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DIRECT FOREIGN INVESTMENT BY LATIN AMERICANS

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Latin American firms appear to have been going international at an increasing rate during the last few years. Although this is an area where practice is far ahead of theory and academic interest, at least the topic of "joint enterprises" by Latin American organizations is attracting increasing attention within the region[1]. It will be seen below that into this ark one can place animals of very different species. Therefore, this paper will cast a wide, exploratory net: it will try to say something about Direct Foreign Investment (DFI) either by public or private Latin American (LA) organizations, within or outside Latin America. It will examine the formation of both Trans-National Corporations (TNCs)[2], and "true" Multi-National Corporations (MNCs) owned and controlled by Latin Americans. In keeping with the exploratory spirit of this essay, comparable experiences of non-LA, but semi-industrialized countries (whether small or not), will also be discussed.

Quantitative evidence which may be used to convince the skeptic that we are dealing with an important phenomenon is not easily found. Some of what is happening is at the fringes of local law, or of recent origin. National and international statistics have traditionally worried about measuring inflows rather than outflows of DFI for countries which concern us here. The paper will have to rely on the documentation provided by some pioneering work, bits and pieces of data, and much heresay. A look at recent <u>Balance of Payments Yearbooks</u> of the International Monetary Fund is instructive regarding data problems: <u>nothing</u> is recorded in the debit column of direct investment for countries such as Argentina, Mexico and Venezuela, whose firms are often reported in business publications to have invested abroad. Table I shows direct investment outflows for some semi-industrialized countries for which data are provided. These are very likely to involve substantial underestimation of the actual flows. Furthermore, it can be argued that at the early stages of "going abroad", the actual flow of funds across frontiers will be quite small; focussing exclusively on them would miss much of what the process is about. This, of course, is true about DFI in general; the hypothesis is that it is even more so for countries which concern us here. Two reasons may be given: entrepreneurs will be especially cautious in their first ventures abroad, putting as little of their own capital as they can, while exchange control authorities, for reasons of their own, will encourage such behaviour.

Why should one be interested in looking into the cluster of topics hidden under the title of this paper? There is, first, the positive interest in recording what is happening, and why it is happening. In particular, a look at DFI by semi-industrialized countries may cast new light on theories regarding DFI, TNCs and MNCs. One may be simply curious to see whether the same theories regarding DFI among the rich apply for cross-investments among the not-so-rich (yet not-so-poor). What are the differences and the similarities regarding the way the decision to invest abroad is made by a US firm going to France, in contrast with an Argentine firm going to Brazil? Is a Latin American Vernon really necessary? Secondly, most policy-oriented people who have become interested in these issues in Latin America have done so both as a way of reacting against the excesses of TNCs operating from politically dominant states, and as a way to encourage LA political and economic integration (or more generally, Third World cooperation[3]), free of extra-LA dominance. One must worry that there will be a tendency to regard all LA MNCs as "good things". There is room, therefore, for <u>normative</u> analysis in this area, particularly if one wants to avoid disappointments later on. In fact, as it will be seen below, there are already some unfortunate precedents.

<u>Latin American Firms Which Have Gone Abroad</u>

This section will review some of the characteristics of LA DFI which has emerged <u>not</u> primarily as a deliberate result of efforts to promote joint ventures or other types of DFI as such. That investment can be classified as being private or public, and subclassified geographically as to whether it takes place inside or outside Latin America. Not all DFI will neatly fall in clear categories, of course. Besides the ambiguity regarding what is really private, the public-private mix is likely to cover a wide range.

Who is a Latin American, or what organization is really Latin American, is also open to debate. Is FIAT-Argentina operating in Venezuela or Bolivia different from FIAT-Italy operating in those countries? Also remember that Mr. Onassis carried an Argentine passport and that Mr. Vesco is a species of Costa Rican. Other examples of multinational families and individuals could be given. Finally, while Panama and the Bahamas are geographically within Latin America, LA DFI there appears quite different in nature from that going, say, to Bolivia.

The central hypothesis is that as capitalistic, semi-industrialized, and somewhat open LA economies move up the per capita income ladder, one will begin to observe some outflow of DFI, either from private or from market-oriented public enterprises, even as those countries continue to be net receivers of DFI. The hypothesis can be extended to countries such as Spain and Ireland. Indeed in these countries the apparent paradox of cross-investment may appear in sharper relief than in Latin America, because even as they offer generous incentives to DFI inflows (often justified by references to their alleged scarcity of local savings and entrepreneurship), some of their local firms go abroad without any kind of government support. Finally, even in socialist countries such as Yugoslavia and Hungary one could expect tendencies for some firms active in foreign markets to set up plants abroad. In short, many enterprises in semi-industrialized countries can be expected to go through a cycle which starts with production for the home market, typically enjoying some form of protection; then moving towards exporting an increasing share of their output; and finally setting up production facilities abroad. A look at evidence on private LA DFI may shed some light on this hypothesis.

Argentine firms, not surprisingly, appear as pioneers in this field. Siam di Tella, during the 1920s, first began exporting metallurgical products to Uruguay, Brazil and Chile. In 1928 it set up plants in those countries, while establishing commercial agencies in New York and London[4]. Bunge y Born, which started as a grain dealing firm, appears to have turned into a TNC before SIAM Di Tella, and certainly has gone beyond Latin America in its investment interests[5]. Alpargatas, also an Argentine firm, appears to have invested in other Latin American countries before the second world war. During the 1950s several Argentine firms set up plants elsewhere in Latin America, particularly in Brazil; examples include Bagó, Yelmos, Grassi,Wobron, Sibra, Semperer y Cohen, etc.

There is a shadowy borderline between non-DFI forms of foreign interests (exporting, financial, marketing and commericial agencies abroad) and DFI proper but it is likely that unusual LA entrepreneurs and their firms, such as the Bolivian Patiño interests and the Cuban Bacardi company, engaged in the latter also before the second world war, particularly within countries of the region. Comparison of their histories with those of other small country mavericks such as the Irish Guinness, may eventually prove fruitful. One may note in passing that the transition from reliance on the domestic markets to a rather high degree of "multinationalization" appears particularly fast for these small country mavericks.

