UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org

19338

1, 49f

TRANSLATION FROM SPANISH

APPRAISAL OF THE MEANING OF

INTER- AND INTRA- INDUSTRIES TRADE

IN THE MERCOSUR

By Elvio Baldinelli

Buenos Aires, November 1991

TRANSLATED BY:

SILNA TRANSLATION BUREAU
Austria 2269, 8th floor
1425 BUENOS AIRES
ARGENTINA

TEL: (54-1) 805-5980
FAX: (54-1) 763-2751

CONTENTS

EFFECTS OF COMMERCIAL FREEDOM

The countries within the Mercosur are committed to a process of integration of the economy characterized by the swift removal of any limitations restraining the flow of products between countries. This transition from a protected local market environment to another one subject to competition with neighboring countries, a fact that will become a reality in a few years, coincides with the opening of individual economies to the rest of the world. Both processes are to be implemented within the same period, thus complicating even more industry's adjustments to new market conditions.

The following chart shows the trend of the opening of the economy to international markets by country.

MERCOSUR: TREND IN CUSTOMS DUTIES AMENDMENT

Maximum Rate And List Average

Countries	Maximum			Average		
	Previous	Present	Estimated	Previous	Present	Estimated
Argentina	53	22	-	29	10	-
Brazil	105	85	40	38	25	14
Paraguay	-	72	35	-	16	15
Uruguay	40	30	-	-	28	-

Sources: F. Porta, "Apertura Comercial e Integración Regional en América Latina" (Commercial Opening and Latin America Regional Integration), SELA, July 1991.
Paraguay Data: Statements by the Paraguayan Undersecretary of Commerce.

EFFECTS OF COMMERCIAL FREEDOM

The countries within the Mercosur are committed to a process of integration of the economy characterized by the swift removal of any limitations restraining the flow of products between countries. This transition from a protected local market environment to another one subject to competition with neighboring countries, a fact that will become a reality in a few years, coincides with the opening of individual economies to the rest of the world. Both processes are to be implemented within the same period, thus complicating even more industry's adjustments to new market conditions.

The following chart shows the trend of the opening of the economy to international markets by country.

MERCOSUR: TREND IN CUSTOMS DUTIES AMENDMENT

Maximum Rate And List Average

Countries	Maximum			Average		
	Previous	Present	Estimated	Previous	Present	Estimated
Argentina	53	22	-	29	10	-
Brazil	105	85	40	38	25	14
Paraguay	-	72	35	-	16	15
Uruguay	40	30	-	-	28	-

Sources: F. Porta, "Apertura Comercial e Integración Regional en América Latina" (Commercial Opening and Latin America Regional Integration), SELA, July 1991.
Paraguay Data: Statements by the Paraguayan Undersecretary of Commerce.

The following chart shows customs duties by product in each one of the four countries.

MERCOSUR: CUSTOMS DUTIES AT THE END OF 1991

In Percentages

Products	Argentina	Brazil	Paraguay	Uruguay
Raw Materials	5	0	0 to 3	10
Intermediate Products	13	-	5 to 20	20
Finished Goods	22	85	21 to 72	30

Note: This breakdown in Raw Materials, Intermediate Products and Finished Goods is only approximate, since criteria used are not the same in all countries.

The decrease of customs duties impacts on the integration process in two different ways: First, it contributes in a significant way to the credibility of the success of Latin American integration. In the past, businessmen were reluctant to compete within the region because they used to have the exclusiveness of domestic markets. They now have to face an increasing number of raw materials and finished goods imported from Taiwan, Japan or Germany. New circumstances make competition with the industries of neighboring countries more easily acceptable, even though this competition will have no customs barriers. The second effect is related to the projected external common customs duty scheduled for approval by the Mercosur countries at the end of 1991. Although these countries are in the process of opening their economies, prevailing criteria in each of them are widely different.

In the sub-group discussing the "coordination of macro-economic policies" Argentina proposed a system similar to the one used at present, e.g.: three different levels of customs duties. Brazil has already established a schedule to reduce the protection against non-Mercosur countries that sets a maximum customs duty of 40% as of January 1st, 1995. Nevertheless, Brazilian economists insist on the fact that a new economic plan will be launched at the beginning of 1992 with the objective of curbing domestic inflation, one of its main components being a substantial drop in customs duties for non-Mercosur countries. If this is confirmed, it would exceed the scope of the present schedule.

As for Paraguay, the Government (see reference number 11) is trying to establish low and consistent barriers, both in the customs and non-customs fields. Thus, there would be an average customs duty of [illegible]% with a 35% ceiling. One of the targets is to discourage smuggling, which is endemic within the country. Besides, both private and government source believe that the opening of the domestic economy to the Mercosur countries and to the rest of the world will not bring about serious consequences for the Paraguayan industry, since smuggling has always been so wide and persistent that it has made most companies immune against foreign competition.

In Uruguay, sources closely related to President Luis A. Lacalle's administration believe that the common customs duty should be established at around 15% to 20%. This country has recently stated that all imports of industrial equipment and machines are free from customs duties until June 30, 1992. Besides, it is well known that the economic team is considering the possibility of extending this measure to encourage the process of industrial reconversion that will enable the establishment of a regional market. All this indicates that Uruguay, as well as Paraguay, fear that common foreign customs duties will force local companies to buy their equipments from Brazil and Argentina.

However, while countries are reaching agreements on a common foreign customs duty, there are still major differences on the treatment on imports affecting trade between the countries. ICI Duperial, an Argentine company exporting chemical products (see reference number 5), has presently run into customs-duties-like measures that hamper trading with Brazil, i.e.: while Argentine authorities take one month to approve the registration of an agro-chemical drug, the same procedure takes three years in Brazil. Manufacture of fruit and vegetable by-products in Paraguay (see reference number 28) has been impaired by import restrictions systematically imposed by neighboring countries, specially Argentina, and companies have been forced to focus their investments on similar or related activities.

On the other hand (see reference number 28), some Paraguayan industries have profited from the opening of neighboring markets. Such is the case of cotton manufacture, an activity that has grown in the last two decades taking advantage of the non-official opening of markets due to the increase in smuggling activities. More cotton clothes are sold to the so-called "tourists" than to the local market.

The Treaty of Asunción foresees a listing of exempt products that will be gradually reduced, until it is finally phased out in 1995. Uruguay has the longest list, including 960 items. They believe (see reference number 29) that the list is exaggeratedly long, as there was no need at all to include 40% of the products. Such is the case of bananas, which are imported, or rice, which Uruguay produces at a very low cost. These and other similar products will surely be the first ones to vanish from the exemption list. Around 96 products (10% of the list) should disappear by the end of November 1991, when the Treaty of Asunción is meant to be effective; another 10% will be deleted on December 31, 1991, and a new 20% reduction is scheduled for the end of 1992. Only then the Uruguayan Government would have eliminated the superfluous 40%. Therefore, Uruguayan products will not be subject to real competition with the Mercosur countries until 1993.

A problem which worries Uruguayan economists is what the multinational companies presently located in Uruguay will do after the implementation of the common market. They believe that it would be almost impossible to prevent these companies from choosing Sao Paulo or Buenos Aires as the ideal location when scale economies become the decisive factor. On the other hand, they expect that in some cases companies may prefer Uruguay due to technological and commercial flexibility. It is also encouraging that several companies are now taking advantage of the removal of import duties in relation to capital assets, a measure that will be in force until June 1992, although it is well known that most imports made under this system are second-hand equipment.

DIFFERENCES AMONG FOREIGN EXCHANGE POLICIES

The most conflicting item in the process of implementing the Mercosur relates to foreign exchange policies. If currency quotations take opposite trends in each of the member countries, prices of products traded in the regional market may become widely different and damage the industry in countries with an overvalued currency. There have been some talks of "policies coordination" but this would be hardly attainable unless the Mercosur countries succeed in curbing their respective inflations.

In 1979 the European Economic Community (EEC) established the so called European Monetary System (EMS) as a means to coordinate and stabilize the exchange rates of its member countries. EMS is based on a mechanism of fixed exchange rates backed by a common reserve in foreign currency and gold that enables it to correct any balance of payment deficiency. A special currency, the ECU, has also been established to be used as measure of value. EMS has been only partially successful in maintaining the stability of exchange rates, since there have been nine adjustments from March 1979 through April 1986. Presently, the situation within the Mercosur is not alarming because import duties have been reduced only by 47%. But in a few years time this level will be reduced to zero and the problem will arise in all its crudeness, unless some solution is found in the meantime. It will not be easy to repeat the European scheme here. If the European countries, that have extremely low inflation rates, have met with so many difficulties, it is hardly probable that the same approach may prosper in our region. It does not seem advisable to wait until December 1994 to find a solution, because problems may well arise before that date. The lower import duties are, the stronger the impact of the different exchange parities will be, and this can happen as soon as next year.

Chart Number 1 of the Statistical Exhibit entitled "Mercosur: Adjusted Real Exchange Rates", shows the values for each member country's currency with a 1985 base, adjusted by price indexes that measure domestic variation, and corrected by the United States wholesale price index. The Chart shows exchange rate trends for the four countries up to 1989, and for three of them as far as July 1991.

At the end of 1989, actual exchange rates had suffered strong variations. Maximum recorded deviation is found between Brazil and Paraguay, because Brazilian currency was markedly overvalued, while the opposite trend prevailed in Paraguay. The result was a difference of no less than 78 percentage points. Differences recorded by other countries were not so broad, although they were always quite noticeable.

In Chart Number 2 of the Exhibit there is a comparison between the exchange rate trends of Argentina and Brazil, from January 1990 through July 1991. In February 1990 there is a 59 percentage points difference in favor of Argentina, but in December 1990 Brazil was ahead by 6 per cent. The whole year's variation was 65 percentage points between both extremes. July 1991 year-to-date variations have been less marked, with a difference of 10 percentage points in favor of Argentina.

Chart Number 3 compares Argentina's and Uruguay's indexes for the same period. Variations are even less apparent than in the above case. Anyway, in February 1990 the relationship shows 36 percentage points difference in detriment of Uruguay, while December 1990 figures show 12 points to Uruguay's advantage, e.g.: variation between extremes was 48 points. As in the above case, during the first semester of 1991 variations were flattened, reaching a maximum of 6 percentage points.

