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In the aftermath of the peso devaluation, the Mexican government is taking steps to attract new direct investments in Mexico. In addition, President Ernesto Zedillo's government is assisting foreign investors that already have local operations established to maintain their investments in the country. The push to attract direct investment is aided in part by President Ernesto Zedillo's move to privatize a number of remaining government enterprises, which should bring an infusion of capital into strategic enterprises, such as the railroads, telecommunications, and the petrochemical industry.

Beyond attracting foreign capital to the large enterprises, however, the Zedillo administration must also take steps to ensure continued investor confidence in other sectors of the economy. "The genuine challenge is to switch from speculative Mexican investment [in government bonds] to real investment in actual equipment and infrastructure," said analyst Graeme Broamley of Mexico City-based Stratec Consultants. "Such refocusing will create greater employment, generate higher demand, and provide healthier, less risky returns."

So far, since the peso devaluation began in December, the only relatively large, new direct investment in the country is a partnership between C-TEC Corporation of New Jersey and Sinaloa-based Megacable in the cable television sector. Under the agreement, which was announced on Jan. 25, C-TEC purchased a 40% share of Megacable for about US$84 million and in the process gained six seats on the board of directors of the Mexican company. Megacable has more than 174,000 subscribers in 12 cities in western Mexico. Financing for the transaction was provided by Chase Manhattan Bank. According to Chase Manhattan officer Brian O'Neill, certain sectors such as cable television remain a viable investment option to foreign companies despite the uncertainty caused by the devaluation of the peso. Megacable is Mexico's second-largest cable television concern in Mexico. "With C-TEC as our partner, we expect to accelerate our construction, improve our technology, and expand into new markets," said Megacable chief executive Enrique Yamuni Robles, in an interview with the Associated Press.

Meanwhile, in addition to attracting new investments, the Zedillo administration is also counting on foreign financial institutions to play a strong role in supporting existing direct investment in Mexico. Some of the financial institutions that recently received permits from the Finance Secretariat (SHCP) to establish or expand operations in Mexico are lending a hand in the effort. Chase Manhattan's financing for the C-TEC and Megacable joint venture is one example. In fact, Chase Manhattan officials have emphasized that the transaction highlights the bank's ongoing confidence in the Mexican economy.

In addition, during January the US banks Citibank and J.P. Morgan agreed to restructure loans for the giant Monterrey-based cement company Cementos Mexicanos (CEMEX). According to the Wall

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Street Journal, CEMEX is a relatively low risk for the two banks, since the company the world's fourth largest cement manufacturer has diverse operations around the world (including Spain, Venezuela, and Panama) and has consistently shown the ability to make profits. Indeed, during the October-December quarter of 1994, CEMEX reported an increase of 6.8% in profits relative to the same period in 1993. In addition, the company reported an increase in sales of 8% from the same period in 1993. Still, CEMEX is having to deal with many of the same pressures faced by most Mexican companies, mainly that the roughly 40% devaluation of the peso since late December has reduced the ability of the company in meeting debt obligations. In 1993, for instance, CEMEX issued a US$1 billion debt offering on world markets which it must still repay. To help CEMEX cope with the impact of the devaluation, Citibank and J.P. Morgan have provided CEMEX with dollar-denominated loans. That should act as a buffer against further devaluation, allowing the company to more easily meet its debt obligations. (Sources: El Financiero International, 01/16/95; Associated Press, Agence France-Presse, Notimex, 01/25/95; New York Times, 01/26/95; Wall Street Journal, 01/27/95; La Jornada, 01/26/95, 01/28/95)

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