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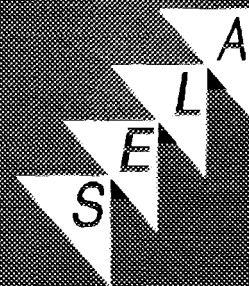
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Latin American Economic System

Sistema Económico Latinoamericano

Sistema Econômico Latino – Americano

Système Economique Latinoaméricain



II Meeting of the Regional Forum on Industrial Policy

Rapporteur's Report

XXIII Regular Meeting of the Latin American Council
Port-of-Spain, Trinidad and Tobago
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I. INTRODUCCION

1. In agreement with the mandate of the Latin American Council of the Latin American Economic System, contained in the 1997 Work Programme of the Permanent Secretariat, the Second Meeting of the Regional Forum on Industrial Policy was held at its headquarters from July 30 to August 1. This meeting was organized by the Permanent Secretariat of SELA, with the cooperation of the Venezuelan Ministry of Commerce and Industry and sponsored by the following organizations: AECI, UNIDO, Bolivar Programme, ALADI, IDB, ECLAC, UNDP, the Venezuelan Confederation of Industrialists, and the Venezuelan Federation of Small and Medium-sized Enterprises.

2. The main objective of the Meeting was to discuss current issues that are of interest for the industrial development of Latin American and Caribbean countries, and to prepare the Work Programme of the Regional Forum for 1998-1999 on Industrialization, with the participation of international and regional organizations that participate on this matter.

3. The participants of this Second Meeting were the Ministries of Industry of Argentina, Barbados, Bolivia, Brazil, Colombia, Costa Rica, Cuba, Chile, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Dominican Republic, Surinam, Trinidad and Tobago, Uruguay, and Venezuela. Also, representatives of the event's co-sponsors as well as representatives of organizations like the ILO and the Spanish Ministry of Industry and Energy, participated in the Meeting. The list of participants is found in Annex IV of this Report.

4. The Second Meeting was installed by the Permanent Secretary of SELA, Ambassador Carlos J. Moneta, who welcomed the delegates. His Excellency, Don Miguel Angel F. Mazarambroz, Ambassador of Spain, Dr. Hugo Varsky, Secretary General of the Bolivar Programme, Lic. Mauricio de Maria y Campos, General Director of UNIDO, and His Excellency Mr. Asdrúbal Aguiar, Ministry of the Secretariat of the Presidency, participated in the opening ceremony. The text of the presentations is found in Annex I.

5. Dr. Freddy Rojas Parra, the Venezuelan Minister of Industry and Commerce, was elected Chairman of the Second Meeting, and the three Vice-Chairmen were: Dr. Phillip Paulwell, from the Jamaican Ministry of Industry, Investment and Commerce, Dr. Héctor H. Gambarotta, the Argentinean Undersecretary of Industry, Ministry of the Economy and Public Works and Services, and Juan Mauricio Wurmser, the Guatemalan Minister of the Economy.

6. The issues discussed were the following (See Annex II: Work Programme): Interagency Panel "The impact of economic growth on employment in Latin America and the Caribbean".

ITEM 1. Industrialization, Trade Agreements and New International Standards within the Context of Globalization; Their Impact on Developing Countries.

ITEM 2. Industrial Development Strategies and Policies in the Present International Context. Experiences on the Implementation of Industrial or Competition Policies.

ITEM 3. Industry, Technology, Training and Generation of Employment. The Role of SMEs.

ITEM 4. The Importance of Multilateral Technical Cooperation in Industrial Development. The Future of UNIDO.

Conclusions and Recommendations.

II. INTERAGENCY PANEL "THE IMPACT OF ECONOMIC GROWTH ON EMPLOYMENT IN LATIN AMERICA AND THE CARIBBEAN".

1. The Permanent Secretary of SELA, Ambassador Carlos J. Moneta, the Panel's moderator, introduced the subject mentioning its importance and complexity, and that it is an obvious concern of the region's governments. He mentioned that this event was within the framework of the activities of the 1997 Work Programme of the Permanent Secretariat, in agreement with the central mandate of the Latin American Council: "Growth and employment", and immediately gave the floor to the speakers.

2. Dr. Daniel Martínez, Regional Advisor of the ILO, centered his presentation on four issues: the evolution of the work market, the relationship between labor behavior and the economic reforms implemented in the region, labor flexibility and its capacity to generate employment, and a set of suggestions to face the problem.

He stated that even though the economic performance of most of the region's countries has been favorable, the same has not happened with the work market. Despite the decrease in demographic growth, there are still migrations from rural areas into the cities which overloads the demand for employment. Also, women are participating more in the labor market, thus increasing the rate of participation in a insufficient labor market, not only quantitatively but also qualitatively, that is, informal and low qualification employment. This situation reduces the relative weight of modern sectors in national economies.

Dr. Martínez presented a group of indicators on occupational structure, total employment, productivity, and real salaries. On this last indicator, he stated that today's mean industrial salaries are still lower than those of 1980. Later he said that countries which started their economic reforms earlier have a positive behavior in the labor market, whereas countries that implemented those reforms later, show the opposite effect.

He believes that labor flexibility, particularly regarding hiring and lay offs, improves competitiveness and the insertion of the company in international markets, thus generating a greater economic growth.

His hypothesis is that labor costs run parallel to productivity and therefore to competitiveness, whose effects are offset by macroeconomic policies, particularly regarding exchange rates, which directly affects the real prices of producers. On the other hand, an analysis of the employment-labor cost elasticity established that it is very low.

Dr. Martínez gave some recommendations to solve the issue of unemployment, for example, to advance economic reforms, to increase productivity and competitiveness in a strong and sustainable manner, to foster collective bargaining so that worker's efforts are translated into greater productivity and better salaries, and into worker education.

Finally, he pointed at the need to deal with the issue of the informal economy, the challenge being to change the legal, administrative and tributary elements in the formal sector, so that informal sectors can have a better access to organized society.

3. The next presentation was made by Dr. Joseph Ramos, Director of ECLAC's Productive Sector Division, who focused on three basic issues: first, to underscore some indicators linked to employment; second, to consider the adoption of specific policies to solve the problem; and finally, to refer to ECLAC's actions on the matter.

Regarding the first point, he mentioned the demographic decrease that happened since the 60's, which tends to reduce pressure on job offers. He mentioned, like the previous speaker, the increased participation of women in the labor market, which can even be considered positive because it is a way to increase the family income. Another element he mentioned is that the growth of employment in the region (2.9%) has been positive despite the modest economic growth (3.1% on the average); nevertheless, a negative aspect is that production in this scenario increased only 0.2% during the 90's, which can be explained by the fact that most of the employment is found in informal sectors with low qualification.

Regarding employment policies, Dr. Ramos rejected those destined to solve short term situations, like "emergency programmes", since these are low productivity jobs, as well as jobs in the construction sector, because they are transient jobs. He suggested the creation of long lasting, productive employment, through cultural extension programmes, the establishment of links between the research and productive sectors, the establishment of technical assistance programmes, although he acknowledges that technology can cause problems of inequality.

The speaker mentioned the need to increase investments in training, because in the region, workers receive on average only one month of training during their whole productive life, of about 40-50 years. He also mentioned that another way to generate more employment is the expansion of markets, or what has been called "growth to the outside".

Among the research projects developed by ECLAC on this matter, there is an evaluation of the first generation of reforms on investment, productivity, equity and employment. Another study deals with the legal framework of the job market.

Finally, he stated that the mediocre performance of employment indicators are the result of turbulent macroeconomic policies, where re-structuring and stabilization were done simultaneously. Also, they are affected by strict contractual conditions, particularly those regarding compensation.

4. **Dr. Ricardo Tichauer, Resident Representative of the UNDP in Venezuela**, focused his presentation on the concept of "sustainable human development" an area where his organization has done considerable work. This concept considers that the goal of development is to expand the individual's opportunities, which includes having the income to achieve well-being, to enhance human capabilities, for health, education, employment, physical environment, safety, human rights and others, so as to have a more participative and equitable development.

Since 1990, the UNDP has prepared reports on Human Development. In 1996, it analyzed the relationship between economic growth and human development, and reaffirmed the fact that there isn't necessarily a relationship between them. The 1997 report deals with poverty, making a clear distinction between human poverty and income poverty.

The UNDP representative gave a set of optimistic indicators, like improvements in health, education and services. He immediately mentioned specific policy proposals, for which six great priorities are suggested: more access to all types of assets, gender equality, emphasis on countries with regressive processes, improvement on the management of globalization, creation of a political environment that cares for the poor, and strengthening the peace process in countries ravaged by war.

Dr. Tichauer mentioned the situations on which the UNDP is working in the region, and the experiences and knowledge acquired on the matter. He indicated that at present, they work

on measuring the state, conditions and distribution of poverty, and the effect macroeconomic policies have on it.

The Addendum to this report includes the presentations and discussion of the Interagency Panel.

III. DISCUSSION OF TOPICS

Item 1: Industrialization, commercial agreements and the new international standards within the context of globalization; its impact on developing countries.

1. Lic. Mauricio de María y Campos, Director General of UNIDO, introduced the item, which focuses on the analysis of the trends of industrialization processes worldwide, highlighting their impact on developing countries, the new international trade rules, the new commercial agreements, and the new policies regarding international standards.

He discussed the new global context on trade policies, achieved by the creation of the World Trade Organization (WTO), particularly its impact on developing countries and more specifically on Latin America and the Caribbean. The abrupt growth of imports and exports due to this new world trade scheme, has affected the industrial and productive structures of developing countries.

To conclude, he expressed the need to redefine industrial policies, and to achieve a common position between Latin American and other developing countries, given the new elements that pose particular situations and challenges for developing countries.

2. Dr. Octavio Maizza-Neto, Head of the Quality and Competitiveness Division of UNIDO, presented the topic of international standards.

In his presentation, he gave a general overview of the topic of quality, standardization and metrology, as well as the work that UNIDO has been executing to benefit developing countries.

He commented that in the 70's, UNIDO began helping developing countries, particularly Latin America, to create standardization institutes and institutes of industrial metrology. However, in the last 20 years, even though developed countries continued investing resources in standardization, Latin America stopped and did not update standards to keep them in line with those used in the developed world. Dr. Maizza-Neto said that in Europe and the United States there are between 18,000 and 20,000 voluntary standards, whereas in Latin America, there are between 6,000 and 8,000 voluntary standards, in Africa around 2,000 and in Asia between 8,000 and 13,000, which clearly shows the competitiveness of the different regions.

In 1980-85, Europe created a new form, a new mechanism based on the standards and metrology that today we know as ISO 9000, which instead of affecting the product itself, the standard refers to the company as an organization and its business system. This gave rise to a new non-tariff barrier, or technical barrier, given that countries, particularly those in the European Community, were demanding ISO 9000 certificates. In 1995, a new standard was created, ISO 14000, which guarantees compliance with certain environmental standards, and given its nature, it forces companies to implement environmental policies, thus creating a new technical barrier for developing countries, which lack appropriate environmental policies.

This new demand for certifications forced UNIDO to focus its efforts on the so called clean technologies and technologies to reduce defects. This also created new technical barriers to trade, the so called green seals or Eco Labels, which are drastically affecting trade relations with developing countries.

At the same time, there are talks about a new standard, the so called occupational standards, regarding child labor and safety standards (safety in factories), which will bring even more restrictions to developing countries. All this indicates that by the end of the century, a new standard will be created, merging ISO 9000 with ISO 14000, and with occupational and safety factors. Given this perspective, there is a dilemma on the conditions that a company from a developing country must fulfill, in order to be able to produce competitively in the short term in the international market.

For this to be possible, our countries must have a solid structure for standardization, metrology and calibration. Since these do not exist in most developing countries, businesses are forced to increase their costs to obtain those services in developed countries.

The creation of this type of structure is a medium and long term job, because it takes around 10 years to train human resources for these activities.

Regarding standardization, UNIDO recently signed an agreement with the ISO and the International Organization of Accreditation, to become what is known as the third party, the credibility factor of a certificate from a developing country.

3. Dr. Bernd Abendroth, National Secretary of Industry and Commerce of Bolivia, gave a history of the different stages in Bolivia's macroeconomic policy. The first stage started in 1981, when Bolivia experienced its first rise in industrial growth which turned over due to a change of government that adopts a negative policy; the average inflation rate was 23,000%, the annual fiscal deficit was 12%, the bank system collected 30 million dollars, non traditional exports were more than 30 million dollars, and traditional exports 400 million dollars. Reserves had a negative value of 100 million dollars, and there was a closed economy with total price and exchange controls. The state had become the greatest producer and the greatest consumer, and industrialization was based exclusively on domestic demand.

In 1989, economic policies started to change. A supreme decree was enough to change the deficit burdened economy, a shock policy was enforced to reduce the existing parameters, price and exchange controls were eliminated, and the market was once again ruled by supply and demand. The bilateral agreements made with different countries, opened specific markets for the Bolivian industry, thus beginning the industrialization process based on a supply that can be exported.

In 1993, a whole process of economic reforms was implemented, as well as the privatization of state companies and a capitalization process with the direct investment of new capital. This improved the efficiency of services for the industrialization process, particularly in energy, communications and transportation. This process ended in 1995, when all state companies went to the private sector, with a total investment of 1.6 billion dollars. This capitalization created a favorable and competitive environment to start an industrialization process.

The reform of the financial system enabled banks to draw on capitalization funds, with medium term resources to improve the industrialization process.

Export increased 20 times, going from 30 million to 600 million in non traditional products. Direct foreign investments grew from 100 million to 1 billion; the fiscal deficit went from 14.4%

in 1985 to 1.8% in 1997. Collections in the bank system increased to 3 billion, and net international reserves went from -100 million to more than 1.1 billion. Therefore, by giving the private sector the task of industrialization, Bolivia acquired a new image.

4. Dr. Héctor Gambarotta, Argentinean Undersecretary for Industry, Ministry of the Economy and Works and Public Services talked about the significance of the globalization of the economy for Latin America.

The position of Latin America in the international context and the globalization that comes with the opening of our economies, places two demands which in a way "short circuit" the economies of our continent. They are asked to work at a lower cost than those economies that have an excess of labor force and low salaries; and at the same time they are asked to produce more efficiently than those economies with more advanced technologies.

We could ask what are the practical instruments to face these challenges. One of these instruments could be to reject globalization, although the experience gathered in the past 50 years shows that closing the markets is not a constructive attitude.

It is essential to adopt an attitude towards the construction of globalization. We must try to build globalization from the bottom up. The development of economically successful countries was based on building from the bottom up.