While these historical examples are of some interest, the bulk of LA DFI within the region seems to have arisen since the early 1960s, and its expansion appears to have accelerated during the 1970s. Between 1930 and about 1960, exchange controls and inward-looking foreign trade policies no doubt hampered the development of this phenomenon. This spontaneous private LA DFI, a good share of which occurs behind the backs of public agencies charged with administering remaining exchanges and trade controls[6], is concentrated in several geographical patterns, such as Argentine and Brazilian cross-investments and into bordering countries; Colombian and Venezuelan DFI into each other's markets, as well as in bordering and nearby countries; and Mexican DFI in Central America and the Caribbean. Two tentative descriptive generalizations may be offerred on these patterns. First, a large share of the DFI goes from a relatively advanced (and large) LA country to a relatively less developed (and smaller) LA country[7]. Secondly, certain geographical propinquity is apparent. Brazilian DFI in Paraguay is more likely than in Honduras, and the opposite is true for Mexican DFI. "Sphere of influence" enthusiasts already call attention to this trend.

Why do private LA firms go abroad?

Why do private LA firms decide to invest in other countries of Latin America? Those familiar with positive theories of direct foreign investment will find no surprising answers, although the mix of motivations may be different for the Latin American variety. First of all, as emphasized by the Hymer theory one finds a "special asset" in LA firms engaged in horizontal DFI, typically some kind of firm-specific adaptation of foreign technology to a relatively small scale of operation, and/or some adaptation of product design to Latin American conditions[8]. Such a "special asset" is the result of accumulated learning by the firm, which can be applied in new markets at low marginal costs. It emerges as a necessary condition for the firm going abroad. Some examples may put flesh in what is meant by a "special asset":

a) An Argentine firm developed machinery to adapt exhaust pipes for automobiles, of a generic type, to specify models of cars, without the need of large production runs. Uruguayan entrepreneurs heard about it, and sought to form a joint venture with the Argentine firm in Uruguay, with the Argentine firm providing the technology and some used machinery as its capital share (and little or no foreign exchange).

b) Another Argentine firm gave up making radio cabinets with the techniques requiring large scale operations; in the process it had to redesign many aspects of the radio itself. When a new radio plant was set up in Bolivia, the Bolivian producer sought the Argentine (adapted) technology and eventually they formed a joint venture.

c) When FIAT-Italy entered the Venezuelan market it called upon FIAT-Argentina and its engineers, who have adapted the FIAT models to Latin American conditions. (This may or may not lead to formal association between the Argentine and Venezuelan subsidiaries).

This type of LA DFI may be interpreted as part of a two-step diffusion of technology, involving either product or process adaptation. One can speculate that it occurs mainly in activities where the world technological frontier is not advancing very fast, allowing LA firms to be not far from it. The closer the LA firms are to the world technological frontier, the easier it will be for them to compete with traditional TNCs. In that competition, they will benefit from lower salaries earned by domestic engineers and semi-skilled labor, as well as from the more flexible attitude which lack of a world-wide organizational structure gives them.

As suggested in the Argentine-Bolivian example given above, much of the LA DFI into the smaller countries is triggered by the erection by those countries of barriers against goods imported from the larger ones. The Argentine firm facing loss of the Bolivian market for its radios tried to preserve a market for its radio components by setting up a joint venture in Bolivia, just as previously U.S. and European DFI went to Argentina following the erection of Argentine import restrictions. Flows of machinery, parts, technology and profit payments in these circumstances act as substitutes for trade in some commodities; whether such a substitution is desirable from the viewpoint of either regional economic efficiencey or regional integration is a moot question. Even when tariff barriers are held constant, the desire to be closer to an important market previously serviced by exports may motivate outflows of DFI from the largest semi-industrialized countries of Latin America.

The transfer of adapted technology in activities where fresh technology changes are becoming less frequent in industrialized economies is likely to involve institutional arrangements somewhat different from those surrounding investments transferring rapidly changing technology. Indeed, it appears that horizontal LA DFI involves joint ventures, rather than the creation of fully owned subsidiaries, to a greater extent than DFI from industrialized countries. Some observers even detect a natural tendency for horizontal LA DFI within the region to "fade-out", and for investors from the host country to take a majority share in the equity from the start.

As with United States DFI in Canada and Mexico but not in Europe, horizontal LA DFI within the region is <u>not</u> the exclusive preserve of very large companies; a good share of this investment is carried out by medium-sized firms. The same characteristic has been noted for Spanish DFI; indeed, in this case the absence of large firms in a rapidly expanding outflow of Spanish investment has caused some wonder[9]. Contrary to the typical LA case, Spanish DFI, while not given special incentives, is fairly easily registered with the authorities, so it could not be argued that it is the quasi-legal (or downright illegal) channels used for outflowing investment which discourages firms with high profile. An obvious hypothesis (but no more than that) to cover these observations is that medium sized firms have been on the whole more active than larger firms in adapting technology to conditions in semi-industrialized countries. In fact, most LA private DFI within the region has occurred in manufacturing branches such as light engineering, including automobile parts and machine tools; domestic appliances and other consumer durables; and textiles; activities in which medium-sized LA-owned firms have been active in import substitution for several years. These investments typically involve equity participation by nationals of no more than two countries, and their size is modest by international standards.

Export promotion policies in the major semi-industrialized Latin American countries, as in the case of Spain, were an intermediate step preceding significant outflows of private DFI. An Argentine firm, for example, exporting most machinery for a "turn-key" plant ordered by a foreign customer will naturally consider the possibility of taking some equity into that plant. The several economic integration efforts within Latin America, even when modest in actual results, also focussed entrepreneurial attention on nearby markets and multiplied contacts among businessmen. Accelerated improvements during the 1960s in intra-LA communications (air links, telephones, etc.) also help explain the not surprising fact that most horizontal private LA DFI has stayed within the region. One may wonder how far this type of investment will roam the world in its search for new markets where its technological insights can be best exploited by setting up local plants. Spanish DFI, it may be noted, can be found in the United Kingdom and the United States, besides its more predictable location in Portugal, Latin America and Africa[10].

Private LA entrepreneurs have historically invested part of their portfolio outside the region, but usually in liquid form or in real estate. Cuban investments in Florida, for example, were substantial and well-known even before 1959. Only a few entrepreneurs, such as the already mentioned Patiño, as well as the Cuban Julio Lobo, appear to have actually moved into DFI, strictu sensu, outside the region. The outward orientation of economic policy in major Latin American countries, however, could change this situation. Some scattered activity has been recently reported in this front; manufacturing LA firms are said to have set up plants in Spain and Africa. A Brazilian firm has found its way to Texas; Irish officials of that country's Industrial Development Authority report interest in the part of a Mexican textile firm and an Argentine engineering company for taking advantage of Irish incentives for inflowing direct investment. But the magnitudes involved here are likely to be a small fraction of those for DFI within Latin America; joint enterprises with Arab countries could be the most likely candidates for rapid expansion of purely private LA manufacturing DFI outside the region in the near future.

