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Background paper

SHORT AND MEDIUM-TERM PROSPECTS FOR EXPORT OF MANUFACTURES FROM SELECTED DEVELOPING COUNTRIES

- ARGENTINA -

Presented by the secretariat of the United Nations Conference on Trade and Development

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9. For each of the products covered in the study - in the case of some of which there is considerable experience of exports, while in the case of others, there appear to be export prospects - an estimate is given of the maximum export volume attainable, on the assumption of full utilization of plant capacity. The resulting figures are very high and obviously cannot be regarded as targets within reach but rather as the upper limit of present idle capacity. The potential production capacity available for exports depends on the level of domestic demand, in other words, on the development of the economic system in general. As domestic demand increases, theoretical export capacity is correspondingly reduced. It should be pointed out, however, that this interrelationship not only affects the volume available for export but has a direct effect on the economic factors concerned, and more particularly on price formation.

10. Nevertheless, even in the hypothetical case of an increase in internal demand, it might be thought that the resulting rise in prices should prove to be a sufficient incentive to raise production to a point where the share intended for export, particularly of consumer goods, would not be reduced.

11. Furthermore, an increase in exports depends very much on the solution of a number of problems, some of a general nature, and others specific and characteristic of the different branches of industry.

12. The estimates of the export potential were based on three kinds of particulars: (a) the export figures for the preceding period, in spite of the fact that the data could not be extrapolated; (b) information from producer and exporter organizations which usually provide a general picture of current possibilities, without giving details of specific cases; (c) the findings of the survey mentioned in paragraph 8 above covering a selected group of products (approximately thirty-five). The figures given in the survey are very high (owing to the methods employed in the survey) and hence cannot be extrapolated directly to the corresponding industrial sectors. They may, however, be used as indicators of the export capacity of each industrial sector, since the products were selected largely on the basis of the characteristics of each particular industry, its main technological features, etc., and as a result, they can be considered representative of all exportable products. Section IV gives the conclusions of the study from two points of view: the factors limiting or stimulating exports (for each industrial sector and within the sectors in the case of certain major products) and the targets which can be attained over the short and medium term provided that certain requirements are fulfilled.

13. Apart from the [illegible] imbalance between exchange rate fluctuations and domestic costs, the factors limiting exports include: weaknesses in the system for marketing abroad, and, in some cases, the [illegible] or tighter quality controls. The other factors considered [illegible] of raw materials, installed productive capacity [illegible] do not, in most cases, present significant obstacles [illegible]

14. Actually, these [illegible] represent precisely the unknowns in the equation as it now stands. Although [illegible] parameters have been clarified to the extent that circumstances allow, the solution of the problem is still dependent on several factors, including some that are measurable, such as the various forms of promotional activity on the part of public authorities, and others that are harder to assess, such as the demand of the domestic market, which is bound up with the country's economic development.

15. The estimate of potential increases in the value of exports of manufactures (Table 5) shows that total export capacity for these goods may increase to 317 million dollars in one or two years' time and to 406 million dollars in four to five years' time.

16. It should be pointed out once again that the figures used are given purely as a guide; they represent not targets for an export programme, but an assessment of industrial export capacity under the specific conditions described in the preceding paragraphs.

1. Exports in recent years

17. Between 1951 and 1961 Argentina's total exports remained stationary at around 1,000 million dollars annually. A clearly upward trend has been noticeable in recent years, beginning in 1962. A favourable balance of trade has been recorded in only six years in the period 1951-1965, the best years being 1953 with a favourable balance of 331 million dollars, 1963 with 384 million dollars and 1964 with 333 million dollars. The surplus in 1953 was due chiefly to a reduction of imports, while in 1963 there was not only a drop in imports but also a slight increase in exports. Imports rose in 1964, but the trade balance was again favourable as exports also increased. A favourable balance was also registered in 1965, but the margin was smaller. Exports reached a peak in that year - totalling 1,493 million dollars, but imports increased at an even greater rate, compared with the previous year (see Table 1).

Table 1

ARGENTINA: EXPORTS, IMPORTS AND BALANCE OF TRADE, 1951-1965

(millions of dollars)

Year	Exports	Imports	Balance of trade
1951	1,169.4	1,480.2	- 310.8
1952	687.8	1,179.3	- 491.5
1953	1,125.1	795.1	330.0
1954	1,026.6	979.0	47.6
1955	928.6	1,172.6	- 224.0
1956	943.8	1,127.6	- 183.8
1957	974.8	1,310.4	- 335.6
1958	993.9	1,232.6	- 238.7
1959	1,009.0	993.0	16.0
1960	1,079.2	1,249.3	- 170.1
1961	964.1	1,460.3	- 496.2
1962	1,216.0	1,356.5	- 140.5
1963	1,365.1	980.7	384.4
1964	1,410.4	1,077.4	333.2
1965	1,485.2	1,190.0	295.2

Source: Republic of Argentina, Dirección Nacional de Estadística y Censos, Anuario de comercio exterior

Table 2

ARGENTINA: BREAKDOWN OF EXPORTS, 1960-1964

	Group	1960	1961	1962	1963	1964
		(a) Absolute values (millions of dollars)				
I	Livestock-rearing	519.8	518.0	541.4	665.2	590.0
II	Agriculture	508.7	387.9	607.4	526.3	695.4
III	Forestry	15.2	13.3	12.2	13.1	15.9
IV	Mining	4.3	6.2	21.6	22.6	13.2
V	Hunting and Fishing	3.7	4.6	4.6	8.5	3.7
VI	Miscellaneous	27.0	36.2	28.8	129.4	92.2
	Total	1,079.2	964.1	1,216.0	1,365.1	1,410.4
		(b) Indices (1960 = 100)				
I	Livestock-rearing	100	99.3	104.1	128.0	113.5
II	Agriculture	100	76.2	119.4	103.4	136.7
III	Forestry	100	87.5	80.3	86.2	104.6
IV	Mining	100	129.2	450.0	470.8	275.0
V	Hunting and Fishing	100	124.3	124.3	229.7	100.0
VI	Miscellaneous	100	134.1	106.7	479.3	341.5
	Total	100	89.3	112.7	126.5	130.7
		(c) Percentages				
I	Livestock-rearing	48.3	53.5	44.4	48.7	41.8
II	Agriculture	47.1	40.2	50.0	38.6	49.3
III	Forestry	1.4	1.4	1.0	11.0	1.1
IV	Mining	0.4	0.6	1.0	1.7	0.9
V	Hunting and Fishing	0.3	0.5	0.4	0.6	0.3
VI	Miscellaneous	2.5	3.8	2.4	9.4	6.5
	Total	100	100	100	100	100

Source: *Anuario de comercio exterior*, supplemented by ECLA

18. The structure of exports by groups of products shows clearly that livestock and agricultural products were dominant, although there was also a considerable increase under the headings "Mining" and "Miscellaneous" (see Table 2).

19. The groups of lesser importance may, of course, show fairly high increases in their index figures side by side with relatively modest absolute changes. This is what happened in the case of groups IV and VI, which account for only a small share of total exports.

20. Nevertheless, it is worth while dwelling on the analysis of these trends, especially in reference to group VI, which includes almost the whole range of manufactured products. Those are precisely the products with which the present report is concerned. Group VI is broken down into two main sub-groups: primary industries and manufacturing industries proper. The former include the industries processing foodstuffs, beverages and tobacco; the others are the various branches of industrial manufacture using raw materials from other sources.

21. For the purpose of getting a complete picture of Argentina's exports of manufactures it is not enough to look only at the products covered by Group VI, "Miscellaneous", which are normally regarded as representative of the manufacturing industry. Scattered among the other statistical groupings (livestock, agriculture, etc.) are a number of items entering into the foreign trade statistics which, by reason of their characteristics, may be taken into account in this report, inasmuch as the production of the goods in question involves a substantial manufacturing process.1/ In order to simplify the analysis, the list of manufactures has been divided into two sub-groups: items connected with food industries have been placed in one sub-groups, all the others being bracketed in the second sub-group (see Table 3). With regard to the product-by-product analysis, including the food industries sub-group, the position is as follows:

(a) <u>Miscellaneous food industries</u>

22. Tea is the principal export in Group VI; yerba mate is next in order of importance. Tea exports rose from 2.3 million dollars in 1960 to 5.4 million dollars in 1964, the principal customers being the countries of Europe and, more

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1/ In this report and subsequent reports in this series, the term "manufactures" includes "semi-manufactures", which are generally those products so defined in document TD/B/C.2/3 prepared on the request of the Special Committee on Preferences. In a small number of cases and for reasons such as the special importance of a given product to the economy of particular countries, it was considered desirable to depart from this classification.

recently, Chile. Sugar is included among the "Miscellaneous" manufactures in Group VI, exports having soared to 64 million dollars in 1963, falling to 6.4 million dollars in 1964. The high export figure for 1963 may be considered a "freak", and there is no evidence for thinking that there will be a steady flow of sugar exports. For this reason, and also on account of the very special nature of the international sugar market, it was decided to omit sugar from the list of potential exports of manufactures.

(b) Preserved meat and meat extract (from Group VI; code Nos. 99, 100 and 111)[2/]

23. Exports of these products varied from 54 million to 77 million dollars in the period 1960-1964. The fairly regular pattern of fluctuations actually conceals the stationary character of these exports; only exports of "meat, prepared, with vegetables" show a rising trend.

(c) Other food products (from Group I, code Nos. 148, 151, 156, 159 and 160)

24. Honey and cheese (other than melted cheese) are the main export items. Honey exports have been somewhat erratic and are destined mainly for the Federal Republic of Germany. Cheese exports have been steadier, with a slight tendency to increase. The chief purchasers are the United States and Venezuela.

(d) Preserved fruit (from Group II, code Nos. 356 to 365)

25. Preserved fruit is also exported, mainly overseas. The value of these exports has risen sharply and amounted to 5.3 million dollars in 1964.

(e) Beverages

26. Exports of this item, consisting chiefly of concentrated fruit juice, have followed a most irregular pattern: from 150,000 dollars in 1960 they dropped to 100,000 dollars in 1961 and to 79,000 dollars in 1962, rising sharply to 2.8 million dollars in 1963, only to fall again to below 1 million dollars in 1964.

(f) Tobacco

27. Tobacco exports increased steadily from 908,000 dollars in 1960 to 5.9 million dollars in 1963, dropping in 1964 to slightly below 5 million dollars, which is still a considerable figure.

2/ These code numbers, and those given in subsequent passages dealing with industrial products not included in Group VI, correspond to the classification used in Argentina's foreign trade statistics.

(g) Textiles and textile articles

28. Exports of textiles and textile articles doubled between 1960 and 1964, and rose still higher in 1963. The reason was mainly the share in this increase accounted for by exports of "yarn, thread and rope", valued at 107,000 dollars in 1960 83,000 dollars in 1961, 277,000 dollars in 1962 and as much as 2.8 million dollars in 1963, though dropping to 2 million dollars in 1964. In the same way exports of "piece goods", with a value higher in previous years than that of yarn (325,000 dollars in 1960), fell to 175,000 dollars in 1961 and 107,000 dollars in 1962, then rose to 1.6 million dollars in 1963 and to 1.7 million dollars in 1964.

29. For this group of items the classification is not completely satisfactory for the purposes of the present study, since Argentine statistics include in this category textile waste (numbers 678 to 681), of which exports in 1964 were valued at 2,117,611 dollars. This item should be regarded rather as a raw material. At the same time the classification does not take account of combed wool (tops) (No. 144) which is included among livestock products though it is rather in the nature of an industrial product. (Carded wool and carbonized wool might be placed in the same category.) Exports of wool tops in 1964 amounted to 5 116 tons, valued at 13,729,877 dollars, the principal countries of destination being Chile (1,377 tons), Italy (1,531 tons), and the Netherlands (1,209 tons), and many other countries.

30. In the "textiles" group, the main exports are wool yarn for weaving (1,844,980 dollars), cotton and cotton mixture fabrics in the piece (448,759 dollars), piece goods of wool or wool mixtures, combed (762,122 dollars), piece goods of synthetic fibres or mixtures (158,626 dollars). The principal markets for all these exports were the European countries and the United States, but most of them received a considerable fillip from a temporary situation in the domestic market, with the consequence that the figures can hardly be regarded as indicative of a pattern. In fact, exports of these goods fell in 1963 and 1964 and, to judge by the data available, the decline continued in 1965. Made-up goods also made considerable headway, though the amounts involved are not very large.

(h) Combed wool (tops) (from Group I, code No. 144)

31. Exports increased between 1960 and 1962 from 2.4 million dollars to 4.6 million dollars, and then suddenly soared to 11.9 million dollars in 1963 and to 13.7 million dollars in 1964.

Table [illegible]

ARGENTINA: EXPORTS OF MANUFACTURES

	1960	1961	1962	1963	1964
1. Food industries	(Absolute values - thousands of dollars)				
(a) Miscellaneous food industries[a]	2,71[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(b) Preserved meat and related products (from group I)	55,965	72,17[illegible]	55,0[illegible]	77,425	53,912
(c) Other food products[b]	6,900	7,[illegible]	7,[illegible]24	7,642	9,150
(d) Preserved fruits (from group II)	491	1,[illegible]	1,974	4,[illegible]	5,[illegible]
(e) Beverages	150	100	72	2,609	1,266
Total	66,616	85,128	68,451	97,150	75,561
2. Other manufacturing industries					
(a) Tobacco	308	1,319	3,961	5,867	4,970
(b) Textiles and textile articles	3,074	3,884	4,062	7,679	6,182
(c) Combed wool (from group I)	2,360	3,026	4,586	11,902	13,730
(d) Chemical substances and products, oils, paints, pharmaceutical products, etc.	6.129	5,643	6,[illegible]84	8,445	13,987
(e) Casein (from group I)	13,500	10,424	9,858	10,716	11,472
(f) Oleostearine (from group I)	11	104	219	480	82
(g) Extract of quebracho (from group III)	15,166	12,975	12,062	12,880	15,574
(h) Paper and paper manufactures	780	1,007	1,119	4,706	10,761
(i) Wood and cork manufactures	21	31	81	89	54
(j) Iron manufacture	2,641	2,016	1,344	15,284	19,049
(k) Machinery and vehicles	2,099	3,492	3,771	12,545	18,908
(l) Manufactures of miscellaneous metals excluding iron and iron alloys	162	165	186	884	1,069
(m) Base metals and their alloys (from group IV)	1	395	2,469	4,702	1,280

Table 3 (contd)

	1960	1961	1962	1963	1964
(n) Glass, crystal, glassware and articles of crystal	162	132	142	116	160
(o) Manufacture of non-metallic minerals, excluding glass	58	87	73	74	111
(p) Leather manufacture	265	269	304	827	871
(q) Tanned leather (from group V)	1,084	663	2,153	5,131	4,581
(r) Other leathers and skins (nutria, reptile, etc.) (from group V)	66	123	121	589	455
(s) Miscellaneous	804	756	780	1,067	2,270
Total	49,291	46,511	53,375	103,983	125,742
Grand Total	115,907	131,639	122,228	201,333	201,303
		(b) Indices (base 1960 = 100)			
1. Food industries					
(a) Miscellaneous food industries	100	153	142	183	227
(b) Preserved meat and related products (from group I)	100	129	98	138	96
(c) Other food products	100	102	115	111	133
(d) Preserved fruits (from group II)	100	190	222	530	592
(e) Beverages	100	67	53	1,739	710
Total	100	128	103	146	113
2. Other manufacturing industries					
(a) Tobacco	100	145	436	646	547
(b) Textiles and textile articles	100	186	138	290	208
(c) Combed wool (from group I)	100	[illegible]	194	904	982
(d) Chemical substances and products, oils, paints, pharmaceutical products, etc.	100	98	99	138	[illegible]
(e) Casein (from group I)	100	77	73	79	[illegible]

Table 3 (continued)

