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**MNCs Affiliates in
Argentina and Mexico
in the Global Value Chain**

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RESEARCH QUESTIONS

- *Are MNCs operations in Argentina and Mexico integrated into Global Value Chains?*
- *Is there any similarities between Argentinian and Mexican affiliates concerning integration into GVC?*



METHODOLOGY

- **INTREPID's criteria**
- **Parallel analysis based on national datasets**
- **Set of indicators**

Trade Linkages between Argentinean and Mexican affiliates and their HQ and /or other subsidiaries of MNC

Discretion variables in the Global Value Chain, considering affiliates' capacity to decide the incorporation of technological changes, selection of niche markets, and selection of suppliers and customers.

MNCs ' market strategy in Argentinean and Mexican operations

Research and Development



COUNTRIES' GENERAL FEATURES

Argentina

FDI Wave in the '90s focused on natural resources and services.

2008: 9.7 USD billion (around 2% of GDP)

2010: 6.8 USD billion

GDP increased from 2003-2008 (8% annual average rate).

Employment rate increased during 2003-2008.

Union density: 12.5% (EAP) (73%)

Mexico

FDI Flows in the '90s focused on Manufacture for Export (*Maquila* & non-*maquila*).

2008: 25.9 USD billion (around 2% of GDP)

2010: 17.3 USD billion

GDP increase a very low rate

Employment rate increase but a very low rate (2003-2008)

Union density 10% (EAP) (60%)



MNCs: population and sample

Argentina

Population

577 MNCs (11% of total private employment)

Sample

155 MNCs (27% of total population)

Sector

Manufacture (50%)
Services (50%)

Size

100-499 employees (55%)
500-999 (19%)
1000 and more (26%)

Origin

Europe (43%)
United States (38%)
Latin America (12%)
Other (7%)

Fieldwork

February-July 2009

Mexico

Population

1,746 MNCs (21% of total private employment)

Sample

171 MNCs (18% of 'Sample Frame')

Sector

Manufacture (66%)
Services (32%)

Size

100-499 employees (32%)
500-999 (22%)
1000 and more (46%)

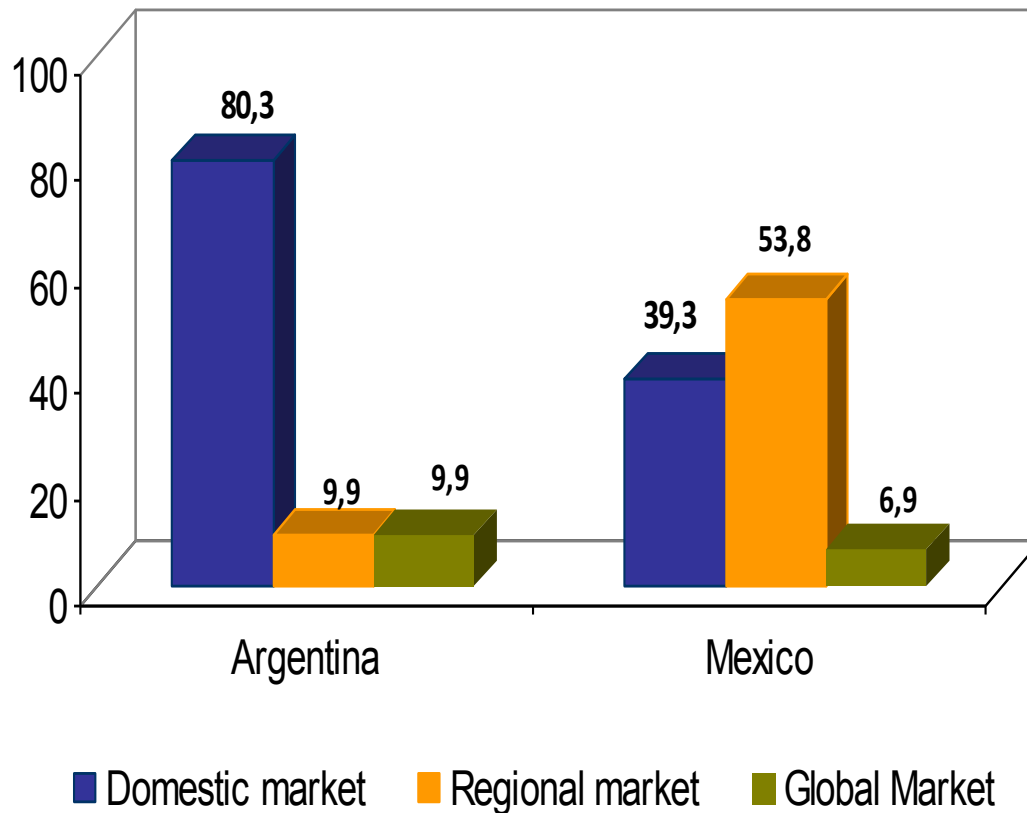
Origin

Europe (18%)
United States (44%)
Latin America (18%)
Other (20%)