Chart Number 4 shows Brazil's and Uruguay's figures. Maximum differences appear in March 1990, when the real exchange rate was 28 percentage points in favor of Uruguay, compared to May 1991, when the difference was only two points, e.g.: variation between extremes was 26 percentage points.

Two final considerations to the above comments: The first one is related to the base year. The selection of 1985 does not mean that in this period the parities of the four countries had reached a point of equilibrium. It is false to say, for example, that in 1991 the Argentine currency was less undervalued than the Brazilian currency, as it may be erroneously concluded from the figures on the chart. In fact, Brazilian prices and salaries were lower. It is also false to conclude that mutual trade of manufactured products favored Brazil. The relationships would be different by merely changing the base year, but it would not solve the problem by any means because there are no more or less recent dates when the exchange rate parities of the Mercosur countries reached an equilibrium.

The second consideration is related to the relative stability shown by figures allotted to 1991. Although it is true that since April 1991 there has been a steady exchange rate in Argentina, and inflation has been considerably curbed down, Brazilian inflation rate was 23% in October 1991, and threatened to reach 27% in November. This strong volatility of Brazilian and Argentine economies has a strong impact on the necessary process of industrial reconversion. This is a general belief in Uruguay (see reference number 17), where it is said that this inconsistency is a main factor taken into account by prospective investors when they assess the high risks of investing where returns are conditioned to permanent access to both Argentine and Brazilian markets.

A possible solution

To definitely solve this problem, the Mercosur should attain the same stable prices as those of the developed countries. In the meantime, it may resort to other mechanisms that may, at least, mitigate these variations.

The member countries may agree on a theoretical parity of each of the four currencies in relation with the US Dollar. These theoretical parities may differ from the real one. For example, the Uruguayan Peso that presently has a nominal parity of 2,300 for each US Dollar, may be assigned a theoretical parity of 2,650 for each US Dollar, e.g.: an overvaluation of 15%.

It is also possible to establish a margin of tolerance in relation with this theoretical parity. Trading among the four member countries is not as important as it may be in Europe, to aspire that government authorities should determine the exchange rate based on the Mercosur needs. Authorities are most likely to take into consideration relationships with the rest of the world, although in this respect the position of Uruguay may be quite different from that of the other countries.

A different kind of agreement may be reached considering the event when one currency is undervalued by more than 6% with respect to the theoretical parity. In this case, the other three countries should automatically be authorized to apply an import duty to any product coming from this country. The additional duty would equal the percentage of undervaluation exceeding 6%. For example, if the Uruguayan Peso reaches 6,000 for each US Dollar, this currency is undervalued by 13.2% as compared to a theoretical parity of 2,650. In this event, the other three countries may apply an additional customs duty of 7.2%, e.g.: 13.1% less 6% to any Uruguayan product. In no event the resulting import duty may exceed import duties applied to non-Mercosur countries. The additional duty will be suspended as soon as the parity falls within established limits.

These mechanisms would solve part of the problem. Although the difficulties for selling products to a country with undervalued currency would still subsist, the first and more acute problem arising from imports aided by any under-parity currency would disappear.

Theoretical Parity Calculation Method

One way of calculating theoretical parity may be the so-called "purchasing power parity" (PPP). As per this method, the balance between exchange rates for two currencies is met when they have equal domestic purchasing power. For example, there is PPP between Argentina and Uruguay if 10,000 Australes, which may be exchanged by 2,300 Uruguayan Pesos, are enough to buy the same amount of products in both countries.

The "purchasing power parity" theory states that exchange rates tend to gradually equal the price of trade products. The "relative" version maintains that exchange rate tends to follow relative inflations in each country included in the analysis. Actually, this does not happen because present financial flows have great impact on the determination of the exchange rate. This heavily restrains the applicability of the PPP when forecasting the future trends of currency prices, but does not impair its use as a method of calculation. Therefore, the Mercosur countries may use it as a basis to determine the theoretical parity of the respective currencies.

COSTS AND PRODUCTIVITY

Relative Prices

Charts 5 and 6 in the Statistical Exhibit show prices for several manufactured products other than foods corresponding to the USA, Argentina and Brazil for May 1989, May 1990 and September 1991. If we assume that USA prices are representative of international levels, the comparison with the other two countries shows variations which are sometimes due to different levels of productivity and, in other cases, to currency variations.

After determining simple average figures for 13 products included in the analysis, Argentina is 43 percentage points lower than the USA, while Brazil is 5 points above. When the calculation was repeated in May 1990, the USA were exceeded by Argentina in 15 points and by Brazil in 20 points. In September 1991, Argentina and Brazil were once more above USA's figures, but this time by 19 and 9 points, respectively.

It is needless to say that such wide variations correspond to different levels of real exchange rates in both Latin American countries. It should not be forgotten that Argentina had two hyperinflationary processes, while Brazilian general prices experienced rather marked increases. Nevertheless, in 1990 and 1991 Argentina overcame the strong undervaluation that affected its currency in 1989, and the price variations corresponding to that period were somehow flattened.

If the comparison is made by product level, variations for six out of thirteen prices between Argentina and Brazil exceeded 40% in 1989. Argentina was unfavorably positioned in aluminum, tin and zinc in ingots, slaked lime and automobiles, having advantage only in the structural shapes.

Charts 7 and 8 show similar information concerning food products. Comparing USA's prices to Argentine and Brazilian ones for the ten products included in the analysis, Argentine simple average was no less than 69 percentage points below the USA in May 1989, while Brazilian average was 44 points below. Repeating the calculation in May 1990, Argentina and Brazil were still below the USA by 36 and 38 points, respectively. In September 1991, Argentina and Brazil were 38 and 41 points below the USA, respectively.

Variations of food prices between Argentina and Brazil are equal or larger than in the case of manufactured products. In September 1991 there are six products with variation exceeding 40%. Argentina has advantages in bread and wine while Brazil is better positioned in rice, sugar, coffee and eggs.

Cost Variations

There are five factors that are frequently mentioned while examining the competitive position of these countries. Those are labor, power, technology, industrial raw materials, transportation and working capital.

Labor

Salaries paid in Argentina and Brazil under normal circumstances are similar, but this situation changes in hyperinflationary scenarios. In 1989, salaries in Argentina measured in US Dollars were ridiculously low. Something similar is happening in Brazil at the end of 1991. But leaving these problems aside (they have already been discussed in the previous chapter), available statistics show us that non-specialized workers perceive a slightly lower compensation in Brazil than in Argentina, while the situation is reversed for specialized labor. Some time ago, additional compensation for health care, pensions and other social security contributions were higher in Argentina, but lately the situation has been almost equal in both countries. Delinquency in the compliance with social security contributions also exists on the part of the employers, being more frequent in the case of small companies, but it is quite difficult to assess its degree in any of these countries.

Therefore, variations in industrial wages are scarcely remarkable. This was already so by April 1986, when a group of Argentine companies carried out a comparative analysis of costs and prices with their peers in Brazil. The review was made within the framework of the agreement signed by both Governments in November 1985, starting the integration process. The results of this review were as follows:

Average cost of a normal man/hour in the metal industry, including additional compensation, overtime, premiums and social security contributions, was higher in Argentina (USD 5.30) than in Brazil (USD 4.00). But this difference was offset by the higher productivity of Argentine companies.

The information obtained concerning the electronic industry was as follows:

ARGENTINA-BRAZIL: DIRECT LABOR COST - 1986
(Including social security contributions)

ITEM	USD PER MONTH		CHEAPER IN BRAZIL PERCENTAGE
	ARGENTINA	BRAZIL	
Line Operator	309	327	- 6.0
Service Technician (Junior)	330	458	- 2.8
Service Technician (Regular)	412	653	- 3.7
Service Technician (Senior)	515	980	- 4.7
Department Manager	2,062	2,350	- 1.2
Working Week: hours	44	44	

The following chart supplies more information on labor cost in Argentina and Brazil.

ARGENTINA-BRAZIL: LABOR COST IN THE PETROCHEMICAL INDUSTRY
AUGUST 1990

POSITION	USD PER MONTH		CHEAPER IN BRAZIL PERCENTAGE
	ARGENTINA	BRAZIL	
Process Engineer	1,400	1,370	2
Semi-skilled Mechanic	520	470	11
Bilingual Secretary	960	803	20
Production Supervisor	1,010	1,200	- 19

Source: reference number 26

In November 1990 a new analysis was performed (see reference number 32), deeper than the previous ones, at the request, once more, of Argentine companies (see reference number 32) interested in a comparison with Brazil, and this time limited to the metal industry. This review confirms that labor unit costs are similar in both countries.

ARGENTINA-BRAZIL: LABOR COST IN THE METAL SECTOR
NOVEMBER 1990

USD PER HOUR

YEARS	ARGENTINA	BRAZIL	CHEAPER IN BRAZIL PERCENTAGE	AVERAGE	
				U.S.A.	THE WORLD
1986	4.30	4.25	1	---	
1987	4.06	4.78	- 15	---	
1988	4.01	4.14	- 3	---	
1989	3.32	3.60	- 8	---	
1990*	6.36	4.00	59	18.40	18-24

* September 1990

Salaries collected by metal industry workers in Brazil were estimated at USD 3.00/hour in November 1991, a figure which reflects exchange rate levels. Another report (see reference number 37) shows the following information on social security contributions.

ARGENTINA-BRAZIL: SOCIAL SECURITY CONTRIBUTIONS
DECEMBER 1990

ITEM	ARGENTINA	BRAZIL	CHEAPER IN BRAZIL PERCENTAGE
Employer's Contributions	39%	35%	11
Deduction from Worker's Pay	17%	7 to 10%	143 to 70

A report prepared in 1988 on the possibilities of complementing industrial activities (see reference number 36) between Brazil and Paraguay remarked that both labor productivity and the raw materials/manufactured products ratio show very unfavorable conditions for Paraguay, which worsened during the 1980/87 period. The same report states the added value/worker relationship at 47.8% for the Paraguayan manufacturing industry during 1980, while in 1988 it was only 28.4%. During the same period, productivity measured in absolute values grew in Brazil and remained flat in Paraguay.

