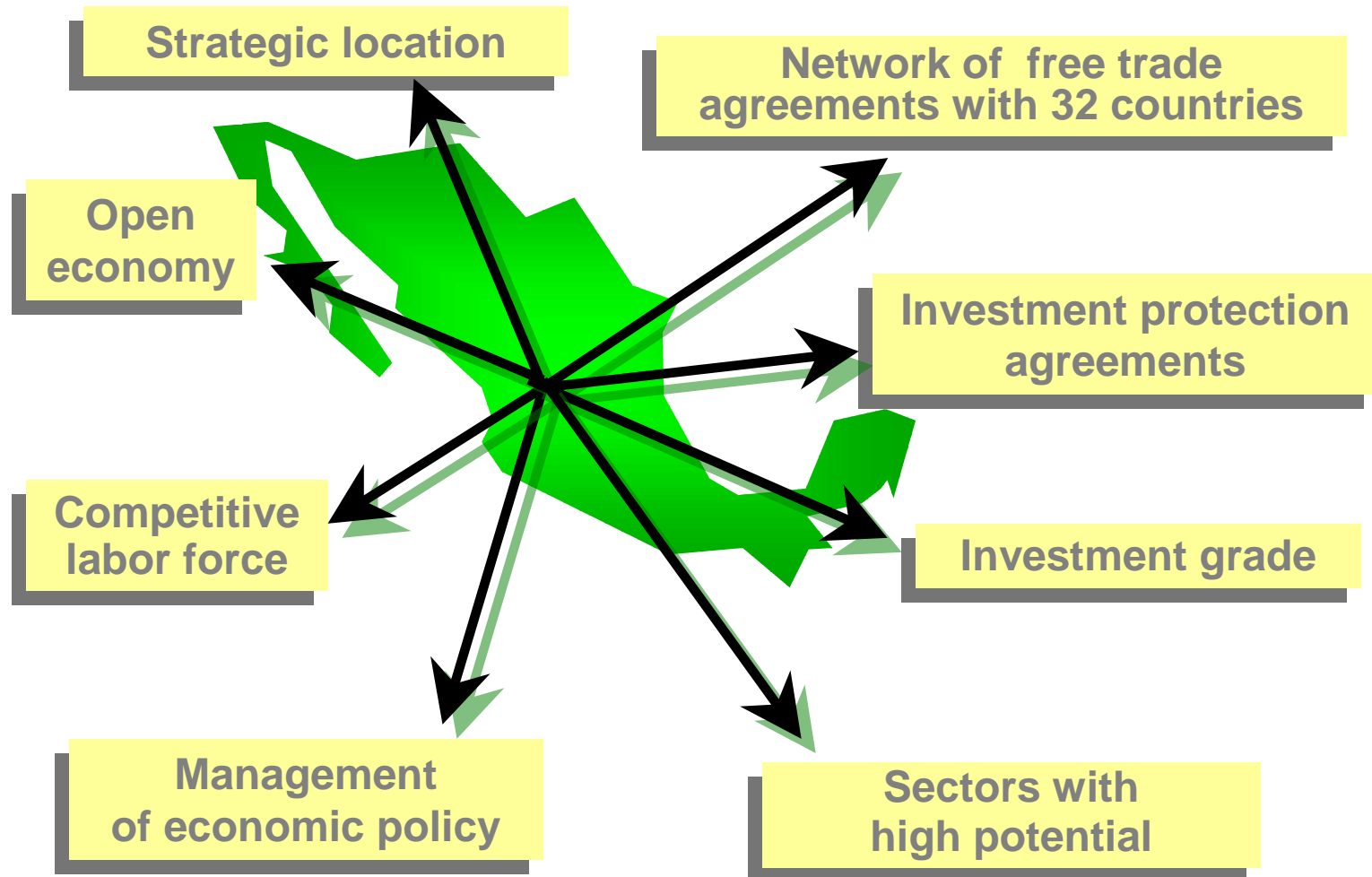


**The Labor Relations Commission  
Croke Park Conference Centre  
19<sup>th</sup> June 2008**

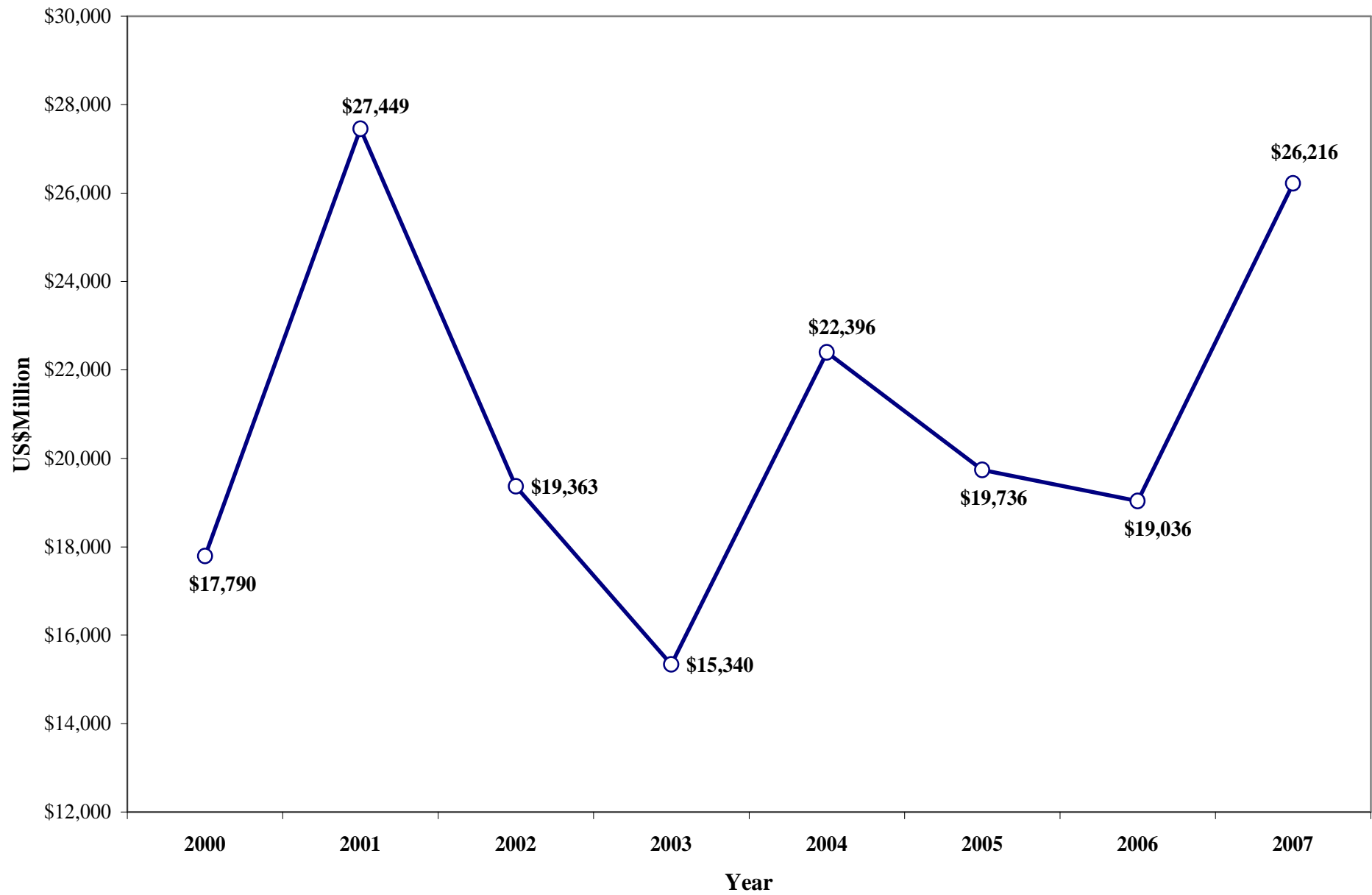
**"Multinationals, Nation States and  
Global Value Chains: Mexico's  
Perspective"**

