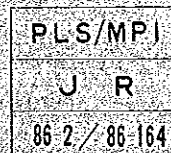
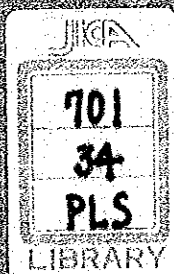


**STUDY ON
ECONOMIC DEVELOPMENT
OF
THE ARGENTINE REPUBLIC**

**FINAL REPORT
EXECUTIVE SUMMARY**

JANUARY 1987

JAPAN INTERNATIONAL COOPERATION AGENCY



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INTRODUCTION

This is the Executive Summary of the Final Report of the Study on Economic Development of the Argentine Republic. The Study is based on the Scope of Work signed in August 1985 by the representatives of the Argentine Government and Japan International Cooperation Agency (JICA). JICA commissioned International Development Center of Japan (IDCJ) to organize a Study Team headed by Dr. Saburo Okita. The Study was conducted during August - October of 1985, and February - March and May - December of 1986, including the field survey carried out from August 29 to October 30, 1985 and from May 16 to July 15, 1986.

The Study covers the following five sectors; macroeconomy, agriculture, industry, transportation and export. Major sectoral issues in the Report have been selected through the discussions with the Argentine counterparts of the Planning Secretariat and the members of the Coordinating Committee of the Argentine Government within the framework of the Scope of Work, and thus the coverage of the Study is not necessarily comprehensive. In close cooperation with the counterparts, the JICA Study Team has reviewed structural characteristics of the Argentine economy and its productive sectors, and examined various measures to cope with the problems constraining the prospects of economic development or activation in Argentina from the viewpoint of Japanese experts.

The Study chiefly focused on industrial activation and export promotion, which are considered as major policy issues in the Guidelines for an Economic Growth Strategy 1985-1989 announced in January 1985. In this regard, Japanese experiences in rapid postwar economic development might have something useful to offer, especially concerning various policies and measures implemented for industrial and trade promotion. Therefore, the Study has examined some relevant aspects of Japanese experiences.

Based on the Japanese experiences during postwar economic development, but with the awareness of the different circumstances between Argentina and Japan, the Study Team has tried to present policy implications and suggestions for the said five sectors, as indicated in the Scope of Work. However, the Study did not examine the ways and means of financing the proposals included in the suggestions, because they are outside of the study objectives. The policy suggestions in the Report may not bring immediate results in one or two years. Many of them are meant for early implementation, but the effects of such implementation will be realized in the medium and long terms. Some policy suggestions have a time span extending to the next century.

The Report consists of two volumes. Volume I is prepared on the basis of the findings and analyses of the major study items concerning the Argentine economy. Volume II of the Report contains overviews of the selected aspects of Japan's development performance and macroeconomic planning, and policy measures taken for the major sectors of agriculture, industry, transportation and export.

EXECUTIVE SUMMARY

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VOLUME I ARGENTINE ECONOMY

The Volume I of the Report is a study of the Argentine economy and covers five sectors: namely, 1) macroeconomy, 2) agriculture, 3) industry, 4) transportation, and 5) export. This executive summary is prepared focusing on major findings and suggestions for the respective sectors.

I. Macroeconomic Analysis

1. Economic Development and Structural Characteristics of the Economy

Argentina is endowed with the agricultural sector in the fertile Pampas capable of producing a sizable export surplus, and achieved its economic development and industrialization mainly relying on the exports of grains and beef. Argentina attained one of the highest standards of living in the world by the 1920s. Because of the prolonged postwar economic stagnation after World War II, however, the country is now classed as one of the upper middle-income countries in terms of per capita income by the World Bank classification.

Economic development in Argentina was chiefly characterized by the low long-term economic growth. The investment ratio was stagnant and the investment efficiency low, partly because the country pursued industrialization through import substitution policies which heavily protected domestic industries supplying to the limited domestic market.

