

## Argentine multinationals remain industrially diversified and regionally focused<sup>1</sup>

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**Buenos Aires and New York, November 30, 2011:**

Beatriz Nofal, Economic and Business Consultant and Professor at the Catholic University in Argentina, and the Vale Columbia Center on Sustainable International Investment (VCC), a joint undertaking of Columbia Law School and The Earth Institute at Columbia University in New York, are releasing the results of the second annual survey of *outward* investors from Argentina today.<sup>2</sup> The survey is part of a long-term study of the rapid global expansion of multinational enterprises (MNEs) from emerging markets. The present survey, conducted in 2010, covers the year 2009.<sup>3</sup>

### Highlights

The leading feature of this report is a ranking of non-financial<sup>4</sup> Argentine MNEs based on their foreign assets, presented in table 1 below. The 23 MNEs ranked in table 1 held nearly USD 21 billion<sup>5</sup> in foreign assets in 2009.<sup>6</sup> Tenaris, which ranked first, accounted for somewhat over USD 10 billion and Ternium followed with something under USD 8 billion. These two firms, both in the metal products business, account for about 85% of the foreign assets of the top 23. The third Argentine MNE in the ranking with about USD 1 billion in foreign assets is Grupo Insud, a

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<sup>1</sup> This report was prepared mainly by Beatriz Nofal, who also directed, and was one of the main authors of the report on, the first survey of Argentine MNEs (see next footnote) in her capacity as President of ProsperAr, the Argentine investment agency. Carolina Blengino provided assistance with tables and figures and helped draft an initial Spanish version of the report. Thanks are also due to members of the former strategy team at ProsperAr for their earlier research for the report, before the agency was dissolved in 2010. .

<sup>2</sup> The first survey was carried out in 2009 and covered the period 2006–2008. The report on the survey is available, in both English and Spanish, at <http://www.vcc.columbia.edu/content/emerging-market-global-players-O>.

<sup>3</sup> Several rounds of surveys were conducted with the largest Argentine MNEs and extensive research was done to obtain publicly available data. While not all firms contacted responded to the survey, the 23 ranked below did.

<sup>4</sup> The methodology of the international project of which this report forms a part excludes financial firms.

<sup>5</sup> The following Argentine Peso/USD exchange rates, based on the rates of the International Monetary Fund (<http://www.imf.org>) at the end of each year, were used throughout for asset values: 3.78 (2009), 3.43 (2008) and 3.15 (2007). For sales values, the following annual average exchange rates, based on the rates of the Argentine Central Bank, were used: 3.73 (2009), 3.16 (2008) and 3.11 (2007). The IMF rates at the end of the year seemed appropriate for asset values at the end of the year, while sales values seemed better captured by the *average* annual exchange rate provided by the Central Bank of Argentina.

<sup>6</sup> Roughly equalling 70% of Argentina's outward stock of USD 29 billion in 2009 (annex figure 6).

pharmaceutical company that also has investments in various other sectors such as agribusiness, energy distribution, cultural industries, The list shows high concentration of foreign assets at the top but it should be noted that this is not unusual for emerging market MNEs, as indicated by a number of other country reports published by the VCC in this project.

**Table 1. Argentina: The top 23 non-financial outward investors, by foreign assets, 2009**  
(USD million<sup>a</sup>)

Rank	Company	Main industry	Status <sup>b</sup>	Foreign assets
1	Tenaris	Steel products	Listed (3.5%)	10,069
2	Ternium S.A.	Steel products	Listed (26%)	7,623
3	Grupo Insud <sup>c</sup>	Pharmaceuticals	Unlisted	986
4	Arcor S.A.I.C.	Food products	Unlisted	559
5	Grupo Los Grobo	Agribusiness	Listed	414
6	IMPESA <sup>d</sup>	Machinery and equipment	Listed	369
7	Grupo Bagó <sup>e</sup>	Pharmaceuticals	Unlisted	211
8	Molinos Río de La Plata S.A.	Food products	Listed	168
9	Cresud	Agribusiness	Listed (3.5%)	141
10	Corporación América S.A.	Airports and infrastructure	Unlisted	100
11	IECSA S.A.	Civil engineering	Unlisted	63
12	TECNA	Specialized construction	Unlisted	56
13	Grupo Assa	IT services	Unlisted	34
14	S.A. San Miguel A.G.I.C.I.yF.	Food products	Listed (27%)	29
15	CLISA	Civil engineering	Listed (8.6%)	14
16	Globant	IT services	Unlisted	12
17	Petroquímica Río Tercero S.A.	Chemicals	Unlisted	11
18	Grupo Plastar	Rubber and plastic products	Unlisted	5
19	Sancor Coop. Unidas Ltda.	Food products	Listed	4
20	Bolland	Services for the oil industry	Unlisted	3
21	Havana S.A. <sup>f</sup>	Food and beverage services	Unlisted	2
22	BGH S.A.	Computer and electronic products	Unlisted	2
23	Bio Sidus S.A. <sup>g</sup>	Scientific research and development	Unlisted	1
<b>Total</b>				<b>20,875</b>

*Source:* Nofal-VCC survey of Argentine multinationals, 2011.

<sup>a</sup> The exchange rate used was that provided by the International Monetary Fund (<http://www.imf.org>) for 30 December 2009 (see footnote 5 above).

<sup>b</sup> The percentages in parentheses indicate the share of stock held by the state and cover indirect holdings through the state social security agency, ANSES.

<sup>c</sup> Insud also has activities in agribusiness, forestry, gas distribution, cultural industries, and information technology.

<sup>d</sup> This company belongs to the Pescarmona Group but data was available only on IMPESA, the group's flagship company.

<sup>e</sup> Grupo Bagó includes information on Biogénesis Bagó, a leading pharmaceutical firm specializing in animal health.

<sup>f</sup> Havanna is a food producer that exports and distributes its products through a network of affiliates and points of sales abroad. In 2009 the co. had 68 international points of sales of which two were in Spain, 30 in Brazil, 11 in Chile, 3 in Peru, 11 in Venezuela, 4 in Bolivia, 4 in Paraguay and 3 in Costa Rica with a new one been developed in Mexico that year.  
<sup>9</sup> This company belongs to the Sidus Group but data was available only on Bio Sidus.

Together, the top 23<sup>7</sup> registered foreign sales<sup>8</sup> of around USD 14 billion in 2009 and employed more than 41,000 workers abroad. Their foreign affiliates (branches, subsidiaries, etc.) totaled 278 and were to be found in 62 countries. The largest concentration of foreign affiliates was in Latin America: 176, or nearly 63% of all affiliates.<sup>9</sup>

Four companies feature in this year's ranking that did not form part of the last ranking: the Insud Group, mentioned above; Corporacion America, in airports, infrastructure and agribusiness; Bolland, in services for the oil industry; and Globant, in software and other IT services. Also, Tenaris and Ternium are treated as two separate companies, following a change in the methodology of the project. In the last ranking, they were both subsumed under the Techint Group.<sup>10</sup> (The revised methodology allows a firm to be independently ranked if the group to which it belongs does not file a publicly accessible consolidated financial statement with a government agency.) Finally, Roemmers, a pharmaceutical company included in the last ranking, did not participate in the 2009 survey. The total foreign assets on the list roughly equal 70% of Argentina's outward stock of USD 29 billion in 2009 (annex figure 6). Although it is possible that some privately held (unlisted) Argentine firms that *should* be on the list are *not* on it because of insufficient data, the list is by and large a reliable representation of the top MNEs from Argentina.

