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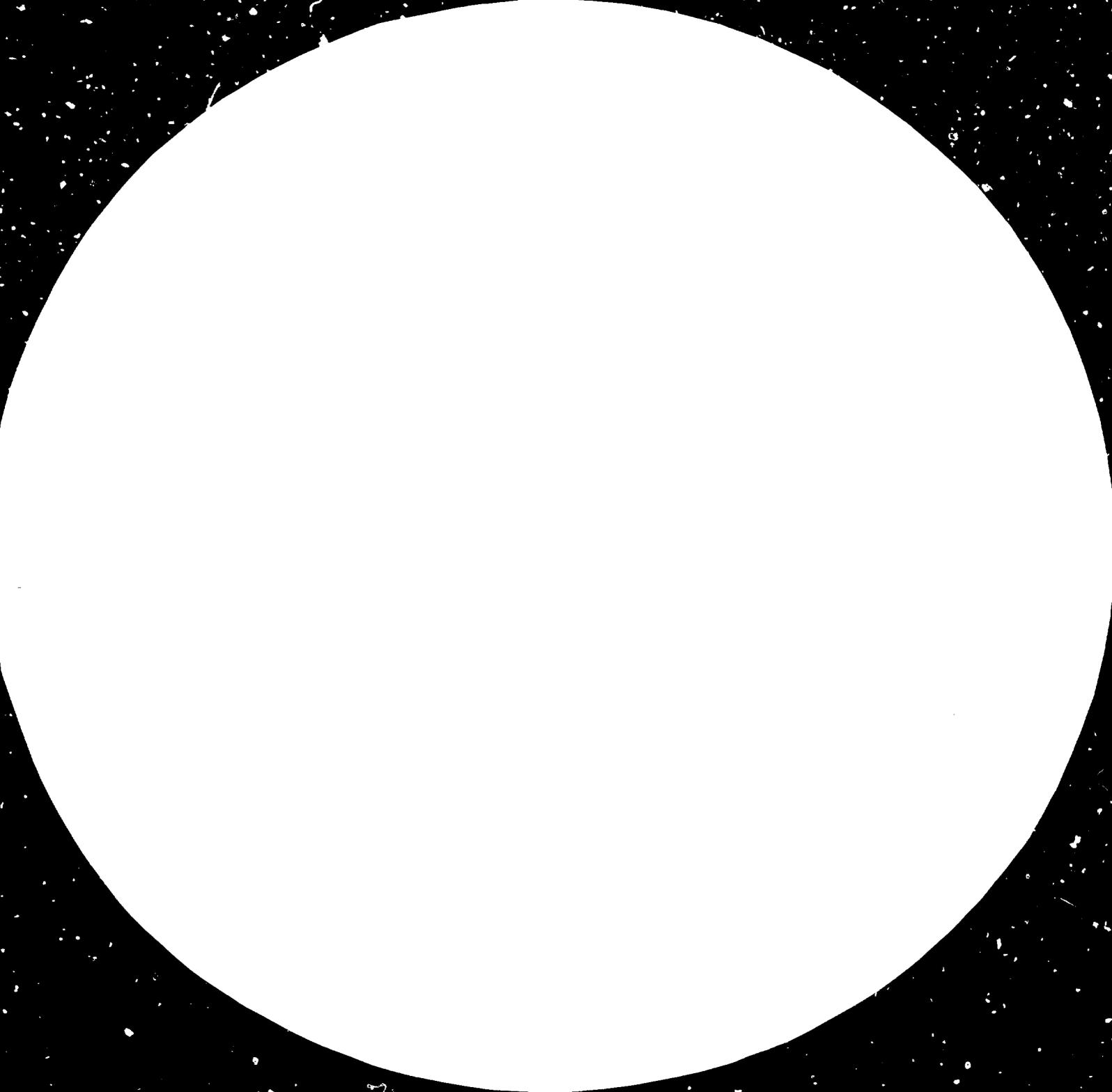
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ENGLISH

COUNTRY INDUSTRIAL DEVELOPMENT PROFILE  
OF THE  
REPUBLIC OF SURINAME\*

Prepared by the  
Division for Industrial Studies

391201

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## PREFACE

The Division for Industrial Studies, Regional and Country Studies Branch, undertakes under its work programme the preparation of Country Industrial Development Profiles. These profiles are desk studies, providing statistical and economic analyses of the industry sector, its growth, present status and future prospects. It is hoped that the profiles will provide analyses of use in activities relating to technical assistance, industrial redeployment and investment co-operation.

This profile on Suriname is based on documents, reports and studies available at UNIDO Headquarters. No field survey has been undertaken and some of the data on industry are not up-to-date.

The views or comments contained in this document do not reflect those of the Government of Suriname nor do they officially commit the United Nations Industrial Development Organization to any particular course of action.

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EXPLANATORY NOTE

The monetary unit in Suriname is the Suriname guilder. Prior to 27 December 1971, the exchange rate was US \$1 = 1.885 Suriname guilders. As of 27 December 1971, the exchange rate has been US \$1 = 1.785 Suriname guilders.

SUMMARY AND CONCLUSIONS

Suriname is a open economy, heavily dependent upon the production and export of one primary commodity, bauxite, which makes the economy very sensitive to the world price of, and the demand for, bauxite products. Thus, as a result of the 1974/1975 world economic recession, the Surinamese economy declined before the country's independence, which took place in November 1975. In addition, the large outflow of population to Holland before independence also contributed to a further slump in the economy. After independence the economy went through a recovery period due to improved international demand for bauxite products, growth of the agriculture sector and the inflow of extensive concessional aid granted to Suriname by Holland at the time of independence. Suriname's first years of independence were marked by a good performance: the output in real terms rose by almost 7 per cent in 1976/1977 and GDP per capita by about 6 per cent. The bauxite sector recovered after the 1974-1975 slump and alumina and aluminium production attained their peak levels of 1972-1973. An expansion of almost 50 per cent in the public sector expenditure - in 1975/1976 public investment and in 1976/1977 public consumption - has helped to stimulate the economy through the rapid growth of construction, manufacturing and trade.

The wide unemployment which plagued Suriname in the early 1970's appears to have been reduced in 1975/1976. Shortages of unskilled and skilled manpower are believed to have developed due to the heavy population outflow to Holland before independence coupled with economic expansion. To fill this gap the Government decided in 1978 to permit the inflow of 10,000 Guyanese. The outflow of Surinamese started in 1967 when the contraction of the economy began to show reduced employment opportunities and income; it accelerated, however, in the pre-independence years. A high proportion of qualified and skilled manpower is believed to be among those who left the country.

The balance of trade has shown a declining surplus and the current account an increasing deficit during the years 1970-1975, reflecting the higher outlay for petroleum imports and the rising volume and prices of other imports. The chronic deficits both in the non-factor services account (travel payments) and in the factor services account (profit remittances) make up for the increasing current account deficit. However, the high levels of capital inflows during 1975-1978 resulted in a surplus in the balance of payments and have permitted the accumulation of reserves.

All foreign debts to the Tripartite Kingdom were cancelled in 1975 with independence, representing about 95 per cent of Suriname's outstanding debt. The new outstanding debt in 1975 was less than 3 per cent of GDP (about US \$7 million). However, in 1978 the external public debt outstanding increased to about US \$31 million due to the loans contracted abroad to finance the rise in the budget deficit.

The prospects for development in Suriname appear to be encouraging provided that the two following aspects be considered in any development strategy:

- expansion and diversification of the economic basis, particularly the manufacturing and agriculture sectors, in order to reduce reliance on the existing mining sector and to provide a stable basis for self-sustained growth;
- development of the ability to use adequately the high levels of development aid presently available and, at the same time, to create the capacity to generate savings so that domestic sources of funds may, at least partially, replace Dutch aid and foreign investment in financing, and public and domestic private investment, respectively.

Obviously the main constraint to development in Suriname is the limited size of the domestic market both in terms of population, income per capita and income distribution. In addition, the following constraints appear to be of utmost importance:

- shortage of skilled and qualified manpower in all economic sectors and activities which might prevent or reduce any serious development effort;
- sluggish execution of the public sector investment programme;
- insufficient planning machinery.

Both of the last two constraints are also related to the shortage of appropriate qualified manpower.

## Chapter I

### THE GENERAL BACKGROUND

#### The setting

The Republic of Suriname, which covers an area of approximately 163,820 square kilometres, lies on the northeast coast of South America, bordered by Guyana to the west, French Guyana to the east and Brazil to the south. The climate is tropical with heavy rainfall and temperatures ranging from 26 degrees to 34 degrees Centigrade. The country consists of three zones: the coastal plain, the savanna belt and the tropical rain forest. The coastal plain has good soil for agricultural use, although its salinity, resulting from its proximity to the sea, should be reduced. The potential agricultural land in this area is over 200,000 hectares while in the entire country only one-fourth of that area is under cultivation. The savanna zone lies between the coastal plain and the forest belt, which is 30 to 40 miles wide, followed further south by dense jungle and high mountains.

Total population in 1975 was estimated at 368,000 inhabitants. The average growth rate between 1951 and 1971 was high at 3.5 per cent, while between 1971 and 1975 it was negative at -1.1 per cent as a result of heavy emigration. Population density is about 2.3 per square kilometre, but unevenly distributed over land with about 70 per cent of the total population living around Paramaribo and 20 per cent living in small cities and villages along the coast. The rest of the population, mainly Bushcreoles and Amerindians, live in tribal settlements in the interior.

The age structure of the population reveals that approximately 46 per cent are under 15 years of age, indicating a high birth rate (about 37.5 per cent in 1972). About 80 per cent of the total population is literate and it has been estimated that 92 per cent of primary school age children were enrolled in 1974.

The ethnical composition of the population is rather varied. The main ethnical groups are the Hindus and Indonesians, who together account for 52 per cent of total population, followed by the Creoles, who make up 31 per cent.

The original inhabitants of Suriname, the Amerindians, presently account for only 2 per cent. Europeans and Chinese together represent 2 per cent of the population and the Bushcreoles, descendents from African slaves brought in to work on the plantations, account for about 9 per cent.

The official language is Dutch, but English is widely spoken. The majority of the people speak the native language, Sranang Tongo or Takki-Takki, a mixture of Dutch and other languages. Hindi, Javanese, several Chinese, Indian and African languages and dialects are also spoken.

Suriname's known history started early in the sixteenth century when Spaniards came to the country in search of gold but did not settle there. In the middle of the seventeenth century Suriname was colonized by British settlers who started raising cocoa, coffee, sugar and cotton (destined for export to England) under the plantation system based on slave labour imported from Africa. In 1667 Suriname was conquered by the Dutch who gained permanent control over the area through the Peace Breda Agreement between England and The Netherlands. In spite of this Agreement, Suriname changed hands between the Dutch and the British several times until it became permanently a Dutch colony in 1816 under the Treaty of Paris. When slavery was abolished in 1863, Suriname faced a labour shortage and brought in contract workers from China, India and Java.

In 1954, under an amendment to the Dutch Constitution, the statute of Suriname changed and the country was granted full autonomy in domestic affairs, becoming an equal partner with Holland and the Netherlands Antilles in the Kingdom of The Netherlands. Only foreign affairs and defense were handled by the Kingdom Government in which all three were represented.

