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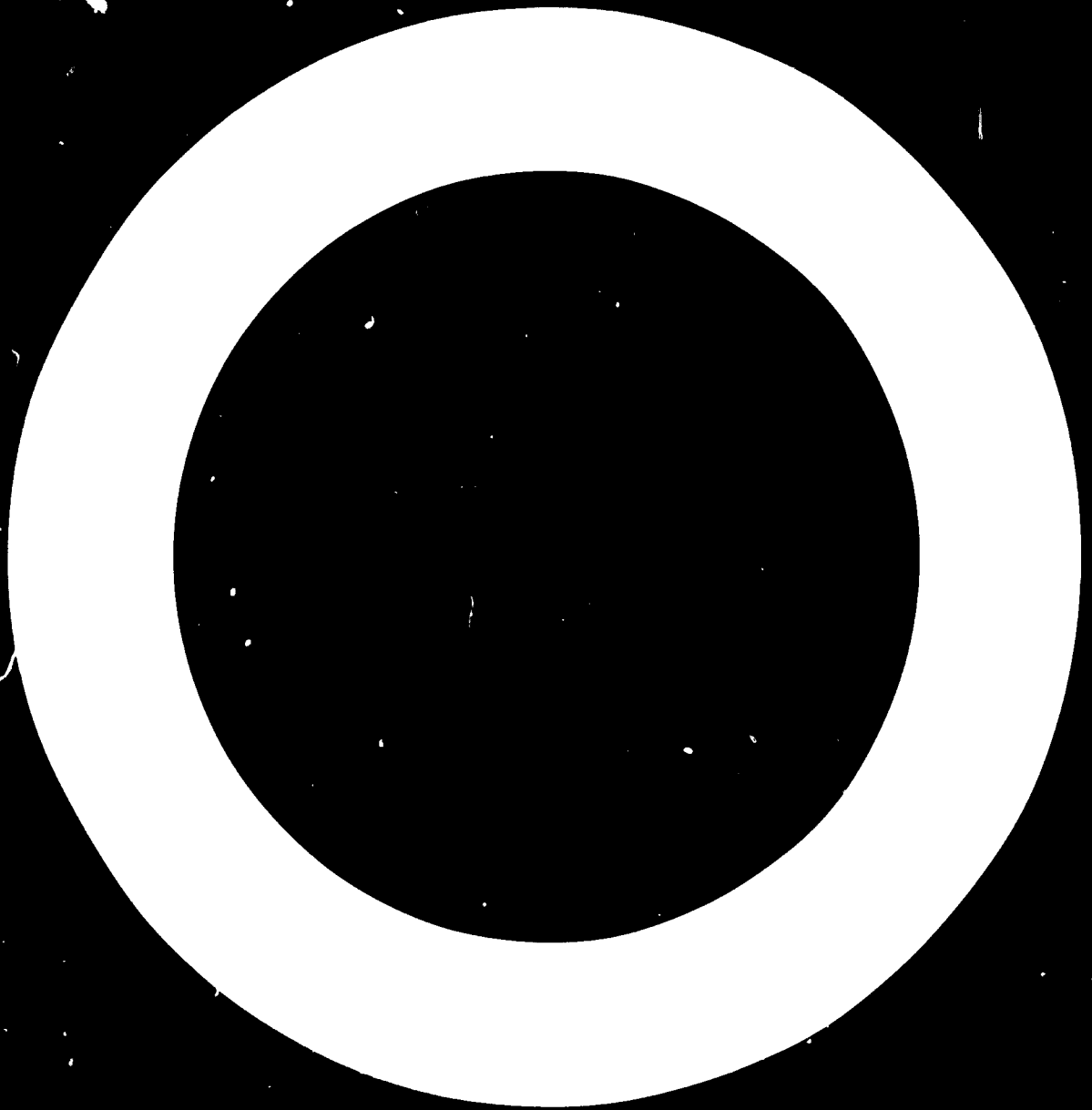
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EXPERIENCES OF THE SMALL AND MEDIUM-SCALE INDUSTRY
IN ARGENTINA DURING THE LAST YEARS 1/

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1. OBJECTIVES

This paper is an attempt to describe the role played by the Small and Medium-Scale Industry in Argentina (SMI) and tries at the same time to afford an idea of the progress made by the different "self-assistance" (1) programmes which have been launched so far and of their results, both for the medium and small-scale industries as for the whole of the Argentine economy.

