer, liquors, paper products and garments. With the exception of garments which are produced almost exclusively for exports, most manufacturers produce entirely for the domestic market. Tourism is growing, albeit very slowly, and is centered on the offshore cayes of the Belize Barrier Reef.

RECENT EXPERIENCE IN BELIZE'S EXTERNAL TRADE

Prior to 1982, the value of recorded trade grew steadily. In 1982, trade fell off significantly. Gross imports declined by 18.9 percent, domestic exports by 20.0 percent and re-exports by 23.3 percent. The sharp decline in exports may be explained primarily by low world prices of the commodities Belize exports - especially sugar. (The volume of these exports declined much less sharply). Contraction in imports and re-exports, however, have no such apposite an explanation. In an open economy like Belize which is an exporter of primary produce and an importer of food and manufacturers, there results a direct relationship between expansion in exports and an expansion in imports. When exports decline, however, alternative sources of finance may be sought and obtained. Thus in 1982, the $40 million or 17 percent decline in retained imports may be related to the $30 million or 20 percent decline in domestic exports but this explanation cannot be easily acceptable. Likewise, the decline in re-exports may be linked to the overall reduction in currency inflows due to the contraction in export earnings and the consequent reduction in funds available to finance the re-export trade. But if the re-export trade is profitable, as it has been recently, other sources of finance will be easily obtained. This paper will suggest that the decline in recorded imports and in re-exports were related directly to the devaluation of the Mexican peso. A brief look at the pattern of trade during the five years prior to 1983 should give a wider scope to the discussion.

EXPORTS

Between 1977 and 1981 the value of total exports rose by 68 percent from $89 million to $150 million. Exports of food products (which include most of Belize's major exports, for example, sugar, citrus, fruits, bananas and fisheries) expanded from $66 million to $123 million. At the same time, food as a portion of total exports rose from 74 percent to 82 percent, reflecting the increasing importance of this sector as a part of total earnings.

The other category which enjoys a significant portion of total export earnings is miscellaneous manufacturers. The garment industry accounts for a large portion of this sector. While the total value of exports attributed to this sector rose from $19 million in 1977 to $28 million in 1981, this sector as a portion of total exports declined from **21** percent to 19 percent and fell even further the following year.

Belize's major export markets are the United Kingdom and the United States of America. However, the United States has quickly become the largest buyer of Belize's exports. In 1977, Belize exported $39 million in primarily sugar to the United Kingdom. This figure rose to $53 million in 1978 but in subsequent years declined. The United States of America, on the other hand, saw its portion of Belize's exports rise from $42 million in 1977 to $91 million in 1981.

Exports to the Caricom region have grown steadily but remain relatively small. Exports to Caricom grew from $3 million in 1977 to $8 million in 1981 and as a portion of total exports fluctuated between 6 percent and 3 percent during that time.