	1960	1961	1962	1963	1964
(f) Oleostearine (from group I)	100	945	1 991	4 364	745
(g) Extract of quebracho (from group III)	100	86	80	85	103
(h) Paper and paper manufactures	100	129	143	603	1 380
(i) Wood and cork manufacture	100	148	385	424	257
(j) Iron manufacture	100	76	51	579	721
(k) Machinery and vehicles	100	166	180	598	901
(l) Manufactures of miscellaneous metals excluding iron and iron alloys	100	102	115	545	657
(m) Base metals and their alloys (from group IV)	100	39 500	246 900	470 200	126 000
(n) Glass, crystal, glassware and articles of crystal	100	81	88	72	99
(o) Manufacture of non-metallic minerals, excluding glass	100	150	126	128	191
(p) Leather manufacture	100	102	115	312	329
(q) Tanned leather (ex group I)	100	61	199	473	423
(r) Other leathers and skins (nutria, reptile, etc.) (from group V)	100	186	183	892	689
(s) Miscellaneous	100	94	97	133	282
<u>Total</u>	100	114	105	211	255
<u>Grand Total</u>	100	114	105	174	174
			(c) <u>Percentages</u>		
1. <u>Food industries</u>					
(a) Miscellaneous food industries	2.3	3.1	3.1	2.5	3.1
(b) Preserved meat and related products (from group I)	48.3	54.8	45.0	38.5	26.8
(c) Other food products (from group I)	6.0	5.3	6.5	3.8	4.5
(d) Preserved fruits (from group II)	0.8	1.3	1.6	2.3	2.6
(e) Beverages	0.1	0.1	0.1	1.3	0.5
<u>Total</u>	57.5	64.6	56.3	68.4	37.5

Table 3 (continued)

	1960	1961	1962	1963	1964
2. Other manufacturing industries					
(a) Tobacco	0.8	1.0	3.2	2.9	2.5
(b) Textiles and textile articles	2.7	3.0	3.3	3.8	3.2
(c) Combed wool (from group I)	2.0	2.3	3.7	5.0	6.8
(d) Chemical substances and products, oils, paints, pharmaceutical products, etc.	5.3	4.3	5.0	4.2	7.0
(e) Casein (from group I)	11.6	7.9	8.1	5.3	5.7
(f) Oleostearine (from group I)	-	0.1	0.2	0.2	-
(g) Extract of quebracho (from group III)	13.1	9.8	9.9	6.4	7.8
(h) Paper and paper manufactures	0.7	0.8	0.9	2.4	5.3
(i) Wood and cork manufacture	...	...	0.1	...	...
(j) Iron manufacture	2.3	1.5	1.1	7.6	9.5
(k) Machinery and vehicles	1.8	2.7	3.1	6.2	9.4
(l) Manufactures of miscellaneous metals excluding iron and iron alloys	0.1	0.1	0.2	0.5	0.5
(m) Base metals and their alloys (from group IV)	-	0.3	2.0	2.3	0.6
(n) Glass, crystal, glassware and articles of crystal	0.1	0.1	0.1	0.1	0.1
(o) Manufacture of non-metallic minerals, excluding glass	0.1	0.1	0.1	-	0.1
(p) Leather manufacture	0.2	0.2	0.2	0.4	0.4
(q) Tanned leather (from group I)	0.9	0.5	1.8	2.6	2.3
(r) Other leathers and skins (nutria, reptile, etc.) (from group V)	0.1	0.1	0.1	0.3	0.2
(s) Miscellaneous	0.7	0.6	0.6	0.5	1.1
Total	42.5	35.4	43.7	51.6	62.5
Grand Total	100	100	100	100	100

N.B. All the items mentioned belong to group VI ("miscellaneous") unless otherwise indicated. In addition, as explained in the text, refined cane sugar has been left out of account; it appeared under "food industries" (group VI).

a/ Tea, yerba mate, spices and condiments, crackers and biscuits, vermicelli and others (excluding sugar)

b/ Cheese (excluding salted cheese) condensed milk, natural honey, white and yolk of processed eggs.

(i) <u>Chemical and pharmaceutical substances and products; oils and paints</u>

32. After a fall between 1960 and 1961, exports of items in this group increased steadily until 1964, with a considerable upsurge in that year. In fact, exports of all the products under this heading increased between 1963 and 1964 - an outstanding event in the general evolution of Argentina's exports of manufactured products.

33. The category of greatest export value in 1964 was that of <u>medical and pharmaceutical products</u>; exports amounted to almost 6 million dollars, items worth mentioning being liver extract or concentrates (1,608,191 dollars, including shipments valued at 1,206,072 dollars to Italy), medical preparations made up in the form of medicines (1,501,959 dollars - mostly shipped to Latin American countries); insulin in crystal or liquid form (771,813 dollars - 251,000 dollars to Italy and a similar amount to the USSR), crude heparin (335,443 dollars - of which 171,025 dollars to Denmark and 88,927 dollars to France).

34. Next in order of importance was the category of <u>organic chemicals</u> - almost 3.4 million dollars, including during 1964 sizeable exports of pure alcohol (910,185 dollars, all to Uruguay); tartaric acid (738,761 dollars, almost entirely to Latin American countries); raw, impure glycerine (615,406 dollars - 302,000 dollars to the Federal Republic of Germany, 235,000 dollars to the United States and 77,000 dollars to the Netherlands); amino-acids n.e.s. (554,596 dollars - almost exclusively to Italy); and calcium tartrate (245,819 dollars - 99,000 dollars to the Netherlands, 86,000 dollars to Spain, and 60,000 dollars to the Federal Republic of Germany).

35. The third category is that of <u>miscellaneous chemicals</u> and chemical products, exports in 1964 amounting to 1.6 million dollars, including corn gluten (817,066 dollars of exported products - 621,684 dollars to the Netherlands and 193,705 dollars to Belgium).

36. Lastly, mention may be made of the category <u>inorganic chemicals</u>, with exports valued at almost 1.5 million dollars. Among these, special mention should be made of the following: "sodium, salts and compounds n.e.s." (768,000 dollars - 623,706 dollars to Brazil), "inorganic chemicals n.e.s." (382,000 dollars - 300,462 dollars to the United States) and "ubismuth, its salts and compounds" (199,000 dollars, entirely exported to Italy).

37. Exports of the other categories involved were valued at well below 1 million dollars each.

(j) Casein (from Group I, code No. 158)

38. Exports were almost stationary in the neighbourhood of 10 - 11 million dollars. Export destinations in 1964 were: United States (7.5 million dollars), Federal Republic of Germany (749,000 dollars), Japan (667,000 dollars), United Kingdom (548,000 dollars), Italy (370,000 dollars) and Mexico (233,000 dollars).

(k) Oleostearine (from Group I, code No. 180)

39. Exports of this product during the five-year period amounted to a peak figure of 480,000 dollars in 1963, falling to 82,000 dollars in 1964 (56,000 dollars to Colombia, 12,000 dollars to France, 10,000 dollars to the Federal Republic of Germany).

(l) Quebracho extracts (from Group III, code Nos. 421 - 423)

40. This is a traditional Argentine export commodity. The value of exports would appear to be settling down at between 12 and 15 million dollars per annum. In 1964, 4 million dollars' worth was exported to the United States, 1 million dollars to the Federal Republic of Germany, 946,000 dollars to France, 797,000 dollars to Italy, 791,000 dollars to Chile, 724,000 dollars to Japan, and smaller quantities to practically every country in the world.

(m) Paper and paper manufactures

41. The great increase in exports under this heading is due chiefly to the increase in exports of "printed matter", (i.e. chiefly books) which, after a slow start between 1960 and 1962 (from 650,000 dollars to 989,000 dollars), suddenly soared to 4.4 million dollars in 1963 and to 10.4 million dollars in 1964. Likewise, the category "paper and paperboard" showed a notable increase - from 35,000 dollars in 1960 to 243,000 dollars in 1964; while "articles of paper or paperboard" showed irregular export figures, rising to slightly above 100,000 dollars in 1964.

(n) Articles of wood and cork

42. The amounts recorded were small, the maximum being 89,000 dollars in 1963, falling to 54,000 dollars in 1964.

(o) Iron manufactures

43. The substantial increase in exports under this heading is attributable to the category "iron, steel and coated sheets", especially wire rods and seamless tubes (5 million and 6 million dollars in 1964 respectively). Under the heading of exports of tubes, the following exports may be noted by countries of destinations: seamless iron or steel tubes: 3,712,076 dollars to Venezuela; 1,017,163 dollars to

Chile; 8[illegible]7,[illegible] dollars to the United States; [illegible] 1,4[illegible] dollars to Venezuela; [illegible] dollars to the United States; iron or steel tubes n.e.s: 5[illegible] dollars to the United States; [illegible] dollars to Venezuela. Of the exports of wire rods, products [illegible] dollars were exported to the United States; 8[illegible] dollars to Brazil; [illegible] dollars to Uruguay.

44. A steadily rising trend [illegible] five-year period [illegible] be noted, although the amounts were small for "miscellaneous iron and steel articles" (from 1[illegible]7,000 dollars in 1960 to 1.[illegible] million dollars in 19[illegible]), and "hand tools" (from 6,000 dollars in 1960 to 265,000 dollars in 19[illegible]4).

(p) Machinery and vehicles

45. Exports of "machinery and vehicles" also showed an increase, which continued on a rising trend until 1964. This trend is largely attributable to "machinery and motors other than electric" (including machinery simply driven by an electric motor), and spare parts, the export value of which rose steadily from 842,000 dollars in 1960 to 1.4 million dollars in 1961, 1.7 million dollars in 1962, 7.3 million dollars in 1963 and 12.7 million dollars in 1964. Outstanding in this group were exports of calculating machines, representing a value of 5.4 million dollars in 1964.

46. Similarly, there was a steady increase in the value of exports of "vehicles and spare parts", which rose from 1[illegible],600 dollars in 1960 to 3.2 million dollars in 1964, the intermediate figures being 1[illegible]4,000 dollars in 1961, 361,000 dollars in 1962 and 1.9 million dollars in 1963. Of the 3,198,[illegible]5 dollars' worth of exports in 1964, accessories and spare parts for automobiles and other vehicles n.e.s. represent 2,652,291 dollars. These items (Nos. 985 and 987) include substantial exports to the United States (734,332 dollars), to Italy (234,2[illegible] dollars) and to France (219,893 dollars).

47. Exports of "appliances, machinery, electric motors and their accessories and spare parts" rose from 1.1 million dollars in 1960 to approximately 1.8 million dollars in 1961 and 1962. They rose to 3.3 million dollars in 1963, but fell back to 3.1 million dollars in 1964.

(q) Manufactures of miscellaneous metals, excluding iron and alloys of iron

48. Up to 1962, exports of these products did not exceed 200,000 dollars; in 1963 they rose to 884,000 dollars and in 1964 to 1.1 million dollars. The most important item (717,913 dollars' worth exported out of a total of 1,065,447 dollars for the group) is "copper, bronze, or muntz metal artefacts" (No. 991), the principal

countries of [illegible] being the Netherlands (483,687 dollars) and the Federal Republic of Germany ([illegible] dollars).

(r) <u>Base metals and their alloys (aluminium, bronze, copper, brass, zinc, etc.) (from Group IV, Nos. 4[illegible]-498, 502-505, 511-512, 519-524)</u>

49. Exports under this heading are very irregular - from a negligible level in 1960 they rose to 4.7 million dollars in 1963, later dropping to 1.3 million dollars in 1964.

(s) <u>Glass, crystal, glassware and articles of crystal</u>

50. Here the export flows were rather static and the total values were not appreciable.

(t) <u>Manufactures of non-metallic minerals, other than glass</u>

51. Exports in this group developed irregularly, showing a slight upward trend, although the values exported were of no great significance (111,000 dollars in 1964, the year of highest export figures in the five-year period under consideration).

(u) <u>Leather manufactures</u>

52. Notable increases were recorded from 1963 onwards, after exports had been stationary in the neighbourhood of 300,000 dollars during the previous years. Actually an increase to 827,000 dollars and 872,000 dollars was recorded in 1963 and 1964, respectively.

(v) <u>Tanned leather (from Group I, Nos. 131, 132, 134 and 136)</u>

53. Although according to the statistical definitions, they do not constitute a single group,1/ these four items may be said to cover the nucleus of exports of tanned leather. Exports amounted to [illegible] million dollars in 1960, dropped to 663,000 dollars in 1961, increased to 2.2 million dollars in 1962 and to 5.1 million dollars in 1963, and fell slightly to 4.6 million dollars in 1964.

(w) <u>Other leathers and skins (from Group V, Nos. 548 to 553)</u>

54. Exports of these items increased steadily, amounting to nearly 600,000 dollars in 1963. They then declined to 455,000 dollars in 1964.

(x) <u>Miscellaneous</u>

55. The over-all figures for this heterogeneous group indicate an appreciable progress between 1963 and 1964, after an earlier somewhat static trend. The recent increase may be attributed to the categories "photographic and cinematographic

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1/ The reason is that certain items are not clearly specified.

[illegible] and films" ([illegible],000 dollars in 1964 as compared with 268,000 dollars in 1963); "plastic materials and articles" (86[illegible],000 dollars in 1964 and 265,000 dollars in 1963); "rubber manufactures" (211,000 dollars and 89,000 dollars) and "scientific, medical, surgical apparatus and instruments, etc." (139,000 dollars and [illegible],000 dollars).

66. A fairly representative picture of exports of manufactured products from Argentina over the last five years can be obtained by adding together the items in Group 71 of the official Argentine nomenclature ("miscellaneous"), and the products mentioned above.

67. The first general observation to be made is that the share of total exports represented by manufactures is relatively large, ranging from 10 to 15 per cent during the period under review.

68. The figures for the sub-groups in the table clearly show that the products in the category "other manufacturing industries" were the more dynamic factors in the growth of exports after 1962; whereas the index for exports of the food industries group reached a peak of 146 (base 1960 = 100) in 1963, dropping to 113 in 1964, the corresponding figures for the "other manufacturing industries" group were 211 and 255 respectively.

69. As regards the destination of Argentina's exports, table 4 gives some indication of the geographical distribution of Argentina's exports of manufactures in 1964, and also corresponding figures for Argentina's total exports in the same year. While less than 7 per cent of Argentina's total exports went to the United States, that country absorbed over 30 per cent of Argentina's exports of manufactures, these being accounted for mainly by United States imports of preserved meat, casein and, to a lesser extent, iron manufactures and quebracho extracts from Argentina. Manufactures represented 46 per cent of Argentina's total exports to the United States and only 14.2 per cent of its exports to the world.

60. The pattern of Argentina's exports to Western Europe is quite the reverse. Western Europe takes 62 per cent of total Argentine exports, but less than 39 per cent of Argentina's exports of manufactures, although Western Europe is still Argentina's main customer. It is a heavy purchaser of preserved meat - a product which seems to find its chief outlet in high-income countries - combed wool, miscellaneous food products (tea), other food products (honey and cheese), tobacco, chemical substances and products, quebracho extracts and tanned leather. Western

Europe's relatively low position as a purchaser of Argentine manufactures is illustrated by a comparison of the ratios between Argentina's total exports and its exports of manufactures to Western Europe and to the world: 9 and 14 per cent respectively.

61. As regards exports to Latin America, which absorbs nearly 17 per cent of Argentina's exports of manufactures, the position is rather like that with regard to the United States. A relatively large share of the exports is accounted for by manufactured articles, and among these the more sophisticated products are prominent such as machinery and vehicles, iron manufactures, chemical substances and products, oils, paints and pharmaceutical products, preserved fruit, and paper and paper manufactures (printed books).

62. Nearly 27 per cent of Argentina's total exports to Latin America consist of manufactures, which is much higher than their share of 14 per cent in total exports.

63. The position with respect to the rest of the world is similar to that with regard to Western Europe, which means that the rest of the world imports few Argentine manufactures. It absorbs some 14 per cent of Argentina's exports of manufactures, mainly preserved meat, textiles and textile articles.

64. Actually, in addition to the external factors (demand on the international market) the export of primary and manufactured products is conditioned, and in part determined, by the situation in the domestic market. For example, while exports of livestock and agricultural products are largely related to agricultural production trends, in the case of manufacturing products the behaviour of the domestic market can either encourage exports or have the opposite effect, depending on whether or not domestic demand can absorb the supply at full capacity levels.

65. It is now held that the rise in exports of many manufactured products during 1963 took place precisely because of a decline in domestic demand and the simultaneous adoption by the Government of a number of measures, such as tax refunds, draw-backs, etc., to encourage exports. The accumulation of large stocks and the threat of a period of future inactivity incited industry to dispose of part of its production on the external markets, thus reducing the losses caused by the decline in demand.