This analysis is confirmed by Industria Gráfica del Paraguay, a books and printed matter exporter (see reference number 14), when it states that comparative advantages are technological and not based on cheap labor. The company also affirms that it pays higher salaries than those in Argentina and Brazil. On the other hand, Manufacturas del Pilar S.A., a Paraguayan textile exporting company states, for the same period and in the same report, that labor cost is approximately equal throughout the region, adding that, although minimum wages in Paraguay are remarkably higher than in neighboring countries, the cost of skilled labor is similar. It goes on to say that social security contributions are also lower in Paraguay (approximately 42% of salaries paid.)

Regarding Uruguay, a company manufacturing gloves for industrial use (see reference number 39) states that in August 1991) the man/hour cost was, in general terms, above neighboring markets. Other Uruguayan leather-manufacturers (see reference number 33, reported in July 1991 that wages in dollar terms had increased by 60% in the last five years within this industrial sector, while there had not been an equal increase in productivity.

In general terms, the basic complaint of Paraguayan and Uruguayan businessmen is the difficulty in obtaining skilled workers. To this should be added, in the case of Uruguay, the frequency of labor conflicts and grievances carried on by the unions.

Power

Historically, the cost of electric power, taxes icluded, has been lower in Brazil than in Argentina. This is confirmed by the following chart.

ARGENTINA-BRAZIL: PRICES OF ELECTRIC POWER

YEAR	USD PER MWH		CHEAPER IN BRAZIL PERCENTAGE
	ARGENTINA	BRAZIL	
1986	32.07	22.23	44.3
1987	33.29	26.75	24.4
1988	44.85	30.76	45.8
1989 (September)	70.71*	30 to 35**	135.7 to 102.0

Source: Reference Number 32

* It results from applying SEGBA's (Electric Power Utility) (high voltage) tariff charge for greater consumers in the Province of Buenos Aires.

** High voltage rate for greater consumers in the States of Mina Gerais and San Paulo, respectively.

The main cause of Argentine high costs is the heavy tax burden. Typically, in all countries around the world electricity is only taxed with value added tax and it is well known that this tax has no impact on production costs, but on the final price of manufactured products. It does not impair competition with foreign markets because it is returned at shipment. The high tax evasion existing in Argentina has forced fiscal authorities to look for unconventional revenues, i.e.: to tax electric power and gas, among other utilities.

In Paraguay (see reference number 22) the price of electric power for greater consumers is presently around USD 60 to USD 80 per MWH. With the electricity generated by Itaipú power station (and, in a near future, Yacyretá) Paraguay has a remarkable excess of electric power. Tariffs, nevertheless, are far from low.

The Uruguayan Industrial Chamber (Cámara de Industrias del Uruguay) (see reference number 33) reports in July 1991 that electric power costs in Uruguay averages three times the cost of electric industrial power in Argentina and Brazil. Therefore, electric power price is a most serious hindrance for the companies to compete in industrial areas demanding greater electric power use.

Technology

Manufacturas Pilar S.A., a Paraguayan textile exporter, (see reference number 14) reports that, since it buys machinery from far away foreign countries, it is forced to keep a large stock of spare parts. The financial cost of keeping this capital in non-accrual status is a great disadvantage. To be able to compete, it should have more efficient and cheaper means of transport as well as continuity in research and development of new and improved fibers. The company had some mistakes when making investment decisions, such as purchasing machines without taking into consideration the climatic factors. Maintenance of sophisticated machinery that is affected by high temperatures is a serious problem since electric parts have been designed for colder climates. As it is absolutely impossible to have all necessary spare parts in stock, these are frequently imported by air, which is most expensive.

More than 50% of the Uruguayan leather products exporters (see reference number 33) stated in July 1991 that they only had access to inferior quality leather. This seriously impaired their possibilities of competing in high-quality markets.

Industrial Raw Materials

Information available shows that Brazilian metal companies, specially government-owned ones, get iron ore at a lower cost than quoted on international markets (including Argentina). For example, prices for ore fines (see reference number 32) have been as follows:

ARGENTINA-BRAZIL: PRICES FOR ORE FINES

IN USD PER TON

YEAR	FOB BRAZILIAN ATLANTIC PORT*	IN BRAZILIAN PLANT
1986	16-17	7-8
1987	15-16	6-8
1988	15-16	7-8
1989	16-18	11-12
1990	19-20	12-14

* FOB prices at Brazilian Atlantic ports, including land transport, are the minimum prices for foreign buyers, including Argentine ones, while in Brazil these already include freight and transport to the freight yard.

The following chart shows a comparison in fuel costs.

ARGENTINA-BRAZIL: FUEL COSTS
DECEMBER 1990

ITEM	ARGENTINA	BRAZIL	CHEAPER IN BRAZIL PERCENTAGE
Fuel Oil in USD per TON	185.00	132.00	40
Natural Gas in USD per MBTU	2.60	1.70	53

Source: Reference Number 37.

Manufacturas del Pilar S.A., a Paraguayan textile company (see reference number 14) reported at the beginning of 1991 that its raw material (cotton) is first quality, and plenty of it can be bought within the country at international prices. It also states that only 5% of the country's total production is processed in Paraguay.

Uruguayan companies (see reference number 33) remark that the Government monopoly as supplier of several raw materials is most inconvenient for the industry. This is the case of fuels, alcohols (used to manufacture beverages and perfumes) and solvents, which in Uruguay are offered well above international prices.

The Uruguayan fruit and vegetable industry finds that the regional common market will increase the supply of such necessary inputs as containers, cartons and crates, at international prices and of high quality, which will allow them to compete on international markets. Thus the problem presently affecting this industry will disappear. There may be also a possibility of obtaining raw materials at regional levels, which would help to reduce the strong fluctuations that presently affect local prices and stocks.

For all the above reasons, it is not possible to plan a competitive production schedule based on domestic supply of raw materials. One example of this are tomatos, a key item for the food processing industry. During the past two years Uruguay imported tomatos from Mendoza, Argentina, and Chile, at USD 0.06/Kg. The range of domestic prices for the same period was USD 0.20-0.30/kg.

Cost of Working Capital

Several Paraguayan companies have voiced their concern on the lack of credit lines to buy capital assets (see reference number 14). For example, shoe manufacturers (see reference number 28) are highly skilled businessmen who have gradually incorporated state-of-the-art machinery, but presently lack adequate financial support to market a product with so much added value. Similar complaints were also expressed by Uruguayan businessmen.

CASES OF SENSITIVITY TO COMPETITION

Although the Mercosur has not yet been implemented at the time this report is being prepared (the Treaty will be signed on December 1, 1991) the integration process between Argentina and Brazil had already started one year before. In the meantime, governments and companies in Paraguay and Uruguay were concerned about the future. Therefore, it is now possible to analyze some of the most outstanding cases of sensitivity to industrial competition recorded so far.

FATE S.A., a tire producting Argentine company, filed a presentation before the Argentine Government in December 1990 (see reference number 16) stating its opinion on the projected common market. The company maintained that macro-economic policies were not yet compatible, that many asymmetries subsisted, that exchange parities were still a disturbing factor to the commercial flow and profitability of companies, that local capital market was scarce and expensive, and that recession had not been abated. The presentation added that in such a scenario FATE S.A. was planning with absolute responsibility its transition into the common market, although the company was conscious that, without reorganizing its production lines and enlarging its commercial focus to include Brazilian markets, its probabilities of surviving even the transition period were almost nil. To avoid this, the company should reconvert its production lines, increase present production volumes and also launch its trademark within Brazil. The presentation ended with a request that, to be able to adjust this scheme within the framework of the above described adverse scenario, FATE S.A. should be declared "sensitive" and included within the protection measures established in the Buenos Aires Minutes. This document states that "For those sectors that meet the qualification of 'sensitive'... there may be special agreements taking into account their special circumstances." As far as it is known, the Government has not approved this request. It is also rumored that the company is up for sale, and that negotiations with Brazilian company Michelin S.A. have already started.

In July 1991, the Association of Pulp and Paper Manufacturers (see reference number 21) expressed its concern on the increasing imports from Brazil, remarking that during the first semester of the year they almost quadruplicated figures for the same period of 1990. The Association filed a request with the Argentine Government attempting to control this situation. During the meeting of the Argentina/Brazil Common Market Group held on June 27, 1991 (see reference number 3) Argentine Government officials stressed the need to apply protective measures.

Without assessing the grounds for this request, the Brazilian team expressed that adopting such an extreme resource at this early stage of the integration process might unleash a chain reaction in other sectors, endangering the common market project. Based on this reasoning, the Common Market Group decided to summon the pulp and paper manufacturers from both countries with the recommendation that, in a peremptory term of 30 days, they should reach an agreement to solve the problem. As a consequence of this recommendation, an Argentine-Brazilian business meeting was held in Sao Paulo, Brazil, on July 29, 1991. This meeting concluded with the signing of an Agreement establishing voluntary export quotas that will restrain Brazilian exports.

In Brazil there have also been cases of sensitivity to competition. On January 7, 1991 the Foreign Trade Board, an entity reporting to the Brazilian Secretary of Economy, Finance and Planning, started a research on the imports of disposable diapers from Argentina. The claim was basically related to the Brazilian tax return system that benefits exporters. An that date, the Argentine product was sold on the Brazilian market at half the price of the domestic product.

In the beginning, Brazilian authorities insisted on defining the tax return as a subsidy, due to the manner in which the calculation and tax reimbursement were made. Nevertheless, according to GATT regulations on this matter and the provisions of the Tax Code, a subsidy is considered as such only when the amount reimbursed is higher than taxes paid in the production process, with total independence of the calculation and payment modes. In October 1991 the case was closed by Brazilian courts with a judgement in favor of the Argentine company. This decision is far reaching, since dozens of Argentine industrial sectors are in the same position as the diaper manufacturers.

In August 1991, a Paraguayan researcher, Emilio Fadlala, reported to a group of businessmen (see reference number 28) that a survey was being conducted on the prospects of the domestic industry against Brazilian and Argentine competition. Hundreds of workshops of different sizes were identified in Paraguay; approximately ten factories, well organized and with an acceptable state-of-the-art technology. A few of them were exporting and could surely stand the challenge of an open market.

