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Economic Commission for Latin America

ECLA/UNIDO Meeting of Experts on Capital  
Goods Industries in Latin America, organized  
by the United Nations Industrial Development  
Organization (UNIDO) and the Economic  
Commission for Latin America (ECLA)

Santiago, Chile, 5-7 December 1983



REPORT



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## I. ORGANIZATION OF THE WORK

### Place and date of the meeting

The Meeting of Experts on Capital Goods Industries in Latin America was held at ECLA headquarters in Santiago, Chile, from 5 to 7 December 1983, under the joint sponsorship of UNIDO and ECLA.

### Attendance \*/

The meeting was attended by experts from Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela, as well as by representatives from UNIDO and ECLA and the members of the team working on the ECLA/UNIDO Regional Capital Goods Project (RLA/77/015).

### Election of Officers

The meeting was chaired by Mr. Carlos Ceruti, former President of the Association of Metallurgical Industrialists (ASIMET) of Chile. Mr. Antonio Valeiras, a consulting engineer from Argentina, served as rapporteur.

### Agenda

The participants adopted the following agenda:

1. The capital goods market of Latin America and its significance for the industrial and technological development of the countries of the region.
2. A review of some national experiences with programmes and projects aimed at developing the sector.
3. Obstacles to participation by national producers of machinery and equipment in carrying out investment projects.
4. Mechanisms for promotion and national support.
5. The identification of areas for regional and international co-operation and for technical assistance from international organizations.

## II. SUMMARY OF THE PROCEEDINGS

At the opening meeting, the Executive Secretary of ECLA and the UNIDO representative addressed the participants. Presentations were made during the working meetings by UNIDO and ECLA staff members, and by the consultants and experts. The documents "La situación y las perspectivas de la producción y el abastecimiento de bienes de capital en América Latina" \*\*/ and "The capital goods industry in Latin America: present situation and prospects" \*\*\*/ were made available to the

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\*/ See the list of participants in annex 1.

\*\*/ E/CEPAL/SEM.13/R.2.

\*\*\*/ UNIDO/IS, November 1983.

participants, as were a number of background documents. The list of documents appears in annex 2.

The deliberations of the experts resulted in the following conclusions and recommendations.

### Conclusions

1. The meeting made it possible to:
  - a) Form an overall picture which allowed national situations to be assessed in terms of the situation in the region as a whole;
  - b) Appreciate the importance of the Latin American capital goods market and the bargaining power which it could give the countries in the region if they were to act in co-ordination with one another;
  - c) Establish contacts which would be highly useful in making the work of both the national projects and the regional project more effective and in orienting the technical assistance provided by international agencies.
2. The discussions highlighted the importance of the capital goods production sector and engineering activities:
  - as stimuli to the economy,
  - as creators of jobs,
  - as factors in realizing savings and generating foreign exchange,
  - as elements which guided and furthered the technological progress of the region.
3. It became clear that, at least with respect to meeting the demand of the basic sectors already studied by the regional project, a wide range of production activities existed which could be carried out by the medium-sized and many of the small countries of Latin America.
4. There was a great deal of concern about the recessionary situation facing the region, which had resulted in the discontinuance of investment projects and in a high level of idle capacity in the machinery and equipment industry and in engineering activities. In conjunction with that situation, a considerable flow of imported capital goods had been maintained which could in large part be provided by manufacturers in the region.
5. The importance of the selective economic policy mechanisms which had been identified in the regional project were stressed; particular emphasis was placed on the crucial role of State purchasing, financing and the reservation of markets within a framework of concerted action.
6. Except on rare occasions, insufficient financing had been made available for the promotion and utilization of local capital goods capacity. The most obvious shortcomings were the lack of resources and mechanisms for financing sales on the domestic market and the discrimination against local industry stemming from the terms stipulated for the granting of foreign credit, including the credit extended by international financial institutions.

7. The State accounted for an extremely large part of the purchases of capital goods and engineering services in all the countries of the region. This buying power had yet to be fully utilized for the development of capital goods and engineering due to the presence of the following circumstances in certain cases:

- The persistence of import-oriented attitudes on the part of the people in public bodies responsible for designing the projects and taking decisions concerning the acquisition of the capital goods to be used in them;

- The lack of investment programmes encompassing the respective projects which would provide an integrated framework for planning with respect to the provision of machinery and equipment by local sources;

- Delays in the issuance of information about the preliminary stages of designing and making financial arrangements for such projects, which inhibited the analysis of alternatives that would encourage local participation.

8. It was observed that the current crisis was part of a radical change in direction affecting the entire world economy, which was accompanied by rapid changes in capital goods technology. Far-reaching modifications in product design, manufacturing methods, the utilization of raw materials and in machinery operating modes must be taken into account if the gap with the industrialized countries was to be prevented from becoming greater.

