

APPENDIX D
Tabulation of Survey
Responses

MAIL SURVEY / QUESTIONNAIRE SUMMARY

Mail surveys sent out :	32
Surveys answered as of 4/27:	10
Companies which replied with an overall opinion instead of completed survey: (Due to time constraints)	5
Surveys returned unanswered : (Due to large volume of surveys)	6
No response at all :	11
Successful Survey Response Rate : $10/32 = 31\%$	
Successful Overall Participation Rate : $10 + 5 = 15/32 = 47\%$	

Companies that have answered surveys:

1. General Motors (automobiles)
2. Lockheed Aircraft (aircraft repair facilities, parts, etc.)
3. Lone Star Industries (real estate, construction, building materials)
4. NL Industries Inc. (metal products, chemicals, petroleum)
5. Nortel (telecommunications, information technology)
6. Schlumberger Limited (oilfield services)
7. Telecom Ventures (telecommunications technology)
8. Unisys (technology information management, software, data processing)
9. West Chemicals Products Inc. (pharmaceuticals)
10. Western Geophysical (seismic services, oil and petroleum explorations)

Companies that gave overall opinion instead of completing surveys:

- | | |
|--|---|
| 11. Marriott International (hotel industry) | 14. Union Camp Corp. (paper and cardboard products) |
| 12. Mattel (toys) | 15. Wal Mart (supermarkets) |
| 13. The Principal Group (financial services) | |

Companies that returned unanswered surveys: (sent letters explaining they could not answer surveys)

- | | |
|-------------------------------------|--|
| 16. American Express (credit cards) | 19. Exxon Corporation (petroleum and refining) |
| 17. Amoco (petroleum) | 20. Kodak (photographic equipment) |
| 18. Coca Cola (beverages) | 21. 3M & Co. (chemical products) |

Companies that did not respond at all:

- | | |
|--|------------------------------------|
| 22. Chase Bank (banking, financial services) | 27. Hewlett Packard (computers) |
| 23. Dow Chemical (pharmaceuticals) | 28. John Deere (tractors) |
| 24. Diners (credit cards) | 29. Mobil Oil (petroleum) |
| 25. Ford Motor Company (automobiles) | 30. Nabisco (foodstuffs) |
| 26. Goodyear (tires) | 31. Philip Morris USA (cigarettes) |
| 32. Sherwin Williams (paints) | |

TABULATION OF SURVEY/ QUESTIONNAIRE ANSWERS

Q1: In responding to where the company has offices in Argentina (what cities) most firms included Buenos Aires (10), Cordoba (7), Rosario (3) Neuquen (2), Mendoza (1), Comodoro (1), Rio Gallegos (1), Tartagal (1).

Q2: The industries surveyed include: transportation (1), telecommunications and information technology (3), real estate and construction (1), seismic services (1), energy (gas and petroleum) (1), oil field services (1), and pharmaceutical (1), automobiles (1).

Q3: Subsidiary (5), J.V (2), Branch (1), Affiliate (2).

Q4: Among the reasons why the different companies decided to take their operations to Argentina were the following:

- * Privatization provided vast opportunities for investment (8)
- * Dynamic, growing region of Latin America within last five years (7)
- * Great potential for Growth (economic stabilization, socio-politic improvements) (9)
- * Large emerging market and search for representation in South America (6)
- * Good, favorable climate for new operations ("US friendly" perspective) (3)
- * Increased demand for certain services (new law regulations, increased consumption, etc.) (7)
- * Major developments and innovations in the industry of interest. (4)

Q5: Beginning of operations years included as early as 1924 (Unisys), 1932 (West Chemicals Products), 1934 (Schlumberger Ltd.), 1987 (Telecom Ventures), 1989 (Lockheed Aircraft), 1991 (Western Geophysical), 1993 (NL Industries and Lone Star Industries), 1994 (GM), through to 1995 (Nortel).

Q6: Of the 10 companies who responded, 9 reported expansion (of these, Unisys described having experienced **both** contraction and expansion due to the company's history in Argentina dating back to the 1930's) while only 1 reported *only* contraction in its business operations.

Reasons given for expansion were: rapid market growth, economic stability, increased investments, greater demand for firm's services/products, greater movement towards privatization projects and escalating business needs for new, innovative technological products.