Fieldwork

Oct. 2008 –Dec. 2009

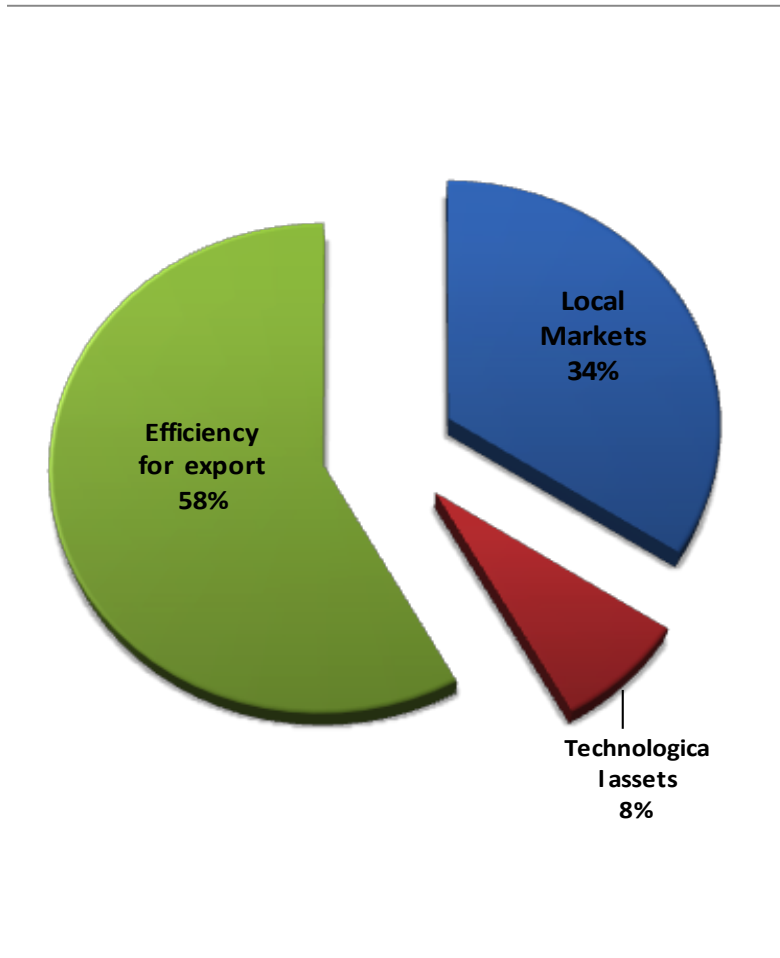
MNCs OPERATIONS AND MARKET STRATEGY



A broad majority of MNCs operations in Argentina are oriented to domestic market.

