Synopsis

In this paper we propose to differentiate between three types of clusters when it comes to formulating cluster-oriented policies in Latin America. Survival clusters of micro and small-scale enterprises owe their existence more to unfavourable macroeconomic conditions and less to entrepreneurial competence and dynamism. Their competitive potential is limited. Support measures should mainly aim at improving the conditions for survival since these clusters are important in creating employment opportunities. The impetus should be to break through the low skills/low investment vicious circle. More advanced and differentiated mass producers have been flourishing in the import-substitution era but are coming under enormous pressure with the transition to open economics. In these clusters the main challenge is to create an environment that stimulates and supports learning, innovation, and constant upgrading. Cluster of the third type are transnational corporations which are typically dominated by foreign firms not only at the final assembly stage but also in parts production. These clusters often are showcases of best practice manufacturing and this can be used to stimulate the upgrading of domestic firms mainly by involving them in the supply-chain of transnationals. Hence it draws some important conclusions for policy makers and research.