The Argentine economy has a structure similar to those found in the developed countries, as seen in the diversified industrial sector, modern agriculture, the developed financial sector and others. Self-sufficiency in energy is also a definite advantage to the future economic development. Moreover, the high standards of living, the sizable presence of middle classes and the labor force with high levels of education, which are results of the past economic development, can be considered as favorable factors for the future of the economy.

2. Major Economic Issues and Development Strategy

In addition to the structural problems which emerged during the long-term process of economic development, the Argentine economy is now encumbered by the new constraint of accumulated external debt. The country's development strategy for the future must aim to overcome the long-standing structural constraints and the problem of external debt simultaneously. Firstly, the strategy must seek the path of economic growth, while lowering the import elasticity of growth for the purpose of reducing imports. Secondly, the strategy must be geared to expand exports, especially manufactured exports.

3. Economic Perspective and Development Plan

It would have been impossible to implement effective medium-and long-term development policies under the hyperinflation equivalent to the annual rate of 1,000% prior to June 1985, and the control of the hyperinflation was then the prerequisite to the activation of the economy. Now that the inflation has been brought down to a manageable rate by the Austral Plan, it is time for the Government to address itself to the central issues of economic management by formulating, and implementing, its medium-and long-term economic policies in addition to short-term policy measures.

4. Suggestions

(1) Future Directions for the Argentine Economy

The traditional pattern of heavy dependence on agriculture for foreign exchange earnings will not suffice to activate the entire economy. The most important issue is how to restructure and reactivate the industrial sector. From the viewpoint of economic efficiency, the restructuring of the industrial sector must be through increased competition in the domestic and external markets. This will require a clear scenario for controlled liberalization in the medium and long terms.

Argentina is endowed with the fertile Pampas and vital natural resources like petroleum and natural gas, and have educated human resources. The key is then how to utilize the endowments of such productive factors effectively. The government industrial policies need to promote selectively such strategic industries as agroindustry, petrochemical industry, computer industry, machine tool industry and bio-industry.

(2) Role of the Government: Transparency in Economic Perspective

The key to the activation of the Argentine economy is in how to reactivate the industrial sector. The reactivation of the industrial sector requires the stimulation of investments and the promotion of technological development. The transparency in economic perspective greatly influences the level of industrial investments. The government policies and measures for economic management are an important determinant of the transparency.

In order to enhance the transparency in economic perspective, it is of primary importance that the government ensures the continuity and consistency of basic economic policies it pursues. One of the effective ways to ensure the overall continuity and consistency of economic policies is to formulate a medium- and long-term plan based on the national consensus. The plan should offer the framework and the standard with which the private sector can picture its future business prospects and makes investment decisions accordingly. Argentina at this stage will need an economic plan which contains specific policy statements and concrete commitments.

The formulation of the medium- and long-term plans must take note of the following points.

- 1) Realistic targets
 - 2) Consistency among sectoral plans
 - 3) Compilation and speedy publication of sufficient statistics
 - 4) Exchange of information and opinions with the private sector
 - 5) Streamlining of administrative procedures
- (3) Need of Activating the Dynamism of the Private Sector

- 1) Importance of the market mechanism

It is important to the Argentine economy to create an environment where the market mechanism functions properly. For this purpose, it will be necessary to establish competitive conditions in the domestic market, by withdrawing the excessive protection given to the domestic industries. In order not to repeat the experiences in the late 1970s, the Government needs to provide clear guidelines for liberalization in close consultation with the private sector and give appropriate incentives during the period of transition.

- 2) Privatization of public enterprises

The present Government plans to pursue the privatization of the public enterprises in productive and service sectors. Privatization is not merely a means to reduce government deficits but one of the ways to improve the efficiency of the economy. In order to carry out the privatization, it is necessary to examine carefully the needs of the respective sector in which a particular public enterprise operates and to assess the economic effects of its privatization.