Regional market orientation predominates among MNCs operations in Mexico

What are looking the firms? Mexican Case



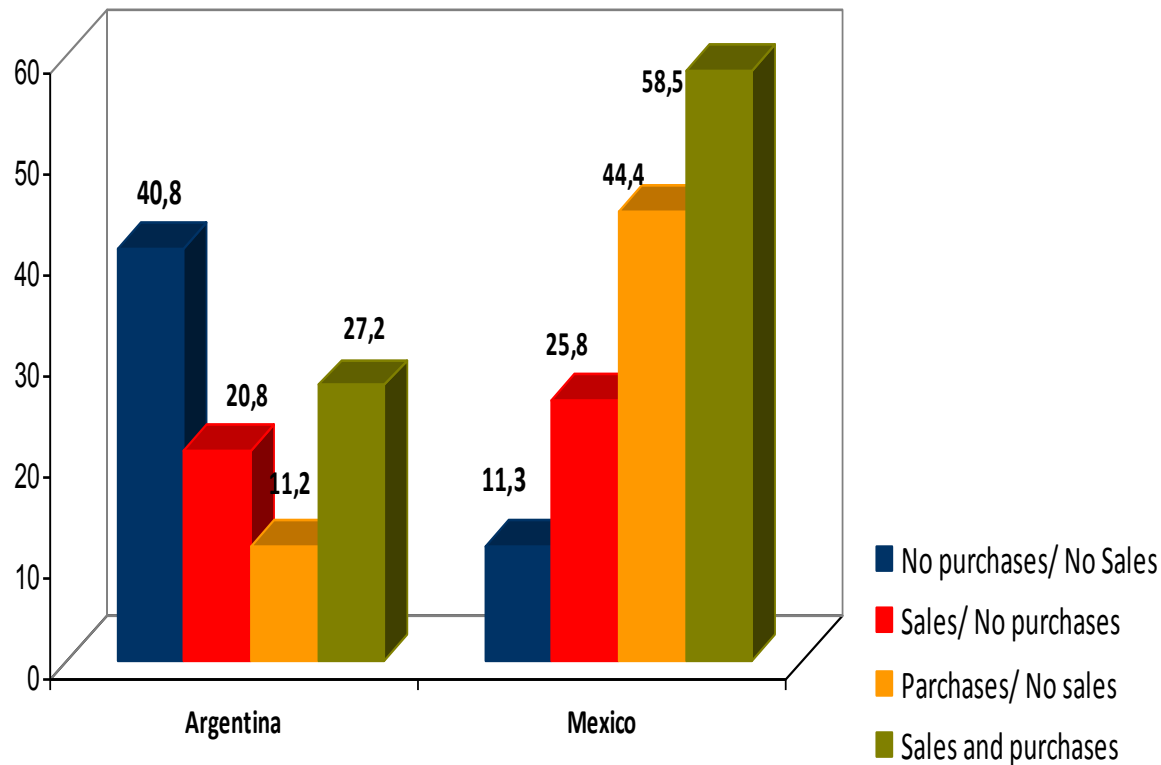
	COUNTRY OF ORIGIN		SECTOR		NETWORK	
	Mexican	Foreign	Manufacture	Services	Single operation	Network of units
Efficiency-seeking for foreign markets	35%	60%	69%	15%	66%	45%
Markets-seeking (national/regional)	53%	32%	25%	68%	27%	47%
Technological assets-seeking	12%	7%	5%	17%	8%	8%
Total	100%	100%	100%	100%	100%	100%

Country of origin, sector and network complexity explain the investment strategy selected. Size do not matter

Based on Telephone survey (n-943)

INTEGRATION INTO GVC

MNC in Argentina and Mexico according to Intra-trade linkages with HQ and other affiliates (%)



Close to a third of MNCs operating in Argentina exhibits a complete integration into GVC

Approximately two thirds of MNCs operating in Mexico show a strong integration into GVC

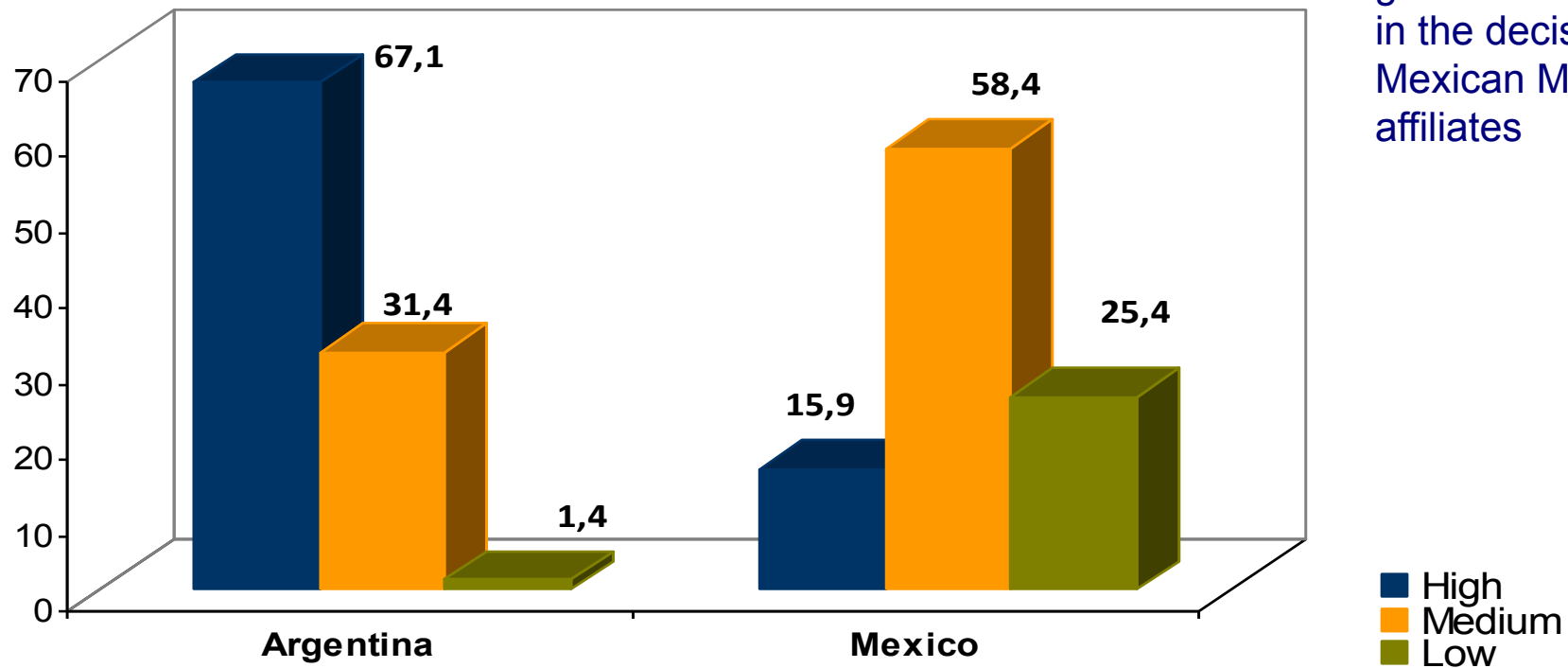
- ECLAC perspective (Cimoli).

