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Mexican Companies Aggressively Seek Investments In Latin American Countries

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In recent months, Mexican companies have moved aggressively to expand operations to other countries in Latin America, encouraged by an easing of investment rules and the growing trend to privatize state enterprises. In most cases, Mexican companies have invested in Latin America by acquiring full or partial shares of existing businesses. In fact, two of the most recent business ventures by Mexican companies in Latin America, both announced in August, involved purchases of shares of almost 100% of companies in Panama and Chile. In the Panamanian purchase, Mexico's cement giant CEMEX which already owns full or partial shares of cement companies in Spain, the US, and other countries outbid Colombian and Panamanian companies to acquire a 95% share of the state-owned Cemento Bayano. According to the firm's corporate director, Lorenzo Zambrano, Cemex paid US$57.6 million for its share of Bayano. Under the purchase agreement, the remaining 5% of the company will remain in the hands of Bayano employees. According to the sale terms, Cemex will not have to assume any of Bayano's outstanding debt. In winning the bid, Cemex beat out two companies owned partly or wholly by Colombian interests: the Cardenas-Gerlein and Shar consortium, and Corporacion Nacional de Cemento. Bayano currently produces about 360,000 metric tons of cement per month, all of which is sold in the Panamanian domestic market. According to Zambrano, long-term plans include the possibility of increasing production capacity to export cement from the Panamanian plant to other countries in Latin America and the Caribbean. In another transaction in August, Grupo Bufete one of Mexico's top engineering companies announced the purchase of a 99.8% share of Chilean engineering concern Ovalle Moore. According to El Financiero International weekly business newspaper, Bufete paid US$4 million for the Chilean company. Under terms of the agreement, Ovalle had to reduce its debt by US$17 million before Bufete could complete the purchase. This year, Mexican companies have also expressed interest in investing in Peru in such sectors as banking, telecommunications, mining, and water treatment. In fact, during August two Mexican mining concerns Grupo Industrial Minero and Frisco were among the 20 mining firms that qualified to bid for Peru's state-owned mining company Tintaya. The winning bidder, which will be announced in September, is expected to invest about US$85 million in the operation. The two Mexican companies are competing with mining companies or consortia from Australia, Brazil, Canada, Chile, China, Great Britain, South Africa, South Korea, Switzerland, and the US. Also offering strong possibilities for Mexico are countries which recently signed bilateral or multilateral free-trade agreements, such as Costa Rica, Colombia, and Venezuela. Over the past several months, Mexican companies have participated in trade fairs in Bogota and in San Jose, not only to exhibit their products, but also to explore joint ventures with local companies. Mexican companies have also aggressively expanded into the Cuban market this year, investing in a wide variety of sectors such as telecommunications, energy, textiles, and hotel construction. In fact, in early August Cuba's Economy and Planning Ministry told the Wall Street Journal that Mexico this year became Cuba's principal source of foreign investment, surpassing Spain and Canada. In the latest venture, announced in mid-June, the Mexican telecommunications company Grupo Domos International SA acquired a 49% share in the Cuban Telecommunications Enterprise. Under the
deal, Domos agreed to pay US$740 million for its share of the telephone company, in addition to investing the same amount over seven years to improve the island's telephone system. Also during June, the Mexican glass manufacturer Vitro signed an agreement with Cuba's state-owned glass producer. Vitro president Ernesto Martens Rebolledo raised the possibility that Vitro might also invest in the telecommunications sector in Cuba, possibly becoming a partner in the Domos project. Moreover, Martens said Mexico's Foreign Trade Bank (Banco Nacional de Comercio Exterior, Bancomext) is studying the possibility of funding a number of investment and export projects with Cuba. The enactment of the North American Free Trade Agreement (NAFTA) on Jan. 1, 1994, has also presented a number of investment possibilities for Mexican companies in the US, especially in the food sector. According Alva Senzek, a columnist for El Financiero International weekly business newspaper, in mid-August Mexico's Grupo Minsa acquired a corn milling plant in Iowa to produce corn meal for tortillas in the US. Senzek said Mexico's prominent bakery products company Grupo Bimbo is negotiating an even more ambitious investment the purchase of US food company General Mills, which is based in Minnesota. (Sources: Associated Press, 06/13/94; Spanish news service EFE, 06/22/94, 07/03/94; Agence France-Presse, 08/03/94; Notimex, 07/21/94, 08/03/94 08/11/94; La Jornada, 08/19/94, 08/20/94, El Financiero International, 08/22/94, 08/29/94)