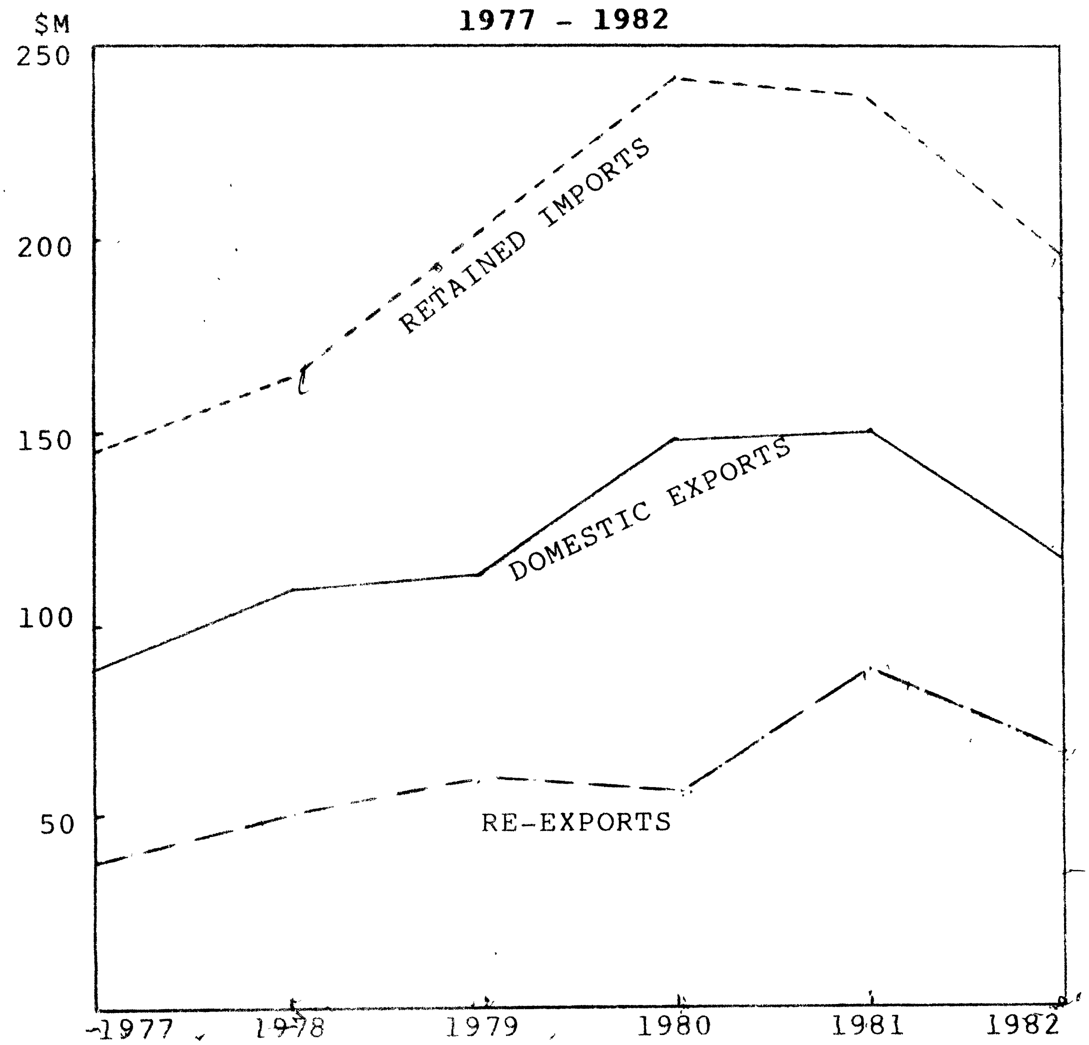
IMPORTS

The total import bill grew from $180 million to $324 million between 1977 and 1981. The bulk of these imports were food, fuels, manufactures and machinery. Food imports over this period averaged just under one-quarter of total imports each year while increasing from $40 million in 1977 to double that amount in 1981. Imports of minerals, fuels, lubricants etc. (of which petroleum products are the major portion) fluctuated somewhat between 1977 and 1981, but grew from $23 million to $51 million. Manufactures and miscellaneous manufactures together equalled almost one-third of total imports throughout the five years beginning 1977, growing from $50 million in 1977 to $98 million in 1981. Imports of machinery and transport equipment expanded relatively quite slowly over the period as is evidenced by its declining portion of total imports. While goods imported under this section grew in value from $45 million to $58 million its portion of total imports fell from 25 percent to 18 percent.

At least one half of Belize's imports originated in the United States of America or the United Kingdom. However, twice as much was imported from the United States than from the United Kingdom. Imports from the Caribbean Community have grown in value over the last several years but have remained close to 2 percent of total imports.

