CONSEJO FEDERAL
DE INVERSIONES

INSTITUTO DE INVESTIGACIONES ECONOMICAS
Y FINANCIERAS DE LA
C. G. E.

JOINT PROGRAM FOR INDUSTRIAL AND AGRICULTURAL DEVELOPMENT

2nd. REPORT

(Period from November 11, 1962 to May 15, 1963)

SUMMARY

BUENOS AIRES
May 1963

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QUOTATIONS FOR READERS' UNDERSTANDING

Sponsors of the Program

The Consejo Federal de Inversiones (Federal Council of Investments)

The CFI is an agency established by agreement signed by the Ministers of Public Finance of the Provinces, the Nation, the Federal Capital and the National Territory of Tierra del Fuego, Argentine Antarctics and South Atlantic Islands, during the IIIrd. Meeting of Ministers of Public Finance that took place in Santa Fe on August 1959.

According to its legal nature it is an autarchic organism (having juridical capacity and a limited sphere of attributions), of institutional nature (decentralization by service and competence in the Provincial States).

The CFI is integrated by three organs: the Assembly, the Permanent Committee and the General Secretariate.

Created and supported by the Provinces, it is an unique organism in Argentine institutional practice, carrying out research and counseling on investments on the basis of the economic possibilities of each region, to the end of promoting - by means of a decentralization process - the harmonic and integrated development of the country.

Two kinds of tasks may be effected by the Council: one, of immediate assistance, facing the provinces' problems on a short term basis; and another one directed towards determining the facts of an economic problem situation and to programming the activity which - on a medium or long term basis - could solve it.

The Confederación General Económica (General Economic Confederation)

The CGE, founded in 1949, is a central body which includes 1328 Entrepreneurial Chambers, Associations and Federations representing production, trade, and industry throughout the whole country. Its eminently national structure allowed inland enterprises to find its more adequate expression in the CGE.

The Chambers are organisms of first degree, grouped in Federations which in turn constitute the Confederations. In the case of the CGE the Provincial Federations direct the economic problems of a general character through the Confederations and the CGE.

The Higher Council of the CGE is constituted by the representatives of the Economic Federations, the Specific Federations and the Confederations.

Recently the CGE created an Institute for Economic and Financial Research, its main aim being to study national economic problems and to give advice to the enterprises represented in the Chambers, Federations and Confederations.

<u>Activities of the CFI</u> (Federal Council of Investments)

1. It gives advice to the signatory provinces or states on the following:

    a) Rational use of national resources in a federalist sense, favoring economic and demographic decentralization through creation and promotion of local sources of wealth.

    b) Determination of priorities for investments and specification of their location or regional situation.

    c) General orientation of credit, financial and fiscal policies.

    d) Criteria to be followed for the joint venture investment of foreign capital.

    e) Import of productive goods relative to national development.

2. It carries out the research needed to coordinate all investments, preparing also regional programs aimed towards coordinating these investments in a sense of economic integrations.

3. It effects the technical and economic studies asked for by its member provinces, including those needed to back the provinces' propositions before the National Government.

4. Public or private institutions are consulted or asked to share in studies, so as to avoid a repetition of research on the same subject and to obtain an effective coordination of efforts.

5. It connects itself with national and international institutions having similar or related aims.

6. It promotes scientific research connected with economic development and the training of experts.

7. It divulges the investment opportunities the country offers to Argentine and foreign capital.

8. It helps towards informing public opinion on the importance and meaning of the social and economic development of the country.

9. It promotes coordination meetings between the provinces with a common interest in regional development or in the exploitation of certain natural resources.

Within the framework of these functions, the CFI has signed various agreements; among them the "Joint Program for Industrial and Agricultural Development"; and it is carrying out a series of researches, which are well known and appreciated by everybody who is interested in the problems of the Argentine economy.

Activities of the Institute for Economic and Financial Research of the C.G.E.

The Institute for Economic and Financial Research of the C.G.E. is an agency devoted to permanent research on the economic reality of Argentina, created and supported by the C.G.E.

Regular Program (carried out by a permanent team of experts and economists).

1. Permanent statistical research on the social and economic processes of Argentina.

2. Periodic reports on the economic situation for the C.G.E., the Confederations and Federations.

3. Technical assistance to the Chambers, Specific and Regional Federations.

4. Information exchange with private national and international bodies and with government departments national and provincial.

5. Maintenance of a center for financial and economic documentation.

6. Technical management of the monthly magazine "CGE - 200 millones".

7. Holding of study courses.

8. Conferences and lectures.

Special Program (carried out by experts and economists especially engaged to this end).

9. By agreement with the CFI, a program which reports semi-annually on agricultural and industrial development.

10. By agreement with the National Development Council and the CFI, a study on idle capacity in Argentine industry (terms of agreement in process).

Description of the Joint Program for Agricultural and Industrial Development.

This is a research project being carried out by virtue of an agreement signed on April 11, 1962, by the contracting parties. The agreement stipulates a term of two years with equal financing by both parties of the total budget estimated at 28.800.000 Argentine pesos.

The work is directed by the Committee of the Program constituted by the Secretary General of the CFI, the President of the CGE and the Director of the Program appointed by joint agreement of both parties. The Director of the

Program is charged with all matters pertinent to the technical and methodological aspects of the research work.

Due to restrictions on account of the limited funds available, it was agreed on to carry out a sectorial analysis of the main activity sectors of the agriculture and livestock, industrial and services branches and of the economic and financial policy sectors of government. A sector concerning housing was also included, because of its social importance in our country.

On account of the above, the denomination "Joint Program" must be understood as a conjunction of efforts of the contracting parties to develop this research; we do not aspire - our resources would not allow it - to make an exhaustive analysis of the whole economy of the nation nor its programming in the strict sense of the term. This task is attempted in the project on a Ten-year Program for the Argentine economy proposed on a previous occasion by the CGE to the UN Special Fund under whose consideration it is.

The first stage of this program is being carried out, through the coordinated action of the CFI and the National Development Council. It should therefore be understood that this "Joint Program", as a common effort of two institutions, is directed towards the promotion of development of the sectors considered, stating to this end the general orientations on economic policy which are deemed necessary. The research work has been divided in four semi-annual stages, each one finishing with its respective report, in which an actualization and analysis of the existing situation in the sectors considered will be given and the bases for short term programming will be gradually established.

The report for the first six months, already published, consists of a first approach to the problem, in which the different work-teams had wide freedom to pay attention to those parts considered most urgent or economically more important.

Each sector condensed in a summary (First semi-annual report, Nov. 1962, Vol. I, Pt. VI) the first results of its research, thus fulfilling its purpose of establishing a series of concrete short term measures within the relative certainty of the present condition.

In the second report, of which this publication is a part, some already considered aspects are brought up-to-date, others left untreated in the first report are developed, and some new sectors of research in the agricultural, industrial and social fields are added. These tasks of bringing up-to-date, completing and deepening will continue in the following reports, with the advantages of a gradual integration and co-ordination made possible by continuous team work.

The attitude of the responsible experts of the different sectors in the work already done is characterized by the acceptance of every controversy which may help towards finding a solution for the problems of the Nation. That is why the conclusions of this job are subject to eventual changes of a formal or basic nature, as far as new economic facts coming up or criticisms being made may call for.

Who are the experts?

To accomplish the programmed work the Direction of the Program engaged many well known Argentine experts from different sectors of the economic and intellectual circles of the country, already experienced in their respective sector.

Each one develops his work with ample freedom to approach his problem and to state the pertinent recommendations, at the same time being responsible for his sector.

A listing of the experts follows:

Director of the Program:	Ing. Orlando A. D'Adamo
Credit and monetary policy:	Dr. Hugo Barber
Foreign trade:	Dr. Jorge Gardella Dr. José Kestelman Dr. Ovidio Ventura
Budget:	Dr. Francisco Aguilar Dr. Aldo Pecchini
Tax policy:	Dr. Moisés Kostzer Dr. Saúl Witis
Social situation of Argentina:	Dr. Gustavo Caraballo (h)
Agriculture and livestock:	Ing. Horacio Giberti

	Dr. Rodolfo Carrera Ing. Israel Icikson Dr. César Lanfranchi Ing. Mario Rossini
<u>Forestry and Forest Products</u>:	Ing. Juan Boggiano Dr. José Marinelli
<u>Fishing</u>:	Ing. Juan Boggiano
<u>Mining</u>:	Sr. Pedro Barrios
<u>Iron and Steel</u>:	Dr. Simón Makler Dr. Ideler Tonelli
<u>Metallurgical industries</u>:	Ing. Horacio Mariscotti Ing. Leonardo Iurcovich
<u>Petrochemical industry</u>:	Sr. Raúl Fernández Sr. Orlando Martínez
<u>Pulp and paper industry</u>:	Dr. Jorge Bolo Ing. Bernabé Mindlin
<u>Textile industry</u>:	Sr. Luis Henin
<u>Energy</u>:	Ing. Raúl Ondarts Ing. Santiago Isern
<u>Transport</u>:	Ing. Guido Belzoni Dr. Alejandro Menéndez
<u>Housing</u>:	Arq. Juan Bonta Arq. Alberto Lanusse

S U M M A R Y

The summaries of each of the sectorial reports constituting the second semi-annual report have been translated for the present release.
These summaries are synthetic descriptions of the present situation in the sectors considered, and include the immediate measures which are deemed necessary.
The complete reports backing the present release, may be consulted in their original Spanish version edited in four volumes.

PRESENT SITUATION OF THE ARGENTINE ECONOMY

SUMMARY

1. It is evident that we live under exceptional circumstances: On the one hand, the situation in our country shows political, social, financial and economic disturbances, and on the other hand there is a world situation and a social situation in many Latin American countries whose effects are more notorious because of the outstanding interdependence between our destinies. It is clear that all this indicates only one way for the consolidation of the occidental way of life: economic development under the indispensable sign of a better distribution of wealth.

2. It is also clear that if the leaders with direct reponsibility, whether they are politicians or entrepreneurs, do not recognize the people's needs; if the urgency to eliminate hunger and misery, illness and illiteracy is not understood; if these truths inherent to social coexistence are not considered and the satisfaction of the great majorities' aspirations is slowed down, due to supposedly existing rights of small minorities, then an irreversible step towards the dangerous void of social struggle would have been taken. That is why we expressed that what must motivate the search for solutions within social peace is not fear, but the safe instinct of justice. These solutions have to make less arduous the constant increase and improvement of the material and spiritual levels of living of the main national majorities.

3. Only through clear programming of economic and social development can we generate the necessary faith and confidence in the future, and we understand this so because we start from the basic assumption that this programmation will be done from below and from inside; the former, because it must be done from the very bases of the business or worker community, and from inside, meaning the faithful adherence to the main national goals. It cannot be otherwise, as for programming to reach its objective it must be fed on economic and social reality, and this reality can only be built by the main recipients of the program: entrepreneurs and workers.

4. A really national plan cannot exist if these sectors, on whose effort the success of the plan depends, have no direct share in its preparation and carrying out. Elsewhere we have repeatedly stated that it cannot be talked about a national plan, and much less about its success if this plan is made by a minority, whether it is a technical one which no doubt will elaborate it with a clear sense of duty, but without truly representing national reality; or an economic or

financial minority, which will consider mainly its particular interests and therefore will be far from fulfilling the fundamental needs of the country.

5. The development program has to be accurately coordinated as to sectorial and regional aspects, because national develpppment requires priorities, and the balanced progress of the different regions of the country calls for harmony. We therefore stress the need of a balanced development of agriculture and industry. On the other hand national development cannot be exclusive, quite to the contrary, it must be a vigorous instrument of social progress in the under developed world.

6. These precise national objectives will help towards clarifying automatically our foreign trade policy, without confusing it with the international policy of our country. The latter should have as its main objective to strengthen the occidental position by means of peace and social progress. But this requires that we make an effort to effect this peace and social progress in our own country. Any disturbance in the institutional, political or social order becomes a heavy handicap for the joint effort. The solution of institutional problems is there fore an inescapable condition for a definitive ordering and orientation of the Republic.

7. It is indispensable to establish immediately the Social and Economic Council, constituted by representatives of business, professional and workers organizations. This body of institutional control does not weaken any parliamentary function. Parliament is the genuine expression of democracy, but from the economic, social and legislative points of view, it has to be supplemented by the action of an institution like the one mentioned. By its own constitution the Council will not be affected by the successive political and ministerial changes, and its main objectives will be the direct intervention in the formulation of the plan for economic and social development, its implementation and performance being provided by the State. This plan must lead to economic and social welfare, and to this end it must foresee all necessary structural changes in the agricultural, industrial, financial and exchange market fields and all other activities within national economy and finance.

8. The main objective of national development is to raise per capita income. This objective implies on the one hand the defence of national labor employed in industry and agriculture, by means of a sound support of its interests, as the industrialized countries do. On the other hand it means a more aggressive foreign trade policy tending towards protection of export prices and the conquest of all available markets of a real or potential nature.

Need for an Immediate Action

It is nevertheless clear that while this national program is elaborated we cannot stay motionless, awaiting the results of an elaborate long term plan. We think that a series of measures should be taken towards creating the necessary hope and receptivity in the workers and entrepreneurs.

The correlation between economic and social development has been clearly taken up in a recent work by CEPAL (ECLA) showing the "big mistake of the oldfashioned formula: first the stage of economic development and then social reforms. An acceleration of economic development will not be obtained without changing the social structure" (1). But even this is not enough, because from its "take-off" onwards the program has to proceed safely. The majority of the country, be it businessmen, workers, professionals, bear the burden of a wrong income distribution, they are skeptical and suffer accutely the impact of bankruptcies, checks lacking funds, unemployment and delayed payment of salaries and pensions.

How can we obtain their support for the national program? In our opinion, there is no other solution than the adoption of an organic body of essential measures for the attainment of the plan's objectives, serving to secure the receptiveness it needs. In Argentina's present situation these measures are unavoidable and urgent, because while the plan of development is being written, the other one leading to the dismantling of industry is carried out; resulting in stagnation of rural production and massive unemployment.

For us, the immediate plan should be as follows:

1. Expansion of the means of payment through credit, selective rediscounting to production, industry and trade so as to assure a quick normalization of entrepreneurial activities and full employment. The Central Bank must assume its inherent function to assure the success of these anti-deflationary measures. It is also necessary to refinance credits to production, industry and trade, establishing adequate terms and interest rates.

2. Credit must have regional or sectorial priorities referring to agriculture and livestock, forestry, fishing and mining, iron and steel, chemical,

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(1) Hacia una dinâmica del desarrollo latinoamericano (Towards a dynamics of Latin American development). E/CN. 12/680. CEPAL. 1963

transport, machine-tools, pulp and paper and stationary industries sectores, and to operations connected with the development of the North-West Provinces, of Patagonia and the less developed provinces of the country.

3. Payment to State suppliers should be immediately effected in order to assure the subsistence of those not yet bankrupt.

4. It is necessary to establish exchange insurance through the Central Bank, thus helping national and foreign investors, easing external commitments and eliminating speculation.

5. The Industrial Bank must be mobilized, trying to co-ordinate the financial measures with the issue of bonds to be taken by private banks, so that the Industrial Bank may be able to fulfil its essential function as a development bank.

6. Recovery of demand. It is indispensable to return to normal the payment of salaries to employees, workers and pensioners in both private and State organizations, to find an outlet to the violent economic contraction which production, industry and trade are undergoing.

7. Immediate measures should be adopted to eradicate speculation and frauds performed on 9th. of July Loan Bonds, redeeming these bonds immediately and backing them at the Stock Exchange.

8. While the present emergency state goes on the suspension of unnecessary imports is indispensable, according to what is produced in the country, coordinating at the same time efficiently the existing organisms which fight against smuggling, a real illness for the national economy and entrepreneurial activities.

9. As to taxes, no new ones should be introduced, on the contrary a moratorium for the payment of taxes and delayed pension contributions should be studied so as to allow a transition from the present state of contraction to economic normality.

10. The purpose of national economic policy is full employment. But meanwhile it is necessary to establish an emergency fund for unemployment, without interfering with the planning of a permanent unemployment insurance.

11. No solution will be forthcoming if the State does not restrict its expenses in all departments. It is not possible that while the sectorsof production,

industry and trade of the whole country and even economically prosperous companies are going bankrupt, or facing the possibility of it, the State does not suffer a reduction in its budgets and keeps the same bureaucracy that costs the country more than 350.000 million Argentine pesos per year. It is indispensable to assure that the State enterprises present their production plans three months before the start of the financial period, avoiding the anomalous present situation in which production plans are published at the end of the fiscal year they are supposed to cover.

12. The housing plans, devoid of priority in the economic field, have to be promoted on account of their social priority. It is necessary to stress that all foreign funds connected with housing programs must be allocated exclusively to plans for the low income sectors, leaving the solution of the same problem for the middle or high income sectors to the saving and loan societies and other national -public or private- institutions.

We are not trying to give a complete picture of the measures which should take us out of this difficult situation leading us to expansion and progress, but we try to point out the urgent measures to be taken to bring forth faith in the future, hope in the results of joint efforts and the necessary impulse to put the economic system again in good working shape. If this is not possible, then we will soon reach total disarticulation of domestic industry and one million unemployed, with all the social and political consequences which can be imagined. The country needs anew the faith and confidence which generated its best achievements.