## Profile of the top 23

### Key drivers

The majority of Argentine companies surveyed indicated that the search for new markets and the preservation and consolidation of existing markets (gained through exports) were the most important drivers for investing abroad. The benefits of economies of scale, risk diversification and lower production costs were also mentioned as additional motives. In some cases, outward investment was based on certain country-specific competitive advantages, such as highly qualified human resources and abundant natural resources, but the drivers were more often determined by firm-specific competitive advantages, such as strategic differentiation capacities leading to a cost advantage, to innovation (process, product or organization) or to the

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<sup>7</sup> As noted above (fn. 3), not all firms responded to the survey. So, although we speak of the 'top 23' throughout this report, we cannot guarantee that these 23 are indeed *the* largest outward investors from Argentina. They are, however, certainly *among* the largest.

<sup>8</sup> Foreign sales are sales of foreign affiliates and exclude exports from the parent firm in Argentina. Intra-company sales are not counted as exports. Specifically, in the case of Havanna, as required by the methodology, we have excluded exports from the foreign sales of their subsidiaries (in Chile, Peru and Spain)

<sup>9</sup> The companies in the ranking are, for the most part, economic holdings that consolidate information on a number of legally independent enterprises linked by common capital ownership and strategic decision-making. Given the methodology of this project, the data included here may differ from that published in the companies' annual reports, as the present report includes information on assets, sales and employees of both domestic and foreign affiliates, which may not be consolidated in a single corporate balance sheet.

<sup>10</sup> The Techint Group was created more or less *ad hoc* last year to comply with the VCC project's former methodological requirements. It included both Tenaris and Ternium, as well as two relatively smaller firms called Tecpetrol and Techint Cia. Tecnica Internacional. These last two firms did not participate in this year's ranking.

achievement of high international quality standards. Some firms were oriented towards the acquisition of strategic assets abroad, such as brand names or innovation capacity.

### **High concentration**

As noted earlier, there is a very high concentration of assets at the top of the list. The four firms at the top account for 92% of the list's assets, with the top two accounting for 85%. The top two firms, Tenaris and Ternium, are both global leaders in the steel-manufacturing sector, Tenaris in the production of seamless steel tubes for the oil industry and Ternium in the manufacturing of flat and long steels. The Insud Group, in third place, is a large company with activities in various sectors: pharmaceuticals, agribusiness and forestry, cultural industries and information technology. Arcor, in the fourth place, has most of its production facilities in Latin America, although it is the world's largest hard candy producer.

### **Moderate size**

In size, Argentine MNEs, with the clear exception of Tenaris and Ternium, lagged behind some of their emerging-market counterparts. Only these two companies had over USD 5 billion in foreign assets in 2009 and employed a significant number of people abroad (over 16,000 and 8,000 respectively - see annex table 1). The remaining 21 firms can be divided into three groups of seven each: those with assets over USD 100 million and under USD 1 billion, those with assets over USD 10 million and under USD 100 million, and those with assets under USD 10 million. The first category has medium-sized firms comparable to those we find in the middling range of the project's rankings of Israeli and Polish MNEs. The second has firms comparable to the lower third to half of these rankings. The third has no comparable firms in the Israeli ranking and only three in the Polish ranking. It does, however, find a reflection in the bottom seven in the ranking for Hungary. (The Hungarian ranking has other similarities as well: the list is top-heavy and the total assets of the list are about the same.)<sup>11</sup>

### **The Transnationality Index**

The transnationality index (TNI) is the average of three ratios - foreign assets to total assets, foreign sales to total sales, and foreign employment to total employment - and may be used as a *rough* measure of internationalization. As annex table 1 shows, only five Argentine firms had TNIs above 50%. The firm with the highest TNI on the list (79%) is Grupo Insud, followed by Grupo Assa (74%), a small firm in IT services. The third and the fourth positions in the TNI ranking are occupied by Tenaris and Ternium (73% and 68%). The fifth and sixth TNI ranks are occupied by an agribusiness firm and a construction one (annex table 1). For the shares of foreign assets, sales and employment in the total assets, sales and employment of the 23 firms considered as a group, see table 2 below.

### **Foreign affiliates**

The 23 companies on the list have 278 foreign affiliates in 62 countries. Grupo Insud has 42 foreign affiliates in 37 countries (12 of these countries are in Latin America), while Tenaris has 28 foreign affiliates in 20 countries (four of these countries are in Latin America) and Ternium has 49 affiliates in 18 countries (six of these countries are in Latin America). Arcor follows with 66 foreign affiliates in 16 host countries and Bagó Group, with 21 foreign affiliates in 21

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<sup>11</sup> All rankings in the project can be found at <http://www.vcc.columbia.edu/content/emerging-market-global-players>.

countries (annex table 1). Over 2008–2009, there was a reduction in the number of foreign affiliates among some of the companies surveyed. This was due, mainly, to the negative impact of the global financial and economic crisis, which led to the sale or restructuring of some of the foreign affiliates.

### **Main industries**

The companies on the list are from 15 different industries (annex figure 1). The top industry in the list - by assets - is obviously metal products, although represented by just two firms. The next is pharmaceuticals, with almost USD 1.2 billion in foreign assets and, again, represented by just two firms. Note, however, that if we combine food products and agribusiness, we end up with a grouping larger than pharmaceuticals (at about USD 1.3 billion) and one represented by seven out of 23 firms, nearly a third of the list. Construction, engineering and infrastructure, with four firms, is another industrial grouping of some note. It is also worth observing that nearly half the firms (11 out of 23) are from the manufacturing sector, although some of them have expanded into other industries or into activities linked to the services sector.

There is, incidentally, a striking absence among the top 23 - for a country with abundant natural resources, the list contains not a single firm specializing in natural resources. The explanation lies in recent history. The process of privatization in Argentina in the 1990s<sup>12</sup> and the sale of publicly owned companies to *foreign* investors went much further than in other Latin American countries. Chile, Brazil, and Mexico, for example, never totally privatized their main state-owned natural resources firms or sold a majority stake to foreign investors (e.g. the cases of Codelco in Chile, Petrobras in Brazil and Pemex in Mexico). In addition, in the aftermath of the 2001-2002 financial crisis, there were a number of major acquisitions by foreign investors. For instance, Perez Companc, the then largest Argentine private oil and gas company, was acquired by Petrobras, the Brazilian oil company, in 2002.<sup>13</sup> There is, however, one relatively small and unlisted oil and gas company named Pluspetrol which is not in the list because of insufficient information about its domestic and foreign operations. The company is included in Annex Table 4 among the top 10 outward M&A transactions by Argentine MNEs.

