

# PAL REVIEW



UNITED NATIONS

# CEPAL

## Review

*Executive Secretary*  
Norberto González

*Deputy Executive Secretary for  
Economic and Social Development*  
Gert Rosenthal

*Deputy Executive Secretary for  
Co-operation and Support Services*  
Robert T. Brown

*Director of the Review*  
Raúl Prebisch

*Technical Secretary*  
Adolfo Gurrieri

*Deputy Secretary*  
Rosa Nielsen



UNITED NATIONS  
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN

SANTIAGO, CHILE, APRIL 1986

# C E P A L

Review

Santiago, Chile

Number 28

## CONTENTS

|   |     |
|---|-----|
| Address delivered by the Executive Secretary of ECLAC, Mr. Norberto González, when opening the Meeting on Growth, Adjustment and the Debt in Latin America. | 7   |
| Central America: Bases for a reactivation and development policy. <i>ECLAC Mexico Subregional Headquarters</i>  | 11  |
| Thoughts on industrialization, linkage and growth. <i>Joint ECLAC/UNIDO Industrial Development Division</i>   | 49  |
| Inflation and stabilization policies. <i>Daniel Heymann</i>   | 67  |
| Transnational corporations in Argentina, 1976-1983. <i>Daniel Aspiazu, Eduardo Basualdo and Bernardo Kosacoff</i>   | 99  |
| Social security and development in Latin America. <i>Carmelo Mesa-Lago</i>  | 135 |
| Changes of social relevance in the transplantation of theories: the examples of economics and agronomics. <i>Ivo Dubiel</i>                                 | 151 |
| The preparation of natural and cultural heritage inventories and accounts. <i>Nicolo Gligo</i>  | 171 |
| Co-operativism and popular participation: new considerations regarding an old subject. <i>Roberto P. Guimarães</i>  | 187 |
| Notes on trade from the standpoint of the periphery. <i>Raúl Prebisch</i>   | 203 |
| Recent ECLAC Publications   | 215 |

# Transnational corporations in Argentina, 1976-1983

*Daniel Azpiazu,  
Eduardo Basualdo and  
Bernardo Kosacoff\**

The purpose of this article is to analyse the more salient features of the performance and evolution of foreign capital in the Argentine economy during the military government which was in power from 1976 to 1983. In the introduction, a brief summary of the long-term situation is given, with emphasis being placed on the fundamental role which foreign capital has played in the economic development of Argentina throughout its history. Section One contains a discussion of the evolution of foreign investments authorized to establish themselves in the country, special aspects of their capital contributions and their distribution by sector and country of origin and, finally, an analysis of those investments which were channelled to the financial sector and those which originated in the United States.

In Section Two, the international presence in the manufacturing industry is discussed. The situation is analysed at two levels. Firstly, background information is given to throw light on the position held by the transnational corporations in the structure of industry, and secondly, their evolution within the sector during the past decade, when the Argentine economy underwent a far-reaching process of deindustrialization, is discussed.

With regard to the period under study, the authors stress that, although considerable incentives were offered to encourage foreign investments, such investments did not come in on a large scale, mainly because of the recessive conditions which prevailed from the mid-1970s onwards and because of misgivings about the possible duration of the policy of openness. When the opportunities offered by the market over the short and medium term are limited, it is not enough to set up an institutional framework designed to encourage foreign investment.

•Consultants to the ECLAC Office in Buenos Aires. The authors appreciate the collaboration of Javier Carduzo.

## Introduction

Since it began to take part in the international division of labour, Argentina has been a major recipient of foreign investment, and foreign investment has, in turn, played a major role in building the country's structure of production. Both when the country was mainly an exporter of agricultural products and during the period of import substitution —either during the early stage of light industry or the later stage when the process was extended to the production of intermediate and durable goods— foreign corporations have played a strategic role, and have acted as the moving force behind the structural changes which have taken place in the economy.

During the period of crop and stock production for external markets, foreign capital controlled the linkages which guaranteed the internal operation of the accumulation model and the provision of foods and raw materials for the metropolis (England), the country of origin of most of the investments. Investors concentrated their attention on refrigeration plants, commercial activities pertaining to imports and exports, the ports and, especially, the railways because of the role these activities played in the model and the potential for accumulation which they offered.

As the agroexports model began to decline—even before the definitive crisis of 1930—, there was a contraction in the flow of new investments associated with that accumulation pattern. The few firms which did establish themselves in the country were mostly from the United States and they tended to do business in fields other than that of agricultural exports.

During the transition between periods when agricultural exports prevailed and the stage when the industrial sector became the dynamic nucleus of capital accumulation, foreign investment was oriented towards specific sectors. New investments were concentrated on import-substitution manufacturing activities. At first, they were oriented towards industries which produced final goods associated with the consumption patterns of those strata of the population which, having a high average income, represented a heavy and growing

demand for manufactures. That was the case with many food industries —fundamentally agroindustrial ones, reflecting the transition between the two models— textiles, construction materials and some final chemical products and electrical consumer goods. These were mainly light industries in whose development foreign capital played a major role, without actually dominating or controlling the industries concerned.

Nevertheless, it was not until the late 1950s or early 1960s that the transnational corporations began to play a hegemonic role in the substitution process, which by then had been extended to intermediate and durable consumer goods. Industries such as the petrochemical, automobile, machinery and equipment or metal products and engineering industries were at the fore during this second stage of the substitution process; they were set up through foreign enterprises which, soon after establishing themselves, became part of the entrepreneurial élite of the country.

Although the total amount of investments approved between 1958 and 1962 did not

represent a significant contribution to capital accumulation in industry (around 10% of capital formation in the sector), the fact that they were concentrated in a few strategic activities (the relatively more dynamic ones, which had modern technologies, markets controlled by an oligopoly and a high accumulation potential) brought a profound transformation of the industrial structure and meant that the transnational corporations played a leading role in those industries which by their very nature, give impetus to the development of manufacturing in the country.

The new accumulation pattern of the Argentine economy was based on the industrial sector and hence, as foreign investments matured, they became one of the main foundations of this accumulation. Although, in quantitative terms, foreign capital did not reach the magnitude it had at the beginning of the century (before World War I it represented 51 % of gross investment), it did play a fundamental role because of the degree to which it controlled the dynamic poles of capital accumulation and reproduction.

## I

### The transnational corporations and the opening-up policy of the last military government

#### 1. *Trends in direct foreign investment and investment patterns, 1976-1983*

After the brief period of the Peronist government (1973-1976), which regulated the central aspects of the management of transnational corporations in the country, the military government eliminated the main restrictions which had been placed on foreign investment, by establishing the new system provided for in Act 21382.

The new authorities' aim —in which they partly succeeded— was to dismantle the classical

protectionist system, to change the economic structure of the country and thus to modify the role of the various economic agents and sectors. Argentina thus embarked on a new experiment which dramatically changed the accumulation model which had become firmly established after the Second World War. According to Kosacoff (1984), the policy put underway in April 1976 consisted, in essence, of trusting in the market mechanisms for the allocation of resources —thus making it necessary to carry out a programme designed to liberalize the market— and of seeking to establish greater

Table 1

ARGENTINA: AUTHORIZED FOREIGN DIRECT INVESTMENT BY FORM  
OF CONTRIBUTION, 1977-1983

*(Thousands of dollars at current prices, and percentages)*

|       | New<br>capital<br>contribu-<br>tions | Capitaliza-<br>tion of<br>credits | Total<br>authorized<br>investment | Reinvest-<br>ment of<br>profits | Automatic<br>contribu-<br>tions | Total<br>investment<br>(3) + (4) - (5) | Total invest-<br>ment in<br>terms of<br>thousands of<br>dollars at<br>1983 prices |
|-------|--------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|--|---|
|       | (1)                                  | (2)                               | (3)                               | (4)                             | (5)                             | (6)                                    | (7)   |
| 1977  | 40 518                               | 80 602                            | 121 120                           | 132 435                         | 1 419                           | 254 974                                | 398 155   |
| 1978  | 201 534                              | 55 504                            | 257 038                           | 118 253                         | 11 697                          | 386 988                                | 560 859   |
| 1979  | 374 269                              | 86 364                            | 460 633                           | 193 186                         | 16 973                          | 670 792                                | 863 540   |
| 1980  | 633 359                              | 30 130                            | 663 489                           | 399 364                         | 97 918                          | 1 160 770                              | 1 310 511   |
| 1981  | 790 011                              | 96 652                            | 886 663                           | 344 597                         | 180 069                         | 1 411 329                              | 1 460 486   |
| 1982  | 252 915                              | 711 126                           | 324 041                           | 181 651                         | 98 734                          | 604 426                                | 612 564   |
| 1983  | 131 155                              | 9 848                             | 141 003                           | 131 248                         | 11 045                          | 283 296                                | 283 296   |
| Total | 2 423 761<br>(50.1)                  | 430 226<br>(9.7)                  | 2 853 988<br>(59.8)               | 1 500 733<br>(31.4)             | 417 854<br>(8.8)                | 4 772 575<br>(100.0)                   | 5 489 411   |

*Source:* Prepared by the authors on the basis of information supplied by the Foreign Investment Department of the Ministry of Economic Affairs.

links with the exterior. With regard to the latter, tariff reforms —aimed at opening up trade— and financial reforms were implemented in order to remove restrictions on the inflow and outflow of capitals. In addition, import duties, the exchange rate and the real interest rate were used jointly as basic tools in the struggle against inflation. This anti-inflationary objective was constantly given priority over the medium-range accumulation process and the improvement of income distribution. The axes of economic policy were the establishment of a more realistic price system (which entailed eliminating regulations, taxes, subsidies and privileges) and the consideration of comparative advantages taken in a static sense. These two elements were the central indicators to be used in the estimates to be made by corporations in measuring the efficiency of the investment process.

We have quoted from this passage at length because it provides a useful macroeconomic

frame of reference for assessing the response of direct foreign investment to the great variety of incentives which were offered from 1976 onwards and for studying the development of the foreign corporations established in the country.

As a result of the incentives received and of the consolidation of a favourable environment for carrying out certain highly profitable operations with a minimum amount of risk and a rapid rate of return on capital, direct foreign investments authorized to set up business in the country grew steadily up to 1981, and then declined sharply in 1982 and 1983 (table 1).

Up to 1983, authorized foreign investments amounted to a total of US\$ 4 772.6 million, i.e., at an annual rate of US\$ 681.8 million during the period under study (1977-1985), or US\$ 784.2 million in constant 1983 dollars.

This influx of direct investments took place during two clearly differentiated subperiods. During the first, from 1977 to 1981 —coinciding

with the tenure of Dr. Martínez de Hoz and the full application of the policy of openness—direct foreign investment rose steadily to a level of approximately US\$ 1.5 billion. During the second stage (1982 and 1983), on the other hand, investment fell considerably; this phenomenon was associated with a series of events, such as the departure of Dr. Martínez de Hoz, the discontinuation of the openness policy and the successive devaluations of the peso, which created an atmosphere of insecurity for foreign investors. In brief, the economic programme announced in April 1976 was gradually abandoned.

As regards the forms taken by direct foreign investment, table 2 shows that of the investments authorized between March 1977 and December 1983, a little over half (50.1%) consisted of new capital contributions, 9.7% represented capitalization of external credit, 31.4% came from reinvestment of profits and the remainder (8.8%) represented automatic capital contributions.

In view of the different ways in which these investments were made, the actual significance of the nearly US\$ 5 billion worth of foreign investments entering the country over a period of seven years is relative. A partial review of some of these investments brings to light a

series of aspects and special situations which give a much better picture of their magnitude and nature during the period considered.

New capital contributions brought in during the seven years (US\$ 2 423.8 million) included VS\$ 702.3 million worth of temporary contributions to the production of oil and natural gas and an unspecified—but significant—amount of external resources for the denationalization of companies financed by local capital (La Isaura, Calera Avellaneda) or, in other cases, a simple increment in the share held by parent companies in the capital of local firms in which they already held the majority of stocks.<sup>1</sup> In either of the two cases—either denationalization or increased participation in the capital of a local subsidiary—even though, *formally* speaking, the investment involved a particular type of "new capital contribution" from abroad, there was no increase in the

<sup>1</sup>Some of the most noteworthy examples are: Corning International Corporation, to increase its participation in the capital of Cristalerías RigoUeau S.A.; Química Hoechst in Indur S.A.; Massey Ferguson Limited in Perkins Argentina S.A. and in Massey Ferguson Argentina S.A.; Westinghouse Electric Corporation in Galileo Argentina S.A.; Federal Mogul Corporation in INDiCO Minoli SAIC; Renault Argentina S.A. (controlled in turn by Régie Nationale des Usines Renault) in Metalúrgica Tandil S.A.; Philips Argentina S.A. (controlled in turn by NY Philips Gloeinpampert) in Salvo S.A.

Table 2

## ARGENTINA: AUTHORIZED FOREIGN INVESTMENT, 1977-1983

(Accrued total and annual averages. Thousands of 1983 dollars)

|                                 | Accrued total |           |           | Annual averages |           |         |
|---------------------------------|---------------|-----------|-----------|-----------------|-----------|---------|
|                                 | 1977-1981     | 1982-1983 | Total     | 1977-1981       | 1982-1983 | Total   |
| 1) New capital contributions    | 2 369 755     | 387 475   | 2 757 230 | 473 951         | 193 738   | 393 890 |
| 2) Capitalization of credits    | 451 523       | 81 932    | 533 455   | 90 305          | 40 966    | 76 208  |
| 3) Total authorized investments |               |           |           |                 |           |         |
| (1) + (2)                       | 2 821 278     | 469 407   | 3 290 685 | 564 256         | 234 704   | 470 098 |
| 4) Reinvestment of profits      | 1 434 365     | 315 345   | 1 749 710 | 286 873         | 157 673   | 249 959 |
| 5) Automatic contributions      | 337 908       | 111 108   | 449 016   | 67 582          | 55 554    | 64 145  |
| 6) Total investment (3)+(4)+(5) | 4 593 551     | 895 860   | 5 489 411 | 918 710         | 447 930   | 784 202 |

Source: Prepared by the authors on the basis of information supplied by the Foreign Investment Department of the Ministry of Economic Affairs.

production capacity of the country and no more than a mere transfer of ownership of already existing capital.