- 3) Strengthening of support systems for research and development

Promotion of active research and development efforts will have a great impact on technological innovations in production processes and support industrial investments for economic activation. The systems to encourage the cooperative efforts of the government sector, universities and private industries will enable the Government to understand the needs of the private sector and mobilize the vitality and dynamism of the private sector for what the Government plans to achieve. It is also important for the systems to facilitate the introduction of advanced technologies which are likely to change the foundations of manufacturing industries and other sectoral activities in the economy.

- 4) Development of efficient infrastructure

It will be important to consider the possibility of increasing the participation of the private sector in specific areas of infrastructural services such as port facilities and telecommunication

network, in order to facilitate the efficient development and operation in accordance with the changing economic and industrial needs.

II. Agriculture

1. Crop Sector

The crop sector underwent a remarkable change during the 1970s and the 1980s, partly influenced by the changes in external conditions for Argentina's traditional export products. The change evolved most prominently in the Pampa region, where the crop sector expanded dynamically by comparison with the livestock sector, and the five major crops (wheat, maize, sorghum, sunflower and soybean) increased their combined importance relative to other crops.

The important factors which contributed to the expanded production of five export crops are 1) the introduction of new varieties with higher genetic potentials like hybrids of maize, sorghum and sunflower, 2) the increased use of agricultural chemicals for plant protection and though to a lesser extent, of fertilizers, 3) employment of larger and more efficient farm machinery, and 4) technical improvements of farm management which accompanied the increased use of such inputs.

In order to consolidate and advance the technological progress achieved in the last couple of decades, the Government has already announced its basic strategies and major policy instruments in the National Program of Agriculture and Livestock 1984-87 (PRONAGRO). The remaining task is to implement the announced policy commitments as a coherent system of policy measures. In terms of their expected fundamental impacts on production and marketing, especially important measures announced by the Government are as follows.

- Reduction and flexible application of export taxes, assuming the introduction of the new land tax
- Strengthening of the support price program and the fertilizer distribution program of the National Grain Board (JNG)
- Construction, and financial supports thereof, of grain handling and storage facilities
- Strengthening of the regional activities of the National Institute of Agricultural Technology (INTA) in developing and diffusing more technified systems of farming
- Increased provision of credit to facilitate the improvement of farming productivity

Suggestions

In addition to the policies indicated in the PRONAGRO, it will be necessary to consider the following possibilities in order to improve

the productivity and efficiency of agricultural production and commercialization.

- 1) Further privatization of grain handling facilities for the purpose of reducing the costs of commercialization
- 2) Formulation of a coordinated policy for plant protection, including the possible restructuring of the domestic pesticide industry for import substitution and measures for enhancing the industry's research and development capability
- 3) Cost reduction and development of farm machinery

In view of the on-going development of modern biotechnology and a great impact expected therefrom on agriculture, it will be important that the INTA plays an increased role in the research for varietal development through biotechnology, in addition to strengthening the technology development and diffusion which it has been pursuing. For this purpose, it would be essential to take the following steps in the medium and the long terms.

- 4) Formulation of a national strategy and establishment of research priorities in biotechnology research
- 5) Creation of a centralized system of biotechnology research
- 6) Development and promotion of biomass technologies

2. Livestock Sector

The livestock sector, especially beef cattle farming which is the mainstay of the sector, has reduced its relative economic importance in the Pampa region during the last decade. Major factors for the decline were 1) the reduction of traditional export markets for Argentine beef, most notably, the EC countries, 2) the resultant decline in profitability of cattle farming by comparison with crop production, and 3) the slow diffusion of improved cattle farming technologies.

The reduced beef exports resulted in increased domestic consumption of beef, and caused certain unfavorable changes in the domestic beef distribution. Meat-processing factories equipped with slaughter and processing facilities of higher sanitary standards lost competitiveness in the domestic market to the wholesale merchants who utilize less equipped slaughterhouses. As a result, the performance of the factories deteriorated considerably.

The Government announced its basic strategies and major policy instruments in the PRONAGRO to facilitate the recovery of cattle farming and meat-processing factories. Thus, the remaining task is to implement its policy commitments in a consistent manner. In terms of their expected fundamental impacts on production and marketing, especially important measures announced by the Government are as follows.

