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).


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
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 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
AFFLIATES 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 make.

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

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 expected significant different impacts, especially in labor issues and HR practices, where Mexico follow a more ‘involution’ pattern than Argentina.