We cannot be the country of bankruptcies, protested drafts, refused checks and gold supported bonds quoted at 60 pesos, and we cannot either be the country of pensioners looking for something that may allow them a minimum standard of living. As soon as demand is again active, the basic sectors of production are promoted through priorities and the people's savings both in the official and private banking systems are effectively oriented towards furthering truly productive activities and not to the fields of speculation, usury and secondary trades, then we can trust that recovery and subsequent expansion will take place. However, instead of decisions we are served many disquisitions trying to keep public opinion away from the "harmful inflationist influences of development programs".

"But those who encourage inflation are against income redistribution. Acting only in the monetary field, not denying, but ignoring development, they block the growth of production and therefore lead to inflation". (1)

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(1) CEPAL, op. cit.

An inadequate economic policy has led its action upon compression of consumption but its worst effect has been to diminish supply and to disarticulate national industry. Its lack of sensitiveness is seen in the fact that even on compressing consumption no distinction was made between income sectors, and thus the 5% minority of the population which consumes fifteen times more that a family of low income, not only has not restricted its consumption capacity, but has even increased it.

These are the groups that according to CEPAL "load the majority of the population with structural obstacles against which development stumbles and with a regressive way of facing them". (1)

In the face of this the "Latin-American masses are using their increasing political and trade union power to defend themselves from the price rises caused by these monetary and extra-monetary factors of inflation" (1).

The only possible solution the orthodox economic leaders find for this problem is "monetary stabilization not connected with a policy of development and social equity". (1).

A lot of this can be blamed on the excessively obedient behaviour of Latin American financial executives to the dictates of the FMI (International Monetary Fund), institution whose important function of annual "stand-by" has been mistaken in our country for an almost inescapable leadership of the national economy and finance. Even while disagreeing with the essence of the FMI policies we do not accept the easy way out that only to its action we owe all of our present troubles. They are the result of the stubborn tendency to hold on to structural anachronisms and of the lack of imagination and courage in economic leadership "which is not according to our times", after an expression of Ortega y Gasset. We think that the functions of international organisms in the technical or financial field to which we have adhered, can be perfectly profitable. But it is not necessary to bind our decisions, even those inherent to the social and economic stability of our enterprises and of our people, to foreign administrative deliberations. Let us adopt with courage and decision the measures that circumstances call for and be sure that they will be understood or justified. And let us quit the unjustified and uncomprehensible position of asking for approval to adopt measures concerning social stability and national economic development.

It is utterly surprising that those people who look eagerly for the consolidation or refinancing of external debts or want to obtain loans of 50 or 100 mil-

(1) CEPAL, op. cit.

lion dollars at the international financial organisms, stay motionless in face of the extraordinary flight of Argentine capital, estimated for 1962 at 600 million dollars. What do 50 or 100 million coming into the country mean, useless to obtain public confidence, if 600 million dollars belonging to Argentines leave, together with the faith lost? What can 50 or 100 million dollars do here, if thousands of Argentine professionals, who cost the country considerable effort and expenses, leave to collaborate with their effort and science elsewhere, looking for new horizons? What can those few million dollars accomplish if unemployment grows and desperation may change the sign of social masses? What can one hundred million dollars do if the bankruptcies of national companies reach as much as 120 million dollars per year and those who go on pilgrimage for the loan inflicted on the country a loss of 500 million dollars? (To wit, decline of gross domestic product).

The problem has to be deeply analyzed and decisions cannot be simply attached to purely technical aspects; on the contrary they must give an integral answer to the serious problems the Republic faces. That is why we propose the above detailed measures. The semi-annual reports we release in accordance with the contracts signed, cannot give a bloodless vision of Argentine economic reality, they must also reflect our people's hopes and our needs. We do not want to stay in the cold fields of technique. On the contrary, we want to match technique with human emotion so that, as an instrument of economic and social policy, it fulfils its real objective. Not very long ago, Mendes-France said that "politics is not any more simply politics, economics is not any more simply economics, and technics is not any more simply technics". Technics, politics, and economics work all together as an expression of the real policy that should be applied by men aspiring to lead countries. A policy that presupposes substantial ingredients in the economic, social and technical implementation of solutions. Nobody can live nowadays in closed political, economic or social realms, as did leaders and theoretical economists and ideologists of the past. Today's reality is a synthetic one and calls for a policy aware of social and economic facts. That is why we ask for a coordinated action between the basic social frameworks of workers and entrepreneurs, also including political leadership through Parliament as an essentially democratic institution. This is a chance democracy has not yet played, and therefore we will stimulate and encourage it. We will also strive for the adoption of measures which may pave the way for a historic national action.

CREDIT AND MONETARY POLICY

SUMMARY

The negative facts already mentioned and the not very auspicious perspective reinforce the need of adopting some urgent measures, which should help towards overcoming the present depression, and though some of the recommendations may have been stated in our previous report, we think that the following measures have to be considered as an immediate program.

A) In the Foreign Financial Market

As our export trade is the only source of foreign exchange the following steps, recommended by the Foreing Trade sector: increase of nontraditional products exports, application of the draw-back system, tax exemption for new export industries, etc., are the only way to overcome the present situation.

As to the huge external debt we think that once the political and institutional situation of the country is cleared up, it would be necessary to ask clearly for a moratorium on the whole debt, within a reasonable term of five years, connected with the development plans to be presented to the authorities of the "Alliance for Progress" program.

B) In the Internal Financial Market

The structure of this market, shows some aspects in worse condition than in the last half of 1962, it is therefore very necessary to adopt measures allowing relief for the present financial tightness which affects especially industrial activity. Additional to already mentioned measures - selective rediscounting through the Central Bank, reduction of some points on Bank minimum cash reserves, up to establishing a bank moratorium if necessary -, some other ones should be taken immediately, as follows:

1) Payment of State debts with its suppliers.

The present debt has a great influence on the market - it is estimated at 100 thousand million pesos - and the monetary issue to cover it could be effected in a graudal and planned manner, so as to avoid the natural impact on the exchange market.

2) Updating of salary payments to State agents.

The implicit monetary issue to solve this problem is not necessarily inflationary, both because of its relatively small amount (4,000 million pesos) and because this money would be chanelled directly into consumption, to cover expenses already incurred in by State agents.

FOREIGN TRADE

SUMMARY

Experiences of French Planning.

Analysis of foreign economic experiences is not easy because of structural diversities and a different degree of development. But in spite of these difficulties, French planning allows us to reach several conclusions:

1) The French plan brought about a deep transformation if not of the economic structure at least of its mechanisms. In spite of certain contradictions, development seems to accelerate. The economic groups operate with a long term perspective and therefore they help to stabilize national economic life.

2) The social techniques at work have shown a trend towards understanding among the social groups. The goal of planning has been to orient the activities of all social sectors to obtain harmonic joint progress. This is a demonstration of the compatibility between a planning policy and the economy of private enterprise. Then the joint presence of management, trade unions and the Administration within the "vertical" Commissions has shown itself to be a valuable instrument of co-operation at the highest level of economic and technical planning.

3) The success in the foreign sector is a demonstration of the benefits to be derived from the co-ordination of national economic activities by the central organisms of planning and co-ordination.

4) It is an enlightening example of how to solve a quasi-structural deficit in the balance of payments. However, this conclusion has to be conditioned to the situation of international markets, and to the trade policy of foreign countries.

5) The importance given to the development of the basic sectors - before the adoption of a free exchange policy - is a very interesting experience for the Argentine situation. Thus it has been possible to face a new acceleration

stage of international competition with efficiency in costs, productivity and innovation.

6) The importance given to non-traditional exports, especially during the IIIrd. and IVth. Plan, and the decided promotion of exports by means of a set of co-ordinated measures is also an enlightening example for Argentina.

Markets and products

1) The Argentine Republic has not yet adapted its foreign trade to the new international tendencies. Its main income is given by the export of primary products, concentrated in very few items, and oriented towards certain countries, the traditional markets for our products, but, due to their new trade policies, a potential danger for our future exports.

2) 95% of our export products belong to agriculture and livestock with emphasis on wheat, corn and meat. The essential feature of these products is given by the relatively low elasticity of international demand, which becomes a fundamental factor in the deterioration of the terms of trade.

3) The policy of the ECM towards self-sufficiency in agricultural products through heavy subsidies, leads inevitably to the adoption of restrictive measures detrimental to our products. The goal of the agricultural policy of the Community is not only self-sufficiency of the countries constituting the ECM, but also becoming exporters of temperate area products, in spite of the antieconomic exploitation of European agriculture and stock breeding. At present this is a potential danger which, on becoming real, would mean a hard blow to our trade.

4) The discouraging prospects shown by the ECM countries limiting their markets for our products (as they proceed with the common agricultural policy) are aggravated by the British policy towards our meat. For our meat exports we depend almost exclusively on the English market and our share in the total meat purchases of Great Britain is notoriously lower. And any effort to increase our supply depresses immediately our prices. This is happening now and worries the British government very much, not because of the low prices being paid for Argentine meat, but because of the heavy subsidies it has to pay - on account of this situation - to British breeders, who obtain a guaranteed price for their livestock, as a consequence of the British policy to promote meat production. This induces important sectors of British opinion to ask for a limitation of Argentine beef importation.

5) The USA confronts us with two problems:

a) The agricultural surpluses, and

b) The prohibition decreed by the U.S. government on the introduction of cured and salted meat of Argentine origin. Facing these situations and the new tendencies of international trade, it is imperative to effect a policy of product diversification, supplemented by an aggressive policy to conquer new markets and to keep up the existing ones, on the basis of the defence of our products'prices.

To this end it is necessary:

a) To trade with all the countries of the world paying attention only to the national interest. There should not be any subordination of our country's trade policy to international policy as long as the latter is not definitely harmed. In these matters, we must follow the example of Great Britain, France, Canada, etc.

b) To promote the export of non-traditional products to the end of obtaining an effective diversification of exportable production.

c) To increase our trade with the Latin America Free Trade Association countries, which will make it possible to sell many items of our industrial production.

d) To offset, through energetic and apposite negotiations at the highest level, the British agricultural sector's purpose to limit the purchases of Argentine meat.

e) To appeal to international organizations in co-ordination with other Latin American countries when necessary demanding that highly developed countries, mainly those of the ECM, eliminate or reduce the restrictions and discriminations limiting consumption and importation of basic products.

f) To consider jointly with the American authorities the ways and means to increase Argentine exports to that country. It is necessary to negotiate with the US government the suppression of the ban affecting the importation of cured and salted meat of Argentine origin. The negotiations must be based on the fact that, though financial help from the USA is important for our country, this co-operation cannot substitute the income on exports as a source of funds for economic development. The problem of agricultural surpluses must be also re-formulated, so as to avoid the prejudicial and perturbing effects of these surpluses on the international market.

g) To trade with the Asiatic and new African nations, which, as their population increases its standard of living, may become interesting markets for our traditional and non-traditional exportable goods.

h) To conquer new markets it is necessary to adopt more flexible and realistic criteria of trade policy leaving orthodox rules and getting used to the possibilities of markets subject to other regimes.

Operation and perspectives of The Latin American Free Trade Association.

1) The Latin American Free Trade Association (LAFTA-ALALC) was instituted by the Montevideo Treaty signed on February 18th, 1960, by the six southernmost countries of South America and Mexico, to which Colombia and Ecuador were added later. ALALC is based on the need to integrate the economies of the member countries and to increase its interregional trade, considering an eventual Latin American Common Market.

The Montevideo Treaty is based on a twelve-year plan in order to obtain the gradual elimination of tariffs and duties within the Zone, through the granting of reciprocal preferences, not extendible to other countries, and negotiated every year among the Association member countries. This Agreement is of great economic importance, considering that it embraces nine South-American countries with a population of about 180 million, which is expected to reach 258 million in 1975.

The possibilities of economic expansion in the area may be appreciated considering that interregional trade amounts at present to only 6.5% of the whole trade of these countries, and that the economic capacity per inhabitant, besides being very irregular among the different countries and different zones of a same country, is only of about 350 dollars, which can be considered relatively low if compared with the 950 dollars of the average inhabitant of ECM countries and the 2.400 dollars of the average USA inhabitant.

2) The main directions of ALALC aim towards co-ordination and promotion of the Zone trade on a multilateral basis and the encouragement of industrialization by means of production on a bigger scale and a more competitive basis, with the purpose of rationalizing costs and improving the living standards of the consumers.

To reach these goals certain objectives have been fixed, which condition the negotiation mechanisms. In the first place, we must stress the multilateral character of the preferences each country grants, which has modified the bilateral nature of trade relations among these countries.

Secondly, it has to be outlined that duties are not dismissed automatically, but through annual negotiations, each product at a time.

Thirdly, as a basis for the "rules of the game" of the negotiations, the principle of reciprocal concessions was set up, so that no country feels itself postponed.

3) In order to speed up the exemption program, and to stimulate joint venture investment, expansion or co-ordination among enterprises which are able to use in whole or in part the market offered by the Zone, the Montevideo Treaty foresees in its clauses 16 and 17, the possibility of agreements among complementary industries of a sectorial character, permitting to reach a better productive efficiency, to lower costs and to expand their activities.

It also provides permanent administrative and executive instances, like the Conference of the Contracting Parties and the Montevideo Committee, integrated by representatives of the highest level in order to receive suggestions, to take initiatives and to watch for the observance of the stipulations of the Treaty and the results of the talks and the intersectorial agreements application. This is a very effective factor to solve the many problems that, for sure, will appear in the liberalization of trade and economic integration of these countries, a new process in their economic relations.

4) Once the Treaty was ratified, on May 1961, on July of the same year the first period of ordinary sessions of the Conference began in Montevideo.

During this period the Permanent Executive Committee was installed, the First Executive Secretary was elected, and the rules and budget under which this organism will function were approved.

Some preliminary definitions were considered as indispensable for the application of certain stipulations of the Treaty and the first series of negotiations for exemption of products traded in the area was held.

As a result of this first meeting an almost total consolidation of the existing preferences within the Zone for the goods of traditional trade was obtained. These preferences were renegotiated on the basis of the principle of reciprocity, which inspires the Treaty.

To that the liberalization of other new products was added, which could be easily substituted as they were wholly imported from third countries. The percentage of exemption already agreed on is estimated at around 30%, therefore from the point of view of the rules, the Zone could have been put into operation several years before.

Our trade with the Zone, which in the last two years was slightly higher than 9% of our total trade and which traditionally has been concentrated on a small number of basic products, increased appreciably during the first year of effective functioning of ALALC as regards to Brazil and Peru, but it seems to have had a negative result as to trade with Chile and Paraguay.

5) The Second Period of Conference Sessions was held in Mexico on August, 1962, and, besides the annual negotiations of national lists, it had to face a great number of problems relative to organization, operation of the Treaty and practical implementation of its plan and program, especially relative to: complementation agreements, the origin of goods, the boundaries' traffic, dumping and other unfair practices, the protection of the value of the concessions, the elimination of non-tariff restrictions, transports, etc.

From a general point of view our negotiations with Brazil were the most significant and also the most simple ones, because of the wide and practical criteria evidenced by both delegations, which broaden considerably the perspectives of increment and diversification of trade. On the contrary, the negotiations with Paraguay, Peru and Uruguay were very difficult and had few practical results, as a consequence of the unfavourable incidence of the so-called "problem products" of these countries and a not very flexible negotiating stand on the part of our country.

6) The first results of the ALALC do not seem to respond to what was expected from it. The relatively easy period of exemption consolidation on the products of traditional trade and of adding others easily substitutable in the trade with third countries having already finished, the mechanism of annual negotiations by products seems to have become a difficult obstacle for the liberation process considered in the Montevideo Treaty.

Even more, the concessions already granted have shown themselves not to be able to generate new trade currents and to promote exchange. All this would indicate that the organization of trade among these countries on multilateral bases cannot substitute the stimulus given by the previously existing bilateral agreements to interregional trade.

To make the system work it is not enough to negotiate annually, product by product, on the basis of the tariff preference only. And therefore it is not enough either to return to regional exchange, at least to the past levels of bilateralism.

Certain limitations of the Montevideo Treaty, like the rigid procedure of exemptions and the existence of certain safeguard clauses especially applied to agricultural products, are factors that although allowing to respect important interests existing at present in each country, on the other hand they slow down the dismantling of the high protectionist walls, characteristic of these countries' economies, and they lack in fluidity for the process of trade liberation. Several structural obstacles are added to these limitations, like geographic isolation, transport difficulties, etc., and others of a circumstantial nature like the adoption of stabilization and monetary convertibility plans in several of these countries, which far from encouraging the concentration of trade in the Zone, tend to disperse it to other overseas trade areas. Meanwhile, the marked differences among the Zone countries, as to living standards, social and wage policies, trade and exchange regimes, etc., constitute serious hindrances to materialize the process of industrial integration leading to the formation of a common market. All this explains the lack of success in reaching sectorial agreements of industrial complementation according to the provisions of the Treaty, as in spite of the Permanent Committee's good disposition to promote this kind of agreements, only two have been drafted, one for electronic valves and their components, and another one, which is as yet shelved, more limited, for statistical and similar machines. To this framework of difficulties in which the ALALC is working, the lack of enthusiasm that the entrepreneurial sector has shown up to the present with this initiative should be added.