### **Geographic distribution of affiliates**

The 278 foreign affiliates are concentrated in Latin America and the Caribbean (63%), followed by Western and Central Europe (15%), North America (10%), East Asia and the Pacific (7%), Middle East and North Africa (3%) and Eastern Europe and Central Asia (2%). (See annex table 2 on the Regionality Index and annex figure 2, the map of foreign affiliates.) Within Latin America and the Caribbean, there is a concentration of affiliates in South America, particularly in countries neighboring Argentina which are also members of Mercosur - Brazil (13% of South American affiliates), Uruguay (20%) and Paraguay (5%) - or associated members of Mercosur through free trade agreements, as in the case of Chile (10%) and Bolivia (3%). The global crisis led to a fall in the number of affiliates located in the United States and Europe and an increase in the number of affiliates in South and Central America.

### **Distribution by region and industry**

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<sup>12</sup> This led, for instance, to the sale of the state-owned oil and gas firm YPF to the Spanish company Repsol in 1999.

<sup>13</sup> Two large Argentine companies (not in natural resources) sold to Brazilian investors were: Loma Negra, the main cement company in Argentina, which was purchased by Camargo Correas, and Quilmes, the main Argentine beer brewer, which was bought by InBev, a Brazilian-Belgian investors group that already held a minority stake in 2006.

The geographic distribution of the foreign assets of the top 23 shows varying sectoral patterns (annex figure 3). In steel and pharmaceuticals manufacturing, the largest concentration of foreign assets is in North America (55%)<sup>14</sup> and Europe (17%), while in the manufacture of food products foreign assets are largely concentrated in Latin America and the Caribbean (82%) and in Eastern Europe and Central Asia (17%). On the other hand, MNEs from the services sector (including IT services but excluding construction and engineering) and from the construction and civil engineering sector hold most of their assets in Latin America (88% and 84% respectively) and Western Europe (10% and 16% respectively). Finally, the foreign assets of Argentine MNEs in the agriculture sector are almost totally concentrated in Latin America (97%).

### **Ownership**

All 23 Argentine MNEs are private companies. None is a state-controlled enterprise. However, since October 2008, the State has acquired a minority stake in some of these firms (5), as a result of the transfer of the administration of social security funds from the private to the public sector, i.e. to ANSES, the national social security agency. These minority state holdings reflect the previous portfolio investments made by private pension funds in these companies.

### **Capital markets**

Of the 23 companies, 9 were listed on the Buenos Aires Stock Exchange. Two are also listed on the New York Stock Exchange, one on the NASDAQ, one on the Mexico Stock Exchange, one on the Luxembourg Stock Exchange and one on the Milan Stock Exchange. The remaining 14 are unlisted.

### **Head office locations**

Of the 23, 17 have their head offices in the city of Buenos Aires (annex figure 4), while the rest are based in the provinces of Buenos Aires (2), Mendoza (1), Santa Fe (1), Tucuman (1) and Cordoba (1).

### **Management and board nationality**

The top management of the companies on the list is mostly local, with 82% of the directors and 79% of the top managers being of Argentine nationality. In five companies, foreign directors and top management are predominantly Brazilian (44%), followed by Italian and Mexican (19% each), Uruguayan (13%) and Chilean (6%).

### **Official languages**

The official language of all 23 companies is Spanish, while six companies use at least one other official language (two use Portuguese, two English and two both Portuguese and English).

### **Top mergers and acquisitions**

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<sup>14</sup> This does not count Grupo Insud's assets, since quantitative information on their geographical distribution was unavailable.

The largest outward M&A by value carried out by an Argentine MNE in 2009 was Pluspetrol's purchase of 100% of the shares of Petro Andina Resources in Canada for USD 326 million (annex table 4). Note that the top two M&As in annex table 4, both very large (either side of USD 2 billion), are from 2007 and the third, much smaller, from 2008. The crisis did not put an end to foreign acquisitions by Argentine firms (four of the top 10 occurred in 2009) but these acquisitions were very small in financial terms

### Top greenfield investment announcements

No greenfield transaction in annex table 5 comes anywhere near the top two 2007 M&As in size. There is also no noticeable difference between transactions in 2009 and in earlier years. Four of the top 10 are in 2009, including the largest, by Pluspetrol (USD 308 million). Only one of our top 23 firms announced a greenfield investment in 2009: Globant, in the software and IT services sector, in Colombia for about USD 23 million.

### Changes in foreign assets, sales and employment

The foreign assets of the top 23 fell by 11% over 2007–2008 and a further 3% over 2008–2009 (table 2 below), amounting to a fall of 14% between 2007 and 2009. Total assets, in contrast, fell hardly at all in 2008, declined 3% in 2009, and somewhat over 4% over 2007–2009. Both sales and employment followed a different pattern, increasing in 2008 and falling in 2009. Foreign sales in particular grew spectacularly in 2008 (by over a third), only to see these gains wiped out in 2009. Changes were small when it came to employment, both foreign and total. Although both grew in 2008, foreign employment was stagnant in 2009, while total employment fell slightly. The net result over 2007–2009 was an increase of about 4% in foreign employment and one of about 5% in total employment. Finally, there was little change in the *share* of foreign assets, sales and employment in total assets, sales and employment. Note that the share is significantly larger in assets and sales (around 60%) than in employment (under 40%).

**Table 2. Argentina: Snapshot of the top 23 MNEs, 2007–2009** (USD million and number of employees)<sup>a</sup>

Variable	2007	2008	2009	% change 2007–2008	% change 2008–2009
<b>Assets</b>					
Foreign	24,177	21,437	20,875	-11.3%	-2.6%
Total	36,032	35,759	34,605	-0.8%	-3.2%
Share of foreign in total (%)	67%	60%	60%		
<b>Sales</b>					
Foreign	14,331	19,158	13,852	33.7%	-27.7%
Total	23,364	30,433	24,247	30.3%	-20.3%
Share of foreign in total (%)	61%	63%	57%		
<b>Employment</b>					
Foreign	39,685	41,231	41,276	3.9%	0.1%
Total	104,139	110,688	109,697	6.3%	-0.9%
Share of foreign in total (%)	38%	37%	38%		

*Source:* Nofal-VCC survey of Argentine multinationals, 2011.

<sup>a</sup> On the exchange rates used, see footnote 5 above.

## The big picture

The international financial and economic crisis had a sizable negative impact on international investment flows in the year 2009, as reflected in the fall of both inward and outward FDI. Latin America and Argentina were no exception to this trend.

In 2009, Argentina was the 16<sup>th</sup> largest outward investor in terms of FDI stock among emerging markets and the 26<sup>th</sup> largest in terms of outward FDI flows, well below the BRIC countries.<sup>15</sup> At the aggregate level, Argentine outward FDI flows contracted by 10% in 2008 and 49% in 2009. Outward flows from the Latin American and Caribbean region as a whole also registered a deep fall in the year 2009 over 2008, of nearly 70%, amounting to a total of over USD 11 billion.<sup>16</sup> Inward FDI flows to the region also declined over the same period, although not by as much (36%). In the case of outward flows from Argentina, the difficulties in 2009 were two-fold. There was the tightening of the international financial markets and there was a contraction in international demand.