- Diffusion of better and more efficient herd and pasture management technologies
- Argentine Plan of Animal Health (PLANARSA) to eradicate the foot-and-mouth disease and minimize losses due to animal health problems
- Measures for restructuring meat distribution and marketing (reduction and flexible application of export taxes, strengthening the functions of the National Meat Board in domestic marketing and export promotion, execution of more strict sanitary codes in domestic meat marketing, etc.)

Suggestions

In view of the urgent need to regain the stability and profitability to cattle farming and to reactivate the meat-processing industry, it will be necessary to direct special policy attention to the following points.

- 1) Increased provision of effective fiscal and financial incentives to cattle producers who make efforts for productivity improvement
- 2) Long-term sustained efforts by both the government agencies in charge of enforcing vaccinations and other necessary animal health measures and by the producers themselves in order to strictly implement the PLANARSA
- 3) Promotion of the export-oriented development and diversification of processed meat products in accordance with the sanitary and quality codes of the export markets and the consumers' preferences over tastes, cooking methods, etc.

3. Fishery Sector

Since the early 1970s, fishery production in Argentina began to increase, mainly reflecting the recognition of international commercial value in Merluza which is abundant in the Argentine waters. Coupled with the increased exports of squid, landings increased sharply after the mid-1970s and reached a historical peak of 0.5 million tons in 1979. However, fishery production decreased substantially in the early 1980s. The slump was partly related to the decline of international demand and partly to the loss of competitiveness caused by the overvalued peso and general economic destabilization. Especially hard hit were coastal fisheries and conventional deep-sea fisheries based in Mar del Plata.

The notable recent change in Argentina's marine fisheries was the increasing importance of landings from the Patagonian waters, reflecting the new investments since the late 1970s. Fishery resources in the Patagonian waters are not accurately known, especially in the area south of 50°S. Lat., although their existence is reported to be considerable. The further increase of landings is thus possible through the development of new fishing grounds.

Suggestions

In order to stimulate the sector's recovery from the current slump and ensure its stable growth on the long-term basis, it would be necessary to formulate a national policy framework. The basic principle of the framework must be to reduce production costs through improving the efficiency of fishing and processing operations, and thereby to enhance the competitiveness of the fishing industry. The national policy framework for the fishery sector needs to consider the following five issues.

- 1) Effective management of fishing efforts in accordance with resource endowments
- 2) Renovation and modernization of the fishing capacity
- 3) Improvement of fishing port facilities
- 4) Utilization of unused or underused resources
- 5) Product development for export promotion in accordance with the consumers' preferences as well as sanitary and quality codes of prospective export markets

III. Industry

The Study on the industrial sector consists of five parts. The first part reviews the past trend and structural characteristics of the industrial sector as a whole. The second to fourth parts examine the current situations and prospects of three industrial subsectors, namely, petrochemical industry, electronics (computer-related industry) and agroindustry (packaging), which have been selected in accordance with the Scope of Work and the discussions between the representatives of the two Governments. The fifth part studies small and medium industries, which the Argentine Government considers important in its industrial promotional policies.

1. Industrial Sector

Industrialization in Argentina progressed under import substitution policies. The resultant industrial structure is more diversified by comparison with other countries which have the similar levels of per capita income. At the same time, the industrial import substitution supported by heavy protections created weak domestic industries characterized by low productivity and lack of international competitiveness.

Industrial production in Argentina began to stagnate in the mid-1970s and deteriorated since the beginning of the 1980s. The decline in output was especially pronounced in labor-intensive industries which produce intermediate inputs and machinery industries. Furthermore, the discontinuity of economic policies, high inflation, instability of the exchange rate and the real interest rates, and other factors created the

highly uncertain economic climate which was unfavorable to industrialists' investment planning and decisions. Virtual absence of new investments which embody recent technological innovations indicates that the country has been falling behind the on-going rapid progress of industrial technologies in the world.

