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The internationalization *of Latin American* industrial firms

Wilson Peres Núñez

Principal Technical Adviser to ECLAC/UNDP Regional Project RLA/88/039.
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The Latin American countries' position within the international economy finds concrete expression in the international operations of their business enterprises. Some of these operations, such as international trade and finance in major world markets, are already traditional activities of leading Latin American firms, and at least since the mid-1970s, these firms have been part of a rapid internationalization process which gave rise both to the export boom of the 1980s and also to the heavy private external borrowing seen in the 1970s. The leading Latin American firms still have a great deal of room in which to expand, and opportunities for them to increase their international trade and re-enter international capital markets have become evident during the incipient recovery being made by most of the Latin American countries in the early 1990s. By their very nature, however, these traditional components have certain limitations and will therefore need to be supplemented by new forms of international economic activity that can support and strengthen them over the long term. One of these modalities, foreign direct investment by Latin American enterprises, will play a role of major importance. It is therefore necessary to analyse the effects of foreign investment by Latin American firms on those firms' international competitiveness, on the development of competitive advantages in the source country, and on the well-being of the population in both the source and destination countries.

I

The components of internationalization

The traditional components of leading Latin American firms'[1] involvement in the international economy, i.e., international trade and the international capital market, are subject to certain limits that mainly have to do with what is happening in the world economy in the 1990s; this is particularly the case owing to the following limiting factors:

i) Trade negotiations such as those undertaken within the framework of the General Agreement on Tariffs and Trade (GATT) are subject to an inherent limitation that will persist regardless of the outcome of the present round. This limitation lies in the fact that although such negotiations concentrate on areas of conflict, they do not cover the structures that gave rise to those conflicts. Moreover, much more ground will have to be covered before negotiations of the type being held between Japan and the United States under the terms of the Structural Impediments Initiative are included on the agendas of the governments of the region. Under these circumstances, and given the intermittent appearance of protectionism in major world markets, trade constraints due to conflicts may hinder the internationalization of Latin American firms.

ii) The existing regionalization processes have an as yet undetermined potential for trade creation and diversion. Although it is still too early to predict what the main effects of the three main regionalization processes now under way will be (the formation of a single European market, the North American Free Trade Agreement and the East Asian common economic space), the clash between strategies aimed at creating "closed" zones (strongholds) and those designed to set up "open" zones may cast some doubt upon the potential of trade as a tool for the internationalization of firms based in countries that are not part of these major agreements.[2]

iii) The other main traditional component of international economic activity –international finance– also has certain limitations which, in this case, stem from expectations of a real capital shortage in the 1990s. These expectations became still stronger once the costs of Germany's reunification and of the economic changes in Eastern Europe became apparent, and they have had a strong influence on government decision-making in some of the larger countries of the region since 1989. The recent acceleration of the movement towards trade integration in the region has undoubtedly been one of their effects.[3]

These three limitations are not immutable, and their severity may indeed undergo unexpected changes during the 1990s. The fact remains, however, that they introduce an element of uncertainty into business decisions. Various firms, both in the newly industrializing economies (NIEs) of East Asia and in Latin America, have sought to reduce that uncertainty through heavy foreign direct investment, particularly in developed countries. Foreign investment not only allows them to use intra-industry and intra-firm trade as tools of market penetration, but also opens up attractive opportunities for other investments and for the acquisition of technologies unavailable on the international market.

In addition to the opportunities for the quantitative and qualitative expansion of trade and financing, foreign direct investment permits the addition of entrepreneurial inputs to regionalization and even globalization processes.[4] At the international level, there appear to be two major ways in which regional economic zones are established: i) the European strategy of pursuing political negotiations aimed at the configuration of a formally-constituted common market; and ii) the prevailing strategy of the swiftly growing

[1] Latin American firms are defined here as business enterprises in which a majority of the assets are either owned or controlled by natural or juridical persons from the region. The features that qualify a firm as a leader vary from country to country, but have to do with the size of the company and its market share (generally speaking, their share would need to be among the four or five largest in the market in question).

[2] For an in-depth analysis of the subject, see Lawrence, 1991.

[3] From a short-term perspective, the expectations to this effect in respect of the early years of the decade appear to have fallen wide of the mark. In fact, a relative oversupply of short-term capital seems to be flowing into the larger economies of the region.

[4] As used in this article, the term "foreign direct investment" refers, unless otherwise indicated, to investments made by Latin American countries.

countries of East Asia.[5] In the first case, the integration process is carried forward by policy measures, while in the second, the decisive element is direct investment. Although strategies based on bilateral or multilateral negotiations have a great deal of potential, the factors driving forward the economic integration of regions in South-East Asia appear to be much more powerful.[6]

These two approaches (overcoming the limitations of the traditional components of international economic activity and the materialization of the process at the corporate level) have important policy implications. The efficient involvement of such companies in traditional and new forms of international activity will have a direct impact on the levels of competitiveness and well-being attained by the societies of their home countries. For Latin American firms, an understanding of the importance of foreign direct investment and of how it works is essential in order to move towards more efficient policies.

It has always been somewhat difficult to explain why enterprises based in developing countries engage in foreign direct investment, since they usually lack the advantages associated with transnational corporations based in developed countries (economies of scale, multi-plant economies, proprietary technologies). The theoretical analysis of direct investment by developing countries has been based on two clearly complementary approaches (UNCTC, 1991): one focuses on the investment cycle, while the other concentrates on the advantages available to firms based in developing countries.

The first approach emphasizes the fact that the ratio between a country's outward and inward investment flows will go through a number of different stages as part of an evolutionary process whose nature is primarily determined by the country's per capita GDP, level of industrialization and volume of trade (Dunning, 1986). The corporate competitive advantages associated with the possession, location and possibility of internalizing those advantages are considered to generate a five-stage cycle: i) minimal inward and outward investment flows; ii) a considerable inward flow of investment and an extremely small outward flow; iii) significant flows in both directions, but with the inbound flow still exceeding the outbound flow; iv) an outward flow that exceeds the inward flow; and v) a new mix of outward and inward foreign investment. As their enterprises develop competitive advantages, countries will pass through these different stages of the cycle.[7] Thus, foreign direct investment may well be a natural stage in the economic development process.