2. THE COUNTRY

Argentina is a very peculiar nation, among other reasons because of its geographic extension, its climatic diversity, the number and qualifications of its inhabitants and its social and economic development. All these factors make up a country which, on one hand, cannot be defined as a member of the industrialized group, whereas, on the other hand, neither can it be considered a developing country.

The following figures (2) can give an idea of the main Argentine features:

- Approximate surface: 4.000.000 sq.km. of which almost 2.800.000 belong to the American continent whereas the rest accounts for the Antarctic territories and islands.
- The area for cattle raising, agricultural and forestal exploitation covers nearly 568.330 millions acres, which includes the "Pampa Húmeda" (Damp Pampas), some 123.550 millions acres of one of the most suitable of the world's ecologic areas for agriculture.
- It has a population of nearly 25.000.000 inhabitants and about 8 millions of them live in one of the world's densest cities: Buenos Aires City (Capital and suburbs).
It shows a yearly 'per capita' gross national products of u\$s 1.200 and a 5 % medium growth rate per annum.
- Its cooperative movement includes almost 4.000 centres and involves nearly 20 % of the population.
- There are in Argentina:
 - . 5.500.000 students in all levels.
 - . a medicine doctor for every 500 inhabitants.
 - . a motor car for every 9 inhabitants
 - . a telephone line for every 12 inhabitants.
 - . a TV set for every 6 inhabitants.
 - . 1.300.000 companies of which nearly 140.000 are industries.
- Its food and industrial consumption per capita and per annum includes:
 - . 70 kg of beef.
 - . 70 litres of fresh milk.
 - . 150 kg steel.

Argentine foreign trade amounts to u\$s 3.000.000.000 in exports and u\$s - - - 2.500.000.000 imports per year (3).

- Agriculture and cattle production, both primary and elaborated, accounts for 80 % of the export flow.
- Only 10 % of the domestic fuel demand is imported, which means roughly

u\$ 150.000.000 per annum.

Argentina cannot develop itself as harmonically as should be expected on account of its natural resources, human capacity and material means, owing to the following reasons:

- a very high financial concentration in the enterprise sector, particularly in the agricultural and cattle and industrial fields;
- a great share of multinational companies in the most dynamic industries in the country and in crediting and trading channels;
- a very low productivity in the agriculture and cattle-raising structure.

Small and Medium-Scale Business are bound to have a remarkable influence in this situation in a not too distant future.

Although they have already played an important role in the Argentine development, it would appear that this role may be conclusive in the future in order to achieve the degree of development that the most advanced countries have already attained for the advantage of their peoples.

3. SMALL AND MEDIUM-SCALE INDUSTRIES (SMI's)

There is not in Argentina a definition of SMI's, neither officially nor - - privately, and it is therefore very difficult to establish their number and importance within the economic system.

It is however possible to define SMI's by sorting them out of the whole (4).

Several sources point out that there are in Argentina approximately 140.000 industrial concerns and that 700 of them are responsible for 46 % of the industrial production value. It would then be sound to assume that the - - remaining companies are SMI's accounting for the 54 % industrial production left over (Table n° 1) (5).

This would show that the share of each one of these SMI's in the market turns out to be so exiguous that it could hardly have any significant influence on it.

On the other hand, SMI's are estimated to employ 50 % of the whole industrial labour force, which turns them into a very important source of employment for nearly 850.000 persons.

It is furthermore important to stress that the great majority of SMI's belong to national capitals, do not apply imported technology, and are basically orientated towards the local market. They are established mainly on the outskirts of Buenos Aires, which is an area of the highest industrial - - - concentration, though most industries settled in the interior of the country are generally SMI's.

The enormous problem that has always hindered SMI's progress consists of the fact that the following objectives are almost impossible for them to reach:

- more regular supplies
- a more aggressive commercialization
- more convenient financial support
- qualified labour
- a more efficient managerial organization
- management control systems for the improvement of resources

- Higher investment
- better technology.

