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Review

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The structural crisis in Argentine industry

*Adolfo Dorfman**

In a concise summary, the author outlines the main trends in Argentine industrial development and discusses the problems which they entail. In so doing, he reviews, *inter alia*, the evolution of the industrial product in recent decades and the gaps which exist in the structure of this sector, its increasing technological progress —especially in the fast-growing branches of industry, the drop in industrial employment occasioned by industrial modernization and by the production slump of recent years, the concentration of economic power in industry and the increasing role of foreign capital, the persistent geographic centralization of the sector, and the expansion of industrial exports.

Throughout the article, but especially in the final section, he outlines the principal measures which should set the direction for Argentina's industrial development strategy. These basic guidelines relate to how to overcome the current industrial crisis by means of a suitable expansionary policy, as well as the elimination of the structural flaws affecting the sector. Correcting these defects will, in particular, require the expansion of the industrial structure in those sectors exhibiting significant gaps (such as the production of intermediate metal and chemical inputs and capital equipment), the geographic decentralization of production, and a suitable combination of domestic and external demand. The expansion of production which would result from the reactivation of industry and the elimination of the existing gaps in its structure should not be unilaterally carried forward by the forces which shape the prevailing trends in industrial development. The author therefore suggests a combination of large, high-technology capital-intensive companies with more labour-intensive medium-sized and small enterprises, along with a thorough assessment of the part played by foreign capital.

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Introduction

Argentine industry is currently experiencing the deepest crisis in its history. Its causes are of two distinct types, with different origins, meanings and implications, which are interconnected in a variety of ways. The first type is structural and relates to the composition and relative weight of the various branches of industry, as well as to the nature of the technological changes spreading throughout the sector. The other type of cause is cyclical, and such factors have had an extraordinarily intense effect on industry for over the past five years. Their impact takes the form of radical structural changes, the consolidation of concentrated economic power, and the dislocation and regression of the process by which major Argentine industries were established, thereby contributing to the denationalization of companies and the increasing sway of transnational capital.

It is imperative to draw a clear distinction between these two types of determinants so that their relative impact on the crisis may be gauged correctly. Confusing the two would be to commit a mistake having major and perhaps irreparable consequences for economic policy, inasmuch as pinning the hopes for recovery solely on an improvement in the current economic situation —i.e., on short-term measures— would be to forget that such steps are mere palliatives which do not affect the underlying structural phenomena. If the latter are not duly interpreted and dealt with on an integral basis, critical problems in the manufacturing sector will remain unresolved, and it would be a very grave error indeed to minimize or underestimate their ramifications on the entire economic and social apparatus of the country.

I

Long- and medium-term trends

By the mid-1930s, the gross product of the Argentine industrial sector was already similar to that of agricultural activities, and it has grown

steadily ever since then (with short-lived cyclical fluctuations) in terms of both its absolute value and its relative position *vis-à-vis* the agricultural product. It should be pointed out that this expansion took place against a backdrop of very slow growth (when not outright stagnation) in agricultural activities and that the favourable rates characterizing the country's overall economic development were in large part attributed to the dynamism of the manufacturing sector. Even in the primary sector, the direct influence of industry was seen in the fact that industrial crops expanded more rapidly than traditional ones, reflecting a strong tendency to channel the import substitution process towards the initial and less complex production stages for primary inputs, while its economic and social impact and the origin of capital were perhaps quite different from what they are today. Thus, the source of raw materials during the earlier stages of industrial import substitution was, first and foremost, intensive crop-farming; later on, in the stages to follow, it was to be hydrocarbons and large-scale mining, especially of metal-bearing ores.

The industrial sector accounts for a very large share of the gross domestic product (nearly one-third of the total) and represents nearly two-thirds of what is generated by the country's production activities as such.

In considering the long-term statistical series, however, the impact of changing the base year for those figures should not be underestimated. This modification was made in response to the major changes which have occurred in the Argentine production structure, and it causes distortions in those years for which the series calculated using the old base overlap with those calculated using the new base year.