**Ismael Plascencia**  
Universidad Autónoma de Baja California

# How México have sought to position themselves in global value chains?

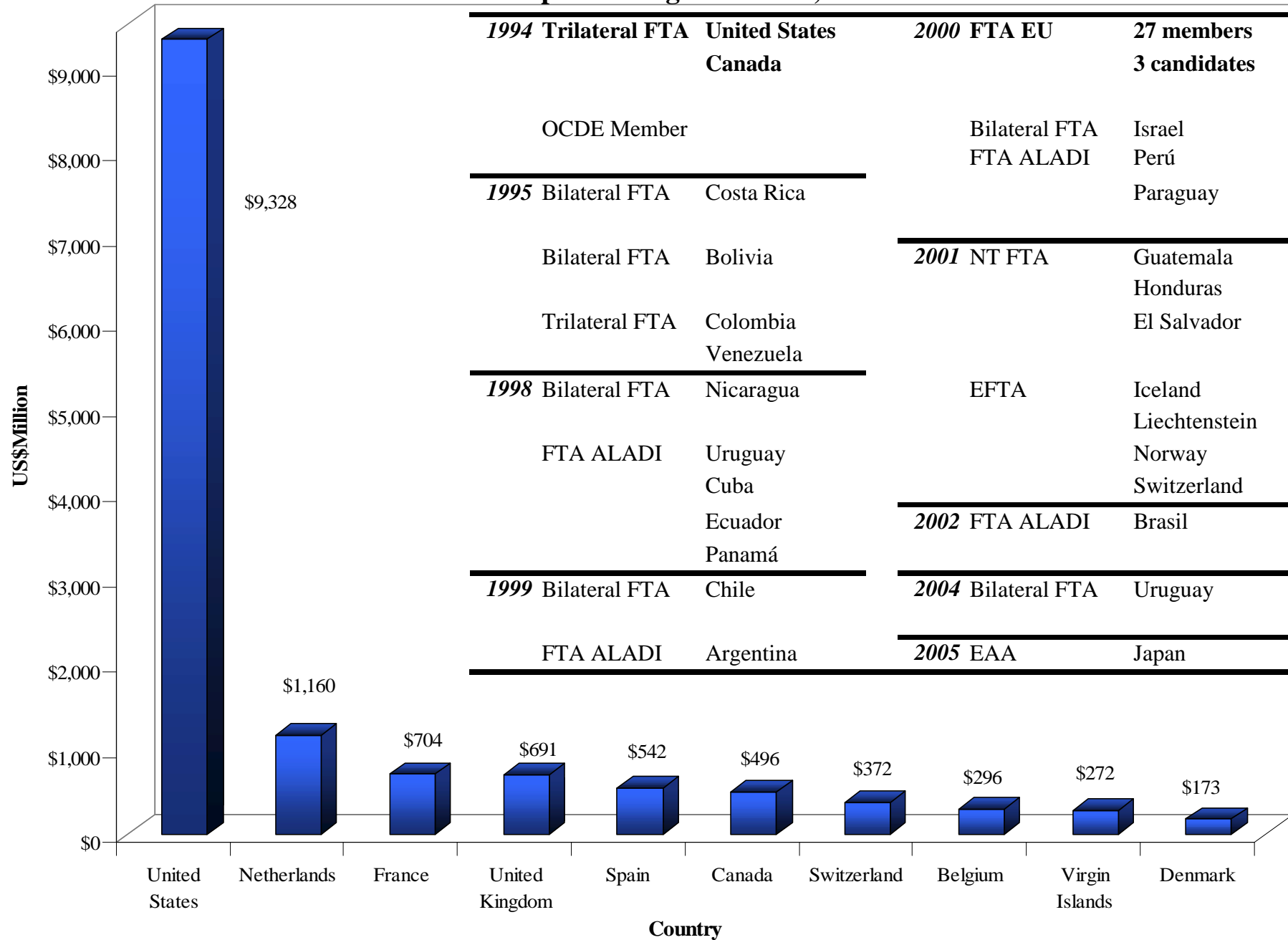


## FDI Evolution in Mexico, 2000-2007



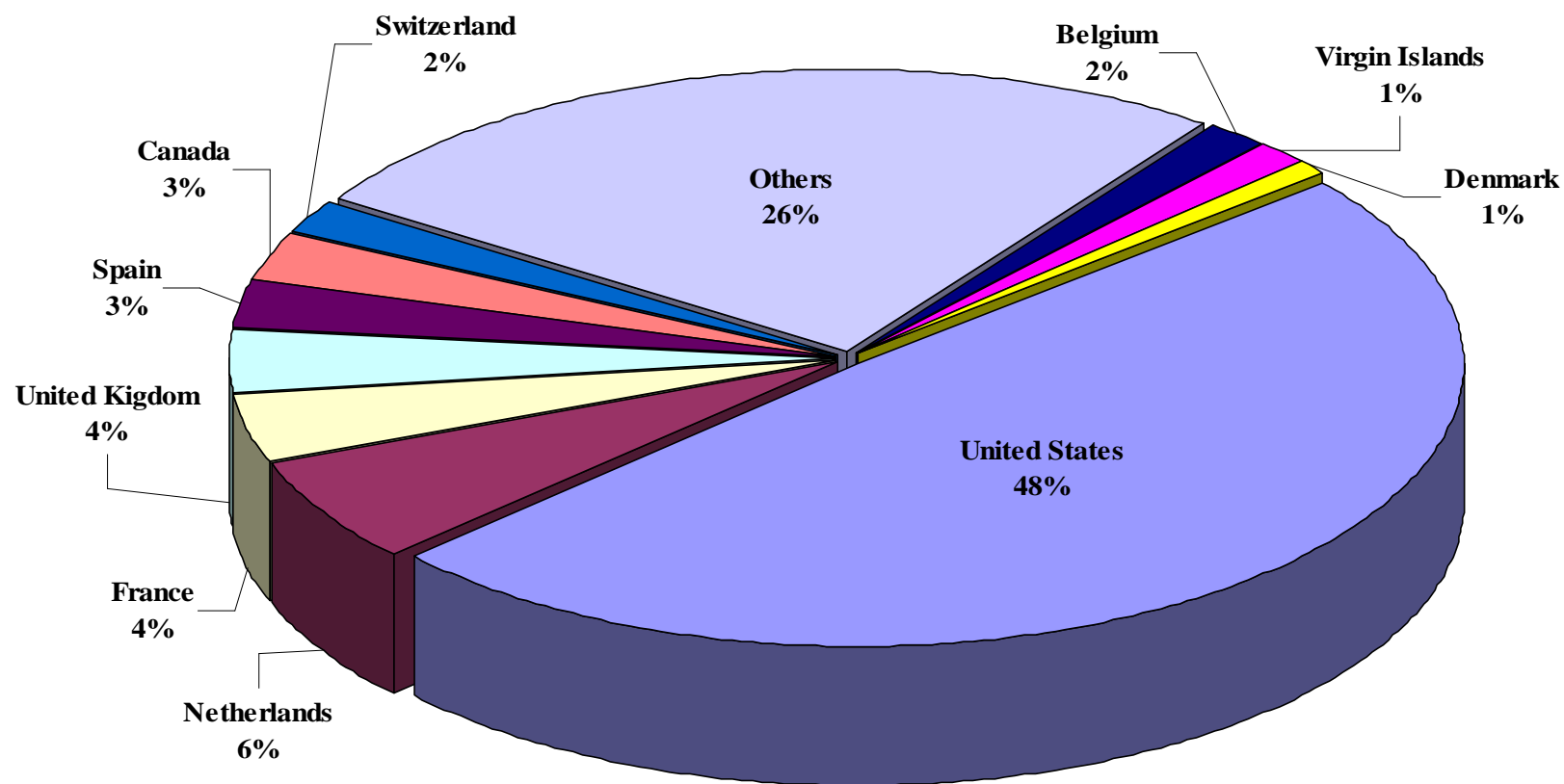
Source: Maquila Portal based in INEGI, SE, 2007