9. It would not be possible to monitor those changes or, most importantly, to master them, without an industrial and engineering structure and a scientific/technical apparatus; those elements were either lacking or inadequately utilized in the developing countries.

10. The capital goods production sector had only taken minimal advantage of the possibilities offered by a regional system of protection, and only limited experiments had been carried out at the subregional level.

11. Achieving the participation of the capital goods industry was very closely related to the development of the various facets of engineering in the region (the basic, process, product and manufacturing branches of engineering). To a greater or lesser degree, the dependence on all aspects of extra-regional engineering was still excessive in the countries of the region.

12. The participants were in agreement in assigning the greatest and most immediate priority to the sector of electrical power generation in relation to the opportunities opening up to the capital goods industry in the region. Its priority was based on the fact that:

- Public enterprises made up the majority of the sector;
- The volume of its equipment purchases was highly concentrated and regular;
- The level of investment exhibited a greater relative stability over time;
- The demand for equipment used in generating hydroelectricity was evenly distributed among the various countries of the region, including the small and medium-sized nations.

13. Attention was drawn to the growing importance of organizations devoted specifically to the promotion of the capital goods industry and engineering in the various countries of the region and to their successfulness.

#### Recommendations

In view of all the foregoing points, the Meeting of Experts recommended that:

1. Entities or mechanisms specifically aimed at sectoral promotion should be established within the institutional and legal framework of each country of the region to serve as forums in which representatives of the public and private sectors could discuss the various aspects of local participation in engineering projects and in the provision of capital goods.
2. The entities mentioned in the preceding paragraph should join together in a regional organization.
3. Resources should be allocated at the national level and domestic financing mechanisms should be designed for the sale of locally-produced capital goods.
4. The investment financing terms established by international agencies should be reformulated in order to eliminate clauses or practices preventing local industries from playing a greater role in providing capital goods for those projects.
5. The existing conditions should be studied in order to find a way to use regional protection mechanisms to promote the participation of local production in meeting the equipment needs of the various countries.
6. Governments should be made aware of the paramount importance of electrical power generation as a pilot sector in which Latin American capital goods, engineering and consulting capacities could be utilized under an appropriate system of reciprocity aimed at maximizing the participation of all the countries, especially the small and medium-sized nations.
7. In view of the need for Latin American countries to adopt marketing mechanisms and practices suited to the conditions under which capital goods were usually traded in their own and export markets, international agencies should furnish information on this subject and include it in their technical assistance programmes.
8. UNIDO and ECLA should explore possible channels for continuing the exchange of experiences and information among the Latin American countries concerning the development of the capital goods industry and engineering at the national and regional levels by means of periodic meetings of experts and other suitable mechanisms.
9. In order to ensure the continuance of the activities referred to in the preceding paragraph, the first such meeting should be held in the course of the coming year, and its agenda should include a review of the progress made in the

/areas discussed

areas discussed at the present meeting and in others which might subsequently be set forth, both at the national and regional levels.

10. The ECLA Secretariat should bring the conclusions and recommendations of the meeting to the attention of the governments by the means it deemed most appropriate for that purpose.



Annex 1

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Annex 2

LIST OF DOCUMENTS

I. Working Documents

1. Provisional agenda and notes on the meeting and the agenda/Temario provisional y notas sobre la reunión y el temario (E/CEPAL/SEM.13/R.1).
2. La situación y las perspectivas de la producción y el abastecimiento de bienes de capital en América Latina. Informe de progreso del Proyecto. ECLA/UNIDO, RLA/77/015 (E/CEPAL/SEM.13/R.2).
3. The capital goods industry in Latin America: Present situation and prospects (UNIDO/IS, November 1983).

II. Background Documents

1. Notes on the demand for capital goods of the Caribbean countries/Notas sobre la demanda de bienes de capital de los países del Caribe.
2. Identificación de obstáculos al desarrollo del sector productor de bienes de capital.
3. Mecanismos de incentivo a la producción y comercialización de bienes de capital y servicios conexos en América Latina.
4. Demanda de turbinas hidráulicas de algunos países latinoamericanos en el período 1980-1990.

III. Documents of the Regional Capital Goods Project - RLA/77/015

1. Demanda de equipos para generación, transmisión y transformación eléctrica en América Latina. Cuadernos de la CEPAL, No. 46 (E/CEPAL/G.1241).
2. La demanda de maquinaria y equipo de la industria latinoamericana del cemento (E/CEPAL/L.292).
3. Notas sobre la capacidad de producción de bienes de capital en algunos países latinoamericanos (E/CEPAL/L.296).