Thus, as may be seen in table 1, the relative drop in the prices for some chemicals, metal manufactures and machinery does not only reduce the total product of the industrial sector in relative terms, but also decreases the share of these fast-growing branches of industry. It would be a mistake to conclude from the foregoing that the process of structural change has been reversed in Argentina, since there are gaps which remain to be filled in the production of intermediate chemical and metal goods as well as capital equipment. Instead, it might well only be

a temporary problem of a disparity in relative prices, having no implications for a structural analysis of the situation other than the very significant one that these dynamic branches of industry appear to have increased in efficiency, and that part of the benefits are being passed on to the consumer in the form of lower prices.

Table 1
ARGENTINA: RELATIVE IMPACT OF THE
INDUSTRIAL
SECTOR ACCORDING TO DIFFERENT BASE YEARS
(Percentages)

	Base 1960			Base 1970		
	GDP	Industries I	II	GDP	Industries I	II
1970	36	30	55	27	35	45
1980	34	25	60	25	30	50

Source: Official figures.

Column I: Foodstuffs, textiles, clothing and related products.
Column II: Chemicals and related goods, and metal manufactures and machinery.

This brief article does not allow for an exhaustive analysis of medium- and long-term Argentine industrial development, nor a specific description of its various stages. Nonetheless, at the risk of being drawn into making rather arbitrary definitions involving sometimes blurred distinctions, we feel it would be useful to differentiate between the "stages" and "periods" of industrial development. The stages may be marked off by a change in the defining feature of the industrial process; the periods are characterized by modifications which, although significant, are not of pivotal importance.

Following the period of incipient industrialization, the first stage was the substitution of simple imports, primarily by the light, labour-intensive industries which depended heavily upon imports for their inputs and capital equipment. The next stage was marked by the establishment of large dynamic industries which made a greater contribution to the sectoral product than the vegetative industries (although there continued to be a large number of non-basic light chemical and metal manufactures and machinery industries) and by a heavy inflow of

foreign capital, especially to this new type of enterprise. During the third stage, more basic metallurgical, chemical and paper and pulp industries were formed, the use of modern methods became widespread and companies began to concentrate in large integrated units, transnational enterprises and technology transfer came to the fore, and the exportation of industrial products represented a significant share of foreign trade, as well as a considerable proportion of the volume of production in many branches. Towards the end of this stage, many small and medium-sized companies (as well as some large ones) disappeared as a result of the move to "open up the economy", and denationalization was stepped up.

With respect to the periods involved, that of incipient industrialization (until the late 1920s) was followed by a period of industrial formation, which ended in the mid-1940s. The period leading up to the major changeover spanned the years between the end of the Second World War and the early 1950s, and was followed by a period of industrial consolidation, which lasted until the mid-1960s.

Since that time the country has been undergoing a period of industrial maturation (not to be confused with maturity) in which changes and distortions abound, as elements gradually take form which will be decisive in shaping the future of Argentine industry.

As regards the concomitants of industrial development and its interrelationships with some basic variables of the social and political arena, reciprocal action may be observed among industrial development, the organization of management and the working-class, the often changeable attitudes of public authorities and theoretical platforms which lead to the creation of what might be called an "industrialization-oriented frame of mind". None of these factors develops along a straight line; instead, processes

take shape through numerous actions representing incentives or obstacles, all of which is interwoven into a complex and convoluted network.

A structural analysis of Argentine industry also reveals the pre-eminence of vegetative industries (which meet the basic mass needs of the population) even until shortly after the Second World War; these were then gradually displaced by the advance of dynamic and much faster-growing industries. Even though the previously mentioned change in the base year for the statistical series reduced these industries' share in percentage terms, they still account for far more than half of the industrial product. If, however, the classification is based on the categories of light industry (consumer goods) and heavy and semi-heavy industry (intermediate goods and capital equipment), the second category would scarcely represent one-third of the entire industrial sector's output.