7) Considering the above stated problems to be faced by the ALALC in its first years, its perspectives seem to be conditioned by the decision of the governments to find solutions to the structural problems, and to the possible adaptation of the Treaty and its executive organisms to the modalities of the Zonal Trade. However, the adaptation of the entrepreneurial sector, without whose enthusiastic and decided collaboration very little can be expected, should also be considered. It is essential to admit that the mere use of the tariff preference is not enough to provide the stimulus necessary for the intensification of Zonal exchange. The Treaty omits deliberately any consideration of the financial problems of the Zone, but this does not mean that there is not an urgent need to study a system of payments which admits the possibility of stimulating trade by means of a multilateral reciprocal credit regime, working as a substitute of the one existing through bilateral agreements. On the same level it is important to build up a system of financing basic and capital equipment exports within the Zone, which would allow the consolidation and expansion of said industries in competitive conditions with other countries, With respect to this matter an encouraging antecedent has to be mentioned. That is a project prepared by a group of experts of the Interamerican Development Bank, which was very favourably received at the last meeting of governors of that financial organism, which took place in Caracas in April. In the second place, it must be agreed upon some new procedure to accelerate the liberation of trade so that exemptions will not be limited to symbolic amounts of little effect, but will create real and effective exchange opportunities of goods with possibilities of expansion in the Zone market, be it obtained by substitution of imports from out of the Area or by increasing consumption through an exemption, or by gradual ousting of national industries with little efficiency at present and for the future.

8) The auspicious fact has also to be noted of the existence of permanent instances like the Conference of the Contracting Parties and the Permanent Executive Committee (PEC), able to receive suggestions, to take initiatives and to watch over the observance of the Treaty and the results of the concessions granted. Concerning this, the initiative of the PEC scheduling for the present year a series of meetings of official representatives in order to discuss important matters for the operation of the Zone, is to be commended. This embraces the co-ordination of trade policies, the confrontations of national development plans, the consideration of the financial problems of the Zone, etc.

The project to effect a series of studies on: the treatment to be given to the relatively less developed countries, the revision and actualization of the tariff schedule (NABALALC, Brussels Tariff Schedule for LAFTA), the comparative examination of tariff sectors, the relative importance of interzonal trade products, the commercial currents generated by concessions, transportation problems, the signature of sectorial complementation agreements, the traffic across boundaries, etc., is also to be praised.

9) Concerning the adaptation of the business sector to Zone activities, it is reasonable to expect that it will proceed with the exemptions materializing into better trade opportunities. In the meantime good results are to be expected from the interesting agenda of meetings of production representatives, called by PEC for this year. At these meetings problems of different industrial sectors of the Zone will be analyzed, among them: leather and furs, electronic valves, glass, textiles, dairy products, petrochemical industry, chemical and pharmaceutical products, iron and steel, copper, automotive industry, agricultural machinery, railroad supplies and parts, etc., it is expected that this will effect a "gradual and increasing co-ordination of the respective industrialization policies", which may facilitate the achievement of the next stages in the liberation program.

10) Our country's position in the ALALC will be determined as much by the official sector as by the collaboration and interest of the entrepreneurial sector. Although our country has very propitious initial conditions to benefit from the advantages offered by this initiative in the Latin American area, it is necessary to consider that until now precise official directives have lacked and that our delegations have not received the support necessary to take advantage of negotiation opportunities, which would consider not only our interests but also the principles of reciprocity on which we base all our negotiating position. However, it may be expected that with the experience given by two multilateral negotiations and the determination of the sensitive trade points of each country concerning the so-called "problems products", our delegations have now clear and flexible enough directives. This will result in a better way to obtain and grant concessions for a better dynamics of the liberation process which the govern

ments are promoting as a means of exchange expansion within the Zone.

The collaboration of the Argentine entrepreneurial sector after an initially reticent attitude, is now stimulated by the interestthe Zone offers as a market of more possibilities and advantages for the export of our non-traditional products, mainly manufactured ones. The situation of the internal market, subject to the trials of stabilization plans, a favourable exchange rate and the recent addition of equipment in a great number of enterprises, these are all elements leading to an attitude of sympathy towards the Zone.

National Measures to Approach Argentine Foreign Trade Problems

1) The new draw back regime shows satisfactory results since Decree 8051/62 gave to the system the required speed and automaticity. But in practice it is not as yet sufficiently dynamic. The National Customs Department produces administrative delays, which are not understandable, with the consequent damage to exporters. Therefore, a prompt dispatch for the pending applications for reimbursement is urgently needed, by organizing the National Customs Department to reach the maximum of efficiency.

2) The regime for financing exports of non-traditional goods, must be quicker and more effective, therefore it is necessary that the officials in charge of credits be more expeditious. Certain hindrances must be eliminated, as demanding a guarantee from a bank of the importing country, which stops many exports. It would be convenient to analyze the best way of establishing a credit insurance.

3) The amount reimbursed to the exporters of the taxes they paid directly or indirectly in the internal market, according to Decree 1127/63, is insufficient. The weight of taxes (on sales, lucrative activities, income, emergency, gratuitous transmission of wealth, education promotion, provincial and municipal taxes) in spite of not having the same incidence in the different industrial activities in a condition to export, is in all cases higher than the 12% of the FOB value that is reimbursed. It would be convenient to readjust this value adapting it to reality so as to be able to place our manufactured products under really competitive conditions.

4) To encourage the export of non-traditional products it is necessary to create export groups and organizations to pay attention to specific export problems considering the different industrial sectors and all the inland regions of the country. It is also necessary to create the register of exporters and to effect immediately an industrial survey to determine the products Argentina may export, complementing this work with an analysis of foreign markets.

BUDGET

SUMMARY

Measures regarding the budget deficit

1) Staff reduction.

2) Freezing of vacancies and stimulus prizes to the staff which retires from the National Administration.

3) Transfer to the private sector of all State enterprises in condition to be thus transferred.

4) Concerning the remaining State enterprises, an urgent restructuring and rationalization, increasing staff productivity and reducing its deficits, mainly on account of the items which are not investments to reequip and improve the enterprise.

5) Compulsory publication of production plans and computation of the necessary resources, 90 days before each fiscal year starts.

Measures regarding the budget structure

1) Annex grouping of the general account with special account.

2) Annex grouping of the resources.

3) Stability to fulfil budget dispositions, supressing the delegation of authority and requiring legislative sanction for any new credit.

TAX POLICY

SUMMARY

1) The budget and tax policy.

a) Analysing the collection figures it is clear that the revenue from traditional taxes has not augmented as the increase is obtained by means of new taxes.

b) The lack of increase of the former is due to the economic crisis the Nation is experiencing.

c) It is to expect that as a consequence of the "clearing" of capital collection will increase in the second half of the fiscal year and thus will allow a reduction of the present tributary pressure.

2) "Clearing" of capital

The operation "clearing" of capital has shown that:

a) The percentage of listed and non-listed taxpayers that resorted to the regime is big enough to confirm the estimate already effected in the first semi-annual report, about the dimension of tax evasion.

b) A cautious estimate allows to say that between 1955 and 1961 tax evasion was around and not less than 57.000 million pesos, that is to say an average of 9.500 million per year.

c) These figures do not include evasions corresponding to consumed rents and those which fled from the country. Obviously these cases were not reflected in the operation "clearing".

d) The evasion shown not only damages fiscal collection but has extra-fiscal consequences, mainly in the stagnation of investment, discouraged by an excessive fiscal pressure.

3) Fiscal pressure

Income tax is the clearest example of the inequality of fiscal pressure. Through statistical figures we are allowed to state the following interpretations:

a) The taxes attack heavily the so-called middle class, producing a discouraging effect on saving and its investment.

b) Comparing the effective tax-rate in the years 1946 and 1963 on the bases of equivalent income in pesos of both years, we see increments doubling, tripling and reaching five times the taxes existing during the first of these periods and being charged more proportionally to the middle brackets.

c) Our country is placed at the highest tax level in the world for non-high incomes.

d) As to personal taxation, fiscal pressure is very clear comparing the years 1950 and 1960, where to an increase of the net income per taxpayers of 3.6 times, the tax to be paid has increased sixfold.

e) Comparing the same years in corporate societies, taxable income has increased in general 10.8 times and taxable income per enterprise increased only 5.7 times.

4) Taxes and capital gains.

a) The rythm of investment in the country may be considered quantitatively satisfactory but not qualitatively.

b) The wrong distribution of this investment is one of the reasons for the deformation of our economy and the stagnation of development. Building construction absorbs an excessive amount referred to normal.

c) Public investment of basic structural building-bridges, roads, ports, etc.- is suffering a relative decline with respect to private investment in buildings, but it is also stagnant in absolute value, measured in constant 1950 pesos.

d) An effective fiscal reform is the right means to accelerate growth in a development program, but it is not the program itself. "The government must keep up continually an estimate of future requirements, and analyze whether the projects of investment adopted and in process of maturing will assure the necessary expansion of productive capacity in the vital sectors."(Nicholas Kaldor: Ensayos sobre desarrollo económico. (Essays on economic development) México. Cemla, 1961, p. 97)

5) Changes in taxation.

a) The latest changes in taxation corrected some of the excesses of previous legal dispositions, mainly as regards the power given to the General Department of Revenue and to the National Institute of Social Security to paralize the Nation's economic life through controls, credentials, proceedings, etc.

b) As regards to income and sales taxes, some new measures were taken to lighten the burden carried by enterprises and consumers. Some recently created taxes were also annulled, but the general perspective of heavy taxes has not changed basically as other taxes have been created and other ones are being kept which create a serious situation for popular consumption.

6) Restructuring of the national tax regime.

a) The creation of the Honorary Special Commission by Decree 11452/62, to study the restructuring of the tax regime was an aupicious fact but it was stunted in its goals and its representativity by Decree-Law 1223/63. The Commission's members were appointed by the Secretary of Finance and up to now their working plan is unknown and not even the entrepreneurs - active and live part of our Nation's economic life - were invited to state their opinions.

b) The orientation of Decree-Law 1223/63 must be considered within a conception of free play of the forces acting on the market, as a motive force to promote our development and expansion.

c) This policy has been already overcome in countries where the free market has been functioning, by adopting economic planning.

d) Within economic planning taxes have served as instruments to modify structures which are factors of stagnation. This experience is not desired by some interest sectors in our country. (See "Private activity and the Alliance for Progress". Report of Argentine businessmen on visit to the USA. MERCURIO. Official organ of the Argentine Chamber of Commerce. Buenos Aires 3/18/63).

Recommendations

1) No creation of any new tax until the economic crisis of the country is overcome; in the future, before establishing new taxes, the opinion of entrepreneurs should be heard.

2) Revision of the national tax system, also the provincial and municipal ones, to tend towards obtaining the following objectives:

   a) Accumulation of savings and economic development of the country.

   b) Avoidance of tax superpositions.

   c) The people's standard of living must not be affected.

   d) Avoidance of increases in costs.

3) The result of the "clearing" of capital compels towards a reduction of rates and especially to the annulment of the latest tax reforms.

4) The tax system must have stability as regards duties, rates and rules of application.

5) The re-establishment of a regime of exemptions and deductions for increase in productive capacity, regulating such measures according to the sectors of production and origin of the goods, whether it is national, ALALC area or foreign.

6) To solve through international agreements the dual taxation problems, which hamper or impede the influx of capital and initiative from abroad.

7) Synchronization of tax payments terms with the effective collection of the basis for taxation.

8) Tributary measures to stimulate the creation of new goods or increases in productivity in the basic sectors for national economic development, such as those bringing in foreign exchange through export or saving it by import substitution. All these incentives must be conditioned to the investment of earnings by the enterprises.

9) Suppress the taxes on agricultural, livestock and mining production, which affects the sources of production.

10) Annulment of indirect taxes on goods of prime necessity.

11) Restructuring of sales tax considering the real and sectorial rates and regulating same so as to impose greater pressure on luxury and non-indispensable goods.

12) Matching of non-taxable minimum rent for all incomes in the fourth category.

13) Tax exemption for income due to activities of technicians.

14) Rectification of the progressivity curve of income tax.

15) Tax on sumptuary expenses or those characteristic of the high income sectors.

16) An ample moratorium for the payment of outstanding taxes and pensions with interests not higher than 6% per year.

17) Re-establishing the benefits for spontaneous presentation of contributors as being one of the most organic regimes experienced in our fiscal structure, and of course much more organic and fair than the dispositions which annulled it.

SOCIAL SITUATION OF ARGENTINA.

SUMMARY

I) The full mobilization of the forces of labor and the initiative of private enterprise setting up new factories and putting again into operation sources of work which are closed or frozen, is indispensable to achieve an increase of the rate of annual increment of national income, such as is necessary to reach the percentages indicated as goals in national development plans.

II) The promotion of a full employment policy which, through expansion of selective credit, payment of State debts and tax-exemption, strengthens the enterprises and encourages the installation of new sources of employment, cannot be delayed.

III) In the plans of economic expansion the problem of employed labor must be fully considered, which has a bearing on the plans for setting up new enterprises and foreign capital investment. Full employment is not only a consequence of economic expansion but the motive force behind the process which will start productive activity in the whole of its possibilities.

IV) The structural solution against unemployment is industrial programming to determine priorities with respect to the basic sectors of the economy. The Unemployment Fund, on account of its previsional nature, must cover unavoidable working risks due to the evolution of the enterprises, but its function may only be fully successful if it is accompanied by a policy encouraging productivity and full employment.

V) A national census of employment and unemployment is indispensable, and permanent surveys should be effected on new industrial samples, as market research on the labor situation is necessary to appreciate the selective tendencies of supply and demand of labor with respect to specialization and skill, and to regulate the social security regimes.

VI) Economic decentralization is necessary to widen the possibilities of employment through regional distribution of industries so as to avoid the present mobilization of laborers from the provinces to the Buenos Aires complex. Regional economic promotion must pay joint attention to territorial and sectorial aspects, encouraging the industrialization of underdeveloped areas, but circumscribing it to basic activities determined in accordance with natural resources and geographic conditions of the area.

VII) The unemployment Fund has to be created on a future occasion when better economic conditions exist to assure the system's success. This does not exclude bilateral agreements among parties. Nevertheless it is considered convenient to establish an integrated social protection insurance as the agreements between parties would only cover limited risks and would not respond to a general recession in the affected sectors.

VIII) According to the official indexes, since 1948 a systematic descent of industrial employment is taking place with a minimum in 1962 and a further continued reduction. Population growth has not been accompanied by an increment of employment levels, therefore the natural growth between the ages of 14 an 60 years, which determines the supply of labor, has been greater than demand. An unemployment figure of 350.000 can be estimated for the industrial, transport and building sectors. As a consequence of lack of information for the agricultural sector and, partially, for services and trade, it is difficult to make general estimates. Nevertheless it can be stated with certainty that the country is going through its highest unemployment rate in its entire history.

IX) Real wages can only be raised and stay at a high level when they are accompanied by a growth in national income which, meaning more wealth to be distributed and increasing the supply of goods, makes for stability of prices on the market. In our country the increase of real wages has always been produced through raise of nominal wages on account of the uninterrupted increase of the cost of living since 1943. At the same time real wages have always decreased due to rising costs of living. As a consequence any effective action to increase the workers' remunerations has to promote monetary stability or more directly the stability of internal prices, because money can lose its internal buying power without alteration of its foreign exchange or gold values.

X) Real wages show a constant loss since 1948 reaching its maximum depth in 1953, thereafter stability with small changes exists until 1958 when, as a consequence of a 60% raise decreed by the government, the real salaries reached a level higher than that of 1948. The monetary and exchange measures taken at the end of 1958 originated a sudden downfall of incomes which still holds on up to 1962. The buying power loss of salaries in the last 15 years is due to the fact that while the cost of living went up more than 27 times since 1948, the nominal salaries of specialized and non-specialized workers were raised 17 and 20 times respectively, that is to say that the remunerations of specialized workers suffered a greater loss than those of the non-specialized ones.

XI) On the national level a general increase of productivity per hour of work is being perceived owing principally to the recent re-equipment of industry while salaries have seen their buying power diminished. Economic expansion must tend towards a better distribution for the workers of national income as a necessary measure to keep up a wide internal market, thus raising the buying power of the salaried class.

XII) In the Federal District the days of work lost because of strikes and other conflicts do not reach the high levels of 1959 and are considerably less than in previous years. This is a consequence of the general state of recession of economic activities, which reflects immediately on the labor market causing the reduction of demand and the interest of labor to keep their present sources of work, so as to avoid unemployment.

XIII) The migration of professionals and technicians rises during 1961 and 1962 respectively 10% and 30% with reference to 1960 figures.

AGRICULTURE AND LIVESTOCK

SUMMARY

1) The stagnation of the volume of agricultural and livestock production in the last decades was pointed out in the first semi-annual report, as also the mean value of production per unit of area. It was also indicated that the process happened mainly in the traditionally most important region, the Pampas, where nearly all cereals and oleaginous production comes from. It is also the main area of livestock breeding which has kept its production at the same level, whereas in the peripheric zones dedicated to the so-called industrial crops for the internal market production has increased.

Prices are not sufficiently stimulating and did not help towards capital formation in the agriculture of the Pampas region as would be necessary.

2) Agricultural and livestock production rose quickly at the beginning of this century, expanding its boundaries, but did not develop because its productive structures did not change in a fundamental way.

We are not intending to discredit former modes of production, which were probably efficient at their time, but to adapt the present ones to existing needs. As it is not any more possible to expand the cultivated area in the Pampas region, it has to produce more through incorporation of more work and capital. Instead, a certain process of regression has taken place: more extensive forms grew at the expense of more intensive ones, replacing crops like corn, flax and sunflower by wheat, and agriculture by livestock breeding without a sufficient increase in improved pastures.