BELIZE'S EXTERNAL TRADE

1977 - 1982



RE-EXPORTS

Belize's re-export trade is primarily with Mexico. Manufactured goods (largely electric, and electronic products) and foodstuffs are imported into Belize and then re-exported. Belize profits by this trade through the collection of warehouse charges and processing fees levied by the Customs Department and through the percentage markups charged on the goods themselves by the merchants engaged in the trade.

In 1977, the value of goods re-exported from Belize was $35 million. This grew steadily to $60 million in 1979 before declining somewhat in 1980. In 1981, however, the trade increased sharply, amounting to $88 million that year before declining to approximately $68 million in 1982.

TABLE I

BELIZE'S RE-EXPORT TRADE

1977 - 1982

BZ$M

Year	Mexico		Other	Total
	Value	% of Total		
1977	22	63	13	35
1978	33	66	17	50
1979	47	78	13	60
1980	46	79	12	58
1981	81	92	7	88
1982[E]	60	88	8	68

SOURCE: 1. Trade Report, Ministry of Finance
2. Central Statistical Office Estimate

E - Estimate

THE EVENTS OF 1982

Following the February devaluation, movement across the Belize/Mexico border rose by 50 percent over the month of March. The surge in border traffic was as drastic as the disparity in prices that resulted from the devaluation. Where a person was previoualy receiving 20 pesos for a Belize dollar, the rate quickly moved and that person could now receive 50 pesos for the same dollar. The same bottle of coffee that was selling for in excess of BZ$3.00 in a Belizean supermarket, could be purchased for the equivalent of less than BZ$1.00 in Chetumal. The same was true of a variety of goods ranging from foodstuffs to detergents, toiletries and larger manufactured goods such as stoves, refrigerators, television sets and washing machines.

With the August devaluation the exchange rate between the Mexico peso and the Belize dollar was 70 : 1. By this time, the commercial banks in Belize had long ceased to deal in pesos. The situation was ripe for the development of the brisk illegal trade in Belize dollars, United States dollars and Mexican pesos which evolved on both sides of the border.

On the Mexican side, United States and Belize dollars were desired in efforts to circumvent the newly imposed exchange control regulations. Both Mexicans and non-Mexicans were trying to get their money out of Mexico. Any Belize dollars acquired in Mexico could be sent (or brought) to Belize where premium prices were paid for United States dollars.

On the Belize side of the border, traders purchased pesos from returning shoppers and from Mexicans who came to purchase dollars, or themselves crossed the border to purchase pesos, and in turn resold these pesos to Belizeans going over <u>to</u>

TABLE 2

FLOW OF TRAFFIC OVER BELIZE/MEXICO BORDER 1981-1982

Month	1981		1982	
	Arrivals	Departures	Arrivals	Departures
January	6,143	6,447	10,345	10,689
February	5,639	6,101	11,495	12,022
March	5,053	5,498	17,226	18,266
April	3,713	4,223	18,405	20,046
May	3,311	3,921	18,485	19,470
June	5,604	6,391	17,212	18,323
July	8,715	10,005	19,138	20,417
August	8,791	10,273	18,332	19,898
September	7,818	8,726	19,000 E	19,300 E
October	9,417	10,298	22,200 E	22,700 E
November	11,280	10,671	17,296	19,220
December	13,601	14,272	20,715 E	21,106 E
TOTAL	89,085	96,826	209,849	221,457

SOURCE: Police and Immigration Headquarters
E - Estimate

shop. The rates charged by these money-changers fluctuated daily and during the day. By December (after the third devaluation) when the official rate of exchange was 75 : 1, rates received from these money-changers fluctuated between 64-69 : 1. On a busy weekend the rate could decline even further to 62-63 : 1.

TABLE 3

SALES OF FOREIGN EXCHANGE BY AUTHORIZED DEALERS 1981-82

BZ$M

	Imports	Other Current Account	Total Current Account	Capital Account	Total
1981 1st Qtr	61	8	69	5	74
2nd Qtr	70	8	78	5	83
3rd Qtr	59	10	69	7	76
4th Qtr	64	7	71	5	76
TOTAL 1981	254	33	287	22	309
1982 1st Qtr	58	9	67	4	71
2nd Qtr	51	8	59	3	62
3rd Qtr	45	9	54	4	58
4th Qtr	38	7	45	4	49
TOTAL 1982	192	33	225	15	240

SOURCE: Exchange Control Department,
Central Bank of Belize.