It follows from the above that the structural flaws of Argentine industry lie in the lack or shortage of industries producing intermediate goods, metal and chemical inputs, and equipment. Although the time when the import substitution process was an easy one ended quite some while ago, these structural defects must be corrected; in order to do so, the critical industries which are lacking will have to be established and progress must be made, in so far as it is possible and economically feasible, in the direction of the domestic production of industrial inputs. This would bring some cycles full circle and would considerably ease the pressures on the trade balance, thereby lessening the dependency and imbalances to which they give rise.

These flaws had been in the making for quite some time, but they became much more evident as a result of the policy aimed at opening up the economy which was applied until late 1983.

II

Recent industrial trends

An examination of the quarterly indexes gathered by the National Institute of Statistics and the Census (INDEC) makes it possible to trace the course of industrial trends during the 1970s and up until 1983. The indexes are based on only about 1 500 establishments (just lately reduced to slightly over 1 300) representing 27 industrial groups or branches. They account for perhaps over two-thirds of total industrial production and employ more than half of the workers. They therefore correspond to the 'upper industrial strata, which have been hurt relatively less by the recession than medium-sized and small companies. The drops in production and employment shown by these indexes thus underestimate the actual scope of the crisis within Argentine industry, since the closure of companies has been much more marked in the middle and lower strata (not covered by the statistics), which are lacking in financial capacity and suitable equipment.

A review of these indexes from 1970 (base year = 100) to the present shows that the overall level reached 123 in 1974, began to decline when it slipped to 115 in 1976, and then dropped to 108 in 1978. It later recovered to 122 in 1980, but then fell very sharply (to 102 in 1982). It again rose to a certain extent in 1983, when it appears to have exceeded 110 according to preliminary figures.

This overall average, however, conceals large internal differences among categories and groups, as well as mixed performances. Foodstuffs and related items maintained relatively high indexes (similar to the overall average, in which they no doubt had an influence) since mass purchasing power is oriented towards these basic items. In contrast, textiles and clothing underwent a deep and prolonged recession. After reaching a high point of over 120 in 1974, this category dropped to 70 in 1982 and recovered only slightly in 1983. The machinery industry is very heterogeneous, and there were offsetting trends in this category; nevertheless, low real wages as well as the depletion of intra-industrial demand resulted in major declines after 1980 (in that year, the index for this category exceeded 130, which was above the overall average). The disparities in performance have become more marked as industrial disaggregation has moved forward.

Industrial activity has thus been hard hit by the recession, slipping back to the levels of 15 years ago. As a result, a large percentage of production capacity remains idle; according to various sources, the figures for some groups or branches range between 40% and 50% or more. Employment in this sector has consequently decreased as well.

III

Industrial employment

Traditionally, there has been a large and steady demand for manpower in the industrial sector. In the early days of its development when cottage industries or semi-industrial activities predominated in which there was little capital formation and a meager supply of energy, industrial workers were the most important factor

of production. This continued to be the case for quite some time, and although industries with more modern equipment were established, the expansion of industrial activities was enough to produce a considerable increase in the labour force.

For a long time, the manpower employment

in the manufacturing industry represented roughly one-fourth of the economically active population and, in some years, easily surpassed that mark. Total personnel in 1939 amounted to less than 700 000 people. By the end of the Second World War (1946), their number had grown to nearly 1.2 million, and continued to increase to 1.5 million in 1964 and 2 million in 1974. The peak seems to have been reached around 1976-1977, with somewhat more than 2 million, and then went into a decline which was interrupted by only the briefest boom periods. The total number of people employed in manufacturing industries in 1983 may be no higher than the level of 25 years ago. Naturally, the structure of employment has changed during this time, as has the training demanded of job seekers.¹

The number of hours worked in industry reached its lowest point in 1982 (25% less than in 1970 and 35% less than in the peak year of 1975), although it recovered slightly in 1983. Since this index refers to a few large companies, it may be assumed that the decrease was much greater in medium-sized and small companies and that up to half of the work capacity of the labour force was idle in 1982-1983. (As this is an overall industrial index, there are considerable differences from one branch to another; however, the activities showing smaller decreases, or even increases, are generally of little significance as regards production and employment volumes.)

