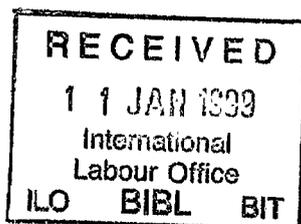


EMPLOYMENT AND TRAINING
PAPERS

30

Argentina, MERCOSUR and jobs:
Economic integration, trade,
growth and employment
in the 1990s

Ricardo J. Soifer



45597

Employment and Training Department
International Labour Office Geneva

Copyright © International Labour Organization 1999

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the ILO Publications Bureau (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court Road, London W1P 9HE (Fax: +44 171 436 3986), in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 (Fax: +1 508 750 4470), or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licences issued to them for this purpose.

ISBN 92-2-111349-3
ISSN 1020-5322

First published 1999

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address.

Foreword

This paper by Ricardo Soifer, an economics consultant in Buenos Aires, sets out to investigate the impact of MERCOSUR on employment in Argentina.

MERCOSUR was created in 1991 grouping Argentina, Brazil, Paraguay and Uruguay. Chile has more recently been associated with it. MERCOSUR is a common market with a common external tariff applied against third countries. Trade among MERCOSUR members is not completely free; exceptions apply to motor vehicles and some agricultural products. Nonetheless trade growth within the grouping has been very fast. However, it is very difficult to trace linkages between MERCOSUR and employment. First, the time period is still short. Second, the 1990s have been a period of very considerable structural change and legislative reform. Trade liberalisation on the one hand has extended beyond MERCOSUR while deregulation, on the other, has affected many aspects of labour market and enterprise behaviour. There have been too many developments for changes in employment to be linked to any single one of them. In manufacturing there have been very considerable increases in productivity and industrial employment has fallen. Unemployment in Argentina is at historically very high levels. Labour protection has been diminished and the dismissal of labour made easier. However, one point of view is that labour market deregulation has not gone far enough and that further output growth plus deregulation will bring employment. In a process of change Argentina, Ricardo Soifer claims, has benefited from MERCOSUR and especially from trade with Brazil. There has been some compensating cyclical movement in Argentina and Brazil and they have helped each other by providing an expanded market. New investment has not, as might have been feared, concentrated in Brazil. But there is also a risk in excessive dependence on regional markets if the improvements in competitiveness needed to reach wider markets are thereby neglected. Mr. Soifer feels that larger companies may not be looking so far afield and hopes that technologically sophisticated medium-sized firms will step in.

Gek-Boo Ng
Chief
Employment and Labour Market Policies Branch

Contents

Foreword	iii
1. Introduction	1
2. The Argentine economy in the 1990s	1
2.1 The international economic context	1
2.2 Argentine industry in the 1990s	2
2.3 The labour market and industrial employment in the 1990s	3
2.4 Summary and evaluation: economic performance in the 1990s	7
3. Trade and integration in the 1990s	8
3.1 MERCOSUR	8
3.2 Performances in foreign trade	12
3.3 Evaluation of trade performance	19
3.4 Alternative views on trade	20
3.5 Some conclusions about exports	22
4. Investment and the location of industry in Argentina and MERCOSUR	22
4.1 The amount and sectoral distribution of investment	23
4.2 Location in and within MERCOSUR	24
4.3 Investment and sectoral structure	26
4.4 The impact of investment on the structure of industry	27
4.5 Investment and employment	28
4.6 Nationally-owned firms	29
5. Summing-up and the prospects for employment	30
5.1 Argentine experience in the 1990s	30
5.2 Employment prospects	34
References	36

List of Tables

1. Argentina: Employment, unemployment and underemployment, 1986-1989-1997	5
2. Argentine import duties	10
3. Argentina and Brazil: Relative real exchange rate	11
4. Argentina: Foreign trade, 1996	13
5. Argentina: Foreign trade 1984-1995 for different categories of goods (million dollars)	14
6. Argentina: Exports of primary sector products and of industrial goods using agricultural or industrial inputs, 1996	16
7. Argentine trade with MERCOSUR 1990-1996	18

1. Introduction

In this paper I analyse the development of MERCOSUR, the economic restructuring of Argentina in the 1990s, and the issue of “more and better jobs” in Argentina as a result of such processes.

I shall look at the trends in economic recovery, production, investment and trade, appraising the structural effects of those processes of the 1990s on the Argentine productive system, and also review the factors, including membership of MERCOSUR, that help to determine the number and types of jobs that might be created.

2. The Argentine economy in the 1990s

Argentina in the 1990s has experienced the effects of economic liberalisation and deregulation, including the opening of the local market to foreign goods and advances in regional economic integration; furthermore, levels of economic activity have increased sharply both after 1990 and after the setbacks experienced in 1995. The coincidence of these phenomena blocks any attempt to attribute economic results to one or other among them. It is thus necessary to analyse the Argentine performance as a whole (the best alternative approach would possibly be to consider the internal reforms first and then the effects of MERCOSUR).

At the time of preparation of this study; the Asian crisis in the last quarter of 1997 threatened Brazil, which could affect Argentine exports and imports. The present text, as originally developed, took into account the broader international economic environment of the 1990s.

2.1 The international economic context

Beyond any abstract considerations about “globalization”, several features of the economic and financial international environment appear to have been important as regards their effects on Argentina. The main point is that the size of world trade and financial and direct investment flows increased sharply. This allowed the financing of the trade deficits which followed trade liberalisation after 1991, and also the financing of Argentina’s other needs. At the same time, firms from both advanced and emerging countries were active in extending and integrating their global activities, targeting MERCOSUR countries, among others.

The Argentine economy, after adopting in 1991 as a hard anti-inflationary measure a fixed exchange rate regime with a rate 1 peso=1 US dollar, developed a very high sensitivity and speed of response of internal variables to changes in key external variables. Examples of this are (1) in times of fast recovery of production levels, trade deficits arise very promptly, even more so than in the stop-go cycles of earlier decades, (2) when economic adjustment becomes dominant, *unemployment indicators* rise very sharply – as happened (for example) after 1993 so that in 1995 that indicator showed its highest levels ever, improving afterwards only partially and slowly. Economic recovery and periods of fast growth also brought important increases in productivity, which have been in turn a key factor in making the opening of the country to foreign trade less traumatic, as the combination of the fixed exchange rate and

inertial increases in certain prices, even with anti-inflationary policies, reduces the competitiveness of Argentine products.

2.2 Argentine industry in the 1990s

The 1991 economic reform was followed by a very fast recovery of economic activity, which at the end of the 1980s had been poor. There was an interruption in this process in 1995-1996, a renewed positive trend in 1996-1997 and new pressures at the end of 1997 in view of fiscal and current account deficits and fears about the effects on Argentina of developments in Brazil. The period under the “*plan de convertibilidad*” (“Currency Board Plan”) is taken to have had two sub-periods: From 1991 to 1994 the underconsumption of the 1980s was compensated, while obsolete productive equipment was replaced at workplaces; after the 1995 crisis, consumption growth resumed at a lower rate than output, and investment rose close to 25 per cent of GDP (independent estimates suggest a figure of between 21 and 22 per cent for 1997). In 1997 investment and exports together account for half the increase in the national product.¹

The consumer price index (CPI) shows that since the peso was pegged in 1991, chronic inflation has been under control, if not definitively eradicated; however, due to response lags in the behaviour of prices consumer prices rose by 60 per cent before levelling out. For a reference level 1986=100, the real exchange rate as calculated by local researchers against a “basket” of currencies appreciated from 1990 to 1993 by 20 per cent and still by 8 per cent in 1996.² The wholesale price index had a much lower growth rate as it shows the effects of free imports at the fixed exchange rate on the prices of industrial goods.

The rate of growth of industrial activity (not necessarily industrial *growth*) was from 1991 to 1994 7 per cent on average but the 1995-1996 setbacks suggest that the rate of industrial expansion from 1991 to 1997 will not be higher than 5 per cent. The year 1997 has been so far one of steady growth for the industrial sector but it should be noted that although in 1997 monthly production indicators reached their highest levels of the decade, the apparent intensity of the recovery refers to the depressed 1996 levels, and the absolute levels achieved are not more than 20 to 25 per cent above the usually quoted industrial indicator, 1984=100.³ Furthermore at the end of 1997 the latest international and Brazilian difficulties suggest reduced growth for 1998.

Overall industrial growth in the 1990s involved positive impulses and then setbacks, thus another side of the problem of sustaining growth is the lack of continuity and differences in timing in the industrial branches’ cycles. Given our interest in stable processes able to generate more and better employment this weakness is important. Individual industrial branches had their own patterns of growth and decline between 1991 and 1996 had their own patterns of growth and decline. If sector A had very fast growth in 1992 and peaked in 1993 and then declined, possibly sector B initially declined or had a slower growth in activity, and peaked in

¹ The main component of aggregate demand is still consumption, but the other components contribute as much as consumption to the growth of GDP. Exports account for almost 20 per cent of the increase in demand and from 1996 to 1997 investment and exports together have increased from 27-38 per cent of GDP.

² See Gerchunoff and Torre (1996) and section III below.

³ The estimate reduction of industrial production in Argentina in the 1980s is 20 per cent while the expansion in the 1990s is about 30 per cent, starting from a previously low level of production.

1994-95,- and similarly for other branches⁴. There are, of course, many possible explanations for these differences. However, part of the variability is structural in the sense that industrial sectors, most of which had spare capacity, responded by increasing production sharply with increasing demand⁵ (branch by branch) but also lost production quickly in cases when demand decreased. Such lack of steady and shared patterns of growth may prevent firms from making positive market estimates for the future thereby discouraging investment and technical change.

In the first years of the decade industry grew or at least recovered its past levels of activity. But it then lost competitiveness, recovering some of the lost advantages only after 1994. Two related indicators, labour productivity in industry and unit labour cost in industrial production are useful to explain such a trajectory. Unit labour cost (ULC) which may be specified in different ways⁶, is a relevant indicator of variations in the international competitiveness of Argentine tradeable goods. In Argentina, since 1991 prices of non-tradeable goods and services have increased compared to the prices of tradeables. This could normally be compensated by a depreciation of the currency but the peso is pegged to the dollar. The nominal or peso wage, which is also the dollar wage, increased because of partial indexation to consumer prices. Also, perhaps because of the effect of higher production volumes, or because of reductions in the labour force, the closing of inefficient enterprises, or technical and organizational changes or new equipment in firms, industrial productivity increased. The agreed estimate is that its cumulative increase, apparently not affected by the 1995 recession, reached 45 to 60 per cent by 1997 (the usual estimate is that 30 per cent of the increase corresponds to the increase in output and about 20 per cent to the reduction of labour)⁷.

This increase in productivity, in spite of the increase in the peso (or dollar) wage, changed the trend in the increase of unit labour cost. According to the Ministry of Labour, ULC fell from 1991 to May 1995 by 29.1 per cent. An important explanatory factor, besides gains in productivity, was a decree reducing employers' social security contributions which acted as a subsidy to employers (at least to all those who had paid legal contributions to social security). This benefit was unfortunately not tied to a condition that firms should restructure in order to achieve higher levels of efficiency. In any case, the reduction of the ULC signals an increase in competitiveness after a period of decline. However, such internationally competitive countries as China, Republic of Korea, Mexico or Brazil made similar advances.

2.3 The labour market and industrial employment in the 1990s

The most salient current feature of the Argentine labour market is the negative evolution of employment. Even with some improvements in 1996 and 1997 rates of unemployment and of underemployment are far higher than they were at the start of the decade. The creation of jobs was very low at least until 1997 and there has been a strong trend towards temporary and unprotected employment.⁸

⁴ These patterns have been analysed using monthly values of an Industrial Production Index published by a local research centre. See FIEL, "Indicadores de Coyuntura", January-February 1997 and for a more detailed discussion of the analysis see Soifer (ILO Working Paper on Argentina, MERCOSUR and Jobs, forthcoming).

⁵ In some branches financial facilities for customers triggered high sales which fell sharply afterwards.

⁶ For a definition of the ULC indicator and of the alternative ways in which it can be calculated see Bour (1995).

⁷ According to econometric research carried out at the main local manufacturer's association the differential increases in productivity in industrial branches in 1991-1993 were clearly a linear function of their levels of activity (see Kacef 1994).

⁸ For example 38.9 per cent of workers who found jobs in June 1997 were taken in "on trial", 40.7 per cent on temporary contracts and only 18 per cent on conventional contracts of undefined length. The proportion of workers in formal employment but with "atypical" contracts is now nearly 20 per cent.

The first variable in table 1 is the rate of employment relative to total population. This indicator is more independent of the fluctuations in the number of people searching for jobs than the unemployment rate and other indicators calculated as a share of the active population. The May 1997 rate of employment at 35.3 per cent was lower than at the beginning of the 1990s in spite of having grown until 1993. In the 1990s the unemployment and underemployment rates followed their own paths. Unemployment, which was just 6 per cent in 1991, had an accelerated increase until 1995 to reach 18.4 per cent. It then improved just to 16.1 per cent in May 1997, but possibly was below 14 per cent in October 1997, partly due to the new types of contracts and to government make-work programmes, and partly to increased economic activity and seasonal reasons. Underemployment decreased at the beginning of the decade after the first wave of economic reforms but it then increased to reach 13.2 per cent in 1997. Adding the current rates of unemployment and underemployment, in the last two to three years the percentage of the active population reporting employment problems has been stable at just below 30 per cent.