Sources: INTREPID Project. Surveys on MNCS. Mexico and Argentina, 2009

AFILIATES AND DISCRETION

(policies on technological changes, suppliers, markets)

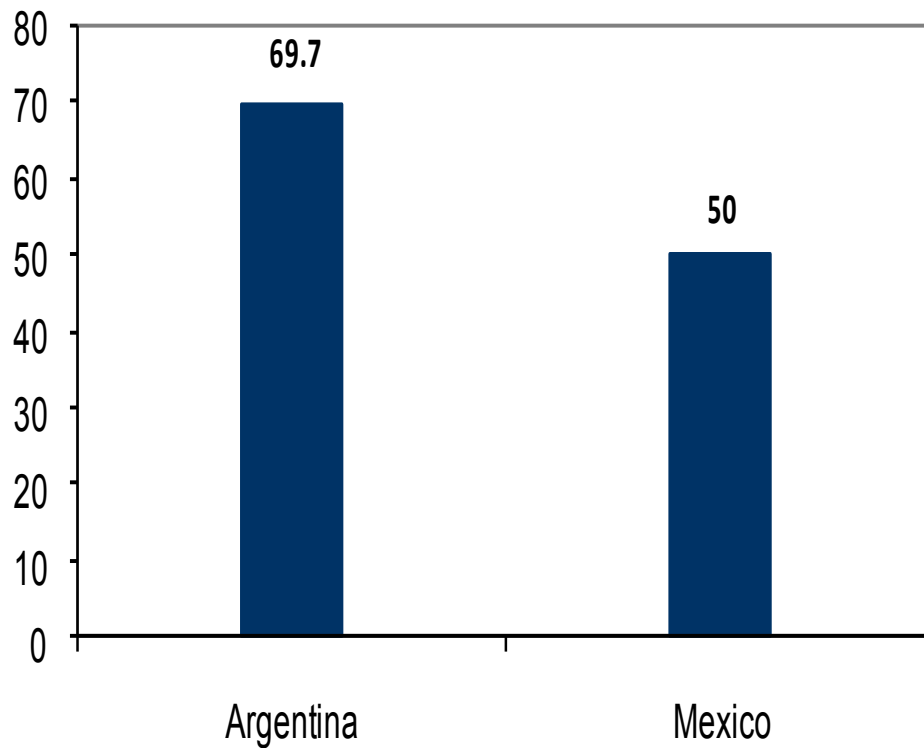
Consistent with the lower integration into the GVC in Argentina, the MNCs have a much greater autonomy in the decisions that Mexican MNCs affiliates



Sources: INTREPID Project. Surveys on MNCs. Mexico and Argentina, 2009

RESEARCH AND DEVELOPMENT

R & D generated by HQ and other subsidiaries (% of firms)



Majority of MNCs in Argentina and Mexico use R&D from its HQ and affiliates

Sources: INTREPID Project. Surveys on MNCS. Mexico and Argentina, 2009



Conclusions

- MNCs in Mexico and Argentina have a different
 - company profile
 - investment strategies
 - intra-firm trade
 - level of autonomy
- Two developing Latin-American countries with huge variety.
- Work Hypothesis= Based on the mode of integration into the GVC we can expect significant different impacts, especially in labor issues and HR practices, where Mexico follows a more 'involution' pattern than Argentina.