Desire to diversify as a motivation for DFI has on the whole received little emphasis in the literature on industrialized countries. One may conjecture that the smaller the home market, the more important will diversification be as an additional motivation for DFI. A United States firm, confident in local political stability and skeptical that foreign business cycles will much diverge from that in the United States, will be less interested in spreading risks globally than Spanish or Argentine firms. Indeed, much recent Argentine DFI into Uruguay and Brazil, as well as Peruvian DFI into Venezuela, can be regarded more as capital flight than as DFI. In some cases, both capital and capitalists leave the home country. Insofar as entrepreneurs belong to social groups deemed culturally "marginal" in their home countries, such mobility as well as the desire for diversification will naturally be greater. Leaving aside extreme cases of economic and political instability, it remains plausible that a desire for diversification will push many a firm based in small or semi-industrialized countries into going international. Firms particularly vulnerable to the local business cycle, such as those involved with construction or other forms of capital formation, will naturally look abroad to offset instability, first by exporting goods or services, then by setting up plants or large agencies. As LA DFI becomes more generally accepted in home countries, it is conceivable that individuals who historically diversified their portfolios by buying foreign real estate or liquid claims, will instead (at least partly) purchase locally available stocks and securities of those local firms which have plants abroad.

Discussion of horizontal DFI has focussed primarily on that within manufacturing. Latin American banks, not all private, are showing great dynamism in their expansion abroad. Many are flocking to international money centers, such as London, Panama and the Bahamas, as well as to other Latin American countries. Much of this expansion can be explained as a result of the relatively new outward looking policies of the major semi-industrialized countries in Latin America, leading to increasing use of world private capital markets, as well as increasing servicing needs of LA exporting firms. The publicly owned BANCO do BRASIL has been listed among the top 50 international banks. With assets of US $ 23 Billion it would rank 18th place, ahead of such well-known banks as the Chemical New York Corporation, Lloyds Bank and the Bank of Tokyo.[11] Another publicly owned bank, the BANCO DE LA NACION ARGENTINA also has substantial interests abroad. Venezuelan Banks as well as the ubiquitous Banco do Brasil are reported to be competing actively with United States banks in the Chilean market[12]. Venezuelan and Colombian banks have formed joint ventures, with parallel activities in Bogota and Caracas[13]. Colombian banks are reported active in Ecuador and Panama. Those left behind are getting itchy; the president of Mexico's second largest private commercial bank has called for changes in that country's regulations to permit local financial institutions to operate internationally. The claimed advantages to the Mexican economy of internationally active domestic banks were that such banks could "support the opening of new export markets, support and activate the search for new capital sources for Mexican industrial growth and support the international expansion of Mexican companies when this requires joint-venture investment in foreign countries"[14].

Mexican, Argentine and Brazilian consulting firms have also multiplied their regional activities; while not directly generating DFI themselves, they can act as important catalytic agents in the promotion of LA joint ventures. The activities of some consulting firms in the Brazilian northeast in acting as "marriage brokers" between firms located there and those from the rich Brazilian south is noteworthy; while strictly speaking they refer to intra-Brazilian investment, the problems they deal with are very similar to those of LA DFI within Latin America. Engineering consulting firms show much promise for the diffusion of adapted technology.

The motivation for vertical DFI, involving both forward and backward integration, is quite straight-forward, and can be expected to apply to profit-oriented firms anywhere. There are some examples of private LA DFI going elsewhere in the region, and even outside, to secure access to raw materials as well as to seek safe "downstream" customers for their output. But purely private investments in this category appear less important than vertical DFI by public enterprises. To these issues we now turn.

Direct Foreign Investment by Latin American Public Enterprises

Public enterprises play an important role in most Latin American economies, even (or especially!) in those, such as that of Brazil, having an international reputation as havens of capitalism[15]. The public sector, more generally, accounts for a good share of capital formation, typically above 50 percent in the largest LA countries.

The projection abroad of some public LA enterprises, involved in commodities for which the home country is a net importer, is best described as following the path of Italian, Spanish and French state oil companies, or what could be called a public TNC model. For example, a recent report on

BRASPETRO, the foreign trade and investment arm of the Brazilian state company, PETROBRAS, has it exploring for oil in half a dozen Middle East countries, Madagascar plus Colombia, and having joined a consortium of non-LA oil independents to bid on North Sea concessions off Norway[16].

Other public LA enterprises, involved in commodities for which the home country is a net exporter, follow the practice of private TNCs from industrialized countries which, having control over mineral deposits or other raw materials, integrated forward to assure themselves of steady buyers and some knowledge of the changing technology in material use. As illustration one can refer to another Brazilian state enterprise, Cia. Vale do Rio Doce, involved in iron ore mining and steel productuion, which may be building a new steel mill in Egypt, together with Kuwaiti financing[17].

Such backward and forward vertical integration of the great Latin American state enterprises in raw material exploitation and in "basic" sectors such as steel and aluminium, is to be expected, whether within or outside LA, and whether alone or in joint ventures with other LA or non-LA firms. Projects in this area are likely to be large, and perhaps too spectacular. State corporations such as the well-established PEMEX or newcomers like the Venezuelan state oil company and the Chilean state copper company are likely to become prominent in various types of vertical DFI. An interesting example of a binational joint venture involving two public oil corporations is that between the Argentine and Bolivian enterprises (YPF and YPFB, respectively), to build a pesticide plant in Bolivia. It is expected that majority in equity holding will gradually be transferred from YPF to YPFB[18].

It is generally accepted that uncertainty regarding availability or price of the upstream good, and the consequent need for information by downstream firms will provide a powerful incentive for vertical integration, even when futures' markets exist[19]. The use of explicitly public enterprises as national agents for the buying or selling of the "upstream good" seems to appear more often, however, in semi-industrialized than in fully industrialized countries which were "early comers". As with public banks, those organizations establish close links with small and medium-sized local private manufacturing firms.