Reasons given by for contraction by West Chemicals Products were: stagnant pharmaceutical market, patent rights enforcement is low, rampant generic drugs competition on established medicine brands, and risk of unemployment (related to the increased demand for generic, more economical drugs).

Q7 (a) In describing the company's performance in Argentina (in comparison to other world wide operations) during the last three years, the respondent had to assign a number from 1 (far below average) to 5 (far above average). The results given were as follows: 4,4,5,4,2,5,4,3,5,4 = mean = 4 (highly favorable). This is indicative of the overall

satisfaction in the improvement of Argentine-based operations. The mean (average) here also equals the mode as 4 is the rating listed most frequently. This means that 80% of the companies surveyed ranked this question 4 and above.

Q7 (b) In comparing the company's performance during the last three years in Argentina with other firms in the same industry, the same numeric scale as in 7 (a) was given. The results were as follows: 4, 4, 5, 3, 5, 2, 5, 5, 4, 5 = mean = 4.2 (highly favorable). This depicts how competitive the firms chosen are within their particular industries. On average, they are among the leaders within their area of specialization. The mode is 5.

Q8 Among the factors enumerated to account for the companies' success in Argentina during the last three years are:

- * Economic reforms and general economic growth and stability (GDP growth, etc.)
- * Technological spurs of innovation and product technology
- * Opening trade opportunities and lowering of what were once "trade barriers"
- * Greater purchasing power of consumer market
- * New emerging high capita market niches
- * Greater overall need and demand for infrastructure
- * Increased production capacity and resource availability (human resources, etc.)
- * Managerial commitment among subsidiaries
- * Foreign investment incentives through privatization

Q9: In rating Mercosur's influence and impact on the company's operations in Argentina, the respondents had to rate from 1 (highly unfavorable) to 5 (highly favorable). The results given were as follows: 5, 5, 5, 5, 4, 4, 3, 5, 4, 5 = mean = 4.5. The mode = 5 and 90% of companies surveyed described it as high-highly favorable. These numbers represent the perceived important and extremely beneficial impact that the creation of Mercosur has had on the companies' operations in Argentina and as a result, on the overall performance of the firm (both in the US and Argentina).

Q10 (a) The potential strengths of Mercosur as it moves into its ultimate, long-term goal of free flow and movement of factors of production mentioned by the survey's respondents included:

- * Population / Market size
- * GDP size
- * The notion that Mercosur is the "first step for continental free economy" (Schlumberger Ltd.)
- * Mercosur 1998 business account for more than 50% of all Latin American business

Q10 (b) The potential weaknesses of Mercosur while it evolves into its ultimate state described were:

- * The vast cultural diversity within the member countries (can be both a strength and weakness)
- * Excessive regionalism and protectionism

* Political instability of some of the member nations (Paraguay in particular).

It is also interesting to note that 2 companies did not answer this question and wrote that there were “no” major weaknesses/ drawbacks to Mercosur’s long term objective. In particular, this appears to be the vision if eventually there is a free flow which will lead to a potential free continental economy for the Americas.

Q11: In this question, respondents were asked to rate their level of agreement with an intensely positive description/quote of Mercosur and its implications for US businesses seeking to trade and invest in Argentina (please see Appendix C for particular question). Again, the numerical scale was from 1 (absolutely disagree) to 5 (absolutely agree).

The responses were as follows: 4, 5, 5, 3, 5, 5, 4, 4, 4, 4 = mean = 4.3 (high level of agreement with the given statement). Mode = 4. The “average” response indicates the earnest support for such trade agreements such as Mercosur for it is perceived as a way to establish a solid foundation for future long term progress for American companies seeking to be involved in the countries within these agreements.

Q12: Respondents were asked to rate each set of factors from 1 (least influential) to 5 (most influential) with regards to their importance in considering opening and maintaining operations in Argentina.