Doubt subsists on the future of the many workshops, factories and medium-sized companies. The situation of the textile industry is also a source of concern. The author believes that cotton should be spinned, weaved, produced and later exported from Paraguay. But he expressed his concern because, given the present conditions of the textile industry, the clothing industry will not improve nor add diversified products unless it can buy fabrics again in neighboring countries. This dependency is the direct consequence of the mediterranean condition of Paraguay, a country that has always been subject to high freight costs. Mr. Fadlala ended his presentation stating that it is always possible to profit from the neighboring markets of the Argentine provinces and Brazilian states, and this would suffice to fulfill Paraguayan expectations about the regional market.

Most of the sixty companies expect to be able to profit from the opening of the common market. He also reported that 75% of them are planning on exporting, but 61% fears foreign competition. Out of a group of 35 companies, 28 reported that smuggling activities affect them. From this information it seems that the initial hypothesis that smuggling had already swept away the inefficient companies is false, as is the belief that Paraguay is well positioned for competition since borders were open, although unofficially, long before the process of establishing the common market had been initiated.

In a round of conferences held in Montevideo, Uruguay, to discuss the subject of the common market, a participant asked economist José Rocca (see reference number 29) about his opinion on the most appealing location for multinational companies already established in the region after the integration process is concluded. And the answer was Sao Paulo or Buenos Aires. Rocca added that the decisive factors in the companies' assessment are consumer demand, easy access to essential services and, finally, supply of raw materials. He ended by saying that, in general terms, Uruguay seems to be the country with less advantages to compete, but it should be remembered that some corporations may decide to continue operating in more than one location. This depends upon the transportation costs, on whether the companies produce durable or non-durable goods, and several other difficulties that may arise in the flow of products.

On the other hand, multinational corporations (see reference number 15) are already benefitting from the possibility of entering the Mercosur, since the common market means more efficient production scales and new markets. Du Pont produces nylon filaments for tires in Argentina, something that the Brazilian subsidiary does not. After the fall of the Brazilian customs barriers in 1990, even before the integration process started, the Argentine branch started to export and presently supplies 15% of the Brazilian market, equaling the domestic production volume and covering overall demand.

This is only one of the many developments of multinational corporations in the region. Needless to say, these are the corporations that have already designed complete plans for the regional market. Some of them, as the case of Du Pont, have already started ordering their trade and investments bearing the new scenario in mind, but hardly any have not made plans on how to take advantage of it.

MANUFACTURING TRADING RELATED MATTERS

To analyze the development of trading among the Mercosur countries aided by privileges established under the Treaty of Asunción is not an easy task, since this agreement will not be in effect until December 1, 1991. Nevertheless, there was a previous agreement signed in Iguazú, Argentina by President Alfonsín, from Argentina, and President Sarney, from Brazil, in November 1985. Also, and even more important, the regulations eliminating customs duties within the Mercosur have already been in effect between those countries since January 1, 1991. It only consisted of a first reduction of customs duties and an elimination of items from the exemption list, but these measures, plus the movement towards the common market, was what contrived to encourage regional businessmen in planning new businesses or the development of already existing ones. Circumstances are different for Paraguay and Uruguav, countries that will initiate the process by the end of 1991.

The following chart shows statistics on the degree of influence of the Mercosur over the commercial trade between Argentina and Brazil during the first semester of 1991.

ARGENTINA: TRADE OF MANUFACTURED GOODS WITH BRAZIL AND THE REST OF THE WORLD

ITEM	USD MILLIONS FIRST SEMESTER 1990	USD MILLIONS FIRST SEMESTER 1991	PERCENTAGE DIFFERENCE
Exports			
To the world, except Brazil	1,201.1	1,019.4	- 15.1
To Brazil	190.5	171.6	- 9.9
TOTAL	1,391.6	1,191.0	- 14.4
Imports			
From the world, except Brazil	1,198.7	2,021.5	68.6
From Brazil	200.5	372.1	85.6
TOTAL	1,399.2	2,393.6	71.1

Source: Argentine Institute of Statistics and Census

Note: This chart includes the following manufactured products: chemicals, plastic and artificial materials, paper, shoes, hats and umbrellas, stone production, cement and glass, common metals, machinery and electric parts, transport materials, optical instruments and photographic cameras.

Exports of Argentine manufactured products to Brazil in the first semester of 1991 are 9.9% lower than in the same semester of the previous year. But exports to the rest of the world for the same periods decreased by 15.1%, allowing to assume a positive influence of the Treaty in what the development of the foreign trade is concerned.

Figures for Argentina's imports of Brazilian manufactured products imported show an amazing 85.6% increase for the above periods. Imports from the rest of the world were also high, but nearing 71.1%, which allows to assume that there is a preference for purchasing Brazilian products. This may be considered a positive effect of the reduction of customs duties between these countries.

Undoubtedly, figures show that at present economic circumstances prevailing in each country overcome the effect of tax reductions. If in Argentina the volume of exported manufactures exceed imports, it is due to the direct consequence of domestic policies. The same happens in Brazil, but variations in figures with the rest of the world mark the impact of the advantages established by the Treaty.

Charts 9 and 10 of the Statistical Exhibit show manufactures exports and imports by sub-item level. In the first Chart, which shows Argentine exports to Brazil in early 1990 and 1991, it is clear that, in spite of a general decrease in sales volumes, some important items follow a rather different trend. Exports of common metals, for example, which amounted to USD 8.8 millions in the first semester of 1990, increased to USD 19.3 millions for the same period of 1991, i.e. by 119.3%. Equal trends have followed exports of machinery and electric appliances, which increased by 20%, and automobiles, by 22%.

Some Brazilian export items to Argentina have also exceeded average volumes. Such is the case of plastics, which have increased by 231%, paper by 487%, textiles by 245% and automobiles by 103%.

A group of Argentine bankers arranged for a survey to be performed among businessmen of the Mercosur countries (see reference number 13). Results were as follows:

MERCOSUR BUSINESSMEN'S ATTITUDE

OPINION	PERCENTAGE POINTS			
	ARGENTINA	BRAZIL	PARAGUAY	URUGUAY
They Win	45	82	41	19
Neutral	40	10	14	56
They lose	15	8	45	25
Totals	100	100	100	100

This Chart allows to conclude that Argentine businessmen believe that present activity will increase after the implementation of the Mercosur, generating risks for many sectors. Brazilian companies are far more optimistic. In Paraguay, general belief is that the common market will have a negative impact on the domestic activity due to Argentine and Brazilian larger scale economies. Uruguayan companies fear that, although through some necessary adjustments they will be able to meet competitive requirements, the final result will be negative due to the greater scope of Argentine and Brazilian economies.

INDUSTRIAL RESTRUCTURING

General Framework

A well known international accounting audit firm (see reference number 20) conducted a survey of the companies attitude in relation with the Mercosur. One of the questions was about the present attitude toward the foreseeable effect of the Treaty. Answers were as follows (1):

STAGE	ARGENTINA	BRAZIL	PARAGUAY
Analyzing subject & searching info.	37	30	61
Preparing strategic planning	26	12	11
Implementing selected alternatives	21	9	11
Issue was not analyzed	7	24	0
Issue does not impact the Company	9	18	17
The Treaty has no implementation conditions	0	1	0
Answers	99	94	100
Refused to answer	1	6	0
Total	100	100	100

1) This item was unavailable in the Uruguayan survey.

The most indifferent attitude corresponds to Brazil, where 42% of the companies either had not yet analyzed the issue or had found no known effects. In relation with these two points, the position is similar in Argentina (16%) and Paraguay (17%).

The companies that seem to be more involved, those already implementing the alternatives, are 21% in Argentina, 11% in Paraguay and 9% in Brazil.

Another question was whether 1991 investments for expanding or difersifying the production take into account domestic market or foreign markets. Answers were as follows:

INVESTMENTS BY AREA	ARGENTINA	BRAZIL
Foreign Markets - Mercosur	11	3
Foreign Markets - Other	12	15
Domestic Market	77	82
Total	100	100

Once more, Brazilian businessmen seem to be rather unconcerned with the Mercosur possibilities.

Argentine Restructuring

A survey aimed at identifying those Argentine companies with export-related investments (see reference number 5) shows a great number of companies in that situation, although not always linked to the Mercosur markets. Some of them are: Agroandina S.A. (fresh and dried fruits, vegetables), Carboclor Industrias Químicas S.A.I.D. (peroxide solvents), ICI DUPERIAL S.A.I.C. (chemical products), Peñaflor S.A. (wines, concentrated must, mineral water and fruit juices) and Promeco S.R.L. (tool-machines).

Nevertheless, in Argentina there is not a systematic and general concern towards the Mercosur, as it is the case in Uruguay. Probably this is so because businessmen are already facing reduction of customs duties in relation with non-Mercosur countries. The economic opening established by the Argentine Government on April 1, 1991 has originated a growing import activity affecting all type of raw materials and finished products from different countries.

Companies are now engaged in an effort to increase their productivity level to meet this challenge. It is difficult to separate the efforts made as a consequence of the Mercosur from those related to third countries. Besides, a substantial reactivation of domestic demand is helping to disguise the effects of the invasion of imported products at the same time that it discourages exports. This determines a rather defensive approach to the reconversion process.

Yet, many things are happening. There is practically no company where productivity is not increasing. This is as much the result of reducing the number of workers as the consequence of increases in demand. Re-equipment does not seem to be a very crucial issue.

Many companies find that, in an open economy, manufacturing goods for which there is little domestic demand is not profitable. Several production processes have been stopped. The most frequent solution is to import the product from Brazil.

Present circumstances do not encourage Argentine exports to Brazil. There is the double obstacle of a slightly overvalued Argentine currency and a strongly undervalued Brazilian currency. Besides, domestic demand in Argentina is steadily growing while in Brazil the situation is the reverse. The growing demand in Argentina prevents Brazilian imports to become a great hindrance on domestic industry. A change of this scenario may arise from either side. It is possible that the increase of efficiency will allow Argentina to overcome the present overvaluation of the Austral, while Brazil may finally control its inflation rate thereby increasing consumer purchasing power and bringing the exchange rate closer to parity.