A similar case which deserves separate treatment, however, because of its implications and the magnitude of the resources involved, is that of the purchase by Volkswagen of the assets of Chrysler Fevre Argentina. This transaction actually represented an inflow of external resources which at the same time entailed a repatriation of capital by Chrysler (a United States firm) and a displacement of national capital (51.3% belonged to local parts dealers and agents). Nevertheless, the official statistics only show the investment authorized for Volkswagenwerk A.K. of West Germany—US\$ 102 million—with Chrysler Fevre Argentina as the receiving corporation.

The magnitude and evaluation of the direct foreign investment authorized between 1977 and 1983 only serve as a partial and inadequate indicator when it comes to assessing the results obtained during the period in question; moreover, the absence of official information on the repatriation of external capital makes it impossible to quantify the net effect of the policy aimed at attracting direct foreign investment and thus invalidates any appraisal of its successes and failures.

## *2. Distribution of direct foreign investment by sector and by country of origin, 1977-1983*

The changes in the accumulation model which were brought about as a result of certain characteristics of the country's economic development from the late 1970s onwards are reflected in the sectoral distribution of direct foreign investment authorized between 1977 and 1983. As during the period when agricultural exports were predominant or during the different stages of import substitution the orientation of foreign capital was associated with the role played by the various sectors of activity at the macroeconomic level and with the accumulation pattern concerned. Thus, during the period when the industrial sector was no longer the dynamic pole of capital accumulation and reproduction and that role was assumed by tertiary activities in general and by the financial

sector in particular, the manufacturing industry ceased to be almost the only centre of attraction of direct foreign investment in the country.

The sectoral composition of foreign investment between 1977 and 1983 reflected a turnaround in the historical trends of the postwar period, as there was a sharp decline in direct foreign investment in industry which was offset by the increasing importance of the services, commerce and finance sectors. The resulting profile thus tended to be a reflection of the policy of opening up to the exterior, under which most of the goods-producing sectors were subordinate and the dynamic axis was transferred to financial circuits and to service activities.

Among the investments authorized (not those actually made) up to December 1980 (402 proposals were approved out of a total of 508 for the period 1977-1983), the sectoral distribution of the 166 new firms which would have been established under the 402 proposals clearly shows the sectoral preferences of the foreign investors and the importance of non-production activities (table 3); only 29 would be industrial firms (17.5% of the total), i.e., the same as the number of marketing firms and fewer than the number of firms in the services sector (34).

Complementary facts may be ascertained from an analysis of the distribution of authorized foreign investment by sector of destination, for which purpose the capitalization of loans and new capital contributions channelled towards new or existing firms must be considered as part of such investments (table 4).

Almost 60% of the investments were concentrated in only three areas, i.e., temporary investments in oil operations (24.6%), the automobile industry (17.4%) and the finance and banking sector (16.6%). If investments in oil, are left out, the automobile industry becomes the main receiving sector (US\$ 495.4 million). Of investments authorized for the sector, 33.7% (US\$ 167 million) were for "capitalization of loans", in most cases, these were used to improve the structure and the economic and financial situation of the receiving firms, which had been seriously affected by the setback suffered by the sector as a whole. New capital contributions (US\$ 328.4 million) were accounted for by the entry of a new international firm (Volkswagen)



Table 3

ARGENTINA: SECTORAL DISTRIBUTION  
OF NEW FIRMS SET UP ON THE BASIS  
OF FOREIGN DIRECT INVESTMENT  
AUTHORIZED BETWEEN 1977  
AND 1980

(Number of firms, and percentages)

| Sector                              | Number<br>of firms | Percent-<br>ages |
|-------------------------------------|--------------------|------------------|
| Financial institutions<br>and banks | 15                 | 9.0              |
| Services                            | 34                 | 20.5             |
| Marketing                           | 29                 | 17.5             |
| Agriculture and fishing             | 19                 | 11.4             |
| Construction                        | 9                  | 5.4              |
| Manufacturing                       | 29                 | 17.5             |
| Machinery and<br>equipment          | 5                  | 3.0              |
| Chemicals and plastics              | 11                 | 6.6              |
| Cement                              | 1                  | 0.6              |
| Others                              | 12                 | 7.2              |
| Other activities                    | 31                 | 18.7             |
| Total new firms                     | 166                | 100.0            |

Source: Ministry of Economic Affairs (1981).

and the investment plans of Ford (a new truck plant) and Fiat. Within the context of a far-reaching sectoral reorganization, these investments were offset by the closing down and the consequent repatriation of capital (in the first three cases) of General Motors (1978), Citroen (1979) and Chrysler (purchased by Volkswagen), Industrias Mecánicas del Estado (1980) and the merger of SAFRAR and Fiat (Sevel).

The greatest net inflow of external capital took place in the financial sector and, more specifically, the banking sector. Authorized investments amounted to US\$ 473.6 million, thanks to the entry of fifteen new foreign banks, which is evidence of the growing interest of international financial groups in setting up operations in the country.

On the other hand, the relative lack of interest shown by foreign investors in putting their capital into the manufacturing sector one of the most affected by the policy of openness, may be seen in the figures showing the number of industrial firms established up to December 1980. Table 4 shows that—despite the influence of the automobile sector—the various branches of industry as a whole represent slightly less than half the authorized investments (48.3%); during any other subperiod of the last three decades, industry had always accounted for over

Table 4

ARGENTINA: SECTORAL DISTRIBUTION  
OF FOREIGN INVESTMENT  
AUTHORIZED BETWEEN  
1976 AND 1983

(Thousands of dollars at current  
prices, and percentages)

| Sector  | Amount    | Percent-<br>ages |
|---|-----------|------------------|
| Exploitation of gas and<br>petroleum                    | 702 319   | 24.6             |
| Primary activities (agriculture,<br>fishing and mining) | 79 683    | 2.8              |
| Motor vehicle industry                                  | 495 441   | 17.4             |
| Machinery and equipment                                 | 173 437   | 6.1              |
| Petrochemicals  | 172 995   | 6.1              |
| Food, beverages and tobacco                             | 138 291   | 4.8              |
| Chemical products                                       | 99 129    | 3.5              |
| Pharmaceutical products<br>and perfumery                | 81 176    | 2.8              |
| Other industrial activities                             | 217 738   | 7.6              |
| Construction  | 49 410    | 1.7              |
| Financial institutions and<br>banking                   | 473 569   | 16.6             |
| Business and services                                   | 143 580   | 5.0              |
| Others  | 27 220    | 1.0              |
| Total   | 2 853 988 | 100.0            |

Source: Prepared by the authors on the basis of information supplied by the Foreign Investment Department of the Ministry of Economic Affairs.

90% to 95% of all direct foreign investment established in the country. There is no question that the manufacturing industry ceased to be the predominant sector as far as the attraction of foreign capital is concerned.

Contrary to what happened in the case of changes in the sectoral composition of foreign investments the distribution by country of origin of these investments did not vary greatly with respect to the legislative trends of the last few decades. As regards the high concentration in a few countries and the relative share represented by each of them, the structure did not differ substantially from that of any other postwar period, nor —except in the contrasting cases of the United Kingdom and Italy— was there much variation with regard to the stock of foreign capital accumulated in the country around the mid-1970s (table 5).

Table 5

ARGENTINA: FOREIGN INVESTMENTS  
AUTHORIZED BETWEEN 1977  
AND 1983, BY COUNTRY OF  
ORIGIN OF INVESTMENT

(Thousands of dollars at current  
prices, and percentages)

| Country               | Amount    | Percent-<br>ages |
|-----------------------|-----------|------------------|
| United States         | 1 264 244 | 44.3             |
| Italy                 | 455 867   | 16.0             |
| France                | 266 079   | 9.3              |
| West Germany          | 252 458   | 8.8              |
| The Netherlands       | 126 042   | 4.4              |
| Switzerland           | 117 789   | 4.1              |
| Spain                 | 97 289    | 3.4              |
| Canada                | 56 014    | 2.0              |
| Sweden                | 44 611    | 1.6              |
| Japan                 | 41 152    | 1.4              |
| Others (19 countries) | 132 442   | 4.7              |
| Total                 | 2 853 988 | 100.0            |

Source: Prepared by the authors on the basis of information supplied by the Foreign Investment Department of the Ministry of Economic Affairs.

Almost 70% of the total amount of direct foreign investment authorized between 1977 and 1983 was accounted for by firms from only three countries (United States, Italy and France); if investments from four other countries (West Germany, Netherlands, Switzerland and Spain) are included, the figure increases to 90%.

Of the remaining countries of origin, the only ones worth mentioning would be the negligible presence of Japan (1.4%) and the United Kingdom which, with only 0.7% of the total, ranks thirteenth in the listing of countries of origin of investments.

### 3. Direct foreign investment in the financial sector of Argentina

The substantial amount of direct foreign investment that was placed in the financial sector may be explained, to a large degree, by the fact that the high degree of liquidity of the financial market coincided with the search for new investment opportunities and the application, at the local level, of a policy of openness, which involved an effort to attract the attention of the world banks. The financial reforms of mid-1977, the widespread liberalization of the capital market, the exchange lag policy and its effect on the spread between domestic and external interest rates were some of the main factors which created favourable conditions for arousing the interest of the foreign banks. These local phenomena occurred simultaneously with the high liquidity of the international market and the intensification of oligopolistic competition among the world banks, essentially as a result of their growing transnationalization.

As a result of this combination of circumstances, there was a considerable influx of foreign capital to the financial sector of Argentina, especially to the banks. Hence, direct foreign investment in the sector had the greatest economic impact during the period, because of its effect on the shaping of the financial market. Around 1983, total authorized investments in the sector amounted to US\$ 473-6 million, as a result of the approval of fifteen investment proposals which, in every case, had to do with the establishment of new banks in the country.

This influx had two interesting features, i.e., its distribution over time and the forms of establishment involved. The investments were highly concentrated in time; thus, slightly over 95% were authorized within a three-year period—between late 1978 and late 1981—and the fifteen banks were actually established in 1979 and 1980 (table 6).

The concentration of these investments in time had to do with the fact that around the end of 1978, the openness policy took a new turn; thus, with a "monetary approach to the balance of payments", the financial market was opened up completely, thanks to the elimination of barriers to international capital flows. In addition, an exchange lag policy was applied which provided opportunities for highly profitable investment, essentially in the financial circuits. The combined effect of the new legislation on foreign investment, the financial reform of 1977 and the liberalization of the capital market was to arouse increasing interest among the international banks in establishing themselves in the country.

As regards the way in which the new banks set up their operations in the country, in only three of the fifteen cases did they purchase local banks, i.e., Irving Trust purchased Banco

Austral; Bank of America purchased Banco Internacional, and Crédit Lyonnais purchased Banco Tornquist. The remaining banks (12) which started business during the period in question established new local firms.

This method of penetration, which was different even from that used by the foreign banks towards the late 1960s, had to do with the type of business carried out by the new banks (foreign transactions and non-traditional services for a small core of users), which was different from the type of activities carried out by most of the local banks (receiving deposits and granting loans).

Although the number of firms almost doubled, the influence of the foreign banks on the local market showed hardly any variation between 1976 and 1983 (table 7).

In late 1976, when the neomonetarist goals of the economic authorities had become clearly evident, the foreign banks had recovered part of the share in total deposits on the commercial circuit which they had lost during the Peronist government. Thus, while in 1974 they received 15% of the total, by the end of 1976 they controlled 16.5%.

Towards the end of 1978, as a result of the restrictions imposed by the Central Bank on the opening up of new subsidiaries, the foreign banks' share fell back to the levels of the early 1960s. Suffice it to say that, while between 1970 and 1977, the foreign banks reduced the number of their branch offices from 223 to 219, the banking system as a whole increased them from 2 298 to 3 152 (table 8).

This loss of the foreign banks' share in total deposits received and the decline in the number of branch offices had to do with the type of business in which they engaged, inasmuch as they chose to compete in the area of interest rates while at the same time, as a result of the institutional reclassification brought about by the reforms and the different style of competition prevailing, in which there seemed to be a ranking of the banks' spatial capacity to attract deposits, there was a substantial increase in the total number of commercial banks and their branch offices (Feldman and Sommer, 1984).

At any rate, with the new influx of direct foreign investment in the banking sector

Table 6

ARGENTINA: DISTRIBUTION OVER  
TIME OF AUTHORIZED FOREIGN  
DIRECT INVESTMENT IN THE  
FINANCIAL SECTOR

(Thousands of dollars, and percentages)

| . ,a                      | Thousands | Percent- |
|---------------------------|-----------|----------|
| 1-III-1977 to 31-VII-1978 | 17 256    | 3.7      |
| 1-IX-1978 to 30-IX-1981   | 452 111   | 95.5     |
| 1-X-1981 to 31-XII-1981   | 3 932     | 0.8      |
| Total                     | 473 569   | 100.0    |

Source: Foreign Investment Department of the Ministry of Economic Affairs.

"The dates of the subperiods correspond to those of the periodic reports issued by the Foreign Investment Department.