Table n° 1 shows that —except for a few branches— most SMI's hardly -- participate in the 50 % of the branch production value, whereas the rest is produced by the big companies.

Until two years ago, there was not —excepting very isolated cases— any - explicit policy regarding the role played by the SMI's in the economy. It was for this reason that assistance was fundamentally being channelled towards solving problems of individual firms.

This assistance was performed by governmental institutions and some private consulting firms.

The National Institute of Technology (INTI) then gave way to an assistance policy regarding in particular organization and management training, though it was considered only as a promotional assistance on an individual basis.

Private consultants have also provided assistance, but, due to their high fees, it can only be hired by major enterprises.

Chambers of commerce do provide some general assistance, particularly with regard to legal and labour affairs and relations with public authorities.

None of these types of assistance fulfilled SMI's needs nor provided any - solution to their problems, either structural or occasional. Except the - chambers of commerce, they have only met individual problems from a few - companies, since it seems impossible to help all of them with existing means.

4. "SELF-ASSISTANCE" BY GROUPING

A form of enterprise group is deriving from the need that the industry be thereby wholly represented, without making any distinction between small or large industries. It manages relations with the Government and trade unions.

The Argentine Industrial Confederation (Confederación Industrial Argentina - CINA -) is a second-degree organization which looks after grave issues - hampering industry as a whole. It is made up by all chambers acting on behalf of different sectors and industrial branches and enterprises are directly - linked thereto.

Some other organizations claim SMI's representation though are not quite - relevant within the ensemble of enterprise institutions.

Although these chambers lend basically legal and labour assistance to their members, they hardly operate in any other regard which may directly contribute to enhancing their operation level. In an indirect way, chambers do help - towards generally improving the situation of their members, regarding v.g. - credit policies, investment and foreign trade promotion.

Though the co-operative system is widely spread through Argentina, it is - interesting to remark that it has not developed in the industrial field itself. It does have, however, through the credit and supply co-operatives, an indirect but very effective influence on some aspects of industrial activity, which are typically in support of the SMI's. It may well be said that there is practically no SMI which is not linked to some of these co-operative types (6).

Financial and supply difficulties have been palliated to a great extent by the co-operative system action, which has provided for a normal and uninterrupted development of the SMI's, in spite of the traditional banking system (which leads to the wall provided for) and of the big suppliers (who sell to whoever

buys on a large scale).

There exist some groupings for the development of industrial parks, but the lack of government support has frustrated expectations in many cases.

In 1973, the Argentina government created COPYME (Corporation for the Development of the Medium and Small-Scale Enterprise) whose fundamental objectives consist of strengthening and developing the small and medium scale enterprise (SME). There are among its goals.

- particularly stressed promotion of SME's in the interior of the country.
- to revert the process of discouraging Argentine enterprisers;
- to work out integrally all problems handicapping SME's development.

The Corporation ranks about sixty professionals and technicians and started its activities a year ago. It is one of its main structural features that in its State-managed Direction participate both representatives of the enterprise-owners confederation and of the trade unions.

Grouping is one of the main paths of action followed by COPYME and no issue is virtually solved on an individual basis, since it would be impossible for the Corporation to cope with the requests of the about 1,300,000 firms existing in Argentina, which include 140,000 industrial concerns.

5. EXISTING SELF-ASSISTANCE PROGRAMMES

The Programme for the Supply of Metals to Small and Medium Enterprises is one of the most interesting SMI's programmes in Argentina. The world crisis in raw materials supply and domestic difficulties occurring during the last years in Argentina have brought upon local industry one of its most serious problems: its failure to ensure a continuous supply.

This situation turned out to be particularly dramatic for the SMI's and it even worse on account of the fact that the supply of crucial items (or hard to get in the market) is controlled by a very small number of big concerns.

These companies obviously imposed upon their customers conditions hard to fulfil which even threatened PMI's continuity. The Government then took some measures to check this situation and simultaneously COPYME commenced to give an answer to one of the gravest problems facing SMI's: to ensure a fluent supply of metal commodities to them.

The programme provides that only those enterprises embodied into a group shall be in a position to be regularly supplied and COPYME is therefore fostering the establishment of said groups. The Corporation has on the other hand arranged by agreement with big suppliers that these will guarantee a normal supply to those groups.