It is impossible to build a non-excluding globalization and to define the position of Latin America if we are not clear about the nature of the phenomenal technological change we are experiencing. He believes that perhaps we might have to redefine industrialization in the face of the new technology, because new technologies change relations in the work place, which in turn will cause social and political changes. If we do not understand the nature of the change, it will be difficult to build a non-excluding globalization.

Today, globalization must be conceived as the formation, or the contribution to form a global production network, and the basic issue should be the amount and the quality that each country will contribute to this network. We must not reject the network, rather we must work more and better to participate in this network.

A second issue is that trade agreements are constructive if regional networks are built that can join the global network. An example is MERCOSUR and the automotive industry. The latter contributes to form a production network among member countries that is linked to the world, while it also increases the knowledge base of our countries and enables us to join the global network.

Regarding standards, we must accept that they can be used as non-tariff barrier, but we must also acknowledge the fact that they are part of the standard of living of the population.

Regarding the definition of an industrialization policy, he stated that there must be a policy matrix to reduce its costs without affecting the standard of living of the population, as it leads to a better access to technology. On this issue, there are three areas of intervention: 1. The reduction of fiscal, financial and labor costs (the weight of the state on industrial production); 2. The use of information technology: as the key to all transformations, Latin America must have its own forum on what today is called infrastructure; 3. Degree of "entrepreneurship" of entrepreneurs: a government policy to adapt entrepreneurs to the new conditions.

Finally, he stressed the importance of meetings like this forum, to exchange experiences and see which programmes have been successful, but above all, for Latin America to have a

common view of the world, a globalization defined from the bottom up, whose conduct codes reflect our idiosyncrasies. Globalization cannot create a new culture overnight; it must be a blend of cultures and not an imposition of something that does not belong to our countries.

5. **Dr. Israel Mahler, Director of the International Board of Directors of the Bolívar Programme**, asked whether the new regulations established by industrialized countries are formal restrictions to exchange, and if they are also a restriction for a new industrialization process in the region. He also asked that, when there is a need for the so called industrial reconversion, due to adjustment programmes, aren't we talking about the need to reduce certain industrial activities due to the impossibility to comply with the required standards?

Why did we stop considering the importance of domestic markets and of subregional and regional markets as an element to develop a new stage in industrialization? He believes that it is valid for us to think that while we explore change, in industrialization conditions, we can analyze and re-create domestic and subregional markets. This does not mean rejecting or abandoning the incorporation of the benefits of the new concepts of quality and the implementation of modern technologies. We must take into consideration that the access to new technologies is severely conditioned by the requirements of industrialized countries regarding intellectual and industrial property systems.

Another problem for developing countries is the foreign ownership of companies, which can restrict the capacity of governments to make political decisions on the implementation of market protection and industrial reconversion measures.

6. **Enrique D'Angelo, Director of Sectoral Promotion of ALADI**, first mentioned that there is no doubt about the importance of industrialization, and that we must deal with this issue from a different perspective, vis-à-vis the commitments assumed under multilateral agreements.

He stated that today we have signed agreements that no longer allow us to use mechanisms that enabled us to develop our industry, because we must adapt to the new international and regional framework.

Mr. D'Angelo analyzed the agreements made on investments regarding trade, and in this context, in the medium term it will be impossible for countries trying to achieve industrial development, to implement the measures they used traditionally to create new industries; for example high tariffs to import similar products, or the demand to locally integrate component percentages. He believes that multinationals will establish industrialization strategies, and not national governments.

He also mentioned the Agreement on subsidies and compensatory measures, where the power of governments to adopt these measures will be considerably restricted, in order to avoid distortions to free competition. Another aspect he analyzed was the Agreement on technical barriers to trade, and on intellectual property rights related to trade. These agreements establish the possibility to have a patent on all types of inventions, as well as the protection of softwares as a literary work, granting a minimum protection of 50 years, thus limiting the manufacture of products that include software.

Finally, the ALADI representative mentioned options for Latin America, warning that a group of actions must be implemented to provide an appropriate institutional framework regarding capital safety, a clear legislation, regulation and clear competition rules.

7. Dr. Mauro Arruda, Executive Director of the Brazilian Institute for the Study of Industrial Development mentioned that the Latin American experience of the past years regarding industrialization cannot be praised. Today, most people are sure that the failures and losses are due to the way the opening was made, abrupt, with unprecedented drastic reductions in customs levels (like Brazil, for example); this is why the present industry is smaller than the one that existed before the opening, without following state of the art technology.

Trade agreements are hard and heavy for developing countries, and they were made in a very liberal environment that tremendously benefits developed countries. International trade growth has benefited them more than us. For example, the case Brazil vs. USA: before, Brazil had a positive trade balance with the USA, and today it is a negative balance.

The question is, for whom is this free trade? since we are mired by protectionism from all sides. Developed countries want our economies to open, while they practice a closed protectionism.

After the panelists' presentations, there was a general discussion on Item 1, with the participation of Dr. Orlando Cabrales, from the Colombian Ministry of Development, who stated that the opening in our countries was abrupt, immediate and unprepared, but it is already done. The effects of the opening is not the situation of some of our countries, because after the opening, different situations occurred that led to the problem of unemployment.

The challenges of industrialization for the future and of the problem of unemployment in our countries is related to the issue of technology. Developed countries own technology and the greater the economic strength, the greater the gap will be with countries that are no longer poor nor rich, but that do not buy technology. Those who have technology will own the world.

Regarding technology, he underscored that developed countries are using our biodiversity to register patents that make progress in biotechnology.

8. Mr. Eduardo Farah, President of the National Society of Industrialists of Peru, mentioned that the process of globalization has forgotten domestic markets. Products have been allowed to enter our countries at a value below international rates, or with dumping or smuggling values. The international community must be more transparent, because our countries have opened their markets to a "two way" business, not just one way.

9. Dr. Patricia Francis, Executive Director of JAMPRO, from Jamaica, supported the opinion of the Argentinean representative, to redefine the industrialization process, given that there are new factors to be considered; she also said that it is important to work together, including the participation of Caribbean countries, which although small, they represent a considerable group of votes in international forums.

Moreover, regarding the opening of markets, developed nations expect a certain quality standard from us, and regulate their imports on this basis; however, they do not regulate the export of products that flood our markets, products that cannot be sold in their markets of origin; therefore there should be reciprocity regarding standards.

10. Dr. Newton Sacenco, Deputy Secretary of Industrial Policy of Brazil, gave some comments on the influence of macroeconomic policies on industrial policies. He stated that all the region's countries are fighting inflation. Brazil, for example, is working with

variables like the exchange rate, and it is very difficult to implement an industrial policy when this freedom is restricted.

There is a possibility of implementing industrial policies, not like the ones in the past, but for specific sectors. It is obvious that industrial policies have a horizontal component and a sectoral component, and both components must be worked simultaneously: not only the horizontal policies like the quality and productivity policies of recent years, but also sectoral policies, targeting specific sectors and working the productive chain within these sectors. This is the case of the well known automotive policy, where we must work not only with the assembly industry, but also with auto parts.

We must constantly work on adding value to products. Countries with natural resources must add technology, like the case of Scandinavian countries or Canada.

We must work on industrial policies every day, because it is created day by day; quoting Einstein: "It is 90% perspiration and 10% inspiration".

11. In closing the discussion of item 1, **Dr. Mauricio de María de Campos** stated that in all the presentations, there is the belief that Latin American industrialization must take a road different from those taken in the past, and that in the past years many things have been learned regarding the recent macroeconomic measures and their effects on the industrial sector. He stated that many countries lack an industrial policy, but that this in itself is a policy.

The international context has changed basically due to the major international agreements, particularly with the WTO as a center that can enforce measures and countermeasures. We must adapt to these new circumstances in a creative way; we have our own global agreements, besides the other regional agreements that are affecting industrialization. There are other agreements under discussion, and here we must have a clear view of Latin America through its different national and subregional channels, and through the action of multilateral agreements. Developed countries are using their maneuvering space mainly to foster their own industrial development.

At this point in time, with the experience we have regarding industry, we must insert ourselves in globalization, but in an intelligent manner. The way in which countries participate in international economy is important, and this is where Latin America can have a series of advantages, given its past experience and its present position.

Technology and qualified human resources are certainly a fundamental variable, but we must also remember two very important elements: the size of markets and raw materials, and the training of human resources to add value to these raw materials.

In conclusion, he stated that we must start thinking about a new industrial policy where we not only use the cost advantages that we have, but where we also draw up new strategies and mechanisms that allow us to add value to our products. We must start defining the way to insert ourselves in the international scheme, and we have learned that the public and private sector, as well as other sectors must participate in the process to design long term views and mechanisms to permanently ensure the adjustment of policies and the creation of international policies.

Item 2: Industrial development strategies and policies in the present international context. Experiences in the implementation of industrial or competition policies.

1. **Dr. Wilson Péres, Head of the Joint Unit ECLAC-UNIDO**, introduced the item, describing the efforts made by the region to implement the industrial policy design.

The position of industrial policies in Latin America is excellent, like the case of Bolivia, Mexico, Chile, and evidently Brazil and Jamaica, among others.

Today, there are new methodologies on industrial policies, as can be clearly seen in the diversity found in each country. These new trends emphasize the efficiency, the reinforcement of comparative advantages, the policies that benefit the community, exports, technology, integration, human resources, and small enterprises.

Among the main trends in industrial policies, he mentioned: the relative decrease in importance of credits, subsidies, tariffs, state regulation and power, environmental policies, and gender policies. (Industrial labor force); and to take into consideration the position of sectoral policies.

With regards to the failures in implementation, he mentioned: the problems of Latin America; the separation between capacity of design and implementation; the lack of political operation; the complexity, difficulty and cost of politics implementation, and the problems of control, rules, actions and evaluations.

Among the alternatives of action, he referred to: the reform of the structure of the State, "difficult but not impossible"; reallocation of the most qualified human resources from their design to their implementation; strengthening intermediate agents of implementation (business chambers), implementation problems and impact evaluation.

Finally, Dr. Péres presented the advances and obstacles: joint public and private responsibility; fora and councils on competitiveness; substantive nationality of procedures for the application of policies; implementation and impact evaluation problems.

2. **Dr. Francisco Sercovich head of research studies of UNIDO**, stated in his presentation that international experience shows that there is a progressive and reciprocal agreement between international and local practices in the application of "better practices" in industrial matters, in which costs and training periods and the need for public-private cooperation receive the attention they require. In the developing world, an increasing differentiation during the last decades is evident, and this makes the transference and the replication of experiences from more advanced countries less viable. This disparity can be observed in the challenges that each category of countries has to face.

The economies of recent opening have to reconcile this opening with the consolidation of the competitive sustainability of the manufacturing sector; those countries of successful industrialization must complete the transition toward a manufacturing competitiveness based on innovation; those economies in transition must redefine or make more concrete several factors or actors, such as the state, human capital, the market, industrial modernization and management systems; and, finally, those relatively less developed countries must increase the viability and sustainability of the reform processes.

Later on, Dr. Sercovich referred to some of the "better practices" with respect to their origin, main attributes in the country of origin, and restrictions to the potential of replication. Among

the aforementioned "better practices", he mentioned manual labor in assembly operations, technical training and business organization.

The representative from UNIDO analyzed the rhythms and styles with which countries confront the countdown toward the ending of the transition period for compliance with the commitments contracted with the OMC/WTO, comparing the strategies adopted by different world regions, such as the ASEAN group and their contrast with MERCOSUR.

3. Dr. Julio Herrera, Minister of Industry, Energy and Mining of Uruguay, referred to the actions in industrial matters that are being undertaken in his country, such as a new industrial policy; developing quality, design and dependability; personnel training; investing in human resources, considering industrialization processes as a dynamic process; implementing educational reforms; and promoting full-time schools.

Dr. Herrera later addressed the subject of competitiveness, explaining that this in itself is very complex, that it includes the capabilities of companies, industries and nations which by being exposed to international concurrence provide production factors a relatively high environment and employment levels on a durable basis.

He pointed out that industrial competitiveness is not a state, but a continuous process of improvements and innovations requiring clear strategies and objectives in addition to obligations on the part of both private and public actors.

The great challenge confronted by both political and business leaders and is that of creating a sustainable revolution which affects the manner in which enterprises compete among themselves. This is an unprecedented revolution, in which change is what is permanent and the attainment of knowledge is the main wealth of nations, trying to make it sustainable through the application of increasingly capable human and technical resources.

In order to build a culture appropriate for a world undergoing permanent restructuring, today's organizations must also have excellent managers, and very good trainers and catalysts. Most of the time, one has the impression that the industrial environment is not only uncertain but often ambiguous.

In this respect, what could be termed as the new industrialization emphasizes the development of technical and human resources applied to the attainment of factors such as, quality, design and dependability on production capacity, promoting platforms that give credibility and attraction to the environment in which companies must include training as the main attitude of minimizing risks.

He mentioned that in his country the main pillars on which industrial competitiveness has begun to be based are:

- Macro-economic policies in the quest for stability and the creation of an adequate global economic environment.
- Education and training through the implementation of one of the greatest challenges in the history of his country, a profound educational reform.
- International integration through participation in one of the most successful efforts for open regional integration of current times.

- Companies are being prepared for MERCOSUR as a step toward their internationalization.
- Improvements to the governmental apparatus through the adoption of what has been termed as the Reform of the State and the Social Security System.
- Promotional regulatory frameworks to facilitate the addition of new factors, the channeling of investments and the attainment of the development of new questions ranging from social matters to the modernization of the energy regulatory framework.

Finally, he stated that reinforcing industrial competitiveness within a globalized economy entails achieving environments that are not only more efficient but also more solidary. This is where the main challenge lies.

4. The Honorable Mervyn Assan, Minister of Commerce and Industry of Trinidad and Tobago, mentioned his country's experiences in its efforts for industrialization and its vision for economic development, which is reflected in three phases: the first, between 1950-1960, as an initial attempt to transform the economy through inexpensive labor, with local and foreign investments with the purpose of substituting imports; the second phase encompasses the period between the of the 70's and 80's and was characterized by strong economic growth with averages of 8.5% related to the high cost of crude oil in international markets. During this period, industrialization efforts were concentrated on investment-based diversification and transformation, particularly in those industries related to the oil sector, and a strong investment to improve basic infrastructure and social services. This policy produced different results without achieving the targeted industrial transformation, and this, together with the drop in oil prices, resulted in negative growth between 1982 and 1989. Unemployment increased from 15.6% in 1985 to 22.4% in 1989.

The third phase started in 1989 with what was called "Renewed Industrialization". The Gross Domestic Product increased by 2.5% in 1991, again based on the increase of oil prices because of the Gulf War. Once the latter ended, prices went down again making international reserves drop to negative levels of US\$ 210 million at the beginning of 1992, which forced the country to adopt a strict programme of economic adjustment which generated growth rates of 3.6%, 2.4% and 3.1% between 1994 and 1996.