3) The output per hectare stabilized or diminished, except in the case of wheat which extended to more fertile areas substituting corn. The relation of prices and output explains this substitution, because the progresses of agricultural technology which benefited wheat did not reach other crops. In the particular case of sunflower - the key to edible oils supply - there is a clear need to improve industrial and agricultural productivity, which at present put a brake on output possibilities.

The gradual impoverishment of the soil not only due to excessive cultivation but also to the excessive load of animals on pastures, is one of the causes of stagnation or retrogression of productivity. The decrease in livestock density is alarming; increases are imperative in order to satisfy future meat demand without endangering agriculture.

As regards to fruit production, the dietary needs of the population calculated by the Ministry of Public Health in 1943 at 78 Kg. per inhabitant per year, are well covered. Consumption, which diminished since 1943, has returned to its original level and more: the extraordinary figure of 100 kg. per inhabitant per year is being reached. On arriving at this figures, according to the demand curve the prices of fruit will, in deflated values, be between 25% and 30% less than the average of the last 20 years.

Besides, on overtaking the 88 Kg./inhabitant/year mark the curve will be reaching its inelastic sector, that is to say that any increase in consumption diminishes the total value of fruit produced. It is therefore necessary to promote as much as possible the export of every kind of fruit, encourage plans tending towards industrialization and reduction of costs of production.

4) As a result of more mechanization and of more extensive methods of work, a great number of laborers abandoned the fields at the same time the number of horses was reduced, which contributed to leave more land free for other uses, while the deterioration or real salaries intensified the flight from the rural area. This worsening was heavier for the permanent laborers than for the transitory ones.

5) Mechanization, together with the fertility still kept by the soil make for rural productivity per person being the highest in Latin America, comparing favourably with many other countries of the world. The extent of agricultural exploitations contributed greatly to it, and also the high percentage of active population. However, capital of the agriculture and livestock sector is approximately the same as 30 years ago after the decreases of the latest years, while it practically doubled in other sectors of the national economy.

6) The goals which may be set up towards a reasonable increase of output in the Pampas, on an area which cannot be extended very much are only possible through an increase of productivity per unit of area, adding capital and work and adopting more advanced techniques. Our country's experience, and that of others' of similar condition, show that to increase productivity it is fundamental to give stability to the producer on the land he works, therefore it is necessary to accelerate the process which is being observed in this respect in our country.

7) The legal instruments created up to the present have not been efficient: the

National Agrarian Council, systems tending to encourage and even to compel the tenant farmers and sharecroppers to buy the land they worked, freezing of rents, extension of contracts, etc. The speculation with sales of land, influenced by inflation, has not helped towards the quick results needed at present, while the state of the capital market and the general economic situation make a financing through bonds impossible.

8) The possibility of applying a tax policy that encourages productivity is pointed out, imposing upon establishments that do not reach a certain limit, progressive tax-exemption scales as a function of increasing productivity. At the same time planned bank credit could be applied to encourage more intensive production methods.

FORESTRY AND FOREST PRODUCTS

SUMMARY

The present report is an extension of the previous one and an actualization of its contents.

1) The recent times of political and institutional instability and deep economic distortions have had an influence on the economy of forestal producers which could not keep away from this difficult economic and institutional period of our national life.

2) Argentina cannot stay away from the increase in wood and forest products consumption, which will be brought about by its demographic increase and industrial development. The country presents propitious conditions to supply a great part of the raw materials and industrialized forest products required by our country.

3) As forest industries do not become rapidly productive, but require long periods from the moment the forest's exploitation is approached to the supply of products to the transforming or user industries, it is necessary to avoid the spread of discouragement among forestal producers and even more among those who dedicate their efforts and capital to artificial forest plantations.

4) The primary forest industries may have a multiplicating effect on the economy as they allow setting up a complex of integrated industries, as manufacture of cellulose pulp into paper and paperboard containers; wood manufacture, chemical products, etc.

5) Against these possibilities to help towards overcoming the present crisis it will be necessary to plan the development of our forestal economy by establishing integrated industries. To this end national authorities and international bodies co-operating with development programs should agree on the priorities of the forest products industries when credits are granted or investments recommended.

6) Forest products industries may have a great significance as a source of savings on imports. If they do not develop, imports on this line will inevitably increase. A favourable fact to develop this industry is the important internal market of our country, which will grow continually for forest products now imported; an effort must be made to free ourselves gradually of these imports.

7) Several sectorial promotional measures taken by government favouring the cellulose industries (Decrees 8141/61 and 2077/62) will help towards attaining the preceding goals. These measures tend especially to the integration of the paper industries with the production of cellulose pulp; also regional promotion for impregnated wood industries, artificial drying and agglomerated wood has been instituted (Decrees 6130/61; 2325/62; 11324/62; 9477/61).

8) Argentine exchange of forest products has had in 1962, as in previous years, a heavily negative balance, although less so than in 1961. The deficit of 125.7 million dollars of 1961 has diminished to 82.9 million. This does not mean more exports but simply a reduction of imports especially of paper for newpapers, sawn woods and wood pulp for paper.

9) Through a policy of import substitution, considering that national forests have species of favourable technological qualities and also the speeding up of the productive process of cellulose pulp and paper, it will be possible to avoid many imports of wood, paper and pulp.

10) To get this it is necessary to grant financial assistance for the integral and rational exploitation of the forest and for the industrialization of its products through setting up equipment, tools and machinery required by wood production and the forest products industry for its sawing, impregnation or artificial oven drying operations.

11) The increase in forest production, with its attendant increment of extractions, may have negative consequences if the necessary security measures for keeping the forests productive are not taken, which require an adequate ordering, as a result of studies to avoid their uncontrolled destruction. The legal dispositions existing in the country to this end are not very much heeded in practice.

12) At the same time the country's forestation with species must be intensified and in economically interesting areas from the industrial point of view. The funds which the National Forestry Administration disposes of to this end at the present moment, are very limited as against the work to be done. The total amount available since 1959 till September 30, 1962 was of 597.000.000 pesos, which gives an annual average of around 175 million, not enough to finance the forestation quota foreseen in the report, where it is estimated that an annual forestation of 16,800 hectares is needed and funds should be available at the rate of 400 million per year, at current values.

13) To channel private capital into forestation the legal measures established by Decree 2079/62 should be applied, which grant a series of tax benefits in favour of forestation ventures. To this end the rules and regulations corresponding to the mentioned decree should be outlined. The province of Entre Ríos has ruled by decree 2817/62 in accordance with the National government tax-exemptions since January 1961 on all landed property with artificial wood plantations in the Islas del Ibicuy area, a measure that should be an example for other provinces to follow, in case they have areas propitious for forestation.

14) Supplementing the forestation carried out on commercial lines, an intense forestation work should be started in the semi-arid zones of the country as complementary work to stop the advance of arid zones.

15) Argentine sales of quebracho extract in 1962 were the lowest of the last six years having diminished some 20% with respect to 1961 (96.8 thousand tons in 1962, against 117.8 thousand in 1961).

Sales went down in the continental areas of America, Europe and Asia, increasing in Oceania (Australia) and Africa, where the main buyer was Egypt, as before the war. On the other hand and as a positive aspect it must be pointed out that export prices were more convenient in 1962 with 12 million dollars as against 12.9 million in 1961, when greater quantities were exported.

16) The representatives of the extract industry have agreed with the manufacturers of mimosa and chestnut extract on searching for solutions so that the international market does not continue suffering the serious deterioration due to

the competition between themselves, especially between mimosa and quebracho, considering the inelasticity of world demand for extracts. An understanding is possible because strong companies which produce extract are connected too with the mimosa market in South Africa.

17) Defending the extracts' prices, industrialists have structured an export price system and a financial mechanism, by means of an "ad hoc" trade society to which most of them belong. This will allow each producer to receive the same amount in pesos for each ton of extract of the same type exported to any world market, within a system that already works for the chestnut and mimosa industries. On the other hand the government decree 1676/63 has approved the proposal of the extract manufacturers establishing the percentages each one of them shares in the export of these products, suggesting that the industrialists themselves grouped in their Chamber control statistically the observance of the agreement.

18) The system of adaptation and organization of productive capacity of Argentine industry with respect to the possibilities of internal and external demand has to be kept up considering the antieconomic fact represented by excessive industrial capacity as against the inelasticity of demand for extracts.

19) The lack of a definite and clear policy by EFEA (Argentine State Railways) in its purchase, reception and payment regimes of railroad ties, goes on depressing the activities of producers which direct their work to the supply of the railways.

20) As a positive fact for producers of railway ties governmental decree N^{o} 13.068/62 must be mentioned, as it makes possible the export of ties without retaining 20% of the values as established by decree 11.917/58. In negotiations with the ALALC (LAFTA) our country also obtained from Brazil and Uruguay concessions liberating the import of railway ties. Both measures will help individual producers or those represented by cooperatives or industrial associations, affected by the contraction of domestic market to look abroad for a way out for their products, coinciding with the policy of export promotion.

21) The impregnated wood industry is not very much developed in our country, in spite of a plant having been established almost 33 years ago. At present there are seven plants, with five of them established after 1956, with an industrial capacity of 147,000 m3, whose present output is less than 50% that figure.

22) Most plants having oriented their production to the supply of railway ties or poles for telephone and telegraph or electrical public service, they are now

subject to the changing purchase plans of the State or public service enterprises.

23) At present no sawn impregnated wood is offered to the market. No vigorous commercial attempts to supply it to consumers have been made, although it could be very advantageous to substitute some soft woods, which at present are imported. There is much to be done here, as it is not understandable why the users of wooden bottle cases, or the producers of wooden houses, use imported wood of higher prices instead of comparatively lower priced national impregnated woods. The forestal producers themselves, which see their sawn products quoted 100% lower than imported woods, should promote organizations with the impregnation plants to supply the domestic market for sawed wood and boxes with impregnated products.

24) The production of agglomerated wood increased in 1962, with the start up of 3 new factories; it has been well accepted in the majority of cases and the manufacturers think that their product is asserting itself. Agglomerated wood panels of three layers are offered in various thicknesses to be applied in a great many uses; the manufacturers are actually doing a very effective promotional job, showing the multiplicity of applications of their products. The agglomerated wood panels may become a substitute for solid woods, which to-day are imported. To this end they will have to reach the market at convenient prices to become mass consumption products.

FISHING

CONCLUSIONS AND RECOMMENDATIONS.

1) Fishing production during 1962 has remained stationary with respect to the previous year.

2) The foreign trade of fishing products was also negative, as in the previous year. Official data registered in 1961: 1,198,090 dollars as imports, while exports were only for 658,280 dollars, which gives a deficit of u$s 539,810, deficit which continues in 1962, reaching u$s 400,000.

3) In the last years many ideas were conceived as solutions, the majority of

of which not making possible a quick expansion because the problems of production and of the fishing industry are analysed through those affecting Mar del Plata, without considering that this fishing center has a structure with very special features that do not allow it - as demonstrated by facts - to offer fish at a low price with good economic efficiency for the ship owner as well as for the fishing enterprise.

4) The lack of a sufficient domestic market has generated a system of "Fishing on tariff" putting a brake on production, which hampers the expansion of national fishing production, not allowing at the same time the lowering of costs with a view to external markets.

5) Slowing down production and trying to force domestic demand through the so-called solutions, like increasing our people's acceptance of "White meat", improving fish transport means, establishing cold-storage plants at strategic distribution locations, etc., etc., solutions which are mostly unattainable to the producer and a part of the national basic economic structure, which will become a reality when our country reaches the higher stages of its development, has only brought forth stagnation in fishing production.

6) If consumption per head of fresh fish could be doubled, it would be necessary to produce around 150,000 tons, a figure very far away from the 3 to 3,5 million tons per year established as the biological productivity of the Argentine sea.

7) Argentine fishing opportunities are not taken advantage of in spite of the great possibilities of its maritime platform for an economic fishing scheme, superior to the one already carried out in Perú and to the one Chile is following right now.

8) The present stagnation in Argentine fishing production obstructs channelling of national saving towards investments in it, because of a state of mind having been created that fishing production cannot reach a state of development in our country.

9) Investments for the exploitation of this great national wealth must be considered in a convenient and comprehensive manner by official technical and economic authorities as a way to get out of the stagnation already mentioned.

10) A new orientation is developing in some sectors of the national fishing economy, supporting its action on bases which may modify the deficiencies

of the present structure and establish the necessary conditions for the following:

a) The "on tariff" system has to be made unnecessary.

b) The necessary installations and routes must not be a pre-condition.

c) Cold-storage stations must not be an immediate necessity.

d) The greatest possible diversification of products in the factory must be obtained with wholly efficient utilization of indiscriminate catch.

11) This new direction requires new technically efficient industrial units which will turn the exploitation of products into an economic proposition at international market prices.

12) It is proposed to obtain expansion of fishing within the declared bases, so that in the period 1963/65, by following an adequate promotional policy and through investment of u$s 20,000,000, mainly obtained with financing arrangements over five or more years, some 10 enterprises may be established, which should allow us to place products abroad for more than u$s 30,000,000 per year.

13) It is to be noted that this approach to the industrial structure of fishing is already being started, and private firms are developing their plans in Mar del Plata and in Rawson (Chubut).

14) It must be also pointed out that the chilling and freezing industries for fish and shell fish and the slicing, cutting, etc. plants have made good progress, good advances having been registered in the export of these products to promising foreign markets.

15) It can be stated that the promising exports registered in 1961 of frozen sliced hake,tunnyfish and sword-fish, fresh shell fish, etc., went on in 1962 generating in the fishing industry great hopes to be able to establish certain export currents for the products mentioned, as also for canned fish and fish flour, all of which warranting the possibilities of a change in the present structure of fishing with a view towards an intense development of the industry.

16) Supplementing the above, transportation abroad must be already faced with regards to availability of cold-storage cargo holds. It is evident that there is a deficit of these holds in the whole world; therefore, it is very important to co-ordinate measures to assure outlets to production, both at present and in the future. The deficit mentioned is already noticeable in the meat trade, making

new sales projections towards new markets more difficult.

17) To face the solution to these problems, it is pertinent that ELMA (Argentine State Overseas Lines) acts and promotes the necessary measures stimulating the availability of cargoes in the most promising trade areas.

18) On the one hand, to help towards solving these aspects, it may be valuable to apply for credits under the Naval Credit Law. On the other hand, Decree N^{o} 10.032/60 liberating from customs taxes the import of vessels of more than 300 tons should be put in force, especially to allow the introduction of cold-storage vessels into the country.

19) Decree 2456/62, based on Law N^{o} 14.781 of Industrial Promotion, which tends to correct the insufficient development of fishing, will be a powerful stimulant for the influx of capital. Its rules and regulations were stated through Resolution N^{o}32 of the Agriculture and Livestock, Mining and Industry and Trade Secretaries of State.

20) The Argentine government and the Special Fund of UN have prepared a Project for a Research Program to benefit the industrial economic interests of the country. The negotiations towards an agreement are in process. The project will last five years and during this period Argentine staff will be trained so as to be able to take over the functions of foreign experts when they leave the country, gradually assuming the responsibility for operations. The project's cost will require an investment of u$s 5,081,201, the contributions to this amount being: u$s 2,832,582 by the National Government and u$s 2,748,619 by the Special Fund of UN.

MINING

SUMMARY

The indexes on the physical volume of production of the extractive industries show a constant growth of it. The special weight of the mineral fuels branch explains this evolution. An examination of the indexes relative to the extractive industries, excluding mineral fuels, has a particular interest. They register after all the evolution of a national source of supplies of important raw materials for the manufacturing industries. Our country is in need that these sources be used, as this will contribute to its development. The effects will be obtained both through the consequences of mining promotion in the economy of producing zones and through the liberation of resources at present applied to obtaining those products on foreign markets.

To examine the practical results in this matter the physical volume of production index of the extractive industry is very useful, excluding mineral fuels. It shows clearly an activity that undergoes a slow growth developing on a horizontal line, to say it graphically. The extractive industry as a whole has doubled its level between both ends of the period analysed: 1955-1961; excluding mineral fuels, it has only modified its level in that period by 18%, which would mean an annual growth rate of some 3%. Relating production with apparent demand, we see that the former shows with respect to the latter the following percentages: on the whole (that is to say specified minerals plus unspecified ones plus structural rocks) 37.1; in specified minerals 25.4; in unspecified minerals 11.5; in structural rocks 97.9. That means that 70% of the total needs of mineral goods considered must be supplied through importation, which means an amount exceeding107 million dollars. If the situation is seen in a dynamic context it is evident that needs tend to grow; this assertion is backed by the two following facts:

- constant growth of the import of mineral products and elements and heavy inputs of same all along successive periods;

- the restarting of the development process with the subsequent increase in global and per capita product, and consequent expansion of the consumption of goods such as those containing heavy inputs of minerals (especially metals), which have a high income elasticity.

The above statements serve to outline the need for searching the ways and means to create the conditions for the development of extractive activities. Otherwise, the country will be led towards spending an increasing amount of its limited foreign exchange resources in a process which may go on as long as its external trade terms supply the means to do it. This is obviously not an encouraging perspective. We can add that "the fact of not having the necessary minerals will set back the integration and development of the basic industrial sectors, such as iron and steel, the petrochemical industry, copper, tin, aluminium, smelting and rolling, etc." To conclude several measures are suggested, which are agreed upon by all who know the situation in the extractive industry:

1) Projection of sectorial demand determined on the basis of an overall development plan.

2) Determination of goals for local production based on estimated demand and its real possibilities, setting of import needs according to priorities following basic needs. An organic exports policy should contemplate the adequacy of exporting concentrates, semifinished or finished metals.