Belizeans going over the border had the choice of taking United States dollars, Belize dollars or Mexican pesos. On a busy weekend, as many as twenty chartered buses would cross the border. Added to these would be the regular passenger buses and the private vehicles. Customs and Immigration offices equipped to deal with not even a hundred people at a time were now having to deal with thousands of people. Booster staff had to be sent to border stations on the weekends and eventually permanent staff at the border stations was supplemented.

Simultaneous with the increase in border traffic was the decline in recorded outflows. Whereas the rapid expansion in border traffic should have been manifested in an expansion in demand for foreign exchange by individuals, sales of foreign exchange by authorized dealers saw a dramatic decline in 1982. After amounting to $309 million in 1981, sales of foreign exchange declined to $240 million in 1982.

The decline began early in the year. During the first quarter, total sales by authorized dealers amounted to $71 million as compared to $76 million in the previous quarter. The decline was registered primarily in imports which fell by $6 million during the first quarter of 1982. During the first quarter of any year, import payments usually rise as businessmen replenish stocks depleted during the last quarter of the previous year. For the whole of 1982, imports payments fell approximately 24 percent . This strong a decline is borne out by estimates of actual imports as shown in Appendix Table I.

There is reason to believe that the decline in import payments was significantly offset by the rise in across-the-border shopping. Granted that the decline in exports in 1982 could have led to a decline in imports, a $41 million decline in imports for domestic consumption in an economy as small as Belize's (GDP 1981 = BZ$265M *) ought to have had drastic repercussive contractionary effects throughout the economy. Recent estimates of GDP for 1982 suggests a decline of approximately 2.0 percent after growth of 1.0 percent in 1981.

Estimates of the import content of GDP showed a sharp decline in 1982. It is my contention that the apparent contraction in this ratio that resulted from the decline in imports is not realistic due to the under-recording of actual imports. The distinction is drawn between actual and recorded imports.

* World Bank Estimate

TABLE 4

Import Content of G.D.P.

	1978	1979	1980	1981	1982
Imports (a)/GDP	76.7	82.0	80.5	71.5	63.1
Imports (b)/GDP	100.1	106.4	99.7	98.3	85.0

Imports (a) = Imports for domestic consumption
Imports (b) = Gross Imports

Statistics on imports into Belize are calculated from custom entries completed by importers or their agents and authenticated by the Customs Department. Where the goods imported value less than BZ$100.00, no customs entry is made out, but a revenue collector's receipt indicating any duties charged is given to the importer who is usually a returning vacationer or a one day shopper in one of the border towns. A verbal declaration of the value of the goods is usually sufficient for the Customs Officer to make his assessment. Duty is levied at the flat rate of 30 percent plus stamp duty of 6 percent. These goods do not enter into the official estimates of imports, although these receipts are included in total duties collected.

Customs duties collected at the Mexican border were half a million dollars less in 1982 as compared to 1981. From January to May of 1982, duties collected were in fact higher than during the same period of 1981. However, between June and October inclusive, all months in 1982 registered lower collections than in 1981. Increases in import duty collections in November and December of 1982 pushed total collections to slightly above 1981 levels.