66. If this analysis is correct, and if exports of manufactures should decline to their earlier levels, that rise would have to be regarded as a sporadic phenomenon attributable to special conditions (of price and delivery) which could not be maintained when the domestic market returns to normal.

67. It will be noted, however, that in 1964 some manufacturing sectors maintained their 1963 level of exports and others even exceeded it, in spite of the fact that the disparity between the rise in domestic costs and the exchange rate had not been adjusted. This would indicate that the industry has begun to regard exports as a permanent factor and not merely as a temporary measure designed to offset a weak domestic market.

68. Although a clear comparison cannot be drawn, it should be pointed out that while the general index of the volume of manufacturing output fell from 108.3 to 94.5 between 1962 and 1963, there was a recovery to 108.5 in the following year. This is clear evidence of a general recovery of the level of business, in spite of which exports continued to increase.

69. The experience of 1963 would thus appear to have given to exports an element of permanence, which the next few years will confirm or contradict. The climate would be particularly ripe today for a concrete application of general or special measures designed to take advantage of the temporary spurt recorded during a period of crises in the internal market in order to consolidate these export flows.

70. In this respect, however, the National Development Plan[1] does not hold out very encouraging prospects. It states that "... the promotion of non-traditional exports, especially in the manufacturing industry, is important. It will provide a more satisfactory external trade structure and reduce the effect of unfavourable factors such as those arising from the limitation of world demand for foodstuffs, the protectionist policy governing livestock and agricultural production in the importing countries, and concessional types of sales by the United States". The Plan also makes the point that these exports depend on an expansion of trade within the LAFTA area and that "the outlook will also be more promising if the grant of preferences to developing countries requested of the industrial nations at the United Nations Conference on Trade and Development materialises". Finally, it recognises that "achievement of this target requires the implementation of an over-all policy designed to promote these exports and to make the industrial sector export-minded".

71. At the same time the projection of exports for the period 1965-1969 is quite conservative. According to Tables 76 and 77 given in the National Development Plan, Argentine exports of manufactures are projected to rise from 92 million dollars estimated for 1965 to 95 million dollars in 1966, 98 million dollars in 1967, 107 million dollars in 1968 and 110 million dollars in 1969. This is an aggregate increase

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[1] Consejo Nacional de Desarrollo (National Development Council) 1965, (hereinafter referred to as CONADE).

Table 4

ARGENTINA: EXPORTS OF MANUFACTURES AND TOTAL EXPORTS, BY DESTINATION, 1964

(Percentage of total)

Product	Destination: United States	Western Europe	Latin America	Rest of world	Total
1. **Exports of manufactures**					
(a) Miscellaneous food products	1.2	40.9	47.6	10.3	100.0
(b) Preserved meat and related products	29.4	53.1	0.4	17.1	100.0
(c) Other food products	14.2	65.5	16.9	3.4	100.0
(d) Preserved fruit	0.1	25.5	72.9	1.5	100.0
(e) Beverages	7.7	36.6	54.2	1.5	100.0
(f) Tobacco	1.9	94.7	0.8	2.6	100.0
(g) Textiles and textile articles	39.9	29.2	8.6	22.3	100.0
(h) Combed wool	0.8	61.9	30.3	7.0	100.0
(i) Chemical substances and products, oils, paints, etc.	3.9	49.2	43.0	9.9	100.0
(j) Casein	65.3	22.1	6.3	6.3	100.0
(k) Oleostearine	-	30.5	69.5	-	100.0
(l) Quebracho extracts	26.3	40.3	20.8	12.6	100.0
(m) Paper and paper manufactures	1.3	15.1	82.0	1.6	100.0
(n) Wood and cork manufactures	20.4	5.5	74.1	-	100.0
(o) Iron manufactures	29.5	0.4	69.8	0.3	100.0
(p) Machinery and vehicles	6.2	17.8	72.5	3.5	100.0
(q) Manufactures of miscellaneous metals, excluding iron and iron alloys	0.7	69.8	29.3	0.2	100.0
(r) Base metals and their alloys	0.8	50.4	44.2	4.6	100.0
(s) Glass, crystal, glassware and articles of crystal	0.6	11.9	87.5	-	100.0
(t) Manufactures of non-metallic minerals, excluding glass	3.6	-	96.4	-	100.0
(u) Leather manufactures	33.8	49.2	15.0	2.0	100.0
(v) Tanned leather	38.9	42.6	3.5	15.0	100.0
(w) Other leather and skins	24.8	61.5	-	13.7	100.0
(x) Miscellaneous	4.6	4.7	89.7	1.0	100.0
Total manufactured products	[illegible]	[illegible]	[illegible]	[illegible]	100.0
2. Total exports	[illegible]	[illegible]	[illegible]	[illegible]	100.0
3. Ratio of exports of manufactures to total exports	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Departamento Nacional de Estadística y Censos de la República Argentina, Boletín de Comercio Exterior.

in five years of about 19.5 per cent, equivalent to an annual average of approximately 3.5 per cent. It should be noted that these projections are based on the average increase of world trade indexes and do not allow for possible special efforts to promote Argentine exports. The choice of this criterion is probably based on the practical impossibility of carrying out a thorough analysis of the prospects of Argentina's manufacturing industry, although it may also be possibly due to the fact that less importance is attached to this sector since it represents a relatively small volume compared with exports of primary commodities, for which projections are indeed based on more specific analyses.

72. Apart from miscellaneous products, and with reference to items considered in Table 3, the Plan contains a projection for meat exports; here again, the prospects would appear to be very conservative in regard to canned meats: compared with a projected increase of 20 per cent in exports of chilled meat between 1965 and 1970, exports of canned meats are expected to increase by 9 per cent (both in volume and in value). The share of canned meat in total meat exports (canned and chilled) would thus fall from 20.5 per cent in 1965 to 18.9 per cent in 1969, according to the lowest hypothesis, and from 19.2 per cent to 17.8 per cent if the maximum figures are taken.5/ This forecast is unduly cautious, since all the projected figures are below the export levels actually recorded in 1961 and 1963.

II. Institutional factors affecting "non-traditional" export operations

73. The question to be considered under this heading is whether the institutional factors affecting exports of non-traditional (i.e. manufactured) products in Argentina favour such exports, and if they do not, what improvements might be suggested for promoting exports of Argentine manufactures.

74. In 1963 and 1964, basic regulations were enacted to stimulate sales of Argentine products abroad. These regulations are reflected in the data cited in the previous section and in the results of the balance of trade.

75. The two classic types of measures - fiscal and credit - for promoting exports have been applied appropriately in the case of most products, although there is room for procedural improvements and adjustments, as is explained below.

5/ The difference between the lowest and the highest figures assumed in these projections is accounted for not by differences in the projected increase - forecast as 20 per cent in both cases - but by the fact that estimates of exports of meat for the base year 1965 vary from a low of 430,000 tons to a high of 467,000 tons.

NOTE

The UNCTAD secretariat, in co-operation with the regional economic commissions, is carrying out a number of country studies in Latin America, Africa and Asia to determine the immediate and future prospects for increasing the exports of manufactures and semi-manufactures from selected developing countries.

The object of these studies is not to present an exhaustive analysis of the export prospects and problems of the countries concerned, but rather to draw attention to the scope for increased exports and to the measures which might be taken in this respect. In the case of developing countries which do not possess any significant export industries, an attempt has been made to estimate what would be the export prospects if export-oriented industries were established as an integral part of the industrial development of these countries.

These studies should, therefore, be regarded as only part of the examination of the possibilities of building up and expanding the exports of manufactures and semi-manufactures from the developing countries.

The present study (document TD/B/C.2/34) analyses the short and medium-term prospects for exports of manufactures and semi-manufactures from Argentina. A summary and the conclusions reached in the study are contained in paragraphs 1 to 16 below. (Document TD/B/C.2/34/Corr.1 has been incorporated.)

76. The following fiscal regulations apply to "non-traditional" export goods:

(i) Exemption from the sales tax (Decree No. 1969-60). In Argentina, this tax is applied in the form of a charge on value added; in practice the taxpayer calculates the difference between the value of sales and the value of purchases for the financial year (which is the same as the calendar year) and pays 10 per cent on this difference. Because invoices covering exports of manufactures are exempt from this tax, the taxpayer automatically recovers the tax on products purchased previously and included in such exports.

(ii) Reimbursement of general taxes (Decree No. 46/65), i.e. refund of the other taxes entering into the cost of the product. In order to qualify for such reimbursement, exporters must declare to the customs authorities, on the appropriate form, the technical specifications, quantity and f.o.b. value of the product to be exported, the percentage of the reimbursement (fixed by the Decree at 6, 12 and 18 per cent, depending upon the degree of processing of each product), and the amount thereof. After the customs authorities have checked the export operation, a "tax refund certificate" is delivered within fifteen days to the order of the exporter, for the amount due. When the foreign exchange has been secured, this certificate, which is transferable by endorsement, may be applied to the payment of the taxes chargeable under Act No. 11,683 and levied by the Department of Taxation. If the original holder of the certificate or the last person to whom it has been transferred by endorsement, as the case may be, is unable to make use of it within a reasonable time, he may apply to the Department of Taxation for the refund of the amount in question. Payment will be made, subject to a check on the applicant's tax position or against a guarantee pending completion of the check.

(iii) The "draw-back" system (Decree No. 8051/62) under which the Office of the Secretary of State for Industry is responsible for determining the reimbursement that should be made to offset duties payable on imported raw materials incorporated into export products. The amount of the reimbursement is fixed after the product has been checked, and an order is made by the said Office. The exported product is thus exempt, in principle, from taxation of any kind and arrives on the international market under "ideal" conditions to withstand competition.

77. Any discussion of this point relates less to the substance of the regulations than to their application. For example, in the case of the exemption from sales tax, there ought to be a system under which export products are exempted from taxation even

when the industrial producer and the exporter are not the same person. At present, if an exporter is involved it is presumed that there has been a taxable internal sale, and the system would be ineffective if recourse were not had to certain subtle devices. This is clearly not a complicated problem since it has been solved within the existing fiscal system in practically all the countries which grant this exemption.

78. In the matter of tax refunds, and leaving aside the disputes concerning the amount of the refund (which, depending on the classification of the product in the relevant schedules, lays down three categories - 6, 12 and 18 per cent - and thus involves striking an average), the procedures for reimbursement should be improved so as to avoid the long delays in payment due mainly to bank regulations.

79. With regard to the draw-back system, mention should be made of the complications which arise when the imported components have to be checked and controlled, a task entrusted to the Customs authorities (Decree No. 7567/63) when specifically required under the terms of the order issued by the Office of the Secretary of State for Industry. While only a few unimportant checks have been made so far, difficulties have arisen when the component was not imported by the exporting manufacturer.

80. The rules governing credit for the export of non-traditional products are applied to the financing of sales by the Central Bank either directly or through other authorized banks. The annual interest rate is 6 per cent and credit is granted for up to 80 per cent of the f.o.b. value, repayable over a period of five years in the case of capital goods, two and a half years for durable and semi-durable goods and one year for other goods. The system is generally regarded as quite satisfactory except in the case of capital goods, for which the term for repayment should be extended to eight years, a period commonly granted in industrial countries.

81. The system of export incentives would be improved if, in addition to the regulations referred to, a form of credit insurance similar to that which exists in many countries were adopted. This would be of particular interest to exporters of capital goods. A country wishing to make full use of external markets can hardly fail to institutionalise export credit guarantees as part of its general policy.

82. With regard to the influence of bureaucratic formalities on exports, it may be pointed out that when conditions are normal the system in force in Argentina is fairly flexible and functional. On the other hand, the Central Bank's foreign

exchange control regulations sometimes give rise to delay and inconvenience. It is felt that these regulations, though justified in principle by the need to protect the flow of foreign exchange, might be relaxed somewhat in the case of a prospective exporter. This applies particularly to the strict qualifications required by banks which receive credit from abroad[6] and to the restrictions on dealings in foreign exchange. Permission to engage in foreign exchange transactions is granted only to exporters. In this way, the exporter cannot transfer credit or foreign exchange to the industrialist.

83. Apart from these points, which relate more to the application of the regulations than to their substance, it may be said that the system as a whole operates in a rational way and contains all the usual export promotion measures.

84. Another institutional factor which has a far greater impact on export operations than all the measures mentioned so far is the exchange rate, which is capable of promoting or discouraging any operation involving the external market. The peso/dollar rate from the middle of 1964 until the time when this study was prepared[7] has not offset the increase in internal costs. Generally speaking a comparison of the rise in domestic prices and the increase in the exchange rate will show that the latter has been about 20 per cent lower. This has clearly had an adverse effect on the competitive position of Argentine industry.

85. The effect of the exchange rate varies according to the product, the conditions obtaining in the domestic and external markets, and the other factors on which entrepreneurial policy rests. At the time of the study, a number of manufactured products were difficult to place on the international market because of these factors, although others could still be exported.

86. It would seem essential that variations in the internal price level should be offset by corresponding changes in the external value of the currency unless the gap can be filled by means of indirect measures of equivalent effect such as special

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6/ The Central Bank's regulations, including circular RC No. 245, require that banks should endorse shipping permits only for their own clients who qualify for loans. This means that a person who is not a client of the bank which is a party to the transaction must open an account in all the banks receiving credit from abroad or transfer credits to banks with which he has a credit account, with the consequent increase in operating costs.

7/ February 1966. In March 1967, the Argentine peso was devalued by 43 per cent in relation to the dollar.

refunds and preferential tariff treatment in the importing countries. However, these indirect measures do not offer any prospect of automatic application sufficient to compensate for the fluctuations between the nominal and real exchange rates. The problem becomes more acute as the gap widens.

III. Survey of certain products, and their export potential

87. Owing to the nature of the export trade, the trends of exports can hardly be extrapolated, especially in short-term projections. The conditions governing product availability, external demand, the competitiveness of prices, the encouragement given by the authorities - all these are capable of altering swiftly such trends as can be discerned in a statistical series as short as the one discussed in section 1. For this reason, while the data illustrate the trends of exports of the manufacturing industry in the five-year period, 1960-1964, they do not of themselves justify the assumption that the same trends will continue in the years to come, nor can one draw any inferences from them. This does not mean that the data cannot be used for any purpose other than a description of past events. On the contrary, the pattern of exports of manufactured goods from Argentina since 1963 makes it possible to draw valuable inferences with respect to the scope and prospects of a political and economic export promotion policy.

88. Developments in Argentina during this period are the immediate outcome of export promotion coupled with a decline in domestic demand. In a sense, the results can be regarded as sporadic if, in consequence of a modification in the fundamental conditions governing exports, these should drop to their previous levels. In 1964 a modification of these conditions occurred in the form of a less satisfactory rate of exchange and a recovery of the domestic market. As indicated earlier,[8/] this did not lead to a marked reduction in exports. It should be pointed out, moreover, that the stimulating effect of this experience persisted and was reflected in: (a) the relations established with the outside world; (b) consideration of the potential capacity of enterprises to achieve levels of manufacture which would permit greater economies of scale in production; (c) improvements in the quality of

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8/ Figures of exports of manufactures in 1965 were not available at the time of the study. They would permit a correct assessment to be made of the trend of exports, which began to rise in 1963.

products as a result of international competition; (d) prospects of a diversification of production, making for a more balanced use of the factors of production; (e) awareness by the State of the significance of a systematic flow of exports in terms of foreign exchange earnings and an increase in the national product.

89. The diverse reactions of the various branches of the manufacturing industry to the situation in the past few years, with its promising outlook for the disposal of products on external markets, is easily explained by differences in the characteristics of manufactures and in the production processes. In some cases the output of products traditionally exported rose fairly rapidly to the levels made possible by the new conditions. The increase was geared to the possibilities of external demand and to the available means of production. In other cases, the opportunity was not fully seized, the production cycle or the raw materials position preventing supplies from being made available immediately. In these cases, longer term plans are needed to build up systematic export flows. Other products were at once ideally suited for export, but the markets for them can only be penetrated after considerable effort. A few items were exported on a trial basis, and these may improve over the years if policy remains constant. In the case of yet other products no interest was shown in the possibility of sales abroad, either for lack of incentives (where domestic demand outstripped supplies or costs were far beyond international levels in spite of fiscal and credit incentives) or because of other problems the solution of which requires more careful consideration.