In 1973, Suriname went through a wave of strikes and violence apparently resulting from the refusal of the Hindustani-dominated Government to meet workers' wage increase claims. As a result, the Government resigned and general elections were held, bringing to power an alliance of parties, dominated by the Suriname National Party, which favoured complete independence from The Netherlands. Negotiations started with major problems being the question of nationality and the Dutch development aid to Suriname. It was agreed that the Dutch Government would give 3,500 million Guilders in aid and that Suriname would become independent on 25 November 1975. The Hindustani opposed independence on economic grounds; however, the date agreed upon was kept and Suriname became an independent nation.

After independence major problems included the emigration of some 40,000 skilled Surinamese to Holland, causing skilled manpower shortages, and border disputes with French Guyana and with Guyana. In 1977, general elections were held, giving a clear majority to the ruling National Party Kombinat, a coalition of parties dominated by the Suriname National Party.

Suriname is a leading producer of bauxite. After World War II the country produced 25 per cent of the world's output of this mineral; however, recently its relative world position was reduced to 9 per cent of world output making the country the world's fourth-largest producer of bauxite after Australia, Jamaica and Guinea.

Suriname's still incipient industrialization also contributes to the economy's heavy dependence on bauxite mining, although processing into alumina and aluminium began in 1960 and has increased ever since. In 1975-1978, more than 50 per cent of the bauxite output was processed into alumina and aluminium. Bauxite production still accounted for almost one-third of GDP, for about 75 per cent (average) of total export earnings, and 27 per cent of tax revenue, making the country's economy highly dependent on the production and export of a single product.

Agriculture was the main economic activity in Suriname during the seventeenth, eighteenth and nineteenth centuries. Coffee, sugar, cotton and cocoa were produced under the plantation system, which, however, declined in the twentieth century when mining took the lead as Suriname's most important economic activity. Nonetheless, large-scale agriculture, wood and fishing concerns are still predominant in the primary sector, where rice, palm oil, bananas, shrimps and chicken are the main products. Small-scale agriculture is operated at subsistence level.

Chapter II

THE ECONOMIC BACKGROUND

Global and main sectoral trends

The Surinamese economy demonstrated a good performance during the 1960's. Over this period of time, the real GDP annual growth rate averaged almost 9 per cent. However, the decade can be broken down into two distinct periods: The first covers the early and mid-1960's when the economy went through a boom which peaked in 1965 and 1966 with real annual growth rates of 14 per cent and 21 per cent, respectively. This spectacular performance was mainly the result of large-scale foreign investment in energy infrastructure and bauxite processing. The second period covers the late 1960's when the investment boom slowed down, apparently leading the economy into stagnation. Per capita income remained constant, or even declined, since factor income payments abroad appropriated an increasing proportion of GDP.

During the 1970's, the economy suffered severe fluctuations. In the early 1970's, as the country moved towards independence, the economic situation deteriorated further. After 1973, the demand for the leading Surinamese exports, i.e. bauxite, alumina and aluminium, fell sharply as a result of the world economic recession. GDP in real terms sank below former levels and growth rates for 1974 and 1975 were negative. An additional factor which has contributed to the poor economic performance of Suriname was the decline after 1973 in foreign investment on which the country had relied heavily. The first years of independence were marked by economic recovery and expansion. The bauxite sector recovered partially from its slump, but bauxite output has not yet attained its 1973 level.

Table 1 shows GDP at constant prices of 1970 for the time period 1970-1977 as well as annual growth rates. In this table, the sharp decline in the annual growth rates of GDP can be seen, which showed negative values of -1.7 per cent in 1974 and -2.8 per cent in 1975, as well as their recovery in 1976 and 1977 to levels of almost 4 per cent and over 6 per cent, respectively.

Table 1. Annual growth rates of GDP, 1970-1977  
(at constant 1970 prices)

Year	Annual growth rates	GDP factor cost (millions of Suriname guilders)
1970	2.4	491
1971	4.1	511
1972	3.9	531
1973	4.0	552
1974	-1.7	544
1975	-2.8	527
1976	3.6	546
1977	6.6	582

Source: UNIDO, based on IBRD Report No. 1257a-SUR, and ECLA, Economic Survey of Latin America, 1976, 1977, 1978 and 1979 (preliminary).

GDP per capita in real terms as well as its growth rates from 1970 to 1977 are given in Table 2. GDP per capita increased at relatively low annual rates during the time period 1970-1973, reported a rate of -0.2 per cent in 1974, began to rise in 1975, and in 1977 attained a growth rate of almost 6 per cent. In 1977, GDP per capita in real terms amounted to US \$856.

Suriname's economy, as is often the case among developing countries, is highly dependent on the export of a single mining product, bauxite and processed bauxite (alumina and aluminium), and therefore fluctuations in world prices of, and world demand for, these products are likely to affect considerably the entire economic activity of the country. In addition, the small size of the domestic market, both in terms of population and per capita purchasing power, has hindered industrial development. The industrial sector has shown a constant output in real terms over the last decade, although in the 1970's its performance was improving.

The breakdown of total expenditure over the period 1970-1978 shows that total consumption increased moderately faster than GDP and that imports of goods and services grew more rapidly than total consumption, suggesting that the supply of goods in the economy was ahead of that of the goods produced. An interesting feature, however, is the higher growth rate of gross domestic investment which exceeded the other variables, indicating that the increase in imports might have favoured capital goods and raw materials.

Total supply, total demand and their main components at current prices in 1970, 1973 and 1975-1978, as well as their percentage breakdown in total aggregates and growth rates, are given in Table 3. According to these data, while GDP increased by almost 14 per cent per annum during the period 1970-1978, total consumption grew by about 15 per cent and imports by more than 15 per cent. As a result, the proportion of total consumption in GDP changed from 76 per cent in 1970 to 82 per cent in 1978, while imports went up from almost 49 per cent to about 61 per cent in 1975 and declined to 54 per cent in 1978.

Investment over the period showed a relatively good performance; its share in GDP changed from about 18 per cent in 1970 to almost 21 per cent in 1978. Private investment grew faster than public investment until 1975; thereafter public investment accelerated its growth rate. There has been increasing Government direct intervention in production through Government ownership and public sector investment in response to the growing stagnation of the private sector.

Table 2. GDP per capita and annual growth rate of GDP per capita, 1970-1977

Year	Population		GDP <sup>a/</sup>	GDP per capita	Growth rate of GDP per capita	GDP per capita <sup>b/</sup>
	(thousands) (1)	(millions of Suriname guilders) (2)	(3) = (2)/(1)	(4)	(percentage) (5)	(US dollars) (6)
1970	377	491	1,302	-		691
1971	385	511	1,327	1.9		704
1972	393	531	1,351	1.8		757
1973	397	552	1,390	2.9		778
1974	392	544	1,388	-0.2		777
1975	367	527	1,441	3.8		807
1976	378	546	1,444	0.2		809
1977	381	582	1,528	5.8		856

Source: GDP, see Table 1; population, see Table 8.

a/ GDP at factor cost and constant 1970 prices.

b/ Exchange rate in 1970 and 1971: 1 Suriname guilder = US \$0.531  
Exchange rate in 1972-1977: 1 Suriname guilder = US \$0.560.

Table 3. Total supply and demand  
(at current prices)

	Millions of Suriname guilders						Percentage breakdown						Growth rates		
	1970	1973	1975	1976	1977	1978	1970	1973	1975	1976	1977	1978	1970/1973	1970/1975	1970/1978
Total supply	818.6	1,024.6	1,645.1	1,733.5	2,130.4	2,386.6	148.9	147.8	161.1	153.2	156.2	154.1	7.9	15.0	14.3
GDP m.p.	549.8	693.5	1,021.4	1,131.4	1,364.0	1,548.6	100.0	100.0	100.0	100.0	100.0	100.0	8.0	13.2	13.8
Imports	268.8	331.3	623.7	602.1	766.4	838.0	48.9	47.8	61.1	53.2	56.2	54.1	7.2	18.3	15.3
Total demand	818.6	1,024.6	1,645.1	1,733.5	2,130.4	2,386.6	148.9	147.8	161.1	153.2	156.2	154.1	7.9	15.0	14.3
Total consumption	420.1	540.7	857.6	872.2	1,135.1	1,273.2	76.4	78.0	84.0	77.1	83.2	92.2	8.8	15.3	14.9
Public	128.1	158.4	216.0	239.0	326.0	343.5	23.3	22.8	21.2	21.1	23.9	22.2	7.3	11.0	13.1
Private	292.0	382.7	641.6	633.2	809.1	929.7	53.1	55.2	62.8	56.0	59.3	60.0	9.4	17.1	15.6
Gross domestic investment	100.6	137.3	230.8	242.1	305.5	320.6	18.3	19.8	22.6	21.4	22.4	20.7	10.9	18.1	15.6
Public	31.5	42.3	108.2	151.8	151.5	129.2	5.7	6.1	10.6	13.4	11.1	8.3	10.3	28.0	19.3
Private	69.1	95.0	122.6	90.6	154.0	191.4	12.6	13.7	12.0	8.0	11.3	12.4	11.2	12.2	13.6
Exports	297.9	346.4	556.7	619.2	689.8	792.8	54.2	49.9	54.5	54.7	50.6	51.2	8.9	15.8	14.5

Source: Suriname Planning Bureau; Bureau of Statistics; World Bank estimates; ECLA, Economic Survey of Latin America.

The share of total consumption in GDP increased from 76 per cent in 1970 to 82 per cent in 1978, but within the period fluctuations took place. Public consumption decreased its share in GDP from 23 per cent in 1970 to 22 per cent in 1978, while private consumption increased its relative position from 53 per cent in 1970 to 60 per cent in 1978.

Suriname has an open economy with imports and exports accounting for more than 50 per cent of GDP. In 1970 the proportion of imports to GDP was about 49 per cent while exports amounted to 54 per cent, resulting in a trade surplus of almost 4 per cent of GDP. However, during the period 1970-1975 this trend reversed; in 1975 imports increased to 61 per cent, while exports maintained their proportion in GDP leading to a trade deficit of about 7 per cent of GDP. This situation improved in 1978 with the proportion of imports in GDP declining to 54 per cent and exports to 51 per cent, reducing the trade deficit to 3 per cent of GDP.

The analysis of GDP by main economic sector reveals the structure typical of a developing countries which is a single commodity producer and exporter with a heavy concentration of economic activity in one sector, in this case bauxite mining and processing, which accounts for approximately one-third of total domestic output.

Table 4 gives the sectoral distribution of GDP at constant prices of 1970 for 1970 and 1974-1977. The first salient feature of this table is the decline by -3 per cent of GDP in real terms between 1974 and 1975. The disaggregation of GDP into main sub-sectors shows that the share of the goods-producing sector, which includes agriculture and fisheries, forestry and wood processing, mining and bauxite processing, manufacturing and construction, increased from 52 per cent in 1970 to almost 56 per cent in 1974, but after that declined to 51 per cent in 1975 and 1976. This decline was mainly the result of the sharp drop in mining in real terms, the share of which in GDP changed from 34 per cent in 1974 to 28 per cent in 1977 with a growth rate between 1974/1975 of -22 per cent. Manufacturing has gradually increased its share in GDP from 9.6 per cent in 1974 to almost 12 per cent in 1978. Agriculture showed an increase from 7.7 per cent of GDP in 1970 to 8.8 per cent in 1977, representing an annual compound growth rate of 4 per cent. Construction went down by -34 per cent between 1974 and 1975, but improved thereafter.