The second approach involves an analysis, from two different standpoints, of the advantages possessed by firms based in developing countries. One type of analysis is based on the product cycle theory and focuses on three possible sources of competitive advantages for such firms: i) the ownership of technologies which are mature enough to have been "forgotten" by companies in developed countries but which have not yet been mastered by more backward countries; ii) the lower production costs deriving from the adaptation of technologies to smaller-scale markets, local raw materials or a more abundant supply of labour; and iii) lower wage costs and lower overheads (Vernon, 1966). The second type of analysis, which is compatible with the first, focuses on the importance of the entrepreneurial capacity for performing tasks of varying complexity through the accumulation of management skills, marketing techniques and essentially idiosyncratic technologies that do not lend themselves to formal structures.[8]

The analytical aspects of the above approaches are not entirely satisfactory. For example, many countries do not have investment flows that are commensurate with their level of development as defined by the investment-cycle approach; the product cycle

[5] This strategy involves the movement of industries from Japan, the leader of Asian technical and industrial progress, to the four "tigers" which follow it, and from them to a second-tier periphery (Thailand, Malaysia, Indonesia and the Philippines), followed now by a real or potential third-tier periphery (Sri Lanka, China and even Vietnam) which is beginning to be added to this chain. This strategy has been likened to the formation typical of the flight of the wild geese, which line up and follow a leader who points the way.

[6] The rapid growth of the *maquiladoras* (export-oriented inbond assembly industries) of northern Mexico provides an illustration of the proportions that can be reached by a drive to establish a position in the international market for "economic" reasons, once an explicit policy decision has been taken to employ such a strategy.

[7] Thus, for example, a number of countries in sub-Saharan Africa are in the first stage; most of the Latin American countries are in the second; Argentina, Brazil and Mexico, together with some East Asian economies (the Republic of Korea and Taiwan), are entering the third stage; Japan, Germany and Sweden, along with Hong Kong, are in the fourth; and the United States and the United Kingdom are in the fifth stage.

[8] For an example of this type of analysis, see Lall, 1983.

cannot account for the capital- and technology-intensive investments that some developing countries have made in developed countries; and adaptation as a source of advantages does not necessarily work to the benefit of firms based in developing countries, since the established transnational corporations have more experience in adapting to developing countries exhibiting a wide range of very different conditions, as well as being able to benefit from the internal transfer of that experience and of technology.

In short, these approaches are useful in explaining what motivates developing countries to make foreign direct investments in other developing countries (i.e., South-South investment), but direct investment by developing countries in developed countries (i.e., South-North investment) is a subject that requires further study. This article attempts to contribute to such an analysis by taking a look at major Latin American manufacturing firms' recent experiences with international expansion.

II

The scale of foreign direct investment

1. The international experience

Foreign investment by companies based in developing countries is not a recent phenomenon, since South-South investment has been going on since the early 1930s. By the early 1980s, this type of investment had become quite significant, although estimates of the accumulated stock of such investment were extremely imprecise. For example, Louis T. Wells has estimated that as of 1980 it amounted to between US$5 billion and US$10 billion, whereas the former United Nations Centre for Transnational Corporations (UNCTC) (now the Transnational Corporations and Management Division of the United Nations) has given a figure of US$15.3 billion for that same year (Wells, 1983; UNCTC, 1988).

The phenomenon of interest to us here is somewhat different. The stock of foreign direct investment from developing countries, which totalled around US$50 billion in 1985, has tended to be concentrated in developed countries (see table 1).[9] The available data on investment during the period 1986-1989 indicate that by the end of the 1980s the accumulated stock totalled at least some US$80 billion.[10] With the exclusion of investment from Asia (not including the Middle East), which has followed the strategy that has become known as the "flight of the wild geese", over 70% of the investment flows from underdeveloped regions have been channeled to the developed world.

In the early 1980s, of the 18 developing economies for which information on foreign direct investment is available, five (Argentina, Bangladesh, Brazil, Mexico and Taiwan) were investing more in developed than in developing countries. By the close of the 1980s, they had been joined by China, Indonesia, the Republic of Korea and Venezuela, whereas most of the foreign direct investment from Colombia, Hong Kong, India, Pakistan, Peru, the Philippines, Singapore and Thailand was concentrated in developing countries. Most of the developing economies that were engaging in foreign direct investment

[9] As shown in table 1, this figure includes nearly US$18 billion of investment located in tax havens. More than one-third of developing countries' foreign direct investment in 1985 and more than 20% of it in 1975 came from such countries as the Netherlands Antilles, Bermuda, Liberia, Panama and the Cayman Islands, where the major investors are transnational corporations based in developed countries (UNCTC, 1991).

[10] The UNCTC estimated the average annual flow of direct investment from one group of developing countries for the period 1986-1989 at US$4 747 million (UNCTC, 1991). Since this figure does not include such economies as those of Hong Kong, India, Indonesia, Malaysia, Mexico or Peru, we can safely assume that it seriously underestimates total foreign direct investment from developing countries. Other data compiled by the UNCTC suggest a figure of about US$85 billion for 1988.

TABLE 1

Developing countries: foreign direct investment stocks
(Millions of dollars)

Investment sources	Investment destinations					
	1975			1985		
	Developed economies	Developing economies	Total	Developed economies	Developing economies	Total
Latin America and the Caribbean (excluding tax havens)	3 151	102	3 254	4 664	388	5 051
Tax havens [a]	1 157	838	1 994	15 402	2 507	17 910
Latin America (including tax havens)	4 308	940	5 248	20 066	2 895	22 961
Africa	255	44	299	690	522	1 212
Asia (excluding Middle East)	535	2 217	2 752	4 629	8 337	12 966
Middle East	394	21	415	5 480	519	6 000
Total [b]	5 653	3 591	9 244	36 240	13 323	49 563
Foreign direct investment by developing countries as a percentage of investment by all countries	4.4	15.0	6.1	8.1	15.9	9.3

Source: United Nations Commission on Transnational Corporations, *Non-Conventional Transnational Corporations* (E/C.10/1990/18), 5 May 1990, table 2.

[a] Netherlands Antilles, Bahamas, Cayman Islands and Panama.
[b] Includes the former Yugoslavia and Turkey as well as figures on direct investment from unspecified developing countries. Consequently, the sum of the individual entries does not match the totals shown.

directed it towards just a few recipient countries; for example, in the late 1980s, over three-quarters of the investment coming from China, Colombia, Hong Kong, Peru, Singapore and Thailand was concentrated in the three destinations of greatest importance for each of those countries. Brazil and the Republic of Korea, on the other hand, were more diversified: in 1988 there were 13 countries in each of which Brazil had over US$10 million of direct investment, while in the case of Korea there were 21 such countries.

In that same year there were 17 destinations (ten developed countries and seven developing nations) in which direct investment by developing countries totalled more than US$1 billion. During the 1980s the United States was the chief recipient of this type of investment (with nearly one-third of the total), but a substantial portion of its share came from tax havens (73% in 1980 and 46% in 1988). Leading developing-economy recipients of direct investment from other developing countries included China, Indonesia, Malaysia, Mexico, Singapore and Taiwan, each with over US$1 billion in direct investment from developing countries not classified as tax havens (UNCTC, 1991).