3) Creation of legal and functional structures which allow the application of the above stated plan. At the beginning it is necessary to unite several organisms into a centralized body which should avoid the dispersion of efforts and resources. Customs, tax, credit and other measures should be established to obtain the objectives as stated.

4) Together with measures of a long term nature, it is necessary to adopt other ones of immediat effect, that give an impulse to the sector. It has to be pointed out in a special way that the most intense action must be directed towards prospecting and exploration tasks. The results of these will determine all subsequent actions. The indicated tasks have to be carried out under the control of a technical department with ample freedom to act, so as to be able to work with national or foreign agencies having more capacity or skill in the field.

THE ARGENTINE INDUSTRY, ITS EVOLUTION AND PERSPECTIVES.

SUMMARY

1) Maturity of manufacturing in Argentina.

At the present moment, national production satisfies almost completely internal demand of consumer goods, durable or non-durable, in a market which can be compared with that of the most developed countries. At the same time approximately 85% of intermediate product needs (raw materials and semi-finished goods) are covered and around 80% of capital goods (machinery, transport equipment, etc.).

As a general rule it can be stated that there is a certain level of maturity concerning the technics incorporated, nearly all sectors working at modern production stages. The working force is of standard skill with a high learning capacity for new techniques; there is a good level of literacy (almost 90% according to the last census) and one of the highest percentages of high school and university level students in the world and also of extension of technical schooling.

Entrepreneurship originates generally from a strong middle class, which is in Argentina big enough to create the conditions necessary for a greater development of the entrepreneurial sector. During the last 30 years demand prevailed over supply and this detracted from giving importance to the improvement in costs and qualities, thus debilitating the development of the entrepreneur. However, in the last years various factors such as the normalization of the price system, the faster rate of capital formation and the appearance of a sector of new enterprises, generally based on joint venture capital from abroad, brought forth a series of new techniques: market research, quality control, time control, technical and administrative rationalization, etc., which come to help the manager and at the same time to strengthen his aptitude. Besides, basically the country has a good financial structure which already demonstrated its good possibilities in the last years and will do it again as soon as the institutional problems of the present are solved.

2) The evolution of manufacturing is connected with the stimulus factor of the economy.

In the first stage the development of manufacturing follows the rythm of the whole economy which is given to it by the agricultural sector. When there is a quick expansion of exports and increase of per capita income, growth is concentrated on the industrialization of certain agriculture and livestock products for export and on some other items of manufacture which can compete easily with those from abroad. Thus the construction and maintenance of railroads, bridges, ports, sanitary systems, private building and agricultural machinery industries. The last named industry supplies already 32% of investment in that branch at the start of the century and on the eve of the crisis 44%. Besides, it contributes to the satisfaction of internal consumption. In the years following the 1930 crisis, the agricultural impulse is being stopped, reaching stagnation during World War II. Recovering from the effects of the crisis, manufacturing is then the main factor for import substitution, mainly of goods for mediate and immediate consumption.

The stimulus for the whole economy is now less powerful than previously and the general rate of growth of per capita product decreases from 1.2% per year to 0.6%. The absorption of manufactured products per inhabitant is lower than in the best years of the preceding period. Besides there is a change in its composition: the proportion of consumption of capital goods diminishes in favour of goods for immediate or mediate use. That is why the consumption of manufactured articles per inhabitant shows an apparent growth, whereas it is really decreasing. This decline is clearly shown in the contraction of fixed assets per inhabitant, which reflects the loss of capital to the economy.

The stimulus to the economy is internal consumption, as before it was external demand. But this domestic consumption is very vulnerable by the evolution of the external market in the following way:

3) Vulnerability of the development of manufacturing with respect to the foreign sector.

The process of import subsitution of manufactured products has mainly happened in the consumption goods sectors; its place in the imports list has been taken by intermediate products:

Composition of imports

	1905-09	1957
Consumption goods	35.3	7.7
Machinery and productive equipment	20.5	23.3
Raw materials and intermediate products	44.2	69.1
	100.0	100.0

Since 1948 the growth of the industrial product is hampered by lack of the necessary machinery and equipment and because it is still very hard to obtain the intermediate products it needs.

It is seen that the intense substitution of imported consumption goods on the basis of acquiring abroad the raw materials needed to manufacture them, is in itself a factor of vulnerability. On the other hand it is a factor of capital losses to the economy, because it keeps capital investment goods on a low proportion, while the absolute value of imports is reduced, thus the absolute value of capital goods imports is also reduced. In this sector development of domestic production also takes place, but the overall use of capital goods in the country, as per capita average, is kept between 20% and 25% below the peak reached in 1910-14. Specifically, in the industrial sector capital formation per inhabitant, which reached rates of 30%and40% at the beginning of the century and 23 between 1945 and 1949, goes back to 3% and 5% in the following ten years.

4) As a rule the development of manufacturing took place in light industry.

The heavy demand of a developed internal market, lacking a series of goods it was accustomed to, due to the limitations in the import capacity stemming from the crisis; the easiness to set up manufacturing plants in that sector because of lower capital requirements, lower technical complexity and a shorter maturity period; and, on the other hand, a deficient industrial policy, which continued especially in the first post-war years in which abundant foreign exchange was available for selective purchase of equipment; these were the main factors which oriented entrepreneurs and capital to the sector of light industry.

5) The low productivity of the Argentine worker is related to the insufficiency of capital formation in the industrial sector.

We already commented on the loss of capital which Argentina suffers at present, a process affecting the industrial sector, though at a lower rate than in other sectors.

As an interesting comparative index the relation between the consumption of energy and the unit of income increases when a country rises to more complex production. The process of industrialization implies a greater consumption per unit of product up to a certain "saturation" limit, wherefrom energy consumption grows with the volume of income with a very small increment of the coefficient and even an eventual descent. This seems to have happened in the USA and Canadá. The European countries have been affected by the war, destroying the assets productive of energy, and countries like Australia and Russia show a typical picture of the increase accompanying development. In the Argentine case both the low level of the figures and the limited progress between 1929 and 1950 are evidence of the stagnation in capital formation being commented.

6) There is an excessive prevalence of small enterprise.

As industrial development proceeds, there is always a relative decline of the small enterprise, the big ones increasing their share. The main characteristic of technical progress is the development of mass production and standardization of manufactures as a pre-condition for mass consumption. Industrial concentration requires not only a concentration of capital and a certain technical level, but also big markets, from the point of view of income and also concerning communication among the great population centres by means of a well organized transport system. The concentration of enterprises and population in the East of Argentina creates theoretically conditions which should minimize the relative importance of the small enterprise. However, in the last years the opposite is taking place.

7) Argentine industry works with high costs and a low spirit of competition.

The excessive prevalence of small enterprise is only a part of a greater problem of our industry. As a general rule, the concentration of enterprises is due to technical evolution and an economic criterion that greater size results in a reduction of costs, a subsequently widening market and finally a larger profit for the enterprise.

During the last 30 years manufacturing in Argentina has developed within a strong demand market. At the same time, the protection of local production and the defence of our foreign exchange reserves, induced the setting up of various customs duties, which placed our country among those with the highest tariff walls in the world.

The income distribution process, especially since the post-war, at the very moment the stagnation of production began as commented, helped undoubtedly to the strengthening of that demand market, which detracted from competitive action. It has to be added as yet that the tariff system not only did not establish a protection decreasing with time so as to accelerate the process of industrial competitiveness, but that, established in a general promotional manner, without a planned vision of the future, it is directed towards the protection of the existing situation, that is to say the industry of finished goods, and gives free way to the introduction of raw materials and semi-finished goods and thus discourages local manufacturing of those articles.

The case of steel and the less known one of wood products are good illustrations of this process.

On the whole, manufacturing has developed for a long time without paying much attention to costs and not even to quality; consequences are not only suffered by the consumer but also by the general productivity of industry. The reticence as to modernization of techniques and applying more advanced norms of rationalization, administrative and production wise, makes for obsolete manufacturing methods and the permanent keeping of idle productive capacity. In recent years when production had ample demand, specialized experts estimated this idle productive capacity at 35% of total industrial capacity.

Reestablishing the market price-system in the last years was a positive move to solve that problem. It is not alien to the setting up of a series of enterprises and even of complete industrial sectors, many of them as a result of joint venture investments from abroad, which exerted a real "demonstration effect" as to modernization of industrial methods. This set of causes is reflected by the great effort to renew equipment and the extension of new concepts, new for most of industry's sector, such as market research, rationalization of production, rationalization of maintenance, quality control, studies of costs, public and industrial relations, etc.

8) Some entrepreneurial sectors have not got a sufficiently developed "growth mentality".

Modern economic literature assigns great significance to the attitude of the entrepreneurs towards economic development. Moreover, a school of economic history has pointed to the entreprenuer as the factor explaining economic growth. Without entering theoretical analysis, the role of the entrepreneur is undoubtedly of great transcendence, as enterprises are getting more and more complex and the adequate combination of factors has a decisive role for the future. In countries like ours, where a great part of technology is imported from abroad and where apparently it is only a question of "assembling" different already finished aspects of the enterprise, it is customary to think that the role of the entrepreneur is more limited. Nevertheless, the need for technical knowledge is underestimated for a spirit of growth and "push" necessary to adapt systems of administration and production created in more developed countries, to circumstances where often there is a lack of markets to obtain capital, raw materials, qualified workers, supplementary industrial products, where the basic structure does not show the necessary conditions, lacking energy, means of transport, water for industry, sanitary services, and all that worsened by long periods of political instability.

It was previously mentioned that among the factors which might explain the protracted stagnation of the Argentine economy in the last years the entrepreneurial attitude should be perhaps included, reluctant to change and innovation, to make the effort to modify the systems governing their enterprises during a long time.

We already said that responsible authors, on referring to the European economic stagnation in the inter-war period, mentioned conservative European entrepreneurship as responsible of that stagnation, with its resistance to introduce mass production for the internal market, a task which US entrepreneurs were carrying out. When they took the decision to do it, after World War II, this change of attitude was one of the most important factors of the astonishing resurgence of the last decade.

This subject should be studied more deeply. We will mention synthetically some of the more important aspects :

a) To follow the technological evolution of other countries it is not only necessary to stop being reluctant to incorporate new production and administration methods, but also to accept the need of technical assistance to raise the level of entrepreneurial action.

b) Lack of an adequate reinvestments policy. It is generally preferred to "make extensions" adding new productions lines, before trying to improve available productive capacity.

c) The great majority of entrepreneurs are not sufficiently specialized and approach successively different branches without the necessary knowledge for it and not looking for the advice of experts that could replace that lack of knowledge, so as to carry out his task on the basis of previously elaborated projects.

d) A "family" conception of the enterprise is still predominant, resistant to give away a part of its managing power as a price for its modernization and expansion.

e) That same "family" conception leads towards an excessive centralization of decisions and to the lack of a habit to entrust some of them to third parties, be they individual or collective.

f) The importance of administration is underestimated often resulting in accounting practices which do not allow internal control.

g) Study and control of costs is not organized and little importance is given to the organization of machinery and equipment maintenance. This is pointed out by several authors as one of the principal obstacles in contries where a strong industrial conscience does not as yet exist.

A strategy for industrial development.

Why is a strategy for industrial development necessary? In the initial stages of industrial expansion, decisions generally are not difficult, as economic and social structures are more simple. Nearly always, as it happened in our country, it is a matter of supplementing with the widest possible degree of manufacturing the basic products which are exported and to carry out a task of import substitution in those sectors where it is possible to compete in prices with foreign manufactures.

At a second stage, which is probably the one Argentina lived through in the last decades, a certain entrepreneurial structure already existing, a series of industrial tasks are undertaken without previous elaboration of projects and even without knowledge about the particular technique to be applied in the sector. Very often successes are more frequent than failures, the field is generally quite unexplored making an easy growth possible even where the seed is bad. On the other hand, industrial structures are not yet very complex, enterprises are of small or medium size and do not require much capital, the process of production is not yet very complicated and may be attended to without specialized knowledge.

It cannot be said, however, that this stage carries no difficulties with it, even without sectorial planning and preparation of projects.

Our country's experience of the last ten years, where internal and external bottlenecks are mainly a consequence of lack of priorities in its development, is precisely a proof against it.

But it is in the third stage when the country is confronted by the alternative of entering a modern economic structure with high mass consumption or remaining in a stagnation whose consequences at present cannot be forecast - when the need to establish a strategy of industrial development as a part of general planning is acute. Even at this very moment the investment alternatives are not so evident.

The factors to be considered from a national point of view are many and complex. The comparative repercussion of different initiatives in the general increase of the product, the feedback effects of the new sector on those which shall provide inputs, and the forward impact on prospective consumers, the various repercussions on the balance of payments: machinery and equipment imports, raw materials imports, remittance of profits (if capital is foreign) and finally the export possibilities; the impact on available labor and consequently decisions about labor intensive or non-intensive industries, etc.

But on top of all that, planning of the industrial field is closely interconnected with the general planning of development of the country. Industrial promotion is not an end in itself, but a response to the present or future needs of the whole economy, both with respect to immediate consumption, and to capital goods, in an interrelation where all sectors influence themselves reciprocally.

Therefore the corresponding organisms, in our case the Social and Economic Council, together with the National Development Council and the Federal Council of Investments, should outline a national plan considering carefully the already mentioned factors. We will limit ourselves here to specify some general principles to be taken into account for the industrial case:

1) The development of manufactures must be mainly directed towards satisfying national needs. The progress of the last years in the field of manufactured exports has induced some statements about this being a basis for a future industrial expansion. Undoubtedly export perspectives, especially to Latin American markets, and also to European and North American ones where some interesting experiments were seen, face national industry with many possibilities. It has been already shown to what limits the efforts to rise up to international standards as to costs and quality may be useful; those sectors where adequate raw materials are available in our country (the case of wool fabrics and tops) or expert labor (as with certain types of machine tools), giving greater competitive possibilities. However it must be considered that in 1961 industrial production rose 10% over that of 1960; this is not an usual rate, but 7 or 8% could be necessary in the following years to obtain a substantial improvement in the economic situation. On the other hand, the present value of industrial production can be estimated at 9 to 10 thousand million dollars.

To obtain the stated rate of increase, on the basis of manufactured exports, the value of annual increase should reach between 700 and 800 million dollars, which cannot be reasonably expected in the near future. It is therefore clear that industrial promotion must be effected according to national needs, notwithstanding efforts to improve our foreign trade.

2) Dynamic variations of future national demand will be a consequence of each sector's role in the development process, according to the priorities determined by a national plan. As a hypothesis it can be however stated that:

a) When a future deliberate action is projected on the economic field the promotion of agriculture and livestock will play an important role. The basis of this development will be a high degree of technification in order to lower costs and improve qualities. It was already commented that in 1961 the increase in agricultural equipment was almost the same as in industry, with tractors and the main bulk of machinery of national manufacture. This is not strange; at present the investment needs at the country per unit of product are the same as for manufacturing, and for each peso invested in the purchase of land, four have to be invested on equipment. It is not necessary to insist on the importance for industrial expansion of this demand for equipment, whose replacement needs make it a permanent demand. The equipment of the rural sector in 1961 demanded approximately 45,000 million current pesos or 600 million dollars, that is to say 7 or 8% of industrial production at prices FOB factory.

The technical equipment of the rural sector opens possibilities to start new activities, like all matters pertaining to farm products (Argentina has the best conditions to become the supplier of farm products for Latin America).

b) The equipment of the basic structure sectors must be fully faced. Until not so long ago Argentina was the only country in the world having a large railroad network and at the same time being without the corresponding equipment industry. During the last years some progress has been made but evidently not enough to satisfy national needs.

Taking as an example what Brazil has made, all enterprises producing railroad material should join for planning rolling stock construction. Government must encourage this action with credits, a very important item because the most serious problem is perhaps a financial one. The same must be said for road and naval constructions and everything referring to energy: electrical material, oil production and transport material, etc.

c) It is also very important to renew the equipment of the manufacturing sector itself. The volume of 1960 and 1961 imports of machinery and equipment gives an idea of this field's dimensions, which are not at all satisfied.

d) All these industrial sectors have a common denominator: steel. The expansion of the iron and steel industry, which is also imperative on account of other planning criteria, has enormous importance for the industrial future of Argentina. A projection of needs indicates that, if steel production remains at the present level, import needs, assuming a harmonic and steady growth of the economy, would ask for an amount of foreign exchange similar to the total available on account of exports. If the expansion of steel production capacity is not according to that of the other sectors, its lag may become the most serious bottleneck in the economy.

e) In a similar position are other sectors of intermediate production: metals like aluminium, copper, etc., and non-metallic minerals, cellulose, cement, etc. As to the chemical industry, it has two different perpectives. The national one is connected with the promotion of the rural sector mentioned, and the increase of internal consumption of various items. The perspective of exporting is based on the fact that Argentina and Brazil are the countries with a more differentiated production (satisfying at present 85% of their needs), Argentina having the highest production per head (21 dollars per head as against 11 in Mexico and Brazil in 1959).

The average consumption in Latin America is of 10 dollars per head as against 133 in USA and 66 dollars in the main European countries, which gives an idea of the ample possibilities to expand Argentine exports. On the other hand the industry already set up is sufficiently modern to make possible costs at an international level.

IRON AND STEEL

SUMMARY

1) The figures on which the previous report was based, registered on the whole data up to the end of 1961, and in some cases up to the first half of 1962. An exposition on the plans for construction and extension of plants was also made as also on production plans, especially on the basis of the ones stated by new enterprises or those which had plans for enlargement, in accordance with the promotion decree for iron and steel.