The decline in mining and bauxite processing can be attributed to the reduction both in world demand and world prices of these products in 1974 and

Table 4. Sectoral distribution of GDP in 1970 and 1970-1977  
(at constant 1970 prices)

	Millions of Suriname guilders					Percentage breakdown					Growth rates				
	1970	1974	1975	1976	1977	1970	1974	1975	1976	1977	1970/1974	1974/1975	1970/1975	1976/1977	1970/1977
Agriculture	38	40	46	49	51	7.7	7.4	8.7	8.9	8.8	1.3	11.5	3.9	4.1	4.3
Forestry and wood industry	14	14	14	15	14	2.8	2.6	2.7	2.8	2.4	0.0	0.0	0.0	- 6.7	0.0
Mining and bauxite	163	187	146	145	160	33.2	34.4	27.7	26.6	27.5	3.5	-22.0	-2.2	10.3	-0.3
Manufacturing	43	52	58	59	68	8.7	9.6	11.0	10.8	11.7	-	11.5	-	15.3	9.4 <sup>a/</sup>
Construction		9	6	10	11		1.7	1.1	1.8	1.9	-	-34.4	-	10.0	6.9 <sup>a/</sup>
Goods-producing sector	258	302	270	278	304	52.4	55.5	51.2	50.9	52.2	4.0	-10.6	0.9	9.4	2.4
Trade, commerce and banking	140 <sup>b/</sup>	81	93	99	105	28.5	14.9	17.6	18.1	18.0	-	14.8	-	6.1	9.0 <sup>a/</sup>
Transport	- <sup>b/</sup>	15	15	16	16	-	2.8	2.8	2.9	2.7	-	0.0	0.0	0.0	2.2 <sup>a/</sup>
Government	94	106	109	112	116	19.1	19.5	20.7	20.6	19.9	3.0	2.8	3.0	3.6	3.0
Other	-	40	40	41	42	<sup>b/</sup>	7.4	7.6	7.5	7.2	-	0.0	-	2.4	9.0 <sup>a/</sup>
Services sector	234	242	257	268	278	47.6	44.5	48.8	49.1	47.8	3.4	6.2	1.9	3.7	2.5
GDP factor cost	492	544	527	546	582	100.0	100.0	100.0	100.0	100.0	2.5	- 3.2	1.9	6.6	2.4

Source: ECLA, Economic Survey of Latin America, Vol. II, 1978, and preliminary version of 1979.

a/ Time series start in 1974.

b/ In 1970 Transport and Other included in Trade, commerce and banking.

1975, while in construction the drop in activity is mainly due to the sharp decline of almost 50 per cent in cement production as compared to its physical output level of 1970. In addition, the shortage of skilled manpower and the fall in investment in these sectors are also factors which have hampered their faster growth.

Another striking trend in the goods-producing sector is the stagnation in real terms of the forestry and wood-processing sector which, despite this sector's considerable potential, slightly reduced its relative share in GDP by 0.4 per cent over 1970-1977. Apparently, technical and marketing difficulties and a lack of penetration roads into the forest belt have been the main factors responsible for the stagnation of this sector's activity.

Agriculture performance in real terms increased at an average growth rate of 4 per cent between 1970 and 1977, and in 1974/1975 the annual growth rate was as high as 12 per cent. As mentioned above, its relative share in GDP rose from 7.7 per cent in 1970 to 8.8 per cent in 1977. Agriculture is, after mining, the second most important sub-sector within the goods-producing sector. Within agriculture the most important trends were the increase in total land area under commercial exploitation from 46,000 hectares in 1970 to 59,000 in 1975, mainly due to the expansion of the rice and palm oil land area, which continued to expand over 1976-1979.

The land area of traditional crops such as cocoa, coffee and sugar fell during the period due to a reduction in their production. Table 5 gives the area under cultivation for selected crops for the time period 1969-1979, and Table 6 lists the physical production for selected crops over the same period. Palm oil output, an activity which is highly mechanized and concentrated in large estates, has increased by twenty-fold from 1974 to 1978. By far the most important crops are rice and bananas, which are exported in large quantities. The United Fruit Company has an export monopoly for bananas. Citrus fruit production is also quite important, with these fruits being exported mainly to The Netherlands at off-season periods, thus guaranteeing the Dutch market for Surinamese exports of citrus. Shrimp fishing is also an important primary sector activity mainly oriented towards export.

The services sector has slightly expanded in real terms over the period 1970-1977. Within this sector, Government participation grew at 3 per cent, maintaining its relative share in GDP. Trade, commerce and banking increased their share from almost 15 per cent in 1974 to 18 per cent in 1977.

**Table 5. Surinamese areas under main agricultural crops, 1969-1979**  
(in hectares)

Crop	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Paddy	33,248	39,132	40,153	37,409	44,985	44,353	47,500	48,400	49,700	55,200	62,000
Maize	226	129	126	140	149	120	146	94	100	140	125
Peanuts	379	238	387	360	358	238	359	402	-	-	-
Peas	438	540	367	335	444	180	306	-	-	-	-
Cabbage	67	54	34	50	48	41	36	-	-	-	-
Tomatoes	101	97	38	47	61	51	56	-	-	-	-
Green vegetables	581	470	367	369	374	310	260	326	-	-	-
Plantains	529	397	163	151	254	139	124	201	-	-	-
Bananas	1,857	1,634	1,822	1,940	1,713	1,910	1,950	1,965	1,870	1,760	1,710
Sugar cane	2,772	2,291	2,200	2,160	2,343	2,300	2,230	2,120	2,188	2,303	2,428
Oranges	1,990	1,784	1,328	1,399	1,401	1,319	1,479	1,450	-	-	-
Grapefruit	444	316	371	377	352	325	400	-	-	-	-
Other citrus fruit	146	73	63	65	93	181	141	-	-	-	-
Coconuts	1,417	1,392	1,243	1,160	1,198	1,200	1,105	1,100	-	-	-
Cocoa	595	511	428	396	403	396	401	390	390	208	147
Coffee	929	747	524	442	433	448	420	360	360	209	190
Palm oil	-	50	330	840	1,215	1,435	1,640	1,710	1,880	2,025	2,025
Total area	45,719	49,855	49,944	47,640	55,825	54,946	58,606	-	-	-	-

Source: Ministry of Agriculture; ECLA, Economic Survey of Latin America, 1979.

Table 6. Surinamese production of main agricultural crops, 1969-1979  
(in metric tons)

Crop	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Paddy	113,328	145,399	136,290	122,968	164,063	162,417	174,845	172,500	202,866	223,946	-
Maize	405	192	319	350	320	193	365	132	230	273	-
Peanuts	2,296	1,953	2,380	2,300	2,307	766	2,300	1,700	-	-	-
Peas	450	494	365	345	447	617	420	-	-	-	-
Cabbage	556	404	240	355	354	259	250	-	-	-	-
Tomatoes	724	576	245	311	390	266	380	-	-	-	-
Green vegetables	2,878	2,390	2,255	2,300	2,362	1,491	1,600	1,600	-	-	-
Plantains	5,343	3,634	1,980	1,922	2,794	834	950	1,572	1,700	2,850	-
Bananas	44,165	39,749	49,255	42,312	38,811	39,605	43,095	41,400	31,568	32,675	-
Sugar cane	14,556	13,056	10,959	12,050	9,000	9,000	9,000	8,700	-	-	-
Oranges	11,809	6,056	10,030	11,575	11,600	17,463	15,036	-	-	-	-
Grapefruit	5,090	4,160	5,373	6,821	6,000	5,123	5,530	-	-	-	-
Other citrus fruits	622	427	426	440	640	650	580	-	-	-	-
Coconuts	5,916	6,057	5,784	5,680	6,080	6,000	5,525	5,500	-	-	-
Cocoa	127	106	83	58	50	54	55	58	61	47	52
Coffee	233	207	200	98	89	91	88	76	90	25	-
Palm oil	-	-	-	-	-	130	625	1,300	1,870	2,808	-

Source: Ministry of Agriculture; ECLA, Economic Survey of Latin America, 1979.

Chart I shows the percentage share of the main sectors in GDP for 1970, 1974 and 1977. On the sectoral scenario a major impetus to economic recovery after independence can be attributed to manufacturing and trade, commerce and banking and, to a lesser extent, to agriculture and construction. On the macro-economic scenario, expenditures both in consumption and investment appear to have been the prime movers, which might have been the result of increases in wages and in public spending associated with independence.

Based on the last population census, net population in Suriname in 1979 was estimated at almost 380,000. Table 7 gives total population based on the four censuses of 1921, 1950, 1964 and 1971. According to this data, population showed a high growth rate, almost doubling between 1950 and 1971.

However, the most striking feature in recent Surinamese history is the high rate of emigration to Holland. The heaviest emigration began in 1967 when adverse economic conditions reduced employment opportunities and incomes in the country. Emigration to Holland was facilitated because Suriname was then part of the Tripartite Kingdom of The Netherlands and its citizens were also Dutch citizens; therefore this population flow was considered internal migration. The emigration rate has accelerated in 1974 and 1975 with the political instability resulting from closeness to independence coupled with economic stagnation. During this time period it was estimated that about 12 per cent of the total population (an estimated 40,000 people) left the country for Holland, and net population in 1975 was 4.5 per cent lower than in 1971. Table 8 gives gross and net population figures during the period 1970-1976.

This spectacular outflow of the Surinamese population was reflected in the total labour force, but the labour force participation rate was maintained. However, the unemployment rate fell sharply from about 23 per cent in 1973 and 1974 to around 15 per cent in 1976, since the number employed did not decrease as much as the size of the total labour force. It was estimated that total employment fell only by 1 per cent between 1973 and 1975, while GDP in real terms declined by almost 4 per cent. Table 9 gives estimates of employment and unemployment in 1960 and 1974-1976.