## Mexico's Top 10 Foreign Investors, 2006



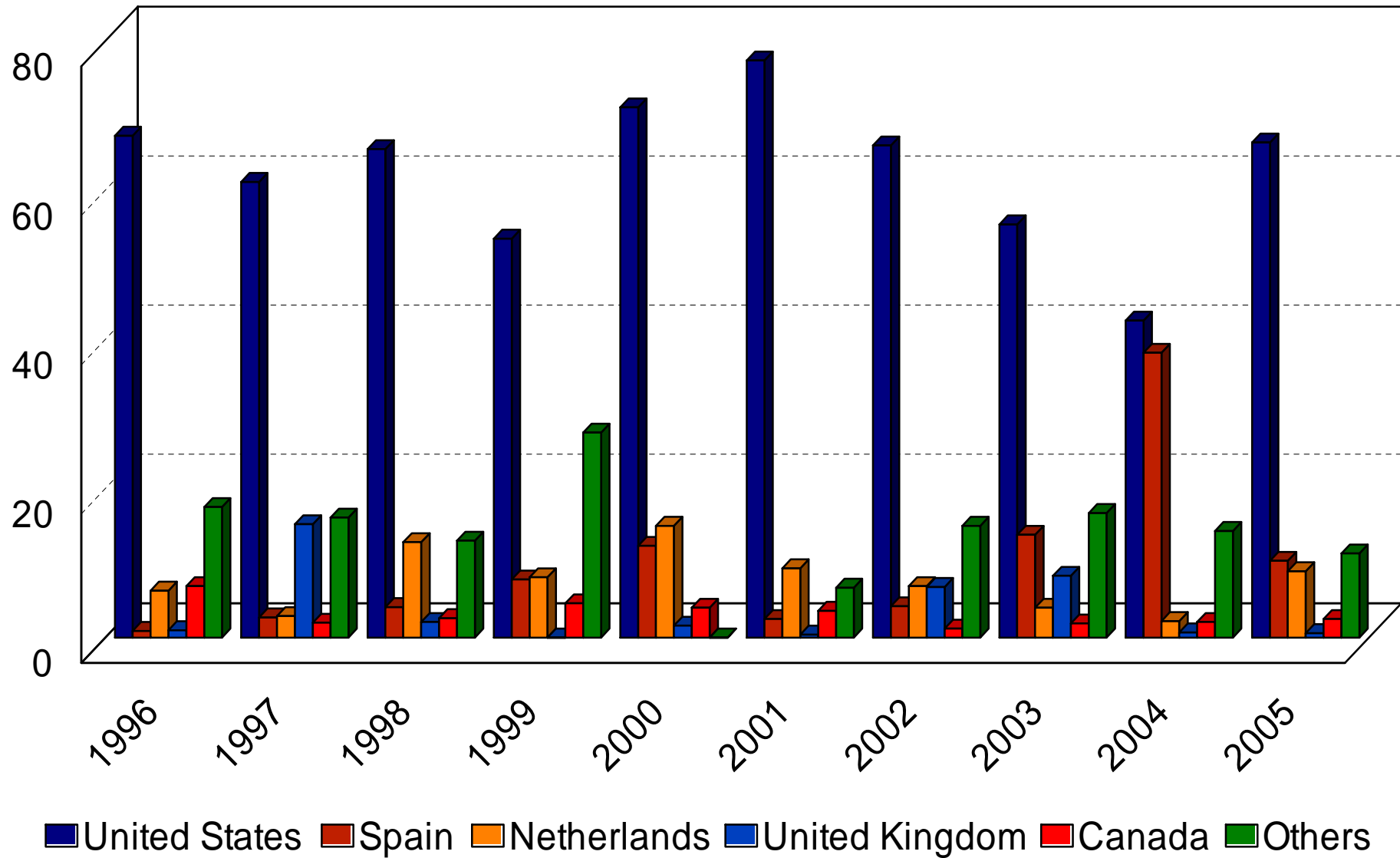
Source: Maquila Portal based in INEGI, SE, 2007

## FDI Participation by Country in México, 2006



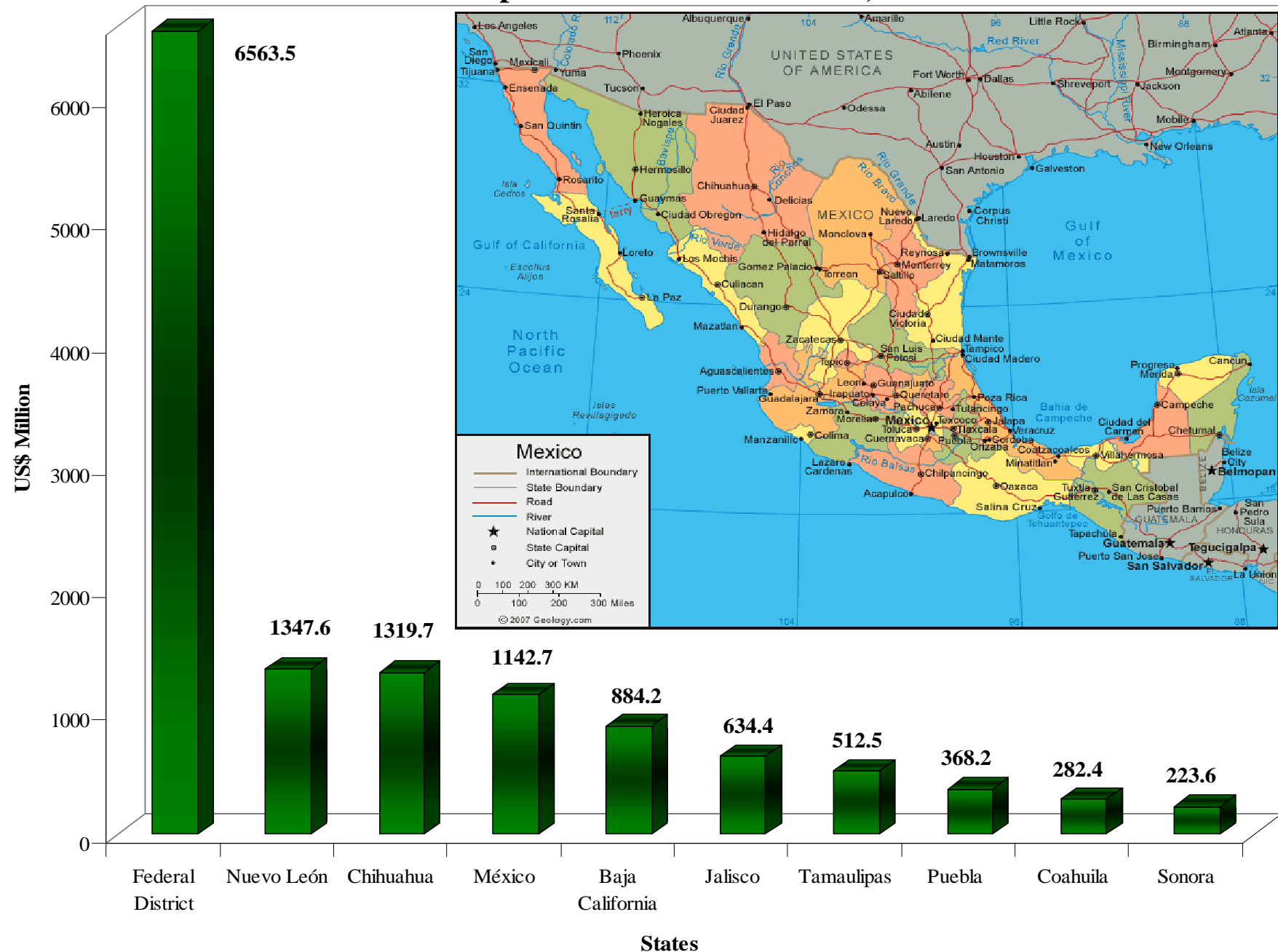
# Country of Origin of the Main MNCs in Mexico

(percentages of total FDI)