Table 7

ARGENTINA: INDICATORS OF PARTICIPATION OF FOREIGN BANKS  
IN THE PESO DEPOSITS MARKET

*(Number of entities, and percentages)*

| Indicator  | 1974 | 1976 | 1978 | 1980 | 1981 | 1982 | 1983 |
|--|------|------|------|------|------|------|------|
| Number of foreign banks  | 17   | 17   | 17   | 32   | 32   | 32   | 32   |
| Share in total commercial bank deposits  | 15.0 | 16.5 | 13.3 | 17.0 | 17.0 | 14.2 | 16.8 |
| Share in total private commercial banks deposits   | 39.4 | 31.5 | 22.1 | 28.4 | 28.4 | 26.8 | 29.7 |
| Share of private commercial banks (national and foreign) in total private and State commercial bank deposits | 45.8 | 52.3 | 60.3 | 59.8 | 59.8 | 52.9 | 56.7 |

*Source:* Central Bank of the Republic of Argentina,

Table 8

ARGENTINA: EVOLUTION OF QUANTITY OF BANK BRANCH OFFICES  
BY SOURCE OF CAPITAL

*(Absolute figures and percentages)*

| Year | Foreign banks            |   | Total banks              |   | Percentage                  |  |
|------|--------------------------|---|--------------------------|---|-----------------------------|--|
|      | Number of branch offices | Average number of branch offices per bank | Number of branch offices | Average number of branch offices per bank | Of number of branch offices | Of average number of branch offices per bank |
| 1970 | 233                      | 13.7                                      | 2 296                    | 19.3                                      | 10.1                        | 71.0   |
| 1977 | 219                      | 12.9                                      | 3 152                    | 26.3                                      | 6.9                         | 49.0   |
| 1978 | 222                      | 13.1                                      | 3 339                    | 18.5                                      | 6.6                         | 70.8   |
| 1979 | 238                      | 11.9                                      | 4 060                    | 19.2                                      | 5.9                         | 62.0   |
| 1980 | 241                      | 9.3                                       | 4 050                    | 19.6                                      | 6.0                         | 47.4   |
| 1981 | 373                      | 11.7                                      | 4 075                    | 19.8                                      | 9.1                         | 59.1   |
| 1982 | 379                      | 11.5                                      | 4 242                    | 20.9                                      | 8.9                         | 55.0   |
| 1983 | 373                      | 11.7                                      | 4 528                    | 21.7                                      | 8.2                         | 53.9   |

*Source:* Central Bank of the Republic of Argentina.

towards the end of 1980, the transnational banks recovered a good deal of the ground they had lost between 1971 and 1978. From a 13.3% share of all deposits in the hands of commercial banks, in 1978 they managed to attract 17%.

It was not until 1981 that the foreign banks also began to apply a policy of opening up branch offices as a way of improving their competitiveness; in just one year, the number of branch offices rose from 241 to 373. To a large extent, this proliferation of branch offices seems to have been a residual effect of the succession of bankruptcies and interventions of national private firms which began with the closing down of the Banco de Intercambio Regional in March 1980. Several of the foreign banks belonging to the "retail and diversified" sector purchased some of the branch offices of liquidated institutions from the Central Bank.

The results of 1982 also reflect, to a large extent, the impact of the Argentine-British dispute over ownership of the Falkland Islands (Islas Malvinas) and the Georgia and Southern Sandwich Islands. Part of the deposits sought refuge in State entities and part of the deposits in foreign banks were channelled to firms that were less vulnerable, in the users' view, to the hazards of the armed conflict. Between 1981 and 1982, the transnational institutions' share in total resources handled by commercial banks fell from 17.0% to 14.2%. In 1983 —when expectations centred on the restoration of the country's institutional stability—, there was a slight improvement in the level of deposits accumulated by the foreign banks. As regards the total amount in the hands of commercial banks, their share rose from 14.2% to 16.8%, two points below the record set in 1969.

In addition to discussing the position of the transnational banks in the local market (either in peso deposits or in number of bank offices), it is worthwhile analysing the ways in which their influence was exercised within the banks themselves. To this end, table 9 shows the share of the major firms in total deposits received by the transnational banks up to December 1983 —with the corresponding figures for June 1976— as well as their distribution according to country of origin of the capital, with the banks which started during the recent military régime shown separately.

Some of the salient features of the transnational presence in banking activities are the following:

a) The high degree of concentration of deposits in a small group of banks. One third of the banks (11) attracted a little over 80% of all deposits and four of them accounted for almost half (49.3%) of the total.

b) None of the eleven firms entered the country during the recent military régime. That group includes two banks that were denationalized during the period in question, i.e., Tornquist (purchased by Crédit Lyonnais) and, indirectly, Internacional, absorbed by the Bank of America, which had already been doing business in the country.

c) The absence of major changes, with respect to 1976, in the composition of the leader group or, at least, its size, which —one might assume— would entail almost doubling the number of firms set up by foreign capital.

d) The average represented by the United States banks, both as regards the number of firms (11) and as regards their share in total deposits channelled to the foreign banks (51-2%); hence, 45.4% of the total is concentrated in only four banks.

e) Finally, the clear difference between banks which entered the country before the recent military régime and those which entered during that period, as regards their ranking in the peso deposit market. While the former accounted for 82.9% of those deposits, the latter only accounted for the remaining 17.1%, if the analysis is confined to the new banks established during those years, the figure falls to 9.6%. This uneven participation once again shows up the different characteristics of the two groups, i.e., the former were predominantly "retailers" and "diversified", while the ones begun under the policy of generally open markets were predominantly "wholesalers" and "specialized".

#### 4. *United States investments in Argentina*

The direct foreign investments which entered the country during the recent military régime may also be analysed in the light of the official statistics of the countries of origin of those capitals. It is thus possible to compare the rate at

Table 9

**ARGENTINA: SHARE OF EACH OF THE VARIOUS FOREIGN BANKS IN  
TOTAL PESO DEPOSITS IN THEIR HANDS**

*(Percentages)*

| Entity   | Sources of capital | Share in deposits<br>(percentages) |                | Ranking      |
|--|--------------------|------------------------------------|----------------|--------------|
|  |                    | December<br>1983                   | June 1983      | June 1976    |
| <b>Ranking by deposits at December 1983</b>  |                    |                                    |                |              |
| The First National Bank of Boston  | United States      | 19.8                               | 13.9           | 2            |
| Citibank   | United States      | 14.5                               | 11.3           | 3            |
| Banco de Londres y America del Sur   | United Kingdom     | 7.5                                | 14.3           | 1            |
| Bank of America  | United States      | 7.4                                | 2.3            | 15           |
| Banco Tornquist"   | France             | 6.5                                |                |              |
| Supervielle Scoiété Générale   | France             | 6.3                                | 6.4            | 7            |
| Banco Popular Argentino  | Spain              | 4.2                                | 7.1            | 6            |
| Banco Sudameris  | France/Italy       | 3.9                                | 7.9            | 5            |
| Chase Manhattan Bank   | United States      | 3.7                                | 3.0            | 13           |
| Deutsch Bank   | Germany            | 3.7                                | 5.0            | 8            |
| Banco Europeo para América Latina  | Belgium/Italy      | 3.1                                | 3.4            | 11           |
|  |                    |                                    |                |              |
| Country  | Number of entities |                                    | Share in total |              |
| <b>Distribution of deposits by source of capital</b>                               |                    |                                    |                |              |
| United States  |                    | 11                                 |                | 51.2         |
| Brazil   |                    | 4                                  |                | 0.4          |
| Spain  |                    | 3                                  |                | 7.8          |
| France   |                    | 3                                  |                | 13.2         |
| United Kingdom   |                    | 2                                  |                | 7.5          |
| Italy  |                    | 2                                  |                | 1.0          |
| The Netherlands  |                    | 1                                  |                | 1.9          |
| Japan  |                    | 1                                  |                | 2.3          |
| Uruguay  |                    | 1                                  |                | 3.0          |
| Canada   |                    | 1                                  |                | 1.0          |
| West Germany   |                    | 1                                  |                | 3.7          |
| France/Italy   |                    | 1                                  |                | 3.9          |
| Belgium/Italy  |                    | 1                                  |                | 3.1          |
| Total  |                    | <b>32</b>                          |                | <b>100.0</b> |
| <b>Distribution of deposits by date of incorporation of the transnational bank</b> |                    |                                    |                |              |
| Banks installed before 1976  |                    | 17                                 |                | 82.9         |
| Banks installed under the military government                                      |                    | 15                                 |                | 17.1         |
| New banks  |                    | (12)                               |                | 9.6          |
| Denationalizations   |                    | (2)                                |                | 7.5          |
| Denationalization and absorption   |                    | <b>(1)</b>                         |                |              |

Source: Prepared by the authors on the basis of data supplied by the Central Bank of the Republic of Argentina.

"In 1976 the Banco Tornquist was owned by local capital. Subsequently it was purchased by Crédit Lyonnais.

\*Refers to the Banco Internacional, purchased by the Bank of America and transferred in 1983 to its local subsidiary.

which capital was channelled to Argentina with its evolution at the global level, sectoral profile, profitability and the specific application of the benefits obtained from those investments (reinvestment or repatriation). With this information, a clear picture emerges of the place which Argentina occupies among all countries receiving foreign investments.<sup>2</sup>

The first aspect to be studied is that of the changes that have occurred in respect of the stock of United States capital established in Argentina. Between 1976 and 1983, direct foreign investments of United States capital in Argentina rose from US\$ 1 \$66 million to US\$ 3 054 million; this represents an average annual growth of 12.2% (4.4% per year in constant 1976 dollars). During the same period, total United States investments abroad, measured in constant values, declined slightly (table 10).

Some comments are in order in connection with this sharply contrasting performance. Between 1976 and 1979, Argentina followed the trend noted at the international level, i.e., the export of United States capital continued to slow down, a phenomenon which had begun with the recession of 1974-1975. The dramatic increase in United States investments accumulated abroad between the end of World War II and the early 1970s was a result of the dynamic evolution of the world economy and the steady expansion of production capacity at the international level. That growth was interrupted during the crisis of 1974-1975, which seriously affected capital flows, especially those directed towards production.

This behaviour fits into the overall picture of the evolution and cycles of the international economy. Within this framework, the rate of growth of United States investments in Argentina between 1976 and 1979 (1.7% per year) was quite similar to the rate recorded at the international level.

<sup>2</sup>An analysis of the information supplied by the United States Department of Commerce will show the destination, at the international and local levels, of most capitals established outside their countries of origin. The statistics published by the Department in its *Survey of Current Business* make it possible to study the evolution and the main characteristics of direct foreign investments in each receiving country and hence to study those directed to Argentina in the last few years.

This had not been the case during the preceding years. As a result of the recessive environment prevailing in the world economy, the general instability of exchange rates and of financial and monetary markets and the absence of a recovery of satisfactory rates of return on investments abroad (which fell steadily between 1979 and 1983), on the one hand, and, on the other, of the domestic policies followed by the Republican Administration, there was a steady decline, in real terms, of direct United States investments abroad (the cumulative rate was -1.6% per year between 1979 and 1983). On the other hand, United States investments in Argentina during the same period showed a real cumulative growth of 6.4% per year. This performance reflects the interest of United States investors in establishing their capitals in the country. An analysis of the sectoral content of this growth shows that it was spearheaded by two activities, i.e., oil and finance. Whereas in global terms, cumulative direct foreign investment increased 2.2 times between 1976 and 1983, investments

Table 10

ARGENTINA: EVOLUTION OF UNITED STATES INVESTMENT IN ARGENTINA AND THROUGHOUT THE WORLD, 1976-1983

(Millions of 1976 dollars", and percentages)

| End of year | Investment in Argentina (1) | Total direct investment (2) | Percentage (D/(2)) |
|-------------|-----------------------------|-----------------------------|--------------------|
| 1976        | 1 366                       | 138 809                     | 0.98               |
| 1977        | 1 403                       | 137 467                     | 1.02               |
| 1978        | 1 460                       | 142 243                     | 1.03               |
| 1979        | 1 436                       | 145 852                     | 0.99               |
| 1980        | 1 699                       | 146 713                     | 1.16               |
| 1981        | 1 707                       | 142 535                     | 1.20               |
| 1982        | 1 835                       | 135 399                     | 1.35               |
| 1983        | 1 842                       | 136 379                     | 1.35               |

Source; Prepared by the authors on the basis of data supplied by the United States Department of Commerce (several years).

"Deflated by the United States wholesale price index.

Table 11

ARGENTINA: ACCRUED UNITED STATES DIRECT INVESTMENT, BY SECTORS  
OF ACTIVITY, 1976-1983

(Millions of dollars at current prices)

| Sector                 | 1976  | 1977  | 1978  | 1979  | 1980  | 1981  | 1982  | 1983  |
|------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Mining                 | 53    | 55    | 54    | 48    | ...   | 69    | 71    | 72    |
| Petroleum              | 174   | 223   | 265   | 305   | 395   | 483   | 645   | 808   |
| Manufacturing          |       |       |       |       |       |       |       |       |
| Food products          | 49    | 51    | 64    | 81    | 168   | 264   | 279   | 288   |
| Chemical products      | 207   | 220   | 243   | 299   | 416   | 360   | 371   | 332   |
| Primary metal products | 72    | 67    | 73    | 64    | 72    | 67    | 77    | 79    |
| Machinery              | 143   | 152   | 172   | 205   | 204   | 271   | 274   | 229   |
| Transport equipment    | 221   | 228   | 242   | 289   | 409   | 308   | 380   | 381   |
| Others                 | 206   | 203   | 205   | 247   | 315   | 301   | 348   | 342   |
| Total manufacturing    | 898   | 921   | 1000  | 1 184 | 1 584 | 1 570 | 1 729 | 1 651 |
| Business               | 104   | 132   | 157   | 136   | 216   | 202   | 167   | 128   |
| Finance                | 72    | 86    | 108   | 113   | 145   | 304   | 300   | 298   |
| Others                 | 65    | 73    | 86    | 64    |       | 107   | 90    | 97    |
| Total                  | 1 365 | 1 490 | 1 670 | 1 850 | 2 494 | 2 735 | 3 002 | 3 054 |

Source: Prepared by the authors on the basis of data supplied by the United States Department of Commerce (several years).

in oil rose more than 4.5 times and investments in financial activities grew more than fourfold. On the other hand, investments in manufacturing industry, which historically had been preferred by United States investors, did not double, in current values, during those seven years, in constant values, the cumulative annual rate of growth fell to 0.7% (table 11).