Contrasting with the high level of unemployment among the unskilled, there were shortages of workers in specific economic activities such as in banana, sugar and palm oil plantations during the peak season period, although these shortages might be related to the plantation system's still close

Chart I. Percentage share of sectors in GDP

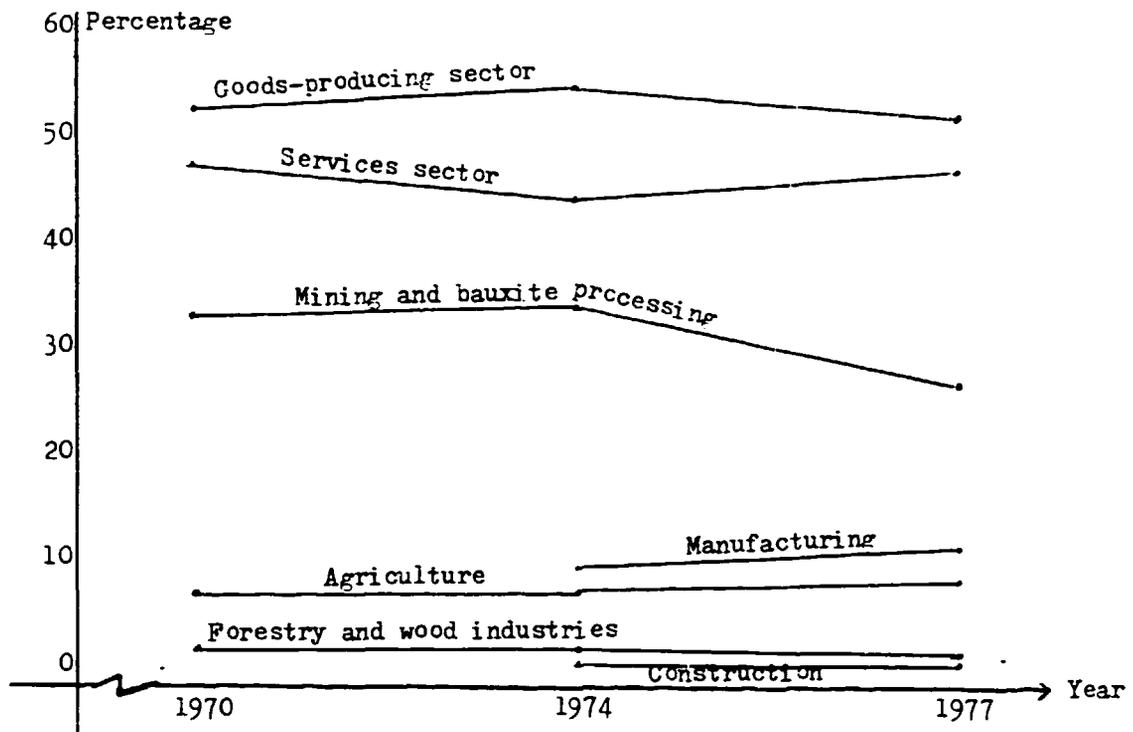


Table 7. Population by age based on the census of 1921, 1950, 1964 and 1971, as of 31 December

Age	1921		1950		1964		1971 <sup>a/</sup>	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
0 to 15	37,000	33.0	75,100	40.7	154,400	48.1	175,700	46.3
Over 15	75,000	67.0	97,100	52.6	163,200	50.8	190,500	50.2
Unknown	-	-	12,500	6.7	3,400	1.1	13,400	3.5
<b>Total</b>	<b>112,000</b>	<b>100.0</b>	<b>184,700</b>	<b>100.0</b>	<b>321,000</b>	<b>100.0</b>	<b>379,600</b>	<b>100.0</b>

Source: Tables 3 and 5 of the Fourth General Population Census, A Preliminary Report.

a/ The figures for 1971 are preliminary.

Table 8. Gross and net population, 1970-1977

Year	Gross population	Net migration	Net population	Percentage increase in net population
1970	382,209	- 5,226	376,983	2.2
1971	389,961	- 5,061	384,900	2.1
1972	397,724	- 4,356	393,368	2.2
1973	404,127	- 6,825	397,302	1.0
1974	415,137	-23,000	392,137	-1.3
1975	410,830	-43,200	367,630	-6.2
1976	380,450	- 2,000	378,450	2.9
1977	n.a.	n.a.	381,000 <sup>a/</sup>	-

Source: Table 1 of Programme voor de Sociaal-economische ontwikkeling van Surinam.

a/ ECLA, Economic Survey of Latin America, 1979 (preliminary).

Table 9. Estimates of employment and unemployment

	1961 <sup>a/</sup>	1974	1975	1976
Labour force (in thousands)	90.0	130.0	128.5	117.5
Unemployed (in thousands)	10.0	30.0	26.0	17.5
Rate of unemployment (in percentage)	11.0	23.0	20.0	15.0

Source: Stichting Planbureau Surinam, Multiannual Development Programme for Suriname: Plan Year 1977, Vol. 1, August 1976.

association with colonial exploitation. In order to overcome these shortages in 1978 the Government permitted Guyanese workers to enter the country freely; about 10,000 Guyanese are now living in Suriname.

However, emigration has had its most significant effect on the skilled and qualified manpower structure. It has been advanced that a high proportion of emigrants were highly skilled and trained segments of the labour force.

Although no quantitative data are available, the lack of skilled manpower is widely felt in the economy.

Table 10 shows the total net population and labour force employed for 1964, 1970 and 1974 and indicates that until 1970, population growth kept pace with the working population growth, but that in 1974 the working population had increased faster than total population, changing its proportion from 24 per cent in 1964 to 26.5 per cent in 1974.

Table 10. Population and labour force employed

	1964	1970	1974
Population	321,000	376,983	392,137
Index	100.0	117.4	122.2
Labour force employed	77,800	91,000	103,000
Index	100.0	116.9	132.4

Source: Ministry of Labour and Housing; Planning Bureau.

The sectoral distribution of the working population by main sectors of economic activity for selected years during the time period 1964-1974 is given in Table 11 and shows a sharp contrast with the sectoral composition of GDP. Almost one-fourth of the labour force is still employed in agriculture and fisheries while about 10 per cent of GDP originates in these sectors. Mining employs only about 7 per cent of the labour force, but supplies approximately one third of GDP.

The employment shares in total working population of all other sectors are greater than their percentage contribution to GDP, especially the Government sector, the labour force of which has doubled over the period 1964-1974, changing its share from 20 per cent in 1964 to 32 per cent in 1974. Manufacturing and construction have reduced their share in total employment from 11.5 per cent in 1964 to 9.5 per cent in 1974, a trend also followed by their product. The agricultural working population has changed its relative share from 32 per cent in 1964 to 22 per cent in 1974. If compared with the change of this sector's relative share in GDP, it would seem that there were moderate gains in agricultural productivity.

Table 11. Sectoral distribution of working population, 1964-1974

	1964		1968		1970		1972		1974 <sup>a/</sup>	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Agriculture and fisheries	24,500	31.5	22,000	26.2	22,700	24.9	23,300	25.8	23,000	22.3
Forestry and wood processing	2,400	3.1	3,000	3.6	3,100	3.4	3,500	3.9	3,800	3.7
Mining and bauxite processing	5,700	7.3	6,600	7.8	6,400	7.0	6,900	7.6	7,500	7.3
Manufacturing and construction	9,000	11.6	9,200	10.9	9,300	10.2	9,500	10.5	9,800	9.5
Government	16,100	20.7	19,500	23.2	25,100	27.6	24,700	27.3	33,000	32.0
Other <sup>b/</sup>	20,100	25.8	23,800	28.3	24,400	26.9	22,500	24.9	25,900	25.2
Total	77,800	100.0	84,100	100.0	91,000	100.0	90,400	100.0	103,000	100.0

Source: Ministry of Labour and Housing; Planning Bureau.

a/ Preliminary.

b/ Includes water and power, financial institutions, other services and housing.

The external sector

The main features of Suriname's external sector's recent development can be summarized as follows:

- a high dependence upon the export of bauxite products;
- a surplus on the balance of trade;
- a deficit on the current account;
- an overall positive balance; and
- a gradual accumulation of foreign reserves.

Table 12 gives the main accounts of the balance of payments for 1960, 1965 and 1970-1979.

A surplus on the balance of trade began to show in the 1960's, resulting from the exports of processed bauxite (alumina and aluminium). Exports from Suriname during the last twenty years have been highly dependent upon mining products, primarily on bauxite, and after 1964 also on bauxite processed products which kept exports at a stable annual growth during the late 1960's and early 1970's. After 1973, exports decreased due to the decline in world demand for bauxite products. In 1974, a bauxite levy was applied to bauxite production, causing an increase in exports receipts. In 1975, the exports of bauxite have stagnated at that level.

Table 13 gives total exports of goods during 1974-1979, and their disaggregation by main products exported. Mining products account for a large proportion of total exports value, making Suriname highly dependent on the world demand and world price for bauxite products. In 1970 these products accounted for 87 per cent of total value of exports. By 1974, this share had been reduced to 77 per cent, but went up again to 82 per cent in 1977. The decline in the share of bauxite products in total exports was due to a drop in bauxite and aluminium in 1975. However, the disaggregation of bauxite products exports shows an increasing share of alumina and aluminium in total exports of bauxite products.

Agriculture products exports have increased their share in the total from about 4 per cent in 1970 to 17 per cent in 1977 while forestry products exports have declined from almost 3 per cent in 1970 to less than 2 per cent in 1978. Within the agriculture branch, rice exports went up, stimulated by an increase in the world price of these products. Another important feature of export disaggregation is the lack of representation of manufacturing products in total exports.

Table 12. Balance of payments main accounts  
(in million US dollars)

	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979 <sup>a/</sup>
I. Current account balance	-23.4	-51.3	-15.1	-10.4	-16.9	-27.6	-23.3	-45.8	-13.3	-81.1	-46.0	-35.7
I.1 Trade balance	-9.7	-34.7	32.4	43.8	40.6	26.4	40.1	14.1	20.8	-13.9	11.8	21.3
II. Capital account balance	21.1	54.4	21.7	9.5	26.7	44.3	29.3	80.4	33.8	63.2	69.0	58.8
III. Balance on total account	-2.3	3.1	6.6	0.9	9.8	16.7	6.1	34.6	20.5	-17.9	23.0	23.1
IV. Changes in reserves (- increases)	2.3	-3.1	-6.6	-0.9	-9.8	-16.7	-6.1	-34.6	-20.5	17.9	-23.0	-23.1

Source: Central Bank of Suriname, Bureau of Statistics; IBRD, Basic Reports on the Economy of Suriname, 1972; and ECLA, Economic Survey of Latin America, latest issues.

a/ January - September 1979.

Table 13. Exports of goods

	Million US dollars (FOB)						Percentage breakdown					Growth rates		
	1974	1975	1976	1977	1978	1979 <sup>a/</sup>	1970	1974	1976	1977	1978	1974/1977	1976/1977	1977/1978
Bauxite, alumina and aluminium	210	199	237	283	247	237	86.9	76.6	78.0	81.8	62.3	10.5	19.4	-12.5
Bauxite	72	50	57	66	72	51	25.7	26.3	18.8	19.1	18.3	- 2.9	16.1	9.9
Alumina	100	127	141	158	175	140	46.3	36.5	46.4	45.7	44.4	16.5	11.5	11.1
Aluminium	38	22	39	59	62	46	14.9	13.9	12.8	17.1	15.7	15.8	52.7	3.6
Agriculture products	22	32	54	54	-	-	4.1	8.0	17.8	15.6	-	34.9	1.1	-
Rice	12	19	23	22	-	-	-	4.4	7.6	6.4	-	22.4	- 6.5	-
Bananas, plantains	3	3	4	3	-	-	-	1.1	1.5	0.9	-	-	- 7.5	-
Shrimp	7	10	27	29	-	-	-	2.6	9.9	8.4	-	60.6	8.9	-
Wood and wood products	7	7	7	6	7	7	2.7	2.6	2.3	1.7	1.8	- 5.1	- 6.0	11.8
Other	35	48	7	3	-	-	6.3	12.8	2.3	0.9	-	-56.0	-53.2	-
Total	274	285	304	346	394	313	100.0	100.0	100.0	100.0	100.0	8.1	13.9	13.7

Source: Central Bank of Suriname and Ministry of Agriculture; ECLA, Economic Survey of Latin America, 1978 and 1979 (preliminary).

a/ January + September 1979.

Imports of goods have increased at a higher rate than exports of goods, although the trade balance has traditionally registered a surplus (except in 1977, when a deficit equal to about 4 per cent of the total value of exports occurred due to an increase in imports of 27 per cent). Although relevant data are not available, this increase in imports is apparently due to the heavy import requirements of various development projects.