Suggestions

From the viewpoint of Japanese experiences, Argentina's new industrial policies should take into account the following points.

- 1) Need to identify clear guidelines for industrial promotion
- 2) Need to introduce competitive conditions to industrial production
- 3) Need to formulate government policies through exchange of opinions with the private sector
- 4) Need to enhance the confidence of foreign capital
- 5) Need to strengthen support systems for technology development
- 6) Need to establish a long-term capital market

2. Petrochemical Industry

The strength of petrochemical industries in Argentina is found primarily in the lower prices of raw materials and energy. Major disadvantages are high costs of plant construction and transportation for exporting the products.

New investments of petrochemical industries in the world have been chiefly observed in the countries endowed with raw materials in recent years. However, it is judged better to postpone large-scale new investments until the stabilization of the international market conditions of crude oil. It is important for the Government to make effective coordination for correcting some imbalances caused by the delay of project implementation and to formulate a consistent policy framework for the future projects. The following points are advisable for formulating development policies for petrochemical industries.

- 1) Strengthening of the Government's comprehensive coordinating role over new investment projects through clarifying priorities
- 2) Periodic and speedy assessment of international market conditions of petrochemical products
- 3) Formulation and implementation of policy instruments to stimulate investments of national and foreign capital in petrochemical industries
- 4) Reduction of plant construction costs, by such measures as reduction or exemption of taxes on imported plant equipment, and

rationalization efforts in construction works and procurement

- 5) Abolition of related export taxes and scheduled reduction of import duties

3. Electronics (Computer-related Industry)

(1) Computer industry

Because of the relatively small domestic market and the high speed of technological progresses in this industry in the world, the Government will have to bear a considerable burden in order to implement the domestic production program for micro-computers. The following points are advisable for the Argentine Government in the development of the computer industry in Argentina.

- 1) To formulate a long-term plan through close coordination and exchange of opinions with the private sector
- 2) To be flexible to readjust the current eight segmentation of the domestic production plan of computers in order to benefit from possible economies of scale and stimulate competition
- 3) To provide credit lines at low interest rates
- 4) To stimulate the potential domestic demand by setting up, for instance, a lease system for users
- 5) To integrate the computer-related research projects

(2) Information service industry

In order to achieve a steady growth of the computer industry, it will be important to implement policies which favorably influence the use of computers and software development. The following points are advisable for the development of the computer software industry.

- 1) Effective coordination to maintain a balance between the domestic production program of micro-computers and the increase of domestic users
- 2) Modernization of telephone networks which will be indispensable to create a society where computers and communications will play an important role
- 3) Upgrading of practical computer-related education
- 4) Financing schemes for the software industry
- 5) Placement of government orders of software program development to software houses in order to foster them

(3) NC machine tool industry

The introduction of numerically controlled (NC) machine tools is expected to contribute in various ways to the activation of industrial production. In order to expedite the growth of the NC machine tool industry, it is important to take the following steps.

- 1) Stimulation of the domestic demand by introducing effective financial and fiscal schemes, like a scrap and build scheme, for the purchase of NC machine tools
- 2) Measures to upgrade the technological level of the existing NC machine tool companies further (e.g., promotion of joint efforts between public research institutes and private companies in related research and training of technicians, tax incentives on R&D expenditures and international exchange of information and experts).

4. Agroindustry (Packaging)

Domestic consumers in Argentina are apparently less demanding on the quality of packaging compared with the counterparts in the developed countries. However, the improvement of packaging is considered desirable according to the development of society.

In order to improve packaging technologies in agroindustry, the following points are advisable.

- 1) Training of packaging specialists
- 2) Systematic upgrading of packaging technologies
- 3) Opening of packaging fairs

5. Small and Medium Industries

The Government considers that the promotion of small and medium industries is one of the key policies to reactivate the industrial sector, but has not yet announced any concrete strategies and policy instruments. The understanding of the actual conditions of small and medium industries is essential to formulate effective policies for them.

