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EXPORTS OF ARGENTINE MANUFACTURED GOODS:
SOME ANSWERS AND SEVERAL QUESTIONS

by

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Working paper

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This essay is not intended to raise unanimity of opinions. It has been spelled out simply by practice and observation. Maybe it will answer why our industrial exports are so reduced. If so, the goal will have been fulfilled.

I was once an industrial technician, who found international trade to be his vocation and who always dreamed with Latin American integration.

The road to that integration could have been opened by mutual trade. Plans had to be established and the will to carry them out was necessary. The factors: Governments and business concerns. Executors: real experts. Worst enemies: improvisation and instability.

/I believe

I believe I am not being petulant when I say that my country is world-known as an exporter of first quality agricultural and cattle products. Cereals, meat products, fruits, wool and hides are since long decades present in the most different markets.

This does not happen with the Argentine-manufactured goods in spite of some assertions that the first exports were effected in 1587. Those were textile goods.

Coming back to the present, let us see how Argentine industrial exports have found their way.

About 1956 these started the first attempts aimed at establishing some encouragement to the industrial exports, but the process really started moving less than ten years ago. I personally believe that unless substantial changes take place, Argentina is still way behind in the task of showing its industry to foreign markets, even though our exporters have valuable aids, natural to countries with a long export experience.

Excepting differences in form and composition of computation, it can be said that Argentine-manufactured goods represent between 10 and 20 per cent of the total export figures. This percentage could have been valuable if the total Argentine export figures had increased at a rhythm similar to that of countries such as Australia and Canada. Unfortunately, the development has been unsatisfactory and that was the reason of my previous statement. Moreover, I personally consider that the amount of exported manufactured goods should duplicate present figures.

Maybe this assertion will be considered hasty or exaggerated but I insist based on the following reasons:

- 1 - Argentine industry, in spite of its continuous ups and downs, has developed and continues to develop products and techniques that, in a great many cases, are at an international level.
- 2 - There is a too high idle capacity of production.
- 3 - The workmanship level has nothing to envy from those countries with industrial tradition.

/Then why

Then why can we not get more important results? We could enumerate a great many facts but will only give a few:

- Lack of "exporting mysticism"; by "exporting mysticism" I mean to get every person, government official, businessman, labourer or housewife to be conscious of what exportation means to our country.
- Insufficient credit.
- Instability.
- Lack of specialization in foreign trade.
- Contradictory and unstable official support.

I wish to emphasize that this analysis does not imply criticism but its aim is to collaborate in a practical way to obtain the goals established for this meeting. Besides, probably we will find common factors among our brother countries.

I will now try to enter in a field that, although rather thorny, it can lead us to interesting conclusions.

I will refer to the type of business concerns who export Argentine manufactured goods. I have made three great groups in order of importance regarding their export figures. This is a general division and it does not mean that some cases cannot switch from one group to the other.

Group 1

This is a group composed principally of great industries whose stock is wholly or almost wholly-owned by foreign capital; these we will call "international corporations". A great part of these corporations manufacture products based on specifications received from their home-office and do the marketing with world-renowned trade-marks. In that way they have an enormous advantage. They have no doubt about the acceptance of the product, enjoy the established prestige and the previous publicity, which in many cases they have not supported.

In this case, the problem of marketing abroad is minimized, since they get as representative, agent or distributor other concern of the same group, or other concern to whom certain conditions can be imposed, which are very difficult to apply in the case of little-known exporters.

/Even though

Even though these international corporations have to fit into general or specific rules coming from home-offices, who are the ones who in the last instance decide on the export possibilities of their affiliates, the amount of their activity depends to some extent on the capacity, vocation and push of its local executives.

I have witnessed the fight for certain markets among affiliates. Besides the capacity of the local executives, here also play factors such as tax exemptions, new credit lines, geographical location, etc., all pointing at the best returns of the local operation and its influence in the consolidated balance sheet.

Group 2

In this group we can place two types of enterprises. Great industries of local capital and others, average or big, also international, some of them without the support of well-known international trade-marks. Nevertheless, the latter have similar advantages to those described in group 1.

Regarding local industries, we find the following elements in common:

- They operate with prices based on marginal costs.
- Have good level and technical capacity.
- Are willing to accept economic operative losses, in favour of a better financial situation.

Group 3

Now our panorama turns multiface, since it comprises average and small industrial as well as commercial concerns.