The structure of imports also underwent changes in the mid-1960's, when the share of capital goods went up from 18 per cent to 23 per cent as a result of the heavy investments in bauxite processing plants. In the mid-1970's, the composition of imports showed a lower share of capital goods of less than 20 per cent until 1976 and almost 30 per cent in 1977 due to heavy machinery requirements. Fuels, lubricants and raw materials accounted for more than 50 per cent of total imports in 1974. With higher oil prices after the 1973 oil crisis, the relative share of fuel imports is due to increase its position in the total. Table 14 gives total imports and their composition over the time period 1974-1978.

Table 14. Structure of imports of goods  
(Percentage)

	1974	1975	1976	1977	1978 <sup>a/</sup>
Consumer goods	24.4	22.6	24.6	26.5	28.7
Raw materials	25.4	38.6	37.2	27.0	27.5
Fuels and lubricants	23.8	20.8	16.4	17.0	18.2
Capital goods	12.8	17.9	19.8	29.6	25.9
Other	0.0	0.0	1.8	0.0	0.0
Total (percentage)	100.0	100.0	100.0	100.0	100.0
(million US dollars)	233.9	270.9	283.2	359.9	382.2

Source: Bureau of Statistics, Central Bank; Ministry of Finance; and World Bank mission estimates.

a/ Estimate.

Geographical distribution of exports and imports is shown in Table 15. There is a concentration of trade in two areas: the United States and the EEC which accounted for 68 per cent of total Surinamese exports in 1973, and for

74 per cent in 1977. Imports to the same areas have declined in relative share from 72 per cent in 1973 to 64 per cent in 1977. Unit prices of Surinamese mining exports suffered a decline over the period 1970-1973 and picked up again in 1974-1978. The unit price of rice declined in 1976 (see Table 16). The unit price of imports has increased for all imports with the 1971 devaluation of Suriname's currency and after 1973 for fuels and lubricants which make up a large proportion of total imports. As a result, the terms of trade deteriorated between 1970-1973, underwent moderate improvement during 1974-1976, and deteriorated again in 1978. Table 17 lists the export and import price indices for 1973-1978.

The current account balance has been in the red due to deficits both in the non-factor services account and factor services account. In the first account, travel payments increased sharply between 1973 and 1975 with the speeding up in emigration. In the factor services account, profit remittances abroad amounted to a heavy burden on the account of about US \$46 million per year; however, after 1973 this declined from US \$39 million to US \$12 million in 1975 as a result of the bauxite levy which reduced profits and also due to the world economic recession which reduced profitability as well.

The increasing net surplus in the capital account was a feature of the 1960's which resulted from the heavy foreign investment in the country. However, this surplus underwent fluctuations during 1970-1973 since capital outflows were large during this period. From 1973 to 1975 this trend was reversed and large inflows of capital were received for the new thermoelectric plant projects. In addition, the public sector was able to attract large amounts of foreign funds to finance the two development plants. A high proportion of these funds were in the form of foreign aid at concessional terms from Holland.

The foreign debt of Suriname was rather large in 1970, amounting to 25 per cent of GDP, and rose to almost 40 per cent in 1975 (US \$199 million), indicating the high dependence of Suriname on foreign financing. Since most loans carried low interest rates, the debt servicing was relatively low as compared to the capital involved. With independence in 1975, all Surinamese debts to the Tripartite Kingdom were cancelled, representing about 95 per cent of the country's outstanding debt. Suriname's new outstanding debt in 1975 decreased to about US \$7 million, which represents less than 3 per cent of GDP. Table 18 lists the main components of Government debt and shows the sharp decline in Government external debt between 1974 and 1975 from 211 million to

Table 15. Geographical distribution of exports and imports, 1973-1977  
(Percentage)

	1973	1974	1975	1976	1977
<b>Exports to:</b>					
United States	34	43	42	33	41
EEC:	34	30	31	32	33
The Netherlands	(12)	(17)	(21)	(15)	(24)
United Kingdom	(4)	(3)	(3)	(12)	(7)
Federal Republic of Germany	(14)	(6)	(4)	(2)	(1)
Other EEC countries	(4)	(4)	(3)	(3)	(1)
Scandinavia (excluding Denmark)	10	12	13	17	8
Other European countries	9	1	1	1	4
Caribbean Islands	4	4	4	4	4
French Guyana and Guyana	1	1	1	1	1
Venezuela	-	-	-	5	2
Canada	4	3	3	1	1
Japan	1	2	4	3	5
Other countries	3	4	1	3	1
Total	100	100	100	100	100
<b>Imports from:</b>					
EEC:	38	a/	32	31	33
The Netherlands	(24)		(18)	(20)	(21)
United Kingdom	(5)		(5)	(4)	(4)
Federal Republic of Germany	(5)		(4)	(4)	(4)
Other EEC countries	(4)		(5)	(3)	(4)
United States	34	a/	33	34	31
Caribbean Islands	13	a/	20	15	16
South American countries	a/	a/	a/	3	3
Japan	6	a/	5	8	7
Other Asian countries	3	a/	3	3	4
Other countries	6	a/	7	6	6
Total	100	a/	100	100	100

Source: Bureau of Statistics.

a/ Not available

Table 16. Exports by value, volume and price, 1973-1978<sup>a/</sup>

	1973	1974	1975	1976	1977	1978
<b>Bauxite</b>						
Value	47.5	83.2	63.2	56.4	65.5	71.9
Volume	3,666.0	3,974.0	2,302.0	1,989.0	2,172.0	2,241.0
Unit price	13.0	20.9	27.4	28.4	30.1	32.1
<b>Alumina</b>						
Value	80.3	100.2	126.4	141.1	157.3	175.6
Volume	1,208.6	1,077.2	1,086.9	1,070.5	1,096.6	1,124.5
Unit price	66.4	93.0	116.3	131.8	143.5	156.1
<b>Aluminium</b>						
Value	24.9	38.0	21.9	36.2	53.6	51.9
Volume	54.2	54.1	26.4	46.3	57.3	55.8
Unit price	459.0	701.7	830.1	782.4	935.6	930.8
<b>Rice</b>						
Value	11.5	12.0	18.6	15.5	17.3	23.6
Volume	44.5	41.3	58.8	57.5	54.7	74.7
Unit price	259.0	290.0	316.0	270.0	316.0	316.0
<b>Bananas</b>						
Value	2.1	2.6	3.4	3.9	3.4	3.9
Volume	30.1	34.6	38.3	36.5	27.3	29.0
Unit price	67.1	76.0	87.8	115.2	122.4	134.2
<b>Shrimp</b>						
Value	10.9	9.2	13.2	19.5	20.7	17.2
Volume	3,253.0	2,247.0	3,448.0	3,915.0	3,824.0	2,800.0
Unit price (US\$/kg)	3.35	4.10	3.84	4.99	5.42	6.15
<b>Processed wood</b>						
Value	6.3	5.8	5.5	5.9	5.2	6.1
Volume (thousand m <sup>3</sup> )	39.1	30.5	31.2	29.9	21.3	22.7
Unit price (US\$/m <sup>3</sup> )	160.0	189.0	176.0	197.0	243.5	271.0
<b>Raw lumber</b>						
Value	0.6	1.0	1.0	0.6	1.0	0.7
Volume (thousand m <sup>3</sup> )	17.3	22.5	21.2	12.4	15.1	10.2
Unit price (US\$/m <sup>3</sup> )	35.0	46.0	48.0	52.0	64.0	71.0

Source: Central Bank, Ministry of Finance, Ministry of Economic Affairs, and mission estimates.

a/ Unless otherwise noted the following measures are used:

Value: million US dollars; Volume: thousand tons; Price: US dollars/ton.

Table 17. Export and import price indices, 1970-1975  
(1970 = 100)

Year	Export price index	Import price index	Terms of trade index
1973	49.1	62.2	78.9
1974	71.2	77.8	91.5
1975	84.2	89.7	93.9
1976	92.4	91.2	101.3
1977	100.0	100.0	100.0
1978	106.0	115.2	92.4

Source: Central Bank of Suriname.

Table 18. Government debt in end-year figures  
(in million Suriname guilders)

	1970	1971	1972	1973	1974	1975
Total external debt	152	157	188	197	211	22
Government	122	128	161	173	191	1
Internal organizations	2	3	3	3	-	-
Private sector	28	26	24	21	20	21
Total domestic debt	14	18	21	31	30	28
Total debt	166	175	209	229	241	50

Source: Central Bank of Suriname.

22 million Suriname guilders. By the end of 1978, the outstanding external debt, including undisbursed debt, amounted to US \$30.6 million. This increase in the external debt was due to the rise in the budget deficit which was financed by external funding.

The mining sector

Mining is the most important activity in the Surinamese economy. In 1977, it accounted for 28 per cent of GDP, for about 78 per cent of export earnings and for 27 per cent of total tax revenue. The most important mineral is bauxite and its derivatives, although gold is also mined in small amounts. In 1974, Suriname was the world's fourth largest producer of bauxite, after Australia, Jamaica and Guinea, and accounted for 9 per cent of total world output.

The importance of bauxite production in the economy of Suriname and its non-dominant position in world production make the country very dependent on world fluctuations in demand and price of bauxite products.

In Suriname, bauxite ores are concentrated in two geographical areas: the coastal plain and the interior mountains. Most of the mined minerals have been extracted from the eastern coastal plain area near Afobaka. It is estimated that more than 100 million tons of bauxite with alumina content of more than 50 per cent have already been mined in the country, although reported reserves estimated at 150 million to 200 million tons are still exploitable. Reserves in the Bakhuis Mountains in Western Suriname have been estimated at 50 million tons of bauxite ores with 45 per cent alumina content and 15 to 20 per cent iron oxide. Another 20 million tons of bauxite ores have been estimated in the Nassau Mountains located in the southeastern part of Suriname, but these deposits are small and remote in location, and therefore their economic use is at present not considered feasible. Other mineral deposits have also been reported, such as iron ore, copper, gold, etc., and gold is being mined in small quantities.

The history of bauxite mining in Suriname started in 1919, when a subsidiary of ALCOA, called the Suriname Bauxite Company, began extracting this mineral near Moengo in Eastern Suriname. This company was renamed the Suriname Aluminium Company (SURALCO) in 1945. It was only during World War II that the mining of bauxite gained world importance due to the high demand for aluminium for weapon production. Surinamese production of bauxite between 1940-1945, which was exported entirely, increased threefold from 615,000 tons to 2 million tons. Nowadays two subsidiaries of multinational companies dominate the bauxite sector in Suriname: the SURALCO (a subsidiary of ALCOA) and Billiton (a subsidiary of Royal Dutch Shell).

The first alumina refinery and aluminium smelter were built in the early 1970's by SURALCO with the production of these bauxite derivatives beginning in the mid-1960's. The maximum capacity of the alumina refinery was 1.4 million tons, a figure reached by its output in 1972 and 1973, which were the peak years for the production of bauxite products in Suriname. The aluminium smelter capacity was 60,000 tons of aluminium ingots. In 1974, production of aluminium reached 57,000 tons.