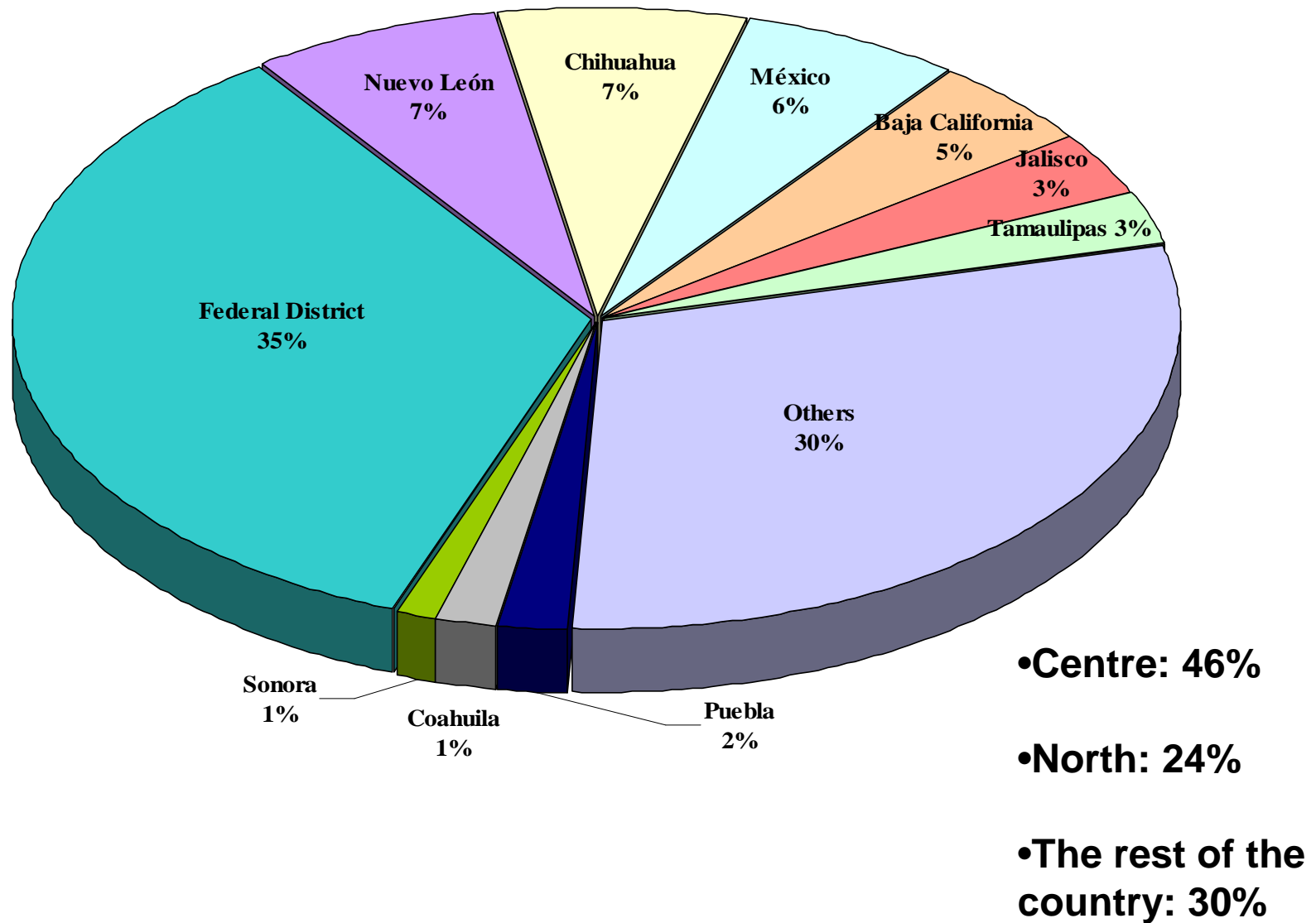
Source: Author elaboration with base on CEPAL, 2006

## Mexico's Top 10 Investment Receivers, 2006



Source: Maquila Portal based in INEGI, SE, 2007

## MEXICO'S TOP FDI RECEIVERS, 2006

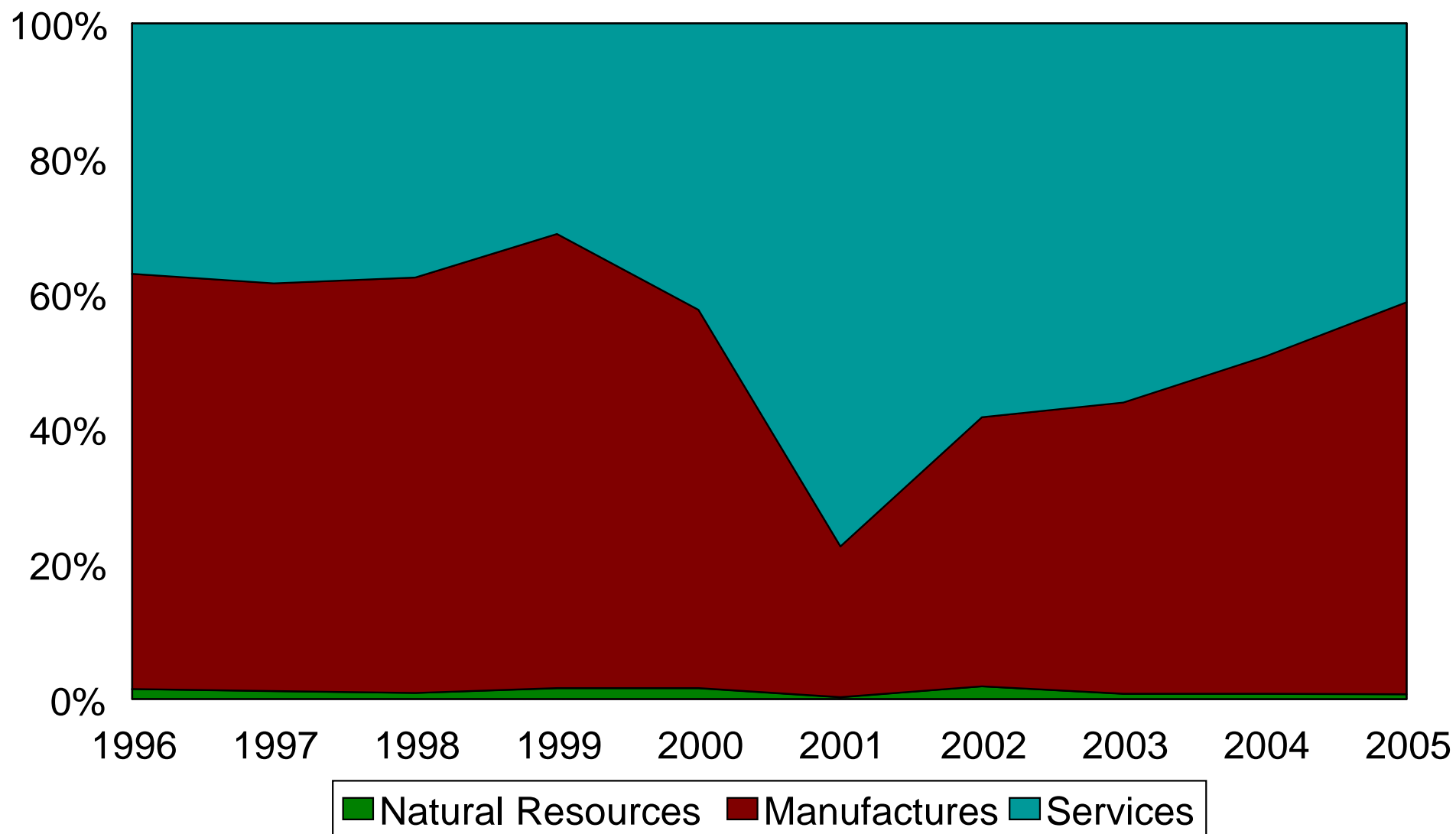




## ***Path dependence of the actual situation***

- **Natural Resources**: Mexico assumed a strong position in defending its natural resources in the 1930s with the nationalization of the oil industry. Mexico became a unique case in the history of Latin America. Government needs to privatized the oil extraction and energy sector.
- **Manufactures**: FDI came with the inward growth model, which gave investors monopolistic profits (through protection). **A new round began with the opening of the economy and its export oriented approach since 1983. MNCs became interested in taking advantage of a low cost area, located geographically close to the largest market in the world. That's why this sector its attain to the cyclical economy of the US: almost 90% of the Mexico's exports goes to US.**
- **Services**: **After the 1994 financial crisis, almost all of the banks were sold to foreign investors.** On the other hand, wholesale and retail firms (Walt-Mart, Costco) start operations to take advantage of the Mexican market .