90. What needs to be examined is the export potential in the light of present conditions or, at any rate, of the structural changes planned over the short term. This implies a study of export capacity based on the availability of raw materials, the physical capacity to process the primary commodities, and adequate technical training to ensure for these products a standard of quality and cost enabling them to compete in the international market. In addition, what is needed is a series of institutional conditions reflecting a general economic policy designed to promote action in favour of exports.

91. During the last few months of 1965 ECLA carried out in Argentina a survey of the export prospects for a number of selected manufactures. In essence, the list was formed by selecting from each export category or group the products deemed to be most representative of the nature of the industry, the techniques involved in manufacturing the product, and other characteristics. In addition, a few spot

quality checks were made as regards products not examined separately. It may therefore be claimed with some confidence that the conclusions arrived at in respect of the individual products mentioned are broadly representative and may be validly extended to the country's exports as a whole.

92. The groups were not, of course, all equally representative. It is clear that in this type of survey, particularly when time is fairly short, as in the present case, one of the factors which in some measure determine the selection of products is the possibility of gathering data.[9] This limitation, therefore, accounts for whatever differences may exist in the degree of representativeness of the various groups of exportable products.

93. The practical considerations which guided the selection of the products included experience of previous export operations, the high input of manpower per unit, under-utilization of equipment, availability of raw materials, technical skills, the acceptability of the products on the international market, potentially competitive prices, and so forth. Of the products selected, some had been previously exported to the world market, others merely to Latin American countries. In some cases, experience was lacking but it was found that potentially favourable conditions existed. Another criterion which affected the selection of products was the choice of enterprises whose experience and reputation provided adequate guarantees as to their commercial standing. The list of products and enterprises included in the survey is not exhaustive, but it represents a sample of a fairly large variety of manufactured products and may be regarded as a first attempt to determine their export potential realistically and objectively.

94. The results are, of course, contingent upon the fulfilment of a series of general conditions. In the first place, there is the possibility of achieving optimum use of production capacity, with the resulting decline in marginal unit costs that enables the products to withstand international competition. Only in a very few cases would present internal costs, at the current level of utilization of capacity, allow an enterprise to expand with a view to supplying the external market. In fact, the possibility has been suggested of introducing a selective price policy which would apply, to export products, prices based on the lower costs made possible

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9/ Moreover, this same limiting factor - the availability or lack of data - explains partly the varying length of the remarks on individual products. There is obviously no relationship between the length of these comments and the export possibilities of a given product.

by production growth, with domestic market prices remaining stabilized at their previous levels. The second hypothesis of the survey concerns exchange rates. It was assumed that a suitable exchange rate would be fixed for exports and consideration was also given to the present measures for tax refunds and draw-backs, as well as to non-quantifiable factors and to such aspects as quality of the product, its acceptability on the international market, the possibility and desirability of applying quality controls, etc.

95. On the basis of the above elements, designed to ensure intensive use of the factors of production, the enterprises were able to estimate what would be their exportable surplus after the satisfaction of domestic demand.

96. Before proceeding to the results of the survey, it may be well to emphasise the limits implicit in the potential exports indicated. While these represent export possibilities over the short term and without additional investment, this does not mean that exports could reach these levels from one day to the next even if all the conditions were met. The internal and external organization of enterprises in regard to the supply of raw materials, organization of production, market penetration, and other factors, constitute obstacles which it will take time to overcome. The data represent, rather, an estimate of available production capacity, without any assurance that it will be used immediately, although they offer indirect evidence of the failure to turn production factors to account because of the unduly small market for Argentine manufactures in comparison with the industry's capacity.

97. As far as the destination of potential exports is concerned, the survey was mainly concerned with markets outside Latin America, although the opportunities within LAFTA and in other Latin American countries were also considered. The world market approach makes it easier to compare costs and to assess the competitiveness of products, whereas in intra-regional trade certain factors are still in force, especially with respect to exchange rates and customs regulations, which can easily distort the picture.

98. Of the products included in the survey most come under the heading of "Machinery and Vehicles" the output of which, as already noted, has shown great growth in recent years and attained fairly high absolute figures.

<u>High-powered diesel engines</u>[10/]

99. In order to avoid a discussion of problems of installation, this sub-section is confined to stationary engines and does not include marine engines. The analysis is

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10/ Excluding mass-produced engines of less than 150 HP which cannot compete with European engines, and engines of a horse-power not normally manufactured by the enterprises surveyed.

limited, moreover, to engines of 500/600 RPM in the 400/800 HP range normally manufactured by all the enterprises covered by the survey. These enterprises, all of them having affiliations to foreign firms, are using their production capacity (average figures for 1965/66) at less than 50 per cent of a single shift and have produced engines for the local market representing a total of 163,000 HP. With their present equipment, utilization of production capacity could be increased to two shifts and this would raise total production to 400,000 HP and provide a potentially exportable surplus of 237,000 HP.

100. Quotations for these engines under ideal production and institutional conditions could be approximately 58 dollars per HP, which is within the range of prices (between 55 and 60 dollars) quoted on the international market. Thus, the export potential would amount to roughly 13 million dollars.

101. The quality of the product presents no problems since it is manufactured under licence and is subject to quality control. Exports of these products have so far been infrequent and shipped mainly to Latin American countries.

Railway rolling stock

102. A fairly high proportion of idle capacity was found also in enterprises constructing rolling stock. This applies less to railway vehicles proper, whether traction equipment or passenger and freight wagons, than to spare parts and accessories (wheels, axles, draw and buffer gears, couplings, hubs, etc.).

103. It has been calculated that the prices for these products are already sufficiently competitive on the world market since by their very nature they are produced in relatively short series. In some cases potential exports would be subject to an agreement with enterprises in other parts of the world which manufacture similar products, the Argentine factories being subsidiaries of these enterprises and dependent upon them for their production and trade programme.

104. Taking into account the present structure of the industry, the level attainable under optimum conditions might amount to some 5 million dollars in rolling stock and about 20 million dollars in spare parts and accessories.

Machine-tools

105. The domestic machine-tool industry has in recent years provided a very large share of domestic requirements - some 85 per cent of the machine-tool inventory. Considered in terms of weight and value, however, the proportion drops to 59 per cent

and 45 per cent respectively.[11] During the past few years marked progress has been achieved in respect of a number of machine-tools having a technological level and quality that are good enough to make them competitive on the world market, particularly in the years 1962 to 1964. These exports provided the first indication that the prices asked in these years were considered acceptable in the markets to which the exports were directed.

106. In examining the different machines included in this group, consideration need only be given to a number of machines typical of the many products classified under this heading. In the first place, mention should be made of lathes, for which there is already a great deal of export experience, especially within the LAFTA zone. There are four relatively large lathe-making enterprises, which account for approximately 60 per cent of national production, and a number of small concerns. In the last few years, production has reached a total of approximately 2,000 lathes, 500 to 550 of them for export.

107. Since the majority of the enterprises work an average of less than one shift, a total production of at least 3,000 units a year should be easily attainable. This figure would give a potential exportable surplus of 1,000 units a year in addition to the present export volume, equivalent to 3.5 million dollars on the basis of an average unit value for the various types of machines. The f.o.b. prices on which this average is based are approximately 3,750 dollars for high-grade lathes, with a working speed of 2,000 r.p.m. which meet the revised Schlessinger standards, 3,000 dollars for medium type lathes with a speed of 1,000 r.p.m. and 6,000 dollars for higher grade copying lathes. The estimated average is based on the assumption that the second type will predominate, although the most suitable for promoting exports would be the copying lathe, with world competition restricted to a handful of factories (only one of them in Latin America). An outstanding feature of the industry's ability to compete in the industrialised countries is that it is in a position to guarantee immediate delivery.[12]

11/ These remarks and the other comments under this heading are taken from the ECLA study entitled "La fabricación de maquinarias y equipos industriales en América Latina: IV. Las máquinas-herramientas en la Argentina" (ST/ECLA/CONF.23/L.8 - E/CN.12/747).

12/ Introduction of these lathes into the United States market might be helped greatly by preferential customs treatment, since at the moment there is a customs duty of about 17 per cent. This also applies in varying measure to other products and is therefore a test case.

108. As far as price competitiveness on the world market is concerned, the Argentine price is probably 10 per cent lower for high-grade engine lathes, and roughly the same for the other types of lathes. Other machine tools for which similar export opportunities are thought to exist are vertical or multiple boring-mills, with surplus capacity representing a total value of about 700,000 dollars. Prices seem to be competitive on the international market, and quality specifications are guaranteed by the application of the Schlessinger international standards.

109. Finally, mention may be made, although with the utmost caution - since construction has begun only recently in Argentina - of grinding machines, for which the potential export capacity is estimated at about 1,000 units a year with an f.o.b. value of 6,000 dollars per unit, a price quotation in line with international market prices. It should be emphasized that here again an important factor in international competition is the ability to offer prompt delivery of these machines.

110. On the basis of experience and proved technical capacity, prospects are also good for cutting tools for machine tools (points, spindles, etc.).

Petroleum pumping equipment

111. One Argentine enterprise produces, among other electro-mechanical manufactures, individual petroleum pumping equipment, with an average production rate of one-and-a-half shifts daily. Output could well be doubled in order to bring prices into line with international rates.

112. The estimated average value of these machines is approximately 7,000 dollars each which, based on a potential production increase of 500 units a year, would give a total potential export value of approximately 3.5 million dollars.

113. The equipment meets the international standards of the American Petroleum Institute, and the enterprise is authorised to display the seal of the Institute. While none of the equipment has been exported, sales have been made to United States firms in Argentina.

Centrifugal pumps

114. Output of these pumps is virtually governed by the number of motors produced; hence the enterprises are unlikely to be in a position to export complete pumps, since they have to purchase the motors (at high prices) on the national or international market. Only one firm produces this equipment, and an increase in production - unless accompanied by a corresponding increase in the output of motors - would have an adverse effect on the production of other machinery (e.g. electric fans) by the

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MEASURES FOR THE PROMOTION, EXPANSION AND DIVERSIFICATION OF EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES FROM DEVELOPING COUNTRIES; CO-OPERATION WITH THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO) AIMED AT THE ESTABLISHMENT AND EXPANSION OF EXPORT-ORIENTED INDUSTRIES IN DEVELOPING COUNTRIES; OTHER FORMS OF ECONOMIC, INDUSTRIAL AND TECHNICAL CO-OPERATION

Short and medium-term prospects for export of manufactures from selected developing countries

ARGENTINA

Note by the UNCTAD secretariat

This study analyses the short and medium-term prospects for exports of manufactures and semi-manufactures from Argentina; it is one of a series of such studies relating to other developing countries in Latin America, Africa and Asia, and was completed in September 1966

These studies have been undertaken in conformity with the programme of work of the Committee on Manufactures, which states that the secretariat of UNCTAD should take appropriate steps to prepare an exhaustive study of the world demand for, and supply of, manufactured and semi-manufactured articles of actual or potential export interest to developing countries and of relevant trends of international trade in such articles.1/

1/ For the programme of work, see report of the Committee on Manufactures on the first part of its first session (10-20 August 1965), printed in *Official Records of the Trade and Development Board, Second session*, Supplement No. 3 (TD/B/22/Rev.1 - TD/B/C.2/5/Rev.1), pp. 4 and 5.

same enterprise. Nevertheless, the two lines of production (motors and centrifugal pumps) have potential available capacity, since they work on an average of one shift per day.

115. If they worked two shifts a day they could produce an additional 4,800 pumps a year, at a price which for certain types can be regarded as competitive in the international market. To be more specific, the equipment in the best position to compete would be pumps with motors up to 10 HP, which are mass-produced both in Europe and locally, whereas higher-powered motors are mass-produced in Europe but not in Argentina. Thus, the f.o.b. price attainable in Argentina for 4.5 HP pumps, under the optimum production conditions previously mentioned would be about 10 to 12 per cent below the world market price. On the other hand, a price higher than the world market rate would have to be charged for a type of pump with a 20 HP motor.

116. In short, and having regard to the fact that there is already some experience of exports to Latin American countries, the potential export capacity for this product would be in the neighbourhood of 1 million dollars.

117. It should be explained that pumps without motors could also be exported under existing conditions of idle capacity, quality, and prices. This would involve ascertaining the particular types the mass-production of which is not economical in the industrialized countries and which could be manufactured in Argentina at competitive prices.

Bottling plant machinery

118. This comprises a series of machines which normally constitute a self-contained unit, although the possibility of sales of separate components is not excluded. A complete plant consists of the following:

(i) Bottle-washing equipment;
(ii) Filling and stoppering machines;
(iii) Packing and unpacking equipment;
(iv) Conveyor equipment; and
(v) Machines for bottling non-carbonated liquids.

119. Maximum production capacity under present conditions in the industry, which has very few producer enterprises, was employed on the average at about 50 per cent during the period 1964/1965. Exportable capacity is estimated at approximately 65 bottle-washing machines, about the same number of filling and stoppering machines, some 35 machines for packing and unpacking, about 40 machines for bottling non-carbonated liquids, and about 60 conveyors.

120. The export prices of these machines clearly vary according to the types produced, and according to the requirements of the purchasing plant. Nevertheless, some quotations may be mentioned by way of example. The f.o.b. value of a washing machine with a capacity of 9,000 bottles an hour, under ideal conditions, is about 37,000 dollars, whereas the f.o.b. value on the international market for machines with similar specifications is 40,000 to 45,000 dollars.

121. Higher grade machines are also produced in Argentina, with an efficiency of 42,000 bottles an hour; here the f.o.b. value is in the neighbourhood of 90,000 dollars. For this type it was not found possible to make a comparison with prices on the international market, since they are special machines manufactured to individual order. Nevertheless, at an international fair in the Federal Republic of Germany in 1964, the same machine was shown to be capable of operating under more demanding conditions than those of European make.

122. With regard to machinery for filling and stoppering bottles, two types were taken into account, one with a capacity of 9,000 bottles an hour and the other of 6,000 bottles an hour. The f.o.b. value of those two machines would be about 34,500 dollars and 20,500 dollars respectively, in other words slightly lower than international quotations.

123. Packing and unpacking machines - including an unpacking machine for small bottles (Coca-Cola) with a capacity of 15,000 bottles an hour, a packing machine for small cartons, with the same capacity, and a box-sealing machine able to cope with 42,000 bottles an hour - were likewise found to have an f.o.b. value which could be competitive, that is to say slightly below the international market level. Argentine price quotations would be about 5,500 dollars, 7,300 dollars and 9,000 dollars for the three types of machines respectively.

124. Machines for bottling non-carbonated liquids could potentially be priced at an average of 10,000 dollars, which is also competitive.

125. As far as conveyors are concerned, although it was impossible to specify a standard type, since production is adjusted to the requirements of plants, a fair estimate would be an average value of 20,000 dollars (for a plant handling 9,000 bottles an hour). This too is a competitive figure.

126. In short, the total value of potential exports of these types of apparatus would amount to approximately 8.5 million dollars. There is some export experience, for machinery of this type has been exported to Chile, Brasil, Uruguay, Colombia and

Peru, to a value of approximately 1 million dollars in recent years (the 1964 figure was 315,757 dollars).

Tractors

127. In view of the small market for tractors in Argentina production costs are very high compared with world market prices. Export prospects are therefore bleak even with full use of plant capacity, except possibly for certain types of heavy tractors (over 80 HP). For this type of tractor, which under suitable conditions could become competitive in regard to costs, potential export output could be 2,000 machines at a unit price of approximately 5,000 dollars, for a total of 10 million dollars.

Motor-vehicle parts

128. The most promising prospects for exports of motor-vehicle parts would appear to be those for gearboxes and transmission components in general; here production possibilities are backed up by a fairly high level of skill. It is difficult to estimate the value of potential export capacity, but is should not be impossible to reach a figure of at least 3 million dollars a year above the 1964 export figures (2.6 million dollars). In addition, the possibility may be mentioned of supplementing the markets of the industrialized countries by means of agreements between parent firms abroad and subsidiaries in Argentina - particularly firms in the United States - in regard to spare parts for older models of motor vehicles.