TABLE 5

BREAKDOWN OF DUTIES COLLECTED AT BELIZE/MEXICO BORDER 1981-1982

BZ$000

	Import Duty	Stamp Duty	Revenue Replacement Duty	Administration Fees	Other	Total
1981 Jan.	160	23	28	16	5	232
Feb.	131	18	21	25	11	206
Mar.	138	27	6	55	10	236
Apr.	84	17	10	42	6	159
May	127	27	8	71	8	241
Jun.	138	30	15	88	11	282
Jul.	211	37	14	96	5	363
Aug.	233	42	36	94	6	411
Sep.	291	46	36	98	12	483
Oct.	215	50	22	59	16	362
Nov.	150	33	13	55	3	254
Dec.	212	40	15	71	17	355
TOTAL 1981	2090	390	224	770	110	3584
1982 Jan.	98	18	15	48	8	187
Feb.	101	23	9	68	7	208
Mar.	135	35	13	84	7	274
Apr.	131	23	11	47	10	222
May	146	36	11	42	8	243
Jun.	144	30	10	53	8	245
Jul.	163	31	12	71	12	289
Aug.	133	31	9	47	1	221
Sep.	185	34	9	25	7	260
Oct.	189	32	12	40	2	275
Nov.	212	44	10	37	15	318
Dec.	243	50	32	20	12	357
TOTAL 1982	1880	387	153	582	97	3099

SOURCE: Department of Customs and Excise

Import duties and administration fees were the categories of duties to decline most significantly in 1982. Import duties fell by $0.2 million. Given the chaotic conditions under which the border stations were operating, particularly after the second devaluation when border traffic was so heavy that the customs officials were finding it so difficult to make proper assessments, the conclusion cannot be drawn that the decline in import duties collections resulted from a decline in actual goods passed through the border station. In fact, it is entirely possible that these inflows of goods increased and significantly so.

With the exception of those purchasing large consumer items such as stoves and refrigerators, persons doing one-day shopping across the border spent in the region of $40.00 - $60.00 per trip. It is believed, from observation and from reports that almost all of the one-day shopping was for foodstuffs, detergents, clothes and small personal effects, portable television sets and other relatively small miscellaneous items. Available data suggests that between 60,000 and 100,000 people who would not have normally done so, crossed the border in 1982. These were the one-day shoppers who spent between $2.4 million and $6.0 million across the border.

Admittedly, this is both a very crude and a very widely-ranged estimate. But in a situation where the mechanism for data collection is susceptible to substantial leakages, little else is possible.

In addition to the increase in unrecorded imports arising from the increase in recorded border traffic, there was an influx of Mexican goods in the shops and on the sidewalks (i.e. vendors) that cannot be directly linked to bulk imports by the merchants of Belize but may be more likely the result of illegal imports across Belize's unguarded border and through the offshore cayes. 1982 and early 1983 saw a noted increase both in arrests for dealing in uncustomed goods and in guilty judgements handed down. These cases may be only the tip of the proverbial iceberg. Unfortunately, if the estimation of unrecorded but legal imports poses such a difficult problem, the estimation of illegal imports is impossible at this time.

The implication of the expansion in unrecorded imports for the Balance of Payments are immense. The current account deficit for 1982 has been estimated at $18.6 million. This deficit would be greater if the flow of goods from Mexico to Belize had taken place by traditional means since these would have been recorded as imports. Further to this, were it not for the cheaper goods from Mexico, official reserves would have declined.

There is no evidence in the sales of foreign exchange records that the growth in traffic across the Belize/Mexico border was financed through official channels. There was no upsurge of sales in any category that would indicate this. On the other hand, late in 1982, a scarcity of United States dollar currency notes at the commercial banks developed indicating that notes previously entering the system through the banks were being siphoned off elsewhere - probably northwards.

The second category of duty collection to show dramatic decline at the Mexican border was administration fees. These are the duties charged for the processing of trans-shipments and re-exports. After rising steadily during 1981 to total $0.8 million that year, administrative fees declined by $0.2 million (40.0 percent) in 1982.

The expansion in the re-exports trade is relatively new. Up to the early 1960's, re-exports accounted for less than 10 percent of total exports (domestic exports plus re-exports). By the mid-1970's this had grown to in excess of 20 percent. In 1980, re-exports account for almost 30 percent of total exports.