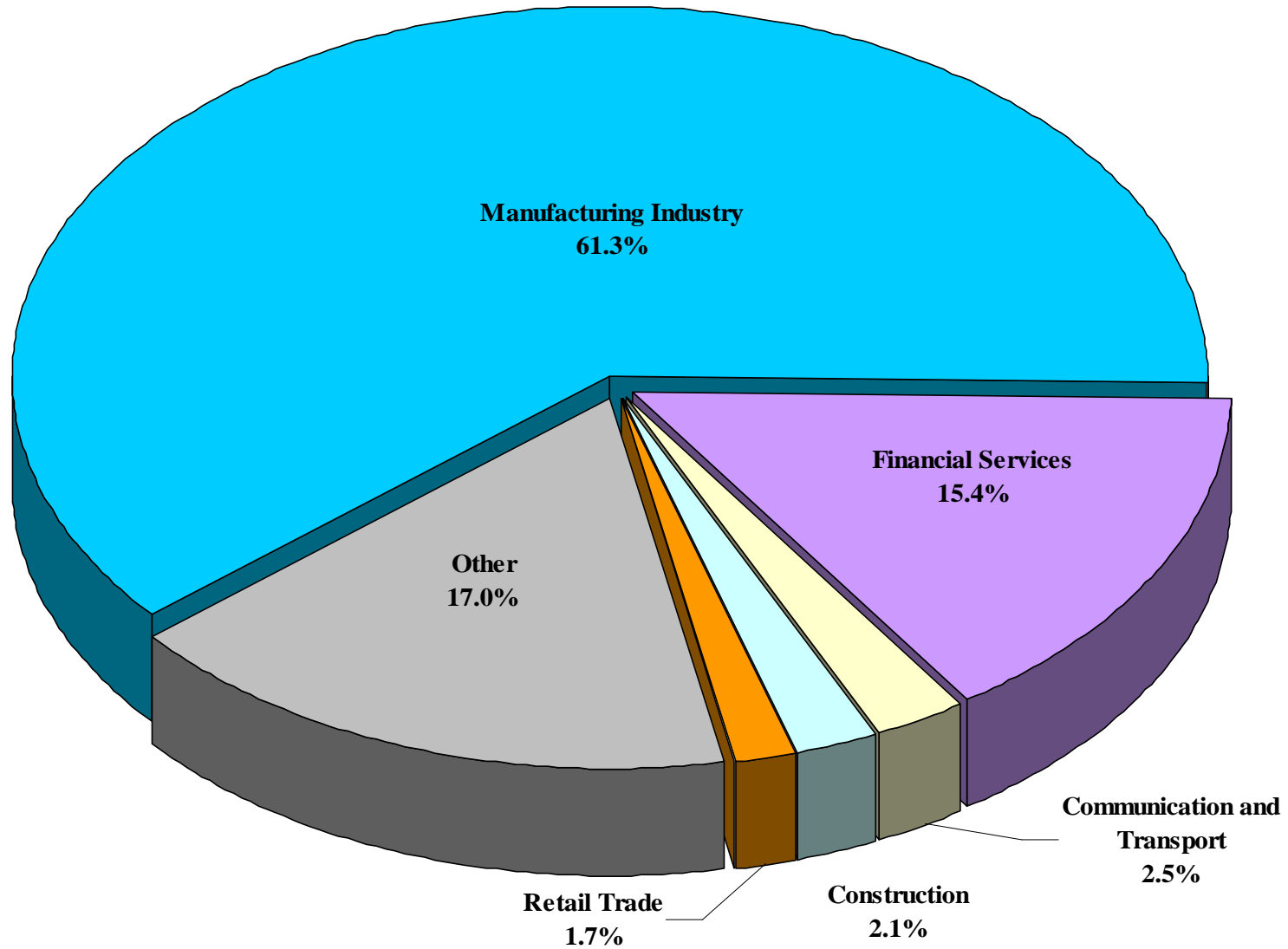
## Foreign Direct Investment by Sector In Mexico, 1996-2005



Source: CEPAL (2006)

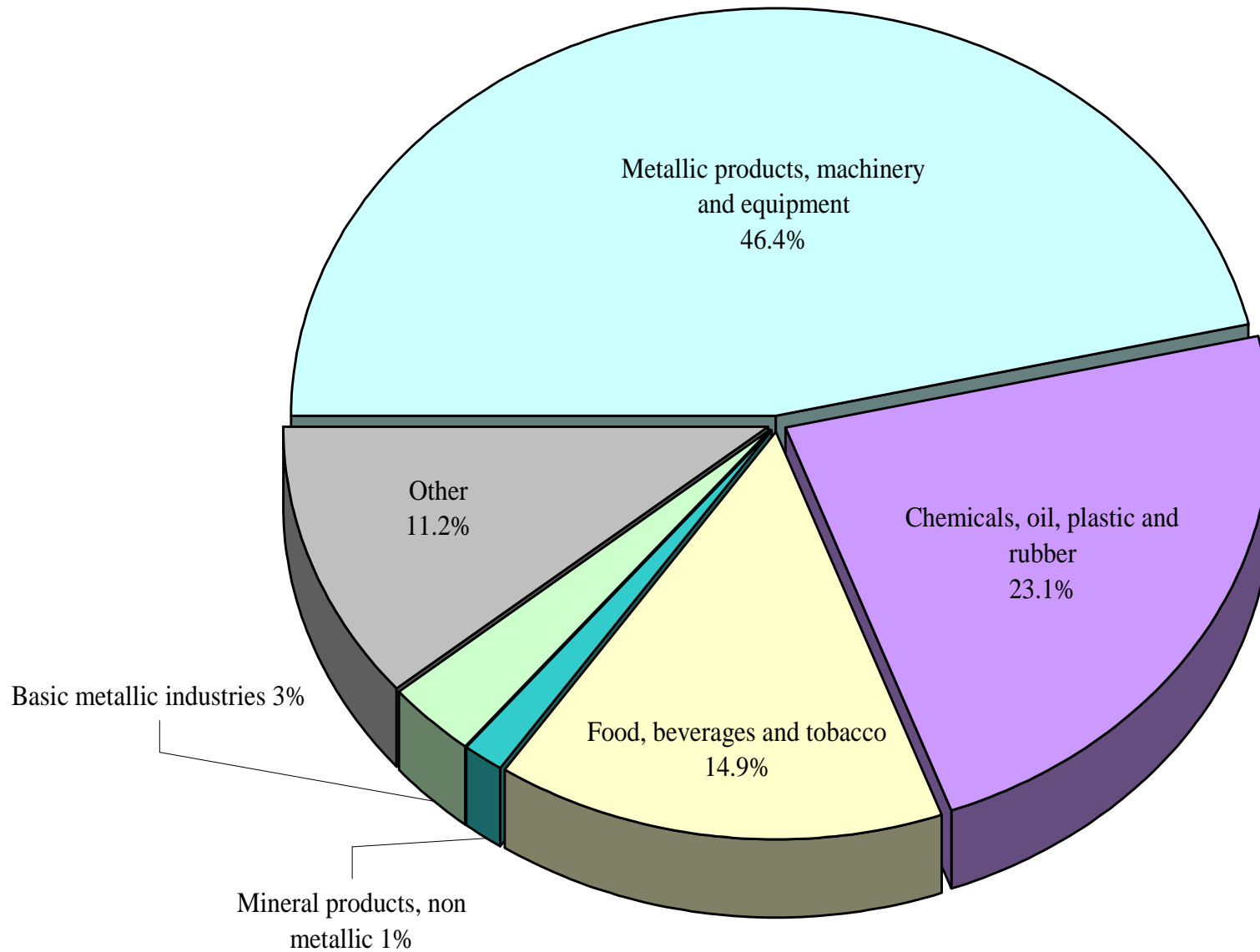
## Investment by Sector, 2006

US \$ 18,938.3 million



## Investment by Manufacturing Sector, 2006

US \$11,609.18 million



What kinds of MNCs are present  
in Mexico?

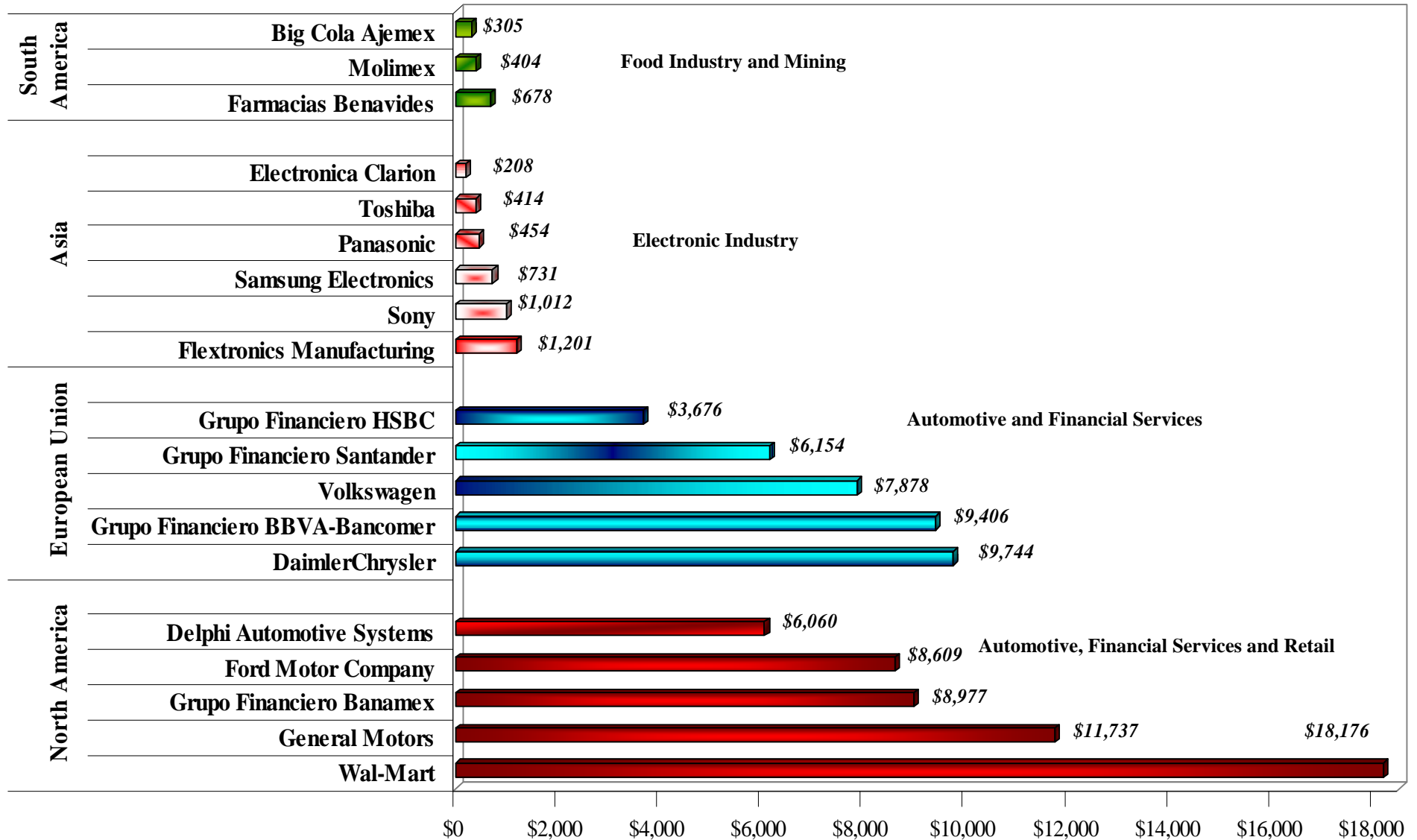
## Strategies of the most important MNCs in Mexico