As a result of this difference in growth rates, the sectoral structure of direct United States investments in Argentina changed substantially. Over a period of only seven years, the petroleum sector more than doubled its share of the total —12.7% in 1976 and 26.5% in 1983— and the share of the financial intermediation sector rose from 5.3% to 9.8%. As a result of the channelling of capital towards banking activities between 1979 and 1981, seven of the fifteen banks entering the country were of United States origin.

In both cases, the growing participation of United States investments reflected the trends

occurring at the international level, where, during the same period —1976 to 1983—, the share of the petroleum sector rose from 20.8% to 27.0% of cumulative United States investments abroad and that of the financial sector rose from 12.3% to 12.7%; investments in manufacturing, on the other hand, fell from 44.8% to 39.9% (United States Department of Commerce, several years).

It would appear that the nature of the process whereby the Argentine economy was opened up and, in that context, the economic activities which appealed most to foreign investors, were completely in line with the trends as regards sectoral distribution which prevailed in the export of United States capital, i.e., petroleum exploration and production and transnationalization of banks. This growth was offset by a decline in the manufacturing industry which, over the seven-year period, fell by more than 11 points in its ranking within the scheme of total direct foreign investments from the



United States accumulated in Argentina. The relative lack of interest in investing in one of the activities most seriously affected by the military government's economic policy appears to have been a constant phenomenon throughout this period and it affected almost every sector of industry.

As regards the subsidiaries operating in Argentina, the census of direct foreign investments carried out by the United States Commerce Department in the late 1970s shows that in 1977, there were 279 subsidiaries of United States firms in Argentina; their total assets were equivalent to US\$ 3 966 million, they employed 113 389 persons and their annual sales amounted to US\$ 3 615 million.

Although several intermediate combinations were possible, two extreme situations prevailed as regards the operation of transnational corporations established in relatively less developed countries, i.e., some produced for the domestic market and some were oriented towards the market of their country of origin or the world market in general, in the context either of the internationalization of production processes or of the supply of

goods, essentially primary ones, at a lower relative cost. Table 12 shows the high proportion of total sales accounted for by the local market (84.6%), which was a result of their having been established under the import-substitution model. Exports were almost marginal with respect to production for the domestic market.

The low coefficient of local exports (15.4%) with respect to the world rate (38.1%) leads to the conclusion that most of the United States transnationals operating in Argentina were organized in terms of local demand and that, in general, exports represented surplus production beyond the levels of local demand (U.S. Department of Commerce, 1981).

The captive trade of United States transnational corporations operating in Argentina was negligible. Whereas at the international level, 33.1% of the sales of the United States subsidiaries was accounted for by intrafirm trade, in Argentina, that trade amounted to no more than 9.3% and, as might be expected, it was only significant in the case of the small volume of exports to the United States, where it represented 87.5% of the total.

Table 12

ARGENTINA: SALES OF UNITED STATES FIRMS, BY GEOGRAPHICAL  
DESTINATION AND LINKAGE WITH THE PURCHASER, 1977

(Millions of dollars, and percentages)

| Linkage                           | Domestic market |                 | Exports to;   |                 |                 |                 | Total  |                  |
|-----------------------------------|-----------------|-----------------|---------------|-----------------|-----------------|-----------------|--------|------------------|
|                                   | Amount          | Percent-<br>age | United States |                 | Other countries |                 | Amount | age              |
|                                   |                 |                 | Amount        | Percent-<br>age | Amount          | Percent-<br>age |        |                  |
| Intrafirm sales                   | 37              | 12<br>(11.0)    | 21            | 87.5<br>(6.2)   | 279             | 52.5<br>(82.8)  | 337    | 9.3<br>(100.0)   |
| Sales to non-<br>affiliated firms | 3 022           | 98.8<br>(92.2)  | 3             | 12.5<br>(0.1)   | 252             | 47.5<br>(7.7)   | 3 277  | 90.7<br>(100.0)  |
| Total sales                       | 3 059           | 100.0<br>(84.6) | 24            | 100.0<br>(0.7)  | 531             | 100.0<br>(14.7) | 3 615  | 100.0<br>(100.0) |

Source; Prepared by the authors on the basis of data supplied by the United States Department of Commerce (1981).

Table 13

ARGENTINA; SECTORAL DISTRIBUTION OF EMPLOYMENT IN  
UNITED STATES TRANSNATIONAL CORPORATIONS  
AND AVERAGE ANNUAL WAGE COST, 1977

<sup>11</sup> (Number employed, dollars and percentages)

| Sector of activity     | Number employed | Percentage | Average annual cost per worker | Index total sectors = 100 |
|------------------------|-----------------|------------|--------------------------------|---------------------------|
| Petroleum              | 4 158           | 3.7        | 8 899                          | 167.6                     |
| Manufacturing industry | 91 141          | 80.4       | 5 124                          | 96.5                      |
| Food products          | 8 834           | 7.8        | 4 188                          | 78.9                      |
| Chemical products      | 20 454          | 18.0       | 5 427                          | 102.2                     |
| Metal products         | 3 146           | 2.8        | 5 722                          | 107.8                     |
| Machinery              | 12 573          | 11.1       | 6 601                          | 124.3                     |
| Transport equipment    | 23 867          | 21.1       | 5 363                          | 101.0                     |
| Other manufactures     | 22 267          | 19.6       | 4 042                          | 76.1                      |
| Business               | 6 255           | 5.5        | 5 596                          | 105.4                     |
| Banks                  | 5 231           | 4.6        | 5 544                          | 104.4                     |
| Finance                | 643             | 0.6        | 4 666                          | 87.9                      |
| Others                 | 5 961           | 5.2        | 5 200                          | 97.9                      |
| Total                  | 113 389         | 100.0      | 5 309                          | 100.0                     |

Source; Prepared on the basis of data supplied by the United States Department of Commerce (1981).

The United States firms did not play a major role in creating employment in the country. In 1977, they employed a total of 113 389 persons (table 13), i.e., 2.2% of total urban employment in the country (excluding the agricultural sector). As regards the sectoral composition of the jobs concerned, the manufacturing industry accounted for a high share, as it absorbed a little over 80% of all workers employed by the United States transnational corporations. Almost half those jobs were concentrated in two industries, i.e., transport equipment (basically, the automobile industry, which, at the census date, included three United States firms) and chemical and petrochemical products. Even though these are capital-intensive industries, between the two they generated more than 44 300 jobs in 1977.

As regards the sectoral cost of labour, statistics compiled by the United States Department of Commerce show a wide scattering of wages among the different sectors

in which the transnationals operated. Apart from the differences that can be attributed to a difference in the average skills of personnel employed, the magnitude of wage variations among sectors would appear to have been due to factors associated with the circumstances prevailing at the national level during the year when the Commerce Department census was taken. In 1977, the second year of the military régime, there were already clear signs of many of the effects of the economic policy applied after March 1976, which were later accentuated. Although the widespread contraction of real income of the wage-earning sector appears to have been one of the fundamental results of that policy, its impact differed depending on the economic sector concerned. Jobs in the manufacturing industry were the most seriously affected by the policy of "social discipline", inasmuch as in 1977, real wages in that sector were equivalent to only 66.3% of the real wages

for 1975. The contraction was not so sharp in most of the other economic sectors. This uneven evolution partly explains the structure of average costs of labour employed by United States subsidiaries operating in Argentina.

In addition, around 1977, the sharp drop in wages which had occurred during the early years of the economic openness policy had a strong impact on the relation between average wage costs in the country and those prevailing in other regions where subsidiaries of United States firms operated. Indeed, in 1977 (table 14), the average annual cost per person employed by United States subsidiaries operating in Argentina was lower than it was in any other grouping to which Argentina belonged (Latin America and the underdeveloped nations) and, of course, it was lower than the cost paid by those same subsidiaries in the developed countries. As a matter of fact, if the comparison is confined to the manufacturing industry, in which the country has a higher degree of industrialization and development than the rest of Latin America

or the underdeveloped countries as a whole, wage costs prove to be higher than the average in the underdeveloped countries as a whole but lower by almost 10% than the cost at the Latin American level. These results appear to tarnish the traditional international image of Argentina and, specifically, to detract from its position among the relatively less developed countries, whether these be defined as countries having an intermediate degree of industrialization or semi-industrialized countries, or as the countries of the underdeveloped world in general.

According to some indicators, Argentina may be compared to developed societies; according to others —the majority—, it may be compared to backward economies. However, very few of the latter comparisons are based on wage costs. If the Argentine economy has in any way been different from most of the underdeveloped world, that has been the case precisely in the area of wage costs, which could hardly be considered one of the country's comparative advantages at the international level.

Although it is impossible to establish a direct correspondence between wage costs and the rate of profitability of United States investments on the basis of the information available, there is no question that the year 1976 marks a breaking point in the prevailing medium- and long-term trends as regards the profit margins of direct United States investments in the country. At the beginning of the 1970s, that rate never amounted to more than 6.5% of cumulative investment and, if one takes the analysis back to 1960, the margin was never higher than 15% per year. Between 1976 and 1980, however, this percentage was surpassed during four of the five years and, during two of those years (1979 and 1980), profitability rose to more than 30% per year.<sup>3</sup> By comparison with the levels recorded at

Table 14

**ARGENTINA: AVERAGE ANNUAL WAGE  
COST IN UNITED STATES FIRMS  
IN ARGENTINA AND IN OTHER  
REGIONS, 1977**

*(Dollars at current prices, and indexes)*

| Sector                   | Region | Average<br>annual<br>cost | Index<br>Argentina<br>= 100 |
|--------------------------|--------|---------------------------|-----------------------------|
| <b>Total sectors</b>     |        |                           |                             |
| Developed countries      |        | 12 874                    | 242.5                       |
| Underdeveloped countries |        | 5 601                     | 105.5                       |
| Latin America            |        | 5 873                     | 110.6                       |
| Argentina                |        | 5 309                     | 100.0                       |
| <b>Manufacturing</b>     |        |                           |                             |
| Developed countries      |        | 12 731                    | 248.5                       |
| Underdeveloped countries |        | 4 676                     | 91.3                        |
| Latin America            |        | 5 629                     | 109.9                       |
| Argentina                |        | 5 124                     | 100.0                       |

*Source:* Prepared on the basis of data supplied by the United States Department of Commerce (1981).

<sup>3</sup>The sharp tag in the exchange parity during those years generated a doubly positive effect on the profitability in dollars of transnational corporations. On the one hand, as a result of the maladjustment of exchange parity, the benefits obtained in local currency were increased, in real terms, at the world economy level, when expressed or converted into dollars or any other foreign currency. On the other hand, the lag in the exchange parity and the fact that the dollar was the only merchandise whose future price was known made it possible to apply highly profitable mechanisms in the local financial circuits to increase the disparity of interest rates with respect to those prevailing on the international markets.

Table 15

**ARGENTINA: COMPARATIVE EVOLUTION OF SOME INDICATORS CONNECTED  
WITH UNITED STATES DIRECT INVESTMENT THROUGHOUT THE  
WORLD AND IN ARGENTINA, 1976-1983**

' (Percentages)

| Year | Rate of return <sup>11</sup> |           |     | Annual growth rate of<br>accrued direct investment |           |     | Rate of reinvestment |           |     |
|------|------------------------------|-----------|-----|--|-----------|-----|----------------------|-----------|-----|
|      | World<br>total               | Argentina | +/- | World<br>total                                     | Argentina | +/- | World<br>total       | Argentina | +/- |
| 1976 | 15.3                         | 21.3      | +   | 11.9   | 18.4      | +   | 40.5                 | 74.4      | +   |
| 1977 | 14.2                         | 16.8      | +   | 5.2  | 9.1       | +   | 37.0                 | 35.0      | -   |
| 1978 | 17.4                         | 10.4      | -   | 11.5   | 12.1      | +   | 45.1                 | -32.9     | -   |
| 1979 | 23.5                         | 31.1      | +   | 15.4   | 10.8      | -   | 49.5                 | 46.7      | -   |
| 1980 | 19.8                         | 37.6      | +   | 14.6   | 34.6      | +   | 45.8                 | 67.2      | +   |
| 1981 | 15.1                         | 4.5       | -   | 6.0  | 9.7       | +   | 41.6                 | -200.9    | -   |
| 1982 | 9.8                          | 13.9      | +   | -3.0   | 9.8       | +   | 28.6                 | 59.3      | +   |
| 1983 | 9.4                          | 10.5      | +   | 2.1  | 1.7       | -   | 43.8                 | 37.3      | -   |

*Source:* Prepared by the authors on the basis of data supplied by the United States Department of Commerce (several years):

<sup>11</sup>Profits in year *i* in relation to accrued investment in year *i*-1.