Purchasing relations are thus settled directly between a SMI's group and a supplying concern, under supervision by COPYME.

The volume reached at by these groups, labelled Purchasing Centres, has enabled them to freely discuss conditions with suppliers, to a very significant advantage of the SMI's concerned.

It is worthwhile to remark that most of the 37 Purchasing Centres created so far have taken up a co-operative scheme.

Following figures show how important this programme has been up to date and how popular it has become among SMI's:

- It covers about 4,4 % of industrial concerns in the metallurgical sector which engage almost 10 % of its staffs and its consumption represents 13 % of the whole estimated for SMI's in this sector (Table n° 2).

The other self-assistance schemes remain in force, most of them in connection with COPYME, in order to participate in and develop plans in the Organisation, which is now shaping up i.a. promotion programmes for craftsmanships, agro-industries and mining exploitations.

6. SELF-ASSISTANCE PLANNING IN FUTURE

Data collected both by chambers and enterprise organisations and by COPYME concurrently show that grouping is the best way to developing and expansion of the SMI's on an individual basis as well as on a collective one, particularly when the group follows a co-operative pattern.

The awareness by the enterpriser of the fact that in this way he will be able to negotiate with big concerns and envisage necessary investment is another significant contribution.

This is to be achieved by:

- complementing its activities with other SMI's;
- jointly commercializing their production;
- common use of qualified human resources;
- shared use of capital assets and, fundamentally, a higher efficiency in the SMI's management which in the long run will have a positive influence in the economic and social fields of its community.

Industrial development plans in Argentina are oriented in this direction and COPYME is apparently willing to implement them, in accordance with UNIDO - - recommendations in this regard.

TABLE N° 1

BRANCH	SMI's NUMBER	VALUE PERCENTAGE OF GROSS INDUSTRIAL PRODUCTION
Foodstuffs, beverages and tobacco	26.700	46
Textiles, ready-made and leather clothing	18.400	30
Wood and furniture	17.400	27
Paper and printing houses	3.200	5
Chemistry, oil and rubber	5.000	8
Non-metallic minerals	9.900	16
Basic metals	1.300	2
Machinery and equipment	59.000	97
TOTAL	137.600	100

Source: COPYME

PROGRESS OF THE METALLURGICAL PURCHASING

MEASURED BY QUANTITIES DURING 1974/1975

- Total enterprises in the metallurgy sector (1)	35.000	100 %
- SMI's involved in the PC's (2)	1.542	4,4 %
- Existing PC's (2)	37	
- Total personnel employed by the metallurgy sector (1)	367.500	100 %
- Personnel employed by SMI's involved in PC's (2)	33.800	9,2 %
- Yearly estimated consumption of steel plate by SMI's throughout the country (2)	260.000 t	100 %
- Estimated steel plate consumption by SMI's involved in PC's (2)	33.200 t	13 %

(1) Source: Economic/Statistics by INDEC (National Institute for Statistics and Census). Not including workshops for motocar repairs.

(2) Source: COPTME

REMARKS

- (1) It is to be understood as 'self-assistance' a concept stated in the UNIDO Document ID/WG. 210/5 of 29 August, 1975, by which it implies not only what an industry enterpriser can do for himself and for his factory, but also what can be done by small-scale industries associations, chambers of commerce and industry, co-operatives, 'ad-hoc' groups of little industrialists and private firms in order to assist this sector".

Anuario Estadístico de la Rep. Argentina

- (2) Source: (Statistical Yearbook of the Argentine Republic)

Banco Central de la República Argentina

- (3) Source: (Central Bank of the Argentine Republic)

- (4) Source: COPYME. Structure of the manufacturing sector.

- (5) Source: Industrial Statistics (INDEC). This information generally regards as industrial establishments those employing more than five persons.

- (6) UNIDO Document ID/WG. 210/2 of 3rd June, 1975, intitled "Cooperativas industriales en países en desarrollo" (Industrial co-operatives in developing countries).

- (7) The Purchasing Centres Programme by COPYME is under the direction of Mr. Oscar TERK, who has been in charge of it since its beginning.