Sector	Corporate Strategy			
	Natural resource-seeking	Markets-seeking (national or regional)	Efficiency-seeking for foreign markets	Technological assets- seeking
Goods	Mining Industry:	Food products:	Automotive:	Autoparts:
	Exportadora de Sal	JAP Nestlé México	SWS General Motors de México	USA Delphi Automotive
		Sabritas	USA DaimlerChrysler de México	USA Systems USA
			Nissan Mexicana	JAP
		Beverages:	Volkswagen de México	GER
		Coca-Cola Company	USA Ford Motor Company	USA
		Pepsico de México	USA	
			Electronics:	
		Tobacco:	Hewlett-Packard	USA
		British American Tobacco	UK Flextronics Manufacturing	
Services			Panasonic de México	
	Tourism:	Finance and Insurance:	Information systems:	
	Hoteles	BBVA-Bancomer	SPA Hewlett-Packard	USA
	Intercontinental	USA Santander Serfin	SPA IBM de México	USA
	Sabre Sociedad Tecno-	Seguros ING-Comercial		
	lógica	USA América	HOL	
		Metlife Mexico	USA	
		Retail Trade:		
		Wal-Mart de México	USA	

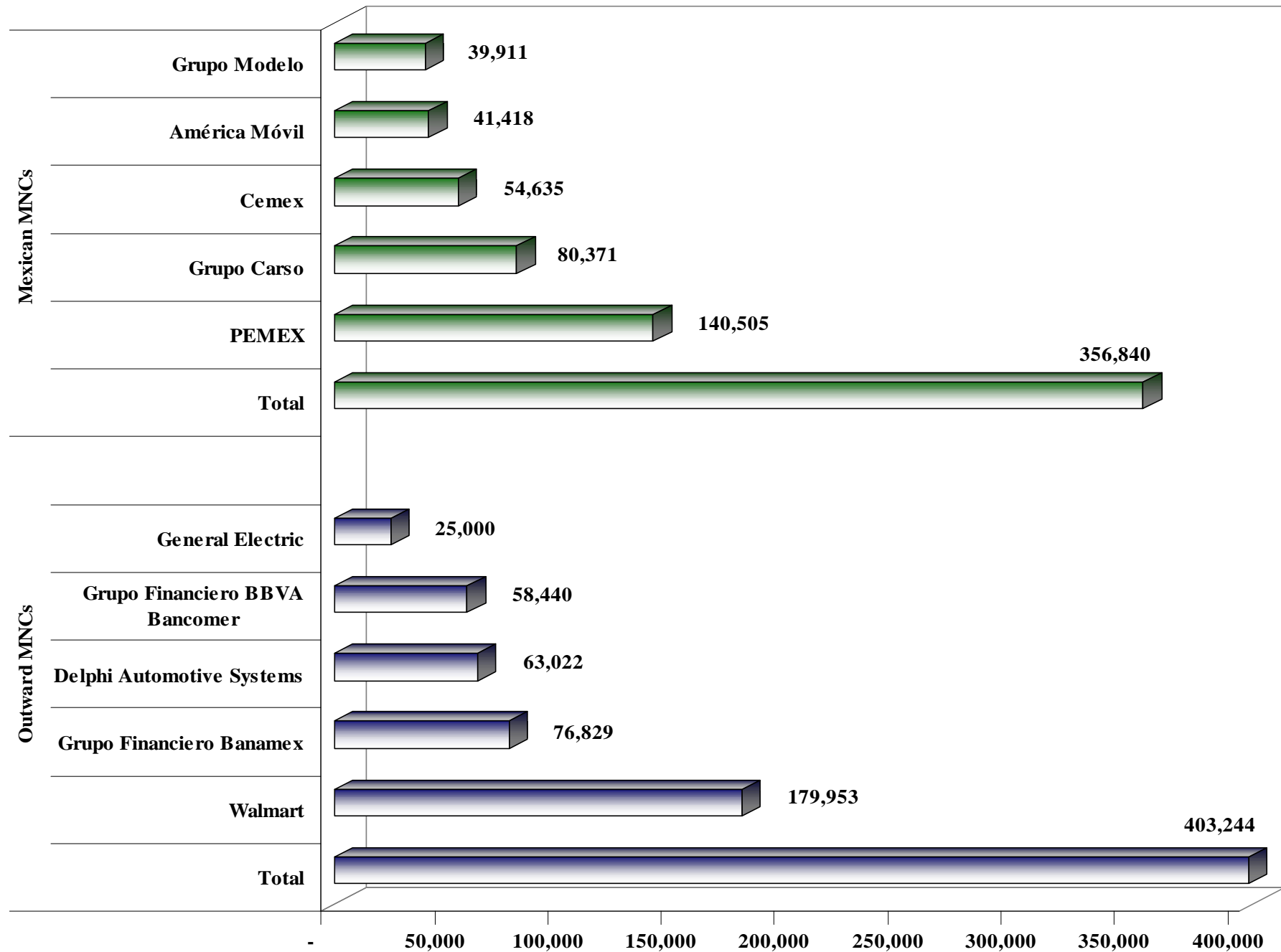
Source: Authors elaboration based in Mortimore, 2006; information from *Expansión 500* Magazine.

# MNCs in MEXICO, 2006

Sales (US\$ Millions)