Public LA enterprises have gone abroad in areas other than that of natural resources. An early example of a joint venture involving both public and private capital in the FLOTA MERCANTE GRANCOLOMBIANA, created in 1946 with the participation of Colombia, Venezuela and Ecuador, at a time when extra-regional shipping companies exerted substantial monopoly power. This enterprise has suffered several ups and downs, including the withdrawal by Venezuela in 1953, pressures from the U.S. State Department on charges of "discrimination", and treatment by other Latin American countries as it were just another foreign shipping line.

A more recent, but also far from successful example of mostly-public LA joint venture is Monómeros Colombo-Venezolanos, a highly capital-intensive petrochemical project, which started operations around 1972, and which has been plagued by technical and management problems. Monómeros operates behind substantial protection and its demand for unskilled labor is negligible; it stands as a warning that the type of mistakes made at the national level under import substitution policies can be repeated at multinational level under the banners of integration and joint enterprises.

More encouraging are the binational public companies recently set up between Paraguay and Brazil, Paraguay and Argentina, and between other countries in the River Plate basin to exploit common hydroelectric resources on that basin, which may be compared with the authorities for the Ruhr and the Tennesee valleys. These projects typically involve substantial investments. Also noteworthy are the Central American public company, COCESNA, active in air navigation, and investments by the public Chilean steel corporation in Ecuador, in joint venture with investors from that country. It will be seen below that proposals abound for new binational or multinational ventures involving LA public enterprises, whose basic motivation is often noneconomic. But before looking at the future, explicit discussion of normative criteria is called for.

Gains and losses from Latin American Direct Foreign Investment

The evaluation of the economic and social consequences of outflowing or inflowing LA DFI of the more spontaneous variety raises all the complicated issues such an evaluation has raised elsewhere. In particular, many Latin American public officials are learning to evaluate DFI from a home country viewpoint, thus deepening their understanding of the phenomenon. Is Argentine DFI in Uruguay and Brazil good or bad for the Argentine balance of payments? For Argentine employment? Should it be part of Argentine export promotion policies? Are "our" exports and royalty earnings understated? Are "our" entrepreneurs taking more money out than they bring back in? The issues (and fallacies) are familiar ones. Eager investors will highlight how their activities promote exports of machinery and parts; worried public officials will devise schemes to encourage profit repatriation.

Even more familiar are the preoccupations of Bolivian and Honduran officials. Is it such a good idea to have so many Brazilians and Mexicans running around "our" country? May "we" not be trading a first-rate imperial power for a second-rate one? Such preoccupations could lead, say, Ecuador to treat DFI from Germany more kindly than that from Perú.

More than cost-benefit analyses of specific investment projects may be at stake. As firms in the major semi-industrialized countries of Latin America expand their exports, to either the region or elsewhere, barriers to their establishing plants abroad on their own or in joint ventures may weaken their ability to compete with firms from extra-regional countries where such foreign investment is, if anything, subsidized. Indeed, some cases have already been recorded where the formation of, for example, an Argentine-Uruguayan joint venture was the result of competitive pressure from an extra-regional TNC[20]. Having gone this far in competitive struggles for world markets, the logic of such competition could dictate growing DFI for LA firms.

At this point a methodological parenthesis is in order. If DFI and the creation of joint ventures were viewed primarily as mechanisms to move capital from one country to another, Brazilian investments in Uruguay or

Europe; or Colombian investments in Venezuela, would appear as abnormal. When the home country has employment or balance of payments problems, many would challenge the desirability of outward flows of DFI.

One may view corporations, of which MNCs and TNCs are particular examples, as a type of organization which emerges to replace arms' length markets. The well-known reasons for such a substitution are several: a) when markets do not work well because of uncertainty regarding input sources, or when uncertainty about sales endanger large fixed investments; b) to benefit from increasing returns to developing or collecting information and knowledge including firm-specific adapted technology; and c) to exercise market power in buying or selling.

This view implies that the creation of LA MNCs or TNCs may improve on real-world markets, or they may not. It says little on how gains and losses from improving on markets, or from destroying them, are shared between home and host countries, or inside each country. It should also be clear that the creation of new LA MNCs or TNCs is not the only nor necessarily the best way to deal with uncertainty, need for information or lack of market power, from either the private or social viewpoint, where the social viewpoint could include those of several associated countries. Contractual arrangements of various sorts, limited in time, could often do better than setting up new permanent organizations.

Observers in Latin America have noted with interest the reluctance of governments in industrialized countries to allow their large corporations either to go broke, or to be taken over by OPEC money. To some this suggests that even purely private organizations become charged with a certain social or national interest after reaching a given size, particularly in a world where other countries have their own heavy-weight champions. The idea is that for a given Latin American country, or a group of them, locally-controlled TNCs or MNCs can become reliable scanners, searchers and bargainers in uncertain, rough and unreliable world markets[21]. They are to become "our team" out there in the cold, an attitude not unlike that of some foreign ministers of industrialized countries who have viewed even their purely private TNCs, particularly those involved in raw material exploitation abroad, as very much part of the "national team".

The complex symbiotic relation between the state and large private or public enterprises raises issues beyond the scope of this paper. But it adds another note of agnosticism regarding the merits of LA MNCs or TNCs: in evaluating these organisations much will depend on what kind of state lies behind them, and on what groups actually control their activities. (Consider South African TNCs).

When outward DFI involves medium-sized firms exploiting their technological wrinkles, even home countries with serious employment or balance of payments problems could be made better off simply because such an activity may have higher returns abroad than the best alternative at home for the firm.

It does not seem very fruitful to talk in general about the optimum amount of outflowing DFI for Latin America, or for any individual LA country, nor to seek general rules regarding the optimum organization of joint ventures. It may perhaps be more helpful to first look for possible "artificial" barriers and distortions hampering the flow of LA DFI, and the creation of LA MNCs and TNCs, on the presumption that there should be more. Enthusiasts of LA joint ventures and LA MNCs list so many advantages to be derived from them that one is tempted to ask: If such ventures are so good, why are there not more? Possible answers include: (a) they are on the way, and with a vengeance, in which case arguments for additional promotional public efforts lose much of their force, and indeed one may begin to worry about their going beyond the social optimum; (b) there are barriers imposed by archaic legislation or foolish public officials, which should be removed; or (c) some social pump-priming is socially desirable, on a kind of "infant organization" grounds. It is the second answer that interests us now.