Seamless steel tubes

129. With regard to potential exports, the survey made it clear that the figures attained in 1964 for seamless steel tubes - some 6 million dollars - already represent virtually the maximum attainable for certain special types, given the present structure of production. Future exports are thus expected to remain at that figure. On the other hand, competition is so intense that prospective exports of black and galvanized tubes have been estimated at 5 million dollars in spite of a considerable surplus capacity.

Wire rods

130. Available physical capacity exceeds present production. The actual combined output of the two main manufacturing enterprises is estimated at 190,000 tons compared with a potential capacity of 250,000 tons. Exports in 1964 amounted to approximately 53,000 tons, and in theory could be doubled. These exports were due to a drop in domestic consumption, further emphasizing the need for market expansion so as to keep the plants busy and to avoid the effect of cost increases on prices.

131. Of the exports of wire rods in 1964, 85 per cent (over 45,000 tons) went to the United States, where the product was able to compete on the basis of a cut in prices. Noteworthy for its promotional effect is the special freight rate for consignments of wire rods to the United States (14 dollars per ton).

132. Export prices as invoiced are competitive, but since a high proportion of the raw material used (billets) is of foreign origin, the value of the imported material has to be deducted from the potential export value in order to arrive at an evaluation of net exports. Total potential exports may be estimated at 14 million dollars, and net exports at 8.5 million dollars. There is no problem of quality involved in this case.

Alternating-current generators (alternators)

133. Synchronous generators with alternating current up to 25,000 kVA are regularly produced in Argentina, and the industry is in a position to step up capacity to 50,000 kVA per unit. Over and above this power, apparatus has to be imported. Total production for all types - almost entirely under international licence and design - fluctuates between 130,000 kVA and 140,000 kVA, although the figures were lower than this in 1965.

134. Clearly, production in this case is closely bound up with the development of the country's electrification plans. However, as pointed out in an earlier ECLA report,[13] the ability of domestic manufacturers to share in the expansion of electricity services is limited by the size of the proposed generating units and the absence of a domestic industry manufacturing gas, steam and hydro-electric turbines. Moreover, these are usually purchased abroad for reasons connected with financing, by international or private agencies or institutions.

135. Total production capacity, assuming a single working shift, fluctuates around 270,000 kVA; hence, utilization at the present time is only about 50 per cent of capacity. Unit prices per kVA vary greatly, according to the type, output and specifications of the alternator. Taking a number of high-output types (100 kVA or more) under ideal conditions, it would be possible to achieve a price of between

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13/ La fabricación de maquinarias y equipos industriales en América Latina: III. Los equipos básicos en la Argentina. Chapter III "Equipos para la generacion y transmisión de energía eléctrica" (United Nations publication, sales No. 64.II.G.2, page 27).

27 dollars and 30 dollars per kVA. Similar equipment is quoted in Europe in the countries of origin at approximately 27 dollars per kVA, and in international tenders at below 20 dollars. Potential exports could thus reach a total value of some 7.5 million dollars.

136. Recently an Argentine enterprise exported this article to Egypt, but it was an isolated case, since it was found possible to offer immediate delivery of equipment which has been manufactured for another destination.

Agricultural machinery

137. In general, this industry has developed considerably, as a result of the requirements of the home market itself, in regard to both volume and quality; and since 1960 exports have been made to neighbouring countries. There are three types of production:

(a) Mechanized harvesting machinery

138. This industry began in 1921 with animal-drawn threshers of small type, and has evolved until today it has reached a stage of mechanical advance equivalent to that of the leading European industrial plants. Production in 1964 amounted to 2,900 units, comprising mechanized units of 14' to 16' cutter for grain in general, maize, sunflower, and rice. Existing installed capacity would make it possible to raise this production to 4,000 or 4,500 units over the short term without additional investment, which would mean an exportable capacity of approximately 1,000 units at f.o.b. prices considered competitive in the international market. If, for comparative purposes, the mean f.o.b. price is taken to be that of a machine of 14' cutter, equipped with a diesel engine of 70 HP and 1,800 r.p.m., with power steering, a hydraulic platform lever and winch, with a buck hopper for fine grains, complete with pneumatic tyres, the price would be 7,000 dollars. The total value of potential exports would amount to about 7 million dollars. Against this, freight rates constitute a problem, owing to the large bulk of each unit.

(b) Cotton-picking machines and accessories

139. One Argentine enterprise possessing a production licence (with freedom to export) could produce this type of machinery at price levels competitive on the international market and without any quality problems. Potential production capacity for export could easily amount to 500,000 dollars a year.

(c) Agricultural implements

140. As an illustration the 1964 production figures for the implements most commonly used are given below:

Ploughs (up to 6 shares or discs)	12,900 units
Multiple ploughs (8 to 15 discs)	4,100 "
Tooth harrows	24,000 "
Disc harrows (10/20 discs)	4,200 "
Dual action disc harrows	2,700 "
Offset harrows (16/24 discs)	1,000 "
Seed drills (24/28 lines)	3,800 "
Maize planters	2,300 "

141. Of these products, those worth considering for export purposes would appear to be the more sophisticated implements produced by enterprises of a certain size. (There are numerous small factories scattered around the country whose output cannot easily be taken into account for export purposes.) This is true of seed drills, which have satisfied United States technical experts at the experimental station of Tibaitatú in Colombia and have been exported to countries in Latin America.

142. Current production of 3,800 units can be raised to 6,000, giving an exportable balance of 2,200 units. The f.o.b. price of a 20-disc drill could, under ideal conditions, be as much as 1,000 dollars per unit, which implies an export figure of 2.2 million dollars per annum. Similarly, the production of maize planters can reach as high as 4,000 units, which means an exportable balance of 1,500 units and an f.o.b. price per five-furrow planter of 650 dollars, giving an annual total of 975,000 dollars.

Machinery for the paper industry

143. Inquiries were made about continuous paper-making machines of normal size (between 3 and 4.5 metres in width). The price of these machines as manufactured in Argentina under licence from two European firms and one United States firm is competitive on the international market. Nevertheless, there are no export possibilities at the present time, since production capacity is absorbed by the local market, and also because the licences stipulate that the output must be intended exclusively for Argentina.

Telephone equipment and material

144. This industry was established in Argentina some years ago and it obtains virtually all of its raw materials from domestic sources. The industry was set up to satisfy the domestic demand and to export a relatively small portion of its production. However, as domestic demand has been erratic and is at present small,

unused production capacity is considerable, amounting to nearly 70 per cent of total installed capacity.

145. In the world market, prices are competitive, provided that use is made of at least 60 per cent of capacity. Useful export experience has been acquired, shipments having been made to Chile (amounting to some 300,000 dollars a year), Brazil, Peru, Puerto Rico and the Republic of Vietnam. In earlier years Cuba imported some 1.3 million dollars worth of telephone equipment from Argentina.

146. Some of the difficulties reported as hampering exports were the sporadic nature of contracts and, in particular, the absence of financing for small operations. In this connexion, it was urged that blanket credit of the type available in Europe should be provided which would automatically cover a series of small transactions not exceeding a fixed ceiling. Another factor mentioned was the absence of export insurance, including insurance against political risks.

147. It is estimated that some 15 million dollars' worth of equipment could be exported if installed capacity were fully used.

Electrical equipment for vehicles

148. Consideration was given to the scope for exports of certain types of electrical equipment for vehicles, in particular apparatus of the kind traditionally produced in Argentina but excluding new products for which there is not likely to be any export potential for some years to come. The equipment considered would include alternating-current generators, starting-engines, distributors, voltage regulators, coils, etc., for which the effective production standardized for the market would leave a margin of production capacity at prices that might prove to be competitive on the international market. Estimates of the potential available for this purpose are put at upwards of 30,000 to 50,000 units of each type of equipment *per annum*, representing a total over-all value of about 1.8 million dollars.

149. The products comply with international quality standards, and are produced as a rule by enterprises associated with or licensed by European or American firms. Up to now there have been some experiments with exports to Latin American countries, on the basis of the LAFTA industrial interchange scheme.

Electric power transformers

150. In this case, too, production capacity is decidedly under-utilized. All types of electric transformers are produced in Argentina, up to 40,000 MVA capacity and 132 MV input voltage, including those calling for special features, such as

furnace transformers, earthing equipment, etc. The industry is also in a position to expand immediately up to 100 mVA, and in a short period to 150 mVA, always on the basis of 132 MV input voltage. Although there are a number of smaller manufacturers, only the larger undertakings are taken into account in this section. Most of them produce to designs of parent firms in Europe or the United States of which they are associates or licensees. Annual over-all production capacity on a single-shift basis, is approximately 1.5 million kVA and includes all types of transformers. On a two-shift basis the figure could be raised to 2.5 million kVA. In recent years capacity has been used at less than 50 per cent (single shift), but it seems likely that it will have to be increased in the next few years in the light of national plans.

151. Taking two types of transformers - 500 kVA and 20,000 kVA - as an example, the f.o.b. export price, under ideal conditions, could be approximately 5.00 dollars and 3.20 dollars per kVA respectively. These would be competitive prices, in fact 10 to 20 per cent lower than prices quoted by other sources for similar equipment. The total export potential would amount to some 12 million dollars.

152. Nevertheless, the feasibility of exports will depend in some measure on the freight rates according to destination, and on other important factors unrelated to the actual price. For instance, in order to export this equipment the problem of financing will have to be solved in each case, since in many European countries special credits are granted for this type of product.

Electric motors

153. Argentina produces practically every type of motor driven by electric current, from ordinary efficiency and voltage up to 3,000 HP, and the industry is equipped to produce motors of 5,000 HP per unit. The number of enterprises is large. Total production capacity on the basis of a single working shift fluctuates around 1.5 million HP a year, although in 1964 and 1965 only 50 per cent of this capacity was used.

154. Under the cost and exchange rate conditions prevailing at the time of the study, it was generally felt that these electric motors could not be exported except to a small area within Latin America, and then only in limited quantities. The situation may not be the same for motors "other than mass-produced" which have to be manufactured to special plans and designs.

Electric insulators

155. Of the five main enterprises producing electric insulators, one accounts for approximately 50 per cent of total production, and its premises are equipped with

modern installations for automatic processing and with workshops fitted with test equipment for experiments with tensions of over 1 million volts. Argentine production fills domestic requirements for the most varied types of equipment. The country is also a large producer of raw materials such as kaolin, clay, quartz, feldspath, etc., which are of basic importance to this industry, since they are used for the porcelain needed for the dielectric in the insulators.

156. Present production capacity, which varies according to the type, is approximately 20,000 tons a year, on a single-shift basis insofar as the processes do not involve continuous operations. Production has amounted to some 50 per cent of available capacity during the last few years, and even less (35 per cent) in 1964.

157. In examining prices under this heading, a distinction must be made between insulators not including metallic parts and those reinforced with metal elements. As regards the former, it is fair to say that the Argentine industry could become competitive on the international market if certain conditions were met, including steady and substantial domestic sales which would absorb the general and fixed costs of the producers, and provide safeguards against unfair competitive practices sometimes found in international tendering. A rigid triple-cup petticoat insulator for high tension lines (contour tension 145,000 V dry) fulfilling the IRAM 2077 - 90 B standards, as quoted in international tenders (under normal conditions) at a price of 2.60 dollars per kg., could be offered at a price of approximately 2.30 dollars per kg.

158. Such export prospects for insulators not including metal parts do not exist in the case of other types where high-priced elements (e.g. copper) come into play, so that here another approach is necessary. Midway between these two types are the so-called strain insulators having a different number of elements. Here the potential f.o.b. export prices, under the conditions referred to above, could approximate to the international levels of about 0.40 dollars per kg. for average dimensions, resistance and voltage.

159. All in all, taking the types suitable for export into consideration, it may be estimated that available capacity could reach a considerable potential value in the neighbourhood of 10 million dollars.

Other electrical distribution elements

160. Electrical energy distribution also involves a large series of other components which, taken as a whole, have a certain significance. These are accessories many of which could be exported at present, provided that sales of the main product were likewise promoted. They include capacitors up to 20,000 volts, fuses up to 4,500 volts, insulating oil switches of a cut-out capacity up to 900,000 kVA and tensions of 66,000 volts, contacts up to 600 amps and 500 volts service tension, plug circuits for all intensities and voltages up to 132 kVA, panels of various types for all voltages - shielded, lagged, control, signal, protective, etc.

Electricity-generating units

161. The units considered here are of the 50 kVA type including a high-speed continuous diesel engine of 70 HP of 2,000 r.p.m., an alternator, radiator, motor control switchboard, and distribution switchboard. These units, with their mass-produced basic elements - motor and alternator - can compete on the international market. There is some experience in this field of exporting to Latin American countries in free competition with products of other origins. Motors and alternators are quality-tested and are manufactured in Argentina under licence.

162. The f.o.b. price of a 45 kVA unit as indicated above would be 3,100 dollars. The enterprises are equipped at the present time to produce 1,000 exportable units a year, which would mean a total of 3 million dollars a year.

Electricity meters

163. Annual production over the last few years has fluctuated between 200,000 and 225,000 single-phase meters for household use and between 10,000 and 15,000 three-phase industrial models. Electrification plans assume that there will be an increase in demand of about 7 per cent *per annum*.

164. Total productive capacity on the basis of a single working shift is 350,000 to 370,000 single-phase meters, plus about 25,000 of the three-phase type. If only 10,000 or so three-phase meters were produced each year, the production capacity for the single-phase models would increase by over 50,000 units.

165. From the broad range of production, a single-phase electric meter of 5 to 10 amps, 220 volts and a permissible load up to 500 per cent of the nominal rating has been selected as the basic unit for the purposes of the present survey. This is the type most common in the developed countries of Europe and America.

This directive was further amplified at the Committee's resumed first session, when the secretariat was requested to study the scope for the expansion of imports of manufactures and semi-manufactures from the developing to the developed countries and the measures to be taken by the developing countries for increasing such exports.[1/]

In addition, the Committee agreed that for the diversification of exports of the developing countries, it would be helpful to have information on the manufactures and semi-manufactures which could be produced by the developing countries and for which there is sufficient demand in world markets to warrant the establishment of export-oriented industries, due regard also being paid to the conditions of supply of the said products.[2/]

Lastly, it should be noted that this project gained the support of the second meeting at ministerial level of the Ad Hoc Committee on Latin American Co-ordination (CECLA), held at Buenos Aires in March 1966 (resolution 2/66).

In compliance with these directives, the Manufactures Division, in co-operation with the regional economic commissions, is carrying out a number of country studies to determine the immediate and future prospects for increasing the exports of manufactures and semi-manufactures from selected developing countries. The object of these studies is not, however, to present an exhaustive analysis of the export prospects and problems of the countries concerned, but rather to draw attention to the scope for increased exports and to the measures which might be taken in this respect. In the case of developing countries which do not possess any significant export industries, an attempt has been made to estimate what would be the export prospects if export-oriented industries were established as an integral part of the industrial development of these countries. These studies should, therefore, be regarded as only part of the examination of the possibilities of building up and expanding the exports of manufactures and semi-manufactures from the developing countries. A summary, together with the conclusions reached in the study, are contained in paragraphs 1 - 16 below.

1/ See report of the Committee on Manufactures on its resumed first session (28 February - 9 March 1966). (TD/B/69 - TD/B/C.2/14), para. 9.

2/ Ibid, para. 29.

166. Present prices for this unit are by no means competitive on the international market, and the scope for exports is subject to the fulfilment of the ideal conditions mentioned above. It would then be possible to quote a price of about 8 dollars per unit f.o.b. Buenos Aires. Total exports could then amount to approximately 2 million dollars per annum. Exports have so far been quite irregular, consisting of consignments to Paraguay, Brazil and Uruguay. Exports to Uruguay have included complete units or parts for assembling locally.

Gas meters

167. The survey concentrated mainly on a type of household consumption gas meter of a maximum cyclical capacity of 3 litres. Argentina is completely self-sufficient, except for a few very special types.

168. Present annual production capacity of the three undertakings in Argentina is between 250,000 and 280,000 meters (plus a maximum of 10,000 industrial meters), on the basis of one working shift. Between 150,000 and 170,000 units a year are produced for the home market. At least 100,000 units are thus available for export. In order to be able to export this type of meter, prices would have to be between 15 dollars and 17 dollars per unit, including the parts needed for connecting the meter to the gas mains.