The re-export trade has traditionally been primarily with Mexico. During the 1970's, Mexico's share in the total re-export trade fluctuated between two-thirds and three-quarters. In 1980, of total re-exports valued at $58 million, 80 percent went to Mexico. In 1981, it was 92 percent out of $89 million. 1982 saw the value of the re-export trade decline by $22 million. Although to date, the actual value of this trade which went to Mexico has not been ascertained, the sharp decline in duty collections from the trade across the Mexican border points to a contraction of approximately $21 million or 25 percent.

Added to the more obvious effects such as increases in border traffic and illegal trading (in both currencies and goods) and reductions in recorded imports and customs duties collections, the Mexican devaluations also impacted on the Belizean economy in a number of indirect ways.

The retail business in Belize City slowed down considerably in 1982 as increasing numbers of people did their marketing in Chetumal. Even during the Christmas season, at which time stores usually see a rapid turnover in goods, business was slow. Inventories were not depleted as they traditionally were at the end of the year. Thus, there was none of the usual haste to replenish stocks early in 1983. Up to the middle of 1983, sales of foreign exchange for imports was running at $7 million to $9 million per month lower than in previous years.

The business community responded in two ways. Firstly, some businessmen attempted to take advantage of the low Mexican supplies. They found, however, that Mexico's two-tiered exchange rate system worked against their efforts. Whereas, individuals were benefitting from a high illegal market rate, Belizean importers were receiving the much less advantageous official private sector rate. Thus, the Mexican goods imported in bulk through official channels were not significantly less expensive than imports from usual sources. Belizeans would still benefit themselves by crossing the border to market.

Secondly, with stock turnover so low, operational costs relative to income rose. Early in 1983 several large businesses (importer/wholesalers/retailers) made a number of workers redundant explaining that not only had profits declined drastically but the volume of work didnot necessitate the number of workers employed previously.

From the customer's point of view, however, easy access to significantly cheaper Mexican goods was a boost to real income. The price differential that resulted from the Mexican devaluation greatly increased the purchasing power of the Belizean shopper offsetting even the costs of travel and the inconvenience of the harried conditions at the border stations. So that, if the business community suffered, the Belizean public gained.

What has begun to emerge in 1983 is an upward adjustment of Mexican prices as the delayed effects of the devaluation and the removal of government subsidies on domestic prices are being seen. Thus, it may be expected that movement across the border will slow down in 1983. Hypothetically, the devaluations resulted in shifts in the real effective exchange rate between the peso and the Belize dollar - the effective rate being lower than the normal rate but shifting upwards over time.

In addition to abruptly shifting the pattern of trade, the devaluation resulted in severe losses to businessmen who had placed large sums of money in Mexican banks to take advantage of higher Mexican interest rates. Compounding these losses were the newly instituted exchange control regulations which froze large portions of these funds in Mexcio by making them non-convertible into foreign currency. One way in which these funds could be brought out of Mexico was as goods purchased or as pesos. This is a possible explanation of the influx of Mexican goods and pesos into Belize after the devaluation.

CONCLUSION

The extent to which the devaluation impacted upon the economy of Belize was a function of the openness of the economy. The proximity of the country to Mexico and the relative ease with which legal and illegal crossings can be made are two indicators of physical openness. Belize's borders with its neighbours are only sporadically patrolled. Likewise the offshore cayes lie in unguarded waters. Entry or exit overland or by sea is extremely easy.

Two indicators of economic and financial openness are the import content of domestic production and the level of foreign capital inflows relative to domestically generated capital. As reflected in Table 3, imports for domestic consumption as a percentage of gross domestic product fluctuated between 71 percent and 82 percent during 1978 to 1981 declining to 63 percent in 1982. While there is no readily available estimate of total foreign capital inflows, the World Bank estimates that in 1982 private sector capital inflows amounted to US$3.2 million while public sector capital inflows (grants and loans) amounted to US$21.4 million. An additional US$13.2 million came in as private remittances from abroad.