Lawyers were early comers to the topic of joint LA enterprises, particularly those associated with INTAL,and many were influenced by the European debates and experience in this field[22]. A key preoccupation was whether lack of uniformity in LA company laws was a significant obstacle to the formation of joint LA enterprises. A major conclusion was that: "...the creation of foreign affiliates does not represent a serious difficulty from the viewpoint of (LA) company laws. This is especially due to the similarity in the way the (LA) countries regulate the structure and functioning of commercial enterprises. Therefore, in Latin America there do not exist the legal and psychological barriers which in the European Economic Community have been blamed on the diversity of legislation in this field"[23]. In all LA countries it seems possible to find more than one satisfactory legal mechanism to organize LA MNCs, even in the more difficult case of public enterprises.

Barriers arising not from company laws but from economic legislation are another matter. A turbulent and not always profitable history of dealings with foreign investors, as well as a history of balance of payments crises, have been reflected in most LA countries in regulations which complicate capital movements in general, and DFI in particular, whether incoming or outgoing. The traditional targets of such rules have been the exploitative non-LA foreign investor and the local entrepreneur seeking to take his capital abroad. Such a defensive attitude is reflected in a hundred ways throughout the economic legislation of most LA countries, and now, somewhat ironically, creates a barrier to LA joint ventures and intra-LA DFI. Indeed, the twists and turns of restrictions, exemptions and incentives in some LA countries may have the net effect of favoring DFI from outside Latin America relative to that from other countries in the area. A given LA country, for example, may have a smoothly working treaty with the United States, to avoid double taxation of foreign investment, but not one with neighbouring countries. Countries within the Andean group have shown a special preoccupation with existing differences in the treatment given to national and other Andean firms in such matters as access to domestic credit and taxation, especially that involving public enterprises.

Neutrality between home and foreign investment, regardless of its geographical destination, and non-discrimination among sources of inflowing

DFI will be rejected in Latin America as desirable policy guidelines, for a mixture of economic and non-economic reasons which have also defeated those guidelines de facto if not always de jure, in industrialized countries. It is easy to imagine a treatment hierarchy developing; thus, some Andean countries could end up discriminating among purely national, Andean, other-LA, other-LDC, and several types of other investments from industrialized countries. As discrimination can arise in the formal and informal handling of the many incentive schemes LA governments have to achieve regional, export and other goals, discussions regarding LA DFI could lead to a re-examination of the effectiveness and rationality of many of these rules, and not just from the viewpoint of encouraging socially beneficial intra-LA DFI. One may hope that as many LA countries become both home and host countries for DFI, those charged with overseeing those flows will enrich and deepen their knowledge of both costs and benefits of that process.

Joint ventures involving public LA enterprises, even when highly desirable on economic grounds, could be hampered by obstacles more powerful than those facing private joint ventures. The armed forces are influential in many public enterprises, and they may fancy that "national security" would be threatened by joint ventures. (Try to imagine, for example, Argentina and Brazil merging their atomic energy research organizations, or Bolivia, Chile and Peru joining an Andean steel corporation). In other cases, the non-military bureaucracies running other national public enterprises will be more interested in maintaining existing profitable links with extra-regional TNCs, which may or may not be socially profitable, than in exploring new links and forming a common front with other LA public enterprises.

Some major proposals to foster joint ventures

Initiatives toward greater Latin American economic and political integration have been the major motivation behind general proposals for accelerating the creation of joint ventures among two or more LA countries. In a sense, this coupling of commercial integration with cross or joint investments is a variation on the theme played by the North Atlantic community since the second world war.

In Latin America, or the LDCs more generally, however, joint ventures are viewed not only as complements to commercial integration (or trade liberalization), but sometimes also as substitutes to full trade liberalization within a given area.

As early as 1966 I.M.D. Little published a paper on "Regional international companies as an approach to economic integration".[24] He argued that even when full integration is not possible for whatever reason, but when one or more industries can be reasonably established on a regional basis, then a limited "industrial community" could still be made beneficial to all parties. The European Iron and Steel community was a clear precedent. In the Little proposal earnings would be fully paid out, the company should be entirely tax-free, and it could buy its inputs in any market. Presumably only projects where unit costs were below c.i.f. prices would be undertaken. Little noticed that it might be easier to negotiate a package deal involving several industries. He also warned against the danger that the top management of these companies could degenerate into a "Tower of Babel". Foreign aid could help trigger the creation of these companies in LDCs.

The Central American Common Market devised its "Regime of Industries of Integration" to go along with complete trade liberalization within that area, but only two firms were set up under that regime (as of 1973).[25] During its hapless life, the LAFTA has made equally unsuccessful moves toward the creation of joint LA ventures. Aware of these precedents, the Andean Group produced its Decision #46, establishing a uniform regime for Andean MNCs, on December 1971[26].

This decision represents a compromise between having a given Andean country treat all investors from other Andean countries as plain nationals and treating them as "real" foreigners. Andean MNCs are to be given by each country treatment as favorable as that granted the most favored national companies, which of course is a more favourable treatment than that given to DFI under the Andean decision #24, particularly regarding taxes, credits, public purchases, profit remittances and areas where it is permitted to operate. Andean MNCs coul d be set up by two or more Andean countries, could have public or private capital, and could have up to 40 percent of its capital from non-Andean sources. But the chartering of these MNCs will be limited to projects designed of "Andean interest" by the Group's authorities. The expectation has been that these MNCs would be closely linked to (and facilitate the adoption of)the sectorial plans of industrial development, or major import substitution efforts at the Andean level, in areas such as metalworking, chemicals, automobiles, fertilizers, petrochemicals and electronics. Andean MNCs in these areas would substitute, at least partly, for extra-regional TNCs which would otherwise take advantage of the newly expanded and protected markets. These plans call for a parcelling out of the new industrial activities among member countries, each "chosen instrument" having a monopoly limited in time, and in extent by the level of the common external tariff. The new MNCs could be clustered around these projects, in such a way as to minimize their social cost, and/or to provide an equitable fashion of sharing costs and benefits. One can speculate regarding the optimum clustering or size of the MNCs, as well as the sequence in which the projects could be undertaken[27]. These MNCs are expected to help the least developed Andean countries, Bolivia and Ecuador, in their taking advantage of special tariff concessions granted by the larger Andean countries, and in the speedy construction of the plants assigned to them under the industrial sectoral agreements. One may also note that under Decision #46 a Brazilian and a U.S. investor would be treated equally; Argentine firms, on the other hand, have shown keen interest in the Andean proposals, and have sought a special relationship with the new Andean projects.