The number of employed persons (disregarding the length of their work day) appears to have decreased in a similar manner—even dropping in 1983 with respect to 1982—while there was a small increase in the number of hours worked.

The indexes of industrial employment and of the number of hours worked have not followed the same curve during the entire period from 1970 to the present. Although they maintain a satisfactory degree of parallelism, the number of workers who are theoretically employed is greater than the number of hours actually

worked. This points to an exceedingly short work day for a large proportion of the personnel in all industrial subsectors.

The largest increases were recorded during the period of expanding industrial development (which was accompanied by structural changes having only a superficial impact). In the ten years immediately after the Second World War, big increases followed very closely upon the growing process of urban conglomeration; this, in turn, was the result of a large-scale internal emigration from the inland areas, which was spurred by expectations of better pay and the availability of the services offered by urban conglomerates; at first these expectations were met, only to be frustrated in more recent times. The stagnation, or retrogression, of rural activities and the beginnings of overpopulation, in relative terms, worked as incentives for the exodus from the countryside to the large cities.

A comparison of the production and employment series shows that the decrease has been greater in the latter, indicating a rise in worker productivity. This is not surprising in view of the increasing mechanization and technical modernization of established industries and the high technological and capital intensiveness of the new activities. Currently, the modernization of numerous segments of the Argentine manufacturing industry requires an investment of some US\$ 150 000 per worker. Similar figures are given in the foreign capital investment requests approved in recent years. In high-technology industries such as petrochemicals, the amount is much higher still and approaches US\$ 1 million per employee for some projects.

Judging by these facts, there would seem to be little hope even of maintaining the same industrial employment level. It would come as no surprise (even if the most optimistic forecasts concerning the expansion of the domestic market were to prove correct and international demand for Argentine industrial products were to soar) if it turned out to be difficult for industry to provide employment for even 20% of the economically active population.

It is therefore to be expected that the industrial sector will cease to perform its long-standing function as a factor contributing to the dynamic absorption of the labour force. However, any prudent industrial development policy

¹These statistics, which are derived from the industrial censuses and indexes for the past decade, do not tally entirely with the higher figures given in the population censuses; this is probably due to the inclusion of semi-industrial strata.

would not focus only on the industrial product but would also accommodate its many broader social functions and should therefore make sufficient provision for checking this slowdown in industrial employment as well as moderating its impact and features. Even without changing the occupational structure of high-technology activities—above all, the chemical and metallurgical industries—there is a great deal of leeway for regulating certain aspects of the advance of mechanization which are not an inherent part of the process. In this respect, adopting highly

labour-saving measures is not necessarily the wisest or most efficient solution in economies such as Argentina's. Thought should also be given to a well co-ordinated system for promoting medium-sized and small enterprises, whose capacity to absorb the labour force is not so rapidly depleted.

Be that as it may, employment opportunities in other sectors will also have to be sought; this is quite feasible in a society having serious flaws in its infrastructure and great possibilities for increasing effective domestic demand.

IV

Technological progress: electrification

The relative reduction in the number of man/hours needed to obtain a given volume of industrial production, its low product elasticity and the probability that this coefficient will decrease in the future are due to: i) the change occurring in the industrial structure as the incorporation of metal manufactures and machinery as well as chemical industries intensifies; ii) the increased concentration of industry in large-scale production units; and iii) growing technical modernization, mechanization and energy use in industry. The mechanism which permits the relative and absolute displacement of the labour force from the industrial sphere (thus increasing its productivity, but also making a large part of that labour force redundant) is, without question, technological progress. This process, which is manifested in the very nature of production itself as well as in the linkages of its successive stages at different levels, has recently become very marked.

Studying the technological progress made by a branch of industry does not present many difficulties, since there is a great deal of material on which to rely. Such an examination becomes even easier when it is focussed on individual companies; in both cases, the results are relatively homogeneous and continuous over time.

This homogeneity disappears, however, when comparing the technological development of different industries (foodstuffs, textiles, chemicals, metal manufactures and machinery), and vast changes or fundamental differences between processes may be observed, as is also true of the factors relating to mechanization itself. There is no suitable standard for making generalizations. It thus becomes necessary to seek a more universal criterion which will make the results less conditional and so justify their proper quantification.