169. Only a broad policy of tax refunds and a policy of selective prices on the part of the manufacturers (with due regard to the high incidence of fixed costs) could make it possible, at any rate for the larger producers, to think in terms of exports, since according to present calculations it would be difficult to reduce unit costs to below 22 to 23 dollars per unit.

Sewing machines

170. There is some export potential in the case of a few types of household sewing machines for straight sewing. Nevertheless, only a few countries in Latin America would be interested in the Argentine product, since on the world market only plants much larger than those found in Argentina are capable of withstanding the competition from Japan - and that with difficulty.

Electric shavers

171. Production of electric shavers is confined almost exclusively to two international firms. One of them supplies approximately 60 per cent of the local market and exports 40 per cent of its production to Brazil. This firm has been considering plans for a division of labour among its various plants throughout the world. These

plans, as far as Argentine production is concerned, provide for exports to the other countries of Latin America. The second firm also exports its product.

172. Present production is limited to a single shift and could be increased considerably, as could also output per shift. Net prices, on the basis of full utilization of capacity, could be fully competitive on the international market, with a total of exportable machines valued at approximately 6 million dollars.

Automatic and semi-automatic washing machines

173. In the case of this type of appliance too, Argentina already has considerable experience of exporting to countries in Latin America, particularly to Peru, where the Argentine product competes with United States machines. Competitiveness would be assured by the fact that under equal conditions of automation and efficiency, the Argentine products lack the luxury accessories which make the United States articles expensive.

174. Annual production is approximately 120,000 units based on a single shift. Production could be doubled and could compete on the international market provided that marginal costs were reduced by 10 per cent. The total value of potential exports can be estimated at about 15 million dollars.

Automatic record players

175. A single manufacturer supplies practically the entire local market, and exports regularly to the other Latin American countries, especially to Brasil. Production could be stepped up by 30 or 40 per cent, by the use of a full working shift, and achieve an export potential of something like 70,000 units a year. This would mean a value of almost 1 million dollars. The unit price is already fairly competitive.

Electric irons

176. An Argentine firm produces electric irons under licence from Westinghouse and supplies 70 per cent of the domestic market. There is some scope for a higher utilisation of productive capacity by increasing working from one shift to one-and-a-half shifts. This would give an excess capacity for potential export of a total value of about 500,000 dollars.

Chemicals

177. The best prospects for exports of chemicals from Argentina are those for chemicals of agricultural origin involving little processing. The following conclusions may be reached (in order of importance):

178. Extract of quebrache is a traditional export product, with very large natural resources of the raw material, but world demand has not increased greatly of late because of the growing competition from synthetic products. There are no special quality or price problems.

179. Casein is another product of which there are ample natural supplies. Nevertheless world demand for this product can be very irregular owing to competition from synthetic products, and in the longer term it is likely to decline in importance.

180. In the case of oleins, esters and tartaric acid, the situation is similar. The raw materials are available and processing is very easy, but there are marketing and price problems. For these and similar articles the problem is thus one of price and increased efficiency in marketing, which could consolidate the traditional export flows.

181. For most other chemicals, which are normally more highly processed and are not of agricultural origin (at any rate in their essential form), the problem may be much more complex. Even where there is idle production capacity, the raw materials are in short supply or expensive. The domestic market position, and its repercussions on the structure of production would raise costs to a point where Argentine prices would be beyond the range of international competition. However that may be, the present or short-term export prospects for the following products may be mentioned:

Carbon black	4,000	tons
Methyl alcohol (methanol)	15,000	"
Phenol	4,000	"
Acetic acid	3,000	"
Carbonic sulphur (from natural gas)	15,000	"
Sodium hydrosulphite	500	"
Zinc hydrosulphite	1,000	"
Chloroflueremethane (refrigerating agent)	1,500	"
Potassium acid tartrate	100	"

182. In addition to the chemical products mentioned, export possibilities are promising for some petroleum derivates such as solid paraffin. Only occasionally are there surpluses of carbon black.

183. There appear to be prospects for medical and pharmaceutical products, although it is as a rule very difficult to obtain data from enterprises in this branch of industry. While production capacity is clearly available, it is extremely difficult to give an opinion on prices, since they depend on the policy of international firms

and on agreements with the Government. At a conservative and provisional estimate, there could be an increase of 3 million dollars in existing exports. Generally speaking, in the case of the more important chemicals, Argentine industry has to cope with serious internal structural problems, and it would be over-optimistic to suggest the possibility of its playing an important part in world markets. The activity of this industry in Argentina is conditioned, in the case of the majority of products, by the high level of tariff protection which notoriously does not encourage the development of competitive conditions in the industry itself.

Polypropylene fibres and yarns

184. Special mention should be made of the prospects for continuous polypropylene fibres and for 70 denier texturized yarn produced in Argentina under licence from an Italian firm. The firm which produces these in Argentina is the only manufacturer in the whole world of this denier, which is used for the manufacture of fabrics for clothing, whereas other undertakings, whether parent firms or licencees, produce lower deniers for the manufacture of rugs and carpets, upholstery, etc., so that this product would appear to be of particular interest for export purposes.

185. Export capacity is 1,400 tons a year, with an f.o.b. price of 3.40 dollars per kg. which would mean an annual amount of some 4.8 million dollars. The above price cannot be compared with others since there are no international quotations for polypropylene fibres of this denier. Nevertheless, it is highly competitive in relation to prices for nylon of the same denier. The development of the export market for this product is particularly interesting inasmuch as it would justify the installation of a polypropylene polymer plant of economic size based on the use of Argentine gas.

Special papers

186. The survey shows that only certain special types of paper have an export potential, e.g. coated paper, for which present capacity could be stepped up by some 6,000 tons a year and which, if exported, could represent a total value of something like 1.8 million dollars. F.o.b. prices - subject to satisfactory tax refunds - could be internationally competitive.

187. Other special papers which have an export potential are the "auto-cheque" (for automatic sorting of cheques by mechanical scanning of magnetized figures), paper for automatic business machines, paper for securities and share certificates, for filters and other special uses. For these types there is an export capacity in

the neighbourhood of 2,000 tons a year. Prices are comparable to those on the international market. At an average price of 650 dollars per ton, an annual figure of 1.3 million dollars is obtained.

Plate glass

188. There is some scope for the export of plate glass and transparent and translucent sheet glass, with an export capacity of 2.5 million m^2 and 700,000 m^2 respectively, which at f.o.b. prices of 1.32 dollars and 1.22 dollars per m^2 represents an annual amount of over 4 million dollars. Exports of relatively small quantities have been started to the United States.

Textiles

189. The survey covered only the primary textile industry, leaving aside for the moment made-up goods, where the situation is strictly bound up with that of textile products proper.

(a) Combed wool (tops)

190. Argentine industry has sufficient idle capacity to increase its production by approximately 50 per cent by making full use of its plants and rationalizing operations. This would give about 10,000 to 15,000 tons of combed wool for export (depending on the consumption accounted for by national industry) as against present exports of 5,000 tons and total potential receipts of approximately 30 million dollars. In principle, there is raw material available, and there are no problems in regard to prices; the problem is rather that of quality, since European and American users of this product are very difficult to please. The latest exports were promoted by a policy of competitive price, but they did not succeed in establishing a systematic export flow, precisely because of the quality problem.

(b) Worsted yarns

191. The problem here is the same as for combed wool. Idle production capacity is considerable, and here again an increase in the neighbourhood of 100,000 tons a year is feasible (exports in 1964 were less than 500,000 kg.). The problem of quality, however, is far more serious; a vigorous marketing drive would also be needed to stand up to the versatile organization of European manufacturers.

(c) Woollen yarns

192. There is ample idle capacity, but no prospect for exports owing to the high costs resulting from the insufficient use of the factors of production.

(d) Wool fabrics

193. In theory idle capacity is vast, with ample, under-utilized plant. In practice, possibilities are restricted to a few leading firms, which could raise their production to fairly high levels without expanding their plants, if they used sub-contractors. It is estimated that export capacity could easily be as high as 3 million dollars, but it would mean overcoming not only the problem of price and quality, but also that of marketing.

(e) Cotton yarn

194. Present production could be increased with the existing plants, but exports would be difficult owing to competition from the Japanese and other producers in the world markets. There are also quality limitations arising from problems connected with the raw materials used.

(f) Cotton fabrics

195. There is a considerable amount of idle capacity available, but potential exports are restricted to a few up-to-date enterprises which, except in periods when the domestic market is at low ebb, find little incentive to export. Here again, there are certain limitations in regard to quality, and there is very strong international competition to be faced.14/

(g) Fabrics of synthetic fibres

196. There is scope for exports of fabrics of synthetic fibres under an inter-change arrangement among the international firms concerned (see above: polypropylene fibres and yarns).

Leather and leather manufactures

197. The first item to be considered is tanned leather, a product which calls for relatively little industrial processing and which for statistical purposes is classified as one of the livestock products. Exports of tanned leather were valued at about 4.6 million dollars, mostly to countries outside Latin America.

198. Of the 12 million cow-hides - approximately the number of animals slaughtered every year - one-third represent the consumption of the local tanning industry, the other 8 million hides being exported overseas in their raw (salted) state. In the

14/ There is an international arrangement in respect of cotton goods regulating trade between industrialised and developing countries.

ten years 1955 to 1965, 80 per cent of the hides exported were consigned to countries of Eastern Europe: the Soviet Union showed a preference for heavy hides, while the other countries absorbed both heavy and light hides. The direction of the flow of raw hide exports was influenced by the surplus production over the last few years in the United States and Australia, and the greater need for consumer goods in the Eastern European countries.

199. The capacity of Argentine tanneries until 1960 was sufficient only to satisfy normal domestic consumption, and exports of tanned leather only took place in periods of world scarcity (the Second World War and the Korean conflict).

200. In 1962, when the purchasing power of the domestic market dwindled, the tanning industry made an attempt to win overseas markets for tanned hides, and from July 1962 onwards until June 1964, it succeeded in exporting one-third of its production, i.e. the amount by which home demand dropped, so that it was able to work on a normal basis. Subsequently, exports fell, being affected by the rate of exchange, which did not keep pace with the increase in domestic costs. If the balance were restored, it would be perfectly possible to recover this international trade.

201. As regards export capacity, Argentine tanneries can at any moment make use of their idle capacity (30 to 40 per cent), and can also dispose of the external market tanned hides (not dyed), of which there is reserve capacity of an additional 20 to 25 per cent. Undyed tanned hides have been adopted over the last few years as a relatively easy item of trade, since this avoids the disadvantages of distance, seasonal factors and fashions inherent in the length of the process of tanning and delivery to the country of destination. Thus the hides shipped from Argentina are dyed a neutral colour, and when finally sold in the country of destination they are stained and dressed according to the seasonal colours in vogue. In the United States and Europe, there is a so-called leather finishing industry which handles this operation, thus helping at the same time to solve the problem of scarcity of European manpower for the relatively dirty job of tanning. The earnings in foreign currency are twice as much as that obtained by exporting raw hides - in 1964 the figure was approximately 40 million dollars.

202. If the export prices of Argentine leather are compared with those of Europe and the United States, it will be seen that Argentine prices are 15 to 20 per cent higher, although this is not always so, having regard to the official exchange rate and the existing system of draw-back (5 per cent) and tax refunds.

203. More attention should be paid to quality control, since the tanners themselves complain of the harm done by the wire pins inserted in the skins.

204. In the case of more highly processed leather articles export prospects are also promising. There is no shortage of either the raw material or of skills to produce footwear, fancy leather goods, suitcases, handbags, etc., and prices are competitive. The problem lies rather in the organization of production and marketing (in general, the firms are too small to develop a steady flow of exports). If these problems could be solved, exports of leather manufactures could easily amount to between 4 and 5 million dollars a year, especially in overseas markets.

Preserved meat

205. Meat is one of Argentina's traditional export items and an analysis of its export potential is complicated by a number of problems, one of which is the indirect relationship between exports and export sales policy in respect of chilled or other meat not deemed to constitute a manufactured product.

206. In fact, Argentina has exported large quantities of tinned meat in some years during the past few decades. For instance, in 1941 - a year of war, and thus of exceptional demand - it sold 126,412 tons abroad. More recently, it exported 106,810 tons[15/] in 1957, this being also due to exceptional factors, in particular, a severe drought which necessitated the slaughter of a large number of animals which would otherwise have died on the range. In that year the cold storage plants worked two shifts a day to meet export requirements, with some 95 per cent of production being sold abroad. Exports then declined to some 50.000 tons a year, recovered in 1963 (74,300 tons) and declined further in 1964 and 1965 to 46,700 tons and 35,100 tons respectively.

207. The present outlook for preserved meat exports is not very encouraging. Cattle are being left on the range for tax reasons and also because prices based on the present exchange rate are not very attractive in the face of increasing domestic costs. Thus actual production for export is normally around 50,000 to 55,000 tons a year. The f.o.b. price for preserved meat in the United States and the United

15/ The figures given are mainly for corned beef. However, other related products, such as concentrated broth, meat and vegetable preparations (statistical numbers 89/92, 94, 99, 100, 111 and 112) are included in the analysis and projections.

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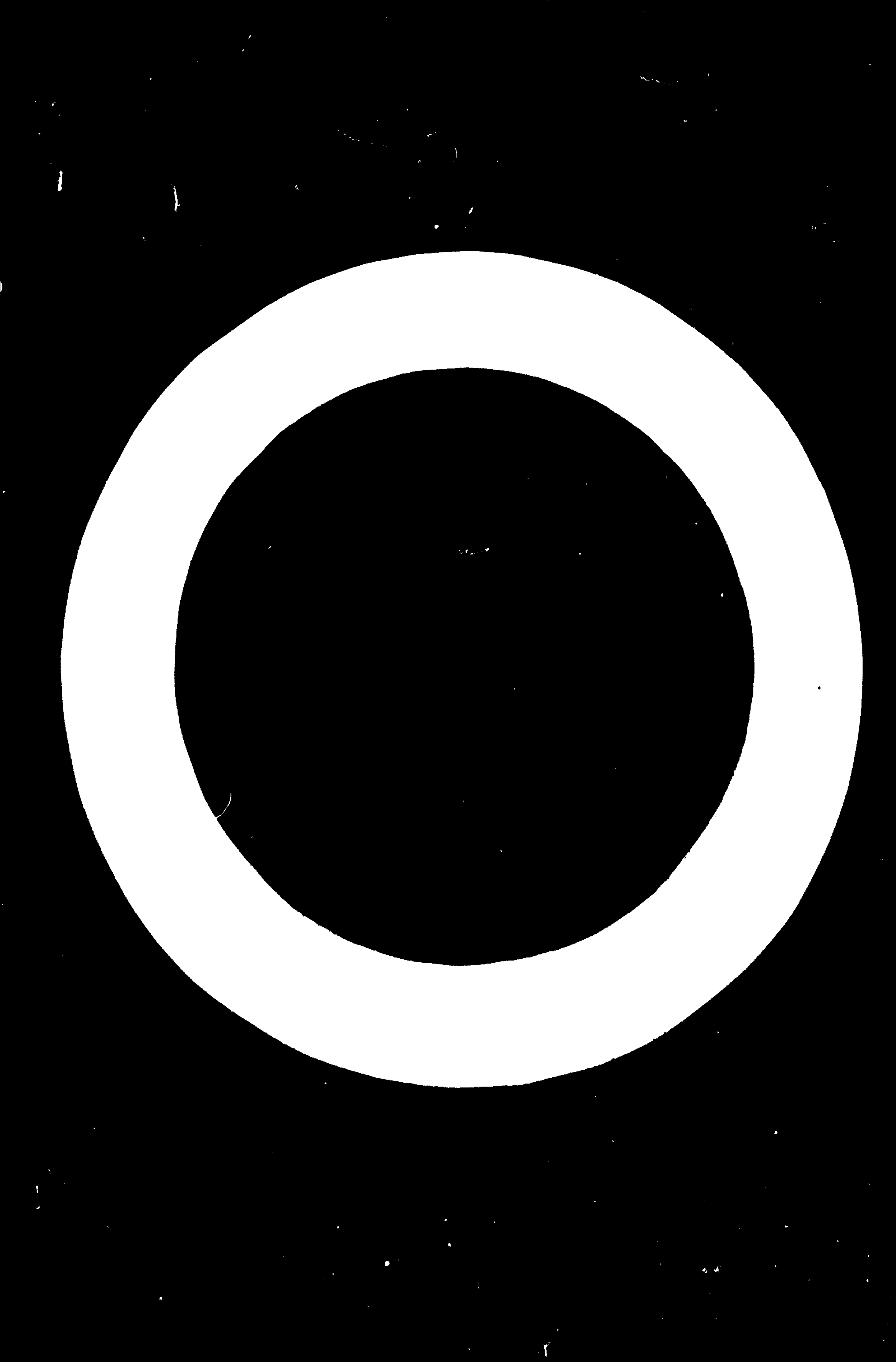

SUMMARY AND CONCLUSIONS OF JOINT UNCTAD/ECLA STUDY ON ARGENTINA

1. The purpose of this study is to analyze the short-term and medium-term prospects - without fresh investments in productive capacity - for exports of Argentine manufactures, viewed mainly from the standpoint of supply.