To the dismay of Andean enthusiasts Peru has failed to ratify Decision #46 (as of January, 1976). Peruvian reservations are said to include fear of capital flight, and a weakening of Peruvian company laws requiring workers' participation in management. The Peruvian position brings out two key dilemmas in Latin American integration efforts, which also influence attitudes toward LA DFI: that between the recognition of the importance of a dynamic LA private entrepreneurial group, and doubts about it among technocrats of social-democratic and further left leanings; and that between an emerging Andean and/or Latin American conciousness and interests and more old-fashioned but strong national interests and idyosincracies.

Early in 1976, the Andean Junta proposed the creation of a Multinational Telephone Enterprise, expecting eventual Peruvian participation, which would produce public telephone exchanges beginning in 1980[28]. It remains to be seen whether all of the Andean countries will approve that proposal, and how many more such proposals will follow.

Disappointments with the LAFTA and the alleged failure of "purely commercial" liberalization measures for intra-regional trade[29], have motivated the search for other mechanisms to carry out LA integration. Joint LA ventures are viewed by some as having the potential to forge stronger intra-LA links than "fickle" trade flows could. Those ventures may also bring together countries now belonging to different integration efforts (Caribbean, Central American, LAFTA and Andean).

This line has been taken up by the new Latin American Economic System (SELA, using the Spanish acronym), born in 1975 not without at least a normal dose of kicking, screaming and confusion regarding the baby's sex. Mexico and Venezuela were key leaders in the formation of SELA. A major goal of SELA is the promotion of LA MNCs, involving any number of LA countries and in any area of economic activity. The idea is that those countries interested in a given project would set up a working group to explore its feasibility; the participating countries, as a token of their seriousness of purpose, will finance each group. Pragmatism and flexibility are to be stressed, at least according to some major SELA leaders. So far the SELA approach seems more similar to that of Little, discussed earlier, than to the Andean Decision #46.

A navigation company has already been launched under the SELA umbrella, involving Colombia, Costa Rica, Jamaica, Mexico, Nicaragua, Panama and Venezuela. The Cuban presence, of course, is the most remarkable. This LA MNC, NAMUCAR, is so far a purely public sector initiative. The project was conceived as an alternative to established shipping lines in the Caribbean, but its first steps have been quite modest, partly due to fears of the company being dominated by Mexico[30]. Mexico and Jamaica, with the plausible participation of Venezuela, plan joint ventures which will include at least bauxite and alumina producing plants in Jamaica, and a metallic aluminium plant in Mexico. While each plant will be owned 51 percent by the country where it is located, it has been agreed in principle that profits from all operations will be pooled and distributed according to the overall investment shares. Links between these activities and NAMUCAR as well as joint international marketing of part of the output are foreseen[31]. Jamaica has also been reported to be planning construction of a petroleum refinery in cooperation with PEMEX, to be supplied with Mexican and Venezuelan oil[32].

Venezuela, Colombia and Central America have set up another MNC, SUAVES CENTRALES, for the marketing of Central American coffee; essentially, Venzuelan money is being used to finance coffee stocks, so that coffee sales can be timed to the maximum advantage of producers. Venezuelan oil revenues have also been used to set up a Trust Fund in the Interamerican Bank, with the right to engage in equity capital operations, which is expected to promote LA MNCs, particularly in fields previously shunned by international lending agencies.

The several state development banks which exist in Latin America (NAFIN, BNDE, etc.), as well as the Inter American Development Bank, the Andean Development Corporation and other such regional financial institutions are expected to play catalytic roles in the promotion of LA MNCs. Several other proposals, which may or may not be picked up by SELA, exist. They are all meant to increase cooperation among LA countries, and possibly lead to the formation of LA MNCs. It again needs to be stressed that not all desirable forms of cooperation will or should lead to the creation of formal new organizations.

The apparently impressive combined buying power of the national state enterprises of Latin America, particularly for machinery and equipment and technological services, suggests possible areas of cooperation, ranging from the creation of LA MNCs to produce locally those goods and services, or to act as purchasing agents for the whole group. There may be here an aggregation illusion; the totals for machinery purchases are likely to hide great heterogeneity in the types of commodities purchased. It may be better to first expand the existing contact and ad-hoc contracts between, say, LA state oil or steel enterprises, before complicated schemes are set up. The same applies for joint research and development efforts; it would be splendid if Argentina and Brazil were to combine their atomic energy commissions in one organizations open to other LA countries, but it is likely that the more modest joint Andean research and development efforts in such areas as tropical woods; nutrition and copper technology will yield tangible fruit more quickly. A region with still much poverty should be on guard against Concorde-type adventures.

Joint marketing of traditional and new LA exports represents a possible area of expansion for LA organizations, as the region has historically fretted under foreign middle-men reaping marketing quasi-rents. This seems a logical area for cooperation, even if many who saw no contradiction between the existence of United Fruit, Exxon, Hershey and Reynolds Aluminium and "the free play of supply and demand in world markets" will shout "Cartel!" as soon as LA countries try to take over the marketing of their exports from those and other TNCs, even though in many cases the final outcome of the change could take the world closer to competitive-textbook solutions. National LA firms in the area of natural resources, even if banded together, are unlikely to achieve the degree of backward and forward integration which gave (and gives) classical TNCs their exhorbitant market power.

Joint state enterprises in the River Plate basin give grounds for hoping that other border areas in LA, where natural resources (already discovered or their existence only suspected) add to frontier tensions, could be developed peacefully by joint ventures of the countries concerned. A suitable blurring of purely national sovereignties along, say, the Chilean-Bolivian-Peruvian borders, and those between Colombia and Venezuela,and Venezuela and Guyana, could have important economic and political payoffs. An all-Latin American enterprise to build a new canal across Central America may become highly desirable if the United States Senate hinders the revision of the unequal treaty now governing the one across Panama.

SELA-type associations between LA and other LDCs have also been discussed. Mexico and Tanzania, for example, plan joint ventures in sisal processing. Venezuelan joint projects with other OPEC members are natural instruments to cement that alliance. Argentina and Lybia, Brazil and Kuwait, are also coupled in several plans and schemes. Spain, after 40 years of solitude, may also play a more dynamic role in LA.