2) It was then already said that some enterprises began to face difficulties as to markets and financing and then the need was suggested, on the basis of this industry being of an ABSOLUTELY ESSENTIAL character, which resulted out of the analysis that was being effected, of the authorities giving all necessary credits to carry through the plans in progress.

3) The past months confirm the impressions summarized in the first report:

A) The conviction that the country is living under a new climate, as to steel production, stemming from: a) the re-establishment of the price system which created competitive conditions for the national production of steel; b) the extension of benefits under the Savio Law through its modification and improvement with the promotion decree for iron and steel; c) the widening of the consuming market as new industries appeared, as the automotive, tractor, railway material industries, etc.

That conviction is confirmed by a series of realizations already carried out, like the very important one of Siderca, done in record time (including air transport of 50 tons of material to fulfil the scheduled plans); that of Altos Hornos Güemes where plans have not only been completely fulfilled, but new important activities are scheduled (an investment of 6 million dollars); the starting of production of alloy steels with Acerandina and the plans of Marathon, the contrat by Gurmendi of machinery for a new rolling plant with a cost between 10 and 12 million dollars, the conclusion of the scheduled work at the plant of Altos Hornos Zapla which means incorporating two new blast-furnaces, three Thomas converters, two electric furnaces, a rolling plant and complementary installations, and finally, in spite of all difficulties, further work at SOMISA. All this has meant a great advance in crude steel production during 1962, approximately 45%

more than in 1961 although without reaching real productive capacity and probably not increasing the figures for rolling of 1961 (total production figures not available).

B) But at the same time the market and financing difficulties which began showing at the end of last year are already evident. The lack of fulfilment of SOMISA's plans has this dual explanation: the insufficiency of demand leads at times to accumulation of stocks and lack of financing from the government for the expansion plans in progress. On the other hand, Carbometal, which had already external financial help, was forced to stop its plans definitively, on account of serious difficulties of the local enterprise.

Acecor-Witten-Rheinstahl S. A. I. C., its plans already approved under the iron and steel promotion decree, found that with the jump upwards made by costs as a consequence of the devaluation of the peso, serious financial difficulties were created, which forced them to cancel the project. Even Siderca, whose production is at present wholly absorbed by Dalmine-Safta for the manufacturing of its seamless pipes for the oil industry, faces difficulties which have made it necessary to effect an indefinite standstill a few days ago because of the lack of absorption of the products by YPF (State Oil Company) and Gas del Estado (State Gas) enterprises.

4) It is not the concern of this report to make recommendations on the national level of economic policy, where the fundamental problems of the iron and steel industry are faced, but we consider it our duty to stress the urgent need for the authorities to adopt special measures on credit policy to help the private enterprises of this vital sector to continue with their plans of capital investment and keeping up production at the level of real capacity; as to State enterprises, first degree priority must be given to financing their plans as scheduled. An improvement in the customs protection regime for crude and rolled steel has to be also studied to avoid the incongruity of an economic policy which at a moment when lack of foreign exchange plays an important part in the difficult situation of the national economy, accepts that enterprises which just begin to put to work their productive capacity have to face sales difficulties, while the imports of iron and steel goods go on bearing heavily on import lists.

METALLURGICAL INDUSTRIES.

SUMMARY

This report analyses the metallurgical industry at present, that is to say in 1962. This year was characterized by a considerable recession, which affected the whole of Argentine economic activity.

Employment: Labor employed shows a general decreasing tendency during 1962 Our calculations indicate that in 1962 the metallurgical industries employed 252,200 workers with a reduction of 32,585 with respect to 1961. Nevertheless, according to information obtained at trade union sources which is transcribed in Vol. I, Part VI, of this report, unemployment would have reached 18% of the total which is above our calculations. The metals group has the greatest unemployment figure, with an 8.1% annual rate, it is followed by vehicles and machinery with 5.2% while electric machinery and apparatus show 2.3%, and the total for metallurgy es 6.0%.

Physical volume of metallurgical production: The indexes of industrial statistics show that production, which was recovering in all the subdivisions of the industry, was subject in 1962 to a heavy reduction with a maximum of 20.1% in metals, followed by electric machinery and apparatus with 8.8%. It is evident that the reason for this situation is to be found in the general stagnation of the Argentine economy.

Hours worked in the metallurgical industry: The metal industry is the one which shows the greatest downward trend as against the previous months and the same period of the last year. Comparing the hours normally worked (8 per day) with the hours worked per employed worker, it is seen that in 1962 a day of less than normal hours was predominant in all industry groups; this means there is partial unemployment through reduction of daily worked hours.

Productivity per worker employed: The quotient between physical production and the number of employed workers shows an increase reaching its maximum in 1961. Instead 1962 presents a remarkable downward trend, the most important decline corresponding to electric machinery and apparatus, with a rate of 4.9%.

Bankruptcies: Of the figure for total bankruptcies which amounted to a passive of 13,000 million pesos in 1962, metallurgy shares with 3,000 million, that is to say a 23% of the total.

General level of wholesale prices: In the last year it can be observed that the general level for wholesale prices has been higher than that for metallurgical goods; the same can be said for agriculture and livestock prices.

Prices of the national metallurgical industry: In 1962 the group of metals shows the highest figures followed by vehicles and machinery and electric machinery and apparatus. The metals of foreign origin, which are nearly all raw materials, have greater price variations, showing disparity with national production.

Value of production: According to our calculations, 1962 shows a value of 143,000 million pesos; 47.6% of it belong to the metals group and 40.9% to vehicles and machinery.

The forging industry.

1) The forging industry is complementary to other basic industries e.g.: tractors, automotive manufacturing, trucks, railways, agriculture, naval repairs, etc.

2) If it cannot satisfy the already mentioned industries'needs, any general plan of national integration becomes an illusion.

3) The main forging plants existing in the country are a part of a vertical integration, serving to supply the needs of a part of the national industry.

4) The basic raw material for the forging industry (billets) tends to be supplied by national steel plants and especially by SOMISA.

5) In spite of an apparently big number of existing shops, important plants are less than 10 (half of which having their own die shops).

6) There is a deficit of forging capacity in the country of around 16,000 tons per year, covered at present by the imports authorized by the Automotive Industry Promotion Regime, but this protection is going to lapse on a fixed term basis.

Tractor manufacturing.

1) The economic crisis of 1930, afterwards World War II, and finally the import policy followed until 1955 introduced many disturbances in the evolution of demand for tractors in Argentina. Since 1956 the national manufacture of tractors had a great demand which could only be satisfied around 1959.

2) The sales of tractors are at present lower than the productive capacity of national manufacturers, as only 82% of the production of 1959 and 62% of the 1960 production have been sold.

3) The total of sales in Argentina since 1923 reaches 158,531 units. A great percentage of the tractors sold before 1958 is still in use on the farms, and it may be assumed that on december 1962 tractors in use in the Argentine Republic amounted to 148,000 units.

4) Average power per unit is a great deal higher than in other countries, and tends towards 45 HP. On December 31st, 1962, the stock of tractors had approximately the following structure:

Tractors with less than 25 HP	21%
Tractors from 25 to 40 HP	30%
Tractors with more than 40 HP	49%

5) On account of the relatively high level of tractor sales in the last years it can be stated that: around one half of the total stock are less than five years old, and only 25% are more than 10 years old.

6) The tractor market is characterized by a strong geographical concentration, as 80% of the total stock of Argentina is used in the provinces of Buenos Aires, Córdoba, Santa Fe and Entre Ríos. These same provinces, together with Tucumán and Misiones, are those with the highest density of tractors per unit of area (higher than one tractor per 1,000 hectares).

7) In argentina the use of tractors in hours of work is on the average high and use grows with the power of the tractor, as is demonstrated by the following figures:

Tractors with 18 HP	703 hours of work/year, average value
Tractors with 40 HP	758 hours of work/year, average value
Tractors with 45-50 HP	824 hours of work/year, average value
Tractors with 55 HP	1,148 hours of work/year, average value
Tractors with 60 HP	1,214 hours of work/year, average value

Nevertheless, there is a strong dispersion, which means that farmers do not use their tractors in a rational manner.

8) In some special cases the type of crops (e.g. sugar cane, vineyard, etc.) has a determining influence on the choice of a certain type of tractor, but more frequently the choice is conditioned by the size of the farms.

9) With respect to the influence of the size of farms, sales analysis for 1960 shows that: 80% of tractors were sold for less than 800 hectares; 20% of tractors were sold for less than 100 hectares. But it is important to confirm that with the progress of mechanization the small farms will represent a gradually growing part of the customers.

10) There is a strong correlation between the size of farms and the power of tractor units sold to them:
- for less than 50 hectares, 50% of sales are 18 HP tractors;
- for 50-100hectares, 40% of sales are 40 HP tractors;
- for 100-400 hectares, 52% of sales are 45 HP tractors;
- for more than 400 hectares, 50 to 60% of sales are 60 HP tractors.

PETROCHEMICAL INDUSTRY.

SUMMARY

During the last months, the national industry of hydrocarbon chemicals has continued its structuring process tending to cover gradually the supply of the domestic market needs. Nevertheless, the general impression on the industry's evolution is that of a cautious advance in carrying out projects and certain disturbances in the output obtained. The direct cause of this tendency must be looked for in the position held by the petrochemical industry as supplier of intermediate products for other industries, which makes it greatly dependent on the evolution of the user sectors. In this way it has reflected the recession of the national economy, especially due to the production trends of the chemical, plastics and rubber industries, which evidently declined with respect to 1961 levels.

A positive element is the gradual improvement in the availability of raw materials, derived from the development of the oil and gas industries and the extension of refining equipment. It must be made clear that out of the refineries of the country, only 5 are at present of interest as supply centers to the petro-

chemical industry: La Plata, San Lorenzo and Luján de Cuyo of YPF; Campana of Esso and Avellaneda of Shell.

It is apposite to remember that investments in the petroleum and petrochemical industries are to be planned with a maximum of co-ordination compatible with its different productive aims. For the latter the adequate availability of raw materials is vital for their subsistence and for the former the sales of their subsidiary products is an adequate means to increase their operating economy. To this respect the situation of certain areas in the USA is illustrative where different refineries and chemical plants form a huge industrial complex integrated because of manufacturing suitability more than on account of juridical relations.

RUBBER INDUSTRY.

The Chamber which associates the rubber industrialists estimates that at present there are some 350 factories. It is an industry with bigger than average establishments in the manufacturing industries, on the basis of higher indexes of employed personnel, installed power and the relation between personnel and owners, managers and family members. Our country has at present a per capita consumption of rubber of 2.4 Kg., almost double than Brazil and the Latin American average. This figure is equivalent to Italian consumption, doubles the Spanish rate, but is considerably lower than those of the USA, Canadá, Great Britain and France. In the distribution of consumption tire manufacturing is of great importance. With the progressive integration of the automotive industry in the country, it is estimated that its share in the total consumption of rubber will increase to 70/75%, that of shoe factories descending and that of the cables industry increasing. The percentage of increase of the share of synthetic rubber in supply in the decade 1951-61 went from 1% to 27%; on the contrary, natural rubber descended from 90 to 55%, the projection of consumption for the coming years has been recently made by CEPAL. The basis of demand projection for rubber rests with the planning of development for the automotive industry.

According to these estimates, in 1970 demand will reach 65,000 tons (regenerated rubber not considered); 35,000 tons will be covered by SBR rubber, 5,000 tons by other synthetics and 25,000 tons by natural rubber and stereoisomers. Two objections may be made to the projection of CEPAL. The first concerns overestimation of the share of tires in total demand (83%), the rate of growth rises artificially carried along by the dynamics of the automotive industry. On the contrary, the second objection concerns taking as a basis consumption for 1959 equivalent to the imports of that year, which are not representative of the trend for the last 10 years. Correcting these distortions and applying basically the same methodology, rubber demand is estimated for 1970 between 70,000 and 75,000 tons.

The supply of the domestic market has been carried out up to the present through importation of all the rubber, and its further manufacturing in the national factories. The percentage of manufactured rubber being imported is quantitatively low and normally did not exceed 8% of the total, except in 1952 and 1960, when special circumstances (strikes in the latter case) altered the usual rate. Considering value the share of imported manufactured rubber increases in a notorious way. This reflects the greater cost per unit of weight due to importing together with the raw materials the value added by the industry of the exporting country. Besides natural and synthetic rubber, the rubber industry uses great quantities of carbon black and a great number of chemical reagents. The consumption of carbon black is decisively influenced by the demand of the industry. In our country 90% is used in the rubber industry and the remaining 10% in the manufacture of inks, pastes, plastics, etc. Present consumption is estimated at about 13,000 tons per year. In the future it is expected that the relation with the demand of the rubber industry will be greater, due to the different rates of evolution of the using sectors. That is why the consumption of carbon black can be projected as a function of rubber consumption. To this end a coefficient of 0.3 of input of carbon black per Kg. of rubber can be established, based on the historical trend of both consumptions and on the probable evolution of technology. Applying this coefficient to the rubber demand already estimated, a consumption of 21/22,000 tons of carbon black can be expected for 1970. The above considerations on the raw material needs for the rubber industry lead us to establish a comparison of them with the possibilities of local manufacturing, an aspect in which the participation of the petrochemical industry is decisive.

With respect to natural rubber it is evident that for geographical reasons we will have to go on importing it. The situation is different for synthetic rubber. The project of P.A.S.A. assumes that in 1967 it will be able to produce 35,000 tons/year of styrenebutadiene rubber (SBR) and 10,000 tons of cispolibutadiene. Herewith it would be practically able to supply consumption of these rubber types for 1970, and still have an excess capacity for cispolibutadiene. With the remaining synthetic rubber types it is estimated that for the year mentioned there will not be as yet a demand interesting enough to make domestic manufacturing possible, that is to say they will have to be as yet imported. Since the end of last year, Cabot S.A. produces carbon black. Its plant has at present a maximum capacity of 13,000 tons/year, but it is possible to extend it to 25,000 tons, with a relatively low additional investment. On the other hand P.A.S.A. included in its project a plant producing 12,500 tons/year of carbon black. The above allows us to conclude that for an assumed consumption of 21/22,000 tons/year in 1970, the maximum capacity to be set up may reach to 37,500 tons/year, a circumstance to be considered to avoid idle investment, by searching for external markets or reducing the size of the projects. The perspectives for the first alternative are favourable with respect to the production balance (which shows a deficit for Latin America in the next decade), but the final opinion hereon must be stated after a detailed study of the problem.

PULP AND PAPER INDUSTRY.

SUMMARY

1) Considered as a whole, the structural deficiency of the industry is notorious, as it was directed mainly to the transformation of the intermediate product, without the corresponding development of its manufacture.

2) Also, from an individual point of view, many plants are uneconomic because, besides the problem mentioned of a lack of integration, they show serious deficiencies, among them: lack of financial and industrial capacity; insufficient, inadequate and obsolete equipment; inadequate location and use of a high proportion of inadequate or low quality raw material. This situation originated the problem of a lack of real and healthy competition in our market, which should be kept in mind for the future, not only for the general interest but for private interests as well.

3) Another serious problem is the high incidence of some items integrating final cost, like the price of some chemical products, of transport and energy.

4) With respect to raw materials, the lack of local availability is evident, not only of some chemical products but also of fibrous material of long fibre, whereas short fibre material is abundant, though in some cases, like that of bagasse it is necessary to act with caution until reaching definitive conclusions on the basis of one's own experience.

5) Also to be mentioned are the possibilities of the country to increase its present resources of fibrous materials, especially in the important forestry sector, including long fibres and all that within a relatively short forest cycle, compar

ing with other countries.

6) Nevertheless, it has to be stressed that these possibilities are seriously impaired by the insufficient price pulp wood gets on the local market. This situation became notoriously harder after the last monetary devaluation. A special study should be made to determine the exact situation, its causes and possible solutions.

7) The relatively low consumption per capita of the country at present has to be taken into account for the future projection of production and demand.

8) The disproportion resulting from the comparison between the projection of future consumption and the theoretical industrial potential resulting from adding to present capacity both approved projects, and those still under study, can be readily appreciated. Nevertheless, the real possibilities to materialize the projects mentioned, considering general conditions of the present, especially of an economic and financial nature have to be considered with not too much optimism.

9) It is also clear that the increase of capacity planned is not yet oriented definitely towards the more necessary items, the causes of this process being alien to the industry itself.

10) The serious difficulties and problems to be faced because of lack of precision and opportune adoption and application of an adequate official policy, and many times even as a consequence of erroneous and badly directed measures, are clearly to be seen.

11) Fortunately the impediments and deficiencies mentioned began to lessen as from 1955, onwards, to be faced by authorities with the necessary decision since 1958, to arrive in 1962 at a series of concrete norms of undoubtedly positive value.

12) The first results obtained in a short period show the need to continue with the present orientation in a dynamic way and also to approach organically an adequate promotion and programming based on a realistic evaluation of the available or eventual resources and the corresponding priorities.

13) It must be especially taken into account that the cellulose and paper industry cannot be considered separately, but only jointly with the supply of the necessary raw material.

14) To be able to make a realistic and objective estimate special attention has to be paid to the high incidence on the balance of payments that forest products have, including pulp and paper; within the latter item it is necessary to study especially paper for newspapers.