On the basis of the limited number of interviews conducted during the Study, small and medium enterprises of the industrial sector in Argentina were found to have the following characteristics. Firstly, they employ stabilized production technologies and manufacture products of stabilized quality. Secondly, they manage to continue their operations although the levels of capacity utilization are generally low. Lastly, they do not rely on external financing. Many small and medium enterprises maintain their old machinery and equipment rather well. One of the immediately noticeable problems is that small and medium enterprises lack forward-looking entrepreneurial attitudes. Such attitudes are understandable to a certain degree, because they must have been related to the deterioration of the business environment. At the same

time, their passivity must have been related to the long-standing import substitution policies which protected the domestic industries from competition.

Suggestions

(1) Promotional policies for small and medium industries

Promotional policies for small and medium industries must be consistent with the overall national strategy for industrialization. At the same time, it is necessary to vary the relative emphasis of such promotional policies in accordance with the types of small and medium industries.

(2) Financial assistance

The limited availability of funds still remains a major problem, but in addition, the BANADE's institutional financing for small and medium industries needs to take into account the following points.

- 1) In order to raise the effectiveness of institutional financing, it is essential to select target industries, and the selection must be consistent with the strategies of national industrial policies.
- 2) The BANADE has just introduced the indirect financing through commercial banks. Considering the BANADE's limited manpower and branches, this indirect financing system will be effective for the promotion of small and medium industry financing. However, it is necessary to control carefully the progress of this financing system, in order to ensure the effectiveness of industrial policies.
- 3) It is necessary to provide preferential lending terms for small and medium industries. However, such terms should not be overly preferential compared with commercial lending conditions, because wide differentials increase the need for the BANADE to check closely proper utilization of loans, thus constraining its routine operations.

(3) Technical assistance

On the basis of the preliminary findings, it is advisable to consider the following points in order to strengthen technical supports to small and medium industries.

- 1) To grasp the needs of local small and medium industries and provide them with appropriate technical services accordingly by utilizing existing institutions and/or by establishing technical institutions at regional level.
- 2) To strengthen technical and management consulting services for small and medium industries, with the INTI playing the central role.

- 3) To set up a system for providing up-to-date information on new technologies, new products and international market prospects, with the INTI playing the central coordinating role.
- 4) To strengthen training programs for technical personnel at the INTI and other public sector institutions. The on-going training programs of the INTI are of short duration of several days and largely consist of lectures. It will be necessary to introduce training programs of longer duration, such as six or twelve months, and to emphasize workshop training.

IV. Transportation

1. Overview of and Perspective for Transportation Development

The transportation system in Argentina has well-developed networks chiefly in the Pampa region where there are concentrations of the population and productive activities. However, delays of investments necessary to catch up with the on-going innovations of transport technologies in the world and the insufficient maintenance and repairs may become serious bottlenecks to the anticipated industrial activation and export promotion.

Suggestions

In order to develop the national transportation system, it is especially important to take the following steps.

- 1) To strengthen the maintenance and improvement of the existing facilities, especially railways and ports
 - 2) To formulate guidelines for transportation development in the outlying regions which the Government is planning to develop
 - 3) To reformulate policies on transport tariffs and government subsidization in order to enable the operating entities to make necessary reinvestments, in view of the wide disparities between the tariff structure and the actual transportation costs
 - 4) To concentrate investments to the developments necessary to catch up with the world transportation trend, especially concerning containerization and introduction of large bulk carriers
 - 5) To develop transportation systems which effectively utilize new communications technologies, provides speedier and economical services and handle diversified and smaller lots of cargo
- ##### 2. Efficient Utilization for Grain Transportation of Parana and La Plata Rivers

Because of the shallow drafts of berths and access channels at

ports along Parana and La Plata Rivers, it is not possible to full-load PANAMAX-type ships which are most commonly used for grain transportation. Top-off operations must be done either at the special facilities set up near the mouth of La Plata River or Bahia Blanca Port, and increase the share of transportation costs in the export prices (FOB).