## Employment in MNCs, 2006

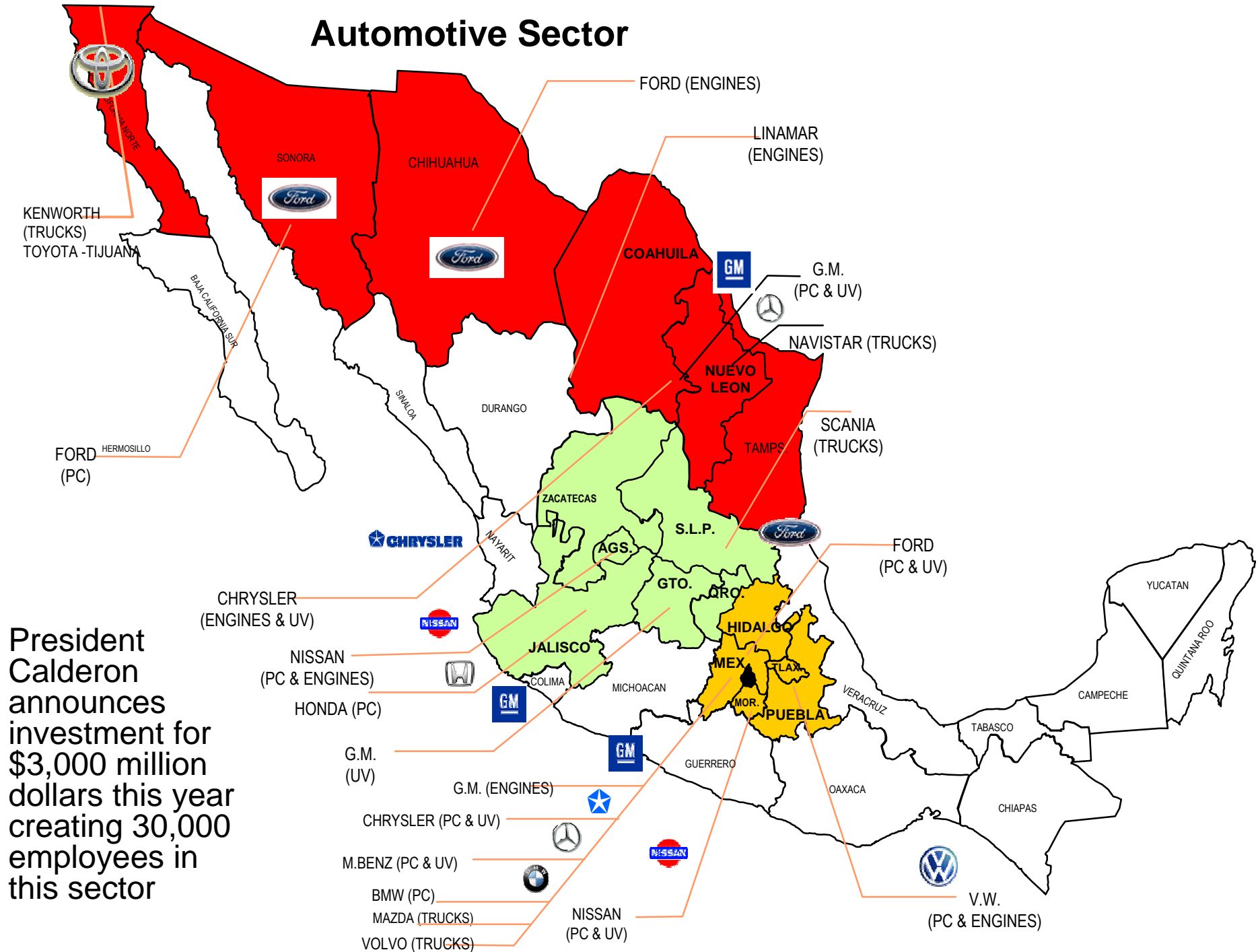




## **How's the changing role of local operations in the global division of labour of these MNCs?**

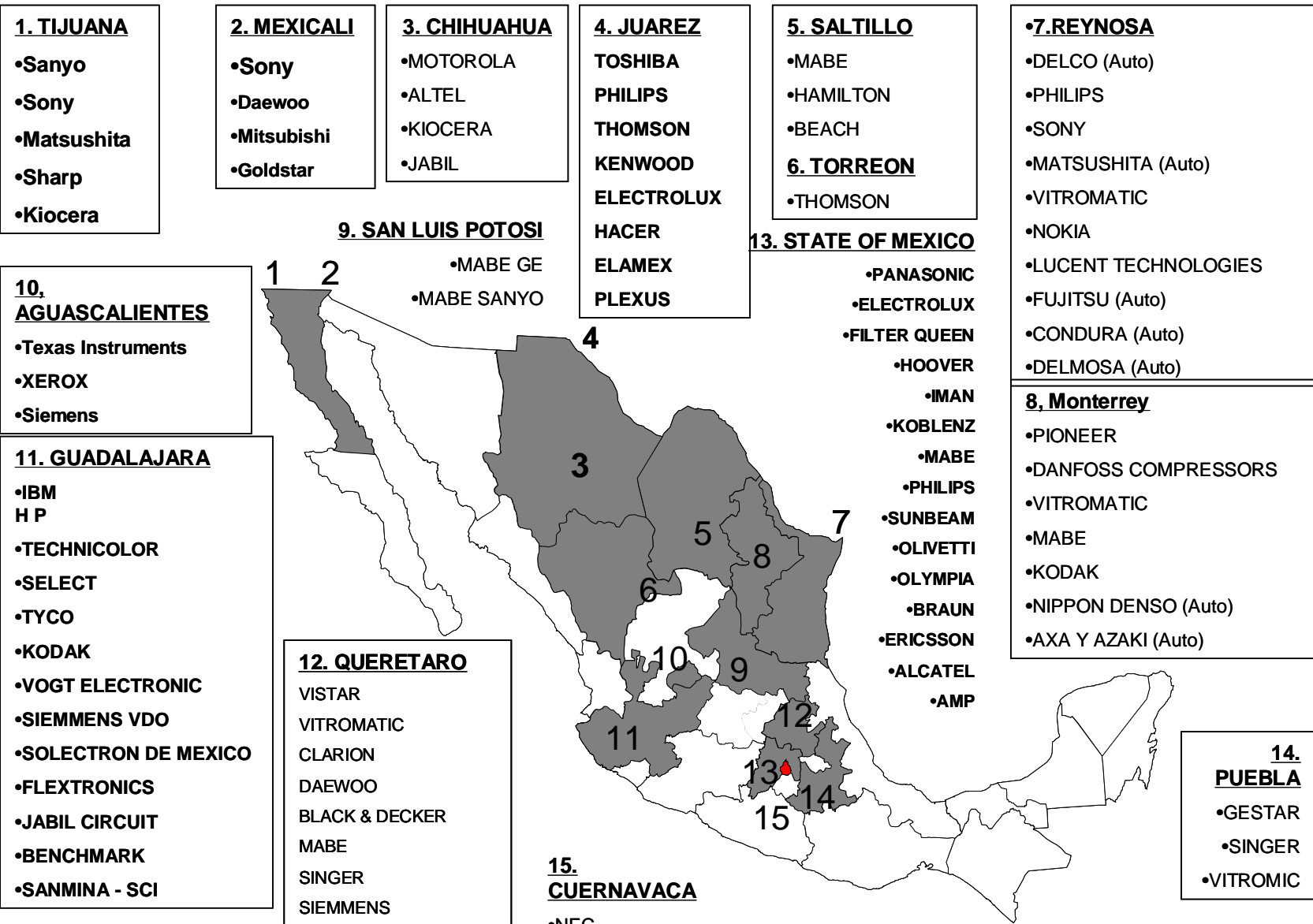
- MNC's in Mexico are making and important upgrading in their operations mainly due to process restructuring and change of operations from US to Mexico.
- The most important sectors are automotive, electronics and recently the aeronautic sector.

# Automotive Sector



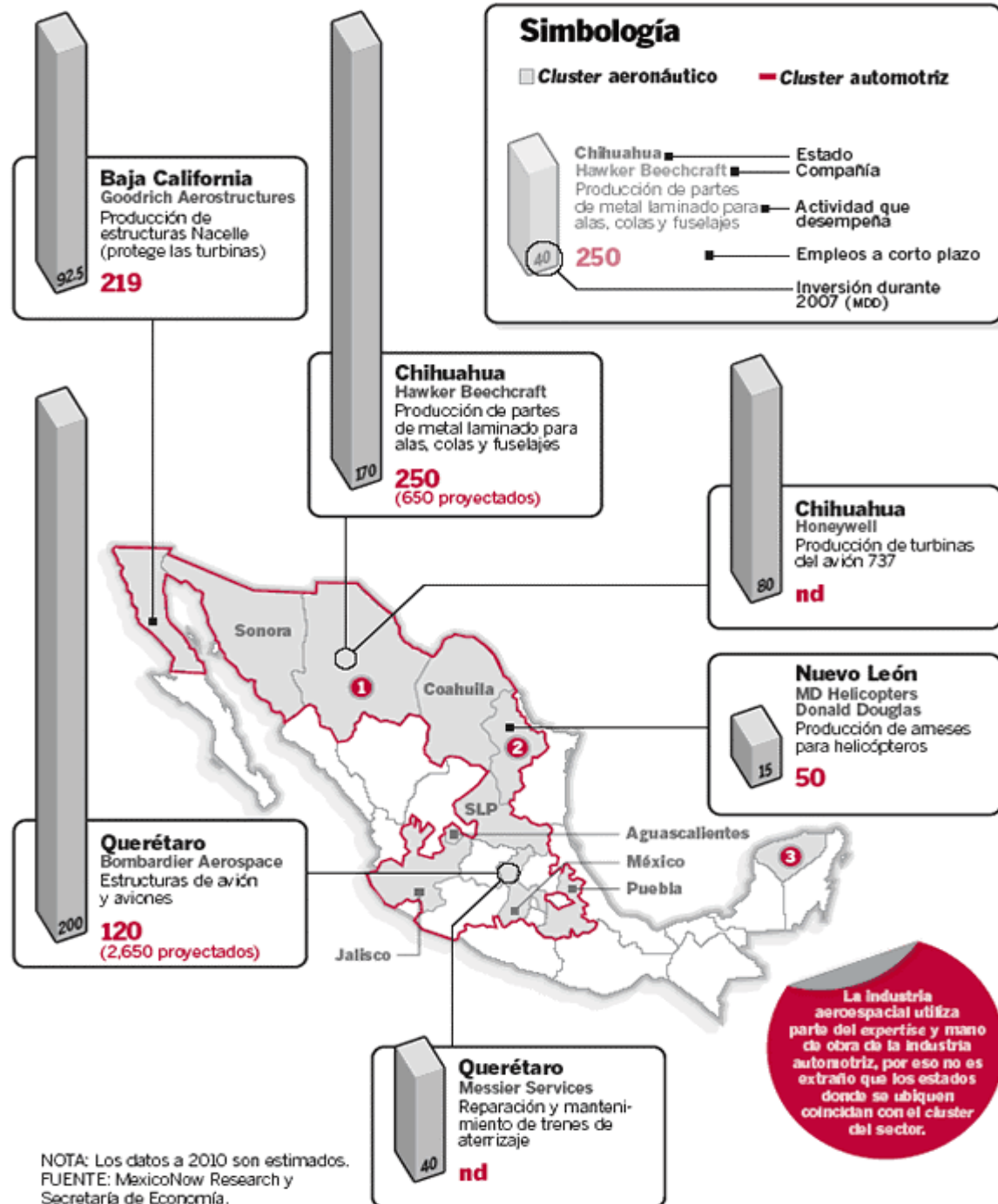
President Calderon announces investment for \$3,000 million dollars this year creating 30,000 employees in this sector