As MERCOSUR related trade and investment comprises largely industrial goods the type of employment to analyse is industrial employment. It is worthwhile to start with a look at the historical relation between industry and employment in Argentina. The main surge in the development of a large industrial labour force took place in the 1930s and 1940s but the rate of additional employment in the following decades was much lower; e.g. in the 1964-1974 period there were strong increases in industrial output and in productivity, with industrial employment growing at a much lower rate. The Argentine industrial sector had taken in labour almost indiscriminately during the earlier import substitution phases but it then reduced its rate of labour absorption and eventually started reducing the size of its labour force. Recent productivity increases are taking place because of reductions in employment with either a smaller reduction in production or even an increase in production.⁹ The employment performance of industry became negative in the 1980s. From 1981 to 1990 industry lost 39,500 jobs per year and from 1991 to 1996, 32,500 jobs per year¹⁰.

According to the 1993 economic census, total industrial employment in firms with more than ten workers was 1,061,528, of which 910,125 were wage workers and 151,403 non-wage workers. Operational staff up to the supervisor level fell from more than 880,000 workers in 1986 to 657,000 workers in 1996. Some analysts explain the reduction in industrial jobs in terms of excessive labour costs due to high social charges on employment, which led entrepreneurs to substitute capital for labour. This is a common explanation but is seldom supported by data relating the number of jobs allegedly eliminated by the introduction of machinery to the amount of investment in industry.

The labour market situation, as regards rates of unemployment and underemployment as well as some qualitative features, in the largest urban area of the country can be analysed with 1995-1996 data covering the working population of the "Gran Buenos Aires" (GBA) area, comprising the city of Buenos Aires itself (the "Federal Capital") and surrounding suburban areas (the "conurbano"):

⁹ In the 1980s phases of recession caused reductions in industrial employment while during the recovery the increase in industrial jobs was either less than the increase in production or negligible.

¹⁰ Data from the Centro de Estudios de la Producción at the Industry Secretariat.

**Table 1: Argentina: Employment, unemployment and underemployment, 1986-1989-1997
(per cent and absolute nos.)**

Year	Rate of employment (to population)	Rate of unemployment (to labour force)	Rate of underemployment (to labour force)	Workers with employment problems	Workers in industrial employment	Industrial employment as reported in 1993 Economic Census	
						Total	wage workers
1986					880,636		
1989	36.9	6.1	8.6	14.7			
1990	35.7	8.6	9.3	17.9	793,260		
1991	36.8	6	8.6	14.6	758,407		
1992	37.1	6.9	8.3	15.2	760,517		
1993	37.4	9.9	8.8	18.7	742,231	1,061,528	151,403
1994	36.2	10.7	10.2	20.9	724,020		
1995	34.8	18.4	11.3	29.7	681,957		
1996	34.0	17.1	12.6	29.7	656,687		
1997	35.3	16.1	13.2	29.3			

Note: Rates calculated from INDEC May household surveys
Industrial employment data, firms employing ten workers or more
Sources: IEFE, INDEC, own processing.

- the percentage of industrial workers in the GBA area was stable at between 19 and 20 per cent in the four surveys from May 1995 to October 1996. For manufacturing workers unemployment had been close to 20 per cent and was reduced from 19.5 to 17 per cent. The percentage of all industrial wage workers in the area stayed between 21 and 23 per cent while the number of independent or self-employed workers who reported doing industrial work remained between 11 and 13 per cent.
- in October 1996 in the GBA area, 21.3 per cent of all workers who had been employed for less than five months were employed in industry, but for workers with five or more months in their jobs the percentage was 18.9 per cent, e.g. industry was either using short term contracts more than other sectors or it was creating more jobs.
- 28.1 per cent of all workers were unskilled, but the percentage of unskilled among workers with less than five months in employment was 43.1 per cent. Technicians were 17.7 per cent of the workers in all sectors but they were just 6.6 per cent of workers with less than five months in their jobs and 18 per cent of workers with five months or more in their jobs. This may be taken to mean that at least some firms make efforts to retain workers with human capital.
- in the GBA, in October 1996 *qualified industrial* production or maintenance workers, and *unskilled industrial* workers, accounted respectively for 10.5 per cent and 3.2 per cent of all workers. The highest percentage of workers involved in manufacturing was found in the "conurbano" at 17.1 per cent, of which 12.8 per cent were skilled and 4.3 per cent unskilled. Levels of education were higher (but not much higher) among qualified and specialised workers as 79 per cent of them had less than high school education and 20.5 per cent full high school or a higher level of education. The levels among unskilled workers were 89.3 per cent and 10 per cent respectively.

As firms advanced in their process of downsizing and/or using subcontractors, it is not clear whether they gave priority to keeping their skilled personnel or if through closures and downsizing they have eliminated jobs for trained workers. Unemployment tends to hit unskilled workers most but it is also necessary to analyse to what extent and through what mechanisms qualified workers also lose their jobs. One explanation is that technical change, or automatization is in fact "de-skilling", but this can also be a consequence of the elimination of certain manufacturing steps as foreign components are used directly in assembly.

Labour economists believe that during the current economic phase there will be some recovery in the quantity of jobs but few will be in industry and furthermore that the quality of such jobs may be poor. However, there is no clear agreement on what jobs are "quality" jobs and what their content is.¹¹

Throughout the 1990s the backdrop to the labour market in Argentina was great pressure for regulatory reform. Whatever one's degree of agreement or disagreement with the *types* of reforms attempted, the *process* of reforms has accomplished some of its goals but it has become stalled over some of the reforms its sponsors considered critical. The proposals under discussion, under the general label of "labour market flexibilization" tend to constitute a broad

¹¹ The backlash against older industrial protection policies may be helping to "throw away the baby with the bath water". Industrial production has lost prestige in the eyes of many, technical qualifications are less valued than in the past, and new industrial organisation methods applied in assembly firms are understood by many managers to give priority only to the "new" package of literacy, numeracy, keyboard and communication skills. The question is first what type of technical and organisational change is needed (branch by branch) for Argentina's industrial restructuring and only then what the relevant qualifications are.

programme of direct or indirect cost reduction through the reform of labour institutions, the decentralisation of collective bargaining from the current branch level to enterprise level, the reduction of trade union control over all service organisations for workers, the total elimination of social charges or contributions paid by firms (already partly accomplished) and the elimination of compensation for dismissal and its replacement by a system of accumulation of funds along the working years. Most of these reforms have not made much progress; on the other hand, even without a new legal framework, firms and representatives of workers, such as internal workers' committees in the firm, will negotiate and sign agreements on work, payments and productivity at the *enterprise* level. One question to ask is whether in any way the labour market reform proposals take into consideration the process of *regional integration* (or whether economic integration has been a factor in defining proposed reforms). Both answers are negative; the commanding factor in the proposals for changes in labour market laws and regulations is to facilitate adaptation to the general situation of trade liberalisation and lack of firm competitiveness through a reduction in their costs by administrative decision. It is also true that existing systems and regulations may limit productivity and competitiveness in MERCOSUR without really helping the worker, but the pressure for (the above mentioned or other) changes in labour market regulations has not been part of any *regional* project.

2.4 Summary and evaluation: economic performance in the 1990s

Argentine policy makers consider the country's recent economic and industrial performance quite successful, they believe that exports of industrial products are becoming larger and more diversified, that exporting firms are also more diversified, and that while it is true that some 200,000 industrial jobs were lost in the first six years of the decade no more jobs are being lost. Some claim that in 1997 industrial employment improved but the general view is that there can be no expectation of a significant contribution by industry to employment creation.

The question is, after reviewing all the positive indicators, whether they prove that a generalised and sustainable development process has been established. It is now generally accepted that the Argentine economy has become more orderly and has had a good recovery with net expansion in the 1990s, but it is also believed that many processes have not become well established. This leads to defining the 1990s up to 1997 (and possibly some years yet to follow) as a *transition* period that has brought the economy back from the destructive risks of hyperinflation but has not solved all problems and has created some new ones. Some of the unresolved problems are the following:

- the improvement of the economy (or industrial sector) was not regular between 1991 and 1997. Furthermore it is not fair to shift all responsibility for this to the alleged mismanagement of the Mexican economy or "tequila effect", that in fact may have been beneficial as it slowed down the economy and reversed the trade deficit of 1994. During this period individual industrial branches, even those with a net expansion in the 1990s, experienced a lack of stability in their performance from one year to the next, leading to almost random changes.
- in the external sector imbalances arise frequently. The Government's economic team explains that the peso is overvalued due to macroeconomic management failures in the difficult years at the beginning of the decade. Unit labour cost improved eventually and so did Argentine's external performance but in the periods of recovery the rate of growth

of exports tends to lag with respect to imports leading to high trade deficits. This happened in 1994 and again in 1997. Furthermore the peso is pegged to the dollar, which has progressively gained value while the currencies of the Asian exporters are being devalued. Internally, government expenditure policy is procyclical, expenditure rises with activity and internal savings are comparatively weak, therefore the government borrows abroad to finance expenditure and the current account is in the red.

- regarding total employment, at the beginning of the decade there were gains in jobs but, overall, and in spite of some recent improvements, there have been job losses both in terms of quantity and quality.
- attempts to reform labour market rules have largely failed. The main target areas are blocked in negotiations between government, trade unions and business. At the same time, the relatively few specific reforms achieved create a situation in which all new employment tends to be temporary or unprotected. Partly this has helped to reduce unemployment as firms are happier engaging workers but it doesn't help the build up of qualified human capital.
- the overall implication of the history and characteristics of industrial employment in Argentina is that it will follow the trend of improving productivity rather than expanding employment. It is very difficult to think of any type of national or regional economic policy leading to a creation of new employment in large quantities in industry as economic liberalisation and regional competition require the traditional, diversified, local industrial structure to become more and more competitive. Furthermore restructuring is not finished. The first wave of closures and downsizing is over but most of the long term investment and productivity projects reaching all segments of industry are yet to be carried out. They may not eliminate jobs but will limit their number.

3. Trade and integration in the 1990s

In the 1990s the Argentine external sector has changed greatly. This was due to the combination of general trade liberalisation, started in the late 1980s and continued in the 1990s, and the implementation of agreements with Brazil, Paraguay and Uruguay to establish the MERCOSUR or Common Market of the South.

3.1 MERCOSUR

The MERCOSUR project had as its foundation the Brazilian-Argentine agreements of the 1980s. Integration progressed even as Argentina underwent crises and hyperinflation in 1989-1990, economic recovery in the 1990s, new negative shocks at the end of 1994 and another recovery in 1996-1997. In the light of the style and contents of earlier integration agreements in Latin America the fact that Argentina and Brazil were getting together in a wide ranging agreement took observers by surprise. Furthermore their earlier joint bilateral integration process, started in the 1980s, concerned largely sectoral agreements which, at the beginning of the 1990s, were quite unexpectedly transformed into a customs union agreement (to become eventually a common market). A peculiar feature of this process is that no technical secretariat has been created and all agreements are discussed directly by government representatives without the preparation of proposals by a technical body. Private interests are listened to in various committees and working groups, one of which deals with labour market issues. The

lack of a technical body is consistent with the absence of proposals for the development of common approaches or formal understandings in such areas as macroeconomic policy. Trade matters, such as tariffs towards third parties or within the area, have been defined in the government to government negotiations. The relative trade position of the two main countries in MERCOSUR has swung as first one of them and then the other adopted strong stabilisation policies. The Argentine policy of 1991 and the Brazilian policy established in 1994 have some common features but vary significantly in their dates. The stabilisation shocks in both countries led to strong short-term economic recoveries with increases in demand, while trade and financial liberalisation together with the strengthening of the value of the currencies, facilitated imports. At the beginning of the decade Brazil under its older economic regime exported large amounts of goods to Argentina while the latter was in the first stages of economic recovery, becoming very quickly a net importer, but after 1994 it was Brazilian imports from Argentina that increased substantially.

MERCOSUR'S specific instruments and mechanisms were spelled out in the Treaty of Asunción (1991). This established that all MERCOSUR members would start a process of reciprocal trade liberalisation and that they would also establish a common external tariff (CET). The reduction of trade taxes among members was completed on 31 December 1994. During 1991 to 1994 the countries negotiated other elements of what is now called an "imperfect" (partial, incomplete) customs union, in which there is internal free trade with some restrictions or "exceptions". The CET includes temporary rules allowing for temporary national divergence and some exceptions. In both regional free trade and CET the parties have agreed "convergence" schedules, although the target dates are different for each instrument. Exceptions to regional free trade should be eliminated at a rate of 25 per cent per year until 1999 while the CET should be fully operational by the year 2007. The average level for duties in the CET was to be 11.3 per cent.

The levels of the CET are in fact somewhat higher than the levels of import taxes that Argentina had established a few years earlier as part of its own economic reform while they are lower than the previous Brazilian external duties. In both cases the CET is lower and has fewer levels than the tariffs that either country had registered with the World Trade Organization (WTO). MERCOSUR as a whole is now largely more open to foreign imports than it had been for many decades. Taking into account the current strong value of the currencies, the moderate (by regional standards) level of the external tariff and the data on imports and trade deficits, it can be argued that the economies are now much more open than they have been for a long time. Most countries, including advanced countries, can export freely to Argentina or Brazil. The problem is that these MERCOSUR countries may not develop their trade strategies with the rest of the world because of the current success of regional trade.