Suggestions

In order to cope with the targetted increase in grain exports, various actions and investments will be necessary to upgrade the transportation system. In addition to on-going Bahia Blanca Port development project, two important alternatives for development are as follows.

- 1) Development of a deep-sea port at Quequen
- 2) Installation of a floating elevator near the mouth of La Plata River

From the viewpoint of offering a fundamental solution to the constraints of the country's entire port system, one possibility is to develop a port island off the coast to the south of La Plata River. However, this possibility would involve huge initial investments compared with the two alternatives above, and thus it would be necessary to examine it from the long-term perspective.

3. Containerization in Argentina

Along with the on-going progress of containerization, large full-container ships will become dominant in ocean freight traffic in the future. However, because of the draft limitation of the access channel, Buenos Aires Port will not be able to accommodate large container ships, and its existing container handling yard and other related facilities are extremely limited.

Suggestions

The development of a container port as early as possible is requisite in Argentina for industrial activation and export promotion of industrial products. The expansion and improvement of the existing facilities at Buenos Aires Port might be sufficient in the immediate future, but it is necessary to consider the long-range development of a container terminal at an Atlantic deep-sea port.

4. Cargo Terminal in Buenos Aires

Along with the increase of cargo transportation by trucks since the beginning of the 1960s, the need to establish a cargo terminal in Buenos Aires City gradually became apparent. The National Directorate of Road Transport carried a feasibility study in 1982, and the study selected La Matanza as the candidate site for the terminal.

Suggestions

On the basis of similar Japanese experiences, the strategy for developing a cargo terminal at Buenos Aires needs to take into consideration the following approaches.

- 1) To introduce the joint investments in the cargo terminal by the national government, the municipal government and the private sector
- 2) To make appropriate legislation which defines the access to official financing and preferential treatments for the terminal managing entity and users, an appropriate system for operating the terminal, design standards of the terminal facilities, etc.
- 3) To consider the possibility of planning the terminal as a complex for the distribution industry at La Matanza, by facilitating good working relationships with users and the owner of the premise (Central Market of Buenos Aires), and also paying due attention to environmental conservation

5. Development of Alternative Accesses toward the Pacific

In order to overcome the current economic difficulty and to reduce the regional economic disparities, it is considered necessary to activate fully the development potentials of the underdeveloped outlying regions. The regional development of the Northwest in conjunction with the development of a trans-Andes passage or passages has been actively promoted by the provinces close to the border with Chile.

A number of studies have been done or being done on development possibilities of trans-Andes routes. But they are considered inadequate in their respective assessments of development potentials in the hinterlands, possibilities of overseas marketing for regional products, and the future transportation demand generated along the proposed routes. These studies are also in need of better coordination.

Suggestions

It is suggested for the related agencies of the central and provincial governments to integrate and coordinate the results of the completed and on-going studies in line with the consistent methodological framework and to conduct necessary supplementary studies. It will be necessary to designate a special organization in the central government for systematic coordination.

V. Export

1. Changes in Export Structure and International Competitiveness

Agricultural and livestock products account for over 50% of Argentine total exports, and when their processed products are included, the

combined percentage exceeds 70%. The contribution of manufactures to total exports is around 20%, and no increase has been observed since the mid-1970s. Argentina's share in the total Central and South American market for manufactures dropped from over 22% in 1960 to a little less than 13% by 1980.

2. Export Promotion Policy and Measures

The Export Promotion Law was announced in October 1984. The Law not only consolidated the existing export-related promotional measures, but also added new ones such as a system to encourage international trading companies and consortiums or cooperatives of exporters, a system for the certification of export quality, establishment of the Export Promotion Fund, and a system for the export promotion of regional products.

There are a number of constraints to exports, such as slow repayment of indirect taxes, high import duties on capital goods, export duties, high direct taxes, and taxes on ocean freight. Petroleum tax and utility service charges and tax on ocean freight are also considered constraining the export promotion efforts of the private sector. (It has to be noted that, since August of 1986, or after the Study Team's second visit to Argentina, import duties have been selectively reduced or exempted and that the procedures of applying for import licenses, fiscal benefits and the like have begun to be simplified.)