Minister Assan alluded to the impact of the globalization process on his country and the way it can be faced. In this new paradigm, enterprises become the "motor for growth", while the government plays the role of facilitator and regulator of the economy.

He pointed out that the changing nature of globalization implies challenges, but also opens up opportunities. The reduction of duties entails greater efforts for integration and regionalization and this leads us to reflect on the way in which smaller economies may be able to join hemispheric free-trade agreements.

On industrial matters, the government has defined its industrial policy for the next millennium, called "Industrial Policy 1996-2000. A Vision for the Industrial Development of Trinidad and Tobago", linked to the Commercial Policy for 1997-2000. The main areas of this policy are: development of human resources, financing, information on business, and institutional and regulatory reforms.

5. Dr. Freddy Rojas Parra, Minister of Industry and Commerce in Venezuela, referred to the industrialization processes in Latin America and the Caribbean, particularly those of the members of the Andean Community, who are showing favorable growth and

have been adapting to the changes dictated by the world, although there are still gaps due to the condition of underdeveloped countries.

He mentioned a SELA document on industrial policy that points to macro-economic stability and a stable financial system as conditions prior to it, something with which he agrees completely. In his country's specific case, a programme called "La Agenda Venezuela" has been adopted. This programme attempts to address all the political, economic and social levels of the country. It takes into account the sensitivity of the social sector, which is the one suffering the consequences of the decisions taken by the government and the new role the state has to play.

He considers that the integration that has been happening in Latin America must be taken into account, including those agreements that have been signed in recent years, the interaction between countries, productive chains, training programmes, internal markets, etc.

In the Venezuelan case, the development of productive chains is well reflected in the metal-mechanics and textiles areas, providing them with a competitive position in the market place.

The private sector is considering aspects such as technology and cost reduction in order to be more competitive and efficient. Dr. Rojas Parra's office is developing the subjects of quality, technology and financing for small and medium-sized industries, as well as a Programme of integral assistance to promote modernization and increases in productivity.

Another element that is being promoted is the association of small and medium-sized industries to achieve a better position in the marketplace. In addition, in matters of investment, a favorable milieu, a stable macro-economic environment, a legal framework and exchange security are all being promoted.

Efforts are being made with regards to the promotion of exports through international events, assistance to exporters, international technical cooperation, sectoral promotion and financial assistance.

Dr. Rojas Parra also referred to a broadened economic space already present in the region, with the promotion of free trade zones in Latin America as is evident in the Andean Group, the Customs Union, CARICOM, the G-3, and the Chilean-Venezuelan Pact. The goal of these actions is achieving a Free Trade Agreement for 34 American countries and thus the creation of one of the largest blocks in the world.

One of the objectives of the Ministry of Industry and Commerce at this moment is to develop the areas of research, environment, and protection to consumers and industry. The need for a concerted industrial policy between the public and private sectors and the workers is being taken into account.

6. **Dr. Luis Henrique Ball, President of CONINDUSTRIA**, stated the fundamental objectives of the Venezuelan industrial sector's proposal, which are: to develop a coherent and constant industrial policy, which is not only the scope of action of the Government; to design a healthy industrial policy which is the product of coordinated efforts between the public and private sectors; to identify the path toward permanent agreement, commitment, motivation and cooperation by the participants; to offer permanent assistance to the business community and conciliate the different sectors; to make a long-term proposal on industrial policy that develops the industrial sector.

He also mentioned the final proposal for the creation of the Industrial Development Council, so that industrial development policies may be applied, making decisions and taking into consideration all the sectors involved (government-industry) and including the participation of entities such as INCE, Bolivar Programme, Ministry of Industry and Commerce, CORPOINDUSTRIA, etc., in such a way that the concept of the productive chain is promoted.

Other aspects include proposals for short and medium term action, analysis of public policies, strategic alliances between the official and private sectors, methodological plans of analysis and productive chains, as well as carrying out specialized research studies and publishing information on what is being done.

7. **Dr. Patricia Francis, President of JAMPRO**, alluded to the Jamaican experience, which includes four stages of economic development similar to other CARICOM countries, moving from an highly protected economy of imports substitution to a model oriented toward exports. She mentioned some indicators, such as growth figures varying from 5.1% between 1962 and 1968 to 6.1% between 1969 and 1973. However, subsequent years showed only marginal growth, indicating that the economy was operating in 1986 at the same level as at the end of 1960, with a net expansion of only 45% during this period.

The expansion of the mining and tourism sectors contributed to growth in that first stage of the 50's and 60's. However, in her opinion, the import substitution policy during that period had negative effects on the economy, resulting in a considerable increase of imports as a consequence of rapid growth.

As a result of the Jamaican economy's strong dependence on imports, the size of the island, and the pressures from globalization and conditions imposed by multilateral loans, starting in the 80's a re-dimensioning of the economy began to take place. Under a World Bank structural adjustment programme, the country started to dismantle its quantitative restrictions regime and put into operation a reduction of duties and liberalization programme to thus become one of the most liberal economies of CARICOM.

Later on, Dr. Francis stated that her country's industrial development programme is oriented toward exports, with companies that maximize trade exchanges and make intensive use of labor. With respect to the latter aspect, the government recognizes the importance of having highly qualified personnel. Jamaica's competitive advantage is therefore based on the quality and creativity of its human capital and thus development strategies target not only the design of macro-economic and fiscal policies, but also strongly emphasize the development of human resources.

The development of these policies is set forth in several phases: The first one seeks stability, predictability and credibility through monetary controls and the development of the social sector. The second phase is geared toward growth and diversification and the construction of international competitiveness, including the promotion of investments based on the reform of all investment policies in order to guarantee clear rules, low risk and maximum return. Simultaneously, work is being done to provide a support infrastructure that includes trade policies, a labor market, competition, the development of small enterprises and public sector reform, in permanent consultation between the government and the NGO's. Social policy and poverty relief are also considered.

JAMPRO is the organization which provides the basis for growth and expansion of the private sector. The implementation of a national industrial policy is guaranteed through the Development Council, presided by the Prime Minister and comprised by all the ministers linked to development matters.

8. **Dr. Roberto Fantuzzi, President ASEXMA of Chile**, during his statements made reference to the export sector for which his organization is responsible.

He mentioned with respect to exports, that more than 50% are concentrated on seven products, which represent 0.2% of all the products exported by Chile and that the total number of these products are natural resources (capital-intensive and scant qualified labor). With respect to the companies, fifteen of them are responsible for 50% of all exports and this represents 0.25% of the total exporting companies. More than 90% of all exporting companies are SMEs.

Further on, he pointed out that, in his opinion, the four pillars of export development are: the non-export of taxes, the reimbursement of duties on imported raw materials incorporated into export products; a simplified reimbursement system to non-traditional exports; punishing duties on capital goods in order to produce export goods. He also alluded to Prochile, a public entity in charge of promoting exports, which has played an important role in export development and which has been gaining strength in spite of its limited resources.

The support instruments that have been implemented are: a guarantee fund for non-traditional exporters; credit insurance for exports (risk of payment); a project for the development of CORFO; a subsidy for investment in human capital (worker training programmes); technical assistance by CORFO; loans for exports (4 percent of the loan to which companies have a right on the value of the fixed assets that are immobilized).

Another initiative from the Chilean private sector has been the development of university programmes, creating private universities with more options for training in specialized job fields and personnel.

Another goal is to promote the country abroad through certain projects. Among them he mentioned the modernization of the Santiago International Airport as the port of entry to the country, the improvement of foreign and domestic airlines, the creation of incentives for better quality in products produced in the country and a national export logo.

9. **Dr. Alfonso Casanova, Deputy Minister of Economy and Planning of Cuba**, called his lecture "Economic transformations and the performance of the industrial sector".

He stated that the evolution of Cuba's industrialization process spans the period 1959-1989. The industrialization of the Cuban economy is part of a more integral process designed for the development and structural re-organization of Cuban society on the basis of social justice. The first phase was based on the expansion of the agricultural and animal husbandry sectors and on the development of infrastructure, supported by new industrial branches as the premise for the ulterior development of the manufacturing sector.

The State plays a fundamental role, a leading role as manager and guarantor of the indigenous process of transformation.

In these thirty years, some 22,000 million pesos were invested in the industrial sector with an accrual rate greater than 20%. This amount of investment was distributed in 25% for the sugar industry, 20% for energy infrastructure, 10% for agro-industry, and 33% for new industries.

In the case of the manufacturing sector, it grew at rates greater than its GDP, gaining importance in the country's economic structure. New industries have been created, such as:

metal-mechanics, electronic, nitrogen fertilizers and sugar cane by-products, and a special boost has been given to the construction materials and fishing industries and to the development of lead industries, such as pharmaceuticals and biotechnology.

A transformation has occurred in the structure of industry which allows a greater integration of the economy, especially between agriculture and industry, and a minimum proportional base has been created; a territorial policy of decentralized industrial investment throughout the country has been achieved; and there has been massive introduction of science and technology in the development of human resources. Foreign technology has been assimilated and domestic technological innovation has been developed.

But although there have been all these advances, there are also insufficiencies; more energy resources and other material per unit of achieved final results (production or services) are needed. There exist, for example, an over-dimensioning of capabilities; production scales with a propensity toward gigantic proportions, present in large enterprises in which there is a predominance of mass production, with a high concentration of agreed-on shipments, underestimates of quality a weak participation of business interests.

Dr. Casanova mentioned the performance of the manufacturing sector in which there have been notable changes, such as those of organizational or functional nature, the re-dimensioning of capabilities and the creation of new economic organizations and the reduction of the number of large enterprises and creation of medium and small enterprises.

He believes that the challenges for the future are: the overcoming of structural problems, the broadening and diversification of exports, the need for re-capitalization and new industrial capacities, a clean and sustainable industrial development, access to external financing sources and the development of regional cooperation and integration.

The competitiveness of Cuban industry is greater in the following areas: the strength of the internal economy, infrastructure, internationalization, the development of professional direction, government, science and technology, finance and human resources.

The strength of the internal economy is based on the beginning of the recovery process and the re-establishment of macro-economic balance at a minimum social cost.

After making reference to installed capabilities related to services of support infrastructure, he concluded that Cuba has applied a complex process of transformations that answer to its needs, experience, history and culture, as well as to the historical evolution of the Cuba-USA impasse and the effect of Cuba's advances on the underdeveloped world.

10. Dr. J. Daniel Toledo, Research Professor of El Colegio de México, analyzed the industrialization, growth and economic development processes of the Asian-Pacific countries, which is the most dynamic region of world economy, with approximately 25% of all world exports, 33% of all international reserves, and an average growth index of 7.8% during the 80's.

For the analysis of the economic success of those countries, Dr. Toledo uses what he calls "the Asian model of industrial relations" because he bases his assumptions on the premise that a certain industrial relations strategy is the basis for the explanation of the economic success of those countries, and it also allows the identification those relevant structures and processes of the social relations of production.

He then points out that even though the region contains very heterogeneous countries, because of their strong references in the cultural, religious and geopolitical backgrounds

regional integration and intense trade are phenomena that date several centuries back. He considers that Japan has had great influence in the creation of the "Asian model" or "paradigm", which seems to be based on contributions from Confucianism or Neo-Confucianism, in spite of the controversial character of that statement, if we understand it as a pragmatic philosophy, a quasi-religion, which is capable of mobilizing media and resources in pro of the success of the State and society by "glorifying the role of education in economic development or meritocracy".

Dr. Toledo reviewed the role of the actors in the model, attributing to the state the character of pioneer and promoter of development, to enterprises the role of fundamental nucleus in the economic and social organization of the productive process, and to the workers with respect to the polyvalence and functionality of dehumanization, emphasizing values such as "labor harmony", "loyalty to the company", "strength of the working team", the "Great Family" and others, whose ulterior motive is the search for harmony between capital and labor. Another aspect linked to the model is reflected in the great strategies and the basic components of the "7 samurai": administration, technology, capital, government support, international network, *keiretsu* (vertical and horizontal organization in sectors), and finally, the "sense of national mission".

Item 3: Industry, Technology, Training and Generation of Employment. The Role of the SMEs.

1. **Dr. Daniel Martínez, Regional Consultant of ILO**, started the presentation of this subject. He centered his lecture on the analysis of the labor market in the case of industry. He believes that when the economy is opened, markets are also opened and economies are integrated. With respect to labor, one expects that when there is an increase in exports, including manufactured exports, export-generated employment increases and, although imports may also increase, the development of the infrastructure linked to imports is also expected to generate additional employment. The net effect of all this would be an increase in employment. It is understood that prices stabilize, inflation is controlled, and there is an increase in people's real income and consequently in their level of well being.

The second effect that should be produced in the structure of employment is that countries specialize in the export of those goods which intensively use the most abundant factor. In the case of Latin America, the most abundant and cheapest factor is labor, so one would expect our countries to specialize in the export of labor-intensive goods. However, as the most abundant labor is less-qualified labor, one would expect a substantial increase in less-qualified labor employment. Once the demand for less-qualified workers increases, one would expect an increase in the average salary and, consequently, a reduction in the gap between the salaries of qualified and badly-qualified workers.

To summarize, employment should increase, attracted above all by the increase in exports. Employment of non-qualified workers should increase and the differences between the salaries of better-qualified and less-qualified workers should decrease.

Based on data from 13 countries of the continent, it was found that between 1990 and 1996 industrial employment grew only in four of them (Costa Rica, Chile, Barbados and Trinidad and Tobago). In the remaining nine countries, industrial employment decreased.

The ideal results should be: increase in employment and increase in productivity; workers salaries should increase but less than productivity, so that increases in productivity are not totally transferred to the workers and that these increases serve to generate greater competitiveness. The only country that presented this picture was Costa Rica. In the rest of

the nine countries, employment dropped although productivity increased, and all of them had increased salaries, but less than productivity, which made industry more competitive.

Of the four countries that have been successful, three have had long-standing economic reforms, started ten or more years ago. The remaining nine are countries in which economic reform has started only recently.

Enterprises may achieve increases in productivity during the first phase through adjustments in the labor market and in two ways: reducing the level of employment and controlling the increase in real salaries. During the second phase, industry already begins to generate employment (countries of long-standing economic reform) and there are important increases in productivity and growth in competitiveness.

In the other point addressing the relationship between less-qualified and qualified employment, the following case was brought forth: the manufacturing sector does not demand more non-qualified workers but demands well-qualified workers, but the export sector increases its demand of non-qualified workers. What happened was that even though the export sector increased non-qualified employment, their salaries did not increase. Therefore, the salary dispersion continues to be maintained.

In the area of professional training, almost imperceptible but very important changes are happening. Two changes are basically being seen: 1. Professional training is being privatized and 2. Professional training is being distributed toward different sectors. Today, responsibility for professional training is in private hands; it is a much more sector-oriented training with the end of preparing workers for specific sectors based on a true supply-demand.