Argentine investment abroad has increased steadily over the past two decades, although only moderately so when compared with investment trends from other emerging markets and especially the BRIC giants, China and India. This is not really surprising when we consider the matter in a historical context. Outward FDI has a long history in Argentina, which was a much more developed country than most emerging markets a hundred years ago or even earlier. It began around 1900. Companies such as Alpargatas, Bunge y Born, Siam di Tella, Quilmes, and Aguila Saint rode what we might call the first internationalization wave and paved the way for others to follow suit.<sup>17</sup> Some of these companies were sold to foreign investors in the past two decades, though a few remain international players. Of these pioneers among Argentine MNEs, Alpargatas and Quilmes were sold to foreign investors, Aguila-Saint was sold to a national MNE (Arcor), and Siam Di Tella went out of business. Bunge & Born experienced a significant process of restructuring in the 1990s and is now mainly an international company based in the United States (although there is still Argentine equity and Argentine management in the company). The second wave of internationalization rose in the second half of the twentieth century and is illustrated in annex figure 7. The Techint Group (Tenaris and Ternium in particular) started its internationalization in 1947. But it was the state-owned oil and gas company YPF (Yacimientos Petroliferos Fiscales) that really rode this second wave. A similar pattern of internationalization led by 'national champions' in natural resource sectors can be observed in the postwar period in other Latin American countries like Brazil and Mexico. YPF is not on our list since it was sold to the Spanish company Repsol in 1999 (although in 2008 the Argentine investor group Eskenazi re-purchased 14.9% of the shares of the local subsidiary with an option to re-purchase another 10.1%), Two other firms on our list (Grupo Bagó and Clisa) opened their first major affiliates abroad in the 1970s. Four more (Arcor, IMPSA, Insud and Sancor) did so in the 1980s. The remainder began their internationalization in the past two decades: five in the 1990s (IECSA, Petroquímica Río Tercero, Bolland, TECNA and Assa) and another ten in the 2000s.

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<sup>15</sup> Ranking based on United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 2009* (New York and Geneva: United Nations, 2009).

<sup>16</sup> CEPAL (2009), *La inversión extranjera directa en América Latina y el Caribe*, Naciones Unidas, Santiago de Chile, pages 45-46.

<sup>17</sup> Quilmes, for instance, was listed in 1898 on the Paris Stock Exchange.

The regional orientation of Argentine investment abroad is clearly noticeable but hardly unique. It is a pattern common to many emerging markets and, in this project, may be seen in the recent surveys of Brazilian and Polish MNEs. There may, however, be specific causes of this orientation in the Argentine case that go beyond the 'familiar neighbourhood' or 'cultural affinity' accounts. Historically, the incentives set in motion by the regional integration process between Brazil and Argentina, launched in 1986, continued under the Mercosur agreements signed in 1991, and then widened to the rest of South America through Free Trade Agreements, have played a major role in reinforcing the regional orientation of investment. Trade agreements in Mercosur and within Latin America more broadly provide preferential access to a wider regional market and help remove or lower trade and other barriers. Before initial integration agreements were signed between Argentina and Brazil (1986-88), both tariff and non-tariff barriers were extremely high, particularly for manufactured products, and in effect barred Argentine access to the Brazilian market.

Government policies on outward FDI have not played a major role in the internationalization of Argentine firms. There is no explicit policy stance towards outward FDI, nor there are policy statements encouraging outward investment or discussions of possible investment projects with potential host countries. Argentina has not formulated specific policies or instruments to support the internationalization of local firms in the way of financial or fiscal incentives (e.g. credits on taxes paid overseas) or special programs focusing on small and medium-sized firms that wish to invest abroad. For the most part, Argentine companies have financed their international investments with debt or equity in international markets or with reinvested earnings.

The low level of access to credit has been and remains a limiting factor in the growth of Argentine multinationals, compared to a much higher access to credit for the private sector in other countries in the region such as Brazil and Chile. The ratio of credit to the private sector in relation to GDP in 2008 was about 14% in Argentina, while it was almost 55% in Brazil and over 80% in Chile. In the case of Brazil, for instance, the National Bank of Economic and Social Development (Banco Nacional de Desarrollo Economico y Social, or BNDES) has been the main institution providing long-term finance for the productive expansion of Brazilian firms and their international investments and acquisitions. The predominant public policy view is that the development of Brazilian MNEs would strengthen the competitive position of Brazil vis-à-vis both the developed countries and the other large BRIC countries, such as China. The policy scene is very different in Argentina. Since one of the major economic challenges today is to increase the domestic investment rate in order to sustain high growth rates and moderate inflation, there is some concern over investment going abroad, in particular investment by large Argentine MNEs. Policy-makers take a more benign view of outward investment by small and medium-sized enterprises.

## **Conclusion**

Looking forward, we can identify some key challenges. First, Argentine investment abroad is excessively concentrated in Latin America, particularly in South America, and needs gradually to be diversified to other regions and to become more genuinely global. There are positive signs in this respect, with some new investments in Asia by Argentine MNEs. Second, the pattern of industrial and sectoral diversification needs to be strengthened, with new investment in high-value-added manufacturing sectors, R&D activities, and knowledge-and-technology-based services. Third, firms also need carefully to select the appropriate business model and

competitive market-entry strategies for successful and sustainable internationalization. And, finally, the public sector needs to develop positive support strategies to help local firms go abroad, focusing in particular on the competitiveness of small and medium-sized enterprises. On this final point, Argentina needs to explore what can be learned from the more proactive or facilitative policies of some of its neighbors, such as Brazil and Chile, as well as of other emerging markets, such as China and Korea.

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### Emerging Markets Global Players Project

This report on Argentine multinationals was prepared in the framework of the Emerging Market Global Players (EMGP) Project, a collaborative effort led by the Vale Columbia Center (VCC - see below). It brings together researchers on FDI from leading institutions in emerging markets to generate annual reports on leading multinationals in each participating country. Reports on 14 economies have been published so far (several on some of them): Argentina, Brazil, Chile, China, Hungary, India, Israel, Korea, Mexico, Poland, Russia, Slovenia, Taiwan and Turkey. For further information, visit:  
<http://www.vcc.columbia.edu/content/emerging-market-global-players>.

#### Beatriz Nofal

Beatriz Nofal holds a Ph.D. from Johns Hopkins University and post-graduate diplomas from universities in France and the Netherlands. She has taught at universities both abroad (MIT, University of Toronto) and in Argentina, and is the author of various books, articles and commissioned studies. Her public service includes a major role in the negotiation of integration programs between Argentina and Brazil as the Deputy Secretary of Industry and Foreign Trade, and a term in the House of Representatives. Most recently, Dr Nofal served as the President of ProsperAr, the Argentine investment agency dissolved in 2010. In that capacity, she directed and was one of the main authors of the report on the first annual survey of Argentine multinationals - for the report, see <http://www.vcc.columbia.edu/files/vale/documents/EMGP-Argentina-Report-2009-Final.pdf>. Beatriz Nofal is currently Director of Eco-Axis and KPMG Argentina, President of the Argentine Chapter of the International Women's Forum (IWF), and a member of the IWF's global board.

#### Vale Columbia Center on Sustainable International Investment (VCC)

The VCC is a joint center of the Columbia Law School and the Earth Institute at Columbia University. It serves as a leading forum for discussion by scholars, policy makers, development advocates and other stakeholders of issues related to FDI in the global economy, paying special attention to the impact of this investment on sustainable development. The VCC currently focuses on three key themes: creating a framework for extractive industries and sustainable development; analyzing trends in investment law and policy around the world, especially as they contribute to sustainable development; and analyzing the rise of emerging market multinationals. For further information, visit: <http://www.vcc.columbia.edu>.