Energy use—or, still better, the degree of industrial electrification—seems to provide an acceptable overall yardstick for gauging technical progress in the industrial structure. The changes coming about within that structure tend—from all standpoints—to substitute mechanical power for human labour or to introduce processes for producing previously unknown goods (especially through chemical processes). All of this calls for a high degree of capital intensiveness as well as a greater and greater use of energy, particularly electricity. Total energy consumption exhibits conflicting phenomena at one and the same time. On the one hand, energy-intensive industries are established (especially in the metallurgical and basic chemicals sectors), thereby raising the overall coefficient per product unit; on the other

hand, there is an increasing tendency to conserve energy, which reduces unit consumption. The energy/product coefficient, after climbing steeply during the formative stages of such activities, will therefore tend to level off as the structure is consolidated and will show signs of slackening in later stages.

The same thing does not occur, however, in the case of electrical power consumption. Demand will continue to rise steadily, keeping pace with the mechanization of operations and the introduction of increasingly complex production controls and mechanisms as well as with the advance of semi-industrial activities or cottage industries as they move up into higher strata. Electricity consumption, in absolute terms, doubles or trebles every ten years (with periods of more rapid growth) and the great elasticity which results is maintained over long periods of time.

Electricity consumption by Argentine manufacturing industries doubled between 1939 and the mid-1970s *vis-à-vis* this sector's product. Although it probably accounted for less than one-third of the country's total consumption of

energy, its share in the consumption of electricity was over 50%. Industrial electrification has greatly accelerated since 1975, although the rate has been substantially lower in more recent years due to the recession (see table 2).

Table 2
ARGENTINA: RECENT TRENDS IN THE INDUSTRIAL ELECTRIFICATION INDEX

Year	Hours worked	Electricity consumption	kWh/man-hours
1970	100	100	100
1973	109	130	120
1975	115.5	138	120
1977	113	155	135
1979	102.5	187	180
1981	78.5	165	210
1982	75.5	165	220
1983 ^a	80	180	230

Source: Data provided by INDEC and the Ministry of Energy and compiled by the author.

^aPreliminary estimates.

V

The concentration of economic power

The latest overall figures available on Argentine industrial activity date back to the 1974 census. They are corroborated to a certain extent by more incomplete but sufficiently comprehensive statistics taken from the National Industrial Registries for 1980 and 1981. During those years, companies employing over 500 workers generated 40% of production, employed less than 30% of the labour force and accounted for the bulk of motive power, which demonstrates their high level of technological modernization and productivity. According to various sources, slightly more than 2 000 establishments with over 100 workers each accounted for 70% of the product and 60% of employment during those years. At the other end of the spectrum, the industrial enterprises which employed less than

10 workers per establishment, represented two-thirds of the total, but only accounted for 10% of production and 20% of the personnel, thus indicating their marked labour intensiveness and low technological level.

According to the above figures large-scale industry, combined with the upper range of medium-sized industrial enterprises, generates the major part of industrial production in terms of volume and represents the bulk of that activity. The situation is similar in all the peripheral countries, and also exists in a much milder form in the industrial countries without doing any great harm to their technological progress.

This heavy concentration has been heightened by the application of a policy aimed at opening up the economy in more recent years, along

with the fact that there may have been more casualties among the industrial enterprises in the medium and lower strata than at the higher levels. If one adds a marked tendency for companies to merge, the consolidation of conglomerates in major branches of industrial activity, and stronger ties with financial interests to the factors discussed above, the current picture of Argentine industry becomes complete.

According to the 1964 census data, foreign capital represented one-fourth of the total value of industrial production. This figure climbed to over 30% in 1974, while it exceeded 50% in some critical branches of the chemical and metallurgical sectors. Judging from the foreign capital investment requests which had either been approved or were being studied by the appropriate national agencies as of mid-1983, before the end of this decade such industries may well be contributing production values far in excess of the present industrial product, which would involve a massive increase in the flow of foreign capital to industrial activity in the form of direct private investment. Around 1982, this type of investment was estimated at approximately US\$ 5 billion, with over three-fourths of that figure corresponding to dynamic industries, while the external debt with multilateral and

bilateral lending institutions amounted to some US\$ 3.5 billion, a large part of this amount having been devoted to developing the energy sector and industry.