15) The already mentioned possibilities of the country in the general supply of forest products have to be considered also - except in some especial cases- so as to continue and improve the adequate promotional policy which will contribute notably to the solution of the important problem of imports reduction. To this end it is necessary to pay special attention, in the forestry aspect, to the meritorious work of the National Forestry Administration extending as much as possible the financial assistance required by that department, and as to the industrial aspects, to the valuable counsel of State organisms, like the Secretariat of Industry and Mining and the Argentine Industrial Bank, which carry out the promotion of these activities and whose intervention is indispensable for programmations to be effected according to national needs and the economic reality of our industry.

16) Finally it is convenient to consider already with an objective criterion the place of the pulp and paper industry as an Argentine problem within the ALALC(LAFTA), for the orientation and programming to be made in our market will depend heavily thereon. Without denying the special attention this aspect deserves, a basic suggestion could be to consider the possibilities of each country to orient itself to the manufacture of paper products according to its particular conditions and considering the total market resulting, the great global consumption capacity of which surely will allow to produce in better conditions of international competition. To this end it would be very useful to create a co-ordinating agency within the Zone, to analyze and clear up in each case the different factors of incidence and recommend the solutions to be adopted.

TEXTILE INDUSTRY.

SUMMARY

The textile manufacturing industry in the ArgentineRepublic has a basic equipment with a productive capacity enough to supply comfortably internal demand and with available margins to satisfy external requirements.

This present level of installed capacity is the result of a process of imports substitution, which practically ended several years ago.

The evolution of fibre consumption per person during the decade 1950-59 reflected a tendency towards a decline in absolute and relative values of natural fibres (cotton and wool) and to the increase of artificial and synthetic ones. In general terms, it is estimated that in 1963 the textile industry will have to tend towards the volume obtained in 1962 and project its aims for 1964 at the levels of 1961.

It is evident that on a short term basis the market will experiment a renewed demand for textile products and apparel, which cannot be delayed any more for much time, the absolute value of which results from the permanent decline of sales during the last four years, reaching half the level of 1958.

It is also evident that the national textile industry will have to face a market of different structure to the one of its beginnings and full installation, in which goods and services will participate whose dynamics will ask for a greater effort from the enterprises to adapt themselves on technical, financial and economic lines to the new price levels.

The Argentine spinning and weaving industry has reached a quality of production comparable to the best international standards, and it was possible to perfect it due to the availability of modern machinery and equipment. Comparing on an international level, it is not quality which may be an obstacle to take part in the world market, but on the contrary, costs. The changes on the textile products market during the last years and especially during 1962, which seemed to become more serious during the first months of 1963, have originated an unemployment balance, which has not as yet been measured.

According to the official employment index in the spinning and weaving branch, the average for the first ten months of 1962 compared to the same period of 1961, only shows a decline of 6.0%. However, that index shows a markedly descending trend, which in the last available month (October) was showing an unemployment rate of 13% comparing with the previous year. According to a trade union estimate, unemployed textile labor as a whole, would have reached 25%. The textile industry is going through a crisis period, partly as a consequence of the general economic crisis but also, and it is very important, because it acts on a domestic market, whose consumption features show an undeniable modification. The industry must adapt itself to that market, if it is to assure its future.

In productivity, considered through the efficiency of human work, the textile industry experimented a marked improvement, especially around 1958 and considering the whole branch of spinning and weaving. Since that period, the levels of efficiency cannot be taken as representative of the potential efficiency, because of the permanent fluctuation and imbalance of the capacity employed, which under no circumstances has been employed at its optimum. Taking as a basis the official indexes of production and hours worked, the hourly productivity level would have declined 12.5% in the first ten months of 1962 as regards 1961. The Argentine textile industry is effecting during the last years a reequipment process in order to adapt its capacity to modern technical and efficiency levels. The rythm of this process is reflected by the machinery acquisitions abroad. It is interesting to outline that machinery and spare parts imports in the years 1959 and 1960 (1,574.4 million pesos) make up 65.7% of the capital increment (excluding buildings) of incorporated societies in the textile branch.

Reequipment and technical actualization is undoubtedly convenient,, especially in a sector where international quality and costs do not allow mediocrity on a competitive level. But it cannot be denied either that this process requires a program subject to limitations given not only by its economy but also its opportune nature.

The economic limit will give us volume and cost of the program, and within it not only the monetary value of investments but also its repercussions on foreign exchange, employment, etc. As to the productive capacity and its degree of utilization, the circumstances which the textile industry undergoes simplify analysis in a way, because a direct procedure to determine efficiency consists in relating the present volumes with the greatest one reached in the latest years.

The natural fibres manufacturing sector and the spinning branch worked in 1962 at a level 22% below 1958 values in cotton and 34% below in wool.

The artificial silk sector has an installed capacity to produce 18,000 tons per year. Rayon spinning production for 1962 (8,033 tons) is only 45% of this capacity.

Also taking as a reference basis the year 1958, the volume of production for 1962 is only 57% of that year. The raw materials, intermediate products and manufactured textile purchases meant in 1962 a foreign exchange outlay of u$s 47.8 million; a record figure compared to 1959-62 values. The increase of this demand operated mainly in hard fibres with u$s 10.5 million. The 1962 import value in Argentine pesos (5,049 million) is 9.0% of wool and cotton and other fibres spinning and weaving. The same relation was of 4.5% in 1961. Sales of textiles abroad have increased permanently since 1959 till 1961, which measured in dollars would have meant an extra income of 22.7 and 28.6 million for our country in 1960 and 1961 respectively, both with respect to 1959.

If eleven months of 1962 and 1961 are considered, in the past year exports have kept increasing (u$s 8.7 million more).

The greater sales of combed wool deserve a special commentary, as they are a subject of optimism and present interest. One of the Chambers associating wool industrialists (CITLA) published a study on the possibilities of foreign markets for wool manufactures, where it is stated that Argentine industry could deliver annually 5,000 tons of tops, 5,000 tons of spinning and 4,260 tons of woven wool with a total foreign exchange income of u$s 65 million. Just to show the importance of this first export drive it is to be mentioned that those volumes would require an input of 38,000 tons of greasy wool (CITLA), which is practically the same as the average on industrial consumption of the three last crops.

ENERGY

SUMMARY

Oil

The oil industry gives generally a good return on capital. The national Y.P.F. (State Oil Enterprise) has never in 50 years of oil exploitation contributed to the Nation's finances nor has it helped the State with any benefits. On the contrary, it has always been a drain on the national budget. It is necessary to find the causes of this abnormal situation, which has worsened in the last 20 years, and solve them.

The fields exploited by Y.P.F. are generally not of an optimum, but only average yield. In 1960 Y.P.F. had 2,625 oil wells in activity which produced 7,270,000 m3 of oil, with a yield of 7.6 m3 daily per well, a very low figure comparing with the great oil producing countries.

The difficulties Y.P.F. is going through cannot be attributed to the prices at which it has to sell its products, because on similar sales values, private enterprises of our country selling petroleum products, that is to say Esso and Shell, have had good profits and excellent balances. Studies already carried out to establish YPF's staff needs and its utilization, agree that more personnel is being employed than what is considered normal in the industry.

It would be possible to effect a significant staff reduction in YPF, which would allow to change greatly the results of the present exploitation of the enterprise, due to better economic and financial efficiency. This would put Y. P. F. in a condition to finance its own expansion without governmental support and also to obtain a prosperity and liquidity long time ago lost. But it would be a mistake to consider a staff reduction as a solution to all problems, because staff excesses are the result of deeper ailments. The employment of a greater number of people compared with private enterprises has nothing to do with better or quicker use of equipment. It is not always possible to compare figures of the operative efficiency of enterprises, though other symptoms allow to state that at present it is very low at Y. P. F.

Y. P. F. achieved real success formerly, when it had engineers and specialists of a high level in its ranks. It still keep some of them, but in general the picture is of a lack of order and efficiency. There is a permanent worry about its future and the damage its lack of efficiency inflicts on the national economy.

The contracts signed by YPF may be divided in two different classes: exploitation contracts, and drilling contracts.

In spite of the doubtful and incomplete character of the information available, the following can be stated referring to the contracts:

a) Not having YPF the necessary capital to enlarge its production quickly according to the country's needs, its present production with the help of foreign companies is a great benefit compared to the alternative of importing oil, as also a great saving in foreign exchange.

b) It cannot be affirmed that contract prices are fair, but the difficulties of YPF have nothing to do with them.

c) The drilling contracts are not the best way to help YPF to overcome the problems a quick expansion of its production could bring about.

The oil business in hands of the State has not been a profitable one, compared with the big companies' benefits. The main factors responsible of the poor results obtained by YPF are: excessive staff and operative inefficiency.

The first step to be taken to turn YPF into an efficient enterprise is granting it a functional autonomy far from political influence and with managerial stability. Of course, functional autonomy by itself means nothing. Thereafter, the right men must be appointed as managers: the oil trade and its exploitation need technically and commercially highly trained people.

It is clear enough that it cannot be spoken about export possibilities of YPF while its costs do not allow it an export margin. The possibility to export to the neighbouring countries (and maybe also to Italy and Spain) could be considered even if prices should be lower than those of the internal market. The export organisms of the Secretariat of Trade, with adequate advice by YPF, should initiate this task which would allow to reach definite conclusions about the desirability or not of increasing oil exploitation and obtaining a surplus of 8 or 10 million m3 per year so as to start an export policy, which would reach Brazil, Uruguay, Paraguay and perhaps Spain and Italy. The production increase of YPF in order to obtain the necessary export surplus, would be a less significant task than that done in the last four years. The benefits of greater consumption by national industry should be considered also in order to absorb the extra staff through an increase of production and the reduction of costs, which it would generate.

At the end of 1961 there were in the country 17 refineries in operation with a total capacity of 14.9 million tons, according to the Economic Research Department of Shell, July 1962. To that should be added the Campo Durán refinery with 1,360,000 tons starting in 1962.

During 1961 a volume of 14,849,302 m3 was refined equivalent to 12.7 million t.p.e., which relative to the installed capacity of 16.3 million tons shows an average efficiency of 78% for the whole refining activity of the country. During the last year two capacity extensions were added: Luján de Cuyo (YPF) from 1.45 to 2.24 million tons/year and the Shell refinery from 1.61 to 3.15 million tons/year.

On the other hand, during 1963 the refineries of Chachapoyas (YPF) and M. Elordi (Esso) were put out of service. According to the Shell estimate of July 1962 the total capacity resulting after those moves is of 18.37 million tons/year, remaining there up to 1966 when 1.75 million tons/year will be added to Shell's capacity. In 1967 a new refinery would be added in Bahía Blanca with 2.08 million tons/year, thus reaching a total capacity of 22.2 million t.p.e./year up to 1971, where the Shell projection closes.

In its 1960/61 balance, YPF states that in spite of the greater volume transported by its tanker fleet, it had to hire holds to transport around 3 million m3. This led to sign a contract with Spain for the construction of three tankers of 19,600 DWT each.

As to the present capacity of tanker transport, several factors make it more than sufficient: deficient ports with insufficient loading and unloading devices, which means several days waiting in most cases. Another factor is the fuel-oil surplus in refineries which, on saturating storage capacity, puts a brake on elaboration and therefore reception.

The vertical increment of oil extraction led to tankers becoming in part intermediate storage stations. It is indispensable to break through both bottlenecks, as stated.

According to the Economic Research Department of Shell, July 1962 transport through pipelines is as follows: a) In the Campo Durán-San Lorenzo oil and products line its capacity, zonal consumption deductions having been made, is excessive for the crude production level and will be so for a long time; b) the same happens with the proposed pipeline Mendoza-Buenos Aires; c) on the contrary, the crude pipeline Challacó-Bahía Blanca would already show a capacity deficit in 1963 as against the increase of the Neuquén production.

Considering the above and the plans to reach self-sufficiency, there is an evident need of revising all transport plans, the most important oil companies have.

With respect to the alternatives for the transport of the Mendoza production and considering capital costs, exploitation costs, amortization commitments, the present need for rigorous priorities in the field of public investments, the need to recover the economic efficiency of railroad services; all these being factors affecting the national interest and the real possibilities of our country, it is considered convenient to approach oil transport from Mendoza by railroad, and to postpone the construction of the pipeline alternative.

Gas

The evolution of the State Gas Enterprise, as referred to the volume of natural gas it receives for sale, allows two important conclusions to be made which define in a way its condition. The first one is the high percentage of annual increase in natural gas use. The second is that in spite of this greater use the development of the oil industry has produced great quantities of gas, which, as they could not be immediately taken advantage of, produced big losses. These losses are mainly due to the great volumes produced in the Flanco Sur of Comodoro Rivadavia, that is to say in the province of Santa Cruz fields whose production will only be used when the construction of the pipeline between Santa Cruz and Buenos Aires is completed, which should happen in 1964/65.

The continuity of administration in the State Gas Enterprise has had an influence on its efficiency. The company's staff shows satisfactory efficiency indexes. The enterprise is carrying out a continuous and interesting task of operational rationalization. At present a neat work of stored materials classification is also being done, so as to have a strict control of their movement, having their inventories ready at any moment. The future development of this company is based on two main factors: first, the existence of natural gas in the country in the necessary quantities to continue its supply and, second, the possibility of obtaining clients in a market of growing importance. In both aspects the future of the company seems safe and its evolution and development will undoubtedly reach a very significant magnitude in Argentina. The reserves proven at present will allow to keep up gas service, under the forecast conditions of evolution for a long time. As to the consumer market, it has a great demand elasticity and adapts itself easily to supply.

The average sales price was similar to the US average during 1962 (around 2 cents per m3). What has been said for natural gas is also valid for liquefied natural gas.

In the forecast of oil products and natural gas consumption of the Economic Research Institute of Shell it is assumed that the share of gas in the total market of oil products will increase from 16.7% in 1962 to 21.8% in 1971. On the total consumption of energy gas has increased from 2% in 1930 to 7% in 1960 and is assumed to reach 19% in 1971.

The country must tend towards minimizing gas losses generated by the intensive exploitation of oil and because sometimes it is not economically possible to communicate some wells on account of their low production or their far away situation from the collecting installations, these losses being not greater than 10% or 15% of production. At other times we were near that figure, but at present we roughly lose half of the gas yield. The main reason for this is the production of the Flanco Sur Fields of Comodoro Rivadavia; this gas will be recovered when the pipeline from Santa Cruz to Buenos Aires is finished. The urgency to avoid the loss of this valuable fuel has led Gas del Estado towards planning other big projects: increase of the transport capacity of the Gasoducto del Norte (Northern Pipeline - Campo Durán - Buenos Aires); the replacement of gas piping in the Federal District; the planning of underground storage of gas and the distribution of natural gas by agreement between Gas del Estado and the province of Buenos Aires to different locations of this province. Besides there are projects of important acquisitions of meters and investments for the distribution of liquefied natural gas.

TRANSPORT

SUMMARY

ROAD TRANSPORT

Existing road networks.

The roads integrating the system of the country are classified according to jurisdiction in the following networks:

The National Network, which at the end of 1961 had 45,763 Km. with 43% (19,725 Km.) paved, first class or middle or improved, i.e., practicable at all times. During 1962, 1,606 additional Km. were built, with 1,583 Km. in conditions of permanent circulation; at the end of that year there were under construction 4,888 Km., with 4,306 of them paved or improved roads to assure permanent traffic.

The Provincial Networks have reliable data only for the main roads, which at the end of 1961 had a total length of 87,043 Km., with a 26,4%. That is to say 23,014 Km. for permanent circulation. We have no inventories of secondary and municipal roads, which undoubtedly are part of a vast system of earth roads. If a datum contained in a report by the Grupo de Planeamiento de los Transportes (Argentine Transport Planning Group) (Argentine Transport Planning Group "Long Term Plan", Research done by agreement between the Argentine Government and the I.B.R.D. in 1960) is exact, assigning a total length of 141,925 Km. to provincial main and secondary roads, the length of the latter would reach 54,882 Km., a figure which could not be confirmed. The municipal roads are only known by a CEPAL (ECLA) estimate which gave 800,000 Km. to the net of municipal and rural roads. The situation at the end of 1961 for reliable information is the following:

	Total Kilometers road on service	Permanent Circulation	% of permanent Circulation on total net
National net	45,763 (34%)	19,725 (46%)	43.1%
Provincial main nets	87, 043 (66%)	23,014 (54%)	26.4%
TOTAL	132,806	42,739	32.2%

The preceding total of permanent circulation roads of the country leads to 1.54 Km/100 Km2 and 2,137 Km/1,000,000 inhabitants.

Road use

The road user, subject to traffic rules and having to contribute for the construction and maintenance through the payment of taxes and duties, has in practice absolute freedom to use them. Even under dispositions which reach the transporter for third parties, with more than one vehicle, there is practically complete freedom of action as to loads, clients and routes, the price of transport may be agreed upon in each case, besides other facilities as door to door transport, freight contracting according to the effective capacity of the moment, possibility of going on individually or with a small staff, etc. All these circumstances contribute to automotive cargo transport having great advantages on railways within limits, as distance and the type of traffic depends on the degree of efficiency of the railway service.

The passenger service by road is subject in general to route and time scheduling and to the observance of rates and other rulings, and as they are to offer good frequency, speed, regularity and comfort conditions, on many occasion better than the railroads, they are exerting an increasing competition with them. The increment of road traffic during the last years in connection with the incorporation of vehicles has coincided with a considerable decline of railroad traffic, due partly to the deficient state of our railroads. Even without a deep analysis of these problems, the active derivation towards the highway of railroad traffic is proven by the fact that while gross national product grew, the former declined and automotive transport experienced an obvious increase, which it is impossible to evaluate with a certain degree of security due to insufficient statistical data.