A look at Central Government's Estimates of Revenue and Expenditure indicates that of total estimated capital revenue of $90 million for fiscal year 1982/83, $87 million was scheduled to come from external sources. Government's capital investment programme (primarily agricultural and infrastructural projects) is implemented only so far as these finances can be obtained.

The fact that the Mexican devaluation so strongly and so quickly affected Belize is a testament of Belize's openness. Whether the effects are perceived as positive or negative, however, varies with the section of the economy evaluating these effects.

From the businessmen's point of view, the indirect effect of the devaluation was a decline in business and profits as a result of a substantial shift in trade away from their supermarkets to Mexican supermarkets. Their call was for a means of slowing down the border traffic since it was having a negative effect on their business.

The consumers saw the devaluation as a positive change. Many incomes could be stretched well beyond customary boundaries, increasing real income and therefore the standard of living. The increase in unemployment that may have ocurred is not taken to be significant.

From the official authorities' point of view, doubtlessly the pressure which built up against the capacity to guard the borders, process travellers and collect revenues was undesirable. The decline in administration fees in particular which resulted from the fall in the re-export trade put a dent in revenue collections from the Santa Elena border station.

On the other hand, the decline in recorded imports reflected positively in the Balance of Payments and official reserves. Moreover, the possible improvement in living standards was welcome at a time when declining export earnings put severe pressure on the foreign reserves.

Official authorities in Belize chose not to respond directly to the effects of the Mexican devaluation. When, late in 1982 the list of prohibited and restricted imports was revised, this was not aimed specifically at counteracting the flow of funds to Mexico, but was more an attempt to stem the decline in foreign reserves evidenced during the year.

Short of closing the borders (which in any event would have likely led to an even greater expansion in illegal activities) policy options available to government were very limited. Any application of selective controls on imports specifically from Mexico could easily be undermined by illegal trade or retaliatory action on the part of Mexico.

The Belize dollar could have been re-aligned to the United States dollar to reduce the gain on foreign exchange conversions obtainable by Belizeans in Mexico. Theoretically, this ought to reduce the overall level of imports. In the context of Belize's openness and dependence on the external market to supply basic needs, there is believed to be a highly inelastic demand for imports. In addition, export production in the major agro-industries is geared primarily to fulfilling quotas at generally inflexible prices making exports also of an inelastic nature. Thus, there is little, if anything to be gained from exchange rate adjustments.

The limitation upon policy options was also the result of the rapidity with which the events occurred and the time lag between these occurrences and the knowledge of the parameters of the after effects. The peso appeared to be set on a course of a series of devaluations. Any early response of Belize would be offset or nullified by a subsequent devaluation. Moreover, there were obviously both desirable and undesirable effects but no way of measuring the net gain or loss to the country of Belize. Central authorities would have been precipitate if they had attempted to put a lid on the flow to Mexico.

SOURCES/REFERENCES

DORLA HUMES - Recent Development in Belize and the implication for the Exchange Rate; Draft prepared for discussion at the Fourteenth Annual Regional Programme of Monetary Studies, Georgetown Guyana, November, 1982.

CENTRAL BANK OF BELIZE - Quarterly Review, September, 1982.
- Quarterly Review, December, 1982.
- Exchange Control Reports, 1982.

MINISTRY OF FINANCE - Trade Reports
- Abstract of Statistics
- Quarterly Trade Bulletins

WORLD BANK - Economic Report on Belize, April, 1983.

DEPARTMENT OF CUSTOMS AND EXCISE

POLICE AND IMMIGRATION HEADQUARTERS

APPENDIX

TABLE I

VALUE OF IMPORTS (GROSS)
by Sections of S.I.T.C.