Meanwhile, some Argentine companies are surveying the Brazilian market. Most frequent conclusions seem to be that, although it will be rather difficult to compete in Brazil with mass consumption products, there is nevertheless the chance of selling first-quality goods to selected consumer segments. The most propitious ones seem to be textiles, clothes, ceramics and iron products.

A final comment: When, in 1985, Presidents Alfonsín and Sarney established free trade for almost all industrial goods, Argentine businessmen stated that there were poor conditions for competing. Shortly after, it was a fact that the possibility of exporting to Brazil was saving Argentine tool-machine manufacturers from bankruptcy, due to a severe recession that lasted many years and had reduced the domestic market almost to nil.

Brazilian Restructuring

At the beginning of 1987, a specialist recollected that Brazil (see reference number 41), as opposed to Argentina, had successfully not only entered the international industrial commodities markets but was also selling sophisticated products with high added value. Consequently, the opinions disclosed in November 1991 by a Director of Andersen Consulting (see reference number 25) were only partially true when he stated that Brazilian companies are ahead of their Argentine peers in their search for efficiency through cost reduction and internal restructuring, a direct consequence of their experience in international competition. Since these companies, as well as the rest in Latin America, have been protected for many decades by a closed domestic market, they will have to adjust their production methods if they want to keep their ground in the Mercosur.

At the end of 1991 Brazilian businessmen are worried about the strong recession in domestic markets. The customs duties reduction enforced by the Government seems to be a minor concern, partly because it is a long-term objective, and partly because it is only a minor reduction. Confronted by these problems, Mercosur seems to be not so relevant a challenge, both as a new market to be conquered and as a competition threat. This explains the lack of interest reflected in the above mentioned surveys. It also gives grounds to conclude that few Brazilian companies are presently implementing changes to enter the common market.

Paraguayan Restructuring

Paraguay is well positioned (see reference number 36) to produce and export leather shoes. Brazil is the fourth shoe manufacturer in the world, and Brazilian companies will probably be interested in joint-ventures with Paraguayan companies oriented to export or, possibly, sell the products in the Brazilian market. Prospects for production and export of leather clothes are also good.

Although these and other possibilities are presently being considered, private and government interest in the industry's restructuring are low. Both sectors believe that smuggling has already opened the country's economy to international competition, and believe that the consequences of the customs duty reduction will be immaterial. On the other hand, they find most appealing the possibility of introducing Paraguayan products to Argentina and Brazil, and are willing to make any necessary adjustments to compete in those markets.

Uruguayan Restructuring

Although Uruguay entered the Mercosur a few months ago, local companies have already started actions to position themselves advantageously within the future enlarged market (see reference number 44). Previous agreements with Argentina and Brazil, such as CAUCE and PEC, did not threaten domestic industries since these basically meant importing manufactured goods not produced in the country at the same time that it opened export opportunities. The Mercosur has changed this scenario. Even though export opportunities are most attractive due to elimination of quotas in Brazil and Argentina, the opening of domestic markets to competitive products poses a risk for local industries. Businessmen are swiftly changing from a passive to an active attitude.

Changes are perceived in many sectors (see reference number 44). The milk industry, which is said to have competitive advantages in the region, is planning investments over USD 35 million to enlarge production capacity, manufacture new products and improve the industrial processes, which will enable the expansion of exports within the Mercosur.

Something similar happened in the printing industry. Five medium-sized companies with limited export capacity but with a state-of-the-art technology and competitive quality products, decided to establish a consortium that will qualify them exclusively for export sales. This will foster their participation in the Mercosur.

According to a survey carried out by the Uruguayan Industrial Chamber in the second semester of 1990, 23 paint and by-products manufacturers, out of a total of 35, had planned overall investments totaling USD 10 million in 1990/91. In 1987/89, major companies within this sector had already invested USD 15 million.

The main ironwork and steel companies are planning, with the support of the Uruguayan Industrial Chamber, an overall reconversion through mergers in order to compete within the Mercosur. These companies have so far produced only for the domestic market.

Tires and inner tubes manufacturers are making substantial investments to adjust to a new open and consolidated economy. FUNSA, a local company, started a rationalization process that included 200 workers under unemployment insurance.

Automobile spare parts companies are meeting with their peers in Argentina and Brazil. Several agreements are under way which involve production areas, technology, marketing, joint ventures or equity participations.

Adjustments are also being made in the paper manufacturing sector. One of the companies, Fábrica Nacional de Papel, dismissed 116 employees in December 1990.

Other industrial segments, such as meat cold-storage plants, clothes and textiles, have requested technical support from the Uruguayan Industrial Chamber to implement adjustments, and are ready to make the necessary investments. The Chamber has summoned the private sector to assist in the reconversion, and will take the maximum advantage of available resources and technical assistance offered by international organizations such as INTAL (Instituto para la Ingregación de América Latina - Latin American Integration Institute), UNIDO (UN International Development Organization) and ALADI (Latin American Integration Association), which have great experience and knowledge on such matters.

If we position Mercosur countries by degree of commitment to industrial restructuring, Uruguay is at the top, greatly concerned with the issue, followed by Argentina where the interest is mixed with the compulsory need of adequacy to international competition. Paraguay occupies the third position, confident that a certain amount of effort concentrated on exports will suffice, and at the bottom is Brazil, where concern is not yet apparent.

TECHNICAL ASSISTANCE

As mentioned above, the involvement of businessmen in industrial restructuring to make economic integration feasible within the Mercosur is widely different in each one of the four countries. Uruguay is where this need is perceived most clearly. This country will benefit from the possibility of free access to Argentine and Brazilian markets, and will also stand competition of products from both countries. The benefit is here now, risks will appear in 1993, after the Uruguayan Government has consumed the "reserve" items in the exemption list attached to the Treaty. Nonetheless, three years will barely suffice to make the adjustments. The most important plans related to industrial reconversion are as follows:

Leather goods exporters need better raw materials to manufacture first-quality products. Adequate technical assistance to cattle raisers and meat cold-storage plants will help to improve matters.

Milk industry is quite competitive and products are marketable in Brazil and even in Argentina. Support in the planning of new investments and more efficient production processes would help quite a lot.

Printing industry needs concurrence to overcome scale problems. Technical assistance should be given not only to establish consortiums, mergers and other types of partnerships, but also to increase production volumes and standards.

Several iron casting and steel companies are merging to achieve their reconversion goals. They need similar technical support as that of the printing industry.

Substantial investments are been made in the paint and paint by-products industry sector. A technical audit should help to avoid mistakes.

Tire manufacturers are facing serious problems in their reconversion process. Four are multinational companies and the issue is a relatively easy one for them. But the other two companies established with local capital, FUNSA from Uruguay and FATE from Argentina, are in great need of an impartial and comprehensive vision, which an international agency may be able to provide.

A similar problem exists for the automobile and spare parts industries. Both Argentine and Uruguayan companies will undergo a deep transformation after commercial constraints are eliminated. Timely and comprehensive analysis of the new scenario would help be most helpful for both governments and industries.

The paper industry is undergoing a streamlining process in Uruguay. This is another case where both Argentine and Uruguayan companies could face trouble in matching Brazilian competition due to different production scales. As they are hardly able to compete in the area of mass consumer products, some help should be provided to identify special products where some competition is possible.

Meat cold-storage, clothes and textile industries are undergoing their restructuring process and are willing to make investments. They also count on UNIDO's help to achieve their goals.

Argentina is following Uruguay in its concern with industrial reconversion in relation with the Mercosur. Both countries share some worrysome issues such as tires, automobiles, and paper. In the case of Argentina, metals, fabrics, clothes and ceramics should be added. Some people believe that Argentine shoe makers should improve some details, such as the resistance of the thread used for sewing, to be able to compete with Brazilian industry which is used to the USA market requirements. It is necessary to help all these troublesome sectors to find "niches" in the Brazilian market that may compensate lower sales of mass consumer products.

Paraguay is confident that no industrial reconversion is required to stand up to foreign competition. They think that they already have an open economy, due to the impact of smuggling. But they surely would appreciate any assistance that may foster their industries' capabilities to take advantage of the opening of their partners's markets.

Some Paraguayan companies have already acquired equipment which is not tough enough to resist tropical climates. This increases maintenance costs, and the situation is aggravated by transport deficiencies. An adequate technical assistance may avoid repetition of such errors, frequently promoted by suppliers too anxious to sell their machines.

Paraguay has plenty of first quality cotton at international prices. Only 5% of national production is manufactured within the country. This leaves an ample field for textile development, which could be encouraged through an adequate technical assistance.

There are also favorable conditions to export leather shoes. Joint ventures with Brazilian companies with expertise in their own market as well as in the USA's, should improve prospects. The same analysis is valid for leather clothes, but the association should in this case be with Uruguayan companies. An international organization may give technical advice on merging processes.

For the reasons discussed above, possibilities of Brazil welcoming any offer of technical assistance are scarce, although Porto Alegre's food industry may constitute an exception, due both to geographic location and production characteristics. However, Brazil is not entirely out of the scope of international assistance. As discussed in former paragraphs, this country is considered by businessmen of the other three countries as the most dangerous competitor due to production volumes and industrial diversification. Consequently, there is hardly any issue concerning industrial reconversion that is not approached either in confrontation with, or focusing on this country.

BIBLIOGRAPHY

Reference
Nbr.

1) Abreu Bonilla, Sergio, "MERCOSUR E INTEGRACION" (Mercosur and Integration), Fundación de Cultura Universitaria, August 1991, Montevideo.

2) "ACUERDAN PAPELEROS" (Paper Manufacturers' Agreement), El Cronista Comercial, July 31, 1991, Buenos Aires.

3) "ACUERDO PRIVADO DE RESTRICCION DEL COMERCIO BILATERAL DE CELULOSA PAPEL" (Private Agreement on Restriction of Bilateral Trade of Pulp and Paper), Mercosur Bulletin, September 17, 1991, Buenos Aires.

4) "ALTAS TARIFAS, EMPRESAS EN QUIEBRA" (High Customs Duties, Companies in Bankruptcy Proceedings), La Nación, November 28, 1991, Buenos Aires.

5) "ARGENTINA", INTAL and Bank of Boston Foundation, Second Latin American Meeting of Successful Exporters, July 2 and 25, 1991, Buenos Aires.