Although investment from developing countries is still only a small fraction of foreign direct investment worldwide (less than 10%), it grew very rapidly in 1975-1985, even if investment from tax havens is excluded from the calculations.

Two elements merit particular attention in this respect (see table 1). One is the fact that in the 1980s the Latin American and Caribbean region (excluding tax havens) slipped downward in the rankings as a source of foreign direct investment: whereas prior to that time it had accounted for slightly over one-third of the total stock of foreign direct investment from underdeveloped countries, its share shrank to only about 10% in that decade. Since foreign direct investment patterns are related to competitiveness, economic maturity and the type of position held within the international economy, this trend is quite disturbing. In contrast, there was a huge increase, in absolute terms, in investment from East Asia. This development will be discussed in the following section.

2. Direct investment from East Asia

An examination of investment flows in Asia in the 1980s (see table 2) demonstrates the importance of foreign investment for countries whose economies are smaller than the largest in Latin America.[11] A significant feature, however, is that China is playing an increasing role in Asian investment and, in fact, has become the fastest-growing foreign investor among the developing countries. For its part, the United States is a very important destination for investment from the Republic of Korea and Taiwan (see table 3), both of which have set up very strong support systems for their foreign investment activities.

In Taiwan, incentives for foreign direct investment began to be offered in 1979, when the Investment Promotion Act introduced exemption from profits tax on foreign investments. This exemption benefited firms investing in the exploitation, development or processing of natural resources and their exportation back to Taiwan. In 1984, this incentive was extended to include companies which: i) produce or process specific government-designated agricultural or industrial raw materials and sell those products on the domestic market or export them to other countries; ii) are engaged in the transfer of government-specified technologies; or iii) invest in government-designated companies and sell their output on the domestic market or to other countries. Also in 1984, investors were given the right to defer the starting date for the application of this exemption by one to four years. Companies meeting the requirements to qualify for this tax exemption were also given access to the foreign exchange market under the provisions of the Exchange Controls Act. Thus, in practice, obtaining authorization for a foreign investment qualified that investment for a number of incentives. This gave rise to an extensive system of support for foreign direct investment, made possible by the combined effect of Taiwanese industry's competitiveness and its resulting trade surpluses (Chen, 1986).

The Republic of Korea's system of incentives for foreign direct investment has been equally ambitious. During the 1980s, in particular, four types of stimuli were offered:

i) Credit assistance from the Korean Export-Import Bank, which financed as much as 80% of the total investment (90% in the case of medium-sized and small firms) at a rate slightly above LIBOR over a 10-year repayment period. The Korean corporations for the development of petroleum and mining also provided start-up and working capital for overseas prospecting and development of natural resources.

ii) Tax incentives which take the form of authorization for investors to establish a tax reserve to cover possible losses on their foreign investment. This reserve is equivalent to 15% of the investment (20% in the case of natural resources) and, if no losses are sustained, the reserve must be included in the profits statement over a four-year period, following a three-year grace period. Other tax incentives include deductions for taxes paid to foreign governments and an income tax exemption on dividends earned abroad from natural resource projects, provided that the dividends are tax exempt in countries that have signed agreements with Korea to avoid double taxation.

iii) Foreign investment insurance covering up to 90% of capital losses or losses of dividends or interest due to political factors such as war, expropriation or the imposition of restrictions on remittances.

iv) The provision of information through the foreign investment advisory centre set up by the Korean Small Business Federation and the Korean Export-Import Bank (Bank of Korea, 1989; Kuang, 1989).

The experience of Korea and Taiwan illustrates a dual dimension of foreign direct investment by developing economies. On the one hand, a rapid increase in such investment has been feasible thanks to favourable balance-of-payments conditions and, most importantly, a strong competitive position in manufacturing. On the other hand, government policy has been designed to help ensure that the growth of such investment will serve national interests, the policy aim being first to secure a supply of natural resources and then to gain access to markets, management methods and technology, as well as to transfer out of the country industries that are on the decline in the domestic market owing to changes in competitive

[11] It is important to note the huge gap between the figures on Taiwanese foreign direct investment reported by recipient countries (see table 2) and by Taiwan itself (see table 3). This discrepancy would appear to be due to the fact that the amount of such foreign investment has been deliberately undervalued in order to avoid compromising the recipient countries, given Taiwan's difficult position in terms of its international relations (see World Bank, Department of Industry and Energy, 1989, box 2, p. 10).

TABLE 2

Asia: investment flows in the 1980s
(Millions of dollars)

Host economies	Source economies							
	Hong Kong	Singapore	Taiwan	Korea	Total NIEs	Japan	Other	Total
Developing Asian countries	11 120	1 588	2 484	412	15 604	11 565	15 159	42 328
Four newly industrializing economies (NIEs)	1 063	171	43	n.d.	1 277	8 022	17 440	26 739
Total	**12 182**	**1 760**	**2 527**	**412**	**16 881**	**19 587**	**32 599**	**69 067**

Source: World Bank, Department of Industry and Energy, *Foreign Direct Investment from the Newly Industrialized Economies*, Industry Series, paper No. 22, Washington, D.C., December 1989, table 3. The data refer to investments made between 1979 and 1988; the period varies depending on the country.

TABLE 3

Taiwan and Republic of Korea: cumulative foreign direct investment flows, 1986-1990
(Millions of dollars)

Destination	Taiwan	Korea
South-East Asia	990.6 [a]	601.8
North America	1 176.8	1 045.1
European Economic Community (EEC)	41.0	141.3
Other	653.2	360.4
Total	**2 861.6**	**2 148.6**

Source: Organization for Economic Cooperation and Development (OECD), *The Dynamic Asian Economies and International Direct Investment*, OECD SG/IW/CIME (92)4, Paris, 1992; and World Bank, *Foreign Direct Investment from the Newly Industrialized Economies*, Industry Series, paper No. 22, December 1989, tables 5 and 6.

[a] Authorized investments according to recipient countries: US$2 527 million.

factors (a rise in real wages, for example).[12] Given the investment dynamics of these two economies and their geographic orientation, in this case, too, we are witnessing a combination of investments in developed countries and investment linked to industrial deployment, as an efficient mechanism for improving the position of these economies in the world market.

3. The scale of direct investment by Latin America

Although there is information at the company level which shows that investment by Latin American countries has grown rapidly since the mid-1980s, aggregated information on investment flows and stocks is available for only seven countries in the region: Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela. The data for 1988-1990 indicate that these countries had foreign investments totalling US$7 461 million,[13] which was more than double the estimated total for the entire region in 1975 (see table 1). Argentine, Brazilian, Mexican and Venezuelan investment was concentrated in developed countries and tax havens; the other countries' investments tended to be located in Latin American countries and tax havens.