BZ $000

	1976	1977	1978	1979	1980	P 1981	E 1982
Food	38,940	40,110	51,516	64,506	65,659	79,808	73,413
Beverage and Tobacco	3,332	3,810	5,823	6,632	6,448	7,115	5,926
Crude Materials except fuels	781	1,376	1,122	2,040	2,366	4,916	3,941
Minerals, fuel, Lubricants etc.	18,742	23,359	22,039	33,140	54,475	51,334	45,218
Animals and vegetable oils and fats	587	357	479	698	1,367	1,023	820
Chemicals	12,758	12,648	15,188	20,697	19,480	22,871	17,182
Manufactures	24,007	28,616	37,999	38,831	41,617	39,466	29,648
Machinery and transport equipment	40,411	45,319	45,833	56,784	57,907	57,532	42,049
Miscellaneous Manufacturers	21,325	23,752	31,891	39,233	47,968	58,277	44,415
Miscellaneous	627	804	1,101	1,114	2,222	1,592	330
TOTAL	161,510	180,151	212,991	263,675	299,509	323,934	262,942

SOURCES: Abstract of Statistics, Ministry of Finance
Quarterly Trade Bulletin, Ministry of Finance

E - Estimate
P - Provisional

APPENDIX

TABLE II

IMPORTS BY PRINCIPAL TRADING AREA

BZ $000

	1976	1977	1978	1979	1980	1981[P]	1982[E]
U.K.	32,980	27,511	37,288	46,885	47,265	45,789	39,441
U.S.A.	56,423	75,132	82,751	93,900	104,319	114,681	86,771
CARICOM	4,233	4,097	4,125	6,488	4,656	6,269	5,259
OTHER	67,874	73,411	88,827	116,402	143,269	157,195	131,471
TOTAL	161,510	180,151	212,991	263,675	299,509	323,934	262,942
RE-EXPORTS	25,880	35,177	49,773	60,320	57,574	88,452	67,866
IMPORTS FOR DOMESTIC CONSUMPTION	135,630	144,974	163,218	203,355	241,935	235,392	195,076

SOURCES: Abstract of Statistics, Ministry of Finance
Quarterly Trade Bulletin, Ministry of Finance

P - Provisional
E - Estimate

APPENDIX

TABLE III

DOMESTIC EXPORTS by Sections of S.I.T.C.

BZ $000

	1976	1977	1978	1979	1980	1981 P	1982 E
Food	51,443	65,948	85,942	83,889	113,607	122,941	100,519
Beverage and Tobacco	-	1	-	-	-	1	65
Crude Materials except fuels	4,157	2,965	4,075	6,620	4,707	3,359	4,330
Animals and vegetable oils and fats	31	-	-	9	7	4	-
Chemicals	245	41	451	507	673	543	1,168
Manufacturing goods	89	348	24	66	32	135	526
Machinery	13	-	-	13	12	116	-
Miscellaneous manufacturing	12,151	19,144	18,952	21,393	28,382	22,128	12,874
Miscellaneous transactions and commodities	32	540	348	645	233	245	90
TOTAL	68,161	88,987	109,792	113,142	147,653	149,472	119,572

SOURCES: Abstract of Statistics, Ministry of Finance
Quarterly Trade Bulletin, Ministry of Finance

P - Provisional
E - Estimate

APPENDIX

TABLE IV

DOMESTIC EXPORTS
by Principal Trading Area

BZ $000

	1976	1977	1978	1979	1980	1981	1982 E
U.K.	33,081	38,991	53,302	47,290	47,050	46,037	30,881
U.S.A.	25,449	41,641	48,094	53,559	87,519	90,879	62,249
CARICOM	3,535	2,731	3,734	6,153	7,305	7,799	14,317
OTHER	6,096	5,624	4,662	6,140	5,779	4,757	12,159
TOTAL	68,161	88,987	109,792	113,142	147,653	149,472	119,606

SOURCES: Abstract of Statistics, Ministry of Finance
Quarterly Trade Bulletin, Ministry of Finance

E - Estimate