Table 2 summarises the structure of tariffs in Argentina before January 1995 and after. The average tariff (non-weighted) was reduced from 14.8 per cent to 10.4 per cent from January 1990 to January 1995 (in 1994 it had reached 16.3 per cent due to the application of the so called "statistical system tax" representing 3 additional percentage points). The average tariff under the CET was to be 11.3 per cent and nominal levels would range between a minimum of 0 per cent to a maximum of 20 per cent. According to studies carried out in Brazil effective protection was to be on average 19.9 per cent ranging for individual products from -1.7 per cent to 53.1 per cent. At the time the CET was established the maximum nominal tariff rates for Argentina rose from 24 per cent to 30 per cent but just for two tariff positions. In 1990 the 24 per cent tariff applied in 3,139 positions and 24 per cent was in fact the most frequent level. In January 1995 the most frequent tariff level became 2 per cent. In January

Table 2. Argentina: Import duties

	January 1990	April 1994	12/31/1994	January 1995	Year 2007
Average rate	14.8	9.1	16.3	10.4	
Maximum rate	24	20	n/a	30	
Tariff positions	3,139	n/a	n/a	2	
Minimum rate	0	0	n/a	0	
Tariff positions	783	n/a	n/a	1,355	
Most frequent rate	24	0	n/a	2	
Average tariff, year 2007					11.3

Source: FIEL, Indicadores de Coyuntura, 2-1995.

1990 the tariff was zero (0 per cent) for 783 positions and in January 1995 for 1,355 positions. At the end of 1997 Argentina and Brazil agreed as an emergency measure to add three more points to the whole tariff schedule.

Due to the exceptions and special schedules a definitive CET level was set in 1995 for just 82 per cent of all positions. However 48 per cent of the value of Argentine imports corresponded to positions where no definitive CET level applied, 34 per cent of such trade taking place through tariff positions with a level higher than the final CET and 14 per cent through positions with a tariff below the CET and for which such tariff would have to be raised.¹²

The special regime for the automobile industry in effect allows for a tax-free balanced exchange between (mostly Brazilian and Argentine) affiliates of international corporations while each country keeps high tariffs on car imports from third countries. Each firm must match imports with the value of exports of finished products or components or with amounts invested (i.e. capital goods added to the plants are also a justification for free imports). In fact, the compensation rules specify equivalence coefficients to transform the values so that there is no need to compensate *one* dollar of imports with one dollar of exports or investment. Other interested parties such, as other international producers *without* plants in MERCOSUR, or traders or individuals, must pay substantial import taxes so that those producers who locate their production facilities in MERCOSUR (mostly in Brazil and Argentina) have a considerable advantage. Components for automobile assembly are under different rules and in turn such rules are different for each country. Argentina allows imports of components as a percentage of the total value of the vehicle, Brazil has a similar rule but calculates the percentage allowed with reference just to the value of all parts that go into the vehicle. Argentine plants thus have

¹² "Convergence" towards CET levels will be as follows: The Argentine duties currently applied (for third country imports) are to be raised for chemical industrial inputs, unprocessed rubber, bearings and some types of steel. Import taxes will be reduced for some vegetal oils and essences, sulfuric acid, some plastics, tyres, paper and printed materials, certain copper, aluminum and iron products, many types of machinery and equipment (the latter being, however, redefined at the end of 1997), bicycles and furniture. In some complex cases both the tariff on third country goods must be adjusted and the residual reciprocal duties must be eliminated. Argentina has excluded from immediate liberalisation imports of goods such as processed coffee, orange juice, wood products and furniture, paper products, tyres, high density polyethylene, home refrigerators and freezers, leather-sole footwear, and various iron and steel products.

much more leeway to include imported parts and have lower costs, while local parts makers are under stronger pressure to lower their costs or close down.¹³

Besides the trade regime, the most important factors determining the trade flows in MERCOSUR, and specially between Argentina and Brazil, are the relative exchange rate and the performance of aggregate demand in each country. Section 2.1 presented some estimates of the level of the Argentine real exchange rate calculated with reference to a "basket" of currencies. Table 3 shows the evolution of the bilateral exchange rate calculated differently, first calculating for each country the difference every year between the nominal exchange rate and an equilibrium parity; and then calculating year by year the difference between national deviations from that equilibrium parity. According to this calculation in Argentina the rate of exchange was undervalued (because of hyperinflation) in 1988 and 1989; towards the end of 1990 and first years of "convertibilidad" it was slightly, and then increasingly, overvalued because of the combination of fixed nominal exchange rate and increases in internal prices; finally since the economic reforms and currency revaluation in Brazil a bilateral balance has been reached as both currencies are overvalued with reference to international currencies. At the time of writing in Argentina the rate of prices increase has become practically zero but the peso, which has not been devalued since 1991, is now following the international appreciation of the dollar. Brazil has not reduced inflation to almost zero, as Argentina has, and has maintained a policy of small devaluations or a crawling peg following residual increases in the cost of living or set just slightly above them.

Table 3. Argentina and Brazil: Relative real exchange rate

	Argentina	Brazil	Difference
	I	II	II-I
1980	-52	-17	35
1981	-39	8	47
1982	2	10	8
1983	12	43	31
1984	6	49	43
1985	24	56	32
1986	9	41	32
1987	13	32	19
1988	1	17	16
1989	30	-6	-37
1990	-10	-20	-10
1991	-26	-5	21
1992	-34	-2	32
1993	-36	-9	27
1994	-37	-28	9
1995	-38	-37	1
1996	-37	-38	-1

Source: Boletín Mercosur (Fund. B. de Boston), abril de 1997.

¹³ The definitive (external) trade regime for the automobile industry has not yet been agreed upon. Representatives of this industry (which claims to account now for 13 per cent of Argentine industrial production value) are in favour of a CET of 30 per cent or more for the final products of the branch. Component makers, who feel so far excluded from obtaining any benefits from the current transitional system, put forward their own requests for rules assigning them a larger part of the benefits.

3.2 Performances in foreign trade

For Argentina The 1990s has brought important changes in economic and trade policies, as well as an ongoing debate about such policies and their results. The economic regime is not, however, likely to be reversed in the short or medium term. The chance of Argentina closing itself again to the international economy on its own decision and without being forced by a crisis, are practically nil. There is, however, some disagreement about how sustainable the new economic regime really is.

The first feature to underline regarding Argentina's trade regime is the dimension of the trade liberalisation process. In 1984 Argentina exported just over 8,000M\$ (M=million) and in 1990 11,000M\$. This increased to 24,000M\$ in 1996 and possibly 25,500M\$ in 1997. Argentine imports in 1984 were 4,500M\$ and in 1996 24,000M\$ and possibly 29,000M\$ in 1997. The level of Argentine imports in the years of maximum trade repression (1984, 1985 and 1989) were in the range of 4,000M\$ to 4,500M\$. From 1990 to 1996 the transition was from 4,000M\$ in imports and 12,000M\$ in exports to both imports and exports at a level of 24,000M\$. However, 1994 was a year of very high trade deficit (5,700M\$) and, after a temporary period of balanced trade, in 1997 there was again a rather large deficit.

In that context table 4 indicates that MERCOSUR accounted for 33 per cent of Argentine exports in 1996, with a total of 8,000M\$ and a positive balance of 2,000M\$. The second trading partner for Argentine exports is the European Union to which Argentina exported more than 4,500M\$ while NAFTA bought from Argentina just 2,300M\$: the total of Argentine exports to the two main western country blocs (European and North American) is lower than exports to MERCOSUR. Among the latter, exports of vegetable origin with a low degree of processing and also fuel exports are important, although industrial products such as textiles, chemical, metalworking and transport equipment are also significant. Exports to the European Union include products of animal and vegetable origin and other food products and beverages; exports to NAFTA involve food products, beverages, hides and leather, minerals and fuels. Argentina runs deficits with the EU and NAFTA in the areas of chemical industries and capital goods industries. The trade levels in both directions by groups of products within MERCOSUR suggest that a more disaggregated analysis would identify intra-industry trade in chemicals, plastics, paper products, textiles and transport vehicles.¹⁴

Table 5 presents data on 1984-1995 trade between Argentina and the main commercial regions of the world. This classifies goods into traditional goods with low value added (primary products and their first process derivatives, and fuels); scale goods, from industries dependent for their competitiveness on the scale of production (some chemical and metallurgical products, rubber and its manufactures, vehicles and their parts, etc.); specialised goods, products which are differentiated but not hi-tech; and goods based on science and technology (ScT) or capital goods, computers and telecommunications equipment.¹⁵ Exports to third countries outside MERCOSUR have had an uneven progress over this period but have increased from 7,000M\$ to almost 13,000M\$. To MERCOSUR Argentine exports in 1984 at just 800M\$ were very

¹⁴ Intra-industrial trade includes exchanges of goods of similar complexity as well as exports of inputs for further processing abroad or more complex inputs or components to be used in local manufacture or assembly. For an account of intra-industrial trade to 1992 see Lucangeli 1993.

¹⁵ See IEFE (Instituto de Estudios Fiscales y Económicos) Bulletin No. 70 and the methodology as explained in Lavagna 1996. Trade in "scientific and technical goods" should however be revised carefully as Argentine plants in those branches may now just assemble "advanced goods" from imported kits without local engineering, design or advanced manufacturing processes involved.

Table 4: Argentina: Foreign trade, 1996 (\$ million)

SECTION	MERCOSUR			EUROPEAN UNION			NAFTA			WORLD		
	X	M	balance	X	M	balance	X	M	balance	X	M	balance
I	Animal and their products	511.6	142.3	369.3	823.6	771.4	151.1	21.6	129.5	2164.1	265	1899.1
II	Vegetable natural products	1,405.1	134.6	1,270.5	1,182.5	1,142.4	160.2	98.3	61.9	4,539.8	456.1	4,083.7
III	Oils and fats	1,17.8	14.9	102.9	53.6	42.2	98.2	4.4	93.8	1,890.5	40	1,850.5
IV	Food, beverages and tobacco	427.2	174.2	253	1,494.2	1,362.1	452.2	96.9	355.3	3827.5	548.4	3279.1
V	Mineral products	1,571.6	360.2	1,211.4	38.2	-157	529.2	113.3	415.9	3136	1,111.1	2,024.9
VI	Chemical products	498.6	653.2	-154.6	143.1	-1,016.1	111	1,132.5	-1,021.5	1,085.1	3,729.2	-2,644.1
VII	Plastics, rubber and their products	301	454.6	-153.6	16.6	-319.8	19.5	453	-433.5	469.5	1,518.8	-1,049.3
VIII	Hides and skins and their products, exc. footwear	125.3	15.6	109.7	294.4	283.3	263.4	4.7	258.7	1,036	69.2	966.8
IX	Wood, cork, and their products									127.1	134.6	-7.5
X	Cellulose paste, paper and board	184.1	326.3	-142.2	44.3	-2,27.6	10.7	201.4	-190.7	377.7	935.8	-558.1
XI	Textiles and their products	429.6	355.6	74	125.9	2.2	108	125.7	-17.7	990.2	872.4	117.8
XII	Footwear, umbrellas, other manufactures									72.7	135.1	-62.4
XIII	Stone, cement, gipsum and their products	43.5	90.8	-47.3	8.1	-86.3	12	33.2	-21.2	106.7	254.1	-147.4
XIV	Pearls and precious metals and their products									4.9	15.4	-10.5
XV	Metals and metallic products	180.2	534.8	-354.6	123.8	-223.1	169.9	258.9	89	1,190.3	1,461.2	-270.9
XVI	Machines, electrical materials, etc.	577.1	1,088.1	-511.4	63.6	-2,484.5	91.9	2,180.1	-2,088.2	961.5	7,551.7	-6,590.2
XVII	Transport equipment	1,396.7	1,221.8	174.9	89.7	-1,125	48.9	497.4	-448.5	1,641.9	3,434.9	-1,793
OTHER		148.9	233.1	-84.2	63.8	-300.5	101.1	344.5	-243.4	n/a.	n/a.	n/a.
TOTAL		7,918.4	5,800.4	2,118	4,562.4	-2,339.3	2327.4	5,565.7	-3,238.3	23,810.7	23,761.8	48.9

Note: X, exports, M, imports
Source: INDEC, own calculations.

limited but they are now over 8,000M\$. MERCOSUR broke the isolation of two sizable economies from each other. Both had followed import substitution policies and ad hoc export promotion schemes and had kept their internal markets as their main development option.