Between 1955 and 1961 gross national product increased by 12% and during the same period the railroad traffic of productive cargo declined 22% in tonnage and 9% in Km-tons.

Vehicle licensing went upwards at an increasing rate during the last years; prevailing among the different vehicles, semi-trailers and trailer trucks, units of great use in the cargo transport by road for long and medium distances. Of course, it is no possible to establish the part of licensing corresponding to urban traffic and that corresponding to interurban or interregional transport, which are the more interesting ones for our research.

During the last years the index of vehicles per head has also increased and there was a decline in the average age of vehicles in service which up to some years ago was very high, as a consequence of an important addition of vehicles mainly of national manufacture. In spite of deficient statistical information because of the lack of systematic surveys, the GPT could, by means of these information and other surveys, establish some values reflecting the important growth of automotive circulation on the roads and the increase in the corresponding traffic. Though figures are not very much reliable, all evidence tends to confirm that during the last five years there has been a sustained increase in automotive transport for interurban and interregional cargo and passengers.

The prices of passenger transport by road are subject to a tariff subject to approval by the authorities and controlled by them. As to cargoes the real costs of automotive transport constitute the lower price limit for services to third parties. Differing with railroad tariffs, automotive cargo transport prices are fixed with no mention of goods transported and other factors to be considered in the former. In practice, and except for certain important enterprises, due to the freedom accorded to the transporter to negotiate prices, these change according to demand above the before-mentioned limit, and sometimes, facing low demand, prices even lower than real cost are registered, because the transporter has been able to lower prices of some factors for a time.

The GPT has determined average costs for automotive transport for the whole country, for different kind of vehicles (passengers and cargo) and for the three kinds of roads paved, improved and unpaved, establishing also the average coefficients of utilization in all the country for trucks, trailer trucks and buses. On the basis of these data the average costs given in Chapter II of this report were also calculated. The comparison between the average costs of automotive transport established by the GPT and the average costs of railroad transport corresponding to the 1960/61 fiscal year, although of limited value, allows to appreciate if only in part the relative situation of both systems and their possibilities of attracting traffic.

Resources for the building and maintenance of roads.

The resources of national origin for roads construction and maintenance come mainly from taxes on gasoline, gas-oil and other oil fuels, lubricants, tires, automotive transfers and the weight of trucks (duty on gross weight exceeding 12 tons) and on a minor scale from general taxation funds. More recently new resources have been created from taxes on the export of agricultural products assigned to roads of Fomento Agrícola (Agricultural Development). Vialidad Nacional (National Road Department) administers mainly these funds, the rest being distributed among the provinces for its administration by the different Direcciones Comunales de Vialidad (Local Road Departments). The resources of provincial origin come from different types of duties, mainly those on gasoline, gas oil and other fuels, etc., and counting also with the product of certain fines and rights and the contribution of general revenue, and with a part of the provinces share in national taxes on income, sales, etc.

To mention other types of resources, there are those contributed by neighbourhoods or entities interested in road construction under Fomento Agrícola, according to the Road Partnership regime (Law 15,273/60); these contributions are compulsory up to 20% of the necessary funds and may consist of: cash, labor, materials, equipment, etc.

Finally external credit resources should be mentioned (World Bank, Ex-Import Bank and Development Loan Fund) which have reached considerable amounts and have been extended during the last weeks. The consumption of fuels and lubricants, as well as of tires, experienced a considerable increase during 1960 and 1961.

Road transport investments.

Investments for the construction and maintenance of roads by the Nation and the Provinces for the period 1950/61 remained with little variation up to 1958/59, then had an important increase in 1959/60 and in 1960/61, fiscal year which tripled 1950 investments. This can also be seen in the increase for the last years of the values reflecting the relation between the investments concerned and the gross national investment and gross national product, which represented in 1961, 8.5% of the total of the former (3.6% in 1951 and 4.8% as an average for 1955/61) and 1.7% of the latter (0.8% in 1951 and 1% as an average for 1951/61). All the indicated values show the impulse given to road work since 1959. The investments in automotive stock had a considerable increment in 1960 and 1961 both in values at constant prices (1950) and in their relation with the total of Gross National Income and Product, so that in 1961 investments reached 34.8% of G.N.I. (15.4% for 1955/61) and 7.15% of G.N.P. (3.16% for 1951/61). The amount of investments during 1957 is to be mentioned, when because of heavy automotive imports much higher values were registered than those of preceding years, which declined immediately and were only reached again in 1961. The foreign exchange part of these investments the exact value of which has not been determined, must have been high, and only started to show a considerable decline since 1959/60, when the national industry increased considerably its production, reducing also the importation of spare parts; according to the plans for the industry, national production would reach effectively 90% only in 1964.

In the total of investments for road transport for 1951/61, in trucks and motor-cars, other investments relative to road transport could not be registered, as those corresponding to service stations, garages, auxiliary service installations, etc., which must represent a considerable amount. The total registered as an average for 1951-1961 at 20.2% of G.N. Investment and at 4.15% of G.N.P., in 1961 these relations have been respectively of 43.3% and 8.9%. With respect to total investments roads represented 23% for 1951/61 and 20% for 1961.

The road network for the future.

The G.P.T. prepared a plan of roads to be built during the decade 1962-71, somewhat different from the plan previously elaborated by Vialidad Nacional for 1959/69 and which we understand would be adopted by the authorities. The said plan provides for a network that will reach 40,255 Km., 95% of which would be for permanent circulation; 33,479 Km. would correspond to the national network and 6,776 Km. for the main provincial roads connecting with the national network. If the plan is fulfilled the national network in use would reach a total of 46,957 Km. constituted by 34,212 Km. of permanent circulation (73%) and 12,745 Km. of unpaved roads. The 6,776 Km. planned by the G.P.T. for the main provincial networks would consist in new works and reconstruction for paving and improving of roads on a total extent of 6,555 Km. and in the construction of a new basic structure for 221 Km. Independently from this the G.P.T. promotes new works for 6,665 Km. more of roads (actually 10,794 Km. but there is a deduction of 4,129 Km. already included in the plan) to substitute railway lines that should be closed in different areas of the railroad system at a total length of 10,040 km. Of course the mentioned extension of the road network will depend on what is done with respect to those railroad sectors, considering that the G.P.T. suggests to study with the same aims about 4,990 Km. more of railway lines. For the provincial networks we have to insist on the impossibility of obtaining enough information on the few short term plans projected in some provinces. We want to stress again the need for secondary and municipal roads, perhaps in a greater degree than some main roads to ease the connection and access of rural areas and small towns, among them and with the main roads and railroads. Finally we consider it advisable to refer also to the need of road planning to be elaborated for the whole system of the country and not separately for the national network and the provincial ones, also considering the other means of transport. In that way rational plans could be achieved avoiding the dispersion of investments which is such a heavy burden even more at present, when public funds show an acute deficit.

Perspectives for automotive transport.

It is evident that the uncertainty affecting the economy and the development possibilities of the country constitute a serious difficulty for any forecast about automotive transport. On the other hand statistical information on automotive traffic is very scant, not enough to base any conclusions on it. The mentioned difference is even greater with respect to road traffic. Nevertheless, it allows some useful considerations at least about the circulation. Anyway it can be stated that the future development of automotive transport will depend mainly on the development of activities in the agricultural, industrial, trade and export fields, and also the present conditions of competition with the railroads and river and coasting transport. An intensification of the indicated activities would be reflected immediately in an increase of general transport demand and the distribution according to the different means will be effected in line with the suitability of each one. There are obvious advantages for automotive transport for a good deal of internal traffics. Not ignoring the importance of road networks as a promotion factor, as long as they are built in the right locations to respond to its stimulus, we estimate that automotive circulation will be more a function of demand than of the extent of the road network or of improvements, which cannot give by themselves the necessary increase in traffic at least in adequate dimensions for the effort those extensions mean. The same must be said with respect to other factors, as the incorporation of new vehicles, undoubtedly a greater incorporation will give even in times of recession an increase of traffic on the roads, perhaps due more to a derivation from other means than to really new traffic, but on a long term this incorporation will have to be limited if transport demand is restricted.

We pointed out in Chapter VII of our report the considerable decline of national automotive production during the last months and the important reduction introduced by factories in their 1962/63/64 plans, as a consequence of a considerable recession in the demand for vehicles and also for traffic; such reductions with respect to the quantity of vehicles authorized in 1959 amount to 43%, 53%, and 60% respectively for 1962, 1963 and 1964.

Investments in road transport during the decade 1962-71.

For the national network the G. P. T. plans an investment of m$n 102,863 million, which includes u$s 338 million as foreign exchange for construction and maintenance of roads and also the corresponding administrative costs. To this sum another one of m$n 10,138 million must be added, including u$s 40 million for the construction of roads replacing railroads to be closed and m$n 2,000 million more for their maintenance. With respect to the 10,636 million pesos planned as investments for the construction of 6,776 Km. of provincial roads meant to connect with the national networks, these are expenses to be paid by the provinces. Total national investments for the construction and maintenance of roads would reach, then, m$n 115,001 million including u$s 378 million. With respect to provincial networks, the lack of plans of which we already commented, we established an assumed amount for the respective investments based on the planned national contribution and the provincial contributions which would double national contributions according to the Federal Tax Sharing System (a lower proportion than in 1960, which amounted to 3% and in 1961 with 2.15%). We reach then an estimated total for provincial investments of m$n 102,733 million, that is to say a similar amount to the one assigned to the national network. Due to the uncertainty of the development of automotive transport we adopt the G. P. T. point of view considering it as moderate, both because of the small quantities of automotive units, and for not considering some related investments, like mounting of car bodies, etc. With the investments thus established and not computing those corresponding to service-stations and other installations and buildings for auxiliary services, we get the following totals for the decade 1962-71:

		Total million m$n	Foreign exchange part Million u$s	Percentage of foreign exchange on total
National network		115,000	378	27%
Provincial networks		102,700	340	27%
Automotive units		798,600	670	7%
TOTAL	m$n	1,016,300 mill.	u$s 1,388 mill.	11%

As we see the amounts for construction and maintenance of roads cover 21% of the total and those for automotive units 79%.

For the period 1951-61 the same relations were of 23% and 77% respectively. Considering that the investments projected for the decade 1962-71 are made at 1961 prices we change their amount to current prices adopting a factor of 1.3 approximately equal to the relation between the cost of living in the Federal District in January 1963 and in December 1961, and less than the relation existing between the dollar exchange rate in 1961 and the approximate present average, that is to say 135/83 equal to 1.6, which is not adequate because the foreign exchange part covers only 11%. With the indicated 1.3 factor the whole amount to be invested would be at present: m$n 1,016,300 million x 1.3 = m$n 1,321,190 million.

RIVER AND COASTING TRANSPORT

River transport.

In spite of there being three significant reasons which indicate that our country should have an intense river traffic, its development is very low and badly oriented. If the Argentine fluvial system would be utilized as far as its natural conditions allow, in geographical connection with the so-called Mesopotamian region and the Paraná Delta, it would respond to these three reasons: 1) Employing, in a big "hinterland", the traditionally most economic means of transport; 2) Breaking through the main bottleneck -insufficient present transport- which keeps one of the potentially best equipped regions of the country in a state of stagnation; 3) The real meaning of a hydrographic system's function, which is its first magnitude as a geopolitical factor, would be broughtforth. River transport has several advantages in traffic demanding great capacity and for which the time factor is not very important. The alternatives of costs and productivity with the railroad are favourable to river navigation. The navigable ways of the Argentine fluvial system flowing alongside the province of Misiones, Corrientes and Entre Ríos constitute topographically ideal structures for trade and communication. In spite of this, the whole area remains stationary with a reduced economic life compared with other regions.

Coasting transport.

Coasting transport is intimately connected with the Southern part of the Republic, but while the river transport system for the Mesopotamian region is an alternative, for the Southern part of the country coasting is a real need. The mos effective policy to promote the Southern region of Argentina most start by an excellent coasting service organization. An adequate impulse to naval communications combined with the railroad network and roads that would allow the outflow of Southern products towards the North is the starting point for the Patagonia getting rid of being a satellite or peripheric region.

River transport ways.

Our fluvial transport system needs to be corrected and regulated to make possible the exploitation of the navigable material which circulates through it. Though dredging is not the only solution, generally it is the technical and economic means adapted to the changing needs of naval engineering. The National Department in charge of these tasks has been severely criticized on the subject of lack of depth and width of ports and riverways. The problem must be attended to by the Public Works Secretariat with a firm and co-ordinated action. The importance of depth is clear considering that a difference of one foot less in draught is equivalent to not being able to transport in the same ship 600 tons of cargo and more, and in extreme cases it means long waiting terms and all kinds of hindrances. In the study made by the G. P. T. a series of important investments in this sector are proposed.

Coasting routes.

Argentina has an oceanic coast extent of 2,500 Km. The conditions of this itinerary -broad, free and open to everybody and where competition can be perfect- makes a further analysis unnecessary. It has to be considered that its condition of gratuity is quite reduced because of the series of installations -lighthouses, buoys, etc.- necessary to make navigation safe.

Naval material and fluvial cargo movement.

In spite of the diversity and age of the river fleet it is important to note that according to the G. P. T. its capacity is sufficient to satisfy the traffic needs. The A. G. T. F. (Administración General de Transporte Fluvial - General Fluvial Transport Administration) in spite of being more affected by a less productive cargo traffic -which as a State enterprise, it cannot avoid- it gets a favourable result in its exploitation.

Te FANF (Flota Argentina de Navegación Fluvial - Argentine Fluvial

Navigation Fleet) especially dedicated to passenger transport, requires perma nently assistance by the State. The advantages of the G. P. T. 's recommendation in the sense of transferring the national fleet to private enterprises cannot be readily understood, as an efficient river service depends on size of the enterprise.

It is advisable that the small ship-owners group themselves in cooperatives to achieve the economies which individually cannot be reached. It is to this end that the State should contribute. To try out competition as suggested, would allow in a short term the existence of a private monopoly. The competition of the quasi-monopoly of the State enterprises and the railroads which does not affect the State fleet because of the important agreements between them, are mentioned by G. P. T. as causes of the restricted possibilities of the private shipowners. This argument is not valid.

It cannot be expected that a simple modification of railway taxes could reactivate our fluvial transport system, as it was the intention of Decree-Law No. 3, 844/56.

In transport matters there is an aggressive policy in favour of roads which has to be paid with the deplorable conditions of our railways an the insufficiency of the river transport system. Those responsible of this policy should understand that is not enough that the National Roads Department has resources of its own to pave the whole country, but that it must contribute towards a favourable conjunction of our transport system. Isolated sectors like the National Roads Department are one of the most serious barriers for an integrated and balanced development.

Naval material and coasting cargo movement.

More than 90% of the coasting cargo is represented by the oil coming from Comodoro Rivadavia, which stresses the importance of the State and private tanker fleets effecting this service. According to IEMMA (Instituto de Estudios de la Marina Mercante Argentina - Argentine Merchant Marine Research Institute) in December 1961 there was an abundance of holds. The YPF fleet has declined in 1961 with respect to 1953 which indicates the necessity to accelerate the plans for renewal.

Capital and labor productivity.

In our water transport the coefficients of capital and labor efficiency may be the object of great improvements in navigable ways, ports and also naval material. Labor productivity is closely related with trade union problems, which are beyond this subject. As there is unused equipment capacity, good utilization of same will allow an increase of production and consequently of efficiency.

For it to be possible a policy must be effected which tends to give internal water transport a greater share in the volume of cargo.

HOUSING

SUMMARY

We already explained the need that in our country the savings and loan societies function according to self-financed plans, that is plans where the passive mass comes only from the savings of the same subscribers which later will receive the loans, we have also established the importance of short waiting terms and low integration percentages, as the affluence of capital is determined by the possibility of getting a loan and not by lucrative ends.

Perspectives.

The success of savings and loan operations is due mainly to two factors: low integration percentages and short waiting terms. At present those figures are low because of two favourable circumstances: the increasing expansion rate of the system and the first loans not having as yet been completely returned. It is probable that the first of these factors is nearing its stabilization: the present rate of production of around 90,000 annual contracts maybe reaches a maximum of 120 or 130,000. But growth will not be so quick as in 1962 and its incidence on the low figures of percentage and term of integration will subside.

The other factor will remain in force during the next 6 or 8 years, but also with a decreasing intensity. The progressive increase of the integration percentages and waiting terms will then limit the affluence of subscribers and thus the system will reach its normal balance which, we believe, with integration percentages not higher than 40%, will reach some 30 to 40,000 annual contracts.

One hundred and fourteen savings and loan societies in a country of 20 million inhabitants seems to be too much. With 40,000 annual contracts this would mean an average of 350 contracts per society; but as subscribers are not uniformly distributed the less successful societies will have financial troubles because of their being exposed to economic fluctuations, due to a lack of funds. It seems adequate to think of a savings and loan society for each million of inhabitants. With 20 societies, the average number of contracts per society could be of 2,000. It is probable that the requirements of the market themselves will make for a gradual reduction and selection of the societies. It is to be hoped that this reorientation process proceeds without trouble and without affecting subscribers. A serious situation would not be limited to one society only because the reaction of the public would be felt in all of them and would affect even the whole system.

A central compensation chamber would be a good contribution for stability.

We hope this study will be useful for dialogue; that with its discussion our ideas are cleared up and in time we may adjust the mechanisms of our societies, public institutions and legislation, i.e., of our behavior, to the peculiarities of this financial system which seemingly will have such a great significance in the years ahead.