Annex table 1. Argentina: The top 23 multinationals: Key variables, 2009 (USD million<sup>a</sup> and number)

Rank	Company	Industry	Assets		Sales		Employment		TNI <sup>b</sup> (%)	No. of foreign affiliates	No. of host count ries
			Foreign	Total	Foreign	Total	Foreign	Total			
1	Tenaris <sup>c</sup>	Steel products	10,069	13,483	5,864	8,149	16,195	22,591	73	28	20
2	Ternium S.A. <sup>c</sup>	Steel products	7,623	10,293	3,351	4,959	8,598	13,879	68	49	18
3	Grupo Insud	Pharmaceutical	986	1,185	663	800	1,225	1,708	79	42	37
4	Arcor S.A.I.C.	Food products	559	1,378	813	2,155	6,758	19,598	38	26	16
5	Grupo Los Grobo	Crop and animal production	414	728	435	692	614	1,125	58	5	3
6	IMPESA <sup>d</sup>	Machinery and Equipment	369	1,009	173	623	1,964	5,288	34	13	13
7	Grupo Bagó <sup>e</sup>	Pharmaceutical	211	510	297	749	2,805	6,140	42	21	21
8	Molinos Río de La Plata S.A.	Food products	168	979	1,772	2,154	132	4,853	34	13	8
9	Cresud	Crop and animal production	141	1,676	60	636	210	3,852	8	7	5
10	Corporación América S.A.	Airport operation & infrastructure	100	853	47	405	340	2,330	13	5	2
11	IECSA S.A.	Civil engineering	63	648	59	506	9	2,101	7	14	8
12	TECNA	Specialized construction activities	56	99	101	146	342	890	55	11	10
13	Grupo Assa	IT services	34	43	41	45	494	976	74	5	5
14	S.A. San Miguel A.G.I.C.I.yF.	Food products	29	219	18	179	206	1,393	13	9	2
15	CLISA <sup>f</sup>	Civil engineering	14	603	4	550	550	12,522	2	7	4
16	Globant	IT services	12	24	6	39	50	1,138	23	5	3
17	Petroquímica Río	Chemicals	11	70	10	118	6	348	8	1	1

	Tercero S.A.										
18	Grupo Plastar	Rubber and plastic products	5	48	6	90	35	579	8	1	1
19	Sancor Coop. Unidas Ltda.	Food products	4	427	16	735	44	4,149	1	1	1
20	Bolland	Oilfield services	3	59	11	102	84	1,022	8	4	3
21	Havanna S.A. <sup>g</sup>	Services related to food and drink	2	41	2	49	100	1,084	6	3	3
22	BGH S.A.	Electronic and computer products	2	184	102	328	515	1,892	20	5	4
23	Bio Sidus S.A. <sup>h</sup>	Scientific research and development	1	45	0	38	0	239	1	3	1
<b>Total (average for TNI)</b>			<b>20,875</b>	<b>34,605</b>	<b>13,852</b>	<b>24,247</b>	<b>41,276</b>	<b>109,697</b>	<b>29</b>	<b>278</b>	<b>62</b>

*Source:* Nofal-VCC survey of Argentine multinationals, 2011.

<sup>a</sup> The exchange rate used for asset values is that provided by the International Monetary Fund (<http://www.imf.org>) for 30 December 2009: USD 1 = ARS 3.78. For sales values, the annual average exchange rate provided by the Argentine Central Bank was used: USD 1 = ARS 3.73. See footnote 5 in the narrative report.

<sup>b</sup> The Transnationality Index (TNI) is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales, and foreign employment to total employment. It is expressed as a percentage ('80' rather than '.8').

<sup>c</sup> In the First ranking of Argentine MNEs, Tenaris and Ternium were subsumed under the Techint Group, with two other companies not included in this survey: Techint Compañía Técnica Internacional and Tecpetrol.

<sup>d</sup> This company belongs to the Pescarmona Group, although only data specific to IMPSA (the group's flagship company) was available.

<sup>e</sup> Includes information on Biogénesis Bagó, a leading pharmaceutical firm specialized in animal health with foreign affiliates in six countries and USD 11 million in foreign assets in 2008.

<sup>f</sup> The company is active in land transport services as well as civil engineering.

<sup>g</sup> While Havanna is a food producer, its foreign affiliates are in the food and beverage service business. (Food production is still located in Argentina.)

<sup>h</sup> This company belongs to the Sidus Group, although only data specific to Bio Sidus was available.

**Annex table 2. Argentina: The top 23 multinationals: Regionality Index,<sup>a</sup> 2009 (percentages and number)**

Company	Latin America and the Caribbean	North America	Other Europe <sup>b</sup>	Eastern Europe and Central Asia	Middle East and North Africa	East Asia and the Pacific	Number of affiliates
Tenaris	32	29	18	4	7	11	28
Ternium S.A.	78	12	10	-	-	-	49
Grupo Insud	26	-	36	14	2	21	42
Arcor S.A.I.C.	73	8	12	-	4	4	26
Grupo Los Grobo	100	-	-	-	-	-	5
IMPESA	46	8	-	-	8	31	13
Grupo Bagó	86	-	-	5	-	-	21
Molinos Río de La Plata S.A.	62	8	23	8	-	-	13
Cresud	57	43	-	-	-	-	7
Corporación América S.A.	100	-	-	-	-	-	5
IECSA S.A.	79	-	21	-	-	-	14
TECNA	73	9	9	-	9	-	11
Grupo Assa	60	20	20	-	-	-	5
S.A. San Miguel A.G.I.C.I.yF.	78	-	-	-	22	-	9
CLISA	100	-	-	-	-	-	7
Petroquímica Río Tercero S.A.	100	-	-	-	-	-	1
Grupo Plastar	100	-	-	-	-	-	1
Sancor Coop. Unidas Ltda.	100	-	-	-	-	-	1
Bolland	100	-	-	-	-	-	4

Havanna S.A.	67	-	33	-	-	-	3
BGH S.A.	100	-	-	-	-	-	5
Bio Sidus S.A.	-	100	-	-	-	-	3
Globant	60	20	20	-	-	-	5
<b>Average (total for last column)</b>	<b>74</b>	<b>28</b>	<b>22</b>	<b>8</b>	<b>9</b>	<b>17</b>	<b>278</b>

*Source:* Nofal-VCC survey of Argentine multinationals, 2011.

<sup>a</sup> The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100. Note that three regions are not mentioned because there were no foreign affiliates in them: Sub-Saharan Africa, Developed Asia Pacific, and South Asia.

<sup>b</sup> 'Other Europe' is broadly the European Union and a few other countries.