Regarding exports a first finding is that basic goods maintain their status in Argentine exports. Over the whole period analysed in table 5 the “traditional goods” exports, which had increased together with exports of more advanced products, have not been less than 50 per cent of exports to MERCOSUR and not less than 65 per cent of exports to the rest of the world. If the alternative classification of Argentine exports into primary goods, “agriculture based manufactures”, “industry based manufactures”, and fuels, is used, it is found that just 27 per cent of 1996 total exports were exports of goods produced without a comparative advantage based on natural resources.^{16 17}

There is, however, another way to look at Argentine production and exports. It involves adding together all goods with some industrial processing, whether based on the transformation of natural resources or the transformation of inputs from industry. Thus, in 1996 exports of “agricultural type manufactures” were over 8,400M\$ and those of “industrial type manufactures” close to 6,500M\$. Thus total manufacturing exports to the world (i.e. adding together “agricultural” and “industrial” type manufactures) were in 1996 almost 15,000M\$. The “all manufacturing” or MOI exports had their best performance in the MERCOSUR area. Table 6 shows how for these goods MERCOSUR has become a much more important destination than NAFTA or the European Union; a 1997 estimate suggests that 54 per cent of Argentine goods produced with *industrial inputs* through *industrial processes* are exported to Brazil, 65 per cent of them to MERCOSUR and 72 per cent to MERCOSUR plus Chile. This performance is explained mostly by “scale” goods and ScT goods, largely because of the special regime for trade in automobiles (the dominant type of scale goods.) Total exports of scale goods to MERCOSUR increased 16 times. Exports of scale goods to the rest of the world had a more diversified structure than their exports to MERCOSUR. Sales of ScT goods include boilers, reactors, mechanical equipment and electrical products and equipment.

If the first approach to Argentine exports “shows” that 73 per cent are resource based while the second approach “proves” that 60 per cent are “produced” in factories, where does the truth lie? The answer is that there is no such “truth” but alternative interpretations used by different social actors (farmers, industrialists, trade unions, agribusiness) to argue for or against different economic priorities or policies. Independent analysts should read the data with their own questions in mind.

¹⁶ One form of presentation of Argentine export trade statistics is to use a breakdown in which “MOA” or “agriculture base manufactures” (“manufacturas de origen agropecuario”) are those obtained by first processing of agricultural raw materials, while “MOI” or “industrial type manufactures” (“manufacturas de origen industrial”) are manufactured goods based either on inputs themselves produced in chemical, metallurgical, etc., plants or obtained by processing agricultural raw materials, e.g., hides are “MOA” but leather shoes are “MOI”.

¹⁷ If yet another alternative description used is based on “industrial complexes” -referring to groupings of goods with different degrees of processing related by the common raw material or by the industrial process involved, just ten such “industrial complexes”, eight of them based on natural comparative advantage or on simple exploitation of natural resources, explain 83.2 per cent of Argentine exports.

Table 6: Argentina: exports of primary sector products and of industrial goods using agricultural or industrial inputs, 1996 (\$ million)

Market	World	MERCOSUR	NAFTA	European Union
Total	23,810.7	7,918.4	2,327.4	4,562.4
Primary goods	5817.1	1540.2	359.6	1,588.7
Live animals	44.6	28.7	4.1	22.5
Unprocessed fish and seafood	609.2	19.4	28	210.9
Honey	90.6	1.8	55.1	29.7
Vegetables	270.5	130.5	6.7	90.2
Fresh fruits	475.5	155	18.3	277.1
Grains, cereals	2,560.1	943.2	33.4	108.9
Oilseeds, oil producing fruits	963.7	22.6	73.4	696.7
Unprocessed tobacco	145.9	16.7	48.1	60.7
Unprocessed wool	64.7	8	0.1	55.5
Cotton fibre	497	194.5	89	24.4
Other primary	95.2	19.8	3.3	32.3
Industrial goods from agricultural inputs processing (MOA)	8,439.3	1,322.6	842.2	2,395.9
Beef, meats	10,73.5	116.3	128.8	560.7
Industrialised fish and seafood	3,94.9	123.2	57.8	121.5
Dairy products and eggs	280.6	230	9.4	4.7
Other products from processing of animal inputs	21.8	1.6	0.8	10.5
Dry fruits	33.4	19.9	6.4	4.9
Coffee, tea, yerba-mate, spices	64.6	15.8	19.9	3.9
Mill products, flours	166	116.3	0.7	0
Oils and fats	1,890.5	117.8	98.2	53.6
Sugar and confectionery	144.5	39.6	52	0.6
Processed garden produce, vegetables, fruits.	400.1	110.7	185.3	48.5
Beverages, spirits, wines, vinegar	1,53.1	49.5	21	34.2
Food industries residual materials	2,366.7	19.4	1.9	1,229.3
Tanning and dyeing vegetable origin extracts	41.5	3.3	8.9	16.4
Hides and skins	889.3	122.2	213	241.1
Industrialised, processed wools	121.1	0.5	7.5	31.2
"Other MOA"	397.8	236.6	30.4	34.8
Industrial goods from industrial inputs (MOI)	6,465.7	3,504.6	599.3	544.5
Chemical products	980	482.3	92.8	101.9
Plastics	339.8	221.5	9.4	4.6
Rubber and its products	129.5	79.5	10	12
Leather goods not including footwear	146.6	3.1	50.4	50.2
Paper, cardboard, printed matter	377.7	184.1	10.7	44.3
Textiles, clothing and other products	304.4	225.1	11	14.7
Footwear and parts for footwear production	72.7	38.5	10.7	13.5
Stone and gipsum based products	106.7	43.5	12	8.1
Precious metals and stones	4.9	1.5	0.6	0.2
Metals and metal products	1,190.3	180.2	169.9	123.8
Machines and electrical equipment	961.5	577.1	91.9	63.6
Vehicles and other transportation products	1,641.9	1,386.7	48.9	89.7
"Other" MOI	209.4	71.4	80.9	17.9
Fuels and energy	3,088.6	1551	526.3	33.2

Source: INDEC (National Statistics Institute).

Regarding imports, the largest increase for any type of good from any origin is found in ScT goods bought from the "rest of the world", with an increase in import levels of six to seven times. The dominant trend regarding relatively advanced goods is thus to import them largely from outside MERCOSUR. Looking at imports according to their economic application, the largest trade is in the category of intermediate goods, which suggests that local industrial processing follows. It is not, however, known if such imports are new imports for new production or if they displace previously existing national supplies. Another class of goods of great importance, and even more important than intermediate goods, if parts and components are added to finished goods, is the capital goods category. Data on both intermediate and capital goods imports show that trade with advanced countries or regions generates deficits which are partly compensated by the results of trade with MERCOSUR. Argentina in fact imports 3 dollars value from the rest of the world for each dollar imported from MERCOSUR.¹⁸

In trade with MERCOSUR from 1990 to 1996 Argentina had a surplus in the first two years, a strong deficit in 1992 followed by smaller deficits for two years and large surpluses in 1995 and in 1996 (table 7). The most important exports are now those of vegetable and mineral products, fuels, and transport equipment which account for almost 60 per cent of the total. Industrial exports of food products, chemical products, machines and textiles account for 25 per cent. Among imports the largest volumes correspond to transport equipment and to machinery, the former with a moderate surplus in favour of Argentina and the latter with a trade deficit. In metals and their manufactures, and in machinery and electrical goods and equipment, even with important Argentine exports, negative results of 354M\$ and 522M\$ were recorded in 1996 while the trade deficit in chemicals, plastics, rubber and rubber products, paper and board amounted to 400M\$.

In 1997 there was fast increase in total imports, typical of a period of economic recovery, and a weakening of exports. On data to October 1997 the increase in total exports was 7 per cent and the increase in imports, 26 per cent showing the trend towards a trade deficit for the year. Primary exports were not growing, exports of "agricultural based" industrial products increased by 8 per cent and "industrial origin" manufactured exports (including automobiles) increased by 17 per cent. The largest increases were in exports to Brazil. *Total* trade deficit for ten months was 3,500M\$ and should be over 4,000M\$ for 1997. More optimistic official projections had expected increased imports to balance primary resource exports (mining, oil and natural gas). Officials expect that, given that the largest type of imports are capital goods imports and their parts, overall Argentine exports will improve as capital goods are used in production, and trade will be in balance again.¹⁹

These difficulties arise even with Brazil buying large amounts of Argentine goods and even before the current Asian crisis, there was a possibility that the Brazilian economy could slow down, with or without devaluation which would worsen Argentine trade accounts even

¹⁸ From 1991 to 1996 Argentina's cumulative trade deficit with the US was 13,400M\$ and the deficit with the EU was approximately half of that amount. During that period imports from the US increased 250 per cent while Argentine exports to the US increased just 54 per cent.

¹⁹ Projections of the trade deficit for 1998 included in the Budget Law are 5,411M\$. Negative factors for trade are further exchange rate appreciation as the dollar appreciates, Asian devaluations, doubts about Brazilian imports, etc. Forecasts of increased manufactured exports rely on the assumption that capital goods imported in recent years have been imported by industrial firms that will be more competitive now and will increase their exports. Such assumption does not take into account the way in which capital goods are defined nor the fact that capital goods imports supply many sectors other than industry.

Table 7: Argentine trade with MERCOSUR 1990-1996 (\$ million)

Import tariff classification	1990		1991		1992		1993		1994		1995		1996								
	X	M Balance	X	M Balance	X	M Balance	X	M Balance	X	M Balance	X	M Balance	X	M Balance							
I. Live animals and derived products	169.9	6	163.9	111.8	44.4	67.4	71.4	184.5	-113.1	141.7	143.6	-1.9	314.2	113.4	200.8	553.4	72.5	480.9	511.6	142.3	369.3
II. Vegetable natural products	542.6	41	501.6	631.9	70.1	561.8	771.2	71.1	700.1	921.7	76.2	845.5	1028.4	99.5	928.9	1310.6	134.5	1176.1	1405.1	134.6	1270.5
III. Oils and fats	30.4	1.6	28.8	50.7	2.3	48.4	44.1	4.9	39.2	75.4	5.4	70	167.6	6.6	161	144.8	13	131.8	117.8	14.9	102.9
IV. Food, beverages and tobacco	99.6	28.5	71.1	89.7	64.8	24.9	108.5	118.8	-10.3	130.6	143.3	-12.7	203	234.8	-31.8	382.8	227.3	155.5	427.2	174.2	253
V. Mineral products	125.2	154.1	-28.9	162.7	124.9	37.8	296.9	182.7	114.2	688.2	232.5	455.7	782.5	246.7	535.8	965.9	302.3	663.6	1571.6	360.2	1211.4
VI. Chemical products	178.3	179.1	-0.8	178.6	218.6	-40	214.2	303.5	-89.3	250.7	362.4	-111.7	350.8	500.4	-149.6	450.5	601.4	-150.9	498.6	653.2	-154.6
VII. Plastics, rubber and their products	76.8	54.2	22.6	70.7	163.7	-93	94	259.8	-165.8	114.9	282.8	-167.9	162.9	353.6	-190.7	271.2	382.9	-111.7	309	454.6	-145.6
VIII. Skins and hides and their products exc.	69	0.7	68.3	112.1	2	110.1	106.5	4.7	101.8	126.6	5.2	121.4	138.2	7.3	130.9	138.8	7	131.8	125.3	15.6	109.7
Footwear	66.7	31.3	35.4	36	120.3	-84.3	27.2	175.6	-148.4	39.7	224.9	-185.2	60.7	214.7	-154	165.4	257.6	-92.2	184.1	326.3	-142.2
X. Cellulose paste, paper and board	72.4	39.1	33.3	75.9	109.9	-34	74.9	208.9	-134	110.3	221.5	-111.2	234.5	236.6	-2.1	346.4	235.6	110.8	429.6	355.6	74
XI. Textiles and their manufactures	26.7	10.9	15.8	19	28.4	-9.4	17.9	54.3	-36.4	24.5	65.4	-40.9	33.5	71.3	-37.8	51.1	69.5	-18.4	43.5	90.8	-47.3
XIII. Stone and gypsum products	65.5	87.8	-22.3	74	214.8	-140.8	63.1	451	-387.9	121.4	382.4	-261	94	506.4	-412.4	166.1	503.8	-337.7	180.2	534.8	-354.6
XV. Metals and their products	177.8	135	42.8	182.9	305.2	-122.3	171.4	613	-441.6	306.7	781.8	-475.1	357.3	876.6	-519.3	576.2	787.3	-211.1	577.1	1088.1	-511
XVI. Machinery and electrical material	96.4	80.4	16	137.9	271.1	-133.2	237.4	981.8	-744.4	585	1122.1	-537.1	756.8	1455.1	-698.3	1121	836.9	284.1	1996.7	1221.8	174.9
XVII. Transport equipment	35.4	25.6	9.8	40.2	56	-15.8	28.2	140.1	-111.9	46.6	164.1	-117.5	55.5	205.9	-150.4	125.4	162	-36.6	148.9	233.1	-84.2
Other	1832.7	875.3	957.4	1974.1	1796.5	177.6	2326.9	3754.7	-1427.8	3684	4213.6	-529.6	4739.9	5128.9	-389	6769.6	4593.6	2176	7918.4	5800.4	2118

Note: X, exports,
M, imports
Source: INDEC (Nat. Statistics Institute) and own calculations

more. These scenarios have become even more possible, but even to keep the momentum and to control the size of the trade deficit, Argentina would have to reach absolutely new levels of trade in each branch, including for example more than 6,000M\$ in exports of automobiles and their parts.