Labor legislation in Latin America has become more modern, it has changed substantially. However, the legislative field in training matters has hardly been touched; in general, it is outdated. This an area that needs change, the area of legislation on labor training.

2. Dr. Joseph Ramos, Director of the Productive and Business Development Division of ECLAC, emphasized the effect of technological development on employment. He considers that technology can be advantageous for productive employment; it not only saves labor expenses, but also, in general, saves capital and thus more resources are available to generate more employment for the rest of the economy.

Extraction techniques have permitted that reserves of so-called non-renewable natural resources are now greater than when the Club of Rome report was written. Technology has now made it possible for resources that previously had no economic value such as deep ground oil or minerals with a low mineral content to be mined at lower costs. Currently, new technology has increased the amount of those resources.

Many technological advances serve to generate employment in the rest of the economy; they are accompanied by drastic reductions in prices; what used to be spent on that sector is now invested in other areas of the economy.

At the beginning, when only a few companies are adopting high technology, the following phenomenon can be seen: the slower the diffusion, the longer the period in which a highly productive company can pay lower salaries; the slower the diffusion and smaller the number of highly productive companies, the longer the period for high prices and low salaries and the deeper the concentration of income. Changes only appear after a long period of time.

In countries of rapid diffusion, concentration is less acute and lasts less time. If we could go from a low technological diffusion to a more rapid one, we could go from more acute and longer concentration of income curves to curves that are shorter and less pronounced.

Dr. Ramos asked himself: How can technological diffusion be accelerated? By replicating what happened during the Marshal Plan, by using the same type of technical assistance: Different types of professionals (technical missions) were sent to visit 6 or 8 better practice companies in the United States. They then wrote a report and each one of the members had to distribute this report to 10 companies. This resulted in increases of productivity of up to 25% to 50% without any major increases in investment.

3. Dr. José León Desanti, Minister of Economy, Industry and Commerce of Costa Rica, made a general analysis of the role of SMEs in Costa Rica in recent years. He explained their contribution to the GDP and their importance in the training of human resources and technological development of the country. In addition, he referred to the different support schemes for the SMEs that are presently being applied in Costa Rica, such as actions related to quality, the environment, financing, etc. These activities are being carried out with the assistance of universities, the National Institute for Learning and others.

4. Dr. Orlando Cabrales, Minister of Economic Development of Colombia stated that his country has changed from an essentially agricultural country with a monoculture that at that time represented 80% of all exports to a situation in which that same product only reaches 12%. This diversification of the country's productive element happened before the opening.

The opening in Colombia came as a surprise, quickly and without any preparation, but many industries understood it immediately, although some have not. The opening came about during 1990 and there are industries that have still not understood this change.

I consider that this effort had two difficult stages: the economic opening, which forced prices and labor-related costs and other costs to adapt. Then came a period of very high revaluation of the peso, and there is no technology, nor reconversion, nor productivity that can withstand four consecutive years of revaluation of the peso, in which costs increase at the level of inflation at a rate of 20% and a revaluation that has not surpassed the rate of 6% during the last 5 years. Because of this phenomenon, industry has had to shrink, but it has been cleansed so that a new stage can really begin.

At present, the responsibility for professional training has passed to private hands. It is a more sector-oriented training designed to train workers for specific sectors based on a real supply-demand. Labor legislation in Latin America has changed substantially. However, the legislative area in labor related matters is generally very outdated and this is an area that has to be modified.

5. Dr. Elisa Robles Fraga, General Director of Technology and Industrial Safety of the Ministry of Industry, Spain, expounded on Spanish industrial policy in the face of globalization.

In this respect, she pointed out the modernization of public sector companies. There has been a restructuring of public enterprises and the privatization of state-owned companies has been promoted. The support measures for industry so that they could carry out these plans, were: creating horizontal policies, especially designed for SMEs thus encouraging technology, improving product quality, creating policies to protect the environment, social and enterprise

security. On the other hand, there are the sector-related policies, which have a singular and transitory character.

She referred to science-technology-industry systems, in which several plans have been developed: the National Plan for Industry & Development; the Network of Public Research Centers and Technological Centers; the Support Programmes to Industry and Industrial development; and International Technical Cooperation. These programmes seek to support and promote the industrial technology sector, taking into account all the technologies in areas such as information and communications, production, biotechnology, chemistry and food technology, materials, pharmaceuticals, technologies for the industrial environment, infrastructure, and innovation and development networks for industrial design.

Quality and industrial safety programmes have been developed in the following fields: diffusion, training and information in quality and industrial safety, infrastructure for quality and industrial safety, safety and quality of products and industrial facilities, and quality in industrial companies. These programmes have developed the quality of the products being produced and have increased safety in enterprises.

What is most important of all this is that the challenges of globalization have to be faced. Increasing business competitiveness to achieve optimum product quality, taking into account industry motivation, technological diffusion, constant innovation to keep up to date with technological changes and advances, training of qualified people, achieving quality and industrial safety, and promoting international cooperation are some of the goals of these plans.

6. Mr. Henry Gómez, President of FEDEINDUSTRIA, Venezuela, mentioned the importance of the SMEs on a worldwide level, particularly in those economies with the greatest relative development. Within the framework of a new competitiveness with flexible specialization, the SMEs, because of their characteristics, play an essential role in employment and value added, as a result of their greater ability to contribute important innovations in products and processes, their capacity for response to crisis situations and their capacity to generate an industrial fabric, their greater flexibility to adapt to new market conditions and to be great consumers of intermediate goods.

At present, the supportive role of the SMEs, is based on the objective role that these enterprises play in an open and competitive environment, on the increase in the level of efficiency of the group of systems, on the integration and development of the industrial fabric and on the general modernization of society.

Development and support policies for the SMEs are generally based on five broad aspects: a) the elimination of the obstacles to transactions in order to improve the productivity and competitiveness of enterprises; b) the provision of financial resources with special conditions; c) the creation and furthering of fiscal incentives that promote capitalization; d) the advancement of technological development and of innovation and availability for its use, e) the creation of an adequate legal framework that prevents disloyal competition and discriminatory treatment toward SMEs and which promotes human resources training.

In the case of Venezuela, some characteristics worth noting are: a) a productive apparatus with the greatest weight on metal-mechanic and petrochemical basic enterprises with intensive use of energy and of other natural resources with little value added; b) a manufacturing sector with no articulated industrial fabric around high growth sectors with a strong export orientation; c) a strong link of the industrial apparatus with the internal market; d) a scant export vocation, reflected in the fact that in recent years only 10% of the gross

manufacturing production was destined for external markets; e) a high degree of dependency on inputs and capital goods from the external sector; f) a prevalence of traditional relationships among clients, industrialists and foreign suppliers, with elements of distrust and maximization of short term achievements; g) a scarcity of efforts in research and development within the companies; h) human resources insufficiently trained and technically apt for the requirements of the manufacturing sector.

The SMEs in Venezuela, which comprise more than 90% of all industries, are one of the essential links for the country's modernization because of their potential for training of non-specialized labor, because of their role in generating new entrepreneurs and in the democratization of capital. They represent the surest option for the relaunching, reactivation, and sustainable development of the Venezuelan economy.

Among their weaknesses, Mr. Gómez pointed out the following: the inadequate level of training of the staff of directors and management; organizational and technical insufficiencies that obstruct the efficient use of human resources and equipment; the difficult access to information on technical processes, on production and market processes; the limited resources and possibilities for training; the limitations to access resources from private financial companies because of their high level of requirements; a scarcity of appropriate, agile, efficient and opportune credit mechanisms due to a scant and inefficient bank intermediation; the limitations to ensure the supply of inputs at prices and volumes similar to large industries; and the frequent changes in policies and exchange regimes.

In order to overcome its present problems, Venezuela needs the following basic conditions: the existence of a national project that is able to join together all of society, which has as its central objective the achievement of sustainable development based on a modern, diversified and equitable economy; an economic policy that gives high priority to developing a real economy of negotiable goods; the need to respond to globalization and economic opening through the economic consolidation of competitive and cooperative advantages.

7. Dr. Manuel Gallegos, President of CORPOINDUSTRIA, Venezuela, pointed out during his speech that the fundamental institutional objective is to achieve the reactivation of small and medium sized industries through integral assistance with a view to obtaining an industrial fabric with high levels of productivity. Such is the challenge that CORPOINDUSTRIA has set itself in order to formulate policies which, according to the criteria set forth in the Agenda Venezuela, consolidate and guarantee sustainable growth for small and medium-sized productive enterprises.

This is the new role envisioned for the SMEs. Years of overprotected, small and not overly demanding markets, and the abundance of resources derived from oil, negatively affected economic activity in the country, and small and medium sized enterprises did not escape this phenomenon. The corporation functions as the promoter of industrial development. It seeks to use a coordinated policy which can help all the actors in the economy, can serve as a link between the government, business entrepreneurs and sector leaders, with the participation of municipalities, chambers, unions and private and public institutions.

He emphasized the participation of technical institutes or organizations which may act as consultants to the SMEs, as well as to the difficult access of the SMEs to financing. With respect to technical assistance, the idea is to let CORPOINDUSTRIA serve as a bridge between the industrial sector and the country's research centers, in order to improve the SMEs and incorporate well-trained human resources, and thus improve employment and product quality.

8. Mr. Eduardo Farah, President of the National Industry Society of Peru, made a presentation on his country's industrial process. In this respect, he pointed out that in Peru, large enterprises represent 0.7 % of all the country's enterprises and 87% is comprised by small and medium-sized enterprises. Because of their informal characteristics, these enterprises have a problem: they do not pay taxes and they obtain electricity in an illegal way, causing losses. In addition, small enterprises have no access to either loans or financing; they only have access to informal loans which are much more expensive than normal loans.

States and governments must show the members of the informal sector that being formal is much more economical and technical. In Latin America, and particularly in Peru, taxes are extremely high. Enterprises pay around 34% of their income because, in order to maintain a fiscal surplus that is presently 3% of the GDP, taxes were levied in a non-technical manner. There are taxes on fuel, on legal forms, etc. In Peru, formal enterprises lost 26% of their workers, but something unexpected happened: The service sector increased in the last six years, because 100,000 people entered the labor market. Thus, we ask ourselves, what do our countries need: just employment or qualified jobs?

Governments must work closely with private enterprise and collaborate with all sectors altogether, because the world economy undergoes constant changes that affect us. If we do not reach an agreement with private and public sectors, the employment generated in our countries will not be enough to activate and update our economy vis-à-vis the rest of the world.

9. Dr. Eduardo Tarragó, Director of EMPRETEC of Uruguay, stated that these last years have been very difficult for SMEs. In the 80s, SMEs were believed to be able to do anything; nowadays, in the 90s, there has been a significant change and we have realized that it was not so.

The reduction of State and the dwarfing of many local and transnational companies, which were installed in Latin America, have been a hard blow to the small-sized enterprise, which was a supplier for both the State and bigger enterprises. On the other hand, SMEs investment has been allocated to productive restructuring, while labor retraining has been disdained. Entrepreneurs have neither recycled their employees nor trained them in new technologies.

If we are here today summarizing the last five years of regional integration policies, we acknowledge that everything we expected (i.e., a fast growth of inter-regional relations) has been fulfilled and that it has fostered a sensitive transformation of productive structures (at least in the Uruguayan case, where we focused our attention on small and medium sized enterprises of advanced technology). Then, it is evident that technology-based enterprises have an enormous potential within the framework of MERCOSUR; but not so when technologies are applied to enterprises with economies of scale.

In 1996, technology destroyed 28% of employment in the manufacturing sectors with applied technology, where there is a high participation of SMEs. Far from complying with the flexibility theory for SMEs, employment destruction was even greater and small-sized enterprises could not follow the pace of bigger enterprises.

In the case of Latin America, the boom of SMEs took place at a time when organizations provided support to this sector. The numerous programmes included: support to university graduates, apprenticeships for young graduate scientists, advisory to entrepreneurs, offices for investment promotion, data bases with access to small-sized enterprises, and financing and loans for small businessmen. Besides the achievements made to this date, it is

necessary to strengthen the development of computing and technology, foster international and national cooperation, and promote tax instruments for SMEs, thus supporting research and development.

Item 4: The Importance of Multilateral Technical Cooperation for Industrial Development. The Future of UNIDO.

1. **Ambassador Carlos Moneta, Permanent Secretary of SELA**, introduced the subject saying that cooperation and association are two terms of major importance within any company's business strategy.

Cooperation, whether in the regional or sub-regional framework, is key to us, and the subject does not come down to financial assistance only, but to the experience it allows to develop, and how to increase competitiveness, how to train human resources, etc.

He particularly referred to the way in which we can take greater advantage of some conceptions that are gaining importance with globalization. In theory, the importance of decentralization has been stated, and we have several elements to deal with in this sense: financing, profile of most prominent productive sectors, training of personnel on how to handle new technologies, and good information are preeminent for new investments; and now we have to look upon Africa and Asia, as future blocks, especially the latter, which may cooperate with our region.

2. During his speech, **Dr. Jesús Gracia, Director General of the Institute for Iberian- American Cooperation of Spain**, said that his institution must play an active role in cooperation, contribution, and development of other countries, and he is working on that. Particularly, it has to be active in institutional strengthening, education, and economic and social development related matters.

Institutional strengthening, especially in Iberian-American countries, is one of the most important topics to them, and this is the reason for him to refer to the role of the State in today's society. A State that is increasingly downsizing, as its functions change, and as it is urged to do things different from those it has traditionally been requested to do. Public and sectoral policies must be adapted, since they are, in the end, the ones to establish the frame where economic activity develops.

For economic development to take place, there has to be a juridical security framework, that allows for investments and transactions, and economic activities to be performed in a secure environment, or with a guarantee component so that our countries become more attractive to invest resources, and to be politically more stable in order to pave the way for economic development.

As for education, AECI is working on literacy programmes, scholarship programmes in the science and technology areas, that are, or try to be, directly linked to the business sector, economic, and small and medium-sized enterprise development programmes that reach people who actually need these programmes.

AECI is also working on the multilateral aspect with international agencies, which must be increasingly efficient, and actually contribute to development, and not just be agencies running by inertia; and that is the responsibility of all of us, even collaborator countries.

Finally, how the policies outlined here get to people actually affected by them is a point of major concern, and the representatives of governments are the ones truly responsible for implementing such policies, to better the standard of living of our societies and our people.

3. Dr. Hugo Varsky, Secretary General of the Bolívar Programme, said that there is a clear struggle for markets. The regions of the world are in an increasingly stronger market, and amid these conditions the location of the productive sector within the new globalization process has found a pivotal tool in strategic alliances. Large companies have used strategic alliances as a new manner to position themselves in the world: at a regional level, they aim at facilitating the process of creating alliances, as proven by the case of Europe.

