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In early March, the Trade Secretariat (Secretaria de Comercio y Fomento Industrial, SECOFI) reported that US$2.37 billion in foreign capital was invested in Mexico during January 1993, three times the amount invested in the first month of 1992. SECOFI spokespersons attributed the high investment levels that month to enactment of the North American Free Trade Agreement (NAFTA) and to Mexico's new Foreign Investment Law, which reduced restrictions for foreign companies seeking to expand operations into the country.

The SECOFI statistics showed, however, that only a small portion of the new investment, about US$47.7 million, went into direct investment projects. The rest was placed in the Mexican Stock Exchange (BMV) in the form of stocks and bonds. Analysts refer to this as "soft" investment, because the funds can be withdrawn more easily from Mexico than money invested directly.

Fernando Hefty Etienne, SECOFI's director of foreign investment, told reporters on March 16 that the foreign funds placed in the BMV, especially stocks, are an important source of capital allowing Mexican companies to embark on expansion projects. He estimated that at least 7,000 companies in Mexico rely on foreign capital for over 50% of the funds used to finance their operations. Hefty estimated that US$15 billion in foreign capital will be used to finance about 10% of the country's manufacturing and other productive activities during 1994. He said Mexican companies and the federal government are expected to account for the additional 90% of the anticipated expenditures.

According to SECOFI, investments placed in Mexico during January were channeled primarily toward the manufacturing sector (38%), the retail industry (26%), services (10%), and construction. Almost 65% of the foreign funds came from US sources, about 25% from countries in Latin America, 8% from members of the European Union (formerly the European Economic Community, EEC), about 2% from members of the European Free Trade Association, and less than 1% each from Canada and the Pacific Rim countries.

In related news, in a recent survey of 1,250 US businesses conducted by the US-based financial analysis organization The Conference Board, respondents cited Mexico as the second-most preferred country for joint ventures. The results, released on March 8, showed that roughly 5.3% of the firms said they had entered into partnerships with Mexican companies. Respondents cited the close proximity of Mexico to the US and the country's strong potential for economic growth as reasons to seek joint ventures in that market. The only country with a higher percentage of joint ventures with US companies was Japan, with a 13.5% rate. Mexico was followed by India (4.7%) and China (4.5%).

According to the report, in recent years US companies have entered into partnerships with Mexican companies in such areas as telecommunications, food and beverage production, financial services, transportation, and a number of direct manufacturing operations. In addition, the survey said

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Mexico ranked fourth among countries where US businesses have established manufacturing plants. Roughly 5.9% of the respondents said their company has established at least one plant in Mexico. Since the start of the year, US and other foreign companies have continued to seek a foothold in the Mexican market through direct investments or through joint ventures with Mexican partners. Joint ventures have been formed in diverse industries. For example, in mid-March, printing companies John Harland Co. of Atlanta and Miguel Galas S.A. of Mexico City formed Galas Harland, a new joint venture which will print personal and commercial checks for the Mexican market. Harland, which in recent years has reported annual sales of US$520 million, is considered one of the top providers of check printing and related services to the US financial services industry.

In another recent transaction, US automatic teller machine manufacturer Diebold Inc. announced the purchase of the Hidromex distribution network from Grupo Industrial Mangino. Following the transaction, Diebold established a wholly-owned subsidiary, Diebold de Mexico, to market, distribute, and service automatic teller machines and electronic security equipment in Mexico. Hidromex, which until now accounted for about 80% of the ATM market in Mexico, will continue to manufacture some of the equipment for Diebold. Also in March, the US subsidiary of German automobile parts manufacturer Siemens announced plans to open a factory in Guadalajara to produce air bags, remote control systems for locks, anti-lock brakes, and control units for transmissions. The company will invest US$60 million at the plant in Guadalajara, which will initially employ 200 workers.

In addition to US companies, firms based in other countries are forming joint ventures with Mexican companies. For example, on March 11, Monterrey-based Cigarrera La Moderna announced a joint venture with the China National Tobacco Corp. to develop two different products, one for sale in China and the international market and another to be marketed in North America. The product developed for the North American market will be a herbal cigarette similar to the product the Chinese company already exports to South Korea and Japan. Cigarrera La Moderna produces approximately 31 billion cigarettes a year and markets 28 different brands nationally and internationally, including the popular Mexican brands Raleigh, Montana, and Fiesta. The company accounts for a 56% share of Mexico's domestic cigarette market.

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