Some concluding remarks

The largest and richest LA countries have moved or are quickly moving into Southern European ranges of per capita income, and have developed important industrial bases. This fact, plus regional and cultural propinquity, has led their private and public entrepreneurs to search in neighbouring countries for markets, raw materials and deals of all kinds. Sometimes exports are the outcome, or licensing agreements; but joint enterprises or other forms of DFI may result. This expansion is also taking some LA firms outside the region. The DFI may involve little more than buying warehouses and service agencies, or it can generate substantial production abroad. Past LA experience and objective conditions discouraging hubris, make these joint enterprises and investments somewhat less unbalanced between home and host interests than traditional DFI from industrialized countries. The lack of a chummy home country Marine Corps (or Intelligence Agency) is no guarantee that investors will prove flexible and sensitive to host country conditions, but it appears to help a bit in making them, if not less interested in profits, somewhat less pushy[33]. It remains to be seen how important outward flows of LA DFI will become, and how large and widespread international LA firms will get. Upper bounds on their expansion could cast some light on the role played by non-economic advantages in the past expansion of TNCs from hegemonic powers.

It has proven difficult to generalize as to the likely social cost-benefit results of either spontaneous LA private DFI, or the several proposals for LA MNCs discussed in this paper. This conclusion is in line with the ambiguities surrounding the topics of foreign investment, where departures from case-by-case evaluation are always risky, and with the complexities of industrial organization. Even less can be said in general about how the benefits and costs of such enterprises will be distributed within each participating country.

Besides lack of clear a priori economic guidelines, further questions are raised by powerful political preconceptions and cross currents within Latin America. Some of the different ways of viewing LA MNCs, for example, were reflected in the 1975 INTAL conference in Buenos Aires. Particularly symbolic were the remarks of a Mexican participant, on the one hand, arguing for LA MNCs in large, state-sponsored projects, and ridiculing the prospects of LA joint ventures to produce "combs and shampoos"; on the other hand a Brazilian participant warned against converting LA MNCs into "mutual aid organizations", so hampered by restrictions even before they were operating thay they could never become efficient enterprises.

Two nightmares are particularly influential. The first, which may be called the "Dependencia" nightmare, views uncontrolled neocapitalistic expansion of Latin American firms, even when led by local and public entrepreneurs, as either a front or a first step in the consolidation of control of the Latin American economy by TNCs from outside the region. Examples of FIAT Argentina expanding into Bolivia and Venezuela, or reports of Volkswagen do Brasil moving elsewhere within and outside Latin America[34] are, in this view, typical of the process. Even successful purely LA joint ventures are doomed to be taken over or manipulated by extra-regional TNCs in the "Dependencia" scenario, where the export connection of much spontaneous LA DFI is also viewed with suspicion.

The second nightmare may be given the "Statist-Protectionist" label. The fear is that, partly as a reaction against the earlier scenario, LA MNCs will be created under close public sector tutellage, with their freedom of action severely curtailed, and will engage in pursuing import substitution goals, such as the creation of capital-intensive fertilizer plants, whose social desirability is very doubtful. To make matters worse, the trade diversion which may be stimulated could involve diverting purchases not from outside Latin America, but from relatively efficient LA producers. The new organizations may not always, on balance, integrate more than they disintegrate. SELA-type associations could weaken, for example, Andean solidarity, while Andean MNCs could weaken links between Andean and non-Andean Latin American countries.

We have seen bits of evidence to feed both the "Dependencia" and the "Statist-Protectionist" nightmares. Coupled with a priori agnosticism, they may perhaps be useful to avoid becoming starry-eyed over the good new sound of "LA MNCs". Thorny issues hide behind this label. For many years public officials worried about how to control inflowing DFI, confident in their ability to control local firms. As the latter become international, their flexibility and mobility increases, and their ability to react to public policy is enhanced, for better or worse. The issue of accountability, key in all discussions about TNCs, will remain even if LA MNCs are set up only under careful specified conditions, as the experience of LA national state enterprises shows. One can also speculate that in many cases LA MNCs will be inferior alternatives to a full-fledged Latin American common market.

But let me finish on a positive note. On both economic and political grounds one can conclude that LA MNCs and LA DFI could become a positive force in the region's development, if encouraged in a selective and rational fashion.

Neither prohibition nor across-the-board encouragement of inflowing DFI have proven desirable policies for Latin America, and the same will apply to outflows of DFI. The largest countries can use them to export machinery and expertise and decrease uncertainty in access to raw materials and markets. Smaller countries can find the new DFI useful in their search for cheaper technology, more suited for their local conditions, while diversifying their sources of capital and expertise. Both small and large LA countries could use the new organizations to drive better bargains vis-a-vis the outside world, buying and selling. And both small and large LA countries can together devise new forms of joint ventures which, tapping their historical experience, could reduce asymmetries and the risk of confrontation and uncompensated nationalizations, thus promoting both investment and an equitable sharing of gains between host and home countries.

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TABLE I

Direct Investment Abroad of Selected Countries

(Million SDRs)

	Brazil	Colombia	Italy	Spain
1969	11	4	283	13
1970	14	4	110	43
1971	1	3	399	25
1972	25	1	198	52
1973	31	1	216	67

Sources: International Monetary Fund, Balance of Payment Yearbook, 1969-73 (Washington, D.C., 1974-75)

FOOTNOTES

1. A meeting, probably the first of its kind in Latin America, on the "Promotion of Joint Latin American Investments and Enterprises" was held in Buenos Aires on November 21 and 22 of 1975. It was sponsored by the Institute for Latin American Integration (INTAL), located in that city. Most participants were from the LA business world, from LA governments, or from inter-American institutions. "Latin America" should be understood as including European ex-colonies in the Caribbean, which have become independent since the second world war.

2. I here follow authors such as Charles P. Kindleberger and Osvaldo Sunkel, who apply the label of TNC to enterprises owned and controlled primarily by citizens of one country, and which have investments in several other countries.

3. UNCTAD held a meeting in Geneva, during October 1975, on ways to encourage cooperation among developing countries. Joint enterprises figured prominently among the possible mechanisms of cooperation.

4. This information, as well as a good share of other information and ideas in this paper, owes much to the pioneering work of INTAL, and particularly to the research of Felix Peña and Eduardo White.

5. Bunge y Born achieved considerable unwanted publicity during 1975, when it was said to have paid Argentina guerrillas a ransom of 60 million dollars for the release of two heirs of one of the founding families. It was also said to be involved in the grain-shipping scandal in the U.S. See The New York Times, June 25, 1975, pp. 11 and 22.

6. This is the impression given by some entrepreneurs and representatives of private sector groups present at the November 1975 INTAL seminar, mentioned in footnote 1. These observers also emphasized how the expansion of LA DFI is accelerating.