Reinvested profits in relation to total profits.

the international level during those same four years, the profit margin for operations in the country was more than 30% higher than at the world level (table 15).

Despite these different levels of profitability, the reinvestment rate for Argentina was lower than for the world as a whole during five of the eight years under study. In other words, despite the higher profit margins and the encouragement given to reinvestment within a framework of increasing permissiveness, the United States subsidiaries established in the country were, by comparison with those in the rest of the world, relatively more disposed towards remitting their profits to their parent companies, i.e., they tended to

prefer rapid recovery of their investment over the incentives offered. It is not surprising, therefore, that at the end of eight years, the influx of direct investment from the United States to Argentina was much lower than the outflow of profit remittances and, on a lesser scale, the repatriation of capitals to the United States. Even without looking at other possible channels of transfer—royalties, administrative prices of captive trade—the net flow of capital to the United States arising from direct investments in Argentina amounted to US\$ 781 million; in 1983 values, this represents an average annual flow of more than US\$ 100 million (table 16).

Table 16

**ARGENTINA: CAPITAL FLOWS ASSOCIATED WITH UNITED STATES  
DIRECT INVESTMENT, 1976-1983**

*(Millions of dollars at current prices)*

| Year                 | Accrued<br>investment<br>at end of<br>year | Annual<br>increase<br>in accrued<br>investment | Profits | Reinvested<br>profits | Profits<br>remitted<br>(3)-(4) | Capital<br>inflows<br>(2)-(4) | Net<br>flow of<br>capital<br>(6)-(5) |
|----------------------|--|--|---------|-----------------------|--------------------------------|-------------------------------|--------------------------------------|
|                      | (1)  | (2)  | (3)     | (4)                   | (5)                            | (6)                           | (7)                                  |
| 1976                 | 1 366                                      | 212  | 246     | 183                   | 63                             | 29                            | -34                                  |
| 1977                 | 1 490                                      | 124  | 257     | 90                    | 167                            | 34                            | -133                                 |
| 1978                 | 1 670                                      | 180  | 155     | -51                   | 206                            | 231                           | 25                                   |
| 1979                 | 1 850                                      | 180  | 520     | 243                   | 277                            | -63                           | -340                                 |
| 1980                 | 2 494                                      | 644  | 695     | 467                   | 228                            | 177                           | -51                                  |
| 1981                 | 2 735                                      | 241  | 113     | -227                  | 340                            | 468                           | 128                                  |
| 1982                 | 3 002                                      | 267  | 381     | 226                   | 155                            | 41                            | -114                                 |
| 1983                 | 3 054                                      | 52   | 314     | 117                   | 197                            | -65                           | -262                                 |
| Accrued<br>1976-1983 |  | 1 900  | 2 681   | 1 048                 | 1 633                          | 652                           | -781                                 |

*Source:* Prepared by the authors on the basis of data supplied by the United States Department of Commerce (several years).

## II

### The transnational corporations and the Argentine manufacturing industry

The participation of transnational corporations in the manufacturing industry was studied at two distinct but complementary levels. Firstly, its structure within the sector was identified; because the census information used refers only to one year, the picture that emerges is a static but complete one. Secondly, the trend in respect of the transnational presence during the past decade was studied, by comparing the performance of transnational corporations and that of similar national-capital corporations (table 17).

#### 1. *Economic impact and main characteristics*

##### a) *Participation of transnational corporations in industrial production*

One of the main indicators of the magnitude of transnational participation in industry is the contribution of these firms to overall production in the sector (table 18). Firms with foreign-capital participation controlled 30.8% of all industrial production reflected in the most

recent economic census carried out in the country (1974).

This participation varied considerably among the different divisions of industry; it was relatively greater in those sectors which, because of their dynamism, rate of adoption of new technology and dynamic effect tended to be at the head of the entire industrialization process. The only sectors in which the transnational corporations played only a minor role were those which played a marginal role in the industrial profile of the country and which historically had the lowest growth rate. The difference in the participation of foreign-capital firms in the various sectors of industry were closely related to

their growth rate and the degree to which they adopted new technology.

As regards the link between the degree of oligopolization of the different branches of industry (five-digit classifications, ISIC, Rev.2) and the extent of the transnational presence in them, table 18 shows that most of the production of foreign-capital enterprises was generated in highly concentrated branches<sup>4</sup> (oligopolized) and that it tended to decrease as the competitiveness of the various strata of

<sup>4</sup>\* All analyses of the degree of concentration of industrial markets are based on the methodological criteria set forth by Khavisse and Aspiazu (1983).

Table 17

ARGENTINA: SHARE OF TRANSNATIONAL CORPORATIONS IN INDUSTRIAL PRODUCTION, BY SECTORS OF ACTIVITY, 1973

(Millions of 191'3 pesos, and percentages)

| Sector                                  | Value of production<br>of transnational<br>corporations | Value of total<br>production | Share of<br>transnational<br>corporations |
|---|---|------------------------------|---|
| Food, beverages and tobacco             | 13 994.9  | 60 592.3                     | 23.1                                      |
| Food products                           | 6 675.3   | 44 374.8                     | 15.0                                      |
| Beverages                               | 3 492.2   | 12 245.8                     | 28.5                                      |
| Tobacco                                 | 3 827.4   | 3 971.7                      | 96.4                                      |
| Textiles, clothing and leather goods    | 4 263.1   | 29 550.3                     | 14.4                                      |
| Wood and furniture                      | 161.4   | 4 800.5                      | 3.4                                       |
| Paper, printing and publications        | 1 837.9   | 8 829.4                      | 20.8                                      |
| Chemical industries                     | 15 735.1  | 35 565.5                     | 43.0                                      |
| Oil refineries                          | 2 859.8   | 12 672.4                     | 22.6                                      |
| Other chemical products                 | 12 875.3  | 23 893.1                     | 53.9                                      |
| Non-metallic minerals                   | 1 936.4   | 6 952.5                      | 28.2                                      |
| Basic metal industries                  | 5 319.1   | 18 813.7                     | 28.3                                      |
| Iron and steel                          | 4 309.0   | 16 054.9                     | 26.8                                      |
| Non-ferrous metals                      | 1 010.1   | 2 758.8                      | 36.6                                      |
| Metal products, machinery and equipment | 24 259.9  | 52 353.6                     | 46.3                                      |
| Other manufactures                      | 95.1  | 870.3                        | 10.9                                      |
| Total                                   | 67 602.9  | 219 328.1                    | 30.8                                      |

Source: Prepared by the authors on the basis of data from the National Institute of Statistics and Censuses (Instituto Nacional de Estadística y Censos - INEC) (1974).

concentration increased. Thus, whereas 62.1% of the production of transnational corporations was accounted for by highly concentrated branches, only 14.1% was generated in low-concentration markets.

In addition, the share of transnational corporations in industrial production declined as the concentration of the markets declined. Whereas the participation of transnationals in the manufacturing industry as a whole was slightly over 30%, their production in the highly concentrated branches was 47.9% and in competitive markets it was barely over 15%.

The transnational presence in the Argentine industry was characterized by a preference, on the part of the transnational corporations, for highly concentrated markets, and it was in these that they placed a large share of their overall production —the largest share, in the case of highly concentrated branches having few establishments.

As regards their sectoral distribution, table 19 shows that the preference of foreign-

capital firms for the more highly concentrated markets is to be seen in almost all industrial activities. In almost every case, the transnationals' share in the production of the highly concentrated strata was higher than their share in sectoral totals, and it declined as the competitiveness of the different strata increased.

Table 20 shows the distribution and participation of transnational corporations in industrial production by type of goods, according to their functional destination and the type of market in which production was generated.

In the first place, the table shows that transnational corporations were disseminated throughout the industrial spectrum. It was only in the area of non-durable consumer goods, which may be associated with relatively less complex technology, that the transnationals' contribution (22.6%) was lower than its share in industry as a whole. On the other hand, their highest level of participation was in the area of durable consumer goods (59.2%); it should be noted

Table 18

### ARGENTINA: PARTICIPATION OF TRANSNATIONAL CORPORATIONS IN INDUSTRIAL PRODUCTION, BY CONCENTRATION STRATA, 1973

(Number of branches, millions of 1973 pesos, and percentages)

| Concentration strata" | Number of branches | Value of production of transnational corporations (millions of 1973 pesos) | Distribution by concentration strata (percentage) | Value of total industrial production (millions of 1973 pesos) | Participation of transnational corporations (percentage) |
|-----------------------|--------------------|--|---|---|--|
| HCB (F)               | 9                  | 20 343.8   | 30.1  | 35 314.0  | 57.6   |
| HCB (M)               | 35                 | 21 662.0   | 32.0  | 52 424.8  | 41.3   |
| HCB (1) + (2)         | (44)               | (42 005.8)   | (62.1)  | (87 738.8)  | (47.9)   |
| MCB                   | 38                 | 13 971.7   | 20.7  | 60 519.7  | 23.1   |
| LCB                   | 26                 | 9 504.2  | 14.1  | 61 827.2  | 15.4   |
| Others                | 64                 | 2 121.1  | 3.1   | 9 242.4   | 22.9   |
| Total                 | 172                | 67 802.8   | 100.0   | 219 328.1   | 30.8   |

Source: Based on Khavisse and Azpiazu (1983).

"HCB (F): high-concentrat ion branches with few establishments; HCB (M): high-concentration branches with many establishments; MCB: medium-concentration branches; LCB: low-concentration branches.

Table 19

ARGENTINA: PARTICIPATION OF TRANSNATIONAL CORPORATIONS IN  
THE VALUE OF PRODUCTION, BY INDUSTRIAL SECTORS  
AND CONCENTRATION STRATA, 1973

(Percentages)

| Sector   | Total | Strata <sup>a</sup> |      | LCB        | Others |
|--|-------|---------------------|------|------------|--------|
|  |       | HCB                 | MCB  |            |        |
| <b>Food, beverages and tobacco</b>             | 23.1  | 48.3                | 11.9 | 11.3       | 26.8   |
| Food products                                  | 15.0  | 27.9                | 11.5 | 6.5        | 34.0   |
| Beverages                                      | 28.5  | 76.6                | 28.0 | 18.9       | -      |
| Tobacco  | 96.4  | 97.1                | -    | -          | -      |
| <b>Textiles, clothing and leather goods</b>    | 14.4  | 28.0                | 19.4 | <b>5.2</b> | 4.3    |
| <b>Wood and furniture</b>                      | 3.4   | 22.7                | -    | 0.1        | 2.2    |
| <b>Paper, printing and publications</b>        | 20.8  | 36.2                | 3.1  | <b>6.4</b> | -      |
| <b>Chemical industries</b>                     | 43.0  | 39.3                | 54.8 | 41.1       | 46.8   |
| Oil refineries                                 | 22.6  | 22.6                | -    | -          | -      |
| Other chemical products                        | 53.9  | 63.8                | 54.8 | 41.1       | 46.8   |
| <b>Non-metallic minerals</b>                   | 28.2  | 36.9                | 24.8 | -          | 21.2   |
| <b>Basic metal industries</b>                  | 28.3  | 26.8                | 36.6 | -          | -      |
| Iron and steel                                 | 26.8  | 26.8                | -    | -          | -      |
| Non-ferrous metals                             | 36.6  | -                   | 36.6 | -          | -      |
| <b>Metal products, machinery and equipment</b> | 46.3  | 78.0                | 25.2 | 21.8       | 33.6   |
| <b>Other manufactures</b>                      | 10.9  | -                   | 6.1  | -          | 16.0   |
| <b>Total</b>                                   | 30.8  | 47.9                | 23.1 | 15.4       | 22.9   |

Source: Based on Khavisse and Aspiazu (1983); INEC (1974).

<sup>a</sup>HCB: high-concentration branches; MCB: medium-concentration branches; LCB: low-concentration branches.

that a large group of transnational corporations contributed to the development of this industry during the second stage of the substitution process. As regards capital goods—which play only a minor role, both globally and within the production of the transnational corporations—they were concentrated in a small nucleus of industries (tractors, communications equipment, electrical conductors) which, in most cases, were comparable to durable consumer goods, both because of their relatively recent development in the country and because of the possibilities of scale offered by the size of the market and the introduction of new technologies. On the other hand, the transnational presence was negligible

in a wide variety of industries producing capital goods. The share of the transnationals in the production of capital goods (31.9%) was not very different from their share in total production of the manufacturing industry.

One element which the four categories of goods had in common was the association between the magnitude of transnational participation and the level of oligopolization of the markets. Regardless of the type of goods concerned, the foreign-capital corporations always had a greater share in the highly concentrated markets and that participation tended to decline in direct proportion to the decline in the degree of oligopolization of the remaining strata.



b) *Plant size and degree of control of foreign capital*

Table 21 shows the distribution, by strata of concentration, of the transnational corporations and of their establishments employing less than and more than 100 workers. It also shows their relative contribution to transnational production and their ranking in the manufacturing industry as a whole.

Of the total number of establishments (824) belonging to foreign-capital firms (724), almost 60% employed more than 100 persons at the time of the census. The prevalence of larger plants tended to increase in direct proportion to the degree of concentration of the markets concerned. Establishments employing more than 100 persons in the highly concentrated branches having few establishments represented 73.3% of the total, whereas in the competitive branches of industry, they represented less than half (49.0%). These disparities show that, in general, and even

without taking into account potential production capacity, plant size requirements for operating in the more concentrated markets were not similar, even considering only the transnationals, to the requirements for markets that were not very concentrated. Thus, there appears to be a relationship between the transnational presence in industry and the formation of oligopolistic market structures and between the latter and the relative size of manufacturing establishments.