Gaining a competitive market share has been a key goal in Latin America. Small and medium-sized enterprises need international technical cooperation. Alliances play a fundamental role in the industrialization process because they make it easier to import technology.

Transfer must occur in the field of alliances, not only in the political, financial, technological, productive or industrial sector. Dr. Varsky thinks that this new reality imposes a need to deal with many different aspects, such as forums, exchange of opinion and points of view, the political consensus, the economic consensus, the encouragement of competitiveness, the internationalization of SMEs.

After the presentation delivered by Panel IV, a group of personalities expressed their points of view.

4. Dr. Benigno Sotomayor, Minister of Industry of Ecuador, pointed out that the subject of multilateral technical cooperation is not new in Latin America and the Caribbean, or in the general context of developing countries; which do not argue about its validity as an appropriate mechanism for developed countries to be able to effectively give their support to less developed nations seeking to narrow the gaps dividing us into poor and rich countries. The discussion is focused on finding policies and mechanisms that permit the use of cooperation resources to effectively and efficiently meet the needs of the Third World, adapting to its requirements and own identity, and to the way third world nations programme and guide their development, without permitting the imposition of policies, models and conditionings that would rather become delaying and conflict elements.

The Permanent Secretariat of SELA, in its Strategic Notes issued in March this year, remarks that the technical cooperation activities should be focused on the development agenda for the region, including the adaptation of national policies as the domestic agenda, and articulating such policies with the insertion of nations in the world economy as the external agenda. With a general consensus on the statement proposed, I think that the analysis must lead to determine the extent or emphasis that we must decide for the internal and external agendas, and the complemented subjects to be included therein.

The central points for technical multilateral cooperation, concerning the insertion of the region in the international economy, seem to be clear; and could be summarized as follows: access to new markets; training of direct foreign investment resources, good use, adoption and generation of technologies consistent with our development; access to financial markets; and training of human resources on international trade.

UNIDO was conceived as the specialized body within the United Nations devoted to promote sustainable industrial development in countries with developing or transition economies. In

practice, the creation of UNIDO was intended to allow industrialized countries to help developing nations to smoothly implement industrialization programmes in order to better insert them in the world economy, and solve problems associated with poverty. Of course, south-south cooperation was implicit in these activities, facilitating the transfer of experiences and achievements among countries with a same industrial level.

He considered that there is consensus in the region about UNIDO's importance, and the need to continue relying on the support of the Organization for the development of our industrialization and growth plans. However, and this is a reminder rather than a statement, I would like to refer to certain aspects that have been analyzed within the Organization itself.

Last, we must reiterate the urgency for UNIDO to carry through its institutional restructuring process, responding to the current demands by third world nations which, consistent with what I have been allowed to state, must pay attention to those fields that will make their insertion in the world economy and their active participation in international trade possible.

5. Mr. Phillip Paulwell, Minister of Jamaica, considers that the role of current technical cooperation is of critical importance, particularly in the case of developing countries as regards increasingly market- and globalization-oriented processes. Within this context, multilateral technical cooperation becomes a catalyst for industrial development, allowing for the improvement of socio-economic conditions thanks to increased income and employment opportunities.

In the case of Jamaica, the challenge is to stress those aspects which will contribute to consolidating the productive base of the economy. One of the programmes with which the government of Jamaica has become seriously involved is that of the eradication of poverty, as a result of the joint effort of the multilateral agencies to create the Social Investment Fund, particularly with the World Bank.

The purpose of said fund is: to direct resources toward that part of the population that is not being helped by other programmes; basic and infrastructure services are provided to the poorer classes, additional resources are mobilized and channeled toward the social assistance area, the institutional capacity of governmental and non-governmental entities is increased in order to design, implement and manage projects aimed at small communities. Assistance is offered in the social services sector, such as vocational orientation, training and technical assistance to participating entities.

Minister Paulwell indicated that during the next four years, the Fund will invest more than US\$ 60 million to finance approximately 70-100 projects. Another area of importance as regards multilateral cooperation is that referred to the legal framework.

In closing his presentation, the Minister recognizes UNIDO's contribution to defining and implementing Jamaica's industrial policy, both at the macro and micro level, in a search for production added value, new methods for increasing productive efficiency, insertion in technological information systems and other.

6. Dr. Atilio Fernandez, Minister of Industry and Trade of Paraguay, initiated his presentation stating that from the mid 80s until the early 90s, multilateral cooperation towards Paraguay decreased significantly. The deterioration of the country's political and macroeconomic situation, the accumulation of the overdue foreign debt, and the dangerous drop of international currency reserves were factors that had an impact on this decision.

In the 90s, the foreign cooperation policy towards developing countries, and Latin American particularly, changed its approach. This change occurred simultaneously with a political and economic transition in Paraguay. Notwithstanding, the establishment of democracy in 1989 did not involve the immediate renewal of technical and financial cooperation by multilateral agencies.

It was not until Paraguay managed to solve the overdue foreign debt problem, by the end of 1992, that the country was again a beneficiary of technical international cooperation. The macroeconomic stability and the support to the country's political and economic transition appeared to have been the main factors that boosted this renewed flow of technical and financial assistance.

The technical assistance to trade and industry in a direct manner, accounts for just 7.5% of total assistance. Projects within the industrial area currently being developed are: Programmes to encourage SMEs; technical assistance program for Paraguay's admittance in MERCOSUR; exports and investments promotion program; strengthening of the management capacity of the Ministry of Industry and Trade; strengthening for the design and implementation of trade policies, support to the sectoral investment program, and the modernization of Paraguay's industrial structure.

International cooperation can also be very supportive in the task of implementing the industrial policy contributing to higher industrial and technological growth, to provide our small and medium-sized enterprises, with greater competitiveness, a greater promotion of our exports and training of our human resources that permit us to optimize the benefits of the globalization process.

7. **Dr. Mauricio de María y Campos, Director General of UNIDO**, proposed in his presentation that during this new stage of globalization, the different agencies must get stronger, be more foreign-oriented, and adopt new ways for cooperation, taking advantage of the opportunities provided by globalization.

Undoubtedly, a question has been increasingly raised over the last years at an international level, concerning the efficiency and importance of the international bodies, and UNIDO could not be exempted from such questionings. UNIDO was created during the cold war period, a time when developing countries were seeking to accelerate the industrialization processes as a fundamental element, and to meet their populations' basic needs.

We must reflect upon what is UNIDO, since its authorities will be replaced by year end. The Latin American representative had to cope with the organization's most difficult times; maintaining, however, the position and the seat. Despite all the difficulties, I think we must support UNIDO's continued existence.

In the case of UNIDO, it must adapt to the new international needs, to globalization, to the liberation of roles played by the public and private sectors. To the new technological and business challenges, etc. This has been done in a quite different manner, supporting the outlining of industrial policies and the strengthening of institutional capabilities of the countries in a different way; that is, this process requires the emancipation of the public sector, of workers, and other sectors, with the conviction too, that this is a process that should serve for us to restate our schemes, and find out the best way to integrate them to the society in an intelligent manner.

UNIDO is supporting programmes for Latin America within the private sector, such as: the industrial restructuring and the privatization process of the industrial sector. As far as promotion of investment and technology transfer are concerned, UNIDO plays an essential role in taking advantage of the information networks to promote, especially amid small and medium-sized enterprises in developing countries, specific investment programmes and projects, backed by regional sectoral forums.

All these programmes are paving the way for new projects, as those related to the ozone layer, environmental pollution problems, preservation of the Amazon, etc.

It is worth mentioning that in the programmes, most counterparts are in the private sector. In this regard, an Inter-regional Council was created, and in which well-known businessmen from 25 different countries were admitted.

IV. CONCLUSIONS AND RECOMMENDATIONS

Ministers and governmental representatives responsible for the industrial sector of the Latin American and Caribbean countries participating in the II Meeting of the Regional Forum on Industrial Policy, held in the city of Caracas from the 30 July to the 1 August 1997, agreed, at the end of their deliberations, to emphasize the following aspects:

1. Carry forward the works scheduled under the Regional Forum on Industrial Policy, which is an important meeting arena for the governmental representatives of the industrial area of Latin America and the Caribbean, with the participation of the business, technological, financial, and labor sectors, and supported by international and regional agencies specialized in this matter -an issue brought under discussion once again in this meeting.
2. Strengthen the main objective of the Forum as a mechanism for promoting a joint reflection on peremptory issues of industrial development, to foster cooperation and integration within the industrial sphere, facilitate the exchange of experiences, and promote the coordination of positions with respect to topics of general interest.
3. Agree upon the following preliminary guidelines of a Work Programme for the 1997-1999 biennium, the definition and execution of which will be requested from organizers and co-sponsors of the Regional Forum on Industrial Policy:
 - a) Develop monitoring and prospective actions on the industrial topic, that may serve as an early "alert" mechanism against the impact on countries of the region of decisions adopted in a world context, referred to the flow of investments and trade.
 - b) Identify and divulge specific policies and strategies adopted by the countries of the region and extra-regional countries, whose success has resulted in benefits for industrial development, both at a national level, and at province, and municipality level, strengthening local capabilities.
 - c) Conduct and disseminate analyses on specific subjects related to the making of industrial public policy, taking into consideration social development needs and the new characteristics of the international context.
 - d) Develop actions intended to promote the exchange of experiences, and regional cooperation regarding human resources training programmes for the industry, including modern managerial techniques.

e) Foster the exchange of information among public and private sectors of the countries of the region. In this sense, the different bodies responsible for coordinating the industrial policies of participating countries have been advised to present their respective programmes and work projects in order to identify synergies and common interest topics so as to create a matrix of possible joint actions, and technical and economic cooperation agreements.

4. Recommend that organizing and co-sponsoring agencies of this event hold meetings to outline the above-mentioned guidelines and create a Work Programme to support the activities of the Regional Forum on Industrial Policy. Member countries should be notified within a six-month term, as of the present date.

5. Encourage the international or regional agencies to coordinate actions aimed at supporting the industrial development of the countries in the region.

6. Express their acknowledgement to UNIDO for the results obtained through the reforms initiated in 1993, and confirm the importance of its programmes to support industrialization in Latin America and the Caribbean. Also express the need that in the current review of activities, under the reforms of the United Nations system, UNIDO's strength and relevance be maintained for developing countries, as well as the regional and sectoral universality of its mandates.

7. Thank and accept the offering by the Government of Guatemala to host the III Meeting of the Regional Forum on Industrial Policy, to be held in 1999, on a date to be agreed upon.

Ministers and governmental representatives, as well as the rest of the participants, express their acknowledgement to the Government of Venezuela, and agencies that organized and co-sponsored the II Meeting of the Regional Forum on Industrial Policy (SELA, UNIDO, AECI, Bolivar Programme, ALADI, ECLAC, ILO, and UNDP,) and CONINDUSTRIA and FEDEINDUSTRIA of Venezuela, for all the facilities provided, and for the success achieved in the meeting.

ANNEX I
SPEECHES

**Address by Ambassador Carlos J. Moneta
Permanent Secretary of SELA**

Distinguished Mr. Freddy Rojas Parra, Minister of Industry and Trade of Venezuela;

Distinguished Mr. Asdrúbal Aguiar Aranguren, Minister of the Secretariat of the Presidency, in representation of the President of the Republic;

Distinguished Mr. Mauricio de María y Campos, General Director of UNIDO;

Distinguished Mr. Miguel Angel Fernández Mazarambroz, Ambassador of Spain;

Distinguished Mr. Hugo Vasrky, Secretary General of the Bolívar Programme;

Your Excellencies, Ambassadors of all other countries;

Ladies and gentlemen:

I am pleased to address such a distinguished audience at this inaugural session. The presence of an important group of ministers and government officials linked to the industrial sector, the various ambassadors, as well as representatives of the business, academic, technological, financial, labor and legislative sectors of our region and of special guests from other countries constitutes proof of the importance granted to the issues to be considered in this Forum.

In October 1991, a significant number of government representatives, gathered in this same auditorium, agreed to create a permanent mechanism for exchanging ideas and reflecting on the issues of greatest concern in the industrial area, counting on the participation of public and private sectors, as well as that of international and regional entities related to this topic. This agreement, entitled Decision No. 1 of the "General Conference on Industrialization," creates the Regional Forum on Industrial Policy, a name which was possibly not very popular at that time, but which accurately attempted to anticipate the growing need for the government and the private sector to intervene intelligently, in promoting the industrial development of our countries, so as to better confront the challenges of competitiveness and growing globalization.

It was not easy to call the I Forum Meeting - its need in the region was not clearly apparent at that time - until finally, thanks to the gracious offer of the Government of Costa Rica, and with the approval of President Figueres and with the cooperation of the Bolívar Programme, the meeting was held in October 1994 in San José.

The response to the summons to that I Meeting was very positive, not only with regard to the number of participants, but also as regards concepts, ideas and exchanges generated. The conclusions and recommendations of this Forum reflected the collective concern regarding the need to identify and exchange successful experiences as regards industrial policies, competitiveness or productive modernization, under a common direction: the search for balance and appropriate synergy among all the actors in the industrial process, with a view to strengthening the productive process, generation of employment, competitive penetration in international markets and, consequently, improvement of the standard of living of our population.

On this occasion, with the same will, longing and hope, we are attempting to take a step in the same direction by calling the II Meeting of the Regional Forum on Industrial Policy, counting on the full support of the Government of Venezuela, through the Ministry of Industry and Trade, headed by our distinguished friend, Mr. Freddy Rojas Parra.

The response to the summons made by several means, including, in addition to the Permanent Secretariat of SELA, the Office of Minister Rojas Parra, UNIDO and the Bolívar Programme, cannot be more enthusiastic nor can it have elicited greater interest. The participation of 27 SELA Member States, of which more than half of the delegations are presided by their respective Ministers, as well as the highest representatives of the cosponsoring entities, constitute unmistakable proof of the concern for and interest in finding related means, through concerted coordination and cooperation, strategies on which many of us present here today have been insisting.

The topics which will be analyzed at this meeting, express some of the basic concerns of this part of the world. Although, as is the case with the topic "Growth and Employment," which forms a central part of our Work Programme during this year, this is a concern shared with many of the developed countries, particularly with Europe, there are causes and consequences that in some instances are common and in others, diverse.

For this reason, we consider it advisable to open this forum with an Interagency Panel, where these problems may be analyzed by the multilateral entities responsible for this area, the programs implemented may be identified and their impact considered.

The points of the Agenda associated with the industrial area point to the realization that the transformations which have occurred in a global context have generated and will increasingly have a sustained and important impact on the economies of our countries. Consequently, new strategies must be defined as regards groups of countries as well as groups of companies.