**Annex table 3. Argentina: The top 23 multinationals: Stock exchange listings, 2009**

Company	Domestic	Foreign
Tenaris	Buenos Aires Stock Exchange	Mexican Stock Exchange New York Stock Exchange (NYSE) Italian Stock Exchange (NYSE)
Ternium S.A.	Buenos Aires Stock Exchange	New York Stock Exchange (NYSE)
Grupo Insud	<i>None</i>	<i>None</i>
Arcor S.A.I.C	<i>None</i>	<i>None</i>
Grupo Los Grobo	Buenos Aires Stock Exchange	<i>None</i>
IMPESA	Buenos Aires Stock Exchange	Luxembourg Stock Exchange
Grupo Bagó	<i>None</i>	<i>None</i>
Molinos Río de La Plata S.A.	Buenos Aires Stock Exchange	<i>None</i>
Cresud	Buenos Aires Stock Exchange	NASDAQ
Corporación América S.A.	<i>None</i>	<i>None</i>
IECSA S.A.	<i>None</i>	<i>None</i>
TECNA	<i>None</i>	<i>None</i>
Grupo Assa	<i>None</i>	<i>None</i>
S.A. San Miguel A.G.I.C.IyF.	Buenos Aires Stock Exchange	<i>None</i>
CLISA	Buenos Aires Stock Exchange	<i>None</i>
Globant	<i>None</i>	<i>None</i>
Petroquímica Río Tercero S.A.	<i>None</i>	<i>None</i>
Grupo Plastar	<i>None</i>	<i>None</i>
Sancor Coop. Unidas Ltda.	Buenos Aires Stock Exchange	<i>None</i>
Bolland	<i>None</i>	<i>None</i>
Havana S.A.	<i>None</i>	<i>None</i>
BGH S.A.	<i>None</i>	<i>None</i>
Bio Sidus S.A.	<i>None</i>	<i>None</i>

*Source:* Nofal-VCC survey of Argentine multinationals, 2011.

**Annex table 4. Argentina: Top 10 outward M&A transactions, 2007-2009 (USD million)**

Date	Acquirer's name	Target Name	Target industry	Target Economy	% of shares acquired	Value of transaction
May-07	Tenaris SA	Hydril Co LP	Oil and gas field machinery and equipment	United States	100	2,212.2
Jul-07	Ternium SA	Grupo Imsa SA de CV	Steel works, blast furnaces, and rolling mills	Mexico	100	1,727.1
Jun-08	Los Grobo Agropecuaria SA	Sementes Selecta	Soybeans	Brazil	90	455.0
Sep-09	Pluspetrol	Petro Andina Resources	Oil and gas	Canada	100	326.0
May-07	Forestadora Tapebicua SA	FANAPEL	Pulp mills	Uruguay	54.96	45.0
Jun-09	Banco Galicia - Pegasus	Consumption Financing	Financial services	United States	80-20	45.0
Jan-09	Dolphin Fund	Retirement Insurance	Financial services	Netherlands	100	25.0
Jun-07	Forestadora Tapebicua SA	FANAPEL	Paper mills	Uruguay	26.29	24.0
Jul-08	IRSA	Metropolitan 885 Third Ave LLC	Operators of non-residential buildings	United States	30	22.6
Jan-08	Mercado Libre	Classified Media Group Inc.	Motor Vehicle Dealers (new and used, internet)	Panama	100	19.0
<b>Total</b>						<b>4,900.9</b>

*Source:* Adapted from Thomsom Reuters, with inputs from the Nofal-VCC survey of Argentine multinationals, 2011.

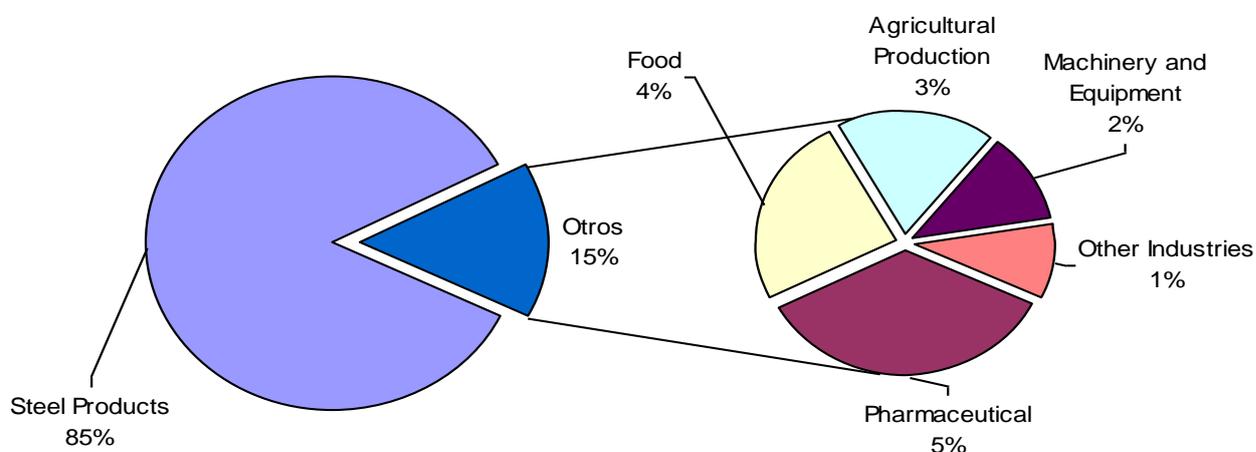
**Annex table 5. Argentina: The top 10 outward greenfield transactions, announced, 2007-2009 (USD million)<sup>a</sup>**

<b>Date</b>	<b>Company</b>	<b>Destination</b>	<b>Industry</b>	<b>Value of transaction<sup>b</sup></b>
Nov-09	Pluspetrol	Peru	Oil and natural gas	307.7
Sep-08	Industrias Metalurgicas Pescarmona (IMPISA)	Vietnam	Alternative/renewable energy	280.0
Oct-07	Tapebicua	Uruguay	Paper, printing & packaging	161.4
Apr-09	Prokrete Argentina	Chile, Peru	Chemicals	96.0
Feb-07	Neverland	Russia	Leisure & entertainment	61.2
Sep-07	Arcor Group	Mexico	Food & tobacco	60.0
Jun-07	Reynolds Propiedades	Spain	Real estate	40.7
Feb-09	Globant	Colombia	Software y servicios de TI	22.7
Dic-09	Huenei Consultora Informática	Mexico	Software y servicios de TI	21.3
May-10	La Martina	France, Greece	Textiles	16.3
<b>Total</b>				<b>1,067.3</b>

*Source:* Adapted from fDi Intelligence, The Financial Times Ltd, with inputs from the Nofal-VCC survey of Argentine multinationals, 2011.

<sup>a</sup> Note that all values are estimates.