Where x = mean

y = mode

a) Political/ Government 3 5 5 4 5 5 5 5 4 5 = x = 4.6 (highly influential)
(commitment to economic y = 5
stability)

b) Very low inflation 4 3 4 2 4 4 4 4 4 5 = x = 3.8 (middle influential)
y = 4

c) Currency Convertibility 5 4 5 1 4 4 5 3 5 4 = x = 4 (somewhat influential)
y = 4 and 5

d) Legal environment 3 2 3 5 5 4 5 2 3 4 = x = 3.6 (middle influential)
y = 3 and 5

e) Taxation System 3 1 3 3 4 4 4 3 3 3 = x = 2.5 (less influential)
y = 3

Clearly, the answers reflect the notion that for US companies with operations in Argentina, the most influential and critical factor generally speaking will be the political and government commitment to economic stability. This is the necessary and crucial basis for sustained growth and progress. Secondly, the currency convertibility and the stabilization of the peso’s value is also of important consideration for firms choosing to invest in various privatization projects and other operations in Argentina. This currency

issue is closely linked to controlled inflationary tendencies which have been drastically reduced in the past few years. Today, Argentina enjoys one of the world's lowest inflation rates. A third important factor is a sound legal environment; this particularly refers to foreign investment regulations. Questions 17 and 18 describe this issue in greater detail. Of course, tied to the legal environment is the established tax structure which appears to

be the "least influential" factor that American firms take into account for opening and maintaining their operations in Argentina.

Q13: This questions seeks a closer depiction of the current Argentine business environment in the eyes of US firms established and also those seeking to open further operations in Mercosur countries directly through Argentina. The respondents were asked to **rank** a set of criteria from 1 (agree least with) to 7 (agree most with).

	Ranks by Company									
a) A favorable social environment	5	4	5	2	3	no answer (Lone Star)	5	7	6	7
b) Minimal government intervention	4	5	4	1	5	no answer	3	7	2	4
c) Privatizations	7	7	7	6	7	no answer	1	7	7	1
d) Free transfer of capital and earnings by foreign firms	2	6	3	7	6	no answer	2	7	6	3
e) Quality of life for foreign executives	3	3	2	3	4	no answer	4	7	7	6
f) A tradition of welcoming foreign companies	6	2	6	5	2	no answer	6	5	6	2
g) Bi-monetary system	1	1	1	4	1	no answer	7	5	7	5

The results in this case are quite somewhat varied depending on the particular industry the company is involved in. However, there are criteria that all share when analyzing Argentina's business environment. For example, the role of privatizations appears to be critical within the overall business environment. Many companies assigned a score of 7 to this particular component. A favorable social environment as well as the free transfer of capital are another two highly regarded characteristics of the present corporate climate in Argentina. What appears to be of lesser consensus as to describing the environment is the bi-monetary system.

Q14: In determining the strength of sales and/ or production in the Argentine- based operations of the company, the respondents once again rated their view from 1 (strong decline) to 5 (strong growth). The results presented were as follows: 3, 5, 5, 5, 5, 4, 5, 4, 5, 5 = mean = 4.6 (towards strong increase). 90 % of companies surveyed rated their operations' as having grown "strongly".

Q15 (a) Examples of privatization projects in which the respondent companies have taken part in are:

- * Creation of new training centers cities
- * Telecommunications (pagers, beepers, cellular phones, and infrastructure)
- * New production and repair plants
- * Government-owned utilities (gas and telephone)
- * Real Estate development and tourism infrastructure
- * Petroleum and oil refining (YPF privatizations)

Q15 (b) The total amount invested from just these companies approximates US\$ 1,448 million. 3 of the ten companies did not provide figures so the total amount would by far exceed this total.

Q16: In analyzing the "After the crisis" situation in Argentina (Please refer to Appendix C for detailed question), 90% of the companies surveyed **agreed** on the following points:

- * Significant foreign and local investments projects were carried out as planned (only 1 company did not affirm this).
- * Foreign reserves and deposits have been recovered after the crisis (only 1 company disagreed on this)
- * Foreign companies in Argentina's steady economic growth has been confirmed.

50 % of the companies surveyed were not too sure whether the banking system has been restructured by means of mergers and takeovers to function more effectively. Only 1 firm agreed with this statement.