Suriname's exports of bauxite, which before represented almost total production, declined after bauxite processing was initiated in the mid-1960's and gradually approached an annual average of about 55 per cent of bauxite production in the early 1970's and 45 per cent thereafter. The remaining bauxite output was refined into alumina, out of which more than 90 per cent was exported and only less than 10 per cent was smelted into aluminium. However, more than 95 per cent of the aluminium produced in Suriname was, and still is, exported; very little is retained for use in the country, indicating the still incipient industrial base of the Suriname economy. The processing of bauxite into alumina and aluminium has contributed to the increase in gross value added, the value of export earnings and tax revenue.

Table 19 contains major indicators of the importance of the bauxite sector in the Surinamese economy. Exports earnings in total export value in 1976 were as high as 86 per cent, declined to 70 per cent in 1975 and rose again to 82 per cent in 1977, reflecting the fluctuations in world demand for, and world price of, these products. Taxes from bauxite in total tax revenue were 32 per cent in 1970, decreased to 11 per cent in 1974 and reached 47 per cent in 1975 when the tax levy was introduced; in 1978 they dropped to 28 per cent. Employment remained at a low level, absorbing only 6.4 per cent of the total labour force in 1970, although this share increased slightly to 7.5 per cent in 1974. The low share of bauxite in employment shows the capital intensity of this sector and the low employment effects of further processing of mining products. Also the development of the bauxite sector has had weak linkage effects in the whole economy.

Table 20 lists production and exports of bauxite, alumina and aluminium during the years 1955-1978. Peak bauxite production was reached during the period 1971-1974, when more than 6.5 million tons were produced. In 1975, a production levy was applied and a drastic decline of almost one-third took place in production. This decline, however, and that of the bauxite derivatives resulted from reduced world demand for these products following the world economic recession of the mid-1970's.

Table 19. Bauxite-alumina-aluminium: Major indicators in Suriname, 1970-1978  
(Percentage of total)

Year	Export of mining products	Taxes from bauxite	Employment in bauxite mining and processing
1970	86.9	31.8	6.4
1974	76.6	11.0	7.5
1975	70.0	47.2	n.a.
1976	78.0	28.0	n.a.
1977	82.0	21.0	n.a.
1978	62.0	28.0	n.a.

Source: Bureau of Statistics, Central Bank of Suriname; Planning Bureau; Ministry of Labour and Housing; Ministry of Finance.

Also in Tables 20 and 21 the increase in export earnings due to the processing of bauxite is shown. At present (1978), more than 50 per cent of bauxite output is processed; about 76 per cent of the mining export value is due to the increased value added incorporated into the product. This process started in 1965 and gradually reached the present levels with alumina export earnings taking the lead and accounting in 1978 for about 59 per cent of total mining export value.

Future prospects for bauxite mining include the Government's intention to expand this activity, exploiting bauxite reserves in the Bakhuis Mountains in Western Suriname, where additional infrastructure is being provided such as the construction of a second hydroelectric power plant (the Kabalibo project), and a 200 miles of railroad to link the mining and smelting site with Apoera, where the products will be exported. This project is operated by the newly founded Government-owned company N.V. Grasshopper Aluminium Company (GLASSALCO), which will own 51 per cent interest in future joint ventures in exploiting the country's mineral resources.

Table 20. Bauxite/alumina/aluminium production and exports, 1955-1978

	1955	1960	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
<b>Production (in thousand metric tons):</b>																
Bauxite	3,100.0	3,455.0	4,360.0	5,563.0	5,466.0	5,660.0	6,236.0	6,011.0	6,719.0	6,778.0	6,718.0	6,863.0	4,751.0	4,669.0	4,856.0	5,021.0
Alumina	-	-	115.0	407.0	742.0	813.0	949.0	998.0	1,069.0	1,352.0	1,346.0	1,184.0	1,134.0	1,130.4	1,239.9	1,316.4
Aluminium	-	-	2.2	27.2	32.2	43.2	53.3	54.5	53.8	43.7	54.7	57.0	35.0	45.0	50.2	58.0
<b>Exports (in thousand metric tons):</b>																
Bauxite	3,100.0	3,635.0	4,369.0	4,585.0	3,806.0	3,786.0	3,678.0	3,419.0	3,597.0	3,476.0	3,666.0	3,974.0	2,302.0	1,989.0	2,172.0	2,241.0
Alumina	-	-	57.0	347.0	684.0	702.0	856.0	893.0	1,149.0	1,279.0	1,209.0	1,077.0	1,086.9	1,070.5	1,096.6	1,124.5
Aluminium	-	-	1.3	25.5	30.4	43.2	53.1	52.8	47.0	53.0	54.0	54.0	26.0	46.3	57.7	55.8
<b>Exports (values in million Suriname guilders):</b>																
Bauxite	40.0	66.3	80.6	91.9	77.4	77.3	78.4	76.2	83.4	82.1	85.0	148.8	113.1	100.9	117.1	128.7
Alumina	-	-	6.2	26.8	71.9	76.5	94.1	106.3	138.3	147.8	143.6	179.2	226.0	252.4	281.4	314.1
Aluminium	-	-	0.9	19.2	23.8	34.2	48.1	48.6	45.5	47.6	44.6	67.9	39.2	65.0	96.0	93.0
Total value of exports	40.0	66.3	87.7	147.9	173.1	188.0	220.6	231.1	267.2	277.5	273.2	396.1	378.3	418.1	494.4	535.7

Source: Bureau of Statistics; Central Bank of Suriname and bauxite companies.

Table 21. Proportion of processed bauxite in total bauxite products and of processed bauxite in total bauxite products export value in 1960 and 1960-1978

(Percentage)

	1960	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Proportion of bauxite production, exported	100	100	82	70	70	59	57	54	51	55	58	48	42	45	45
Proportion of alumina in bauxite products, export value	0	7	18	42	41	43	46	52	53	53	45	60	60	57	59
Proportion of aluminium in bauxite products, export value	0	1	13	14	18	22	21	17	17	16	17	10	16	19	17

Source: Bureau of Statistics; Central Bank of Suriname and bauxite companies.

### Chapter III

#### THE MANUFACTURING SECTOR

Suriname was part of the Tripartite Kingdom of The Netherlands and, as a result, there was considerable economic integration with the highly industrialized Dutch economy. This special statute, coupled with the small size of the domestic market, has been responsible for the incipient level of Surinamese industrialization.

The activities and sectors which were developed happened to be those in which the country showed an absolute advantage vis-à-vis the economic area in which it was integrated. These activities were mining, forestry, tropical agriculture and shrimp fishing.

As a result of these rather special circumstances the manufacturing sector's share in total output was kept constant at approximately 7 per cent during the 1960's, gradually increasing during the 1970's to about 12 per cent in 1977.

The main features of the manufacturing sector can be summarized as follows:

- This sector has been quite stagnant during the 1970's and even showed a decline;
- Only a few branches are significantly represented in the total (wood products, food, beverages and wearing apparel);
- Most manufacturing plants are relatively small;
- The number of firms per branch is rather small, some with only one or two firms;
- Investment has been discouraged after the boom of the mid-1960's, but appears to have recovered after 1974/1975.

The significant surge in Suriname's manufacturing took place during the 1960's, but the sector soon stagnated in the early 1970's, slowly increasing its share in GDP during the mid-1970's. The growth of manufacturing in the 1960's was due to the establishment of a number of new plants and expansion of existing ones in the following branches:

- beverages (beer and soft drinks);
- milk pasteurization;
- textiles;
- clothing;
- shoes;

- paints and scap powder;
- telephone switching equipment;
- rum distillation;
- shrimp processing;
- cigarettes.

Also the construction of the Brokopondo hydroelectric project had an important impact on industries connected with construction such as cement tiles, paper and timber, sand gravel, etc.

The reasons for the stagnation in manufacturing which followed the mid-1960's boom are partly associated with the world economic recession, which has caused a decline in the demand for Suriname's main exports, and with the heavy emigration to Holland, which also reduced domestic demand and deprived the country of a large proportion of its qualified manpower. In addition, the country's internal political instability during this period and the climate of insecurity with regard to the future as the country approached independence discouraged investment in manufacturing.

In addition, manufacturing exports, which are restricted to wood products such as plywood and particle board, have decreased in quantity apparently due to fierce competition from other foreign suppliers. It has been suggested that the reason for Suriname's not exporting manufactures, with the exception of wood products, is the high cost of production within the country's economy.

There is little information on investment in manufacturing, but distribution of lending by commercial banks during the period 1970-1978 shows that lending to manufacturing was stagnant in absolute value over 1970-1973 and picked up again in 1974, increasing the percentage of commercial lending to manufacturing in the total. Table 22 gives the distribution of lending by commercial banks during the years 1970-1978.

The total number of manufacturing establishments in 1974 was 944; some branches have a small number of establishments. Almost 70 per cent of the manufacturing establishments are in food and beverages, footwear, and wearing apparel sectors. The average size of establishments in total manufacturing in 1974 was about 7 employees. The branches with smaller average sizes are food products, wearing apparel, footwear, furniture and fixtures, professional and scientific products, and other industries, which show less than 10 employees. The largest average sizes, ranging from 30 to 70 employees, were found in beverages, tobacco, wood products, paper products, other chemicals, plastics,

Table 22. Distribution of lending by commercial banks,<sup>a/</sup> 1970-1978, end of period

	1970	1971	1972	1973	1974	1975	1976	1977 <sup>b/</sup>	1978 <sup>b/</sup>
In million Suriname guilders									
Agriculture, fishing and forestry	5.1	7.1	6.6	8.2	10.8	15.4	23.3	32.5	41.0
Mining	3.3	7.3	10.2	13.1	11.5	9.6	28.9	28.3	25.4
Manufacturing	14.2	14.9	14.3	15.3	28.6	32.2	25.1	30.5	37.2
Construction	2.6	2.0	0.5	5.5	3.7	4.8	8.1	11.0	15.4
Services	5.4	9.4	11.6	10.7	15.8	17.9	24.8	30.9	38.9
Trade	45.4	52.1	57.8	49.7	52.9	54.9	73.3	94.7	122.5
Other	16.8	18.4	22.0	31.8	30.4	27.2	35.2	67.2	91.9
<b>Total</b>	<b>92.8</b>	<b>111.2</b>	<b>123.0</b>	<b>134.3</b>	<b>153.7</b>	<b>162.0</b>	<b>218.7</b>	<b>295.1</b>	<b>372.3</b>
In percentage of total									
Agriculture, fishing and forestry	5.5	6.4	5.4	6.1	7.0	9.6	10.7	11.0	11.0
Mining	3.6	6.6	8.3	9.8	7.5	5.9	13.2	9.6	6.8
Manufacturing	15.3	13.4	11.6	11.4	18.6	19.9	11.5	10.3	10.0
Construction	2.8	1.8	0.4	4.1	2.4	3.0	3.7	3.7	4.1
Services	5.8	8.5	9.4	8.0	10.3	11.0	11.3	10.4	10.5
Trade	48.9	46.9	47.0	37.0	34.6	33.9	33.5	32.1	32.9
Other	18.1	16.5	17.9	23.7	19.8	16.8	16.1	22.8	24.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Suriname.

a/ Includes gross lending to the Government which is mainly included in the item "other".

b/ Including Suriname Postal Savings Bank.

c/ Including electricity, gas, water, transportation, storage and communications.

and non-metal products. Table 23 shows the number of establishments, employees, and employees per establishment in manufacturing's main branches for 1974. Wood products employed in 1974 about 25 per cent of the manufacturing working population, followed by food products with about 18 per cent and wearing apparel with 9 per cent.