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ANNEX

INDUSTRY IN ARGENTINA (1) (2)

- Almost 36 % of the Gross National Product belongs to the industrial sector, which clearly shows its importance. The reasons for such a share in the production should be ascertained in the wideness of its domestic market, where "per capita" income distribution is a very outstanding feature.

This participation is much larger than in other Latin-American countries, including Brazil and Mexico.

- In 1970, nearly 1,700,000 persons were employed by the industrial sector, which included 370,000 in the food-stuffs and beverages branch and 434,000 in the textiles branch. The metallurgy sector was engaging some 300,000 workers.

The machinery and equipments industry, which to a considerable extent is related to the motorcar sector and suppliers, engages nearly 25 % of the industrial workmen.

- Likewise industrialised countries, industrial structure in Argentina shows a tendency to balance itself. Following branches are responsible for industrial production:

. Non durable consumption industries	37 %
. Intermediate assets industries	32 %
. Durable consumption industries	31 %

In order to achieve a better balance, it is expected to increase participation of basic or intermediate assets industry by means of high investment in this field, aiming at substituting costly imports.

Growth rate in this sector is estimated around 8 % per annum.

- In order to remedy a strong industrial centralisation, legal instruments have been enacted for promoting establishment of industries in the interior of the country, and resolutions have been issued for encouraging development of industrial parks (3).

Nearly 60 % of the whole national industry lies in Buenos Aires City and suburbs and it engages some 50 % of the industrial workmen and gives rise to almost 60 % of the industrial aggregated value.

- Considering local market limitations, it is vitally important to promote industrial exports in order to expand and render more dynamic the Argentina industrial sector. Attempts so far undertaken have given impressive results and it is reckoned that those items presently represent 33 % of total Argentina Exports.

Manufactured parts account for almost half that rate and the rest is practically equally divided between products of the light metallurgic industry and transport equipment (motorcars).

These results, particularly with regard to the Latin-American market, provide a fair evidence of the standards reached at by the Argentine industrial technology.

- One of the most serious problems facing the Argentine industrial sector consists of the dependency caused by payments abroad resulting from royalties and know-how dues. In 1972 these payments amounted to circa 150 millions US dollars, which is the equivalent to nearly 30 % of Argentine industrial exports (4). Nearly 40 % of this sum arises from imported - - technology for the following three sectors: Vehicles and automotors, - pharmaceutical products and food-stuffs.
- Argentina has not been spared from a typical economic phenomenon which appears all over the world: concentration of production in a few enterprises. 26 % of gross total production of the sector derived from the 100 more - - important enterprises in Argentina, which included (5):

- . 79 foreign or multinational concerns
- . 19 Argentine private firms
- . 2 State-owned enterprises

In 1972, seven hundred industrial concerns, out of a total of roughly 140.000, generated 46 % of the gross industrial production value for the whole country, thereby holding considerable control on the entire sector with regard to - - pricing, financing, commercialization and supplies to such an extent that other firms became directly or indirectly dependent on them. This situation is even more serious for the small and medium-scale industries, which are helpless at the slightest modification in the policies applied by the big companies. Thus the latter can easily - - - SMI's stability and steadiness in the market and even its continuity as a source for employment.

The Argentine government has put through a package of industrial policies (6) which can be summarized as follows:

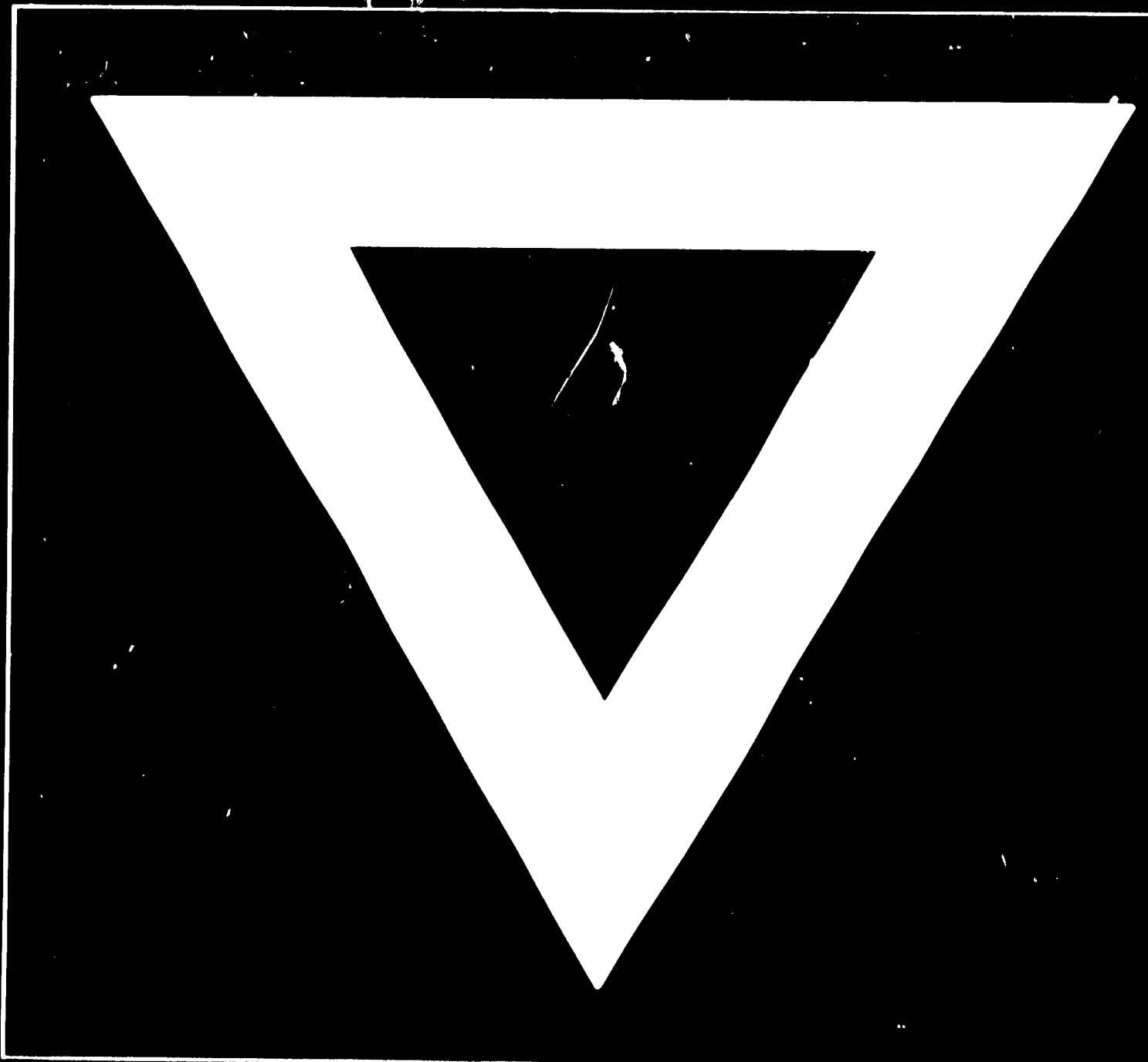
- . support to those enterprises establishing themselves in the interior of the country
- . implementation of great basic projects, i.e. steel mills, aluminium, paper and chemical engineering plants
- . re-arrangement of some sectors showing an exaggerated growth, as it - - happened with the motorcar sector, for instance
- . support to those industries employing a high quantitative level of labour, specially those producing non-durable consumption goods.

All these measures have been taken in support of the small and medium-scale industry and the Corporation for the Development of the Small and Medium-Scale Enterprises (COPYME) will undoubtedly contribute toward its particular purpose with furthering effectiveness.

REMARKS

- (1) Source: Anuario Estadístico de la República Argentina.
- (2) Source: Banco Central de la República Argentina.
- (3) The Industrial Promotion Law forbids establishment of industries within a 60 km radius from Buenos Aires whereas it grants financing facilities and other advantages to those setting up in the interior.
- (4) Source: Instituto Nacional de Tecnología Industrial (INTI), Argentina.
- (5) Source: Desarrollo Industrial en Argentina, CONADE (former National Council for Development).
- (6) Source: Plan Trienal 1973/1976 (three-year Plan 1973/1976).





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