The effort to acquire the capacity to compete on an international level forces companies to modernize, not only as regards production, but also as regards organization and trade strategies and external insertion. The strategic objective of modernizing the Latin American and Caribbean productive structure occurs at a time when a worldwide techno-productive revolution of the greatest importance mankind has witnessed since the industrial revolution of the XVIII century is underway.

I do not intend to go into detail with regard to each of the topics of the Agenda, since they are all extremely important. I would like to mention only two of them, since we have attempted to contribute to their promotion from the Permanent Secretariat: small and medium-sized enterprises and training of human resources, as key elements of productive modernization and competitiveness.

With the invaluable support and cooperation of the AECI, the UNDP and the Bolívar Programme, we have taken various steps toward the development of small and medium-sized enterprises in the region, to support the productive economy, the generation of employment and permanent technological innovation, not only as regards equipment, products and processes, but also organizational modalities and intercompany cooperation.

The main elements of that activity, which will form part of our Work Programme for 1998, include aspects such as the propagation of concepts, strategies and ways for intercompany cooperation, review of experiences and search for new financing means for, and SMES the articulation and development of coordination and cooperation mechanisms in the information area for small and medium-sized enterprises.

Furthermore, the evolution of training indicators for the region's human resources shows that, despite all efforts, there has been little progress. This Forum could play an important role in this area, alerting the Latin American and Caribbean society, in particular the leaders of the public and private sectors, with respect to the need to urgently promote concrete actions in this regard.

Seventeen years ago, an untiring fighter for the Latin American industrialization cause, our unforgettable friend Fernando Fajnzylber, correctly pointed out in the introduction to the book "Industrialization and Internationalization in Latin America", that ..."despite the rapid economic growth and doubtless modernizing effect, the specific modality of Latin American industrialization was incapable of generating the necessary employment opportunities, to correct the prevailing scheme as to the distribution of income and sustain the local technological basis, increasing its capacity to compete on an international level."

Today, after almost two decades, his central message is still valid. Fajnzylber pointed out to us that it is necessary to undertake our own creative search for alternate styles of industrialization, consonant with the human and natural resources in Latin America and the Caribbean. Our style of industrialization should, consequently, be functional according to our needs and resources, and respond to our reality. This requires thinking seriously about the elements of the development paradigm that will serve as a guide during the next century; with the paradigm currently in place, Latin America and the Caribbean have not been able to satisfy the basic needs of their societies.

I cannot conclude without expressing my public recognition to the organizations which accepted our invitation to participate in organizing and sponsoring this outstanding event, some of which I have already mentioned, the International Cooperation Agency of Spain (AECI), the United Nations Industrial Development Organization (UNIDO), the Bolívar Programme and the Ministry of Industry and Trade of the Republic of Venezuela. Similarly, my thanks go out to the Latin American Integration Association (ALADI), the Interamerican Development Bank (IDB), the Economic Commission for Latin America and the Caribbean (ECLAC), the U.N. Development Programme (UNDP), and the Venezuelan business organizations, CONINDUSTRIA and FEDECAMARAS.

None of the efforts made to organize this event would have any meaning, without the involvement of the representatives of the countries of the region, both from the public as well as from the private sector, on whom it ultimately depends that what is considered here will become the basis for the actual undertaking of measures destined to create the basis for our development and for the presence of our companies, countries and region in the world order.

Thank you very much.

**Address by His Excellency, Miguel Angel Fernández Mazarambroz
Ambassador of Spain, Representing the International Cooperation Agency of Spain
(AECI)**

Mr. Permanent Secretary of the Latin American Economic System
Distinguished Ministers
Distinguished Ambassadors
Representatives of International Organizations

It is an honor for me to speak to you this afternoon at the opening session of the Forum and to welcome you on behalf of the International Cooperation Agency of Spain, which is, of course, the cooperation policy instrument of the Spanish Government and which clearly has a marked Iberoamerican tendency. We understand, furthermore, that cooperation is increasingly a two-way process which implies the sharing of similar and parallel experiences. And this, we believe, is the case of the forum which begins today.

The International Cooperation Agency of Spain has signed an Agreement with SELA, with which, I am pleased to state, the Spanish Government, at least, is frankly satisfied, and which we plan to renew in the near future. I believe the decision to hold this Forum is another outstanding accomplishment on the part of SELA, because at this time, when basic changes are occurring on the industrial and economic horizon of the world, it is advisable to bring up the issues which, undoubtedly, according to the agenda, will be addressed in this forum. Consequently, I join those who applaud SELA's decision to hold this II Regional Forum and offer its full support, and also for choosing Venezuela as the site for the meeting, a country which we all know is making considerable efforts and significant and long-range decisions as regards its industrial structure and, of course, with respect to other aspects of its life and its economic future.

The fact that such important personalities are here today to participate in the Forum, and will continue to arrive as the meeting progresses, is a clear sign of SELA's charisma and of the outstanding efforts it has made at this time.

I am also pleased to add that a Spanish panelist from our Ministry of Industry will join those who will be presenting their viewpoints throughout this Forum. I believe this is interesting because Spain has recently gone through an accelerated change in its industrial structures and its experiences might be of help when made public.

Ladies and gentlemen, all that is left for me is to congratulate SELA once again, to add my sincere thanks, as a cosponsoring agency, to the Venezuelan authorities, and to express my wish for the Forum's success.

Thank you very much.

**Address by Mr. Hugo Varsky
Executive Secretary of the Bolivar Programme**

Mr. Permanent Secretary of SELA,
Distinguished Ministers,
Authorities of Organizations here present,
Distinguished Ambassadors,
Representatives of the various countries,
Distinguished businessmen,
Ladies and Gentlemen

Let me also join in congratulating the Latin American Economic System on its decision to continue with this effort.

As an organization linked mainly to the private sector, especially that of the small and medium-sized enterprises, it is an important and significant fact for the Bolivar Programme that organizations such as the Latin American Economic System grant continuity to this Forum, which we consider vital for the exchange of ideas and opinions on such a serious matter, on a critical topic for the Latin American region.

I would also like to thank the organizations which are in some way connected to this subject matter and, in particular, I would like to emphasize the presence of such high-level personalities representing the Venezuelan Government in this Forum. I want to stress this point because it implies, and it is well worthwhile mentioning it within a Latin American context, a political decision, a clear view of what is happening with the industrialization issue, what is happening with the competitiveness issue and what is happening with small and medium-sized enterprises. Consequently, allow me to stress this point and to extend my special greetings to these high-level officials, and to thank also the Cooperation Agency of Spain which has seen that the topic in question serves as an important bridge between Spain, Europe and Latin America.

When the idea of the Forum first arose, and allow me to refer to what Carlos Moneta stated previously, at that time the question was whether or not there should be an industrialization or competitiveness policy, in a confused panorama of what globalization was. At that time, the debate seemed more of a conceptual nature, and when these matters were at stake, the idea of the Industrialization Forum arose. We could say that today, after three years, we know a great deal more about globalization, we know a great deal more about the impact which the Latin American productive sector has had, we know a great deal more about the impact on small and medium-sized enterprises and on employment, we know a great deal more about the advantages as well as the limitations and incapacities the small and medium-sized enterprises have to achieve globalization, we know more about the problems which the financial system has to contribute to this process, we know more about public policy in this regard, we know more about the problems of the market, we know more about the fact that competitiveness is the responsibility not only of those who must compete but rather of society as a whole; it is a problem which undoubtedly concerns the productive sector, but also concerns the public sector, the financial sector, the scientific-technological sector, which must be articulated and brought in harmony with these sectors; we know a great deal more about the need for alliances as a short cut, as a way of bringing together all these capabilities so that we will be able to take our place in the world and be in a position to compete.

I believe that today, with all the additional knowledge we have regarding these matters, we are better equipped to address this phase of the Industrialization Forum. On behalf of the

Bolívar Programme, allow me to say that we will continue to promote and support these initiatives. We believe it is necessary to consolidate the interinstitutional links which serve as a backdrop to these topics; all the institutions and organizations of the public and private sector have to come together in order to find better answers, better scenarios, better spaces. Consequently, we place at your disposal the Bolívar network of offices that are looking for partners, and especially the Bolívar Forum for Latin American Enterprises which, as you know, is an annual event where Heads of State, ministers, members of parliament, businessmen, deans of universities, bankers, international organizations, come together to discuss what we believe are the four most important issues to be considered at this time: public policies, markets, financial instruments and the relationship between know-how and production.

I would like to take advantage of my presence here to invite all of you to the Bolívar Forum for Latin American Enterprises which will take place in Guatemala from the 16th to the 19th of November. This is one event more in the continuous series of debates aimed at consolidating and bringing to reality, in a concerted effort, what we consider our basic tenet, that is, competitiveness through cooperation..

Thank you.

**Address by the Honourable Mauricio de María y Campos
Director General of the United Nations
Industrial Development Organization (UNIDO)**

Distinguished Minister of Industry and Trade of the Republic of Venezuela, Freddy Rojas
Distinguished Minister of the Secretariat of the Presidency
Distinguished Ambassador of Spain
My good friend, Carlos Moneta, Permanent Secretary of SELA
Distinguished ministers, viceministers or representatives of the Ministries of Industry and Trade of Latin America and the Caribbean
Representatives of the business sector
Friends

First of all, I would like to welcome you on behalf of the United Nations Industrial Development Organization. For some time now, it has been a tradition that precisely during the year when we celebrate UNIDO's General Conference at the end of the year, we meet with the ministers of industry and trade to prepare the positions of Latin America and the Caribbean. On this occasion, however, as on a previous one, we have decided to join SELA to achieve the maximum coordination possible. I would simply like to point out, in a very general sense, that this is a magnificent opportunity to discuss and analyze the industrialization issue in Latin America and Caribbean at a crucial moment of global development and that the fact that there are representatives of the government, of the private sector, of international institutions, of the academic sector, seems particularly promising because, faced with what is currently happening in the world, the challenges, the uncertainties in the case of Latin America and the Caribbean are of key significance.

What is the adequate strategy for Latin America to successfully form part of the globalization process in the coming years? Are we going to follow the road toward integration indiscriminately? Or are we going to choose a strategic integration that will give rise to significant long-term and self-sustained effects, as in the case of South-East Asia?

Secondly, now are we going to establish compatibility between macroeconomic stability and the development of industries and exports, at a time when it would seem that macroeconomic settings have tended to be recessive on a worldwide scale. Industries come to be thanks to investments, to the development of technologies, to investing in human resources.

Thirdly, what have been the achievements of the State and of the private sector? What is the new role of the State and how far should it intervene with regard to industrial development in the current context? What can be done within the context of new international agreements?

Fourth, can industry contribute effectively not only to growth, to the development of added value, to exports, but also to solving, either directly or indirectly, social problems and equity issues within our territories?

Fifth, what should be the role of subregional and regional strategies in Latin America and the Caribbean, vis-à-vis the trends of the World Trade Organization, vis-à-vis the proposals currently being made at the OECD regarding investments, and vis-à-vis the new positions of an ever-broadening Europe?

I believe we will have an opportunity to discuss these topics during the next few days. The agenda is quite comprehensive, I would simply like to mention at this time, in an almost telegraphic manner, ten points which I believe should be considered.

First, globalization is here to stay. This globalization process integrates financial, commercial, technological markets; it integrates consumption expectations on an international level and does so changing temporal dimensions. Today, one can speak of instantaneous globalization, where financial markets, including commercial markets, operate 24 hours a day. Within this context, this globalization differs from that which occurred when Spain or Portugal, with their great explorers, began the first of the great globalization projects. What is the nature of this globalization? Sometimes there is a tendency to simplify too much. We know perfectly well which markets are more integrated, but there are others in which local investments still definitely represent 90 percent of worldwide investments, based on local savings, despite the growing importance of foreign investment and of multinational companies.

Seven out of eight jobs still depend on the local market. Things change, but how are we to understand these globalizations? How is Latin America going to follow this trend?

The second topic I would like to mention is that of technological changes. Undoubtedly, the technological changes which have been taking place are altering the face of industry, of the planet's economy, increasing productivity. But these changes are also causing a series of very concrete problems, especially with regard to employment and the distribution of technology in the world and its accessibility to developing countries. Taking into consideration certain recent experiences, the basic point will be to give due importance to the development of a technological change which can be adapted to, assimilated by the region, a technological change which can be called the region's own. This, together with the development of qualified human resources, seems to be the key element in recent successful industrialization processes.

Third, there is no doubt that during the last few years, trade as well as financial transactions have increased considerably more than the worldwide GNP or that of various regions. Financial transactions, several times, and trade transactions even more than double what the volume of the GNP would be. This undoubtedly poses a series of very particular dilemmas for investment processes. Consequently, it is necessary that Latin America begin to examine the way in which, at the same time, these commercial transactions do not become, as they have in the past, as perhaps even now they have become in certain Asiatic countries, an impediment for the industrialization processes. The old Achilles' heel of foreign currency is still Latin America's weak spot as regards the industrialization processes.

I would also like to mention that, although this globalization process has been taking place all over the world, our most recent studies show very clearly that not all countries have benefited to the same degree, nor has there been an equitable development process within the countries, beginning with the United States and Great Britain. This problem of equity, an issue that Fernando Fajnzylver also set forth very clearly as one of Latin America's greatest challenges, is increasingly with us and we cannot hide it under the rug. This issue involves generating employment, it involves social development, it involves the aspirations of an ever-increasing number of people whose needs must be attended to.

Latin America, during the last fifteen years, has shown zero growth in its per capita manufacturing added value, which continues at the same levels, despite having made all pertinent monetary adjustments in the eighties.

However, and this would be my following point, evidence still shows that industry is the power behind development. A great deal is said about the service sector, but the dimensions are very complicated. In effect, industry and services are increasingly interconnected. There is

an increase in those services most linked to industry and technology, and services, in turn, are increasingly industrialized, be they health, education or other services. So, if industry is what impels growth, the question is, how can we open up new roads for the Latin America of the XXI century?

I would like to present briefly a series of ideas that I know we are going to discuss tomorrow. First of all, it is important that we break away from some of the dogmas and that we recognize, in a pragmatic manner, that if the market and the private sector are of basic importance and are apt at distributing resources, they do not solve all the problems, the problems of equity, education, employment, the environment and many others. The role of the State, consequently, continues to be important, but, qualitatively, it undoubtedly must be different. It must be a much more effective State, a more streamlined State, but also one that must decentralize more. The recent experience of European countries and of the United States as regards industrial issues shows that it is at the subnational policy level, in the states, municipalities, and cities that industrial policy is being created.