3.3 Evaluation of trade performance

In spite of some uncertainties and also in spite of fixed, and for most observers not competitive, exchange rate (Except in relation with Brazil since the "Real Plan") Argentine production and exporting can be considered very dynamic. In comparison to past performance exports now increase together with production and not countercyclically. A summary of the 1990s export performance is as follows:

The new economic model (trade liberalisation, integration, control of inflation, privatisation and deregulation) is said to have contributed the incentives for higher productivity and investment through competition, stable prices, and other features of the new economic environment, as well as improvements in infrastructure and the reduction of "Argentine cost". Export profitability was also assisted by incentives and tax reimbursements linked to exports and by the "industrial specialisation agreements"²⁰. The special automobile industry regime was of course of great importance as well as changes in other branches' production functions based on the substitution of imports of parts and components from cheaper sources in place of national supplies; and international prices of several Argentine exports were high in the 1990s improving income for exporters. Multinational corporations participate both in the exports of commodities and in trade within the corporation as affiliates in the region rationalise operations. Generally speaking multinational corporations and other firms participate in intraindustry trade. (A broader view of Argentine industrial exports would also take into account that as a semi-industrialised country Argentina has exported manufactures for a long time, therefore in the 1990s a supply capacity existed and exports only required adequate levels of profitability - or recession at home - to be carried out.)

Such are the factors explaining 1990s trade. The analysis of its development impact is more complex. There are references on the optimistic side to a slow but continuous increase in value added in industrial exports since 1991. Also, there are data that show that in recent years, in spite of the concentration of a large part of trade in the hands of a small number of exporters, many different new firms, including small companies, are involved in exporting. Another positive indicator is that in exports to Brazil, in spite of past variability, the current position is positive.²¹

Some calculations on productivity, jobs and wages related to exports and specifically to exports to MERCOSUR support a positive evaluation of the new exporting experience. While labour productivity for industry as a whole, is reported to have increased from 1991 to 1996 from 110.8 to 147.3 (1990=100), productivity in exporting industrial branches apparently reached 157.6 while productivity in those branches of industry that export to MERCOSUR

²⁰ Agreements signed by firms undertaking to increase their exports in exchange for duty exemptions on imports of finished goods or components.

²¹ Claims on higher value added contents in exports should, however, be looked into carefully, as goods generically involving high value added with respect to the value of raw materials, may in fact contain more imported inputs and components than in the past and lower effective value added locally. In a similar fashion data on "small volume export shipments" correspond partly to large firms starting or continuing export activities and not necessarily to small firms entering foreign trade; Yoguel (1996) confirms that small firms are active in the export of manufactures but this does not prove that all small export volumes come from smaller firms.

increased from 111.2 in 1991 to 171.1 in 1996 (Svarzman, 1997). The level of wages for 1996, taking as reference (=100) the general wage level of industry in the year, is reported to be 122.7 in all exporting industrial branches and 135.7 in branches exporting to MERCOSUR. The same source claims as well that from 1990 to 1996 an increase of 90 per cent in industrial exports from 8,600M\$ to 16,200M\$ involved a total increase in direct jobs from 75,000 to 114,000 (or 52 per cent), while for MERCOSUR trade, given an increase of industrial exports from 1,343M\$ to 5,153M\$, the increase in the number of jobs was from 15,000 to 41,000. These are interesting calculations but they seem to lump together both the creation and the safeguarding of industrial jobs, as the patterns of increases in exports and jobs (larger in 1995, a recession year, than in any other year of the decade) suggest that at least part of the increased exports were products already produced by the existing labour force for the domestic market.

3.4 Alternative views on trade

As discussed above, the general evidence shows a visible increase in the level of commerce as well as other achievements regarding the contents and consequences of exports. At the same time it should be said that the current Argentine transition is very complex. Therefore it is not surprising that many studies and analyses evaluate some limits to and opportunity costs of, the recent industrial export performance, specially regarding the type of employment, qualifications and technology used. Some critical remarks are as follows:

- the level of Argentine exports in comparison to GDP has been low historically but it fell further in 1994 to 5.6 per cent and, in the years that followed, it just increased to levels around 8 per cent. This is a quite low coefficient, even for a country with abundant food and energy supplies. The ratio of imports and exports to industrial output was 16 per cent in 1990 and 25 per cent in 1994;
- Argentine exports from 1991 to 1996 performed no better than exports from the region as a whole and increases were largely due to higher prices. On the other hand Argentine imports increased three times more than the average for the region;
- exports of manufactures, specially "industrial type manufactures" or MOI, are concentrated in MERCOSUR and Chile;
- for 60 per cent of the products exported to Brazil sales to that market are more than 50 per cent of exports; this includes of course the automobile sector and other transport vehicles. Some observers take this to be a high level of dependence on sales on just one market;
- even if annual exports of scale, differentiated and scientific or technical goods to MERCOSUR added together can be shown to have been multiplied by a factor of eight from 1985 to 1994, the trade balances in each category (and more so for the more advanced products) turn out to be highly negative. The share of traditional exports in trade with Brazil and with MERCOSUR was only reduced from 67 per cent and 62 per cent, respectively, in 1985, to 55 per cent and 52 per cent in 1994 (the corresponding proportion in 1994 for Brazilian exports to Argentina was 17 per cent), the share of specialised goods in Argentine exports to Brazil was reduced and the exports of ScT goods from Argentina to Brazil increased from just 3 per cent to 7 per cent while the share of such goods in Brazil's exports to Argentina was 22 per cent in the same period;
- the Argentine deficit in trade in machinery was 8,366M\$ in 1996. Some encouraging data on exports of such goods, when looked at in more detail, e.g. eliminating

categories which are clearly not production goods, turn out to have overestimated export performance²²;

- revealed comparative advantage (RCA) analysis adds some doubts about the quality of exports, although the available research results, which cover just the years up to 1994, may be unbalanced because of the surge of imports²³. Furthermore the results of this methodology are more stable for Argentina's exchanges with the world than with Brazil. In any case it is worthwhile to reproduce some results relevant to the employment outlook of the new trade linkages: thus, considering all industrial exports, whether based on agricultural raw materials or other inputs, the RCA method attributes an advantage to Argentina in low labour intensity industries and disadvantages in medium and high labour intensity ones. This is probably just an effect of the comparative advantage of natural resource based goods associated with high capital intensity in industrial processing. However, an analysis based on categories defined according to different technological levels, or as new or traditional industries and also taking into account the level of skilled or unskilled manpower in production, when applied to the so called industrial base manufactures (or MOI) shows moderate competitive disadvantages for traditional industries and commodity industries, together with a strong disadvantage in "new" industries. In turn these "new" industries include some goods such as heavy, low tech metal goods, which being in fact less tradeable show little disadvantage, while other "new" industries producing medium and high tech goods, show comparative disadvantages for the whole period, increasingly so in the years 1992-1994. Also, regarding industrial exports to the world, the highest disadvantage for Argentine goods is found in those products intensive in qualified labour. This disadvantage is more noticeable in the 1990s;
- comparison of trade with Brazil and with the two other, smaller MERCOSUR partners suggests that Argentina could gain if it improved its export profile by market diversification in MERCOSUR or elsewhere. This follows from the following analysis: in 1996 Brazil received 84 per cent of Argentine exports to MERCOSUR, but this involved buying 94 per cent of primary goods, 78 per cent of agricultural based manufactures and 82 per cent of "industry based manufactures" exported by Argentina to MERCOSUR. At branch level Brazil bought just 56 per cent of Argentine exports of metal products but 98 per cent of transport equipment, and intermediate levels for chemical, electrical or textile goods. In turn, Paraguay and Uruguay together bought 37 per cent of Argentine exports of chemical products and 42 per cent of paper and print exports, although they bought just 19 per cent of electrical and non-electrical machinery. Those two MERCOSUR partners are therefore significant buyers of at least some Argentine industrial products types with a high processing content. Their purchases of agricultural resource based manufactures from Argentina are just one third of Argentine exports to Brazil, and in the case of industry based manufactures one quarter of exports from Brazil, but, for example, in chemicals, purchases from Paraguay and Uruguay are up to 50 per cent of purchases by Brazil.

²² Production and exports of machinery and even turn-key plants were considered a very positive feature of Argentine industry two decades ago, but many local suppliers have been recently unable to compete with practically tax-free imports at the current exchange rate.

²³ The RCA method compares export-import relations for particular branches or sets of goods and similar ratios computed for a larger category of goods such as industrial goods. For its use in the analysis of Argentine export performance see Bekerman, Sirlin, 1996.

3.5 Some conclusions about exports

At this stage in the MERCOSUR experience it is difficult to claim that solid trends have been identified. We have recorded contrasting arguments and observations showing the positive impacts of the new productive and trade performance as well as other more critical ones. Some facts look, however, established beyond controversy. First is the magnitude of the increases in trade. Current level of imports or exports, in the region of 25,000M\$ to 30,000M\$, are several times larger than the averages of ten years ago. On the other hand some ratios between exports of quite different types of goods, remain practically unchanged.

We also found great instability in performance in time as several important economic processes interacted in the 1990s. Repeated references to shortcomings in the new trends may sound too harsh when some basic data point to a greatly successful experience. On the other hand it is correct to analyse the possible impacts on the quality and quantity of employment to be expected from the new industrial and trade system, or alternatively, what would be the necessary conditions for the new trends to lead to "more and better employment". Three aspects may be of interest. First, quantity and quality of value added and implications for skills involved in design and production, second, availability of credit and fair exchange rate conditions enabling many more firms to participate in such trade, third, technical and organisational change and productivity. Some conditions therefore refer to the problems of firms having to operate, restructure and become competitive when capital markets are imperfect and when a fixed exchange rate limits the adaptation capacity of the economy to changes in both internal and external conditions. Technical and productivity conditions refer to the need for advanced production strategies beyond the strong emphasis that has been placed on importing machines as the main technological solution. A wider approach should take advantage of many other means and methods for efficient manufacturing with emphasis on organisational changes and the development of human resources in order to close or reduce productivity gaps in all industrial branches whether advanced or traditional, import-competing or export oriented or both.

4. Investment and the location of industry in Argentina and MERCOSUR

In the medium and longer term the relevant factor for growth, efficiency, employment and international trade is investment. The production structure of Argentina and the quantity and quality of employment associated with it will depend on the trend of investment in Argentina in both tradeables and non-tradeables.

Investors may be either national or foreign. Statistics and the projections that are available refer mostly to foreign direct investment (FDI). This is partial information but it shows which are the dynamic sectors (or the sectors that such investors believe will offer the best opportunities). These sectors are also those in which the advantages of international firms in capital, technology and market power make it less likely that national firms will be able to participate.

4.1 The amount and sectoral distribution of investment

According to official estimates Argentina's general investment performance improved considerably in the 1990s. In the 1980s gross national investment fell at the rate of 7 per cent per year, reaching in 1990 a floor of 13 per cent of GDP. Official data indicate that the stock of equipment used in production was reduced at the rate of 3 per cent per year, and that in 1992 such equipment had an average age of eight years, the highest since 1970. The same source claims that from 1993 to 1996 production equipment stocks grew at the rate of 5 per cent per year and in 1996 the production capacity of 1980 had been reached again now with equipment of an average age of six years.

Industrial investment for the years 1989 to 1992 was 9,100M\$; and it was almost 11,000M\$ for the period 1992-1995 (Bisang, Bonvecchi *et al.* 1996). In the first period 44.5 per cent of investment went to oil refining capacity, 10.3 per cent to the food industry, and smaller percentages to basic chemical products, transport equipment, paper, beverages, other chemical products, textiles and non-iron metallic products. In 1992-95, 37 per cent of total investment was for new plants and the remainder for modernisation, restructuring, etc.; it is estimated that 47 per cent of total investment was in the automobile industry, 19 per cent in food and beverages, 10 per cent in petrochemicals and 6 per cent in the steel industry, showing a strong investment concentration either in industries with special regimes, like the automobile industry, or with natural comparative advantages, such as petrochemicals using natural gas and food industries. No analysis of investment showing orientation to the internal market or to exports is available.

An estimate of effective FDI in the 1990s (up to 1996) indicates that, for all sectors including industry, it was just over 21,000M\$.²⁴ According to a research centre (Fundación Andina) FDI at current values for all sectors was 5,700M\$ in 1994, 9,400M\$ in 1995 and 7,336M\$ in 1996. The estimate of cumulative foreign investment 1994-2003 obtained by adding to those amounts figures on projects already announced until 2003, is 35,000M\$.

Considering the branches of industry where DFI has been more active, a study of the industry secretariat estimates DFI for 1992-1995 in the manufacturing sector as 4,344M\$, of which 45 per cent, or 1,991M\$, was invested in food, beverages and tobacco industries, 33.2 per cent, or 1,443M\$, in chemical, rubber and plastics industries, and 14.5 per cent or 631M\$ in the automobile and autoparts industry, with smaller amounts invested in industries producing machinery, cement and ceramics and metallic and metallurgical products. Regarding the estimates to 2003, the overall figure of 35,000M\$ already mentioned includes more than 12,800M\$ in investments in industry including both from 1994 to the survey date and subsequently projected to 2003. Such investment took (will take) place mostly in the automobile industry (4,366M\$), food industry (3,984M\$) and chemical and petrochemical industry (over 3,000M\$). Investments in the automobile industry will be divided between investments in new plants and in modernisation to the rate of 2,000M\$ for the former and the rest for the latter; in the food industry at least 1,200M\$ would involve takeovers and the investments in new plants would be 36 per cent of total investment; in chemical and petrochemical industries investment in new plants would be over 1,400M\$, therefore, adding new plant investment in those three sectors and equivalent data for other branches, investment in new plants is to be 38.3 per cent of the projected amounts. Another source (Fundación Invertir) estimates investment for the whole 1990s decade (in this case *not* for the 1994-2003 decade) as

²⁴ Data from Centro de Estudios de la Producción. See Kosacoff, Porta 1997.

