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**Multinational Enterprises and Local Systems of Innovation:  
The Case of the Automotive Industry in Brazil**

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**Abstract**

The recent process of globalization; with the emergence of the paradigm of Information and Communication Technologies (ICTs), the liberalization of the markets, and the intensification of international competition; poses new challenges to the national systems. In the case of developing countries, the fragility of national systems of innovation and the instability of the macroeconomic variables add complexity to the above challenges. This paper is part of the author's Ph.D. thesis, which analyses the role of Foreign Direct Investment (FDI) and multinational enterprises (MNEs) in the process of globalization, as well as their impact on developing countries, using the approach of systems of innovation.

In this paper, I discuss the capacity of local systems in the automotive industry in Brazil to innovate and promote the socioeconomic development, in light of the recent changes in the country's economy. In order to do so, I present: (a) the current path of the FDI in Brazil; (b) the recent performance of the automotive industry in Brazil - stressing the location features of the new investments; and (c) the main characteristics of the links between the agents in two local arrangements.