

Foreign Direct Investment and National Innovation System: a case study of Argentina in the '90s

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Theme: A

Argentina received substantial flows of foreign direct investment (FDI) in the last decade. As a result, the presence of transnational corporations (TNCs) in the Argentina's economy, which was already significant, expanded considerably. From the received theoretical literature it could be expected that TNCs could not only bring their latest technologies but also generate sizeable positive spillovers for the Argentina's economy. However, the available evidence for other countries shows that the sign and scale of those spillovers depend on many factors, including, among others, the absorptive capabilities of the host economy, the economic policies in place, the industrial and technological infrastructure of the host country, the type of sector where TNCs invest, the nature of TNCs strategies and objectives and the level and characteristics of TNCs affiliates innovative activities. Although available sectoral and case study analysis on the FDI impact in Argentina suggest that negative spillovers can be expected, this hypothesis need to be examined on the basis of econometric techniques, which is the aim of this paper. The findings are assessed in the light of the evidence that arise from our own previous studies on the nature and impact of FDI in Argentina, also taking into account the evidence arising from available case studies. In this way, we are able to present a comprehensive interpretation of the econometric results, thus overcoming some of the most obvious deficiencies that can be observed in the literature on spillovers of FDI (which often makes no attempt to understand the econometric results in the light of the specific nature of the FDI flows in each case and the main features of the respective host countries). Finally, we analyze to what extent the nature and magnitude of spillovers from FDI may be explained by the characteristics of the Argentina's National Innovation System.

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