26,000M\$, most of which in 1990 to 1994 went to privatisation and in 1994 to 1996 to takeovers,- while after 1996 the largest part is supposed to be applied to new projects. According to this source up to the year 2000, 42 per cent of investment in Argentina would be in the industrial sector but in turn 60 per cent of that amount would be concentrated in chemicals and petrochemicals. Another feature of foreign investment in the 1990s, as indicated by information distributed by investors and by their replies to surveys is that it is rather balanced between investment by foreign firms already located in the country and new arrivals, as well as between the modernisation of existing plants and new plants, mostly for production for the internal market or for MERCOSUR. Regarding employment, even if the surveyed firms reported their expectations of practically duplicating total sales from 1995 to 1998, their projection of *additional* employment creation was just 10 per cent of the workers they already had.

Summarising, foreign investment in the 1990s was high although largely oriented towards takeovers and purchases of existing firms. Precise figures and breakdowns of investment totals are difficult to obtain as there are no official sources and different studies and surveys attribute perhaps the same amount to different years or use different classifications, but it is clear that the main priorities, *outside* the industrial sector were in the privatised services (non tradeables) and in primary sector tradeables, while the part *going to industry* was oriented to branches with natural comparative advantages such as food industries and basic petrochemicals, or industries having a special promotional regime, such as the automobile industry. Other investment went to different industries with mixed competitive advantages, such as some linkage to the natural resources base, availability of an important internal market, previous local development, or specialisation and preferences of investors. A point to retain is that there was no investment to start production in previously non-existing branches, as given the extensive spread of Argentine industrial development, most branches did already exist.

4.2 Location in and within MERCOSUR

A brief discussion follows of the factors that determine the location of investment in MERCOSUR and within MERCOSUR.

Information on foreign owned projects or industry takeovers, released case by case by investors and/or analysed by the business press, leaves little doubt that the main reason for investment in Argentina or MERCOSUR is that the firms seek positions in the internal market or regional market, and it seems also clear that they need to invest to jump over the tariff barrier, while the current trend of firms of all national origins to expand globally contributes to the activity of foreign investors. Such factors are combined in each country with special benefits or regimes such as that of the automobile sector which is as well an example of simultaneous location of plants, different in mission and activities, mostly in the two largest countries of the group, by each firm. Some firms seem to introduce an element of managed equilibrium concentrating their largest investments, and their regional decision and management centres, in the largest country (Brazil), but also making additional investments in the region. In this way, the firm does not concentrate all its investments in one country, and other countries receive some production and jobs,- a procedure that does not always assure the most efficient allocation of resources. The automobile components sector does not share in the incentives enjoyed by firms in the final production segment; in fact, economic liberalisation and the reduction of national integration percentages for components allow for higher levels of external purchases by the car assemblers or final production firms. Given a new division of labour

between assemblers and component makers, firms producing components in the country are now displaced by newly arrived global parts suppliers who work closely with assemblers wherever the latter establish final production.

Another apparent reason for location in MERCOSUR and particularly in Argentina, is the existence of natural comparative advantages. However, not much is known about significant industrial investment by foreign firms to supply international markets for highly processed goods from Argentina. (The foreign investor may prefer to supply other markets from other plants producing final goods including plants in its home country). Factors such as production efficiency, or skills, or human resources, or increased productivity seem not to be relevant in attracting investment for the manufacture in Argentina of natural resource based food products with significant degrees of processing.

Thus there are different reasons why MERCOSUR and/or Argentina attract investors. We should concern ourselves with the question in which MERCOSUR country they decide to invest. An interesting question in an economic integration framework concerns the probability that a foreign or local investor (that is with or without the advantages of an international brand, technology, production experience, etc.) would establish a plant in a country with a smaller, or even much smaller market than another country or countries of the region; i.e. an investment involving the need to export to the common market a volume of goods much larger than the firm could see in the domestic market of the country where it is located.

Such type of enterprise would prove the credibility of integration and would reveal a significant capacity for risk taking and for being sure of competitiveness in production. In practice, however, location of investments within an integration area formed by countries of different size and degree of development tends to create problems such as the concentration of investment in the country where conditions and market size favour industrial development projects. In the comparison between Brazil and Argentina, Brazil being between four and five times larger in terms of population and close to three times in terms of output, the hypothesis of concentration seems to a certain degree confirmed when data on investment by branches are examined.

However, even when significant investment is made in one branch in one country, this does not guarantee no investment elsewhere. In Argentina even strongly concentrated investments are not exclusive; in fact important investments are underway in Brazil in the automobile, food and chemical industries, (that is to say, the same sectors in which investment is concentrated in Argentina).

Foreign investors seek to gain access to the advantages usually exploited by local firms. National firms have certainly no monopoly of natural comparative advantages, and many investments are made by the partner countries or third countries to use goods based on the initial processing of Argentine primary products. But further value adding by such investors will not always take place in the country. This could reduce the chance of having more qualified job positions in the country and it could as well deny the opportunity to establish local brands and qualities oriented towards regional and international trade.²⁵

Generally speaking economic integration should allow for the decentralisation of investment and for the development of some first level firms in all of the member countries. However a realistic appraisal would accept that certain types of scale advantage or other types of asymmetry will persist. A regional goal could be to achieve a situation in which, as happens

²⁵ In the case of natural resource-based comparative advantage a further twist is that foreign firms active in MERCOSUR may invest in a smaller country to export to the larger ones, as has happened in the dairy industry in Uruguay.

when smaller European countries compete through at least some firms of good capacity and scale, capable of original developments- each country of MERCOSUR is able to develop some leading or competitive enterprises without being prevented from doing so by the overwhelming presence of firms from the largest countries. If such a balance is not achieved the volume and quality of industrial employment in all countries but the largest will be curtailed.

4.3 Investment and sectoral structure

In Argentina the industry which has attracted the most investment is the automobile industry; investors include some of the main US and European firms as well as others. A large proportion of current Argentine industrial exports and industrial production is now dependent on its performance. Current capacity is 500,000 vehicles per year on one-shift operation. This capacity is distributed among plants of different ages, layouts and technology but many are recent and this capacity is almost twice the maximum historical level of production. Local car purchases by final users now exceed 400,000 or even 500,000 units per year. Argentina in 1997 reached levels of exports to Brazil of 24,000 units per month, and total export projections for 1998 before the Brazilian crisis were 400,000 units. This is a sector that has been given a very high policy priority, and deserves deeper examination.²⁶

Recent expansion of this branch in Argentina has been based on the implementation of production capacity. This industry employed up to 57,000 workers in the 1970s, total employment was reduced to less than 20,000 at the end of the 1980s when production levels were a third of the historical maximum, and reached its high level in 1994 with 27,000 workers. These jobs are quite likely to be expensive jobs, as there are now many producers and brands in a market that even at the regional level is not all that large, and even under new concepts of specialisation or lower compulsory levels of regional parts integration, prices are not internationally competitive. The possibilities of exporting finished vehicles or parts and components are quite low.²⁷ Furthermore the industrial scheme requires high protection. No definitive CET has yet been agreed; the target date for a CET to replace current national duties on automobile imports is 1999, and expectations are that nominal protection is going to be at least 30 per cent. Argentina should worry too about the location of larger scale, higher technology production taking place in much larger plants in Brazil, while older models are shifted to Argentine plants.²⁸

Investment in the food industry, much of it foreign and oriented to the purchase or takeover of local firms, is also substantial. Given the structure of agricultural production there is a general presumption that Argentina should be a good location for this industry, but thus far multinational companies, endowed as they are with established brand names and access to main country markets, have not chosen to make Argentina the origin of their supply of final consumption food products. There is no clear knowledge whether they will eventually source their higher value added products in Argentina, or if they will sell from Argentina just to MERCOSUR or perhaps to other South American countries. It would also be interesting to

²⁶ Total production capacity for this industry in Mercosur in the year 2000 will reach 4,200,000 units per year and demand 2,800,000 units.

²⁷ In other words this industry is likely to remain confined to MERCOSUR with no competitiveness to supply third markets.

²⁸ Investors have chosen to have plants in more than one country. Instead of, say, 4 or 5 automakers having plants in Brazil and perhaps two others having plants in Argentina, if not Uruguay or Paraguay, most of them have main plants in Brazil and another plant in Argentina, while in some cases they have offered to place a third plant for low volume assembly in one of the other countries.

know whether nationally-owned firms can, firstly, sustain the pressures of the takeover wave plus the competitive pressure of imports in the local market and, secondly, go on to exporting to world markets on the basis of cost- and reputation-based competitiveness. (Local owners of the main national firms not purchased so far by foreign groups claim that they will not sell their companies but large international groups often have the resources to gain control of other firms.) In the matter of employment, food industry firms surveyed some time ago were evenly divided between those which in the years 1989-1992 had reduced jobs, those that had maintained their number and those that had actually increased employment. When asked about their plans after 1992, expectations were partly towards increasing employment and partly just maintaining jobs, very few considered further job-cutting (Soifer 1995). (At the time of the survey local sales of food products were increasing substantially.)

Competitiveness in the Argentine petrochemical (or, rather, natural gas-based-chemical) industry is based on the availability and low cost of gas. Investment here allows firms to supply primary and perhaps other petrochemical products to MERCOSUR or to other markets, and to a large extent funds have been used to buy State-established, now privatized plants. For other large scale chemical productions the key factor is local demand, such as from agriculture. Capital intensity in heavy chemicals and petrochemicals production is high, and not much employment creation can be expected from these developments.

4. 4 The impact of investment on the structure of industry

MERCOSUR-oriented industrial investment in Argentina (sometimes supported by a special promotional or trade regime) should be compatible with desirable capacity development, and not the source of structural distortions. Does such investment get the country closer to producing for world markets and trading in them? In looking for an answer, firstly, we are not discussing the alternative of industrialisation through the import substitution tradition. In MERCOSUR countries (with due allowance for obvious differences) today's production structures are a continuation of those quite diversified ones they had as the common integration project was set into motion. Sometime ago, especially in Brazil and Argentina, industrial and technological advance was understood largely as the accumulation of new, more complex, industrial branches, including some advanced and close to "hi-tech" branches, such as the production of capital goods and electronic and computing equipment (in turn some of these were eventually heavily downsized). It would not be unfair to describe the industrial range of these countries as fairly complete but certainly not quite competitive.²⁹ The essence of today's renewal process is not the arrival of new investment to create or extend the sectoral structure (creating new branches, adding new types of goods). It is the combination of the entry of new firms, and modernisation and adoption of new organizational patterns in existing ones, to close gaps in product and process technologies and in organization and efficiency in each and every industrial branch in order to comply with current standards of competition and technical change. Foreign investment or acquisitions, even when their goal is just taking positions in the MERCOSUR area, may bring innovations in technology or management. It is, however, quite important that national firms should also succeed in restructuring to improve their potential activity in diversified markets.

²⁹ The main factor behind the historical lack of competitiveness is that one after the other new branches were established with production capacities below minimum economic scales as they took as their reference just the size of the internal market. The Asian exporting countries expanded their industrial base establishing production capacities and product standards related to the size and requirements of international markets.

In this context, the concept of structural change will mostly be taken to involve either the further development of branches or industrial subsectors, or, changes in the general practices and efficiency of existing branches with modernisation and investment. Investment and or management by foreign investors will impact on industrial structure and performance in different ways. For foreign investment, relevant questions are whether investors' activity and know-how contribute to improvements in costs and in quality, and specifically also if the expected rationalisation of operations and costs in the unified market sustains not only lower costs and prices in the region but higher competitiveness and export capabilities in other markets.

Efficiency gains in the foreign controlled sector do not cover all the needs of Argentine industry but their answers to these questions do tend to be affirmative. International firms with multiple plants in MERCOSUR report that they seek specialisation and complementarity between affiliates, achieving increases in scale, preferring specialisation over diversification, assigning priority to the renewal of their product lines and generating intraindustrial trade (Kosacoff, Porta 1997). They do not report, however, the development of sales beyond the MERCOSUR or the Latin American market. Their rationalisation of production is specifically regional, which may nevertheless reduce costs, or demonstrate organisational practices new to the industries of the region. To some extent, however, the situation is similar to what happened decades ago when foreign-owned industries located in Latin American countries under the national level systems of protection; the difference is that today it is the CET that defines the viable level of inefficiency. Contribution of DFI to the participation of Argentine workers and skills in world markets is not expected to be strong.

4.5 Investment and employment

Takeovers neither create capacity nor jobs, at least in the short term. New plants do require workers. One study reported that the foreign controlled firms surveyed planned to increase their sales to twice their current levels but their expectation was that in doing so they would add just 10 per cent to their number of workers. Indeed, the automobile industry (final production and assembly plants) now with much higher productivity and also buying more components from abroad or from affiliates and subcontracting more work, has multiplied production several times in the 1990s with an increase of below 35 per cent in its total labour force. New investment in this branch will generate more employment if it involves capacity expansion but not just plant updating for the introduction of new models; in any case there are no reasons to expect strong rates of employment growth unless local and foreign sales continue expanding, new shifts are added, etc. The food industries may create jobs to some extent. For the whole of the industrial sector what may be expected, *branch by branch*, is an employment trajectory involving sharp job losses during the harder "rationalisation" periods, i.e. starting from the economic liberalisation shock at the beginning of the 1990s, followed at best by long term increases at a moderate rate starting for each branch at the time it completed the first phase of restructuring.