The basic conditions for export expansion are the improvement of productivity and the upgrading of product quality and industrial design. Therefore, it is essential to stimulate industrial investments and strengthen industrial research and development efforts.

3. Export Activities of Exporters

Few exporting firms have branches or representatives of their own in overseas markets. The exporters chiefly obtain market information from their trade partners. The information available from overseas commercial attaches are often considered less than satisfactory for their trading business.

4. Role of International Trading Companies

Japan's general trading companies developed their own networks of marketing and information gathering all over the world and tried to follow market signals to estimate demand prospects in the various corners of the world. In Argentina, manufacturers themselves export their products, and specialized trading companies are relatively few in number. They have not yet developed adequate overseas networks of marketing, personnel and information gathering.

5. Suggestions

- 1) With regard to the Export Promotion Law, it is necessary to put the programs and measures stipulated in the Law into practice as early as possible, to simplify the procedures for applying to various promotional programs, and to speed up the repayment of indirect taxes.
- 2) It is important for exporting industries to make efforts for improving the productivity, and the quality and design of the products, and for expanding overseas markets. The Government, on the other hand, needs to strengthen the information gathering function of overseas commercial attaches, to establish trade information documentation and service centers in the country's major cities, to raise the industrial standards to the international level, and to stimulate the improvement of industrial designs.
- 3) It is desirable to set up a system to educate younger generation to become well qualified international trade experts.

VOLUME II JAPAN'S EXPERIENCE

The Volume II of the Report consists of brief reviews of Japanese experiences during the years after World War II, which correspond to the five sectors selected for study in Volume I. Specific themes of Japanese experiences have been selected on the basis of the discussions with the Argentine counterparts at the Secretariat of Planning and the representatives of the other related government agencies.

The reviews of Japanese experiences have been prepared partly as references to be used by the members of the Study Team in their analyses of the characteristics of the Argentine economy, and partly as supplementary materials to aid the understanding of relevant Japanese experiences by the Argentine counterparts and other representatives.

I. Macroeconomy

This chapter consists of two parts. The first part reviews the patterns of Japan's economic development and the changes observed in the industrial structure from the period of reconstruction immediately after World War II until the present day. The second part discusses the relevant aspects of the macroeconomic plans in relation to the contemporary situations of economic development, and presents the role played by the plans in the Japanese economy and the processes of plan formulation. Furthermore, it presents the role of various advisory councils established to facilitate the exchange of opinions between the public and private sectors in the formulation of important policies.

II. Agriculture

This chapter consists of three independent parts dealing with three

specific areas of Japanese experiences, which have been selected through the discussions with the counterparts and the representatives of related Argentine government agencies. The first part reviews the current state of agricultural biotechnology research and development with emphasis on the public sector. The second part presents the utilization of electronics technologies in Japanese agriculture. The third part reviews the development of fish culture and farming in Japan.

III. Industry

This chapter consists of three parts. The first part reviews Japanese postwar industrial policies which supported and expedited the changes of the industrial structure. The second part reviews the development of small and medium industries and the governmental promotion policies in Japan. The third part summarizes Japanese development experiences and policies concerning petrochemical industry, electronics industry and agroindustry (packaging).

IV. Transportation

This chapter consists of four parts. The first part reviews the development of transport systems and the government strategies for infrastructural development during the period of postwar economic recovery and growth. The second to fourth parts respectively discuss Japanese experiences in three specific areas; namely, the cargo information system, container terminals, and truck terminals.

V. Export

This chapter consists of four parts. The first part discusses the structural changes of Japanese exports, and the second part reviews export promotion policies which supported the efforts for export expansion by the private sector. The third and the fourth parts discuss the roles and contributions of general trading companies and the Japan External Trade Organization (JETRO) respectively.

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