economy, emerging markets are particularly prone to financial, political, and other forms of crises.[59] Under these circumstances, some multinationals have simply emphasized opportunities elsewhere by beating a hasty retreat. However, multinationals are often better positioned to bear the pain of crises than domestic companies because of access to capital and other resources from headquarters. Multinationals with a long-term outlook on an emerging market in crisis can exploit relative advantage to sustain and build their operations in the midst of turmoil.

Consider the approach of Swiss firm Tetra Pak during the financial crisis in Argentina in 2001–2002. Tetra Pak sells aseptic packaging materials, and the machinery to fill them, for beverages (such as milk cartons and juice containers) and for other liquid foods (such as tomato paste and ice cream). Because the company's packaging enabled even perishable beverages to be transported and stored without refrigeration, its products helped fill the void of undeveloped cold chain distribution in developing countries. Tetra Pak offered world-class technology, scale, and a global supply chain to bring more efficiency to the food and beverage sector in Argentina, where agriculture and viticulture were major industries. The financial crisis strained the company's model, but Tetra Pak adapted to remain in the country, exploiting its capabilities as a multinational (see table 4-10).

Soon after Argentina went into sovereign default in December 2001, the Argentine government devalued the peso asymmetrically. As a result, receivables denominated in U.S. dollars were slashed to 30 percent of their previous U.S. dollar value, and the U.S. dollar value of import obligations was unchanged. Credit and consumption collapsed, and prices surged upward. In the midst of the crisis, 50 percent of Argentina's population had fallen below the poverty line and the unemployment rate had risen to more than 20 percent.

Tetra Pak had withstood macroeconomic crises in emerging markets before. The company had lost two-thirds of its business in Argentina when the country faced an earlier crisis in 1989, although Tetra Pak's operations in the country were small at the time. The lesson Tetra Pak drew from these crises, according to one company executive, was, "Don't

TABLE 4-10

Tetra Pak in Argentina: Responding to institutional voids

Spotting void question	Specific void	Response
How strong are the logistics and transportation infrastructures? Have global logistics companies set up local operations?	Absent cold chain distribution (product market aggregators and distributors)	Attempted to change market context: Sold goods that substituted for voids in cold chain
What kind of product-related environment and safety regulations are in place? How do the authorities enforce regulations?	Underdeveloped product safety regulatory regime (credibility enhancer)	Replicated: Brought world-class technology and global brand, signifying quality
Is it difficult for multinationals to collect receivables from local retailers?	Asymmetric devaluation and economic crisis rendered contracts unenforceable	Stayed: Renegotiated contracts with customers, substituting, in effect, for insurance companies

change your culture because it pays. We stayed in Mexico. We stayed in Russia. It pays, but let's try to manage it a bit more professionally to see how we can mitigate the losses. We will have losses, but we can mitigate them."[60]

The company first looked at the fundamentals of the market in Argentina—such as the fact that it is one of the lowest-cost milk producers in the world and among the highest per capita consumers of wine—and decided that it should stay in the market irrespective of the crisis. "Different from firms, countries may go bust, but they don't die," said one company executive. "They always come back again. A company can go bust, and then you lose all your money. Usually in a country, you always have a second chance. Up to now, it has always proved right for us."[61]

Beyond the losses from Argentina's general economic turmoil, the asymmetric devaluation put Tetra Pak in a particular pickle. Tetra Pak's business model globally was predicated on long-term relationships with suppliers as well as customers. To maintain its reputation for product safety and quality, Tetra Pak set strict specifications for its input supplies, and these were most easily and consistently met by long-term partners.