[12] The expansion of Korean and Taiwanese investment once their industries had matured is in keeping with the notion of an investment development cycle described earlier. The use of investment as a means of facilitating industrial retrofitting through the transfer abroad of industries as they become obsolete (without, however, relinquishing control over them) is in line with the ideas on Japanese investment set forth by Terutomo Ozawa (Ozawa, 1991). This article by Ozawa shows how Japanese foreign direct investment has been an essential catalyst for the country's shift towards a more sophisticated domestic industrial structure by allowing the transfer to other countries of industrial activities in which Japan has been losing its competitive edge and by serving as a support mechanism for the economy's shift towards sectors that provide more value added. For an early exposition of these ideas, see Ozawa, 1975.

[13] The breakdown for this total is as follows: Argentina: US$2 730 million; Brazil: US$2 397 million; Mexico: US$903 million; Venezuela: US$765 million; Colombia: US$402 million; Chile: US$201 million; and Peru: US$63 million. The data were obtained from ECLAC, 1992a, for Brazil, Chile, Colombia and Peru in 1990, and from UNCTC, 1991, for Argentina, Mexico and Venezuela in 1988.

TABLE 4

United States: net inward foreign direct investment position
(Year-end stocks, in millions of dollars)

	1991	1990	1989	1988	1987
Brazil	488	378	428	286	293
Mexico	608	550	1 251	218	180
Panama	4 367	4 099	3 039	2 878	2 627
Venezuela	544	489	1 431	540	411
Other	458	503	474	409	425
Latin American total	**6 466**	**6 020**	**6 624**	**4 331**	**3 935**
World total	**407 577**	**396 702**	**373 763**	**314 754**	**263 394**

Source: United States Department of Commerce, "The international investment position of the United States in 1990", *Survey of Current Business*, vol. 71, No. 6, Washington, D.C., June 1991; and "The international investment position of the United States in 1991", *Survey of Current Business*, vol. 72, No. 6, Washington, D.C., June 1992.

More recent data (June 1992) put Brazil's total foreign investments at US$4 139 million, of which 53% was in tax havens, 39% in developed countries (mainly the United States and United Kingdom) and 8% in developing countries (Peres Núñez, 1993). Indeed, Brazilian investment in developed countries has grown extremely rapidly, soaring from US$707 million in 1983 to US$1 601 million in 1992, with nearly two-thirds of that sum going to the United States (US$1 064 million). Data on the main destination for Latin American investment (the United States) indicate that the Latin American countries' net position [14] increased by almost 65% between 1987 and 1991, jumping from US$3 935 million to US$6 466 million, with Venezuelan, Mexican and Brazilian investments (if Panama is excluded on the grounds that it is a tax haven) accounting for the bulk of that amount (see table 4).

A detailed analysis of the major economic variables for non-bank affiliates in the United States (see table 5) [15] points up the considerable sales volumes achieved by companies in which Latin American investors have an interest: in 1990, their sales amounted to US$19 341 million, which is in line with other statistics that put the number of jobs created by these affiliates at over 34 000. Although these amounts still represent only a small fraction of total foreign investment in the United States (slightly over 1% in 1990), they are on the rise, and their size in absolute terms is quite significant for the source countries in question.

[14] "Net position" is the sum of foreign direct investors' capital plus the net balance of their accounts with their affiliates located in the United States. It will therefore be determined by the financial policy of the parent company and its affiliates, which in turn will be heavily influenced by real interest rates in the source and destination countries. The ratio between these rates changed radically, for example, between Mexico and the United States in 1989-1990.

[15] The *Survey of Current Business* defines an affiliate as any company in which 10% or more of the voting stock is owned by a foreign investor.

TABLE 5

United States: sales and jobs provided by non-bank U.S. affiliates of foreign firms

Source country	Sales (millions of dollars)		Jobs (thousands)	
	1990	1989	1988	1990
Brazil	1 600	1 035	993	2.3
Mexico	2 851	2 543	1 398	12.0
Venezuela	13 196	7 862	6 604	16.2
Other	1 694	2 256	1 935	4.1
Latin American subtotal (excluding Panama)	19 341	13 695	10 931	34.6
Panama	4 008	7 113	3 709	29.5
Latin American total	**23 349**	**20 808**	**14 640**	**64.1**
World total	**1 168 490**	**1 040 887**	**886 407**	**4 705.3**

Source: United States Department of Commerce, "U.S. affiliates of foreign companies: operations in 1990", *Survey of Current Business*, vol. 72, No. 5, Washington, D.C., May 1992; and "U.S. affiliates of foreign companies: operations in 1989", *Survey of Current Business*, vol. 71, No. 7, Washington, D.C., July 1991.

III

Main features of Latin America's direct investment

Based on an analysis of six case studies –on Argentina, Brazil, Chile, Colombia, Mexico and Venezuela–[16] an idea can be gained of the principal features of the foreign direct investments made by these countries' major industrial enterprises. Some of the main such features are the following:

First of all, these investments are heavily concentrated in certain destinations. For Brazil, Mexico and Venezuela, the main recipient country is the United States. Although the levels of Mexican investment in Central America and Europe and of Brazilian and Venezuelan investment in Europe are significant, they do not invalidate the above statement. The investments of Colombian,[17] Chilean and Argentine manu-

[16] These studies were conducted as part of ECLAC/UNDP Regional Project RLA/88/039, "Design of policies to strengthen the capacity for technological innovation and enhance international competitiveness in the Latin American entrepreneurial environment". The appendix contains a list of the main Argentine, Brazilian, Mexican and Chilean manufacturing firms which have made foreign direct investments. Because the identities of the firms included in the survey samples in Colombia and Venezuela were confidential, no tables are given for companies in these two countries.