The predominance of larger plants is even more pronounced in respect of the contribution of foreign-capital enterprises to total production, which is also higher in the more concentrated strata. At the global level, establishments employing more than 100 persons generated 93.4% of transnational production, and the percentage rose to 97.9% in the highly concentrated branches of industry with few establishments, while it fell to 84.3% in the less concentrated industries.

Table 20

ARGENTINA: PARTICIPATION OF TRANSNATIONAL CORPORATIONS  
IN INDUSTRIAL PRODUCTION BY TYPE OF GOOD AND  
CONCENTRATION STRATUM, 1973

(Percentages)

| Stratum" | Non-durable<br>consumer<br>goods | Interme-<br>diate<br>goods | Durable<br>consumer<br>goods | Capital<br>goods | Miscel-<br>laneous | TotE   |
|----------|----------------------------------|----------------------------|------------------------------|------------------|--------------------|--------|
| HCB (F)  | 58.8                             | 25.0                       | 97.0                         | -                | -                  | 57.6   |
| HCB (M)  | 26.7                             | 43.9                       | 21.1                         | 61.8             | -                  | 41.3   |
| HCB      | (41.9)                           | (38.6)                     | (86.6)                       | (57.0)           | -                  | (47.9) |
| MCB      | 18.0                             | 27.1                       | 29.1                         | 27.7             | 6.1                | 23.1   |
| LCB      | 14.9                             | 18.3                       | 12.7                         | 10.1             | -                  | 15.4   |
| Subtotal | (22.6)                           | (31.6)                     | (62.0)                       | (33.0)           | (3.3)              | (31.2) |
| Others   | 22.4                             | 27.0                       | 20.5                         | 15.0             | -                  | 22.9   |
| Total    | 22.6                             | 31.4                       | 59.2                         | 31.9             | 3.3                | 30.8   |

Source: Prepared on the basis of [Khavis.se](#) and Azpiazu (1983); INEC (1974).

"HCB (F): high-concentration branches with few establishments; HCB (M): high-concentration branches with many establishments; MCB: medium-concentration branches; LCB: low-concentration branches.

"Including branches 38434 "Rectification of motor" and 39099 "Miscellaneous manufacturing industries".

Table 21

ARGENTINA: ESTABLISHMENTS UNDER THE CONTROL OF TRANSNATIONAL  
CORPORATIONS, BY CONCENTRATION STRATA, AND THEIR  
PARTICIPATION IN THE TOTAL

(Absolute figures, and percentages)

|         | Trans-<br>natio-<br>nal<br>corpo-<br>rations | Establishments |                       |                       |                       | Relative<br>contribution<br>to production |  | Participation in total industry |                       |                       |                     |                       |                       |
|---------|--|----------------|-----------------------|-----------------------|-----------------------|---|--|---------------------------------|-----------------------|-----------------------|---------------------|-----------------------|-----------------------|
|         |  |                |                       |                       |                       |   |  | Establishments                  |                       |                       | Value of production |                       |                       |
|         |  | Total          | -100<br>em-<br>ployed | +100<br>em-<br>ployed | -100<br>em-<br>ployed | +100<br>em-<br>ployed                     |  | Total                           | -100<br>em-<br>ployed | +100<br>em-<br>ployed | Total               | -100<br>em-<br>ployed | +100<br>em-<br>ployed |
| HCB (F) | 40   | 45             | 12                    | 33                    | 2.1                   | 97.9                                      |  | 18.9                            | 8.4                   | 34.7                  | 57.6                | 53.4                  | 57.7                  |
| HCB (M) | 175  | 190            | 61                    | 129                   | 3.8                   | 96.2                                      |  | 2.5                             | 0.9                   | 27.9                  | 41.3                | 8.9                   | 48.3                  |
| HCB     | (215)  | (235)          | (73)                  | (162)                 | (3.0)                 | (97.0)                                    |  | (3-1)                           | (1.0)                 | (29.1)                | (47.9)              | (12.4)                | (52.5)                |
| MCB     | 244  | 259            | 101                   | 158                   | 9.5                   | 90.5                                      |  | 1.4                             | 0.6                   | 19.4                  | 23.1                | 6.5                   | 31.7                  |
| LCB     | 191  | 247            | 126                   | 121                   | 15.7                  | 84.3                                      |  | 0.3                             | 0.1                   | 18.2                  | 15.4                | 4.0                   | 33.1                  |
| Others  | 74   | 83             | 35                    | 48                    | 17.7                  | 82.3                                      |  | 0.6                             | 0.3                   | 34.5                  | 22.9                | 7.0                   | 55.5                  |
| Total   | 724  | 824            | 335                   | 489                   | 6.6                   | 93.4                                      |  | 0.7                             | 0.3                   | 22.5                  | 30.8                | 6.1                   | 43.4                  |

Source: Prepared by the authors on the basis of Khavisse and Aspiazu (1983); INEC (1974).

"HCB <F>: high-concentration branches with few establishments; HCB (M): high-concentration branches with many establishments; MCB: medium-concentration branches; LCB: low-concentration branches.

Because establishments of transnational corporations represented only a small percentage of the total for industry as a whole -0.7%, it is advisable to find out why the two totals were so different. The units of production covered by the census included a large number of crafts or semi-craft activities and small shops —85.6% of the establishments counted employed less than 10 persons— in which the transnational presence was virtually nil. This had a decisive effect on the comparison between the two totals, while the heterogeneity which was characteristic of the industrial sector and the national-capital firms as a whole was not evident in the case of transnational industry. This explains the very minor role played by transnational firms whose plants employed less than 100 persons (0.3%). On the other hand, transnationals controlled more than one fifth of all establishments (22.5%) comprising the subgroup of plants which employed more than 100 persons.

Regardless of the size of the plant considered, the extent of the transnational presence was clearly related to the level of oligopolization. The percentage of plants belonging to transnational corporations tended to increase in direct proportion to the degree of concentration of the different strata.

The fact that the transnational presence was greater in the larger plants and that their contribution increased in proportion to the level of oligopolization of markets was also reflected in the value of manufacturing production. All industrial firms which used foreign capital were considered on the same terms, i.e., without any distinction being made with regard to the level of foreign-capital participation or the degree of control such participation entailed. The study represents a preliminary analytical estimate which does not disregard the fact that foreign capital did not always hold majority ownership of local firms nor did it always exercise actual control over management. On the other hand, it

does not take into account criteria which might be adopted to identify a local firm as a subsidiary of a transnational corporation.

In order to determine the type of ownership structure which characterized the presence of transnational capital in industry, three different groups of firms were listed, on the basis of whether foreign capital participation was above 50.1 %, between 10.1 % and 50 %, or below 20 % (table 22). It was found that in 580 of the 724 industrial firms using foreign capital, foreign investors controlled the majority of the capital and that foreign participation was below 20 % only in 29 firms.

As regards their share in the value of total production, it was found that 80 % was generated by firms in which foreign capital controlled a majority of the capital, while only 7.6 % of the total was accounted for by those having less than 20 %.

No matter which indicator is considered—firms, plants or production—it is obvious

that the transnational corporations preferred to operate where they could maintain a position of hegemony, of real control, without mediation, over their investments in local industry, to the detriment of any forms of association with national capital. This phenomenon also occurred, without major variations, in all strata of concentration and, independently of plant size, it was most evident in establishments employing more than 100 persons which operated in the most highly concentrated branches of industry where there were few enterprises.

c) *Diversification and specialization of production*

Another distinctive feature of transnational corporations in the manufacturing sector was the composition of enterprises at the local level. This differentiation within the sphere of the transnational corporations was a factor of

Table 22

**ARGENTINA: FOREIGN-CAPITAL FIRMS AND ESTABLISHMENTS, BY DEGREES OF CONTROL AND CONCENTRATION STRATA, 1973**

(Absolute figures, and percentages)

| Stratum <sup>0</sup> | Number of firms |                               |            |            | Number of establishments |                               |            |            | Production of transnational corporations, by degree of control |             |             |              |
|----------------------|-----------------|-------------------------------|------------|------------|--------------------------|-------------------------------|------------|------------|--|-------------|-------------|--------------|
|                      | Total           | Percentage of foreign capital |            |            | Total                    | Percentage of foreign capital |            |            | Percentage of foreign capital                                  |             |             | Total        |
|                      |                 | <20                           | 20.1 to 50 | >50        |                          | <20                           | 20.1 to 50 | >50        | <20  | 20.1 to 50  | >50         |              |
| HCB (F)              | 40              | 1                             | 3          | 36         | 45                       | 5                             | 3          | 37         | 1.4  | 3.2         | 95.4        | 100.0        |
| HCB (M)              | 175             | 11                            | 29         | 135        | 190                      | 13                            | 32         | 145        | 14.3   | 15.4        | 70.3        | 100.0        |
| HCB                  | (215)           | (12)                          | (32)       | (171)      | (235)                    | (18)                          | (35)       | (182)      | (8.0)  | (9.5)       | (82.5)      | (100.0)      |
| MCB                  | 244             | 11                            | 53         | 180        | 259                      | 12                            | 55         | 192        | 11.2   | 18.5        | 70.3        | 100.0        |
| LCB                  | 191             | 6                             | 25         | 160        | 247                      | 7                             | 27         | 213        | 2.2  | 10.5        | 87.3        | 100.0        |
| Others               | 74              | -                             | 5          | 69         | 83                       | -                             | 5          | 78         | -  | 7.4         | 92.6        | 100.0        |
| <b>Total</b>         | <b>724</b>      | <b>29</b>                     | <b>115</b> | <b>580</b> | <b>824</b>               | <b>37</b>                     | <b>112</b> | <b>665</b> | <b>7.6</b>   | <b>11.4</b> | <b>81.0</b> | <b>100.0</b> |

Source: Prepared by the authors on the basis of Khavisse and Azpiazu (1983).

"HCB (F): high-concentration branches with few establishments; HCB (M): high-concentration branches with many establishments; MCB: medium-concentration branches; LCB: low-concentration branches.

Table 23

ARGENTINA: DISTRIBUTION OF TRANSNATIONAL CORPORATIONS AND  
OF THEIR SUBSIDIARIES, BY DEVELOPMENT OF  
THEIR INDUSTRIAL ACTIVITY, 1973

| Subsidiaries<br>linked to each<br>transnational<br>corporation | Total                         |              | With some industrial<br>activity |              | With no industrial<br>activity |              |
|--|-------------------------------|--------------|----------------------------------|--------------|--------------------------------|--------------|
|  | Transnational<br>corporations | Subsidiaries | Transnational<br>corporations    | Subsidiaries | Transnational<br>corporations  | Subsidiaries |
| From 1 to 3  | 504                           | 709          | 268                              | 412          | 237                            | 297          |
| From 4 to 6  | 74                            | 347          | 59                               | 277          | 15                             | 70           |
| From 7 to 9  | 22                            | 167          | 18                               | 137          | 4                              | 30           |
| 10 or over   | 33                            | 530          | 28                               | 457          | 5                              | 73           |
| Total  | 634                           | 1 753        | 373                              | 1 283        | 261                            | 470          |

*Source:* Basuaido (1985).

decisive importance during the tenure of Dr. Martínez de Hoz, when potential for growth and entrepreneurial development were linked to the extent to which the transnational firms diversified their activities, both within the manufacturing sector and in other economic activities. During the different stages of the import-substitution process, the different transnational corporations found their place within the economic structure of Argentina according to the dynamics of capital accumulation and reproduction. These firms may be classified in two groups, according to the number of local firms they controlled, either totally or partially. The first group would include those which controlled or had a share in the capital of a few subsidiaries operating in a small number of markets and which usually tried to remit abroad a considerable portion of the profits earned in the country. The second group would be made up of transnational corporations which had majority or minority control over the capital of a variety of local firms, whose activities were integrated—vertically or horizontally—or diversified, through the formation of conglomerates. In the latter case, reinvestment of profits represented a substantial proportion of direct reproduction, allowing for the opening up of new subsidiaries in the country (Basuaido, 1984).

The importance of the role played by diversified or integrated transnational corporations becomes clearly evident from an analysis of their distribution in terms of the number of local subsidiaries (table 23).

Table 23 shows that 55 transnational corporations (8.7% of the total) which had a majority or minority participation in the capital of seven or more subsidiaries together owned 697 firms, i.e., 39.7% of all subsidiaries established in the country. When transnational corporations which controlled an industrial firm are considered separately from those which only controlled non-manufacturing local firms, it becomes evident that only nine of the 55 firms which had seven or more subsidiaries did not control any industrial firm.

Industrial production was the central activity not only of the diversified or integrated transnational corporations, but also of those which had very few subsidiaries in the country, even though their relative importance was quite different. The relative importance of industrial subsidiaries fell sharply as the number of subsidiaries controlled by each transnational corporation increased (table 24). In the case of transnationals which owned from one to three local companies, the industrial firms represented 75.5% of their subsidiaries in the country, while in the case of those which owned

10 or more local firms, the industrial ones only represented 34.1% of the total.

The low proportion of industrial subsidiaries and the high participation in overall production of the diversified or integrated transnational corporations can only be explained by differences in production scale, in which the larger relative size of those subsidiaries played an important part. The predominantly industrial insertion of foreign capital, based on oligopolistic control of a number of manufacturing markets, was concentrated in a small number of transnational corporations

which accounted for 43.5% of the industrial production of foreign firms and controlled the relatively larger industrial companies. Essentially, these were foreign capitals which had a share in the capital of major local industrial corporations started during the first or second stages of the import-substitution process.