In brief, the point I want to make is that the moment has come to begin to examine these aspects of industrial policy very pragmatically, far from religious dogmatism, as I mentioned earlier, and rather trying to see what it is that works. We at UNIDO have recently been attempting to make an effort to analyze what would be the most appropriate or most favorable practices with regard to industrial policy. We will speak of this tomorrow. Francisco Sercovich, an UNIDO representative, will present a first report on our work. I can only say that our studies obviously show that there are no miraculous recipes, there are no optimum methods, that it is necessary to take into consideration the time, the space, the particular conditions of each country; but there are some lessons that can be learned, there are certain issues that Latin America will have to define very soon if it really wants to have a more active participation in the world context.

The rules of international economy, as currently being generated by the World Trade Organization, won't leave too much space for maneuvering, for establishing national policies and, quite frequently, even subregional policies will be considerably limited. However, as a continent, we have not prepared ourselves in Latin America for these goals. In recent talks with Rubéns Ricúpero regarding general experiences at the Singapore Meeting, the case of telecommunications, for example, was a complete disaster because, as developing countries, we were taken by surprise due to our lack of preparation. Furthermore, there are many new things, there are many new topics brewing which Latin America has to begin to analyze in depth and define its positions.

My conclusions would be that, at the level of our countries, we have to learn from our own lessons of the past, from those of other countries, make all the adjustments and develop our imagination, so as to create new schemes which will be consonant with our unique conditions and the times in which we live.

But I truly believe that beyond the national efforts, subregional and regional fora, such as SELA, must also be strengthened with the very important conceptual support of ECLAC, which has always been available, as regards the industrialization and technological development of Latin America. In states on a multilateral level, efforts must be made to see how all these efforts can be consolidated. UNIDO is an organization in transition which has been under attack in recent years, precisely because we have tried to maintain a supportive position vis-à-vis developing countries and because we believe that the moment must come to redefine industrial policies. This is already being done in the rest of the world, developed countries continue doing so, and I believe Latin America must also follow suit, with the support of UNIDO, obviously in coordination with the rest of the organizations which

operate on a regional level. The only thing I would request is that in the future we might count on a more effective participation on the part of Latin America. I have lived through difficult times these last few years, during which unfortunately Latin America and the Caribbean have not been the most active group in international discussions and in UNIDO, in particular, whereas the Asiatic countries have made the most of these opportunities and continue to do so, as is the case with the African nations. The Latin American countries, the Member States, must take on that active role and help forge a new UNIDO, consolidating that already achieved in recent years.

Thank you.

**Opening Address by Mr. Asdrubal Aguiar Aranguren
Minister of the Secretariat of the Presidency of the
Republic of Venezuela**

The Honorable Minister of Industry and Trade of Venezuela
Ambassador Carlos Moneta, Permanent Secretary of the Latin American Economic System
Mr. Hugo Varsky, Executive Secretary of the Bolivar Program
Honorable Ministers, Representatives of the Member Countries attending this II Regional
Forum on Industrial Policies
Honorable Vice-Ministers
The Honorable Ambassador of Spain and other Ambassadors present,
Special Guests
Ladies and Gentlemen

On behalf of the President of the Republic of Venezuela, I would most respectfully like to extend greetings to those from Latin America who are meeting here in Caracas to begin the tasks related with the II Regional Forum on Industrial Policies

I would also like to tell you that I agreed to this representation on instructions of the President, but also because of a bit of conspiracy by my good friend, Freddy Rojas Parra, Minister of Industry and Commerce, who really should have been the representative official at this Forum. I must also confess that, in the beginning, I had doubts and there was some intellectual and emotional resistance to this task because, although the Secretariat of the Presidency of the Republic deals with topics from Venezuelan political life, and also economic and social problems, it is likewise true that I have distanced myself for a number of years now from these themes, perhaps because when I made the decision to draw back from all activities related with economic policies, above all those of economic integration in Latin America, I felt that the free exercise which was full of utopian dreams was losing that utopian element and was no longer an exercise of freedom.

Beginning with the decline in mid-sixties of the ideological effort that really reflected that extraordinary movement which had begun with Preville in '49, certainly many of us here in Latin America had found a way of doing and feeling things in a very personal manner, although it may not have been different from how things should be done. Well it appears that the process or movement has again gained impetus. I was certainly surprised when I read the name of the II Regional Forum for industrial policies to see that there is a conviction and a need in Latin America to open new routes for drawing closer to historical changes and to globalization in our own very personal way, a regional way where without excluding ourselves from globalization we can also become "globalizers" in our own way.

I have examined the topics for the meeting with interest. Perhaps I will say a little of what the ONUDI representative who preceded me said. He spoke about globalization and the way in which it can really affect the industrialization process in Latin America, or inversely, how the industrialization process in Latin America can certainly creatively participate in the "world movement" a term that I prefer to globalization. Secondly, the representative was concerned that industrialization will encounter difficulties in a recessive environment. Our economies have most assuredly been recessive in recent years. In the case of Venezuela specifically, a political process began during this last president's term in a framework of marked stagflation. The preceding speaker also asked about the new role of the State in strengthening industrial policies on national and regional levels and touched on the topic of equality in the industrialization effort.

I would like to address those topics in global terms and in certain specific cases. Obviously I will not dwell on technical elements relating to the industrialization policy. I repeat that I have a high regard for it, but feel that the industrialization process in Latin America and our approach to global changes is taking place in an absolutely new context. I would also like to say that I would not understand a meeting of this type taking place if the meeting were to degenerate into a "mea culpa" by Latin America for the way in which the region has understood its economic and industrial development processes. In reality, this is not just a case of correcting our mistakes and doing things better. It may be that we must simply discover that we need to perhaps do the same things, but within a totally different international framework.

When I had the opportunity to review the topics relating to industrialization, I did not see the theme of industrialization as a problematic factor for the regional lifestyle. Neither did I think of it as problematic when we discussed whether or not to industrialize or remain within the process of primary economic activity or a regime of absolutely passive transactions by our countries; or whether to industrialize by strengthening certain strategic activities within the regional or subregional integration frameworks in a scenario in which the State played an important and fundamental role, just as it still does, but under totally different and innovative terms. The problem lies in the fact that we are on the road to a globalization process that is breaking all the rules of the game. We ask ourselves whether the globalization process is exclusively a phenomenon in which the market dominates the new institutional structure and the market constitutes a new factor for the articulation of political, economic and social activity of our countries within the framework of exercising full freedom, something which is unknown to each and all who are a part of the basically Western scenarios.

I believe that globalization is summoning us to something more serious. Let me say, without exaggerating, that it is true that the phenomenon of industrialization, just like the phenomenon of political organization around economic concerns, was a product of an active relationship between man and nature, of working with matter and that in that dynamic relationship there were factors which led to articulation or association. For example, there was the financial mechanism that operated like a sort of railway in this almost diabolical relationship that generated ideologies and forms of understanding in the political world. It is precisely around this relationship that schemes and cultural forms were built in the ambit of ideology, of democracy, of political parties, of hierarchization of social classes. What is undeniable is that although globalization means the end of an experience, a Marxist experience - since post-capitalism will not be Marxist in the old way - nonetheless, when one begins to examine the phenomenon of globalization, one begins to understand that, in the first place it implies a break in that traditional relationship between work and nature, work and matter and their linking factors. We are making a quantum leap to a virtual economic scenario where the element of understanding begins to play a divisive role within the new culture in which we are immersed.

Before, when dealing with the industrial scheme, economic policies and industrialization, we spoke of patterns and the proletariat, or else we spoke of the proletariat that was progressively becoming integrated into the bourgeoisie and the cities. We also spoke of business sectors and labor sectors, but here I would like to refer to an idea expressed by the Governor of the Federal District at a conference in Brasilia that made an impact on me. He said that the only true phenomenon of globalization is that if 50 years ago World War II divided the world into East and West, as a result of the process of political and economic evolution we are also dividing the world between the North and the South, industrialized countries and developing countries. What is certain now is that we have a globalization of participation and of exclusion. The Governor went on to say that there is a new reality where there are no longer owners and the proletariat, businessmen and workers. We now have a

reality where, on the first stratum, there are men of ideas and knowledgeable workers, on the second stratum are all those that have been excluded as a result of this process. They are the majority. Therefore, we have those that have been excluded in the North and South and in the East and West, in industrialized countries and developing countries. But, in addition, globalization also implies an absolutely new fact that requires reflection within the process or reorganizing or redefining the manner in which Latin America will participate in the international framework. It is precisely this which is being stressed here and why we are meeting and it is defined as the new role of the State, or rather what is the role of the State in this process to define new industrial policies and affirm a creative participation for Latin America in the challenges of a "world movement".

The State must also be revamped and we need to ask how much we can ask of the State in redefining those new policies and the role that it will play in a new situation that tends to be pluralistic in the social and political organization it offers humanity and which is also mirrored in the reality of our own countries. Until now, we carried along an international reality in which the State acted and interacted with other States; the State acted or interacted in inter-governmental organizations and it also acted internally, within its own reality and national jurisdiction, establishing the rules of the game with greater openness, with better openness as to the forms of participation, often acting as the promoter, the invader of its own social reality, or else it acted in a manner in which the State, by its own will, would withdraw from the scenario while maintaining a power that was unquestionable.

The new scenario of globalization, of the "world movement" brings back the State as an additional actor, as just another, but not the most important actor on a new planetary stage. At first it was thought that there had been an effective dissolution of the public structure, of the State structure, but that is not so. What has occurred is that internally there has been a dissipation of political power toward regional and municipal spheres that are undertaking a dynamic task in political and social life, which they previously had not been asked to do. The NGOs are also assuming a more active role as driving and strengthening forces of democratic life and are also impacting not only political, but also social and economic activities. On the international or supranational sphere, the linking roles that classic organizations have played in the past is changing in the face of the technological and communications globalization, on the basis of which the levels of well-being are being determined. This is a preoccupying phenomenon because they are being "homogenized" in universal terms and levels of expectation are often set that completely break with the pluralistic process of attaining the levels of lifestyle that each and every one of our countries and each and every one of our regions had in the past. Faced with these realities, the role of the State-Nation is certainly one that will have to be revised and weighed within the new schemes being offered by the globalization scenarios. I wouldn't say that our States, at present, are more liberal because by vocation, or consent, or agreement they have decided to be more liberal. It's just that they had no other alternative but to be liberal because they retreated into a social and political reality and simply became resigned to and accepted the fact of a reality that was there to stay and which determined the patterns of action that we must now revise.

I would say then that we are facing a new phenomenon of globalization in which there is a globalization of exclusions and a globalization of participation. In this new reality there are those who participate because they have been given the chance to do so. What will Latin America do in this field? It will try to be a "globalizing agent," but for re-insertion in the international sphere because the reality of the region is one that is marked by recession, by a panorama of acceptance of the new opening up of counties and of competitive mechanisms that are calling to us and, in a way, are demanding that we find a creative way to participate in those new spaces. The new reality is demanding that we do so with a background and equity that are not negligible and that is why I said that this is not a moment for "sackcloth and

ashes", but one for examining our past actions and deciding what it is that is characteristically ours, and what progress we have made in assembling a regional approach to economic and business matters. After this is done, we can then put those assets to work in the ambit of the new reality to obtain the best benefits and results for each and every one of our countries.

I've just been reading one Peter Drucker's last book on post-capitalism where he says that the only certain this is that the elements of social reference in our scenario of globalization have been totally done away with. I ask myself whether this is perhaps a new pedagogic reference for the political and economic world to indicate that freedom is now to be exercised with a sense of responsibility because it is a not a freedom that cannot be diluted insofar as the responsibility of the group, the community or collectivity is concerned. If so, then Peter Drucker's idea is welcome if it is simply that freedom is exercised with waning signs and where the first person singular assumes total and excluding dominance over the first person plural. We would of course have to think to what degree that social and collective mechanism of reference, that political and economic milieu has been totally proscribed in the new human culture.

Latin America should seriously reflect on this because we are committed to an economic opening up of our economies, which is taking place rapidly. We are committed to rapidly reorganizing and modernizing the structures of the State, so that in this process of historical change the State can assume its tasks efficiently and competently. We are committed to modernizing the State to make it less centralized. We are committed to decentralizing it to strengthen democratic action, but we should also remember that in Latin America, the way of doing things has been singularly different and very particular to the region because our historical reality is very different, just as for example the signs and cultural reality of the Anglo-Saxon world have been different. The Anglo-Saxon approach to politics, religion, economics in some manner is the seed of a way of understanding economic dynamics and also to a way of understanding human relations and relations among individuals. In Latin America, and here I would like to make a critical comment, we cannot say that our "socializing" deviations are the product or fault of ECLAC from 1949.

We have a vocation for doing things collectively. It is a part of our pre-Colombian experience that has accompanied us to the present with both positive and negative effects. We will have to change this in the process. We will have to change our understanding of the exercise of freedom in this new scenario where people will have to make a much more responsible effort to participate.

In the case of Venezuela, I would say that we have not been extraneous to the metastasis that was incubated after the demise of the bipolar division. We have not been removed from the crisis in public structures, nor have we not been touched by the economic crisis that is the result of globalization, or just simply has been more marked because of globalization, a crisis that began in the mid-seventies. The effect has been really devastating on our reality and has obliged us to rebuild the political and economic scenarios with vision. We have undertaken modernization and globalization as something that cannot be put aside, but we also understand that we must all be involved in the process to strengthen economic and industrial activity and have tried to act accordingly; however, it must be a process in which we can speak of the ethics of industrialization. What does this mean? It means that the process of economic liberalization, the industrialization process must lead to something such as rescuing some sort of ethic within industrialization on behalf of those that are excluded, so that in Latin America we can become "globalizers" of a renewed participation in the world economy.

Why do I speak of a renewed participation? Most assuredly because the opening up of our economies as it is now being done would be senseless and perhaps not really viable or as

successful. As regards foreign investment, we must attempt to channel it toward areas that before depended totally on the structure of the State, so that internal economic life will become dynamic again. We speak of groups that are taking leadership positions precisely to strengthen a particular sector in the process of revitalizing economic activity where things that should be done are done, but not everything that needs to be done. We are speaking here of a process of rearranging the social, cultural and work ethics in the country so that there is respect between the economic and labor sectors and where the State assumes a new, previously unknown role as simply a stabilizing element in a scenario of tripartitism that could really become a model in Latin America. But, in the midst of all these changes, if we are not successful in becoming "globalizers" of a renewed participation, then most assuredly everything will be lost and I would have to ask myself, why, and ask you why?