6) Baldinelli, Elvio, "ARMONIZACION DE POLITICAS CAMBIARIAS, CREDITICIAS Y FISCALES - MECANISMOS DE SOLUCION DE CONTROVERSIAS Y CLAUSULA DE SALVAGUARDIA EN EL MERCOSUR" (Harmonization of Foreign Exchange, Credit and Fiscal Policies - Mechanisms to solve differences and Protection Clauses Within the Mercosur), IDEA, XXVII Coloquio, page 1, Buenos Aires.

7) Bastos, Carlos and Givogri, Pablo, "TARIFAS ELECTRICAS Y COMPETITIVIDAD INTERNACIONAL" (Electricity Rates and International Competitiveness), Novedades Económicas, July 1990, Number 115, page 7, Buenos Aires.

8) Bastos, Carlos and Givogri, Pablo, "DESORGANIZACION TARIFARIA" Novedades Económicas, December 1988, Nbr.96, page 6, Buenos Aires.

9) Botzman, Mirta E. and Díaz Pérez, "POLITICAS DE REESTRUCTURACION DE ACTIVIDADES INDUSTRIALES Y COMPETITIVIDAD: SITUACION DE LA INDUSTRIA CELULOSICA-PAPELERA EN LA ARGENTINA" (Industrial Restructuring Policies and Competitiveness: The Condition of the Pulp and Industry in Argentina), Report Number 2, Industry and Foreign Trade Bureau, April 1990, Buenos Aires.

BIBLIOGRAPHY (Cont'd)

Reference
Nbr.

10) "BRASIL: UNA INFLACION DEL 27% EN NOVIEMBRE" (Brazil: 27% Inflation Rate in November), La Nación, November 22, 1991, Buenos Aires.

11) Burt, Martín (Dr.), "EXPOSICION DEL SUBSECRETARIO DE ESTADO DE COMERCIO DEL MINISTERIO DE INDUSTRIA Y COMERCIO DE LA REPUBLICA DEL PARAGUAY EN OCASION DEL ENCUENTRO EMPRESARIAL PARAGUAYO-ARGENTINO" (Conference by the Undersecretary of Commerce of the Ministry of Industry and Trade of the Republic of Paraguay at the Argentine Paraguayan Businessmen Meeting), November 14, 1991, Buenos Aires.

12) Chudnovsky, Daniel, "ASIMETRIAS DE LOS INSUMOS INDUSTRIALES DE LOS PRODUCTOS DE LA LISTA COMUN CON BRASIL" (Lack of Symmetry in Industrial Raw Materials Included in the Common List with Brazil), Secretary of Industry and Foreign Trade, March 1987, Buenos Aires.

13) D'Alessio & Asociados S.A. - Coopers & Lybrand, "MERCOSUR: LA VOZ DE LOS EMPRESARIOS DE LOS CUATRO PAISES" (Mercosur: Businessmen's Opinions in the Four Countries), written for the 7th Convention of National Private Banks, ADEBA, August 1991, Buenos Aires.

14) "ENCUESTAS A EMPRESAS DE BRASIL, PARAGUAY Y URUGUAY" (Survey of Brazilian, Paraguayan and Uruguayan Companies), Buenos Aires, 1991, Second Latin America Meeting of Successful Exporters, Investments for Exports, Bank of Boston Foundation and INTAL, 1991, Buenos Aires.

15) "ENTRAR, SALIR, CAMBIAR" (To Enter, To Leave, To Change), América Economía, May 1991, Mexico.

16) "EL TRANSITO HACIA EL MERCADO COMUN CON BRASIL - 1/1/91 AL 31/12/94" (Transition Toward the Common Market with Brazil - 1/1/91 through 12/31/91), "LA TRANSICION EN EL SECTOR NEUMATICOS Y LA SITUACION DE FATE" (Tire Companies Transition and FATE's Situation), December 1990, Buenos Aires.

BIBLIOGRAPHY (Cont'd)

Reference
Nbr.

17) "ESTRATEGIAS DE EMPRESAS URUGUAYAS HACIA EL MERCADO COMUN DEL SUR" (Uruguayan Companies' Strategy Towards the Common Market in the South), Crónicas Económicas, November 4, 1991, Montevideo.

18) García, María Cristina, Díaz Pérez, José I., "POLITICAS DE REESTRUCTURACION DE ACTIVIDADES INDUSTRIALES Y COMPETITIVIDAD: EL SECTOR SIDERURGICO" (Policies of Industrial Restructuring and Competitiveness: Metal Manufacturing), Secretary of Industry and Foreign Trade, July 1990, Buenos Aires.

19) "IDENTIFICACION DE PERFILES INDUSTRIALES ORIENTADOS PREFERENTEMENTE A LA EXPORTACION" (Identification of Industrial Profiles Focussed on Exports), (PA/88/06), ALADI, 1988, Montevideo.

20) "INDICADORES ECONOMICO-FINANCIEROS" (Economic-Financial Indicators), survey performed by a well-known international firm specialized in accounting audits, 1991, Buenos Aires.

21) "INQUIETA LA ABRUPTA ALZA DE LAS IMPORTACIONES DE PAPEL" (Concern for the Sudden Increase of Paper Imports), La Nación, July 20, 1991, Buenos Aires.

22) "IDENTIFICACION DE POSIBILIDADES DE COMPLEMENTACION ENTRE LA ARGENTINA Y LOS PAISES DE MENOR DESARROLLO ECONOMICO RELATIVO" (Identifying Possibilities of Complementation between Argentina and Other Countries With Relatively Less Developed Economies), UPE/89/04, Task Program 1989, ALADI, Montevideo.

23) Mr. Heber (France), "INDICE DE COMPETITIVIDAD DE CRONICAS ECONOMICAS (ICCE) Y ATRASO CAMBIARIO" ("Crónicas Económicas" Competition Index and Inflation/Devaluation Gap), Crónicas Económicas, November 4, 1991, Montevideo.

24) "INTERNACIONALIZACION Y DESARROLLO INDUSTRIAL: INVERSIONES EXTRANJERAS DIRECTAS DE EMPRESAS INDUSTRIALES ARGENTINAS" (Internationalization and Industrial Development: Direct Foreign Investments by Argentine Industrial Companies), CEPAL, September 1991, Buenos Aires.

BIBLIOGRAPHY (Cont'd)

Reference
Nbr.

25) Kuperman, Ernesto, "EL PULSO DE LA CITY" (The Pulse of the City), La Nación, November 29, 1991, Buenos Aires.

26) "LA INDUSTRIA PETROQUIMICA ANTE LA INTEGRACION ARGENTINA BRASIL - ASOCIACION PETROQUIMICA LATINOAMERICANA" (How the Petrochemical Industry Faces Argentine-Brazilian Integration - Latin American Petrochemical Association), October 1990, Buenos Aires.

27) "MERCOSUR: EL PROGRAMA DE LIBERACION COMERCIAL" (Mercosur: A Program of Commercial Freedom), Crónicas Económicas, July 15, 1991, Montevideo.

28) J. Hodara, E. Baldinelli, E. Fadlala, "MERCOSUR: EXPERIENCIAS NEGOCIADORAS" (Mercosur: Negotiation Experiences), IDIAL, Agosto 1991, Asunción.

29) "MERCOSUR, CLAROSCURO DE UNA INTEGRACION" (Mercosur: Lights and Shadows of the Integration Process), Seminar at the Faculty of Economics and Business Administration, Editorial Fin de Siglo, 1991, Montevideo.

30) "MERCOSUR: LA VISION EMPRESARIA VARIA SEGUN LOS PAISES" (Mercosur: A Businessmen Point of View Is Different in Each Country), La Nación, September 8, 1991, Buenos Aires.

31) "NO ESTAN CLARAS LAS REGLAS DE JUEGO EN EL MERCOSUR" (Confusing Rules of the Game in the Mercosur), Crónicas Económicas, November 4, 1991, Montevideo.

32) Nofal, Beatriz, "INDUSTRIA SIDERURGICA ARGENTINA" (Argentine Metal Industry), November 1990, Buenos Aires.

33) "OBSTACULOS A LA OFERTA EXPORTABLE DE PRODUCTOS MANUFACTURADOS" (Hindrances for Exports of Manufactured Products), Industrial Chamber of Uruguay, Program BID-CIU, July 1991, Montevideo.

BIBLIOGRAPHY (Cont'd)

Reference
Nbr.

34) Ondarts, Guillermo, "EXPORTACIONES E INVERSIONES - ANALISIS Y CONCLUSIONES DE LAS ENCUESTAS A EMPRESAS DE LA ARGENTINA, BRASIL, CHILE, PARAGUAY Y URUGUAY" (Exports and Investments - Analysis and Conclusions of Surveys Made with Argentine, Brazilian, Chilean, Paraguayan and Uruguayan Companies), Bank of Boston Foundation and INTAL, 1991, Buenos Aires.

35) Porta, Fernando, Fontanals, Jorge and Groisman, Silvio, "LA INDUSTRIA DE BIENES DE CAPITAL EN ARGENTINA: PRODUCCION, COMERCIO EXTERIOR Y PERFIL ECONOMICO DE LAS EMPRESAS DE LA LISTA COMUN" (Industrial Assets in Argentina: Production, Foreign Trade and Economic Profile of Companies included in the Common List), Secretary of Industry and Foreign Trade, March 1987, Buenos Aires.

36) "POSIBILIDADES DE COMPLEMENTACION INDUSTRIAL ENTRE BRASIL Y PARAGUAY (Possibilities of Industrial Complementation Between Brazil and Paraguay), UPE/88/12, Task Program 1988, ALADI, Montevideo.

37) "PRINCIPALES CONCLUSIONES OBTENIDAS EN LAS DIVERSAS REUNIONES MANTENIDAS EN BRASIL" (Main Conclusions of Several Meetings Held in Brazil), Report of an economic analyst hired by Argentine businessmen at the end of 1990, Buenos Aires.

38) "PROCEDIMIENTO ANTISUBSIDIOS ABIERTO POR BRASIL CONTRA EXPORTADORES ARGENTINOS DE PAÑALES DESCARTABLES" (Anti-Subsidy Procedure started by Brazil against Argentine Exporters of Disposable Diapers), Mercosur Bulletin, August 9, 1991, Buenos Aires.