The most important non-industrial activity for transnationals which controlled ten or more local firms was the financial and insurance sector, in which 23.0% of the firms in question operated. Transnational corporations which had a larger number of related companies controlled

Table 24

**ARGENTINA: DISTRIBUTION OF SUBSIDIARIES AND OF INDUSTRIAL PRODUCTION  
OF TRANSNATIONAL CORPORATIONS WITH ACTIVITY IN  
THE MANUFACTURING SECTOR, 1973**

*(Number of firms, millions of 1973 pesos, and percentages)*

| Subsidiaries<br>linked to each<br>transnational<br>corporation | Trans-<br>national<br>corpora-<br>tions | Total                   | Subsidiaries            |                      | Industrial<br>production of<br>transnational<br>corporations" |                | Average<br>industrial<br>size <sup>b</sup><br>(Index = 100.0) |                                      |
|--|---|-------------------------|-------------------------|----------------------|---|----------------|---|--------------------------------------|
|  |   |                         | Non-<br>indus-<br>trial | Indus-<br>trial      | Amount  | Percent<br>age | Transna-<br>tional<br>corpora-<br>tions                       | Indus-<br>trial<br>subsidi-<br>aries |
| From 1 to 3  | 268                                     | 412<br>(100.0)          | 101<br>(24.5)           | 311<br>(75.5)        | 20 514  | 30.4           | 42.2  | 56.9                                 |
| From 4 to 6  | 59                                      | 277<br>(100.0)          | 124<br>(44.8)           | 153<br>(55.2)        | 9 916   | 14.7           | 92.8  | 65.9                                 |
| From 7 to 9  | 18                                      | 137<br>(100.0)          | 72<br>(52.6)            | 65<br>(47.4)         | 8 464   | 12.5           | 259.6   | 132.0                                |
| 10 or over   | 28                                      | 457<br>(100.0)          | 301<br>(65.9)           | 156<br>(34.1)        | 20 927  | 31.0           | 412.7   | 136.0                                |
| <b>Total</b>   | <b>373</b>                              | <b>1 283</b><br>(100.0) | <b>598</b><br>(49.6)    | <b>685</b><br>(53.4) | <b>67 540</b>   | <b>100.0</b>   | <b>100.0</b>  | <b>100.0</b>                         |

Source: Basualdo (1985).

"The industrial production of transnational enterprises (67 540 million 1973 dollars) includes the production generated by subsidiaries whose parent firm is unknown. This represents 7 719 million 1973 dollars, a sum equivalent to 11.4% of the total.

<sup>b</sup> Average industrial size is obtained by dividing total production by the number of firms and of subsidiaries with industrial activity, respectively.

a significant group of firms organized under a strong process of conglomeration and integration in which industrial production acted as the axis. Finance, insurance and other services were the most important non-industrial activities as they provided an essential structural link between production and the circulation of the economic surplus.

## 2. *The evolution of transnational industrial corporations during the past decade*

### a) *Evolution of the production of transnational corporations and their relationship with sectoral development*

The economic policy applied under the military régime set up in 1976 brought about a profound change in the orientation of and the trends followed by the development of manufacturing in the country, as well as in its role as the accumulation model of the economy. The results, i.e., the so-called "deindustrialization" of the Argentine economy, speak for themselves (Kosacoff, 1984; Sourrouille, Kosacoff and Lucángeli, 1985). Thus, between 1975 and 1982, the industrial GDP fell by 23%, which means that the level recorded in 1982 was lower than that of the late 1960s; industrial employment fell by approximately 35%, which means that approximately 400 000 wage-earners lost their jobs; almost 20% of industrial establishments closed down, real wages in industry declined by around 40%, labour productivity rose substantially as a result of the elimination of over-employment, "disciplining" of personnel and an increase in the number of intensity of hours worked, and investments in durable production equipments fell, on average, at a cumulative rate of 5% per year, to a level lower than that of capital depreciation values.

The disarticulation of the industrial apparatus and the profound and prolonged sectoral recession led to a series of structural transformations which entailed the disappearance of many small, medium-sized and large firms, as well as a number of transfers and mergers of companies and, to a lesser extent, the addition of new factories.

The industrial transnational corporations were not unaffected by these structural changes.

On the contrary, they appear to have been the most active agents, particularly if one takes into account the qualitative implications of those changes which they were instrumental in bringing about. Table 25 shows that there was a slight decline in the share of foreign corporations in manufacturing production. While in 1973, the transnational corporations accounted for 30.8% of the value of industrial production, in 1981 they accounted for 28.6% and in 1983 for 29.4%.

One major factor in the irregular evolution of the participation of transnational corporations in industrial production, characterized by a slightly downward trend, was the closing down of some large-scale foreign corporations (General Motors, Citroen, Otis Elevators, Insud, Metalúrgica Austral and Olivetti), which more than offset the relatively higher participation of the remaining firms. Depending on the nature of the industrial goods concerned (non-durable consumer goods,

Table 25

### ARGENTINA: SHARE OF TRANSNATIONAL CORPORATIONS IN INDUSTRIAL PRODUCTION, 1973-1983

(Thousands of 1973 pesos, and percentages)

| Year                                | Value of<br>total<br>production | Value of<br>production<br>of trans-<br>national<br>corporations | Share of<br>trans-<br>national<br>corpora-<br>tions |
|-------------------------------------|---------------------------------|---|---|
| 1973                                | 219 328.1                       | 67 602.9  | 30.8  |
| 1981                                | 182 707.6                       | 52 234.1  | 28.6  |
| 1983                                | 196 718.3                       | 57 922.8  | 29.4  |
| Cumulative<br>annual growth<br>rate |                                 |   |   |
| 1973-1983                           | -1.1                            | -1.6  |   |
| 1973-1981                           | -2.3                            | -3.2  |   |
| 1981-1983                           | 3.8                             | 5.3   |   |

Source: Khavisse and Aspiazu (1983) and Basualdo (1985).

durable goods, intermediate goods and capital goods), this evolution provides another viewpoint and allows for a more accurate interpretation of the results to be made. Table 26 shows that the overall trend was due to the sharp deterioration in the share of foreign capital in the production of intermediate goods. While the participation of these firms in the production of non-durable consumer goods, durable goods and capital goods increased, their share in the production of intermediate goods fell from 31.5% to 25.8% between 1973 and 1981 and recovered slightly in 1983 (27.3%).

This phenomenon is related to the structural changes which took place in some major branches, such as the steel industry, which underwent —especially before 1981— substantial changes as regards the profile of

production and the presence of transnational corporations. In this regard, it is worth mentioning the decline in the number of factories (especially sheet metal plants, but also some large establishments); the transfer of the participation of Belgium and French capitals in leading firms such as Tamet and Santa Rosa; the integration of the production process by the national firm Acindar and its notable growth in the steel market (absorbing firms such as Gurmendi, Santa Rosa, Genaro Grasso). As a result of this, and despite the slight recovery recorded between 1981 and 1983, the participation of foreign capital in national production fell by almost 40% with respect to 1973.

There was a similar decline in the production of non-ferrous metals, in which there

Table 26

# ARGENTINA: SHARE OF TRANSNATIONAL CORPORATIONS IN PRODUCTION OF THE DIFFERENT TYPES OF INDUSTRIAL GOODS

(Millions of 1973 pesos, and percentages)

| Type of good"                 | 1973  | 1981                                 |  |   | 1983                                 |  |   |
|-------------------------------|---|--------------------------------------|--|---|--------------------------------------|--|---|
|                               | Percent-<br>age of<br>total pro-<br>duction<br>generated<br>by trans-<br>corporations | Value of<br>total<br>produc-<br>tion | Value of<br>production<br>of trans-<br>national<br>corpora-<br>tions | Trans-<br>national<br>corpora-<br>tions<br>(percent-<br>ages) | Value of<br>total<br>produc-<br>tion | Value of<br>production<br>of trans-<br>national<br>corpora-<br>tions | Trans-<br>national<br>corpora-<br>tions<br>(percent-<br>ages) |
| Non-durable<br>consumer goods | 22.6  | 67 442.1                             | 16 422.5   | 24.4  | 68 761.7                             | 17 148.0   | 22.9  |
| Intermediate<br>goods         | 31.4  | 83 402.3                             | 21 532.6   | 25.8  | 97 693.4                             | 26 651.7   | 27.3  |
| Durable<br>consumer goods     | 59.2  | 13 966.6                             | 9 201.8  | 65.9  | 12 537.6                             | 8 433.8  | 67.2  |
| Capital goods                 | 31.9  | 12 330.9                             | 3 787.5  | 30.7  | 12 032.2                             | 4 201.7  | 34.9  |
| <b>Total</b>                  | <b>30.8</b>   | <b>182 707.6</b>                     | <b>52 234.1</b>  | <b>28.6</b>   | <b>196 718.3</b>                     | <b>57 922.8</b>  | <b>29.4</b>   |

Source: Khavisse and Azpiazu (1983) and Basualdo (1985).  
"Excluding the two branches producing "miscellaneous goods".

Table 27

**ARGENTINA: SHARE OF TRANSNATIONAL CORPORATIONS IN INDUSTRIAL PRODUCTION, BY CONCENTRATION STRATA**

(Millions of 1973 pesos, and percentages)

| Stratum <sup>a</sup> | 1973   | 1981                                 |  |   | 1983                                 |  |   |
|----------------------|--|--------------------------------------|--|---|--------------------------------------|--|---|
|                      | Percent-<br>age of<br>total pro-<br>duction<br>generated<br>by trans-<br>national<br>corpora-<br>tions | Value of<br>total<br>produc-<br>tion | Value of<br>production<br>of trans-<br>national<br>corpora-<br>tions | Trans-<br>national<br>corpora-<br>tions<br>(percent-<br>ages) | Value of<br>total<br>produc-<br>tion | Value of<br>production<br>of trans-<br>national<br>corpora-<br>tions | Trans-<br>national<br>corpora-<br>tions<br>(percent-<br>ages) |
| HCB                  | 47.9   | 79 856.9                             | 32 084.0   | 40.2  | 86 926.3                             | 35 621.8   | 41.0  |
| MCB                  | 23.1   | 50 548.9                             | 10 766.5   | 21.3  | 57 793.9                             | 12 007.9   | 23.1  |
| LCB                  | 15.4   | AG 736.1                             | 8 093.9  | 17.3  | 46 304.7                             | 8 805.5  | 19.0  |
| <b>Total</b>         | 30.8   | 182 707.6                            | 52 234.1   | 28.6  | <b>196 718.3</b>                     | 57 922.8   | 29.4  |

Source: Khavisse and Aspiazu (1983) and Basualdo (1985).

"The concentration strata considered are: HCB; high-concentration branches (eight establishments generated more than 50% of production in the branch); MCB: medium-concentration branches (eight establishments account for between 25% and 50% of production in the branch); LCB: low-concentration branches (the eight biggest establishments contribute less than 25% of production in the branch).

was also a sale to national capital of firms such as KICSA and National Lead, the withdrawal of large foreign corporations (Insud and Metalúrgica Austral), and an increase in the importance of national capital as a result of the production of primary aluminium by Aluar S.A.

As far as the other goods are concerned, there was an increase in the participation of foreign capital, which reached its peak in industries producing durable consumer goods (rising from 59.2% to 67.2% between 1973 and 1983). This increase took place within the overall context of a serious decline in the production of durable goods which was associated with the crisis of the automobile industry and the electrical home appliances industry. In both cases, the contraction of the local market and the strong competition of imports led to a sectoral readjustment which, contrary to the case with intermediate goods,

entailed an increase in transnational participation. The reorganization of the automobile industry (the withdrawal of General Motors and Citroen, the purchase of Chrysler by Volkswagen, the merger of Fiat and Peugeot and the closing down of the only non-transnational firm, Industrias Mecánicas del Estado), and the purchase of some local firms or of stocks in the area of electrical home appliances brought about an increase in the participation of foreign capital.

When the industrial sector is broken down according to market structure, as shown in table 27, it appears that transnational participation in production generated in intermediate forms of concentration was relatively stable, while there was a considerable increase in the more competitive markets and a notable reduction in their contribution to production in the highly concentrated branches



which are essential for its structural predominance in local industry.

The growing transnational participation in the less concentrated branches of industry occurred in a few activities in which that greater share probably entailed changes in the degree of concentration of those branches with respect to the results of the most recent industrial census (for example, the production of medicine).

The decline in foreign participation in the highly concentrated branches of industry is one of the most noteworthy aspects of the period under study. A combination of two factors explains the loss of almost seven points in foreign participation (from 47.9% to 41.0%); firstly, the side-effects of the reorganization of the steel industry and secondly, the development of the different oligopolistic branches, which depended on the magnitude of the transnational presence in them. In the first case, the structural reorganization of the steel industry led to a decline in the importance of foreign capital, as a result of its deinvestment in the sector and its having taken a different course from that taken by the major national-capital firms.

In the second place, the highly concentrated branches in which foreign capital represented a substantial share of production suffered, in most cases, a more far-reaching contraction than those equally oligopolistic branches in which the foreign presence was less significant.

If a simplistic two-category classification is applied to the study —dividing the transnationals into those which controlled a small number of subsidiaries and operated in a limited number of markets, on the one hand, and, on the other, those which controlled a large number of local companies operating in a number of markets under an integrated or diversified system— it will be noted that the participation in industrial production of the latter type of corporation increased considerably by comparison with that of the transnationals which controlled a smaller number of subsidiaries in the country (table 28).