Regarding quality of employment as determined by the preferences of investors if and when recruiting personnel, such preferences single out young candidates, with secondary qualifications (whether from technical schools or not) and a capacity for learning. Technical qualifications are not in demand and work experience under traditional technical and labour relations systems is of no interest to such firms (Kosacoff and Porta 1997). This type of criteria is now not just a characteristic of foreign owned firms as we have found some similar views

held by national entrepreneurs who restructure their firms. Therefore, besides being unlikely to create much industrial employment, investment will create a demand for workers with different and sometimes more limited (at least in a traditional sense) qualifications than in the past. The loss of weight given to technical qualifications related to specific process or branch technologies is said to be because new workers require generic knowledge, capacities in learning and adaptation, using keyboards to enter data and instructions, calculating statistical functions, communicating, and so on. This is well known but some questions arise, one is whether all firms have actually introduced new working arrangements that require these generic post-Taylorian skills, another is whether the transfer of process skills to machinery or microelectronic controls is now so advanced that technical or practical skills specific to the industry are not required. Answers are not readily available but there is an alternative approach, that under current economic conditions it is often profitable to “de-industrialise” at the firm level by importing components or kits, therefore the key process is assembly, which lends itself to reorganization along lean production or similar systems requiring other types of skills.

4.6 Nationally-owned firms

The current trend in policy-making seems to be to consider the origin of capital, as well as the issue of foreign or national control of firms, or any analysis of the impact of these features on the general orientation of production, irrelevant. Current economic management in Argentina is most unlikely, or so it seems, to make any attempt to give preferential treatment or opportunities to nationally-owned firms. In advanced countries however, and even if specific “national champions” initiatives have failed, the relationship with the international production system is two-way, as foreign investment comes in and at the same time at least some local firms become active participants abroad through direct investment. In Argentina the arrival of foreign investors with very selective goals and location decisions, just involving taking advantage of specific local market opportunities, is understandable, but it is also likely to leave gaps in the country’s “desirable” economic strategy. This leads to an evaluation of what the role of nationally-owned firms is to be regarding the implementation of other production lines and the creation of more, and more interesting, jobs. In many branches, in spite of the entry of foreign firms or massive imports of goods, there are national firms, sometimes but not always affiliated to strong private economic groupings, which have maintained their standing. National firms of a medium size also exist (and sometimes even small firms) with interesting technological and market strategies, good management and good technical staff, that have gained their position on the basis of innovation and specialisation focused on specific market opportunities. The question is whether those and other locally-owned firms are able to generate (as part of their normal business activity, not as a mission assigned by technocracy) a renewed industrial expansion with a significant contribution to employment.

Can such developments be expected? Would government agencies be available to help? From a mainstream economics point of view, if there are in the country enterprising persons and an availability of savings, and given the already accomplished economic reforms (plus some others to come such as the “labour flexibility” reform), nationally owned firms would naturally come into being, to substitute for imports in the country and in MERCOSUR under

the CET protection, competing among themselves and with foreign investors, choosing appropriate technological paths and concerning themselves with and developing a human resources base. If things do happen that way, there would be little for the Government to do to change them. In the current context, and given the bad memories of failed policies of the past, broad programmes of direct support to local producers seem unlikely³⁰.

5. Summing up and the prospects for employment

5.1 Argentine experience in the 1990s

Argentina is currently undergoing a process of transformation, giving up economic structures that had developed insoluble problems. The current transition is taking place in a new international context that creates favourable conditions for trade liberalisation, circulation of the capital and trade.

We have tried in the text to underline the contrasting views of those who, relying on some really excellent economic indicators, almost unconditionally praise the success of the experience (with minor discrepancies such as calling for tighter fiscal behaviour or deeper reform of the labour market) and those observers who consider the process neither sustainable nor equitable. For the first group the solution to all outstanding problems such as unemployment lies in the deepening of the transformation³¹.

In the initial years of economic liberalisation MERCOSUR (or perhaps just Brazil) was just one more place from where competitive imports arrived massively on the Argentine market, but it became eventually the largest buyer of Argentine industrial goods, giving breathing space to the then troubled economic reform. MERCOSUR does not arouse negative feelings in the country, but it has prompted criticism from abroad as being conducive to trade diversion, the "reciprocal commerce of inefficiently produced goods" – this in spite of the fact that the degree of openness to imports of all types of goods from third countries has increased considerably since the 1980s. Although it may be argued that it is all part of the same problem (the view that domestic market protection is a tax on exports) the lack of comparable trade flows towards the more advanced countries is really worrying. This could help reduce dependence on particular markets or favourable circumstances, such as the unrestricted inflows of financial capital or the unusual import propensity of Brazil.

This study took MERCOSUR as a fact – with formal instruments of integration, involvement of industrialists, trade benefits and social consensus. It did not ask if the scheme was good or bad, but rather tried to find out its consequences, and how Argentina's long term integration into the international economy could be fostered in order to optimise development and employment, taking the changes due to MERCOSUR as the basis for going beyond Argentina's current trade and production system.

Argentine trade in the 1990s has enjoyed increases in exports, including some relatively complex manufactured goods, but there are weaknesses in the mix of products exported, an excessive reliance on the natural resources base, a poor performance of goods related to

³⁰ In fact a policy contradiction is involved insofar the foreign trade regime has many exceptions and rules that imply ad-hoc protection for some branches of production while older investment promotion regimes are still in force in some areas of the country.

³¹ The fact that some economists and other observers think that current production and trade structures are vulnerable or inadequate does not mean that they suggest returning to the closed economy model.

dynamic comparative advantage or intensive in skilled labour, with large trade deficits in industrial branches in which Argentina should not give up the chance of gaining competitiveness. Argentina thus has a strong tendency to develop a large negative trade balance very quickly once internal activity increases and attracts imports³². Regarding the (irregular but on the whole positive) increases in output, critics argue that this is largely a recovery from the 1980s, that performance is uneven (and concentrated) and that the significant productivity improvements achieved were needed to compensate for the negative effects of the rate of exchange on competitiveness.

Furthermore, long-term performance will be determined by the behaviour of local and foreign investors. The role of foreign investors is dependent on crucial decisions on location with a certain preference for Brazil, while local investors have their own weak points. The internal savings rate in turn is too low.

But the most critical situation shows up in the sensitive area of employment, including industrial employment. Some studies claim that trade generates jobs but the 1980s trend in industrial job losses continued into the 1990s although through different mechanisms. The first question in the context of "growth with more and better jobs" is how to increase industrial production after almost two decades of stagnation.

The "two faces" of the relationship with Brazil are currently a key factor here. The 1994 reforms in Brazil changed the trade position in that that country, the largest in MERCOSUR and with the potential to become the main supplier of industrial goods in the region, has instead become an active buyer of Argentine industrial exports. Many Argentine observers earlier thought that Argentina under regional free trade would end up in a subsidiary position vis à vis Brazil. Concerns have now shifted to the risk that changes in policy or a major crisis in Brazil could take away from Argentina what is now the closest thing to a balancing factor in its foreign trade. Today Argentina, besides rejoicing at the positive outcome so far of her relationship with Brazil, should perhaps be more confident that three years of access to the Brazilian market have helped consolidate some commercial flows, with firms learning how to operate in that market and developing the basis for a longer-term commercial relationship, which is unlikely to reverse itself sharply. Furthermore, Argentine firms graduating from such regional sales experience could become international exporters.

One criticism about regional trade taking place behind the CET barrier, is that it may induce the development of the "wrong" industrial structure. However, in particular Argentina has for many decades extended its production structure by the "addition of branches" to the industrial range (light goods, automobiles, chemicals, capital goods, large scale intermediate goods production, etc.; the main sector under scrutiny today because of high protection and special privileges, i.e. the automobile industry, is itself a 1960s sector in both Brazil and Argentina). Countries protected this development with national tariffs and controls and a not perfect but significant learning process helped such branches achieve a certain degree of proficiency (although not international competitiveness). Thus changes brought by MERCOSUR or by trade liberalisation operate on existing industrial structures, and do not encourage fresh investment to create new branches that would be extremely vulnerable if the regime of protection would change. The best strategy for Argentina compatible with trade policy criteria would be to make good use of its regional economic linkages and to also expand

³² Balance of payment crises were indeed part of the stop-go cycles in the closed economy period but today's high deficits develop very fast, and this happens in fact in the already reformed economic system which by definition should not repeat the problems of the past.

trade with all markets, emphasising higher degrees of industrial processing, reducing dependence on MERCOSUR as the quality of production, work and skills improves.

This analysis is related to a classic subject of discussion in economic integration proposals in Latin America, the idea of the regional grouping as a “stepping-stone” for wider exports. Thirty or 40 years after the early theorizing on economic integration and after practical integration attempts the concept needs updating on two main counts: the local integration of the range of industrial activities through “accumulation of branches” has already taken place, and most countries have proceeded to export some of their industrial production to a variety of destinations, certainly beyond their regional groupings. Brazil, and more erratically Argentina, have the experience of exporting to advanced markets without previously going through phases of sales to regional partners. In short, a view that MERCOSUR will foster new protected branches that will eventually export to the world, would now refer only to some special possibilities; furthermore these countries are aware that MERCOSUR is not their only exporting possibility³³. Instead it can be reasonably expected, or at least hoped for, that MERCOSUR could give specific opportunities to particular industrial sub sectors or firms to be involved in foreign trade for the first time. They could widen their activities using regional trade preference to improve their productivity, quality, reliability, or service capabilities and flexibility, to supply new and qualitatively different demands, and gain experience useful for international sales. The wider regional market would not encourage the creation of new industrial branches but the improvement of existing ones. This will not be automatic, the pressure for improvement will also depend on regional or third country competition and demonstration effects which in turn depends on whether the level of the CET allows an adequate degree of competition.

These processes require specific agents for them to take place, and this involves the question of who is in control of the firms. International corporate expansion is interacting with the creation of MERCOSUR to attract and even in some cases to force investment in the area but the logic of firms with worldwide structures does not necessarily involve establishing export platforms for manufactured goods in MERCOSUR, or Argentina. The role of nationally owned firms in trade to a wide range of final destinations, should not be overlooked. This would of course require the adaptation of firms’ capabilities to higher competitive standards but, if it is true that much of the imports recorded as “capital goods” are machines for industry, some production branches and firms at least must now be in a better position for regional or international trade than some years ago³⁴. Here the source of restructuring or modernisation decisions was the overall trade liberalisation shock and the need to compete with imports, but the consequences may well show up in the export trade as well.

To have a more complete evaluation of results achieved by Argentina during the decade, we shall test some of the traditional economic integration criteria to see to what extent they provide additional insights:

³³ Our argument can be summed up saying that MERCOSUR will not create new, exotic, vulnerable branches – nor will MERCOSUR work through the creation of the new trade oriented branches of the future.

³⁴ The dollar wage cost is now high for Argentine standards but lower than in advanced countries.

- The question of “winners and losers” has not attracted much analysis in Argentina, perhaps because at least up to 1997 Brazil’s strong import demand made benefits for Argentina larger than the costs of the integration process. Furthermore changes in economic conditions are generally perceived as a consequence of the general liberalisation process, not of regional integration. Job loss is thus attributed to broad trade liberalisation and/or privatisations, not to MERCOSUR.

Regarding wider impacts or benefits the broadening of trade suggests that there will be further increases in production and that firms at the limits of their current capacity will make additional investments, and/or recruit more workers. But analyses of trade suggest benefits for Argentina will be smaller than they may seem, i.e., there is ample room to improve technological levels, specialization, use of skilled labour, etc. Branch by branch, the more visible benefits are in the automobile industry as foreign investors’ “satisficing” strategies give Argentina a share in investments and jobs, even if smaller than in Brazil; on the other hand the production of components is now more restricted. Some food industry branches, such as dairy products and flour, have achieved some success, as has a part of the chemical industry.

- The question of *trade deviation* is whether the integration project as a whole is “neoprotectionist” to the point of promoting a high degree of inefficiency blocking sales to third markets. The recent decision to raise the CET, and the data on effective protection (ranging from slightly negative to 51 per cent) makes this question even more relevant. The overall possibility of trade diversion is admitted and for some items it is almost obvious that exports are only viable within the regional market. The new system of protection (even if the tariff levels are below those of the past) and the possible trade diversion may have structural effects contrary to those expected from the “apertura”. Is the modernisation effect of the general liberalisation shock so strong that even some protectionist bias in the new CET will not be able to reverse the industrial reform process? In practice MERCOSUR is now effectively quite open to trade and to demonstration effects in terms of modern products and technologies and there are examples of industrial restructuring in most branches. These have not been sacrificed because of regional trade possibilities. The exact position branch by branch is, however, not known systematically. The costs of goods imported from the region rather than from more competitive sources must be watched and alternative exports should be developed alongside the greatly expanded regional trade.
- The theory of liberalisation predicts a strong short-term effect in efficiency and in partial and total factor productivity, to be followed by longer-term gains based on industrial restructuring. What is the record so far? What we now know about productivity increases refers to (partial) productivity of labour for which general estimates for the 1990s range between 45 per cent and 60 per cent. A 1994 calculation traced the source of productivity increases in the first years of the reform policies to the increased level of output and not to intrinsic gains in factor efficiency or to technology.³⁵ Dismissal of workers creates an arithmetic result where productivity (per remaining worker) appears higher. Those are the most clear, almost crude, results about productivity. It is more difficult to claim that increases in productivity are

³⁵ See footnote 3 and Kacef 1994. An interesting view in this matter goes in fact one step beyond to argue that those branches in which production and productivity increased were those with the least exposure to foreign imports, i.e. those in which local producers did not have to share demand with foreign goods and/or were already quite efficient. This turns the argument on positive effects of competition due to trade liberalisation on its head.

consequences of increases in exports or more specifically increases in MERCOSUR trade, although some studies quoted in Section 3 claim that.