Q17: With regards to the newly restructured legal framework existing in Argentina in the treatment towards foreign investment, the firms had to assign a value from 1 (no influence) to 5 (great influence) determining the degree to which the law influenced their operations. The results were as follows: 4, 3, 2, 5, 5, 3, 1, 5, 4, 5 = mean = 3.7. (medium influence on the average). These answers are indicative to the distinctive industries represented. Some firms will be more deeply affected by changes in legal reforms while others will appear untouched by similar legislation. Even though this is the "average", 6 out of the 10 companies surveyed classified the legislation as having some greater impact on their investments in the country. It was the telecommunications (Nortel) and automobile (GM) industries that ranked the legal aspect the lowest on impact.

Q18: For those companies in which legal restructures have had a tremendous impact, some of the changes noticed include: greater flexibility in capital movement, less

restrictions, taxation benefits, free movement of funds will motivate capital inflow, and above all it is described as “basis of a free economy” (Schlumberger Ltd.)

Q19: In rating the future outlook of the firm’s operations in Argentina, the majority of respondents were very optimistic and confident in long-term growth and fulfillment of goals and objectives. Once again, they were asked to assign a numerical value from 1 (very unfavorable) to 5 (very favorable).

The enlightening results were: 5, 5, 5, 4, 5, 5, 5, 4, 5, 3. = mean = 4.6 (highly favorable). The mode = 5 indicates the overall bright prospects for business operations in Argentina.

Q20: This questions attempts to discover the extent to which Argentine-based operations have enabled the company to open new doors into the neighboring Mercosur nations.

8 of the 10 companies responded by affirming that the Argentine operations have indeed opened doors into Brazil. 7 out of the 10 companies said that these operations have “somewhat” opened them up to opportunities in Uruguay. and 4 out of 10 agreed on this same issue with regards to Paraguay. Perhaps the greatest room for improvement lies in setting up new challenges in Paraguay (where, according to 3 of the companies, not much is been done yet).

Q21: The most dramatic changes the companies have listed as a result of Mercosur’s implementation include:

- * Potential lower duties between the member nations and greater accessibility
- * Creating new business needs and demands in neighboring nations
- * Potential plant expansion and development of new manufacturing facilities through increased infrastructure and development.
- * Unlimited customer base potential
- * Future movement of firm’s capabilities and resources across borders
- * Cross-implementation of distinctive competencies and strategy implementation at a larger and “regional market” perspective (larger domain to be covered).

Q22 (a) In listing the short-term prospects and goals of the company as Mercosur eventually grows into a true common market the respondents mentioned the following:

1. Establishing a strong and solid presence in Argentina and Brazil to be able to take advantages of being already in the region in order to expand activities beyond into other Mercosur nations and also neighboring countries.
2. Increasing the movement of goods across borders and setting up new warehouse facilities.
3. Increase market share potential and customer base.
4. Consolidation and rationalization of production

Q22 (b) The long-term goals of the companies include:

1. Take full advantage of the benefits inherent in the liberalization of the movement of capital and other factors of production.
2. Greater Expansion of production capabilities throughout the entire South Cone
3. Focus on the gradual movement towards a continental integration of The Americas from Canada to the tip of Tierra Del Fuego; particular emphasis to FTAA (Free Trade Area of the Americas).
4. Define Mercosur as an integral part of worldwide operations which are becoming more and more interdependent as far as reciprocal trade arrangements and policies are concerned.

Q23: The respondents here were asked to list the competitive advantages that each company believes they must have or try to accomplish to integrate fully with operations within Mercosur. Some of these were: low operation costs, high technology suppliers, financial risk diversification through alliances and partnerships, local partners, creative application of technology, diversification of services, technologies and licensing agreements, high quality control (TQM), efficiency and flexibility, increased capital, unique know-how, and human resources, and implementation of the laws of patent protection .

Q24: Some of the benefits derived from the relationship existing between Argentine-based office with the parent company in the United States and from actually being located in Argentina are:

- * Home office guidance
- * Local presence that is necessary for the effective conduction of business operations and processes.
- * Argentina contributes its share to the company's worldwide volume of activity (multinational company).
- * Investment and management support
- * Tax benefits and accounting services
- * Advanced import and export capabilities
- * Local's people relationship
- * US company strategic thinking and plan implementation
- * US based domestic market links and networking relationships (support for abroad operations)