The predominance of diversified or integrated transnational corporations in the industrial production of foreign corporations as a whole increased generally, with slight variations, regardless of the type of goods considered. With the sole exception of those producing intermediate goods, the corporations which controlled more subsidiaries increased their share while the share of those operating in a limited way fell, except in the case of the ones producing capital goods. This confirms the view that one of the main changes which occurred during the last ten years as regards the performance of foreign corporations in the manufacturing sector was the growing leadership of the diversified or integrated corporations. This phenomenon was a result of

Table 28

ARGENTINA: INDUSTRIAL PRODUCTION OF TRANSNATIONAL CORPORATIONS,  
BY NUMBER OF SUBSIDIARIES, 1973, 1981 AND 1983

(Millions of 1973 pesos, and percentages)

|              | 1973         | 1981          |              | 1983          |              |
|--------------|--------------|---------------|--------------|---------------|--------------|
|              | Percentage   | Value         | Percentage   | Value         | Percentage   |
| From 1 to 3  | 30.4         | 13 580        | 26.0         | 15 118        | 26.1         |
| From 4 to 6  | 14.7         | 7 469         | 14.3         | 8 457         | 14.6         |
| From 7 to 9  | 12.5         | 9 141         | 17.5         | 7 935         | 13.7         |
| 10 or over   | 31.0         | 16 924        | 32.4         | 20 852        | 36.0         |
| <b>Total</b> | <b>100.0</b> | <b>52 234</b> | <b>100.0</b> | <b>57 923</b> | <b>100.0</b> |

Source: Basualdo (1985).

the economic policy applied from the mid-1970s onwards. In that regard, the special characteristics of the diversified or integrated transnational corporations were precisely what gave them a different growth potential than that of the firms which only operated in a few markets.

The performance of the transnationals was decisively influenced, in the first place, by the fact that the banking and financial sector began to play a leading role in their makeup. Only 4.9% of the firms controlled by less diversified transnationals were engaged in financial and insurance activities, while 23% of the firms controlled by highly integrated or diversified corporations operated in that area. As regards the substitution process, that structural difference did not mean there were differences of substance, since most of the industrial firms only needed to resort to self-financing in order to operate normally in their markets. On the other hand, after the financial reform of 1977, with the generalized liberalization of interest rates and the role played by the financial liquidity of the different corporations and their ease of access to financial circuits, that structural difference became fundamental for determining the growth potential of corporations. The financial connections of the diversified or integrated transnationals gave them several advantages —as well as high profit rates— during years when the shortage of financial resources or their high relative cost meant bankruptcy or going out of business for many enterprises engaged in production.

Another factor which explains the growing predominance of diversified transnational corporations is the wide range of economic activities in which they engaged, which enabled them to constantly readjust their management to fit the macroeconomic circumstances, since after 1976, a succession of non-industrial activities proved to be the most dynamic and profitable sectors of the economy (the agricultural sector, construction, services in general and finance in particular), in addition, there was a structural difference which had to do with the defensive capability provided by the degree of vertical integration of the firms.

In brief, the changes that took place within the structure of the transnational corporations had to do with the special nature of the deindustrialization process, and the hegemony of the diversified or integrated transnational corporations increased to the extent that it pervaded the entire economy. This trend contrasted not only with the evolution of the limited transnational corporations but also with that of industry as a whole and of the national-capital industrial enterprises in particular (table 29).

The diversified or integrated transnational corporations comprise the only subgroup of firms which did not suffer a decline in production between 1973 and 1983-

b) *The industrial élite and the transnational presence*

In order to analyse the evolution of manufacturing enterprises after the breakdown of the democratic process (March 1976) and the subsequent application of a new economic policy, a group of 300 of the largest industrial

Table 29

ARGENTINA: CUMULATIVE ANNUAL  
GROWTH RATE OF INDUSTRIAL  
PRODUCTION, BY CHARACTERISTICS  
OF PRODUCER FIRMS, 1973-1983

(Percentages)

| Industrial group                                     | Cumulative annual growth rate |
|--|-------------------------------|
| Total industry                                       | -1.04                         |
| National firms"                                      | -0.83                         |
| Diversified or integrated transnational corporations | 0.16                          |
| Restricted transnational corporations <sup>c</sup>   | -3.42                         |

*Source:* Basualdo (1985).

"Comprising firms owned by State and private domestic capital.

Controlling seven or more local subsidiaries.

Controlling fewer than seven local subsidiaries.

firms, in terms of annual invoiced sales, was selected. These represent a little over half the industrial value added and reflect the changes which took place in the leadership of the sector.

A comparison of the lists of the 300 largest industrial firms for 1976 and for 1983 shows sharp differences in the number of firms making up the élite and in their share of total sales for the group. In order to get a more accurate idea of the actual nature of these changes, the 300 firms were divided into three subgroups according to their ranking in the list (first, second and third hundred); in addition, a distinction was made, at the top, between the first 25 and the first 50.

The results show that, over the seven years, foreign participation in sales of the industrial élite rose slightly (table 30).

Nevertheless, this picture of relatively stable performance, in which the growing importance of the transnational corporations appears to have been no more than an adjustment to the historical trends recorded since the early 1960s, covers up certain major modifications in the composition of the rankings of the firms, which only because of the contrasting effects, from the point of view of the source of the firms' capital, reflect that relative stability at the global level, albeit with a slight increase in the participation of the transnational corporations.

Thus, for example, the fact that the transnational corporations comprising the group of the 100 largest industrial firms fell from 54 (1976) to 53 (1983) does not only imply that only one of those firms left the élite as a result of having gone out of business or having dropped in rank. On the contrary, of the 53 firms which occupied some of the first 100 places in 1983, only 31 (58.5%) had also held those places in 1976, while then ranked between 101 and 200 in 1983, another three were in the third hundred and two ranked below the 300. Three firms were added as the result of mergers or takeovers during the period (Sevel, a merger of Fiat and Peugeot; Nobleza-Piccardo, the product of the takeover of Piccardo by Nobleza; and Massalin-Particulares, the product of the takeover of Particulares and Imparciales by Massalin and Celasco); another three were new firms added to the industrial part (Volkswagen: Rio Colorado—an oil consortium including the Italian firm SAIPEN— and Equitel, belonging to Siemens); and one was Isaura, an oil firm denationalized during the period.

This phenomenon occurred, to a greater or lesser degree, regardless of the position held by the firms (table 31).

The industrial élite underwent substantial changes which, although not fully reflected in

Table 30

ARGENTINA: PARTICIPATION OF TRANSNATIONAL CORPORATIONS IN SALES  
OF MAJOR INDUSTRIAL FIRMS, BY RANKING SCALE, 1976 AND 1983

(Percentages)

| Ranking scales,<br>by sales | Total |      |                        | Excluding Yacimientos Petrolíferos<br>Fiscales |      |                        |
|-----------------------------|-------|------|------------------------|--|------|------------------------|
|                             | 1976  | 1983 | Percentage<br>increase | 1976   | 1983 | Percentage<br>increase |
| First 25                    | 36.6  | 49.0 | 33.8                   | 56.6   | 66.1 | 16.8                   |
| First 50                    | 42.0  | 49.6 | 18.1                   | 57.9   | 62.6 | 8.1                    |
| First 100                   | 43.5  | 49.3 | 13.3                   | 55.9   | 59.6 | 6.6                    |
| First 200                   | 45.4  | 49.0 | 7.9                    | 55.7   | 57.3 | 2.9                    |
| First 300                   | 44.8  | 49.0 | 9.4                    | 54.1   | 56.6 | 4.6                    |

Source: Prepared by the authors on the basis of data from *Prensa económica* (November 1977 and October 1984).

Table 31

**ARGENTINA: TRANSNATIONAL CORPORATIONS AMONG THE 300 LARGEST  
INDUSTRIAL FIRMS IN 1983. CHANGES WITH RESPECT  
TO THE 1976 RANKING**

| Previous situation   | 1983 ranking scale   |                       |                      |                            |
|--|----------------------|-----------------------|----------------------|----------------------------|
|  | In the first hundred | In the second hundred | In the third hundred | In the first three hundred |
| Ranking scale  |                      |                       |                      |                            |
| First hundred  | 31                   | 14                    | 2                    | 47                         |
| Second hundred   | 10                   | 17                    | 14                   | 41                         |
| Third hundred  | 3                    | 3                     | 12                   | 18                         |
| After position No. 300   | 2                    | 9                     | 21                   | 32                         |
| New firms  | 3                    | 3                     | 1                    | 7                          |
| New firms resulting from absorption-fusion of preexisting establishments | 3                    | -                     | -                    | 3                          |
| Denationalization of firms with local capital                            | 1                    | 1                     | -                    | 2                          |
| Total  | 53                   | 47                    | 50                   | 150                        |

*Source:* Prepared by the authors on the basis of data from *Prensa económica* (November 1977 and October 1984).

the transnational presence, represented a profound change, at the global level, in the composition of foreign-capital enterprises holding a hegemonic position in local industry. These changes were, fundamentally, the result of

significant shifts among the transnational corporations set up in the country before 1976; the impact of new foreign-capital firms was negligible.

### III

## Conclusions

By the end of the past century, one of the salient features of the Argentine economy was the strong presence of foreign capital. Because of its importance to the vital activities of the agricultural exports model (transport, services pertaining to foreign trade, cold storage), it played a leading role in the development of the economy and had a high accumulation potential.

As the agricultural exports model gradually declined and the first signs of the new accumulation pattern —based on import substitution— appeared, foreign investment took on new forms, i.e., the export-related sectors tended to be displaced by activities that were primarily related to manufacturing and aimed at meeting domestic demand.

Both during the first stage of the substitution process, when the emphasis was on light industry, and during the second stage, when the substitution of intermediate goods and durable consumer goods began, foreign capital took over the areas having the greatest potential for growth. As in the case of the agroexports model, the foreign presence tended to become polarized towards the more dynamic nuclei of capital accumulation.

Between the mid-1960s, when the investments brought in during the late 1950s had matured, and the mid-1970s, the transnational corporations took full advantage of the opportunities provided by a domestic market that was heavily protected from international competition, without there being any need of a new influx of large direct investments.

From 1976 onwards, however, the conditions under which the Argentine economy developed changed radically. In that context, despite the strong incentives offered—essentially, the general opening up of markets, with the concomitant guarantees that entailed—new direct investments were not significant. The relatively small amount of foreign capital that was brought in was mainly directed toward the exploitation of natural resources, especially oil and gas, and toward banking and financial activities pertaining to the provision of specific services to a limited clientele and to the new opportunities arising from the opening up of the capital market.

The trends followed by United States investments in the country tended to corroborate those sectoral trends. Also, it is evident that the transnational corporations established in the country, especially those operating in the aforementioned sectors, made large profits. Nevertheless, despite these high profits, the corporations did not follow an active policy to reinvestment. Quite to the contrary, it appears that, at the global level, priority was

given to rapidly recovering the capital invested—through remittances of profits and even repatriation of capital—rather than to reinvesting in the country beyond the levels of profit that such reinvestment might generate.

This performance which, in principle, may seem to depart from what is considered typical, was due to the profoundly recessive conditions which prevailed from the mid-1970s onward, in the country's economy, especially in its manufacturing sector. To this was added a climate of uncertainty as to how long the policy of openness would be followed. In that regard, it seemed logical to assume that most of the transnational corporations would give priority to remitting their profits to their parent companies and would minimize new investments in the country. This was especially true in the industrial sector, where to the scanty flow of new external capital was added the withdrawal from the market and subsequent repatriation of capital of large transnational corporations, as well as a high level of remittances of profits to parent companies. This can be explained by the exhaustion of market opportunities, without which the legal and institutional incentives offered to the transnational corporations were not enough to induce the foreign firms to make investment and reinvestment decisions that were closely linked to the market (Sourrouille, Gatto and Kosacoff, 1984).

In any event, within the far-reaching process of deindustrialization that took place, the transnational corporations did not follow any set pattern. Even though their overall share of total industrial production fell slightly, a significant group of those firms—those having a greater degree of diversification or integration of production—tended to account for an increasing proportion of total production and even more so of the production generated by the transnational corporations.

### Bibliography

- Azpiazu, D. (1985), *La promoción industrial en la Argentina, 1973-1983*, Buenos Aires, ECLAC.
- Basualdo, E. (1984), *La integración y la diversificación empresarial, rasgo predominante del poder transnacional en la Argentina* (CET/R/160/e), Buenos Aires.
- Basualdo, E. (1985), *Tendencias y transformaciones del capital extranjero en la industria argentina (1973-1983)*, Buenos Aires, CET/IPAL.
- Central Bank of the Republic of Argentina (several years). *Boletín estadístico del Banco Central de la República Argentina*, Buenos Aires.
- Feldmun, E. and J. Sommer (1984), *Crisis financiera y endeudamiento. Consecuencias de la política económica del período 1976-1981*, Buenos Aires, CET/IPAL.
- INIC (Instituto Nacional de Estadística y Censos) (National Institute of Statistics and Censuses) (1974), *Censo económico nacional 1974*, Buenos Aires.
- Khavisse, M. and D. Azpiazu (1983), *La concentración en la industria argentina en 1974*, Buenos Aires, Centro de Economía Transnacional.
- Kosacoff, B. (1984), *El proceso de industrialización en la Argentina en el período 1976-1983*, Buenos Aires, ECLAC.
- Ministry of Economic Affairs (1981), *Memoria 29-3-76a 29-3-81*, Vol. I, Buenos Aires.
- Sourrouille, J., F. Gatto and B. Kosacoff (1984), *Inversiones extranjeras en América Latina*, Buenos Aires.
- Sourrouille, J., B. Kosacoff and J. Lucángeli (1985), *Transnacionalización y política económica en la Argentina*, Buenos Aires, ECLAC.
- United States Department of Commerce (several years). *Survey of current business*, Washington D.C., Office of Business Economics.
- United States Department of Commerce (1971), *U.S. direct investment abroad, 1977*, Washington D.C.