**Annex figure 1. Argentina: Breakdown of the foreign assets of the top 23 multinationals, by main industry, 2009'**



Rank	Industry	Foreign assets (USD million)	Number of companies	Names of companies
1	Steel products	17,692	2	Tenaris, Ternium
2	Pharmaceutical	1,197	2	Grupo Insud, Grupo Bagó
3	Food products	759	4	Arcor, Molinos Río de la Plata, S.A. San Miguel, Sancor
4	Agricultural production	556	2	Cresud, Grupo Los Grobo
11	Machinery and equipment	369	1	IMPSA
9	Infrastructure and agricultural business	100	1	Corporación América
5	Civil engineering	77	2	IECSA, CLISA
8	Specialized construction activities	56	1	TECNA
6	IT services	46	2	Grupo Assa, Globant
7	Chemical	11	1	Petroquímica Río Tercero
10	Rubber and plastic products	5	1	Grupo Plastar
12	Oilfield services	3	1	Bolland
13	Services related to food and beverages	2	1	Havanna
14	Computer and electronic products	2	1	BGH
15	Scientific research and development	1	1	Bio Sidus
<b>Total</b>		<b>20,875</b>	<b>23</b>	

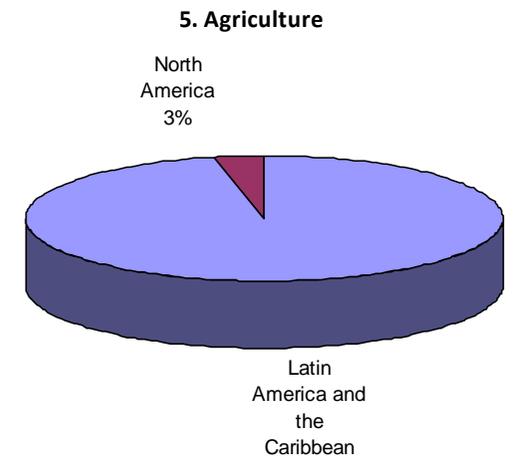
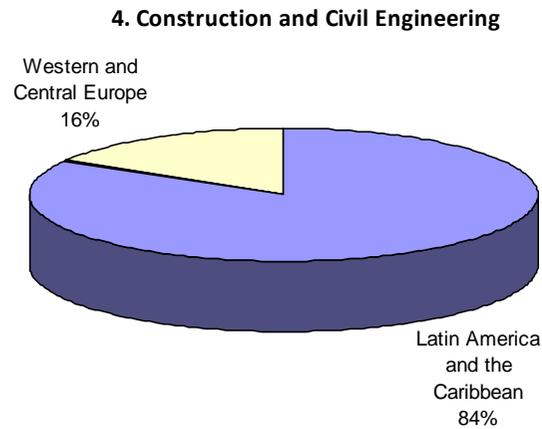
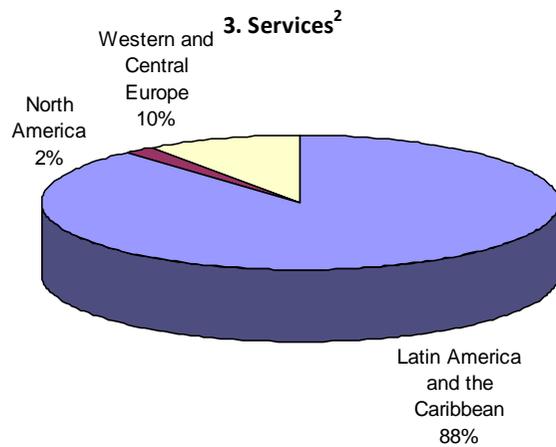
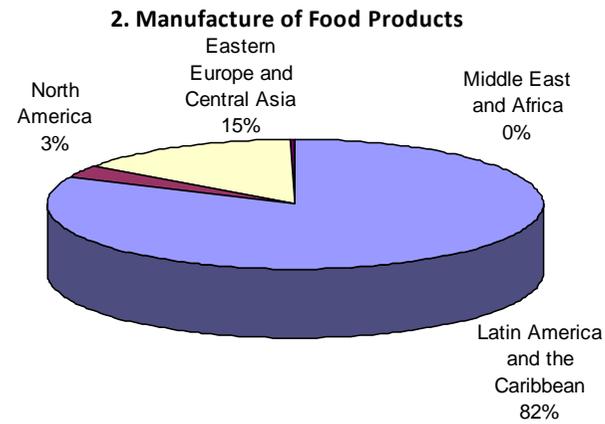
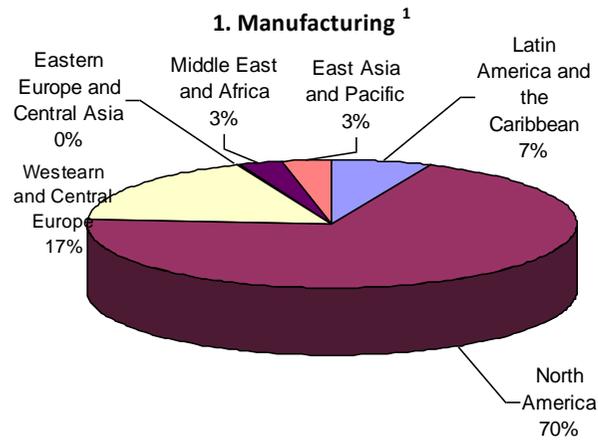
*Source:* Nofal-VCC survey of Argentine multinationals, 2011.

Annex figure 2. Argentina: Foreign affiliates of the top 23 multinationals by region, 2009 (number of affiliates)



Source: Nofal-VCC survey of Argentine multinationals, 2011.

**Annex figure 3. Argentina: Geographic distribution of the foreign assets of the top 23 multinationals, by main industry, 2009 (percentages)**

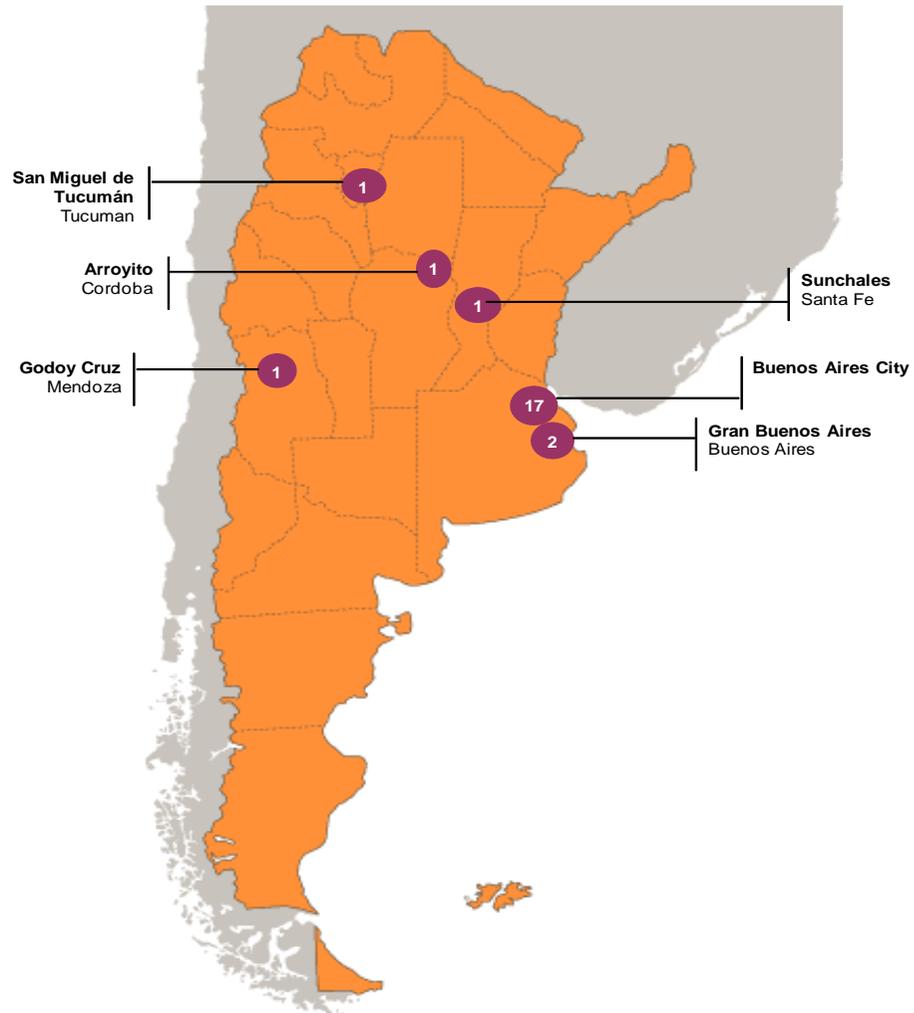


<sup>1</sup> Excluding products of agricultural origin.

