7 Relations Between Terminals and Suppliers

1 INTRODUCTION

The profitability of the auto TNCs which dominate the terminal end of the Latin American motor industry reflects not only the ability of these firms to generate and realize surplus value, but also their success in appropriating surplus value produced elsewhere in the economy. It is possible to distinguish between transfers from other parts of the motor industry complex and those from the rest of the economy outside the complex. The terminals enjoy a hegemonic position within the motor vehicle complex, reflected in unequal relations between them and their suppliers (particularly parts producers) which supply them with parts and components at favourable prices. They are also able to draw on surplus from the economy as a whole through the financial system. The terminals are in a privileged position which enables them to raise capital both locally and internationally. This has favourable effects on their profitability particularly where (as has often been the case in Latin America) interest rates are negative in real terms.

2 TERMINAL–SUPPLIER RELATIONS IN THE ADVANCED CAPITALIST COUNTRIES

Because of the much greater empirical evidence available on the relationship between terminals and suppliers in the motor vehicle industries of the advanced capitalist countries, and the belief that the auto TNCs which control the terminal industry in Latin America will tend, with certain modifications, to try to reproduce the relationships which they enjoy with their suppliers in their countries of origin, this section considers the situation in North America, Western Europe and Japan. In the following section we analyse the structure of the Latin
American parts and components industry, before finally presenting some evidence of the relations of domination which exist within the Latin American motor vehicle industry.

Before discussing in detail the factors which contribute to the hegemonic position of the terminals within the motor vehicle industry, it will be useful first of all to clarify the factors which contribute to relations of dominance and dependence between capitals. Conventional analysis stresses the issue of market structure and market power reflected in such variables as the level of concentration in particular markets and the market shares of individual firms. Thus within a particular market, firms with large market shares enjoy considerable market power, those with low market shares have little or no market power. In vertical relations between suppliers and buyers the relative concentration of sellers and buyers is seen as the major factor determining the relationship between them. This concept of monopoly power based on market power is too narrow for the purpose of this analysis. It does not fully capture the extent of power of large units of capital (arising from the concentration and centralization of capital), which span many markets both geographically and in terms of products. 'This [corporate] power rarely has anything to do with market structure and the degree of concentration in the industries where they operate; it has more to do with aggregate concentration, absolute size and power over production processes' (Semmler, 1982, p. 110).

The significance of this distinction is immediately apparent in considering the relationships between terminals and suppliers in the advanced capitalist countries. If one considers the parts industry in aggregate it can be seen that it is much less concentrated than the terminal industry. In the terminal industry the four leading firms in all the major producing countries account for 80 per cent or even more of production, and there are usually no more than half a dozen mass producers in any one country. In the parts industry in contrast there are hundreds or even thousands of firms. For instance in the UK and the US there are over 2000 parts firms and in Japan as many as 7000 (EIU, 1977, p. 5; Bhaskar, 1979, pp. 303–4; Price Commission, 1979, p. 60). The majority of these are small or medium sized firms.

Aggregate concentration in the parts industry, however, is less relevant than concentration in the supply of specific parts and components. In many cases in Western Europe parts' suppliers are near monopolists in the products which they supply. Other sectors of the industry are characterized by duopolies or near duopolies such as