The policy of eliminating protectionist measures for industry has had dire results for this activity in Argentina. Only two aspects need be mentioned: the denationalization of industries as seen in the absorption of companies relying on domestic capital by foreign ones, and the demoralizing setbacks suffered by the industrial process in a large number of branches. Activities which took 15, 20 or 25 years to complete their productive cycle in the country have been forced to dismantle these structures within the span of a few years or months and to return to importing a large proportion of the value that they previously generated, to the serious detriment of employment and the consolidation of the industrial structure, to say nothing of the loss of foreign exchange and the harm done to the trade balance.

In sum, then, the concentration of industrial economic power in the form of monopolies or oligopolies has continued at a rapid rate in recent years, along with an increasing dependence on technological transfer and foreign capital.

VI

Industrial exports

Argentine industry does not only satisfy a very large percentage of domestic demand, but also sends increasing amounts of a large variety of goods to external markets. Between 10% and 20% of the industrial product, depending on the time period and the activity involved, goes to external markets. The percentage is much higher in some branches of industry and is very sensitive to measures that encourage or discourage exports, such as the international exchange rate and promotional incentives, which have not followed a consistent pattern.

If, as would appear to be true by definition,

industrial exports are understood to include all goods which have undergone some type of processing and originate from what are classified as industrial activities in national censuses, then they include products which have figured under export headings for a long time, some in significant quantities, such as meats and other cold-storage goods, dairy products, washed or semi-processed wool, ginned cotton, cured hides and quebracho extract. All of these goods have brought in a significant amount of foreign exchange and have represented no small part of total Argentine exports.

These industrial exports, which are usually termed traditional exports because they are closely and directly related to basic agricultural activities and either involve very little processing or are semi-processed, represent natural outgrowths of a specialization in primary products and in no way change the pattern of dependence. They were first joined by such items as textile products and some more highly-processed goods in the above-mentioned categories and, later, by an increasing volume and variety of exports from the chemical and metal manufactures and machinery industries.

For a long time, industrial exports as such represented a very small percentage of the total, experiencing sharp fluctuations and temporary increases during the Second World War, only to slip back later to previous or even lower levels. These were typical products of traditional industries, along with a few new items which generally disappeared when there was a change in the abnormal external circumstances which had made their appearance possible.

Sweeping changes began to occur in the 1950s, with sharp increases in the following decade and especially during some years in the 1970s. Short-term external economic factors clearly had an influence in this, and the measures at the national level to which reference was made earlier also had a considerable impact. Despite the fact that temporary variables were involved, this has been an irreversible phenomenon affect-

ing one-third, or perhaps a great deal more, of all industrial exports and one-fourth of total exports.

In this way, export products involving some degree of industrial processing have represented an increasingly greater amount of trade. At the same time, the items entailing a more rudimentary level of processing, which had once clearly predominated, have gradually lessened in importance. Exports of manufactures increased more than six times over between the end of the 1950s and the end of the 1960s; almost 40% of these products were consumption goods, 50% were intermediate goods and the rest were capital equipment. External sales of non-traditional industrial products played a very conspicuous role, jumping from 15% of industrial exports in the mid-1960s to 40% ten years later. The largest increase was in the metal transforming industry, including automobiles and some machinery, although an analysis of the major groups shows that the structure was generally quite changeable.

Between the mid-1960s and the end of that decade, the dollar value at current prices of these non-traditional exports doubled, as did their percentage ranking. Since then they have grown very rapidly, especially (with some fluctuations) since the mid-1970s. The absolute value of exports (in dollars at current prices) doubled between 1970 and 1980.

VII

The domestic market or exports?