2. The essential aim of this report is to throw light on certain aspects of Argentina's capacity to export manufactures; it does not purport to suggest a programme for the attainment of specific export targets. Such a programme could not be prepared solely from technical data of the type analyzed in this report - surplus capacity, availability of raw materials, costs, prices, etc. That would, in practice, entail making a choice among several possible courses, and such a choice can be made only on the basis of government decisions concerning the industrial and general economic development of the country.

3. The estimates which are given in the last part of the document - and which were based on the analysis of a necessarily limited list of products - should be regarded merely as indicating orders of magnitude of Argentina's export potential on the assumption that a series of conditions and requirements - such as an abundant supply of raw materials and an improvement in industrial working conditions and in certain institutional factors - will be met.

4. The analysis deals mainly with supply conditions and thus takes into account the productive capacity available and certain other factors - prices, the availability of raw materials, marketing procedures and so forth - which give an idea of the ability of the products in question to compete on the world market. Although this study does not deal explicitly with certain important specific problems related to demand - market studies, tariffs and other barriers of equivalent effect such as quantitative restrictions, and so forth - it may be said that demand conditions have in some measure been taken into account, particularly in the analysis of products, inasmuch as one of the criteria for the inclusion of a product in the list of potentially exportable items was the potential competitiveness of its price on the world market, to the limited extent to which this factor could be assessed from the data available. The report thus gives some idea of the possible reaction of the world market to the supply of Argentine manufactures, based on the price at which they would be competing with others. As regards the hypothetical volume

of this supply, it was thought that its disposal would not pose major problems, for it would be small in comparison with total world demand.

5. The competitiveness of the products in question has been analyzed in terms of the international market rather than of the more favourable market of the countries members of the Latin American Free Trade Association (LAFTA); however, the estimates refer to total export capacity, regardless of destination.

6. At a later stage of the analysis it might be necessary to examine the behaviour of the world market, but that would involve an inquiry into the various national markets - an undertaking beyond the aims of the present report which, as already stated, takes into account only the order of magnitude of world demand as compared with the supply of Argentine manufactures. In breaking down that total demand into its national components, consideration would have to be given to the favourable and unfavourable factors affecting the various national markets.

7. The first step in a study of this kind should be to inquire into the statistical trends of exports hitherto, for the purpose of determining the factors accounting for these trends. The next step is to ascertain whether, and the extent to which, the basic conditions (availability of raw materials, production capacity, technical skills, etc.) for an expansion of exports exist. The third step is to analyze the institutional and entrepreneurial conditions needed for setting in motion and regularizing the flows of exports.

8. Section I of the present study answers the first of these purposes: it examines in detail the fluctuations in exports of manufactures (by category) during the period 1960-1964. Section II examines the institutional factors at present governing export operations, and a number of suggestions are made. Section III summarizes the findings of a survey carried out in Argentina in the later part of 1965 to assess, in physical and monetary terms, the export potential as regards a group of selected products, on the assumption of intensive plant utilization, and taking into account the potential competitiveness of prices under given conditions. The data and statistics are based on information supplied by the industrial undertakings and organizations themselves. Although efforts were made to use the best available sources of information, it is not possible to guarantee complete accuracy of all the data secured, especially those relating to prices and available capacity. They should therefore be considered as indicative rather than precise figures.

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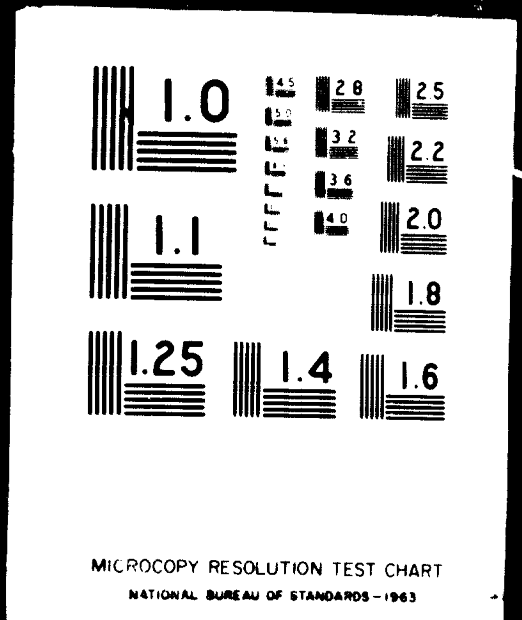
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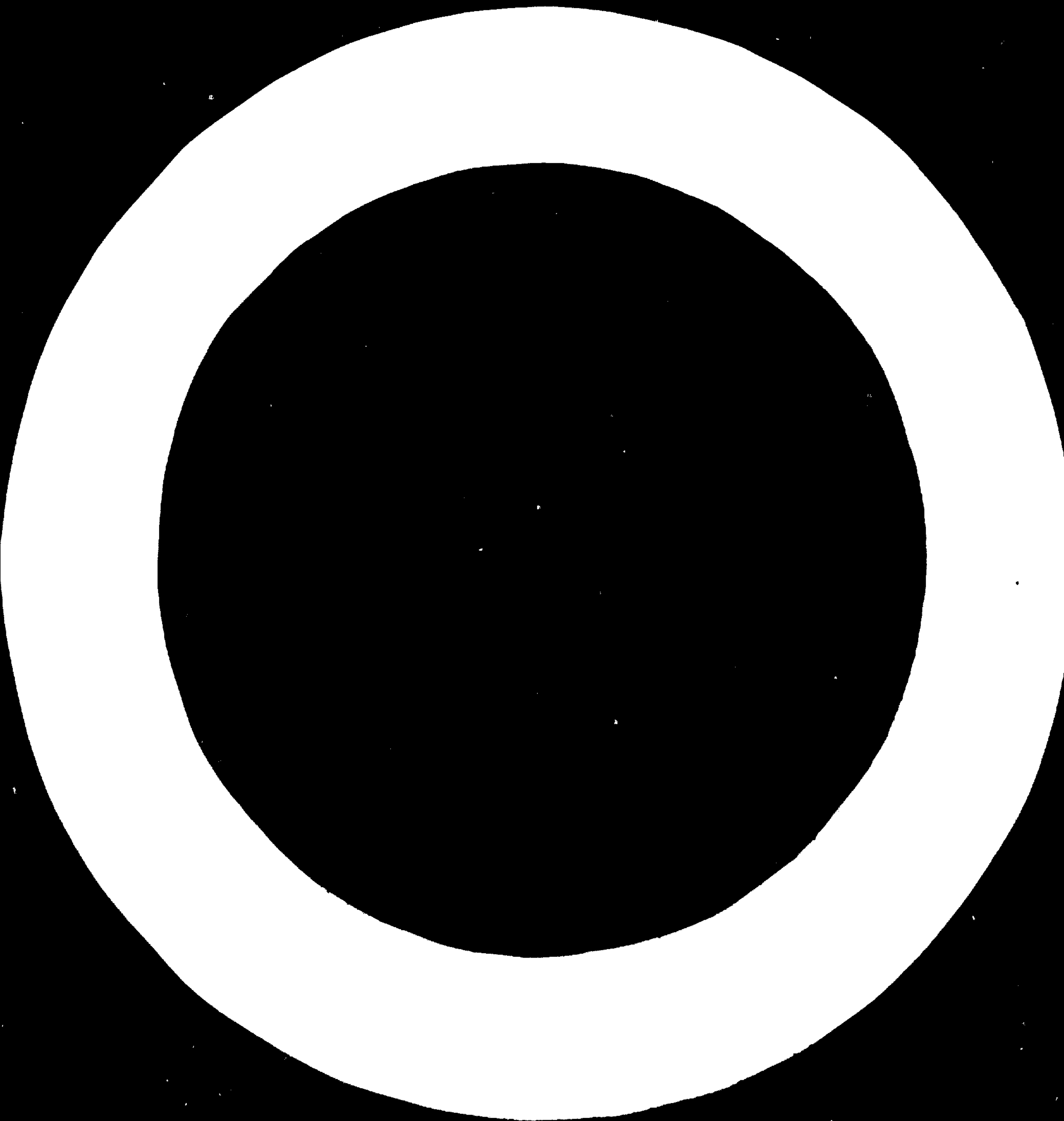

242. Lastly, mention is made of the problem of credit, and of the need for longer terms (up to eight years) than those practised at present (up to five years) in the case of certain products, especially heavy engineering or electrical equipment, for which other producing countries grant very liberal financing terms.

243. In the light of all these factors, it would be rash to base the projections on the idle production capacity mentioned in the previous section, although it was one of the important factors taken into consideration. It is sufficiently well established that there are certain possibilities for expanding exports of manufactures from Argentina, but that certain other conditions are lacking and would have to be created by means of a gradual policy on the part of the authorities and the private sector.

244. To give a better picture of the prospects, the estimated increases shown in Table 5 are quantified on the assumption of variable hypotheses, staggered in time. It is possible, for example, to work out certain short-term figures (one to two years) and others over the medium term (four to five years) as follows:

	Percentage increases in exports	
	Short term	Medium term
Negligible	-	-
Slight and slow	10	20
Considerable but slow	50	100
Slight but rapid	40	50
Considerable and rapid	100	200

245. The rates of increase vary on account of the differences between products in respect of capacity to adjust to the new export opportunities and to cope with problems of supply, organization of markets and levels of future production; but the levels cited are in all cases attainable without changes in the present industrial production structure as a whole, i.e. without the necessity for fresh investments in fixed plant, except on a marginal scale.

246. The results of the application of these rounded co-efficients - since they represent only rough estimates - are shown in Table 6.

Table 6

TENTATIVE ESTIMATE OF POTENTIAL INCREASES IN VALUE OF EXPORTS OF MANUFACTURES
(thousands of dollars)

SITC Classification	Industries	Maximum annual exports during the five-year period		Potential annual exports	
		Year	Value	Short-term	Medium-term
	1. Food industries				
	(a) Miscellaneous food industries (excluding sugar)	1964	6 160	11 000 a/	13 000 a/
074.1	Tea		5 357	10 000 a/	12 000 a/
013	(b) Preserved meat, etc.	1963	77 425	104 000	147 000
	(c) Other food products	1964	9 150	14 000	18 000
024	Cheese		3 243	5 000	6 500
053	(d) Preserved fruits	1964	5 273	8 000	10 500
	(e) Beverages	1963	2 609	5 000	7 500
053.5	(i) Fruit concentrates and juice		2 370	4 700	7 100
112	(ii) Wine		239	300	400
	Sub-total		100 617	142 000	136 000
	2. Other manufacturing industries				
121/122	(a) Tobacco	1963	5 867	8 400	10 000 a/
651/657	(b) Textiles and textile articles	1963	7 679	8 500	9 000
262	(c) Combed wool	1964	13 730	15 000	16 500
Cap. 51 to 59	(d) Chemical substances and products, oils paints, pharmaceutical products, etc.	1964	13 987	15 500	17 000
599	(e) Casein	1964	11 472	11 500	11 500
599	(f) Oleostearine	1963	480	500	500
532	(g) Extract of quebracho	1964	15 574	17 000	18 500
641.42	(h) Paper and paper manufactures	1964	10 761	12 000	13 000
631/32	(i) Wood and cork manufacture	1963	89	100	100
673/679; 691/694; 697/698	(j) Iron manufacture	1964	19 049	26 500	28 500
711/719; 722/729; 731/735	(k) Machinery and vehicles	1964	18 908	38 000	57 000
681/687; 691/694; 697/698	(l) Manufactures of miscellaneous metals excluding iron and iron alloys	1964	1 065	1 000	1 000
695/698	(m) Base metals and their alloys	1963	4 702	5 000	5 000
664/665	(n) Glass, crystal, glassware, and articles of crystal	1964	160	300	600
661/663 and 666	(o) Manufactures of non-metallic minerals, excluding glass	1964	111	200	200
612	(p) Leather manufactures	1964	871	1 500	2 000
611	(q) Tanned leather	1963	5 131	10 000	15 000
611 and 613	(r) Other leathers and skins (neutria, reptile, etc.) (ex group V)	1963	589	1 000	1 000
	(s) Miscellaneous	1964	2 690	3 000	3 600
	Sub-total		132 915	175 000	210 000
	Total		233 532	317 000	406 000

Source: Boletín de Comercio Exterior, op. cit., and estimates made by ECLA.
a/ Ceiling determined on the basis of the future availability of raw materials.

247. The increases have been applied to the figures (column 4) for the year of highest exports during the five-year period 1960-1964 (i.e. 1963 or 1964) as representing the levels attained under the best general conditions obtaining at present.[19] The increases shown are highly significant: all in all, they would appear to be in the neighbourhood of 34 per cent and 73 per cent over the short and medium term respectively.

248. In the case of food products, the growth is more pronounced; increases here represent 38 and 94 per cent, as of the two respective dates, whereas for the other manufacturing industries the figures are 32 and 58 per cent.

249. The results of the projections - given here for purposes of illustration only, as stated earlier - and the entire analysis of the conditions under which exports of manufactures are developing in Argentina, thus serve to make it clear that there is a wide field in which the authorities and the export sector itself can act.

250. The scope of the conclusions derived from the present study is of necessity limited, chiefly because, as mentioned before, it deals only with the supplier's side. It is nevertheless felt that these results, together with those produced by similar studies, may provide both a starting point and a basis for the negotiations to be undertaken with a view to ensuring an uninterrupted flow of manufactures from the developing to the industrialized countries.

19/ A number of export operations contracted for in 1963, an exceptional year for the expansion of Argentine industry in the direction of the external market, actually materialised in 1964.

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Kingdom is about 839 dollars a ton, with the cold storage plant actually receiving 926 dollars through tax refunds and drawback for the tin and corrugated board. This is not an attractive price, particularly in view of the fact that pressure from trade unions adds further to costs. Labour now represents 40 per cent of the cost of producing corned beef.

208. Another factor adversely affecting preserved meat exports is the drop in the world price for meat extract from a normal range of 13 to 14 dollars per kg. to the present level of 7 dollars.

209. The export of preserved meat is not simply a matter of deciding to export chilled or frozen meat instead of animals on the hoof since some types of cattle are more suitable for certain kinds of processing than others. Generally speaking, livestock of low quality is sent to the meat packers. The improvement in the cattle stock which seems to be taking place will not lead to a marked increase in exports of canned meat. Nor will it produce a shortage of raw material for the meat-packing industry since conditions in some rural areas are not suitable for improvement of the cattle stock.

210. According to official plans and projections (CONADE's Development Plan)[16/] export prospects for preserved meat are not very promising, the outlook being brighter for exports of meat at a less advanced stage of manufacture. These projections are based on present conditions and trends and would be valid in a context of regular growth. However, preserved meat exports could increase sharply under the impact of new incentives, such as a rise in world demand (through the establishment of additional markets more interested in tinned meat than in chilled or frozen beef, and the easing of import restrictions in the traditional markets), the application of a domestic policy of stable and attractive prices, subject to greater plant efficiency, and a reduction of taxes on production and exports.

211. Given the above conditions, none of which is impossible of achievement, exports of tinned meat and related products over the medium term may be estimated at some 150 million dollars on the basis of present production capacity.

