

Multinational Corporations and Productivity Convergence in Mexico

ABSTRACT

This paper examines the impact of the operations of foreign-owned multinational firms on the productivity growth of Mexican manufacturing industries, 1965-1984. It investigates both the extent to which the penetration of a sector by foreign-owned firms affects the productivity of local firms in that sector and whether there is any evidence of convergence between that industry's productivity level and that of the United States. The main results can be summarized as follows: First, productivity levels of locally-owned firms in Mexico have converged to those of foreign-owned firms. Second, both the rate of productivity growth of local firms and their rate of catch-up to the multinationals are positively related to the degree of foreign ownership of an industry. Third, the productivity gap between Mexico and U.S. manufacturing has diminished between the mid-1960s and the mid-1980s. Fourth, the rate of productivity growth of Mexican industries and its rate of convergence to the United States are higher in industries with a greater presence of multinationals. We conclude that multinational firms have contributed to a geographical diffusion of technology and acted as a bridge between advanced and less advanced countries.

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