[17] The largest foreign direct investments made by Colombian firms are those of Carvajal S.A. (printing and publishing in Brazil, Ecuador, Guatemala, Chile, Mexico, Panama and Venezuela, and distribution in the United States and Spain); Distral S.A., which has invested in the production of capital goods in Venezuela and the United States (Florida); and Levapan S.A. (production of yeast in Ecuador and Venezuela). The scope of Carvajal S.A.'s internationalization is illustrated by the fact that nearly 25% of its sales are made by its foreign affiliates. (Data obtained from interviews with executives in the above-named firms.)

facturing firms are relatively more diversified and tend to be directed primarily towards other Latin American countries.[18]

Second, the concentration of investment in certain countries is also related to a heavy concentration of investment in certain sectors. If we look at the total sum of investment rather than the number of investment projects, the following sectoral specializations (excluding the financial sector) become apparent:

i) Over 95% of Venezuela's investment in the United States is in petroleum refining and related industries, principally through Petróleos de Venezuela S. A.[19]

ii) Mexican corporate investment is heavily concentrated in non-metallic minerals industries, chiefly because of the large investments made by Vitro, S.A. (glass containers and related industries) and by Cementos Mexicanos S. A.[20]

iii) Investment by Brazilian firms is heavily concentrated in the production of motor vehicle parts (United States and Portugal), wearing apparel (Spain and Portugal) and marketing.

iv) Argentine firms exhibit a greater degree of sectoral diversification; this is primarily because the bulk of Argentina's foreign investments were initiated during earlier stages of development, as will be discussed later.

Third, the time frame for Latin American firms' foreign investments differs significantly from one country to another:

i) The first Argentine-based firms to diversify their investments by moving some of them out of the country started to do so in the early decades of the twentieth century (e..g, Bunge & Born in the food industry and Alpargatas in textiles and footwear). These investments were channelled to other South American countries, especially Brazil. Then, starting in the 1940s, a number of firms that had met with success in import-substitution activities, particularly in the metal products and machinery industries, also began to invest in other countries of the region (Katz and Kosacoff, 1983). Finally, in the 1980s –largely because of the effort to restructure Argentine industry that had begun in the mid-1970s– new business groups started to invest in other countries in such activities as pharmaceuticals, iron and steel, paper, aluminium, special-order capital goods (short production runs) and the food industry (see Bisang, Fuchs and Kosacoff, 1992).

ii) Brazilian, Mexican and Venezuelan firms began to make real progress in terms of international expansion immediately following the recession of the 1980s, although some foreign investments had been made in preceding decades. While those pre-recession investments tended to be concentrated in protected markets in other countries of the region, post-recession investments have been directed primarily towards the United States. Colombian firms' investments have followed a similar, although less marked, trend.

iii) For Chile, internationalization is a very recent phenomenon which only really took hold following the relaxation of foreign investment regulations in April 1991.

Fourth, each country's development model and policies have had a decisive influence on how aggressively they have sought to move into the international market. This is shown in the following examples:

i) In the cases of Mexico and Brazil, there has been a close correlation between the development model and the amount of investment. Mexico's development model is relatively more open to foreign markets, and its main economic groups' levels of investment have been higher as well, whereas Brazilian groups –which operate on roughly the same scale as their Mexican counterparts– exhibit less of a propensity for foreign investment. Of course, the difference in the location and size of the two countries' domestic markets plays an important role in the persistence of different development styles. Another compelling demonstration of the development model's importance as a determinant of the intensity and scope of international expansion by Latin American firms is provided by an analysis of the behaviour of the region's main television networks (Arruda, 1991; Robina, 1991).

[18] The largest Argentine investments in developed countries are in the banking sector and are concentrated in the Netherlands (UNCTC, 1991).

[19] State-owned aluminium producers are in second place, with investments in Belgium, the United States and Costa Rica. Major investments in other sectors include Corimón's involvement in the chemical industry in the United States and Venezolana de Pulpa's investments in the United Kingdom (Ross, 1991; ECLAC, 1992b; *América Economía*, 1992).

[20] For an analysis of how Vitro S.A. came to be the second-largest producer of glass containers in the United States and how Cementos Mexicanos S.A. (CEMEX) ended up controlling 29% of Spain's cement market, see Peres Núñez, 1990, and *The New York Times*, 1992.

ii) The reorganization of Argentine industry in the 1970s and 1980s is reflected in the profile of the Argentine firms that have internationalized their operations since that time. Argentine companies' long history of international expansion provides a clear illustration of the close correlation that may exist between a country's development style and the growth of its foreign investment activity (Bisang, Fuchs and Kosacoff, 1992). The different development models used by this country have gone hand in hand with different investment strategies and motivations. The incipient trend towards foreign investment by Chilean firms reflects an equally significant restructuring process.

iii) The structural "petrolization" of the Venezuelan economy has had a decisive effect on the level and structure of its foreign investments (ECLAC, 1992a, box V-6).

In short, there is a clear-cut relationship between the concentration of investment flows in certain recipient sectors and countries and the time frame and development model in which such flows originated. The investments made by Argentina and other countries prior to the 1980s were a "natural" expansion of efficient import-substituting processes and business enterprises. In some cases, this expansion was coupled with the transfer of appropriate technologies that had been developed or adapted by those same sectors or firms. The protection of destination countries' markets was an incentive for that expansion, and indeed it "forced" its occurrence, since it was the only way to maintain market shares that had been won with exports. The rationale for many of the more recent investments, especially by Mexico and Brazil, is based on a more complex set of factors, which will be analysed in the following section.

IV

Determinants of foreign investment

The current vigour of foreign investment by some leading Latin American firms is the net result of the interaction between factors that encourage investment and factors that deter it. Some of these factors are taken into consideration by analytical approaches for explaining the growth of foreign direct investment by developing countries; in the aggregate, however, this set of factors seems to go beyond the reasons suggested by analyses of the product cycle, of the investment development cycle and of the skills development process that were outlined earlier.

1. Factors that stimulate internationalization

The business enterprises that were studied have internationalized their operations in response both to factors at work within the companies themselves and to factors forming part of their external environment.

The internal factors –which are the most similar to those dealt with in traditional analyses of foreign investment by developed countries– include the following:

i) An effort to increase the firm's efficiency and profitability, which entails the use of mechanisms for utilizing comparative advantages in a number of countries, fully exploiting any possible economies of scale and of scope, and paving the way for the in-house development of technology;

ii) A desire to initiate or speed up the firm's learning process regarding markets, operations, management techniques, products, etc.; and

iii) The need to reduce the risk inherent in running a business in a highly unstable economy.