<u>Tea</u>

212. Tea production has increased sharply and the quality of the product has improved, although the shortage of skilled labour and the absence of mechanization are still a major problem. Although domestic tea consumption has also risen swiftly,

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16/ National Development Plan, op. cit., tables 77 and 78.

exportable surpluses will be available which may well amount to 14,000 - 15,000 tons by 1966 and to over 20,000 tons by 1970. Exports in 1965 totalled some 12,500 tons, worth 7.7 million dollars.

Cheese

213. The home market absorbs almost 97 per cent of the cheese produced, which amounted to over 150,000 tons in 1964. Given optimum conditions, it is estimated that cheese production could increase by 20 to 25 per cent over the short term. Since consumption grows at an annual rate of 5 per cent, potential export capacity may be some 5,000 tons more than present capacity and may amount to 15,000 tons, worth some 15 million dollars. Under present conditions, Argentine cheese is usually in a position to compete on the European and United States markets.

Fruit juice

214. This industry was established fairly recently and is expanding rapidly. In 1963 Argentina's exports of concentrated fruit juices reached the unusually high figure of 2.4 million dollars, largely because the citrus crops in Florida had been severely damaged by frost. Although actual exports dropped to below 1 million dollars in 1964, prices are generally competitive and idle production capacity is considerable, amounting to some 15,000 to 16,000 tons of concentrated fruit juice with a value of 10 million dollars. Raw material availability is no problem whatsoever.

Tobacco

215. Some 52,000 tons of tobacco, mainly indigenous (negro) and Virginia, were produced in 1965. Domestic consumption absorbs some 40,000 tons, the remaining 12,000 tons worth about 6 or 7 million dollars, being exported.

216. Annual tobacco production under optimum conditions might total 65,000 tons. Even if consumption rises rapidly, some 20,000 tons worth about 10 million dollars would be available for export.

217. It is estimated that at prevailing prices for domestic varieties of tobacco the international market will provide a ready outlet for Argentine tobacco, which enjoys an 18 per cent refund and is exempt from the sales tax.

218. After the above summary of the findings of the survey concerning individual products[17/] it may be well to stress once again the limitations of the estimates given

17/ Certain exportable products present problems of reciprocal complementarity. For example, production of leather and leather manufactures is complemented by that of meat and a number of articles of animal origin used in the chemical and pharmaceutical industry. This means that when the problems of one of these items is dealt with, the repercussions on the other related groups must also be taken into account.

in each particular instance. Clearly, the figures are somewhat inflated, since they pre-suppose the maximum utilization of equipment under ideal conditions.

IV. Projections of potential exports

219. In the preceding section, an attempt was made to determine the attainable, physical limits of potential exports of a number of products regarded as most representative. It is now possible to try to estimate the export prospects for the various categories or groups of products as classified in Table 3 (total exports of manufactures from Argentina).

220. As pointed out earlier, an attempt was made to ensure that the products analyzed were representative. They were selected on the basis of specific characteristics of the industries producing them and of their main technological features. The products selected can therefore be said to be largely representative of broader sectors. With respect to the products not analyzed separately, a more general qualitative estimate was made, on the basis of data supplied by chambers and associations of businessmen and exporters and other relevant information.

221. The survey of the prospects for potential exports of manufactured products from Argentina, even though incomplete and designed only for illustrative purposes, has nevertheless provided material for the formulation of a num r of conclusions, both general and specific.

222. It confirmed that there was a great deal of idle capacity in many industrial sectors. If this capacity was utilized, it would make available a good many products for the external market.[18/]

223. From the point of view of the potential physical capacity to produce manufactures, not only are there no general problems, but on the contrary, in many instances it would be feasible to raise production of those goods of which the Argentine market does not produce a sufficient quantity to keep the plants fully occupied.

18/ A study carried out by CONADE in September 1963 estimated the following percentages of surplus capacity in the capital goods industries: machine tools, 75 per cent; shipbuilding, 60 per cent; low-powered prime movers, 60 per cent; high-powered prime movers, 50 per cent; road building machinery, 50 per cent; agricultural machinery, 50 per cent; all-purpose industrial equipment, 45 per cent; motor vehicle industry, 40 per cent; tractors, 40 per cent; machinery for the generation, distribution and transformation of energy, 40 per cent; moving and hoisting gear, 30 per cent.

224. On the other hand, the surplus capacity is conditioned by the fluctuations of demand on the domestic market, and the recovery of home demand may reduce surplus capacity. This is obviously a fundamental factor governing all prospects. Nevertheless, once a certain number of export transactions have been carried out, a nucleus of interests is created whose influence cannot be under-estimated. If the other conditions are not wholly adverse, there will be a marked reluctance to break off existing trade relations.

225. So far as costs are concerned - which are after all the basic, decisive factor in regard to export prospects - a number of typical situations can be cited in the manufacturing industries:

(a) Enterprises whose costs are higher than world prices because of under-utilization of plant, but which could produce at competitive prices if they were to operate at full capacity;

(b) Enterprises which are in the same position as those mentioned in (a) and which could not hope to achieve competitive prices even if they made full use of their capacity;

(c) Enterprises whose costs are not competitive owing to the high cost of raw materials, so that the position would remain unchanged even if the volume of production were stepped up;

(d) Enterprises where the level of productivity is unrelated to plant size but which cannot hope to reach competitive cost levels because of technical or organizational difficulties.

226. Several of these circumstances can exist in any one enterprise or different situations may affect enterprises within the same branch of industry. This should not happen in a market of perfect competition, but it occurs in developing economies.

227. The development of a systematic export flow could remedy the situation affecting the enterprises referred to under (a) above and encourage undertakings mentioned in (b) and (d) to improve their economic efficiency. On the other hand, those in group (c) are always likely to be in a difficult position, and other schemes would have to be devised to deal with their case.

228. The main factors which govern exports may be divided into three categories. First, there are those related to the characteristics of the enterprises and to the products: (a) availability of raw materials; (b) normal cost of raw materials; (c) availability of plant for processing raw materials; (d) satisfactory level of

technical skill; (e) efficient marketing arrangements abroad (market surveys, organization of exporting firms, etc.); (f) quality control of products.

229. The second category of factors are those related to the general policy of the country: (a) monetary policy and its repercussions on exports; (b) fiscal policy for the promotion of exports; (c) credit policy designed to promote exports; (d) general policy to encourage exports.

230. The third category comprises action which could be taken outside the country, such as (a) reduction of tariff and non-tariff barriers in potential importing countries; (b) abolition of discriminatory maritime freight rates, where those exist.

231. It would be worthwhile making an analysis of the incidence of these factors at the sectoral level of manufacturing industries as regards the problems in the first category. The other two apply equally to all products, with certain exceptions in regard to credit, freight and tariff measures in the importing countries.

232. The table below attempts to pinpoint by groups of products the problems arising out of the first category of factors. Since the extent of the problems cannot be measured in figures, the evaluation is made by means of a series of symbols. The problems of each individual product, thus pinpointed, together with the data gathered on them in the survey, constitute the basic information used to determine their prospects. This information was supplemented by data collected in other industrial and export sectors, all of which made it possible to form an idea of the prospects for the remainder of the products which had not been examined. In this way, it was possible to evaluate the prospects for an increase in exports of the products and groups of products. The sole purpose of the evaluation is to indicate the export capacity of the country's manufacturing industry and to identify some of the weaknesses of exports. These evaluations are subject to the fulfilment of general and particular requirements governing products or groups of products.

233. The purpose of the data in Table 5 is to illustrate some of the problems affecting exports of particular products or groups of products, and to indicate the cases where particular measures are desirable or necessary for the improvement of productivity and organization or in relation to quality control or arrangements for marketing the products abroad.

234. Although the survey indicated, as regards a group of selected products, the upper limits of production for export, these limits, determined with the utmost

objectivity given the conditions under which the survey was carried out, are nevertheless governed by a large number of factors which cannot be disposed of easily, and certainly not at once. They depend above all, as mentioned earlier, on the level of domestic demand, since they [illegible] present an arithmetic bal[illegible] increase in demand means a corresponding reduction in the available volume of potential exports.

235. Before export operations can actually be carried out, they must be promoted through complex institutional measures which will not be easy to devise or to apply. Foremost among these are action to solve the problem of the exchange rate in relation to the variations of internal costs, and measures to counter the lack of confidence in the future which complicates the formulation of plans or schemes at the enterprise level designed to build up a systematic export policy. Over the long term a solution will have to be found, and it must precede all other indirect export incentives, even though over the shorter term it may be possible to consider alternative solutions such as special tax refunds for products exported or tariff preferences granted by importing countries.

236. With regard to the need for these other measures, Table 5 describes the position as far as the basic sectors are concerned (excluding exceptional products). The availability of raw materials does not represent a vital problem for most sectors. On the contrary, many could be made available in increasing volume through specific measures to promote production.

237. Nor does the cost of raw materials in the majority of cases present serious problems, and there are ample available resources within the country at satisfactory cost levels. Nevertheless, under this and other cost headings the situation might well change if the economy in general, and therefore the price structure, were to return to normal.

238. Available production capacity, under present conditions of domestic market absorption, is usually ample, as already mentioned. Prospects are equally promising with respect to technical training, since manpower and the technical equipment of the

manufacturing industry in Argentina offer a high level of skill and technology. On the other hand, there are a number of negative signs in the columns referring to the arrangements for marketing abroad and to quality control. While there are fewer negative signs with respect to quality control, they relate to products of major importance to the export total.

239. Marketing is a problem because of Argentina's relatively recent export experience (except for traditional products). A sales organization in foreign markets cannot be improvised overnight, even if export prospects are good. The relations between exporters and importers in a climate of mutual confidence such as is required for this type of business, based on an understanding of the reciprocal need for reliability and strict observance of contractual conditions, can only be established through years of experience. Official action in this field, through missions abroad, exhibitions of products, the establishment of sales centres, widespread advertising of Argentine products, etc., could be most useful.

240. A broad campaign would also appear to be desirable with regard to quality control. In the past there have been a number of disputes because of the failure of certain exporters to meet quality standards. Any campaign designed to gain access to the world markets, especially where the industrialized countries are concerned, cannot disregard quality guarantees (there are virtually none at the moment); such safeguards could be provided through official institutions operating in the various branches of industry, which would apply rigid and efficient control standards.

241. Other essential requirements for certain selected groups or products are shown in Table 5. Among these may be mentioned the "Agreements between parent company and subsidiary" regarding the division of markets, specialization of production, etc. This is an important factor affecting export prospects, in addition to general conditions such as idle capacity, prices, etc.

Table 5

ARGENTINA: CONSPECTUS OF FACTORS INHIBITING OR STIMULATING EXPORTS OF MANUFACTURES AND ESTIMATE OF THEIR POTENTIAL INCREASE

Industries	Outstanding products	Physical availability of raw material	Cost of raw material	Installed production capacity	Trained technical skills	Marketing arrangements abroad	Quality controls	Other essential requirements	Prospects for increased exports: Magnitude	Prospects for increased exports: Speed
1. Food industries										
(a) Miscellaneous food industries excluding sugar		+	+	=	=	=	-		Considerable	rapid
(b) Preserved meat, etc.	Tea	+*	+	=	=	=	=		Considerable	rapid
(c) Other food products		+	+	+	+	-	=		Considerable	slow
	Cheese	=	+	+	+	-	-		Considerable	slow
(d) Preserved fruits		=	+	+	+	-	-		Considerable	slow
(e) Beverages		+	=	=	+	-	-		Considerable	slow
	Fruit juices	+	+	+	+	=	-		Considerable	rapid
	Wine	+*	+	+	+	=	=		Considerable	rapid
2. Other manufacturing industries										
(a) Tobacco		+*	+	=	+	-	-		Slight	rapid
(b) Textiles and textile articles		=	=	=	=	-	=		Considerable	slow
	Woollen yarn	+	=	+	=	-	=		Slight	slow
	Wool fabrics	+	=	+	=	-	=		Slight	slow
	Fabric synthetic fibres	+	=	+	=	-	+		Slight	slow
(c) Combed wool		*		+	=	=	+	Agreements between parent company and subsidiary	Considerable	rapid
(d) Chemical substances and products, oils, paints, pharmaceutical products, etc.		+*	=	+	=	=	=		Slight	slow
	Select pharmaceutical products	-	-	=	=	=	+		Slight	slow
	Select organic and inorganic chemicals	+	+	=	=	=	+	Agreements between parent company and subsidiary	Considerable	slow
	Polyethylene	+	=	=	=	=	+		Slight	slow
(e) Casein		-	=	=	+	+	+	Agreements between parent company and subsidiary	Considerable	slow
(f) Oleostearine		+	=	=	=	=	+		Negligible	
(g) Extract of quebracho		+	=	=	=	=	+		Negligible	
(h) Paper and paper manufacture		+	+	+	+	=	+		Slight	slow
	Special papers	=	=	+	=	=	+		Slight	slow
(i) Wood and cork manufacture		=	=	+	+	=	+		Considerable	slow
(j) Iron manufacture		=	=	=	=	-	+		Negligible	
	Wire rod	-	=	+	=	=	=		Slight	rapid
	Seamless tubes	=	=	+	+	=	+		Slight	rapid
	Cutting tools	=	=	=	+	=	+	Agreements between parent company and subsidiary	Slight	slow
	Other tubes	=	=	+	+	=	=		Considerable	rapid
(k) Machinery and vehicles:		=	=	+	+	=	+		Considerable	rapid
	Machine tools	=	=	+	+	-	+		Considerable	rapid
	Pumps	=	=	+	+	=	+		Considerable	rapid
	Diesel engines	=	=	+	+	-	+	Long-term credit	Considerable	slow
	Electricity generating units	=	=	+	+	-	+	Agreements between parent company and subsidiary, and long-term credit	Considerable	slow
	Special machinery	=	=	+	+	-	+	Agreements between parent company and subsidiary, and long-term credit	Considerable	slow
	Railway materials	=	=	+	+	-	+	Agreements between parent company and subsidiary, and long-term credit	Considerable	slow
	Motor car parts	=	=	+	+	-	+	Agreements between parent company and subsidiary, and long-term credit	Slight	slow
	Tractors	=	=	+	+	-	+	Agreements between parent company and subsidiary	Considerable	slow
	Electric motors	=	=	+	+	-	+	Agreements between parent company and subsidiary	Slight	slow
	Electric equipment for cars	=	-	=	+	-	+	Agreements between parent company and subsidiary, and long-term credit	Slight	slow
	Alternators and transformers	=	=	+	+	=	+	Agreements between parent company and subsidiary	Considerable	slow
	Other electric distribution elements	=	=	+	+	-	+	Long-term credit	Slight	slow
	Electric meters	=	=	+	+	-	+		Slight	slow
	Gas meters	=	=	+	=	-	+		Slight	slow
	Household appliances	=	=	+	=	-	+		Slight	slow
	Telecommunications equipment	=	=	+	=	-	+		Considerable	rapid
(l) Manufactures of miscellaneous metals excluding iron and iron alloys		=	=	+	+	=	+		Considerable	rapid
(m) Base metals and their alloys		=	=	=	=	-	+		Negligible	
(n) Glass, crystal, glassware and articles of crystal		=	=	=	=	-	+		Negligible	
(o) Manufactures of non-metallic minerals, excluding glass	Sheet glass	=	=	=	+	-	+		Considerable	rapid
		+	=	+	+	=	+		Considerable	rapid
	Insulators	+	+	=	+	-	=		Slight	slow
(p) Leather manufactures		+	+	+	+	-	=		Considerable	slow
(q) Leather		+	+	+	+	-	-		Considerable	slow
(r) Other leathers and skins (nutria, reptiles, etc.)		+	+	+	+	=	-		Considerable	rapid
(s) Miscellaneous		+	+	+	=	-	-		Considerable	slow
		=	=	=	=	-	+		Slight	slow

Source: ECLA

Explanation of symbols:

Physical availability of raw materials:	- scarce; = adequate; + plentiful; * prospects of rapid increase
Cost of raw materials:	- expensive; = fair; + competitive
Installed production capacity:	- insufficient; = fair; + excess
Trained technological skills:	- insufficient; = fair; + very good
Marketing arrangements abroad:	- insufficient; = fair; + very good
Quality control:	- necessary; = advisable; + unnecessary