Table 24 gives value added in different branches of manufacturing, their shares in total and growth rates over the period 1960-1974. It is shown that the relative share of food products declined from 40 per cent in 1960 to 33 per cent in 1970 and rose to 38 per cent in 1974. Food products and beverages changed from 62 per cent in 1960 to 54 per cent in 1970 and to 64 per cent in 1974. Wood products have reduced their share from 19 per cent in 1960 to 15 per cent in 1970 and to 12 per cent in 1974. The decline in this sector's relative position was followed by a decline in its absolute value, a rather unexpected development, taking into account the considerable potential of this branch.

Chart III shows the relative shares of manufacturing value added by branches in 1970. Manufacturing value added in constant prices per establishment and per employee in 1974 is given in Table 25. The average MVA per establishment is US \$23,000; however, branch values vary widely. The largest values are found in beverages (US \$729,000) and tobacco (US \$224,000); the lowest value (approximately US \$3,000 per establishment) is shown by wearing apparel. MVA per employee in 1974 was about US \$3,000. Beverages showed the highest value of US \$12,000, followed by food products and tobacco with approximately US \$6,500. The lowest values of MVA per employee were found in wearing apparel and wood products, US \$2,000 and US \$1,600, respectively.

There seem to be good prospects for industrialization in the near future and the Government is interested in rapid industrial development. The Government intends to promote manufacturing both through protection and incentives which will include larger medium- and long-term credits from commercial banks and from the underutilized National Development Bank. The potential for rather simple import substitution is evident as, for example, in local processing of agricultural, fishing and forestry products, as well as in the manufacture of simple agricultural machinery and of other simple tools.

Construction programmes for large-scale, low-income housing are being planned for the near future. These programmes would stimulate the production of construction materials, a branch of manufacturing the prospects for rapid expansion of which are quite good. During the early 1970's, however, construction

Table 23. Number of establishments, number of employees and employees per establishment in manufacturing branches in 1974

Industry	Number of employees	Number of establishments	Number of employees per establishment
Food products	1,216	235	5
Beverages	479	8	60
Tobacco	105	3	35
Textiles	-	-	-
Wearing apparel	608	378	2
Leather products	-	-	-
Footwear	202	39	5
Wood products	1,662	45	37
Furniture and fixtures	314	79	4
Paper and paper products	111	3	37
Printing and publishing	143	22	20
Industrial chemicals	67	5	13
Other chemical products	139	2	70
Petroleum refineries	-	-	-
Petroleum and coal products	-	-	-
Rubber products	-	-	-
Plastic products n.e.c.	149	5	30
Pottery, china, etc.	-	-	-
Glass and products	-	-	-
Non-metal products n.e.c.	504	8	63
Iron and steel	-	-	-
Non-ferrous metals	-	-	-
Metal products	325	33	10
Machinery n.e.c.	-	-	-
Electrical machinery	23	2	12
Transport equipment	134	5	27
Professional goods	32	8	4
Other industries	84	64	1
Manufacturing total	5,597	944	7

Source: Industrial Data System, Regional and Country Studies Branch, Division for Industrial Studies, UNIDO, 1980.

Table 24. Value added in manufacturing branches and their share in total for 1960, 1970 and 1974

ISIC	Industry	Value added in manufacturing (thousand US dollars)			Shares of MVA in total (Percentage)			Growth rates (Percentage)	
		1960	1970	1974	1960	1970	1974	1960/1970	1970/1974
311/2	Food products	3,723	6,420	8,152	40.8	32.8	37.5	5.6	6.2
313	Beverages	1,930	4,290	5,834	21.2	21.9	26.9	8.3	8.0
314	Tobacco	411	580	672	4.5	3.0	3.1	3.5	3.7
321	Textiles	-	-	-	-	-	-	-	-
322	Wearing apparel	425	850	1,164	4.7	4.3	5.4	7.2	8.2
323	Leather products	-	-	-	-	-	-	-	-
324	Footwear	...	210	...	...	1.1	...	...	...
331	Wood products	1,722	2,970	2,643	18.9	15.2	12.2	5.6	- 2.9
332	Furniture and fixtures	121	420	709	1.3	2.1	3.3	13.3	14.0
341	Paper and paper products	-	-	-	-	-	-	-	-
342	Printing and publishing	...	1,110	...	...	5.7	...	...	...
351	Industrial chemicals	59	160	260	0.6	0.8	1.2	10.5	12.9
352	Other chemical products	...	50	...	...	0.3	...	...	...
353	Petroleum refineries	-	-	-	-	-	-	-	-
354	Petroleum and coal products	-	-	-	-	-	-	-	-
355	Rubber products	458	580	643	5.0	3.0	3.0	2.4	2.6
356	Plastic products n.e.c.	-	-	-	-	-	-	-	-
361	Pottery, china, etc.	-	-	-	-	-	-	-	-
362	Glass and products	-	-	-	-	-	-	-	-
369	Non-metal products n.e.c.	159	420	617	1.7	2.1	2.8	10.2	10.1
371	Iron and steel	-	-	-	-	-	-	-	-
372	Non-ferrous metals	-	-	-	-	-	-	-	-
381	Metal products	110	580	1,026	1.2	3.0	4.7	18.1	15.3
382	Machinery n.e.c.	-	-	-	-	-	-	-	-
383	Electrical machinery	-	-	-	-	-	-	-	-
384	Transport equipment	...	110	...	...	0.6	...	...	...
385	Professional goods	...	270	...	...	1.4	...	...	...
390	Other industries	...	580	...	...	3.0	...	...	...
3	Manufacturing total	9,118	19,600	21,721	100.0	100.0	100.0	8.0	2.6

Source: UNIDO, based on computer print-outs supplied by UNSO.

Chart III. Composition of manufacturing value added by branch in 1970

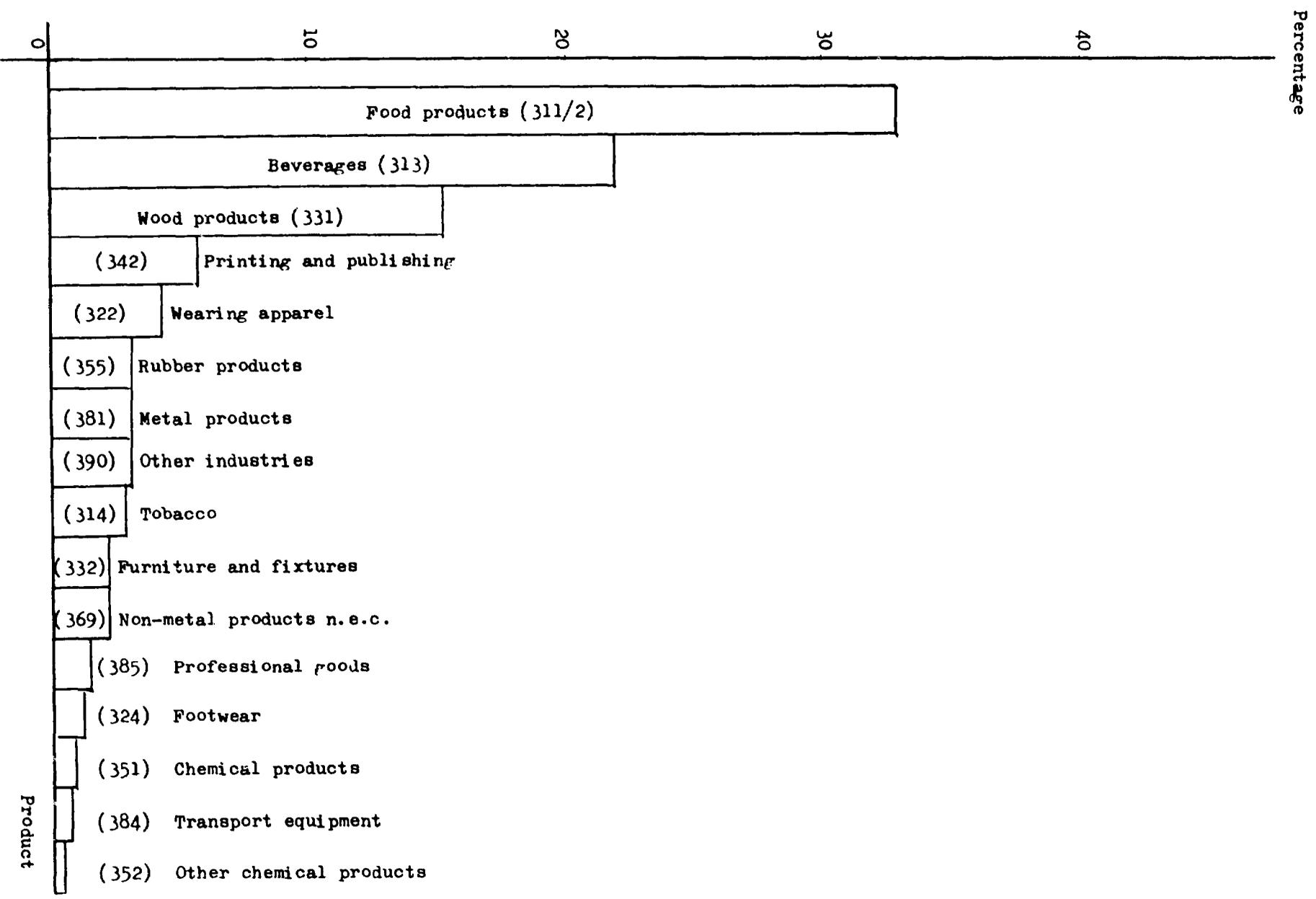


Table 25. Manufacturing value added per establishment and per employee in 1974, at constant 1970 prices  
(thousand US dollars)

ISIC	Branch	Value added per establishment	Value added per employee
3110	Food products	34.69	6.70
3130	Beverages	729.25	12.18
3140	Tobacco	224.00	6.40
3220	Wearing apparel	3.08	1.91
3240	Footwear	-	-
3310	Wood and cork products	33.46	1.59
3320	Furniture	8.97	2.26
3420	Printing and publishing	-	-
3510	Industrial chemicals	52.00	3.88
3520	Other chemical products	-	-
3550	Rubber products	0.00	-
3690	Non-metallic products	0.00	-
3810	Metal products	31.09	3.16
3840	Transport equipment	-	-
3850	Professional and scientific goods	-	-
3900	Other industries	-	-
3	Total	23.01	3.29

Source: Industrial Data System, Regional and Country Studies Branch, Division for Industrial Studies, UNIDO, 1980.

has been hindered by the sharp drop in cement production. Table 26 gives the physical output of some industrial products. Cement production went up from almost 47,000 tons to 62,000 between 1970 and 1973, an increase of 33 per cent. After that year, production went down to 45,000 in 1974 and to 35,000 tons in 1975, a decline of 28 and 45 per cent, respectively, as compared to the peak level in 1973. In 1976, cement production was up to 51,000 tons, but still below the 1973 level; in 1977, it again declined to about 49,000 tons.