Industrialization should lead to obtaining new flows that would improve the lot of the majority of the inhabitants of our countries, the lot of those who have been excluded. I would also like to repeat something I said at the meeting in Brasilia where I had the opportunity to give the inaugural speech for the UNESCO Conference. I told the gathering that I had asked for a study of criminal violence in Caracas, which is a most anguishing problem for my country and the result of the crisis. The crisis began on a February 27th and challenged our sovereign democracy with two really impressive coup attempts, followed by the decline and collapse of the financial system that has affected the GNP by almost 12 or 13 percent. Another phenomenon was the accelerated dissolution of the party structure which now has only a 4, 6 or 7 percent backing, with 70% of our people saying that they have no use for parties, although they do want democracy. But in a scenario that is a breeding ground for violence and which is causing such anxiety, when I was Governor of Caracas –please forgive this reference to myself – I thought that the killings each weekend were the consequence of the economic recession, exclusion, unemployment, perhaps the consequence of the expansive phenomenon of that new Mephistophelean industry of drug trafficking. However, it is none of these, it is simply a situation in which there has been a breakdown in social discipline within a reality in which the State was important and then lost that importance in a contemporary culture and all those reasons were added to convictions that had already been formed regarding violence. Following the scientific study of violence, the conclusions are totally different

I am inclined to believe that violent crimes occur for only one reason - because at that same moment the excluded sectors in communities lose their point of reference to the citizenship that the State imparted to them, that state that existed with both good and bad elements. Now suddenly people, from one day to the next, no longer understand what the function of the State is because they say it no longer exists. These people don't understand the function of juridical security. They can't relate to the judge or the police because they are uncomfortable with them. When violent death occurs, it is the result of a primitive self-learning process in communities that regressed to the primitive after they lost references of authority as a result of the social anomalies of today's universal culture.

In this context, if there is no State, if there are no judges, no police, no institutional references why mention the social as though it were some sort of sin? I simply no longer depend on anyone. I am not a citizen of the world and even less of my own country. I solve my problems as I deem fit or most effective and there is the social anomaly that produces violence. Where is there then the need to reflect on those themes that are fundamentally important? To reflect means to do what we are doing, to talk about industrialization, see experiences in what we are doing. In Venezuela we have a way of perceiving and understanding things which I don't believe to be different from other Latin American countries. We need to find evidence of that experience, but not by looking back on our mistakes or failures, or on why we were not as we should have been, or why we did one thing when we

should have done another, but by simply examining the reference scenarios that changed completely.

This means then that we must draw close to a globalization reality which, in the industrial-economic ambit, requires that we be the impetus for a re-establishment, or re-founding of institutions that will aid society in finding something in the economic process from which to benefit. In a certain way it is justified and has a reason for being. I believe in the case of Latin America the great challenge is precisely this, to take steps toward an opening up that is without complications, to approach globalization with creativity, while understanding that it is not a train that is bearing us along like a herd of cattle on a journey to which we don't react and without any type of challenge. There are very personal ways of understanding globalization in Latin America and, insofar as integration and opening up our economies is concerned, Latin America has gained a lot of experience over the last decades. We advance and retreat in our regional and subregional experience, with either a greater or lesser presence of the State. We make the right choices and then also mistakes in decreasing trade tariffs, in processes to bring our economies closer together, in specialization processes, in taking steps to strengthen our economic activity and multiply it to draw closer to national markets. But there is an experience in this that I recall from literature. In the years 1949-1950, when Europeans were still in diapers, we used to say that we were in the vanguard with respect to integration. Today, when we speak of integration we are surprised, and treat it as if it has dropped down from the moon and is totally unknown in Latin America.

I believe our historical heritage is a positive factor. There are realities that we must subjugate and there is a new culture that we must face in the public and private sector. Here I am referring to all of us of, to all the members in the scenario. It is not just a question of modernizing our politicians, but we must also modernize our political structures and have them contribute to jump-starting our economies.

The way politicians understand things must be revamped. This also holds true for economists, those engaged in commerce and industry and those who work in the social ambit. They must realize that there is a new scenario that is calling on us to exercise a responsible type of freedom, a solidary and shared responsibility in the search for new references. These references will be instrumental in ensuring that we do not lose the focus that we need to motivate and stimulate all activity that has its genesis in the political world. But basically, we must not forget the human angle, we must not forget man.

In the midst of the globalization of virtual and techtronic realities, of the globalization of communications, in the midst of biotechnology, cybernetics and all those phenomena that certainly change the rules of the game, we must not lose our point of reference. We must always remember that everything we do, we do for human beings, for all men, for all our realities, for all our people.

Allow me with these somewhat chaotic ideas regarding a reality which without a doubt moves and stimulates us and which I have had to approach because of the conspiracy of my friend Freddy Rojas Parra, to just be a spokesman and warmly and cordially welcome all the visitors with us today. I would also like to spur you on to make sure that the results of this meeting will, in some manner, again stress the value and importance of Latin American ideas in the economic ambit. We can really close this very black page which has so impressed me, especially as referred to by the representative from **ONUDI**, when he said that those who are in last place in discussing globalization are we, the Latin Americans, when we should actually be the first.

Thank you.

ANNEX II
WORK PROGRAMME

Wednesday, 30 July

03:00 p.m. - 04:00 p.m.

Opening

Address by Ambassador Carlos J. Moneta,
Permanent Secretary of the Latin
American Economic System (SELA)

Address by His Excellency
Don Miguel Angel F. Mazarambroz,
Ambassador of the Kingdom of Spain

Address by Dr. Hugo Varsky,
Secretary General of the Bolívar Programme

Address by Dr. Mauricio de María y Campos,
Director General of UNIDO

Address by His Excellency
Asdrúbal Aguiar,
Minister of the Secretariat of the Presidency of Venezuela

04:00 p.m. - 04:30 p.m.

Recess

04:30 p.m. - 04:45 p.m.

Election of the Officers of the Meeting
Approval of the Agenda

04:45 p.m. - 06:45 p.m.

Inter-agency Panel on the Impact of Economic Growth
on Employment in Latin America and the Caribbean

Speakers: Dr. Daniel Martínez,
Regional Consultant of ILO

Dr. Joseph Ramos,
Director of the Division of Production and
Business Development of ECLAC

Dr. Ricardo Tichauer,
Resident Representative of UNDP

Moderator: Amb. Carlos J. Moneta,
Permanent Secretary of SELA

07:00 p.m.

Welcome cocktail hosted by SELA's Permanent Secretariat

Thursday, 31 July

09:30 a.m. – 11:00 a.m.

Item I: Industrialization, Trade Agreements, and New International Standards within the Context of Globalization: Their Impact on Developing Countries

Presentation: Dr. Mauricio de María y Campos,
Director General of the United Nations Industrial
Development Organization (UNIDO)

Dr. Octavio Maizza-Neto,
Director of the Quality and Competition Division (UNIDO)

Speakers: Bernd Abendroth,
National Secretary of Industry and Trade
of the Government of Bolivia

Dr. Héctor Gambarotta,
Under-Secretary of Industry,
Ministry of Economy and Public Works,
Secretary of Industry, Trade and Mining of Argentina

Dr. Israel Mahler,
Director of the International Directory
of the Bolívar Programme

Sr. Enrique D'Angelo,
Director of Sectoral Promotion
Latin American Integration Association (ALADI)

Dr. Mauro Arruda,
Executive Director of the Institute of Studies
on Industrial Development, Brazil

11:00 a.m. – 11:30 a.m.

Recess

11:45 a.m. - 01:00 p.m.

General Discussion

01:00 - 02:30 p.m.

Break for Lunch

Afternoon

02:30 p.m. - 04:00 p.m.

Item II: Strategies and Policies of Industrial Development within the Current International Context. Experiences in the Implementation of Industrial and Competitiveness Policies.

Presentation: Dr. Wilson Peres,
Head of the ECLAC/UNIDO Joint Unit

Dr. Francisco Sercovich,
Director of the Studies Division (UNIDO)

Speakers: Dr. Julio Herrera,
Minister of Industry, Energy and Mining of Uruguay

Dr. Mervyn Assan, M.P.,
Minister of Trade, Industry and Consumer
Affairs of Trinidad and Tobago

Dr. Freddy Rojas Parra,
Minister of Industry and Trade of Venezuela

Dr. Luis Henrique Ball,
Chairman of CONINDUSTRIA (Venezuela)

Dr. Patricia Francis,
Chairman of JAMPRO, Jamaica

Dr. Roberto Fantuzzi,
Chairman of ASEXMA, Chile

Dr. Alfonso Casanova
Vice-minister of Industry of Cuba

Dr. J. Daniel Toledo,
Professor, El Colegio de México

04:00 p.m. - 04:30 p.m. Recess

04:30 p.m. - 06:30 p.m. Discussion

Friday, 1 August

09:00 a.m. - 11:00 a.m.

**Item III: Industry, Technology, Training and
Generation of Employment: The Role of SMEs**

Presentation: Daniel Martínez,
Regional Consultant (ILO)

Dr. Joseph Ramos,
Director of the Division of Production and
Business Development of ECLAC

Speakers: Mr. José León Desanti,
Secretary of Economy, Industry and Trade of Costa Rica

Dr. Orlando Cabrales,
Minister of Economic Development of Colombia

Dr. Elisa Robles Fraga,
General Director of Technology and Industrial Security, Ministry
of Industry and Energy of Spain

Mr. Henry Gómez,
President of FEDEINDUSTRIA (Venezuela)

Mr. Manuel Gallegos,
President of CORPOINDUSTRIA (Venezuela)

Mr. Eduardo Farah,
President of the National Society of Industry of Peru

Dr. Eduardo Tarragó,
Director of EMPRETEC, Uruguay

11:00 a.m. - 11:30 a.m.

Recess

11:30 a.m. - 01:00 p.m.

General discussion

01:00 p.m. - 02:30 p.m.

Break for Lunch

Afternoon

02:30 p.m. - 04:00 p.m.

Issue IV: The Importance of Multilateral Technical Cooperation for Industrial Development. The Future of UNIDO

Presentation: Amb. Carlos J. Moneta,
Permanent Secretary (SELA)

Don Jesús García Aldaz,
Director General of the Iberian-American
Institute of Cooperation, Spain

Hugo Varsly,
Secretary General of the Boívar Programme

Speakers: Dr. Benigno Sotomayor,
Minister of Industry of Ecuador

Senator The Honourable Phillip Pautwell,
Minister of State, Ministry of Industry,
Investment and Commerce of Jamaica

Dr. Atilio Fernández,
Minister of Industry and Commerce of Paraguay

Dr. Mauricio de María y Campos,
Director General of UNIDO

04:30 p.m. – 05:00 p.m.

Recess

05:00 p.m. – 06:00 p.m.

Conclusions and Recommendations

06:00 p.m.

Closing

**ANNEX III
LIST OF DOCUMENTS**

DOCUMENTOS DE TRABAJO – WORKING DOCUMENTS (DT)

- | | |
|---------------------------------------|--|
| (SP/IIR/FRPI/DT No. 1) | Programa de Trabajo Tentativo
Tentative Work Programme |
| (SP/IIR/FRPI/ DT No. 2) | Agenda Comentada

Annotated Agenda |
| (SP/IIR7FRPI/DT No. 3) | Temario Provisional

Provisional Agenda |
| (SP/IIR/FRPI/ DT No. 4) | Trade implications originated from quality, standards and measurements. How Developing Countries can Comply with International Requirements |
| (SP/IIR/FRPI/DT No. 5)
Industrial. | Informe Final - Taller de Expertos sobre Política Industrial.

Final Report – Workshop for Industrial Policy Experts |
| (SP/IIR/FRPI/DT No. 6) | Mejores prácticas, convergencia de políticas y OMC 2000: las erraticidades de la cuenta regresiva |
| (SP/IIR/FRPI/DT No. 7) | Empresa, Innovación y Empleo |
| (SP/IIR/FRPI/DT No. 8) | Enterprise, Innovation and Employment.
El Impacto de las nuevas técnicas informáticas organizacionales sobre la competitividad de las empresas latinoamericanas.

The impact of the new organization and information techniques on the competitiveness of Latin American Companies. |
| (SP/IIR/FRPI/DT No. 9) | Empleo, Capacitación y Tecnología.
Employment, Training and Technology. |
| (SP/IIR/FRPI/DT No. 10) | Sobre la Agenda Latinoamericana de la Pequeña y Mediana Empresa. |
| (SP/IIR/FRPI/DT No. 11) | El futuro de la ONUDI.

Future of UNIDO. |
| (SP/IIR/FRPI/DT No. 12) | El Impacto de los Acuerdos Multilaterales sobre la Política Industrial. |
| (SP/IIR/FRPI/DT No. 13) | El modelo asiático de relaciones industriales: ¿Hacia una japonización del Asia-Pacífico?. |

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- (SP/IIR/FRPI/DT No. 17) Industria, Tecnología, Capacitación y Generación del Empleo: El Rol de las PYMES
- (SP/IIR/FRPI/DT No. 18) La Globalización de la Economía Mundial
- (SP/IIR/FRPI/DT No. 19) ¿Qué Esperamos de la Cooperación Técnica Multilateral en el Paraguay?
- (SP/IIR/FRPI/DT No. 20) Cuba: Las transformaciones económicas y el desempeño del sector industrial
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- (SP/IIR/FRPI/Di No. 1) Informe Final Conferencia Regional sobre Industrialización. Decisiones 1 y 2.
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- (SP/IIR/FRPI/Di No. 3) Informe de Relatoría – Seminario-Taller sobre "Pequeñas y Medianas Empresas: Un desafío estratégico para la globalización. El sector privado y la cooperación internacional: Un diálogo estratégico para la integración competitiva".
- Rapporteur's Report – Seminar-Workshop on "Small and Medium-sized Enterprises: A Strategic Challenge for Globalization. The Private Sector and International Cooperation: A Strategic Dialogue for Competitive Integration.

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- Report of the Working Group on the formulation of the proposal on thematic areas and lines of action to strengthen small and medium-sized enterprises of Latin America and the Caribbean.
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- Technology-based enterprises. Proposed options for the region.
- (SP/IIR/FRPI/Di No. 7) Hacia un mejor desempeño empresarial en América Latina.
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- (SP/IIR/FRPI/Di No. 8) Informe Final – Taller de Expertos sobre Modernización productiva, formación de recursos humanos y relaciones laborales.
- Final Report – Workshop of Experts on Productive Modernization, Formation of Human Resources and Labour Relations.
- (SP/IIR/FRPI/Di No. 9) La asociatividad como estrategia de fortalecimiento de la pequeña y mediana empresa en América Latina y el Caribe.
- Associativity as a Strategy to Strengthen Small and Medium-Sized Enterprises in Latin America and the Caribbean.
- (SP/IIR/FRPI/Di No. 10) Lista de Documentos. List of Documents
- (SP/IIR/FRPI/Di No. 11) Política Industrial, Tecnología y de Comercio Exterior (Brasil)
- Industrial, Technological, and Foreign Trade Policy (Brazil)

(SP/IIR/FRPI/Di No. 12)

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