External factors relating to the business environment have also played an influential role in the international expansion of companies based in the countries of the region. They include:

i) Factors that motivate companies to reduce their sensitivity to the vagaries of their home country's economic policy and economic situation. In particular, companies in this position wish to increase the percentage of foreign-currency revenues in their total earnings in order to shield themselves from the instability of their home country's exchange policies. Obviously, for the firms of some countries, foreign investment is also a way of reducing their dependence on domestic markets whose growth is expected to remain slow.

ii) Factors related to the dynamics of market competition. Foreign investment has given companies a way to stop firms with which they compete at the international level from making further inroads into their domestic market, take advantage of opportunities for forming strategic alliances, and develop new, higher value-added markets and market niches (as has been done, for example, by Brazilian firms in the garment industry). It should also be noted that the presence of affiliates in developed countries has made it possible or has helped make it possible for firms from the region to gain access to new technologies and financing.

iii) Changes in the organizational and technical structure of industries that use Latin American exports. These changes have prompted firms to set up plants in the markets where such user industries are located. For example, Brazilian automobile part makers, such as Metal Leve and COFAB, have made investments in Europe or the United States so that they can use the just-in-time inventory management system demanded by their clients, develop designs in close contact with them, and place more emphasis on offering "technological solutions" rather than merely supplying parts or components (see the case of Metal Leve in ECLAC, 1992a, box V-4).

iv) It is possible that, within the context of the international economy, current regionalization processes may divert trade rather than increasing it. This generates uncertainty, but that uncertainty can at least be reduced to some extent by establishing plants, storage facilities or marketing centres in countries which are firmly-committed parties to existing agreements. The intermittent appearance of protectionism underscores the importance of diminishing that uncertainty.

2. Factors that deter internationalization

Among the various factors that have discouraged leading firms in a number of countries from trying to internationalize their operations, two main categories can be identified:

i) Macroeconomic policies, particularly those having to do with regulations that obstruct the free flow of funds reflected in the capital account (such regulations were in effect in most of the countries of the region up to the mid-1980s, and even more recently in the case of Chile) and with the absence of international treaties to eliminate double taxation.

ii) Factors at work within the firm. Shortages of some factors of production (e.g., financial resources and management teams) have blocked or delayed foreign investments. In addition, the fact that many firms do not know a great deal about international investment has acted as a significant constraint by raising the level of uncertainty regarding the results of possible investments.

The available information on the cases studied indicates that the factors which encourage internationalization outweigh the factors hindering it at the present time and are likely to continue to do so in the future. Although the elements at hand do not provide sufficient grounds for describing the investments now under way as an authentic process in the strict sense of the word, they do seem to constitute a sufficient basis for the identification of certain trends.

V

The main trends in Latin America in the early 1990s

The existing trends are not of a regional character, but instead are essentially a result of the specific economic situation in each country and the strengths and weaknesses of its firms. Generally speaking, however, businesses are increasingly coming around to the view that foreign investment is necessary in order to hold on to markets they have already penetrated or to carve out a position in markets where the level of value added is higher; it is also felt that in global industries, companies in countries which are in the process of opening up their economies to trade and which suffer from systemic shortcomings run the risk of losing their own domestic market unless they, too, operate on the basis of a global strategy.

The basic trends observed in the individual countries are as follows:

i) Mexico's large privately-owned groups are increasing their investments in the United States; this trend is associated with the creation of the North American Free Trade Area.

ii) For Argentine firms, the establishment of MERCOSUR strengthens the foundations of their strategy of investing in southern Brazil, especially in activities linked to agro-industry.

iii) Some Chilean companies have made relatively large foreign investments, especially since the relaxation of regulations governing access to the informal exchange market for operations involving direct investments outside the country. This liberalization has been coupled with greater maturity on the part of those Chilean firms capable of engaging in foreign investment, as has been clearly reflected in their participation in the privatization of major companies in Argentina since 1991.[21]

Although the foregoing indicates that the level of foreign direct investment by Latin American enterprises is already rising, a fuller understanding of the phenomenon and its effects by the countries' governments and societies will surely cause this trend to grow stronger and the process will become even more dynamic.

VI

The impact of Latin American foreign investments

In actual fact, no assessments are currently available of the impact of Latin American firms' foreign investment activity. More specifically, it is not known how it affects the international competitiveness of the firms' home countries, much less the well-being of their inhabitants. Social and political acceptance of these investments has been hindered by the lack of such evaluations. In some countries, it is difficult even to gain access to information about these business activities because foreign direct investment is confused with capital flight, the depletion of domestic savings, and even a lack of patriotism. Complete, accurate information and a suitable evaluation would surely help to dispel preconceived ideas that constitute a very real obstacle to foreign investment.

Despite the absence of such an assessment, sufficient information can be compiled to attempt at least a rough evaluation of the impact of foreign direct investment in terms of winning or maintaining markets and gaining access to financial resources.

As regards the impact of foreign affiliates on the external trade of their host countries, the available information on foreign affiliates established in the United States (see table 6) indicates that, on balance, their net effect on the host country is negative.

Although the table does not mean that the source country is the sole beneficiary of this situation, the information to be gleaned from country studies and from an analysis of the nature of the large-scale investments made by Mexican firms in glass and cement, by Brazilian firms in automobile parts and by Venezuelan companies in the oil industry all indicate that foreign investment has indeed improved these countries' trade balances.

In the area of finance, the deterioration of Mexico's net foreign investment position in the United States between 1989 and 1990 (see table 4) appears to suggest that affiliates in that country are being used as a source of finance. The available information indicates that direct investment by Mexico has actually increased; therefore, the reason for the deterioration in the net position must lie in the parent companies' accounts, which should have shown a reduction in the affiliates' debit balance or an increase in their credit balance. Either of these two movements would be in keeping with the spread between the two economies' real interest rates during those years.

The exact way in which government policy influences the internationalization of companies in the region is still far from being fully understood. However, even before precise evaluations become available, it is safe to say that the negotiation of agreements to prevent double taxation and eliminate unnecessary obstacles to the flow of capital for direct investment would be appropriate steps to take in order to boost competitiveness and strengthen Latin America's entrepreneurial base. Before recommending any further measures, much more precise information would be needed on the consequences of internationalization.

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[21] According to information supplied by the Ministry of Economic Affairs of Argentina, Chile's direct investment in that country during 1992 amounted to US$700 million, which is considerably more than the US$200 million in foreign direct investment registered with the Central Bank of Chile between 1971 and 1991 (*Estrategia*, 1992, p. 39). For a list of the main direct investments in Argentina made by Chilean firms, see section D of the appendix.

TABLE 6

United States: external trade of non-bank U.S. affiliates of foreign firms
(Millions of dollars)

Source country:	1990		1989		1988	
	Exports from United States	Imports to United States	Exports from United States	Imports to United States	Exports from United States	Imports to United States
Brazil	196	211	134	186	148	186
Mexico	157	811	131	821	84	803
Venezuela	257	4 637	141	2 886	74	... [a]
Other	1 027	603	1 274	609	1 217	... [a]
Latin American subtotal (excluding Panama)	1 637	6 262	1 681	4 501	1 542	3 806
Panama	247	547	331	544	266	523
Latin American total	**1 883**	**6 809**	**2 012**	**5 045**	**1 808**	**4 329**
World total	**91 137**	**180 674**	**84 263**	**169 745**	**69 541**	**155 533**

Source: United States Department of Commerce, "U.S. affiliates of foreign companies: operations in 1990", *Survey of Current Business*, vol. 72, No. 5, Washington, D.C., May 1992; "U.S. affiliates of foreign companies: operations in 1989", *Survey of Current Business*, vol. 71, No. 7, Washington, D.C., July 1991; and "U.S. affiliates of foreign companies: operations in 1988", *Survey of Current Business*, vol. 70, No. 7, Washington, D.C., July 1990. The sums of the source figures will not always match the totals and subtotals shown.