7. See Eduardo White and Jaime Campos, "Elementos para una política latinoamericana de empresas conjuntas", paper presented at the November 1975 INTAL conference, mimeographed, pp. 7-8. Of 45 cases of joint Latin American enterprises examined, 80 percent corresponded to projects located in lesser developed LA countries, with the participation of firms from more developed LA countries. Not all of these cases involved the private sector. Nearly half of the cases involved countries in the "southern cone" of Latin America (Argentina, Bolivia, Brazil, Chile, Paraguay and Uruguay).

8. Besides the White-Campos paper, I here rely heavily on the valuable paper by Marcelo Diamand, "Las Empresas Conjuntas Latinoamericanas: Coincidencias y conflictos de Intereses", also presented at the INTAL conference, and on conversations with Jorge Katz.

9. See the very useful paper by Jose Luis Moreno More, "Quince Años de Inversiones Españolas En El Extranjero", Información Comercial Española, No. 499, March 1975, pp. 91-107; especially p.94. Spanish firms, however, appear less willing to share ownership with host country investors than LA firms, according to this source (also p.94).

10. JOSE LUIS MORENO MORE, op. cit., p. 97. One may also note that some Irish DFI is reported in the United States and the United Kingdom, as well as in Nigeria, where the Irish "special relationship" is somewhat different from that linking Ireland to the other two countries. See the Sunday Times (London), February 29, 1976, p.54. Yugoslav-owned plants are said to exist in Holland and Sweden, producing motorbikes; less surprising is the presence of Yugoslav construction firms, hiring Yugoslav workers, in the Federal Republic of Germany.

11. See "A world financial survey", The Economist of London, February 14, 1976; p. 30 of the survey.

12. See Business Latin America, January 14, 1976; p.15. Financing foreign trade is said to be the main business of the Banco do Brasil in Chile.

13. See Business Latin America, December 31, 1975; p. 424. Colombian law severely limits activities of foreign banks, but the law retains special treatment for banks from other Andean countries as long as Colombian capital receives reciprocal treatment.

14. See Business Latin America, January 28, 1976; p. 32.

15. See Werner Baer, Isaac Kerstenetzky and Annibal Villela, "The Changing role of the state in the Brazilian economy", World Development, Vol. 1, No. 11, November 1973, pp. 23-34. For the Argentine case, see my "The Argentine state and economic growth: A historical review", in Gustav Ranis, editor, Government and Economic Development (New Haven: Yale University Press, 1971)

16. See Business Latin America, July 16, 1975, p.228. It has been argued that early Brazilian recognition of the Angolan MPLA was related to PETROBRAS interest in exploiting the Cabinda oil field. See Latin America, February 6, 1976, p.47.

17. See The Economist of London, August 9, 1975, p.64.

18. See Business Latin America, July 5 1973, pp. 209-210.

19. See K.J. Arrow, "Vertical integration and communication", The Bell Journal of Economics, Spring 1975, Vol. 6, No. 1, especially p. 173 and 182.

20. But there is at least one case where this process, alas, culminated in the new enterprise selling out to an extra-regional TNC. In other cases the acquisition of, say, a Uruguayan firm by an Argentine one, may be motivated by the desire to eliminate a competitor. See Business Latin America, October 10, 1973, pp. 322-323.

21. This view is not incompatible with the emphasis given by some development economists to "institution building", above and beyond improving markets in developing countries. The institution building may start with efficient public utilities and rural extension services, move to create efficient local steel corporations, and then extend to efficient MNCs or TNCs.

22. For an excellent review and development of this work see Eduardo J. White, Empresas Multinacionales Latinoamericanas; La Perspectiva Del Derecho Económico, (México: Fondo De Cultura Económica, 1973).

23. E.J. White, op.cit., p. 142. The translation from the Spanish is mine.

24. In the Journal of Common Market Studies, Volume V, Number 2, December 1966, pp. 181-186.

25. See E.J. White, op. cit., p. 83.

26. For the description of Decision 46, I rely heavily on Gustavo Fernández Saavedra, "El Regimen Uniforme de la Empresa Multinacional En El Grupo Andino", in Revista Derecho de la Integración, Buenos Aires, 1972, pp. 11-33.

27. See Daniel Schydlowsky, "Asignación de Industrias De Integración en el Grupo Andino", Revista de la Integración, INTAL, No. 8, May 1971, pp. 1-11.

28. The subregional multinational firm would be formed within six months of the proposal approval. Chilean, Colombian, Peruvian and Venzuelan private or state firms will each put up 17.5 percent of the initial capital and Bolivia and Ecuador will each subscribe to 15 percent of the equity. See Business Latin America, February 4, 1976, pp. 36-37. The first Andean MNC could be said to be INDACO, a drill bit factory in Ecuador, set up by Peruvian and Ecuadorian interests to take advantage of the metal-working sectorial program. See Business Latin America, November 7, 1973, p.359.

29. Many talk in LA as if LAFTA had really led to a serious dismantling of barriers to intra-regional trade, adding that such a hypothetical liberalization has failed to significantly increase intra-LA trade flows. The basic LAFTA problem, of course, has been that the governments which make up the association never decided to seriously dismantle intra-LA trade barriers. It is thus bizarre to talk about the failure of"purely commerical measures". Even more bizarre is the tendency of

some to downplay the upsurge in intra-Andean trade, where trade liberalization has been attempted much more seriously than in the rest of the LAFTA.

30. Latin America Economic Report, Friday 5 March, 1976, Volume IV, number 10, p.37.

31. See Antonio Casas-González, "Joint ventures among Latin American countries", mimeographed, UNCTAD document TD/B/AC.19/R.2, October 22, 1975, especially Annex I, p.12.

32. See Business Latin America, December 17, 1975, pp. 405-406.

33. It is said that the Argentine government interceded with the Chilean government, under President Salvador Allende, when the latter nationalized private Argentine DFI in Chile. Compensation was requested, and obtained. The style and flavour of such negotiations, however, were quite different from those between the United States and Chilean governments.

34. See The Economist of London, August 9, 1975, p.64, for a report that Volkswagen's subsidiary in Sao Paulo may build a plant in Iraq. The same magazine, in its issue of December 13, 1975, p. 89, also refers to possible investments by that company in Chile. For a report on how FIAT-Argentina particpated in the setting up of a tractor plant in Bolivia, see Business Latin America, November 1973, pp. 354-355.