The growing importance of external markets for national production, combined with the tightness and recent contraction of domestic demand, has contributed to the development of schools of thought which place an inordinate amount of hope in the possibility of favourable trends in those markets. For a variety of reasons, we believe that it would be unwise to exaggerate those possibilities. Perhaps the main reason is that it

would obscure the enormous economic and social potential represented by rapidly and steadily growing diversified domestic demand; this type of demand could continue to play a basic role in encouraging national industry to progress, provided that the economic, social and institutional requirements which make this possible are fulfilled. Mention might also be made of the obstacles hindering international trade of the indus-

trial products coming from our countries, the direct or built-in subsidies for those goods in many exporting markets and domestic costs in Argentina.

One significant factor is the possibility of exporting intermediate or semi-finished petrochemicals, which is a topic that is currently very much in vogue. In this field, the sums mentioned in the foreign capital investment requests which have been approved or are in the final stages of consideration total several billions of dollars. Foreign capital has played such an important role in the intensive exploitation of known natural gas reserves (including the utilization of the natural gas which is now bled off) that if all the petrochemical projects currently under study were to be carried out, there would be a danger of exhausting the deposits in a short period of time.

Recent experience demonstrates the influence exerted by radical changes in the international exchange rate and of a favourable reimbursement system for certain exports. Iron and steel products as well as paper are good examples of the fact that the impact of internal costs is not as decisive as has been claimed, while the influence of alleged comparative advantages is even less so.

Moreover, the exportation of a large percentage of the new industrial products is carried out through the subsidiaries of large transnational industries located in Argentina. This practice will presumably become more widespread in the future, judging by the trends in capital investment in, for example, the automobile and large-scale petrochemical industries.

Under these circumstances, of course, the decisions relating to such matters will not be in the hands of the national authorities but rather in those of the companies and, as is only natural, their decisions will not necessarily protect the country's commercial interests.

It is a serious economic mistake to promote industries for the sole purpose of exporting, even in the case of high-technology petrochemical industries. Exporting (as in this instance) the country's raw materials, while camouflaging them under a more refined label, to very competitive international markets in which the scales of production, access to commercial channels and supply of inputs in various countries are quite similar is another version of dependence, of technological colonialism. In such cases, a policy of price subsidies for these basic inputs, such as natural gas, is a decisive factor. Argentina is currently at a critical stage in this respect.

The country needs a type of industrial development which, while allowing it to play a role in world markets, is firmly rooted in an extensive domestic market, although there will certainly be cases in which exports represent a large percentage of production, rather than merely surpluses which improve a company's economic standing.

The foregoing considerations bring out the need to resist the lure of industrial exports and to weigh carefully the variety of factors which determine the advisability of promoting industries that direct a very significant percentage of their production towards international channels.

VIII Prospects

In order to overcome the short-term aspects of the industrial crisis in Argentina, institutional changes will have to be made in the country and its economic and social policies must be thoroughly reviewed. Restructuring domestic demand, the steady advance of economic activities in general and a vigorous, intelligent public

works programme involving an increase in domestic inputs and replacement equipment are all that is needed to bring the industrial economy out of its recessionary phase. More thoroughgoing measures must be taken to deal with the structural flaws, however, and this calls for a coherent medium- and long-term programme

whose basic guidelines are strictly observed without wavering or faltering. One of the objectives of such a programme must be to round out those components of the industrial structure for whose establishment, development or integration the country can offer the appropriate elements.

Contrary to the prevailing belief in some circles, the possibilities of import substitution have not been exhausted in Argentina. The process is not so simple as it used to be, but it is perfectly feasible and could be set into motion. The expansion of traditional industrial activities in order to meet a greater and more differentiated effective demand, along with the insufficient development or lack of some initiatives, points to the existence of broad vistas for growth.

Filling the structural gaps in the industrial framework, apart from its importance for internal consolidation and foreign exchange savings, would be the main factor in satisfying the long-standing desire for industrial decentralization, which has so far gone unmet. No more need be said than that 55% of the country's industrial production in the mid-1960s was concentrated in Greater Buenos Aires, and that over two-thirds of that output was accounted for by the La Plata/Buenos Aires/Rosario corridor, this being nothing more than a logical outgrowth of the historical phenomenon of concentration. There is no sign that any substantial change has occurred in the situation since then.