To summarise, Argentina in the 1990s found a good market in Mercosur. But in order to avoid excessive dependence on events and decisions outside its control a wider set of markets must be reached. Mercosur may be the learning ground for some sales to be eventually exported to more markets, while other products have already been traded by Argentine exporters beyond the limits of the region or will be without preliminary exports to MERCOSUR. Steady productivity increases will be required for both ranges of goods. Argentine exporters may also be under pressure for an even faster diversification of markets if Brazilian demand falls or if Brazilian firms compete harder at home and in the region. But excessive ease in exporting ever larger amounts to Brazil may weaken the will of Argentine exporters to diversify towards the world; in fact some trade experts have said that the CET should be lowered to restrict such habit-forming regional trade.

5.2 Employment prospects

The main theme of this paper is the outlook for employment in the context of Argentine growth and participation in regional integration. Different subjects have been raised and if they do not add up to a precise forecast of the contribution of growth and integration to "more and better jobs" in Argentina, they offer a frame of reference to evaluate the possibilities and limits of an increased demand for labour from the industrial sector.

History shows that in the evolution of Argentine industry up to the 1950s employment came first while over the last decades productivity came to centre stage. In a sense it is artificial to discuss increases in productivity as a continuous trend when at some times production and employment in industry were falling at different rates, but certainly in the 1990s the level of industrial activity recovered while employment was further reduced through the closure and downsizing of firms and operations that shifted the impact of economic transformation onto the labour market. The pressure for modernisation and technical change makes it also quite unlikely that a further recovery of industrial activity could involve a broad creation of jobs. According to some views (or if restructuring takes a virtuous direction) improvements in work may be in terms of the quality rather than the quantity of jobs, i.e., with higher qualifications and technical content.

Some studies about multinational firms' activity in Argentina have concluded that in such firms employment will grow less than output. That is, of course, the experience in the renewed automobile industry and in some other branches with or without foreign participation. At the end of 1997 some officials claimed that the latest recovery had created jobs in industry because the tendency towards industrial job-loss had been neutralised while employment was being created indirectly. The overall view of Argentine economic managers today, shared by some private analysis centres, is that employment will recover if the deregulation of the labour market is completed. There are no specific estimates on the future effects of integration on jobs.

Both studies of the content and skill implications of trade in section 3 and the analyses of investors' preferences in a MERCOSUR context in section 4 discourage belief that there will be a specific search for advanced skills, besides those generic capabilities already mentioned as part of restructuring. The question remains concerning the chances for better jobs if larger volumes of trade to more diversified destinations is achieved; not that Argentina need become a predominantly manufactured goods exporting country but a country with a more sophisticated industrial sector successful in both the open domestic market and in external markets. Any such

process would involve the need for efficiency improvements and the closing of technical and productivity gaps across the whole industrial range of activities; improvements in the quality of work would not be restricted to a few leading branches.

An interesting dimension, linked to technological quality and the specialisation and differentiation of products, and to the level and quality of employment generation, concerns widening the number and types of firms with a role in trade and integration. Some evidence has been received on the broadening of the group of firms that export, including smaller, nationally-owned firms selling specialised goods. Given that larger firms (affiliates of multinationals or nationally owned) even if they grow are restructuring and not generating jobs (often reducing their number instead) and not creating a widely oriented manufactured export base, the possibility, and the need, arise that medium-sized and even smaller firms, with good management, human resources and technology (of which there are interesting examples) could increasingly take advantage of new and dynamic commercial activities. This could improve the prospects for better industrial employment, not because small and medium firms may sustain statistically the largest number of jobs (a belief about which we pass no judgement) but because at least some such firms could open new market spaces and have higher growth rates generating growth-related employment.

Such firms would operate in many sectors, even in specialised processes, side by side with branches dominated by large firms and even take up some activities of such branches. Their "technological model" would in the first place be oriented towards closing product quality and productivity gaps, their markets should be quite diversified and their organizational arrangements and development and management of human resources attuned to more advanced forms of management. Their development would challenge to the limit the capabilities of entrepreneurs and of agencies responsible for industrial financing, labour market and technology policies, to provide support for such initiative, within the limits of an overall non-interventionist economic regime.

References

- Bekerman, Marta and Pablo Sirlin (1996), "Patrón de especialización y política comercial en la Argentina de los noventa", *Desarrollo Económico*, Special Issue, vol. 36, Summer 1996.
- Bisang, Roberto, Carlos Bonvecchi, Bernardo Kosacoff and Adrián Ramos, (1996) "La transformación industrial en los noventa. Un proceso con final abierto", *Desarrollo Económico*, Special Issue, vol. 36, Summer 1996.
- Bour, Juan L. (1995), "Los costos laborales en la Argentina", in Ministerio de Trabajo, "Libro blanco sobre el empleo en la Argentina", Buenos Aires.
- Cepeda, Horacio (1996), "El desempeño exportador de 1995. El caso de las MOI", IDI/UIA, Note 58, Buenos Aires.
- Fundación Banco de Boston, Boletín MERCOSUR, No. 44, April 7, 1997.
- Gerchunoff, Pablo and J.C. Torre (1996) "La política de liberalización económica de la administración de Menem", *Desarrollo Económico*, No. 143, October-December 1996.
- Kacef, Osvaldo (1994), "Productividad en la industria argentina 1990-1993", IDI/UIA Note No. 50, Buenos Aires.
- Kosacoff, Bernardo and F. Porta (1997), "Las inversiones extranjeras directas en la industria argentina", CEPAL-CEP/SICYM, Buenos Aires.
- Lavagna, Roberto (1996), "Coordinación macroeconómica, la profundización de la interdependencia y derivaciones para el MERCOSUR", *Desarrollo Económico*, No. 142, Vol. 36, July-September 1996.
- Lucángeli, Jorge (1993), "La presencia del comercio intra-industrial en el intercambio entre Argentina y Brasil", Boletín Informativo Techint, No. 275, July-September 1993.
- Rojas, Eduardo, A.M. Catalano, D. Hernández, R. Rosendo and M. Sladogna (1995), "Los sindicatos y la tecnología: cambios técnicos y de organización en las industrias metalmeccánicas y de alimentación en Argentina", Proyecto Regional Cambio Tecnológico y Mercado de Trabajo, Oficina Regional de la OIT para América Latina y el Caribe, Document No. 14.
- Soifer, Ricardo J., (1993), "Cambio tecnológico y mercado laboral en Argentina: antecedentes y experiencias referentes a las industrias metalmeccánicas y de alimentos", PREALC/ILO-CIDA, Santiago.
- Soifer, Ricardo J., (1995), "Cambio técnico y mercado de trabajo: reestructuración industrial, recursos humanos y relaciones laborales en Argentina", Proyecto Regional Cambio Tecnológico y Mercado de Trabajo Oficina Regional de la OIT para América Latina y el Caribe, Document No. 15.
- Soifer, Ricardo J. (forthcoming, Pensamiento Iberoamericano), "Reestructuración industrial y recursos humanos en Argentina en los años 1990".
- Soifer, Ricardo J. (forthcoming), "Argentina, MERCOSUR y trabajo", Working Paper, ILO
- Svarzman, Gustavo (1997), "Las exportaciones de manufacturas y la generación de empleos. Un análisis de la experiencia argentina desde la convertibilidad", Secretaría de Relaciones Económicas Internacionales, Buenos Aires.
- Yoguel, Gabriel (1996), "Comentario" to Bekerman-Sirlin op. cit., *Desarrollo Económico*, Special Issue, Vol. 36, Summer 1996.

Employment and Training Papers
Cahiers de l'emploi et de la formation
Estudios sobre empleo y formación

1. *L'insertion des Jeunes et les politiques d'emploi-formation*
Jacques Gaude, 1997
2. *Women industrial workers in an opening economy: The case of Mexico*
Gloria Moreno Fontes, 1997
3. *Adjustment, employment and labour market institutions in Sub-Saharan Africa: An emerging consensus on consultative policy design?, 1997*
4. *Adjustment, stabilization and the structure of employment in Brazil*
Edward J. Amadeo; Valéria Pero, 1997
5. *The employment impact of external capital flows in developing countries*
E.V.K. Fitzgerald; G. Mavrotas. 1997
6. *Employment, structural adjustment and sustainable growth in Mexico*
Jaime Ros, 1997
7. *The challenge of youth unemployment (Action Programme on Youth Unemployment)*
Niall O'Higgins, 1997
8. *The structure of employment and structural employment in the Philippines*
Joseph Y. Lim; Manuel F. Montes, 1997
9. *The continuing employment crisis in Kyrgyz manufacturing. Analysis of findings from the second round of the Kyrgyz Republic survey of manufacturing establishments 1993-1995*
Christine Evans-Klock, 1998
10. *State labour market intervention in Argentina, Chile and Uruguay: Common model, different versions*
Adriana Marshall, 1997
11. *Opening, stabilization and the sectoral and skill structures of manufacturing employment in Brazil*
Edward J. Amadeo; Marcelo Neri, 1998
12. *Maquiladoras prospects of regional integration and globalization*
Regina M.A.A. Galhardi, 1998
13. *Jobs, technology and skill requirements in a globalized economy: Country study on Singapore*
Linda Low, 1998
14. *Openness and structural dynamics of productivity and employment in developing countries: A case of de-industrialization ?*
Ute Pieper, 1998
15. *Applying global best practice: Workers and the "new" methods of production organization*
Gijsbert van Liemt, 1998
16. *The evaluation of active labour market measures for the long-term unemployed*
Nigel Meager with Ceri Evans, 1998

17. Labour standards and industrial restructuring in Western Europe
Philip Raines, 1998
18. Economic integration in Latin America: Impact on labour
John Weeks, 1998
19. Strategic training partnerships between the State and enterprises
Ayse G. Mitchell, 1998
20. Youth unemployment in Hungary and Poland (*Action Programme on Youth Unemployment*)
Maarten Keune, 1998
21. Education, employment and training policies and programmes for youth with disabilities in four European countries (*Action Programme on Youth Unemployment*)
Clemens Russell, 1998
22. Les relations de travail en milieu protégé
Laurent Visier, 1998
23. French youth unemployment: An overview (*Action Programme on Youth Unemployment*)
Catherine Bruno; Sandrine Cazes, 1998
24. Worker displacement: Public policy and labour-management initiatives in selected OECD countries
Christine Evans-Klock; Peggy Kelly; Peter Richards; Corinne Vargha, 1998
25. The role of trade and technological change on the Canadian employment profile in a globalized context
Marie Lavoie, 1998
26. Minimum wages and youth unemployment (*Action Programme on Youth Unemployment*)
Youcef Ghellab, 1998
27. The role of the social partners in the design and implementation of active measures
Hugh Mosley; Tiziana Keller; Stefan Speckesser, 1998
28. Ajustement structurel, emploi et rôle des partenaires sociaux en Afrique francophone (*Programme d'action sur l'ajustement structurel, l'emploi et le rôle des partenaires sociaux*)
Philippe Hugon; Naïma Pagès, 1998
29. Labour market effects under CUFTA/NAFTA
Bruce Campbell; Andrew Jackson; Mehrene Larudee; Teresa Gutierrez Haces, 1998
30. Argentina, MERCOSUR and jobs: Economic integration, trade, growth and employment in the 1990s
Ricardo J. Soifer, 1998
31. Local development initiatives and the management of change in Europe
Frank Pyke, 1998
32. Regional and employment consequences of the defence industry transformation in East Central Europe
Yudit Kiss, 1998
33. Ageing and labour markets for older workers
Alexander Samorodov, 1998
34. Labour market policies in Asian countries: Diversity and similarity among Singapore, Malaysia, the Republic of Korea and Japan
Takeshi Inagami, 1998

35. Options for human resources development in Egypt: The labour market context - Analysis of findings from the Egypt survey of human resources development
Christine Evans-Klock; Lin Lean Lim, 1998
36. Unemployment among Indian youth: Level, nature and policy implications (*Action Programme on Youth Unemployment*)
Pravin Visaria, 1998
37. Youth unemployment and youth labour market policies in Germany and Canada(*Action Programme on Youth Unemployment*)
Dominique M. Gross, 1998
38. Labour market dynamics: A global survey of statistical activity
Peter Stibbard, 1998
39. The changes in the employment, occupation and skill structure of the Korean manufacturing in view of increased exposure to international markets: 1970-90
Byung-You Cheon, 1998
40. The impact of trade and technology on the skill profile in Brazil and the Republic of Korea
Regina M.A.A. Galhardi, 1998