[a] These figures were suppressed by the source for reasons of confidentiality.

A detailed study would also help to do away with obstacles to foreign investment created by the perhaps mistaken idea that such investments constitute an inefficient use of chronically scarce domestic savings which are needed to fund national development. The restrictions which the Government of Venezuela placed on foreign investment by Petróleos de Venezuela S.A. in mid-1992 appear to be the result of just such a misconception (*Latin American Weekly Report*, 1992). These types of image problems are also found in the recipient countries, as is shown by the resistance of congressmen in the United States to the purchase of PPI Del Monte Fresh Produce by a Mexican group.[22]

It may therefore be concluded that an in-depth analysis is needed of the ways in which foreign investment by Latin American firms affects those firms' international competitiveness, the creation of competitive advantages in the source country and the well-being of the population in both the source and destination countries.

[22] Opposition to this purchase was sparked by the fact that the State-owned industrial development bank (Nacional Financiera) has a minority interest in the Mexican group in question (*La Jornada*, 1992; *The Wall Street Journal*, 1992).

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APPENDIX

A. Main Argentine firms with direct investments abroad

Company	Foreign affiliates	Country	Year	Activity	Observations
Bunge & Born	Molinos Harineros	Paraguay	1943	Agroindustry	
	Sanbra	Brazil	1905	Agroindustry	Controls 11 firms
	Samrig	Brazil	1928	Chemicals, textiles	Controls 9 firms
	La Fabril	Peru	1943	Agroindustry	Controls 9 firms
Alpargatas	Fabrica Uruguaya de Alpargatas	Uruguay	1890	Yarns, footwear	
	São Paulo Alpargatas	Brazil	1907	Yarns	Brazilian-owned since 1982
	Comercial Textil Ltda.	Chile	1982	Marketing	
	Anstalt Balzer	Switzerland	1983	Holding company	
	Exportex Anstalt	Switzerland	1985	Marketing	Has 5 branches
Arcor	Arcopar	Paraguay	1978	Candies	Joint investment with local capital
	Nechar SA	Brazil	1980	Candies	
	Van Dam SA	Uruguay	1980	Candies	Joint investment with local capital
	Alimentos Indal	Chile	1981	Jam	Joint investment with local capital
Techint	TPT Houston	USA	1990	Pipe finishing	
	CEI	Italy	1922	Electro-mechanical engineering	
	Techint SA Mexico	Mexico	1954	Industrial engineering	
	COMEI	Mexico	n/s	Industrial engineering	Controlled by Techint Mexico
Techint	TAMSA	Mexico	1952	Steelmaking	Minority share
	Pomini Farrel	Italy	1988	Industrial equipment	
	Giustina International	Italy	n/s	Industrial equipment	Controlled by Pomini Farrel
	Breda-Techint Macchine	Italy	n/s	Industrial equipment	Joint investment by Alumix-Breda and Techint
	Casagrande Techint	Italy	1990	Industrial equipment	Joint investment by Casagrande and Techint
F.V.	Ecuacobre	Ecuador	1978	Sanitary fittings	
	DOCOL	Brazil	1984	Sanitary fittings	
	Fravi SA	Brazil	1977	Marketing	
	F.V. of America	USA	1988	Marketing	
Celulosa	Fabipar	Paraguay	1982	Paper manufacture	
SINTYAL	Lab. Krinos	Venezuela	1982	Pharmaceuticals	
	Sintyal Peru	Peru	1985-1989	Pharmaceuticals	
	Sintyal Chile	Chile	1985-1989	Pharmaceuticals	
	Sintyal Uruguay	Uruguay	1985-1989	Pharmaceuticals	
	Chepar	Paraguay	1985-1989	Pharmaceuticals	
	Chemobras	Brazil	1985-1989	Pharmaceuticals	
	Difucap	Brazil	1985-1989	Pharmaceuticals	In association with Sanofi
	Chemo-Ibérica	Spain	1974	Marketing	
	Parke-Davis España	Spain	1985	Pharmaceuticals	
	n/s	Italy	n/s	Pharmaceuticals	

Company	Foreign affiliates	Country	Year	Activity	Observations
Bagó	Hondulab	Honduras	n/s	Pharmaceuticals	Contract with Keun Wah Pharmaceutical Co. of Korea
	Laboratorios Amstrong (49%)	Mexico	n/s	Pharmaceuticals	
	Ethipharma	Bolivia	n/s	Pharmaceuticals	
	Profarma	Chile	n/s	Pharmaceuticals	
	Betal	Uruguay	n/s	Pharmaceuticals	
Gramón	G. Ramón	Paraguay	n/s	Pharmaceuticals	Minority share
Roemmers	Roemmers Uruguay	Uruguay	n/s	Pharmaceuticals	
	Roemmers Paraguay	Paraguay	n/s	Pharmaceuticals	
Manuel Sanmartín	Máquinas Sanmartín Ltda.	Brazil	1975	Machinery for the beverages industry	
	Máquinas Austral SA	Mexico	1978	Bottle-washing machines	
Carballo y Cía	Equis SRL	Paraguay	1975	Machinery for the beverages industry	
	n/s	Brazil	n/s	Machinery for the beverages industry	
Peñaflor	Bearco	Puerto Rico	1979	Wines	
	Andean Vineyard Co. Inc.	USA	1975	Wine marketing	
	Vinos Argentinos Imports USA	USA	1978	Wine marketing	
	Trapiche UK	United Kingdom	1990	Wine marketing	
Promecor	Promecor Brasil	Brazil	1980	Machine tools Special machinery	
Zanella Hnos.	Agromecánica Paraguaya	Paraguay	1965	Motorcycle parts and metal products	Sold in 1973
	Branco Motores	Brazil	1991	Engines with automatic gearboxes for mopeds	
	n/s	Brazil	1992	Moped factory	In course of execution
Sandor	n/s	Brazil		Dairy products	In course of execution
	n/s	Mexico		Dairy products	In course of execution
Carrocerías El Detalle	n/s	Brazil		Chassis manufacture	In course of execution

Source: Adapted from Roberto Bisang, Mariana Fuchs and Bernardo Kosacoff, *Internacionalización y desarrollo industrial: inversiones externas directas de empresas industriales argentinas*, ECLAC/UNDP Regional Project RLA/88/039, ECLAC, Santiago, Chile, 1991.