Table 26. Production of some domestically produced items, 1970-1976

Product	Unit of production	1970	1971	1972	1973	1974	1975	1976	1977
Wheat flour	tons	8,624	8,780	9,050	9,900	4,401	7,049	9,257	8,834
Sugar	tons	12,512	10,480	11,082	9,123	8,677	9,577	8,391	6,370
Butter	tons	77.7	25.5	15.0	8.9	11.1	16.7	17.1	18.7
Milk	thousand litres	4,961	4,832	4,799	4,450	5,436	6,470	7,309	8,091
Alcohol	thousand litres	3,859	3,600	4,000	2,342	2,588	2,243	2,070	1,371
Beer	thousand litres	8,230	7,940	8,774	8,864	7,840	7,988	9,126	...
Particle board	cubic metres	16,022	9,246	10,736	17,518	14,251	23,306	14,822	...
Plywood	cubic metres	18,139	17,796	19,000	19,147	17,415	14,066	16,006	...
Cattle fodder	tons	17,024	18,073	20,877	21,659	21,550	...	...	...
Cement	tons	46,700	48,600	53,800	62,200	44,800	34,700	51,008	48,600

Source: Bureau of Statistics, Suriname.

Chapter IV

FEATURES OF SURINAME'S DEVELOPMENT

Development planning and policies

The Planning Bureau, created in 1951, is the Government body in charge of the planning exercise. The first development plan, which was prepared with the assistance of the IBRD, covered the period 1955-1964 and was called the First Ten-Year Development Plan.

This plan was followed by the Second Ten-Year Development Plan covering the period 1967-1976, which was divided into two periods: the First Five-Year Plan, 1967-1971, and the Second Five-Year Plan, 1972-1976. The strategies of these two plans relied heavily on private initiative to achieve the growth objectives. The public sector functions were limited and oriented to the provision of the necessary infrastructure to support the private sector rather than taking a direct and active role in activities of the productive sectors. The public sector also assumed responsibility for administering to the social needs of the population. It was envisaged, however, that the public sector might go into productive investment in those areas in which investment was not attractive to the private sector.

The objectives of the Second Five-Year Development Plan, 1972-1976, were to:

- maintain a GDP average annual growth rate of 8.3 per cent;
- reduce unemployment by 50 per cent;
- improve welfare through better income distribution and greater dispersion of economic activities among regions.

These objectives were abandoned when the economy began stagnating and inflation accelerated in the early 1970's. Unemployment increased and real income started falling since it was understood that those objectives would be difficult, if not impossible, to achieve. Under these circumstances the Government decided to change its development strategy and to play a more direct and active role in the management of the economy, adopting the following policies:

- purchasing shares and paying subsidies to private firms in order to prevent them from going out of business and stopping increasing unemployment;

- increasing the public payroll and paying higher social benefits;
- introducing price and import controls to protect consumer purchasing power and to retain domestic markets for domestic producers.

This policy package was not well accepted by the private sector since it was considered to be open interference in this sector's area of action.

With independence, the Government considered its direct responsibility for the economic growth of the country as well as full employment. As a result, the Government planned to take a much more active role in the management of the economy, and it was according to this philosophy that the Third Development Plan was drafted. A joint Dutch-Surinamese commission was entrusted with drafting up the Third Development Plan for 1976-1985, the objectives of which are:

- rapid economic growth;
- greater employment opportunities;
- sectoral diversification;
- geographic decentralization of economic activity;
- more equitable income distribution;
- reduced external dependence;
- increased well-being for the entire population.

An investment programme was prepared for the ten-year period of the development plan amounting to 4.5 billion Surinamese guilders, which is equivalent to US \$2.5 billion (at 1975 prices and exchange rates). Table 27 gives the proposed public sector investment programme for the ten-year period of the plan by sector and region.

According to this table, a large amount of investment is proposed for Paramaribo and Apoera, which are related to the Kabalebo project. In spite of the heavy investment in those regions, the degree of regional dispersion of projects appears much greater than in previous plans. With regard to the sectoral distribution of the proposed investment, emphasis has been given to mining through the development of bauxite deposits in the Bakhuis Mountains, although agriculture and forestry are also to receive large investment outlays. The planned public investment in the industrial sector is rather low relative to other sectors, amounting to only 8 per cent of the total, which indicates the Government's intention to leave this sector to private initiatives.

The cornerstone of the Government's development programme is the Kabalebo project in Western Suriname which includes the following components:

Table 27. Proposed public investment under the Ten-Year Development Plan, 1976-1985,  
by economic sector and by concentration area

(in million Suriname guilders)

	Economic sector					Social and cultural	Infra- structure	Administration and other	Total (percentage)
	Agriculture	Forestry	Mining	Hydro- power	Industry				
Paramaribo	160.1	405.0	-	-	22.8+PM <sup>a/</sup>	194.0	79.1	-	861.0 (19.3)
Nickerie	199.0	-	-	-	PM	48.0	53.0	-	300.0 ( 6.7)
Apeera	119.5	132.5	875.1	361.0	PM	40.3	219.2	-	1,747.6 (39.1)
Tibiri	286.5	60.7	PM	-	PM	39.0	68.1	-	454.3 (10.2)
Moengo	124.0	115.2	PM	-	3.5	44.9	15.4	-	303.0 ( 6.8)
Brokupunondo	32.1	8.5	PM	-	1.0	28.6	10.4	-	80.6 ( 1.8)
Boven, Suriname, Saramacca	7.6	-	-	-	-	13.2	27.7	-	48.5 ( 1.1)
Tapanahony	6.2	-	-	-	-	11.2	23.0	-	40.4 ( 0.9)
General	-	50.0	-	-	31.0	60.0	104.5	105.0+PM	629.5 <sup>b/</sup> +PM (14.1)
Total	935.0	771.9	875.1+PM	361.0	337.3+PM	479.2	600.4	105.0+PM	4,464.9+PM
Percentage	20.9	17.3	19.6	8.1	7.6	10.7	13.4	2.4	100.0

Source: Economic Position and Prospects of Suriname, World Bank Report No. 1257a-SUR.

a/ PM - to be specified later.

b/ Of which Suriname guilders 250 million are designated for investment in existing companies.

- a large hydroelectric power complex which will provide electricity and water for the large investment to be made in mining, agriculture and industry in this region and which will supplement the demand for electricity in the Paramaribo area;
- processing of bauxite into alumina and aluminium smelting;
- production of pig iron, silicon metal and ferro-silicon;
- the amount of infrastructure required for the implementation of this project, which will be sizeable since the area is completely uninhabited and underdeveloped.

Total investment planned for this project over the next ten to fifteen years amounts to US \$1 billion. The IBRD carried out a feasibility study for the first phase of the project, which will include a dam at Davis Falls producing 250 kilowatts of electricity for sale to the Paramaribo area.

In the Development Plan, the execution of the investment programme is subject to two alternatives: a high alternative leading to 10-11 per cent annual growth rate in GDP, and a low alternative of 7-8 per cent.

The Surinamese Government is expected to produce annual plans to guide the implementation of the longer term plan. However, the first of these annual plans, drafted for 1976, was prepared in haste and includes only lists and brief descriptions of potential projects. The whole development planning exercise in Suriname including formulation, preparation, drafting, programming, implementation, execution of plans is in need of improvement. Shortcomings found in previous development plans include the following:

- inadequate description of objective setting, quantification of policy issues and provision of policy directives for the decision-makers;
- limited co-ordination between various Government entities in developing and executing the plans;
- little integration between targets, policies and investment;
- inadequate handling of the sources of finance; limited analysis of the effects of the investment programme on public finance and on the balance of payments;
- improvement in budgeting and budgetary control; capital budgeting is particularly deficient, adversely affecting the execution of the large capital expenditures, including substantial public sector investment, largely financed by external aid, planned over the next several years;
- weak statistical machinery both for development planning and budgetary management.

The increasingly active role of the Government in the economy is also revealed in Suriname's banking system. The banking and financial infrastructure

consists of a Central Bank, four commercial banks, four specialized banks (the Post Office Savings Bank, the Suriname Mortgage Bank, the Agriculture Bank and the National Development Bank) and a number of insurance companies and pension and provident funds. The Government is expanding public ownership in banking by purchasing a majority of shares in one of the two largest commercial banks, and is expected to purchase a majority of shares in the other large commercial banks in the near future. In addition, the National Development Bank, the Agriculture Bank and one of the smaller commercial banks are already entirely owned by the Government. If put to adequate use, this move is expected to allow a more active development policy in the allocation of funds.

#### Constraints to development

One of the major constraints to development in Suriname is the lack of skilled manpower which has restricted the capacity of the economy to carry out the development plans, especially the various public and private sector programmes. Since a high proportion of emigrants were skilled workers, the heavy emigration to Holland has exacerbated this problem. The shortage of skilled manpower is reducing the capacity of the economy to absorb capital and unskilled manpower. Suriname has a surplus of unskilled labour and does not suffer from capital shortage as is the case in many developing countries. However, a substantial number of jobs is held by employees who are not qualified to perform adequately the functions demanded by those posts.

An additional constraint to development is the deterioration of public finance. Large budget deficits have occurred in the last years. Unemployment pressure has led to an increase in public sector employment, which together with higher wages and salaries has increased public sector expenditure. The main source of Government revenue is the bauxite levy, although the potential for taxation expansion is large if one takes into consideration that the tax burden is approximately 19 per cent of GDP. As mentioned in the previous section, yet another constraint to development is the poor development planning machinery.

With regard to industrialization the main obstacles which most likely have prevented the development of the industrial sector can be summarized as follows:

- lack of an articulated development strategy where industry would play a leading role;
- small size of the internal market;
- inadequate management know-how and shortage of skilled manpower;
- poor dissemination of information to potential investors;
- inadequate credit facilities to enterprises;
- excessive geographic concentration.

Chapter V

UNIDO TECHNICAL ASSISTANCE

The first country programme

The first country programme for Suriname was approved in 1974 and covered the period 1974-1978. The IPF for 1972-1976 was fixed at US \$2.5 million with no projects being included in the industry sector. The project most closely related to the industrial sector was the proposed ILO-executed National Vocational Training Scheme with a UNDP contribution of US \$187,000, which represented 7.5 per cent of the total programmed amount.

In 1972, UNIDO carried out a survey of industry which confirmed that there was considerable investment potential in the country. The following proposals were recommended in the Survey Report:

- establishment of an Industrial Development Corporation;
- a two-year advisory service on industrial promotion;
- holding an investors meeting.

After the country had achieved full independence in 1975, a visit was made by a UNIDO staff member to discuss the Survey's recommendations and the role UNIDO was to play in the country's development. Agreement was reached with the Government on urgent needs vis-à-vis the new objectives and priorities. Requirements for technical assistance were taken up which led to the following concrete projects:

- TF/SUR/76/001: Creation of an investment promotion centre;
- TF/SUR/76/002: Adviser in industrial promotion;
- TF/SUR/76/003: Identification, preparation and promotion of industrial projects.

It should be noted that all of the above projects are funded by The Netherlands, the major source of technical assistance to Suriname in 1976/1977.

The second country programme

UNDP assistance during the period 1977-1981 (second country programme) is estimated at US \$3.5 million. The equivalent of US \$200,000 was utilized for each of the years 1976 and 1977 for technical assistance, mostly in the fields of forestry development, public administration, vocational training and assistance to veterinary services.

The Resident Representative, Mr. Feliciano, and the Government had been advised of UNIDO's interest in fielding a mission in connexion with the second country programme exercise, the country programme being scheduled for presentation to the Governing Council in June 1979.

UNIDO has been informed that the Government has already submitted requests covering the total allocations for 1979. The Resident Representative's office intends to review this in due course, at which time the need for a programming mission will also be determined.

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