39) "RESUMEN DE CONCLUSIONES Y RECOMENDACIONES DE LOS INFORMES SECTORIALES" (Summary of Conclusions and Recommendations Included in the Reports by Industrial Sectors), Industrial Chamber of Uruguay, Program BID-CIU, August 1991, Montevideo.

40) Sanguinetti, Julio, Abreu Bonilla, Sergio, Couriel, Alberto, "URUGUAY Y EL MERCOSUR" (Uruguay and the Mercosur), Editorial Universidad Ltda., 1991, Montevideo.

BIBLIOGRAPHY (Cont'd)

Reference
Nbr.

41) Sercovich, Francisco C., "POLITICA TECNOLOGICA Y REESTRUCTURACION INDUSTRIAL: LOS TEMAS CENTRALES" (Technologic Policy and Industrial Restructuring: Main Issues), Desarrollo Económico, January-March 1987, Number 104, Buenos Aires.

42) Sierra, Pablo, "LA INDUSTRIA DE BIENES DE CAPITAL EN BRASIL" (Industrial Assets in Brazil), Secretariat of Industry and Foreign Trade, March 1989, Buenos Aires.

43) "TRAS LA REBAJA DEL 1 DE SETIEMBRE, LAS BARRERAS ARANCELARIAS URUGUAYAS SE HALLAN EN EL NIVEL MAS BAJO DE LA ULTIMA DECADA" (After the Reduction of September 1, Uruguayan Customs Duties Are at the Lowest Level in the Last Ten Years), Búsqueda, September 5, 1991, Montevideo.

44) Maderni, Helios, "URUGUAY EN EL MERCADO COMUN DEL CONO SUR" (Uruguay Within the Southern Cone Common Market), INTAL and Bank of Boston Foundation, March 5 and 6, 1991, Montevideo.

45) "URUGUAY: UNA ESTRATEGIA PARA LA INDUSTRIA" (Uruguay: An Industry Strategy), Comercio Exterior de México, July 1991, Mexico.

STATISTICAL EXHIBITS

CHART NUMBER 1

MERCOSUR: ADJUSTED REAL EXCHANGE RATES
INDEX 1985 + 100

PERIOD	ARGENTINA	BRAZIL	PARAGUAY	URUGUAY
1985	100.0	100.0	100.0	100.0
1986	100.0	106.4	99.4	101.5
1987	103.6	106.4	123.9	101.4
1988	117.9	98.1	117.9	110.4
1989	128.2	74.2	152.0	104.1
1990				
January	100.0	57.1	---	78.1
February	113.1	54.0	---	77.0
March	88.3	47.2	---	74.8
April	84.5	54.3	---	75.8
May	79.9	53.2	---	77.3
June	77.5	52.1	---	74.4
July	75.5	53.8	---	73.9
August	74.1	52.7	---	74.0
September	66.3	49.4	---	68.5
October	64.1	51.0	---	68.4
November	59.1	61.5	---	69.3
December	56.5	62.3	---	68.8
1991				
January	65.2	61.4	---	67.6
February	67.4	62.0	---	67.4
March	67.2	57.1	---	65.6
April	68.6	59.5	---	66.1
May	68.4	60.6	---	62.7
June	68.0	59.5	---	62.1
July	67.6	58.5	---	61.5

Source: 1985/1989: BID, "Progreso Económico y Social en América Latina" (Economic and Social Improvement in Latin America), 1990. Source: IMF, IFS. 1990/1991: CEPAL, "Panorama Económico de América Latina" (Latin America Economic Situation), 1991, Santiago de Chile.

Notes:
Argentina: Nominal exchange rate deflated by wholesale price index and adjusted by USA wholesale price index. Exchange Rate applicable to exports. **Brazil:** Nominal exchange rate deflated by wholesale price index and adjusted by USA wholesale price index. **Uruguay:** Nominal exchange rate deflated by wholesale price index and adjusted by USA wholesale price index.

CHART NUMBER 2

ARGENTINA AND BRAZIL - ADJUSTED REAL EXCHANGE RATES

PERIOD	ARGENTINA	BRAZIL	DIFFERENCE IN FAVOR OF BRAZIL
1990			
January	100.0	57.1	- 42.9
February	113.1	54.0	- 59.1
March	88.3	47.2	- 41.1
April	84.5	54.3	- 30.2
May	79.9	53.2	- 26.7
June	77.5	52.1	- 25.4
July	75.5	53.8	- 21.7
August	74.1	52.7	- 21.4
September	66.3	49.4	- 16.9
October	64.1	51.0	- 13.1
November	59.1	61.5	+ 2.4
December	56.5	62.3	+ 5.8
1991			
January	65.2	61.4	- 3.8
February	67.4	62.0	- 5.4
March	67.2	57.1	- 10.1
April	68.6	59.5	- 9.1
May	68.4	60.6	- 7.8
June	68.0	59.5	- 8.5
July	67.6	58.5	- 9.1

Source: Chart Number 1

CHART NUMBER 3

ARGENTINA AND URUGUAY - ADJUSTED REAL EXCHANGE RATES

PERIOD	ARGENTINA	URUGUAY	DIFFERENCE IN FAVOR OF URUGUAY
1990			
January	100.0	78.1	- 21.9
February	113.1	77.0	- 36.1
March	88.3	74.8	- 13.5
April	84.5	75.8	- 8.7
May	79.9	77.3	- 2.6
June	77.5	74.4	- 3.1
July	75.5	73.9	- 1.6
August	74.1	74.0	- 0.1
September	66.3	68.5	+ 2.2
October	64.1	68.4	+ 4.2
November	59.1	69.3	+ 10.2
December	56.5	68.8	+ 12.3
1991			
January	65.2	67.6	+ 2.4
February	67.4	67.4	---
March	67.2	65.6	- 1.6
April	68.6	66.1	- 2.5
May	68.4	62.7	- 5.7
June	68.0	62.1	- 5.9
July	67.6	61.5	- 6.1

Source: Chart Number 1

CHART NUMBER 4

BRAZIL AND URUGUAY - ADJUSTED REAL EXCHANGE RATES

PERIOD	BRASIL	URUGUAY	DIFFERENCE IN FAVOR OF URUGUAY
1990			
January	57.1	78.1	+ 21.0
February	54.0	77.0	+ 23.0
March	47.2	74.8	+ 27.6
April	54.3	75.8	+ 21.5
May	53.2	77.3	+ 24.1
June	52.1	74.4	+ 22.3
July	53.8	73.9	+ 20.1
August	52.7	74.0	+ 21.3
September	49.4	68.5	+ 19.1
October	51.0	68.4	+ 17.4
November	61.5	69.3	+ 7.8
December	62.3	68.8	+ 6.5
1991			
January	61.4	67.6	+ 6.2
February	62.0	67.4	+ 5.4
March	57.1	65.6	+ 8.5
April	59.5	66.1	+ 6.6
May	60.6	62.7	+ 2.1
June	59.5	62.1	+ 2.6
July	58.5	61.5	+ 3.0

Source: Chart Number 1

CHART NUMBER 5

ARGENTINA, BRAZIL AND USA - COMPARATIVE PRICES OF MANUFACTURED PRODUCTS OTHER THAN FOODS

PRODUCTS		U.S.A.	ARGENTINA	BRAZIL
Portland Cement (in bulk, in factory)	MAY 1989	64	45	139
	MAY 1990	64	79	132
	SEP 1991	68	85	100
Hydrated Lime (building type)	MAY 1989	75	36	34
	MAY 1990	80	113	82
	SEP 1991	128	117	76
Newsprint Paper (including taxes)	MAY 1989	564	436	688
	MAY 1990	521	589	913
	SEP 1991	578	711	902
Structural Profile (I10")	MAY 1989	564	279	591
	MAY 1990	466	345	435
	SEP 1991	(1) 470	362	(2) 750
Hot Rolled Plates (3 to 8 mm)	MAY 1989	571	286	316
	MAY 1990	675	408	380
	SEP 1991	305	491	404
Cold Rolled Plates (1.5 mm)	MAY 1989	698	304	414
	MAY 1990	675	536	640
	SEP 1991	663	610	696
Iron Bars (for building)	MAY 1989	441	184	365
	MAY 1990	417	340	345
	SEP 1991	420	440	385
Aluminium (in 99.5% ingots)	MAY 1989	0.88	1.02	1.08
	MAY 1990	0.74	1.82	2.20
	SEP 1991	1.37	1.72	1.23
Copper (electrolytic wirebars)	MAY 1989	3.03	1.43	2.34
	MAY 1990	2.00	3.00	2.64
	SEP 1991	2.57	3.20	2.61
Tin (in 99.9% ingots)	MAY 1989	9.9	4.6	4.3
	MAY 1990	10.6	10.5	6.0
	SEP 1991	8.0	8.9	5.9
Lead (in 99.9% ingots)	MAY 1989	0.80	0.29	0.89
	MAY 1990	1.01	0.92	1.23
	SEP 1991	0.73	0.85	0.78

MANUFACTURED PRODUCTS OTHER THAN FOODS (Cont'd)

PRODUCTS		U.S.A.	ARGENTINA	BRAZIL
Zinc (electrolytic, in 99.9% ingots)	MAY 1989	1.39	0.48	1.15
	MAY 1990	1.35	1.08	1.48
	SEP 1991	1.23	1.70	1.11
Automobiles: Ford Escort (including taxes)	MAY 1989	9.0	6.8	11.2
	MAY 1990	9.3	14.1	12.0
	SEP 1991	11.0	17.6	11.2

Source: "Novedades Económicas", Fundación Mediterránea, Numbers 105, 117 and 130, Córdoba