If priority is given to the production of basic metal and chemical intermediate inputs, the tendency will be to locate these activities near the corresponding natural resources; as it happens, these sites are scattered over various points of the country's territory, far from the existing industrial / demographic megopolis. These new industrial enclaves will be supplemented by the natural development of existing ones—such as Córdoba or Mendoza, or more recent enclaves such as Bahía Blanca and other nearby centres to the south—each with their own particular characteristics. This process will help to speed up a well-conceived form of industrial decentralization, whose delay is also proving to be prejudicial in terms of environmental pollution and ecological deterioration. These results cannot be achieved by decree, but only by formulating suitable industrial policies.

This does not mean that the domestic market should be the sole consideration, while the opportunities offered by the external sector are forgotten. It has already been seen that industrial exports increased in volume and came to represent a large percentage of Argentina's sales on the external market. This trend could become considerably stronger, to the point where significant volumes might be exported of products from traditional industries and, in particular, from the dynamic branches of the industrial economy. Basic metallurgy and petrochemicals are excellent examples, but not the only ones. The development of these possibilities will reinforce the economic viability of the facilities in these critical areas of the structure.

With the expansion of domestic demand and the increase in industrial exports, it would not be overly optimistic to envision a doubling of the industrial product during this decade. In order for this to happen, however, any action in that direction will have to be guided by a clear sense of both economic and social timing and suitability. If development is allowed to be directed entirely by the factors which currently predominate, substantial increases might perhaps be achieved in some high-technology capital-intensive branches of industry, but the manpower thus employed would be minimal, and the situation would be aggravated by the fact that these activities would be dominated by the major transnational centres of capital, which would also take the decisions relating to production and exportation. This would reinforce oligopolistic control over this vital sector of national development and would darken the outlook for the lower-middle and lower strata, which hold out the greatest hope of an increased demand for manpower.

The goal to work towards is an appropriate combination of high-technology, very capital-intensive industries—whose manpower needs are extremely slight—with those offering good possibilities for absorbing the labour force, while also incorporating any necessary and suitable technological innovations.

It is by no means a question of ignoring technological progress or of advocating a utopian return to small-scale enterprise, whose image has been idealized with the passage of time but whose predominance, apart from being anachronistic in today's world and in Argentina itself, would be

anti-economic. Instead, the objective would be to combine the development of high-technology industries operating on a large scale of production with that of industries having a clear possibility of surviving and expanding while functioning at less complex levels. Numerous examples in an international context support the belief that this is feasible. The promotion of these companies calls for an intelligent, co-ordinated and complex effort at various governmental levels and in private enterprise (perhaps through co-operative organizations and chambers of industry), which could benefit from the valuable co-operation of groups formed by medium-sized and small enterprises in the industrialized countries.

It would be a mistake to reject entirely the possibility of receiving capital and technology from abroad. Such contributions may be decisive in certain fields, while they may be superfluous and unnecessarily costly or even harmful in others. It would be a question of preparing a clear-cut industrial development programme which would be firmly anchored, by means of many different links, in the entire social and economic context and backed up by enough bargaining

power to arrive at satisfactory terms for both parties. There are options with respect to the use of foreign capital and technology which should be evaluated with care. It is necessary to know how to make use of the internal differences which exist between industrial sectors and interest groups in and among the industrialized countries. An in-depth understanding of these situations may be very productive, particularly in regard to the contributions which medium-sized industry can make to the development of their counterpart strata in our countries. Some rudimentary experience has already been gained in this respect in a few countries and some major sectors. It would be beneficial to expand upon this type of experience considerably, on the initiative and with the firm support of the public sector, at various levels of private local enterprise and in close co-operation with it.

With an orientation of this type, private efforts could be mobilized to good effect in industrial sectors clearly having a national calling; their development would be the best possible guarantee that the benefits of this process would yield optimum results for the country.