# Map 1. Mexico: Electronic Network



# Aeronautic Sector

- Low cost operation
- High skill labor at low wages
- Strategic Location



## ***MNCs from Mexico***

- Emerging MNCs (“Trans-Latins”) from Mexico have become an important phenomenon, particularly since the mid-1990s.
- Outward FDI by Trans-Latins is accounting for an increasing share of total FDI in Latin America.
- Their participation is mainly in basic industries, food and beverage, and services that are taking advantage of proximity to the US.

## The Leading Trans-Latins by Sales and their Operations Abroad, 2004-2005.

(millions of dollars)

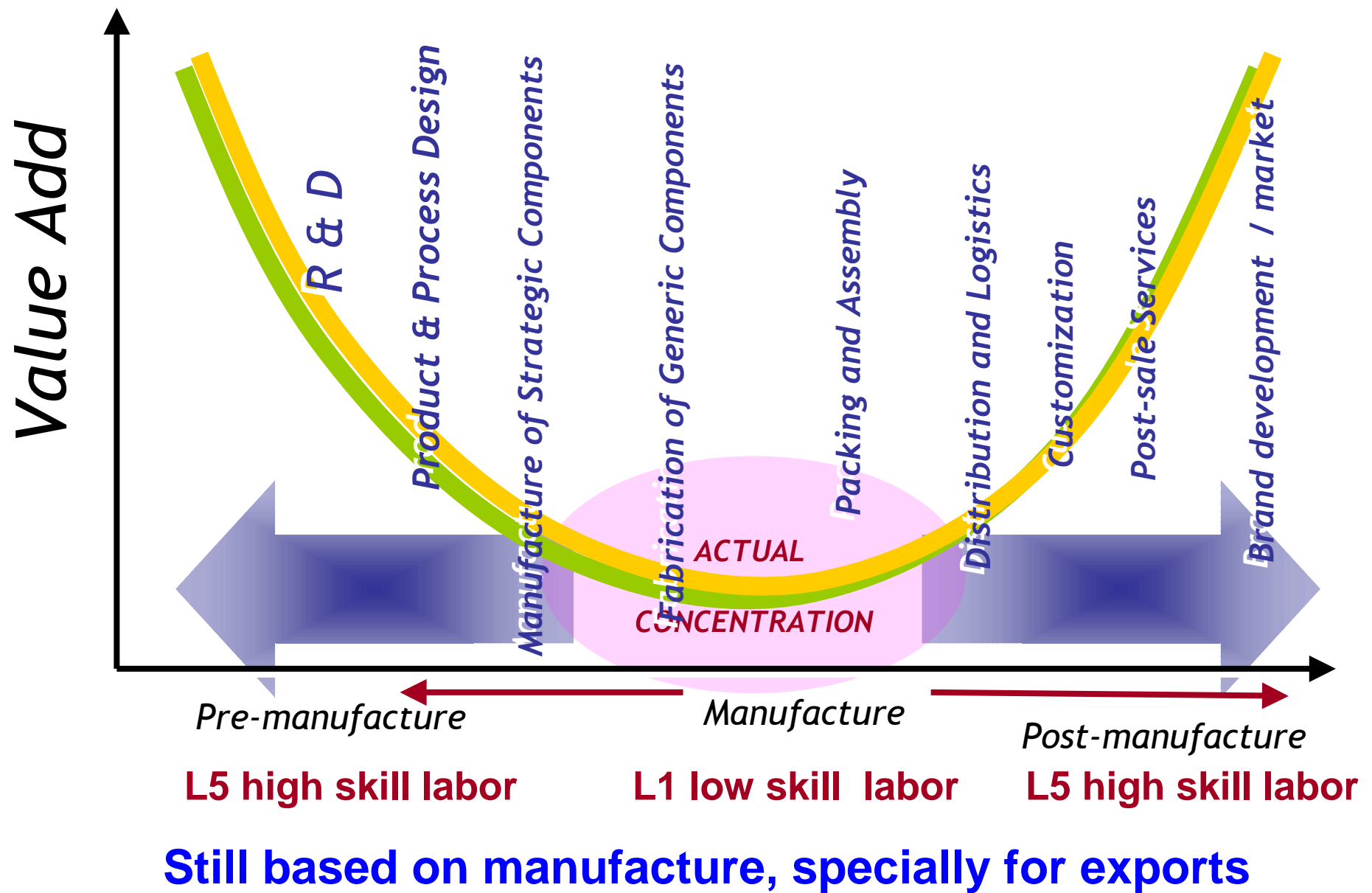
Company	Sector	Sales	Operations in regional markets*					Internationalization category**			
			LA	NA	EU	AP	OT	TNC	>50%	25 a 50%	<25%
TELMEX	Telecoms	12 443	X	X						X	
América Movil	Telecoms	12 086	X	X					X		
Grupo FEMSA	Beverages	8 426	X							X	
CEMEX	Cement	8 142	X	X	X	X		X			
Grupo ALFA	Diversified	5 275	X	X	X				X		
Bimbo	Food	4 623	X	X	X					X	
Grupo México	Mining	4 359	X	X							X
Grupo IMSA	Metallurgy	3 325	X	X						X	
Grupo Elektra	Trade	2 350	X								X
Grupo Vitro	Glass	2 348	X	X	X						X
Gruma	Food	2 242	X	X	X				X		
Grupo DESC	Car parts	2 138	X	X	X						X
Grupo Xignux	Diversified	1 954	X								X
Grupo Mabe	White goods	1 841	X							X	
Grupo ICA	Construction	1 175	X		X						X
Grupo CIE	Media	699	X	X	X						X
San Luis Rassini	Car parts	ND	X	X					X		
Grupo Posadas	Tourism	401	X	X							X
Jugos del Valle	Beverages	378	X	X							X

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of *América Economía* Magazine, 2005.

\* LA: Latin America and the Caribbean, NA: North America; AP: Asia Pacific; EU: European Union; OT: Others.

\*\* Calculated as a percentage of sales (or employment) accounted for by subsidiaries outside Mexico.

## Changing role of MNCs in Mexico in the global division of labour



## **How has Mexico sought to position itself in global value chains?**

- **First, creating the environment conditions to be an export platform for manufactures.**
- **Second, trying to upgraded through more advanced technology (FDI strategic policy) (*‘maquilas generations’*) and stimulating linkages between OEMs & suppliers(Contract Manufacturers), and linkages with educational sector and support local institutions.**
- **Third, trying to build and national/regional innovation system and moved from *‘maquiladora model’* to a higher value activities (related with knowledge-economy).**



## **What are the HR, employment and public policy implications of this strategy?**

- Volatility in the volume of employment.
- High skill workers
- Labor flexibility
- Cost reduction pressures or Low wage strategy mainly because of the pressures from China

Thank You