1) As of August 1991
2) As of July 1991

CHART NUMBER 6

ARGENTINA, BRAZIL AND USA

COMPARATIVE PRICES OF FOOD PRODUCTS

PRODUCTS		U.S.A.	ARGENTINA	BRAZIL
Rice (long grain) USD/KG	MAY 1989	1.20	0.46	0.48
	MAY 1990	1.21	1.12	0.72
	SEP 1991	1.71	1.71	0.70
Refined Sugar USD/KG	MAY 1989	0.86	0.38	0.36
	MAY 1990	0.90	0.60	0.40
	SEP 1991	1.42	0.70	0.42
Ground Coffee USD/KG	MAY 1989	6.8	4.6	3.3
	MAY 1990	6.4	7.1	5.0
	SEP 1991	6.4	4.7	3.2
Beef (First quality cuts) USD/KG	MAY 1989	7.5	0.5	2.9
	MAY 1990	7.9	1.5	2.8
	SEP 1991	8.8	3.7	4.1
Eggs (big) USD/DOZEN	MAY 1989	1.04	0.37	1.41
	MAY 1990	1.16	0.80	0.80
	SEP 1991	1.83	1.05	0.65
Milk (Fluid) USD/LITER	MAY 1989	0.67	0.12	0.25
	MAY 1990	0.67	0.30	0.38
	SEP 1991	0.77	0.40	0.39
Butter USD/200 GRAMS	MAY 1989	0.59	0.27	0.50
	MAY 1990	0.59	0.70	0.90
	SEP 1991	0.90	0.83	1.03
Bread USD/KG	MAY 1989	2.70	0.18	0.67
	MAY 1990	2.87	0.38	0.38
	SEP 1991	2.19	0.39	1.05
Dry Noodles USD/400 GRAMS	MAY 1989	0.77	0.23	0.41
	MAY 1990	0.78	0.56	0.65
	SEP 1991	0.81	0.63	0.61
Table Wine (Common red) (1)	MAY 1989	1.23	0.22	0.67
	MAY 1990	1.92	0.53	0.60
	SEP 1991	1.70	0.97	1.61

Source: "Novedades Económicas", Fundación Mediterránea, Numbers 105, 117 and 130, Córdoba

1) As there is no USA price for ordinary table wine, this Chart lists Italian price.

CHART NUMBER 7

ARGENTINA, BRAZIL AND USA
PRICE RATIOS OF MANUFACTURED PRODUCTS OTHER THAN FOODS

PRODUCTS		U.S.A.	ARGENTINA	BRAZIL
Portland Cement (in bulk, in factory)	MAY 1989	100	70	217
	MAY 1990	100	123	206
	SEP 1991	100	125	147
Hydrated Lime (building type)	MAY 1989	100	48	45
	MAY 1990	100	141	103
	SEP 1991	100	91	59
Newsprint Paper (including taxes)	MAY 1989	100	77	122
	MAY 1990	100	113	175
	SEP 1991	100	123	156
Structural Profile (I10")	MAY 1989	100	49	105
	MAY 1990	100	74	93
	SEP 1991	(1) 100	77	(2) 160
Hot Rolled Plates (3 to 8 mm)	MAY 1989	100	50	55
	MAY 1990	100	60	56
	SEP 1991	100	161	132
Cold Rolled Plates (1.5 mm)	MAY 1989	100	44	59
	MAY 1990	100	79	95
	SEP 1991	100	92	105
Iron Bars (for building)	MAY 1989	100	42	83
	MAY 1990	100	82	83
	1991	100	105	92
Aluminium (in 99.5% ingots)	MAY 1989	100	116	123
	MAY 1990	100	145	297
	SEP 1991	100	126	90
Copper (electrolytic wirebars)	MAY 1989	100	47	77
	MAY 1990	100	150	132
	SEP 1991	100	125	102
Tin (in 99.9% ingots)	MAY 1989	100	46	43
	MAY 1990	100	99	56
	SEP 1991	100	111	74
Lead (in 99.9% ingots)	MAY 1989	100	36	111
	MAY 1990	100	91	122
	SEP 1991	100	116	107

PRICE RATIOS OF MANUFACTURED PRODUCTS OTHER THAN FOODS (Cont'd)

PRODUCTS		U.S.A.	ARGENTINA	BRAZIL
Zinc (electrolytic, in 99.9% ingots)	MAY 1989	100	35	83
	MAY 1990	100	80	110
	SEP 1991	100	138	90
Automobiles: Ford Escort (including taxes)	MAY 1989	100	76	124
	MAY 1990	100	152	129
	SEP 1991	100	160	102

Source: "Novedades Económicas", Fundación Mediterránea, Numbers 105, 117 and 130, Córdoba

1) As of August 1991
2) As of July 1991

CHART NUMBER 8

ARGENTINA, BRASIL AND USA - FOOD PRICE RATIOS

PRODUCTS		U.S.A.	ARGENTINA	BRAZIL
Rice (long grain) USD/KG	MAY 1989	100	38	40
	MAY 1990	100	93	60
	SEP 1991	100	100	41
Refined Sugar USD/KG	MAY 1989	100	44	42
	MAY 1990	100	67	44
	SEP 1991	100	49	30
Ground Coffee USD/KG	MAY 1989	100	68	49
	MAY 1990	100	111	78
	SEP 1991	100	73	50
Beef (First quality cuts) USD/KG	MAY 1989	100	7	39
	MAY 1990	100	19	35
	SEP 1991	100	42	46
Eggs (big) USD/DOZEN	MAY 1989	100	36	136
	MAY 1990	100	69	69
	SEP 1991	100	57	36
Milk (Fluid) USD/LITER	MAY 1989	100	18	37
	MAY 1990	100	45	57
	SEP 1991	100	52	51
Butter USD/200 GRAMS	MAY 1989	100	46	85
	MAY 1990	100	119	153
	SEP 1991	100	92	114
Bread USD/KG	MAY 1989	100	7	25
	MAY 1990	100	13	13
	SEP 1991	100	18	48
Dry Noodles USD/400 GRAMS	MAY 1989	100	30	51
	MAY 1990	100	72	83
	SEP 1991	100	78	75
Table Wine (Common red) (1)	MAY 1989	100	18	54
	MAY 1990	100	28	31
	SEP 1991	100	57	95

Source: "Novedades Económicas", Fundación Mediterránea, Numbers 105, 117 and 130, Córdoba

1) As there is no USA price for ordinary table wine, this Chart lists Italian price.

CHART NUMBER 9

ARGENTINA EXPORTS TO BRAZIL - First Semester 1990/91

PRODUCTS	FIRST SEMESTER 1990	FIRST SEMESTER 1991	PERCENTAGE VARIATION
Livestock and animal by-products	54.5	58.1	6.6
Vegetables	208.0	240.3	19.4
Fats and Oils	13.8	18.3	32.6
Foodstuff	40.4	23.5	- 41.8
Cocoa and by-products	0.1	0.1	0.0
Vegetables preserves	26.8	20.9	- 22.0
Beverages and Vinegars	9.8	0.3	- 96.9
Other	3.8	2.2	- 42.1
Minerals	8.3	7.6	- 8.4
Salt, Sulphur, Earths and Stones	3.1	1.8	- 41.9
Metal Minerals	4.5	0.5	- 88.9
Mineral Fuels	0.8	5.4	575.0
Chemical Products	48.1	44.5	- 7.5
Inorganic	17.7	10.8	- 39.0
Organic	18.0	20.2	12.2
Chemical Industry by-products	2.8	4.0	42.9
Other	9.7	9.5	- 2.1
Plastics and Man-Made Materials	16.3	14.2	- 12.9
Furs, leather goods	3.7	36.3	881.1
Furs and leather	3.7	35.7	864.9
Others	0.0	0.6	100.0
Paper	22.6	10.2	- 54.9
Textile Materials and Fabrics	19.2	21.6	12.5
Stone manufacture, glass, ceramics & similar	10.0	4.0	- 60.0
Common Metals	8.8	19.3	119.3
Iron and steel casting	3.5	10.4	197.1
Other	5.3	8.9	67.9
Machines and Electric Components	56.4	49.5	- 12.2
Boilers and Mechanic Devices	50.9	42.9	- 15.7
Electric Machines and Devices	5.5	6.6	20.0
Transportation	28.3	29.9	5.7
Automobiles	19.3	23.7	22.0
Others	9.0	6.2	- 31.1
Rest	8.3	6.8	- 18.1
TOTAL	546.9	592.1	8.3

Source: Instituto Nacional de Estadísticas y Censos (INDEC)

CHART NUMBER 10

ARGENTINE IMPORTS FROM BRAZIL - First Semester 1990/91

PRODUCTS	FIRST SEMESTER 1990	FIRST SEMESTER 1991	PERCENTAGE VARIATION
Livestock and animal by-products	0.9	4.1	355.6
Vegetables	9.1	25.0	183.5
Fats and Oils	0.5	0.9	0.0
Foodstuff	9.5	23.0	142.1
Cocoa and by-products	8.2	17.6	114.6
Vegetables preserves	0.1	0.3	200.0
Beverages and Vinegars	0.3	0.8	166.7
Other	0.9	4.2	366.7
Minerals	61.1	38.7	- 36.7
Salt, Sulphur, Earths and Stones	2.8	4.0	42.9
Metal Minerals	56.7	32.1	- 43.4
Mineral Fuels	1.6	2.6	62.5
Chemical Products	58.6	69.3	18.3
Inorganic	5.5	9.4	70.9
Organic	39.0	41.0	5.1
Chemical Industry by-products	10.1	8.9	- 11.9
Other	4.0	10.1	152.5
Plastics and Man-Made Materials	15.6	51.7	231.4
Furs, leather goods	0.2	0.1	- 50.0
Furs and leather	0.2	0.1	- 50.0
Others	0.0	0.0	0.0
Paper	6.3	37.0	487.3
Textile Materials and Fabrics	5.9	20.4	245.0
Stone manufacture, glass, ceramics & similar	3.6	6.4	77.8
Common Metals	36.6	65.9	80.1
Iron and steel casting	28.5	50.2	76.1
Other	8.1	15.7	93.8
Machines and Electric Components	54.7	90.4	65.3
Boilers and Mechanic Devices	39.4	60.2	52.8
Electric Machines and Devices	15.3	30.3	98.0
Transportation	25.1	51.0	103.2
Automobiles	25.1	51.0	103.2
Others	0.0	0.0	0.0
Rest	3.4	8.7	155.9
TOTAL	291.2	493.3	69.4

Source: Instituto Nacional de Estadísticas y Censos (INDEC)