B. Main Brazilian firms with direct investments abroad

Companies (by sectors)	Sales (millions of dollars)	Activity	Country	Year	Observations
Foodstuffs					
Copersucar	2 043	Soluble coffee	USA	1976	Fourth largest coffee processor plant in the USA. Sold to Nestlé in 1986.
Cerval Alimentos (Hering)	1 135	Soya oil and meal plant	Portugal	To begin in 1993	Joint investment with other Brazilian groups. Investment: US$40 million.
Textiles and clothing					
SP Alpargatas	693	Jeans factory	Spain	1989	Investment less than US$14 million. Flexibility in meeting clients' needs. Penetration of segments with bigger margins.
Hering	214	Shirt factory (Euro-Disney)	Spain	1988	780 workers in 1991. To serve a market segment demanding quick deliveries. Other projects in Germany and USA.
Staroup	72	Jeans factory	Portugal	1989	Add value to product. Portuguese partner.
Packaging					
Toga	141	Paper and cardboard packaging factory	USA	1988	Bryce Corporation provided 40% of capital.
ITAP	138	Food packaging factory	USA (Buffalo, New York)	1983	150 workers. Production, and finishing of products exported from Brazil. Project for a plant in Portugal.
Electric and electronic goods					
Brastemp	763	40% of former Philips affiliate; refrigerator production	Argentina	1990	Investment: US$10 million. Joint investment with Whirlpool.
Gradiente	272	Assembly of audio equipment	Mexico	1973	Closed down in 1986.
		Laboratory and trade-mark	United Kingdom	1979	"Garrard" brand; plant closed down in 1982.
Wood and furniture					
Duratex (Itau Group)	254	Factory	Germany (Hanover)	1990	Joint investment. 1990 sales: US$14 million. Increase value added.
Steelmaking and capital goods					
Gerdau	1097	Steelworks	Canada (Ontario)	1989	Ontario plant: 250 000 tons per year.
			Uruguay	1981	Uruguayan plant: 39 000 tons per year. Sales on protected markets; USA.
Motor vehicle parts					
COFAP	616	Engine part factory	Portugal	1991	Investment: US$150 million. EEC Fund (Europe '92).
		50% of INDUFREN	Argentina	1991	Eliminate potential competition in MERCOSUR.
Metal Leve	366	Piston factory	USA (South Carolina)	1989	Investment: US$10 million. Sales: US$15 million. Clients demand technological solutions and "just in time" operation. Projects: piston factory (EEC) and gasket factory (USA).
SIFCO	142	Shaft machining plant	USA	1989	"Just in time" operation Project: second machining plant for 1991.

Source: Vivianne Ventura, *A internacionalização das empresas brasileiras*, ECLAC/UNDP Regional Project RLA/88/039, ECLAC, Santiago, Chile, 1991.

C. Main Mexican firms with direct investments abroad

Company	Activity	Country	Observations
Bimbo	Foodstuffs (bread)	Guatemala Chile	Projects in Colombia and El Salvador
Camesa	Metal products	USA	
CEMEX	Cement	USA Spain	Controls 29% of the Spanish maret Produces cement and cement mixers in the USA.
Cydsa	Chemicals	USA	
Empresas Lanzagorta	Oil industry equipment	USA	
EPN	Oil industry equipment	USA	
GEAM	Agricultural products	USA	Controls PPI Del Monte Fresh Produce. Investment: US$500 million.
Grupo Chihuahua	n/s	USA	
Industrias Monterrey	Foam panels	USA	Joint investment.
Herdez	Foodstuffs	USA	
Grupo ICA	Construction	USA Central America	
Maseca	Corn meal	Costa Rica	
Peñoles	Mining	USA	
Petróleos Mexicanos	Oil refining	Spain	Investment: US$170 million in 5% of REPSOL (I.N.H.).
Peñoles	Mining	USA	
Pulsar	Carpets	USA	
Quadrum	Manufacture of public telephones	USA	
TAMSA	Steel pipes	USA	
Vitro SA	Glass, glass products and domestic appliances	USA	Controls Anchor Glass Corp. (second largest producer of glass containers in USA). Joint investments with Corning Inc.

Source: Expansión, No. 589, Mexico City, Expansión SA, 29 April 1992; *América Economía*, special issue, December 1992; *The New York Times*, 21 July 1992.

D. Main Chilean firms with direct investments abroad

Company	Activity	Country	Observations
Chilectra, Enersis and Endesa	Electricity	Argentina	Owns 25.2% of EDESUR. Investment: US$275 million.
Endesa, Enersis and Chilectra	Electricity	Argentina	Owns 42% of Central Costanera. Investment US$23 million.
Chilgener and Chilquinta	Electricity	Argentina	Owns 60% of Central Puerto. Investment: US$92 million.
Masisa	Construction of a particle board plant	Argentina	Investment: US$35 million.
Compañía Manufacturera de Papeles y Cartones	Purchase of a diaper factory	Argentina	Química Estrella San Luis SA. Investment: US$11.5 million.
Dos en Uno	Candy factory	Argentina	Investment: US$10 million.
Cemento Polpaico	Cement	Colombia	Minority share. Investment: US$10 million.
Cerámicas Cordillera	Purchase of a ceramics plant	Argentina	Investment: US$8.5 million.
Indura	Purchase of an industrial gases plant	Argentina	
Grupo Luksic	Brewery, electricity	Argentina	Investments in the province of Salta
Cochrane SA	Printing and publishing	Argentina	Joint investments with Editorial Atlántida (Argentina) and Editorial O Globo (Brazil).
SOQUIMICH	Nitrates and iodine	Argentina and other countries	Affiliates in six countries with investments of US$7 million.
Madeco	Electrical industry	Argentina	Purchase of Industrias Eléctricas Quilmes. Investment: US$5.5 million.
Madeco	Copper pipes	China	Joint investments with Codelco (Chile) and Beijing Non Ferrous Metal to set up Beijing Santiago Copper Corporation. Capital: US$4.8 million.

Source: Luis Hernán Paúl Fresno, *Segunda etapa en el proceso de integración a los mercados globales: inversión directa de empresas chilenas en el exterior*, ECLAC/UNDP Regional Project RLA/88/039, ECLAC, Santiago, Chile, 1991; *Estrategia*, Santiago, Chile, 28 September 1992 and 19 November 1990; *El Mercurio*, Santiago, Chile, 18 April 1992.