<sup>2</sup> Including IT services but excluding construction and engineering.

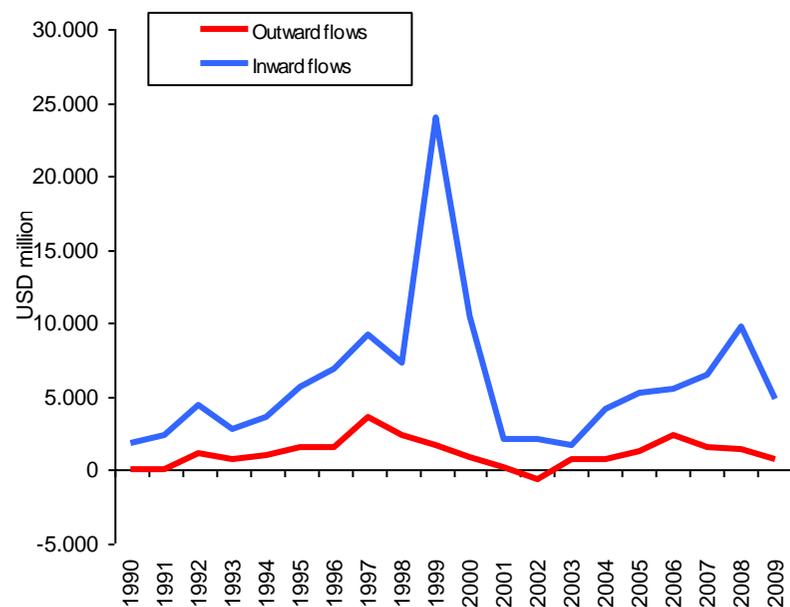
*Source:* Nofal-VCC survey of Argentine multinationals, 2011.

Annex figure 4. Argentina: Head office locations of the top 23 multinationals, 2009



*Source:* Adapted from the ProsperAr-VCC survey of Argentine multinationals, 2009.

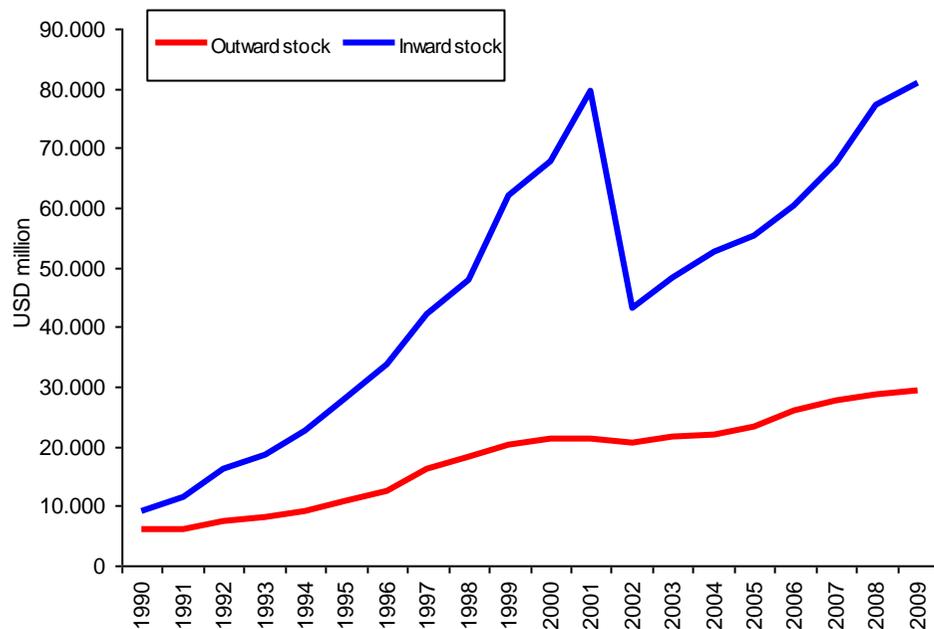
**Annex figure 5. Argentina: Inward and outward FDI flows, 1990–2009 (USD million)<sup>a</sup>**



**Source:** UNCTAD, *World Investment Report, 2010* (New York and Geneva: United Nations, 2010).

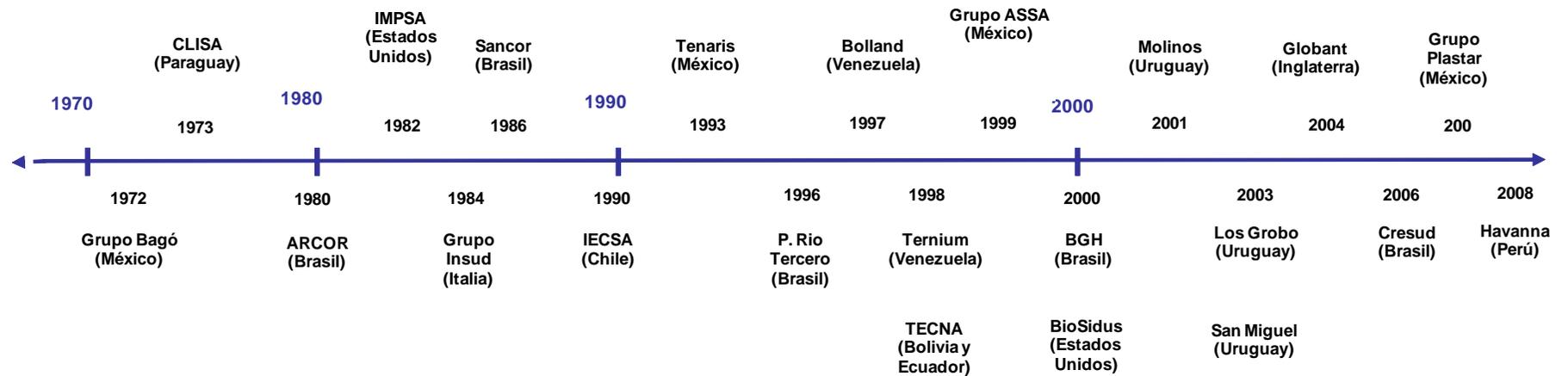
<sup>a</sup> In the year 1999, there was an exceptional level of inflows resulting from the acquisition of the Argentine state-owned oil company YPF by Repsol (Spain) for a total of USD 15 billion.

Annex figure 6. Argentina: Inward and outward FDI stock, 1990-2009 (USD million)



Source: UNCTAD, *World Investment Report, 2010* (New York and Geneva: United Nations, 2010).

Annex figure 7. Argentina: Timeline tracking the opening of the first major foreign affiliate by each of the listed companies



Source: Adapted from the ProsperAr-VCC survey of Argentine multinationals, 2009.