Here we lack a universal rule due to the unequal virtues and defects we encounter. This group includes many contradictions but also great potentiality.

I personally believe that as the first group has limited possibilities, either by production capacity or by displaced decision-making, the biggest possibilities for increasing exports is centered in the other two groups and specially in the latter. Those possibilities do not depend exclusively on available manufacturing capacity but, in the great variety of products.

/Besides, it

Besides, it is in group 3 that we find the export concerns, in which to my understanding we find the maximum possibilities for selection and development of industrial exports.

This leads me to suggest the following:

Latin American Governments should encourage by means of special policies the creation of new corporations for the export of manufactured goods and the strengthening of those already under way.

Why this suggestion? Simply because I am convinced that the small industry and great part of the average industry can only seriously export through these corporations. This statement may not be valid in general, but I have no doubt that it is valid for my country and the rest of the Latin American countries. The reason is simple. Marketing is not an easy task, much more so when you leave the local market and go abroad.

For those who have some experience on the subject, this is an unquestionable fact. Those who do not live for and from international trade, either are afraid of it, or improvise, or underrate it.

Lack of knowledge is the cause for being afraid of exporting and for them the answer is a frank advice. Those who improvise, unconsciously form part of a "fifth column", because improvisation causes serious harm to the country it comes from. I have personally felt more than once the effects of such injuries, that bring loss of prestige to the country and to the product.

Those who underrate the complex job of exporting manufactured goods are those whom I call "Jack-of-all-trades". These, depending on their sense of responsibility, generate effects such as those mentioned before or end in catastrophe.

We also find, and very often, cases of lack of consistency. I refer to those businessmen who look to the markets abroad as a "life saver" only when there is a slow down in the local market, but the moment it returns to its normal channels, will abandon those immediately.

To these businessmen, we have to convince them that exporting can be their permanent "spare wheel". Then, we will have given a big step ahead.

/Now, let

Now, let us see what minimum requirements are needed to export manufactured goods, besides knowing them:

- Vocation for export.
- Specialization. This includes ample knowledge of the rules that govern exports in the country of origin, as well as the import nature and market characteristics of the buying country.
- Imagination and creativeness.
- Accept the irrevocable truth that for a long period the efforts will be out of proportion with relation to the results and benefits.
- Endurance and patience.

After this abridged job outline, we must ask ourselves: How many average or small industries could fulfil these requirements? How many of them could establish a reasonable relationship between their export department costs and the economic and financial results of their sales abroad?

I believe the answers to these and other similar questions will lead us to obvious results we do not need to describe. That is why I reaffirm what I have already said regarding the important role of the export concerns, provided of course that they have the minimum requirements mentioned above.

Regarding official support, I believe Argentina is one of the most interesting cases of our Latin America.

The exporter has a series of really modern and vanguard tools, but some of them stopped at halfway. Here are some examples.

I consider the export financing system one of the most advanced in the world. This includes terms, attractive interest rates for the buyer and an automatic process for the exporter.

But this is not the case for pre-financing (credit for the manufacturer-exporter).

Export credit insurance well covers commercial insolvency for three years. This period is notoriously insufficient for capital goods, for example. And the coverage of the risks of the "public buyer" is still

/to be

to be perfected. This seriously reduces the sale to government agencies (national, state, municipal, etc.) when they are not guaranteed by the central government.

The State promotes active participation of the exporters in International Fairs and Exhibitions with generosity. Thus, it is contradictory the enormous delays that the exhibited goods experiment from the moment they re-enter the country and the moment the exporter recuperates them.

These examples clearly show that even though there is a definite move towards promoting exports of manufactured goods with real tools, a lack of co-ordination in the whole system can knock down or limit the most moderate ambitions.

Conclusions

Foreign trade and most specially the export of manufactured goods, officially as well as privately, must be handled by forward-minded experts. These experts must have the vigour and courage for preaching and fighting. The first to guide and advise; the second to win the daily battle of penetrating and consolidating markets.

Each country has its own characteristics. Thus, although to centre official decisions on exports could be unpractical in certain cases, I consider of vital importance a real co-ordination. If not, we will very often see the ghost of frustration.

Practice and theory are complementary, but when the second goes too far, we run the great risk of a crashy failure. This is valid for many activities, but in the case of foreign trade it has special force.

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The above is a brief digest of a practical case, with some personal remarks. Besides its real value, it contains a frank approach of the subject so that it could be an effective contribution to the objectives of this meeting.

