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During a trip to the US in mid-October, President Ernesto Zedillo gained a pledge from more than a dozen US companies to expand their investments in Mexico. The US companies agreed to increase their total direct investment in the country to US$12.1 billion by the year 2000. Of the total, US$7 billion is projected for long-term infrastructure and energy-related projects, and the rest for direct investment projects to be completed by 1998. The promise by the US companies to increase their financial commitments in Mexico was a response to a direct plea from Zedillo. "We invite you to come to Mexico to invest there, to manufacture, to buy, to sell, and to work with some of the finest laborers in the world," said Zedillo, during a meeting of the Economic Club of New York and the Council of the Americas.

In his speeches, Zedillo made a special effort to reassure investors that the Mexican economy is not only recovering from the impact of the peso devaluation in December of last year, but has the potential to become a "high growth" economy. "The threat of financial insolvency that confronted us only a few months ago has vanished," Zedillo told business leaders. He predicted that inflation will continue its gradual decline and that GDP growth would resume by 1996. Some of the companies that pledged greater involvement in the Mexican economy are entering areas that the government has already opened or is about to open to the private sector. These include long-distance telephone service, distribution and storage of natural gas, electricity generation, and the petrochemical sector. The companies not entering those sectors pledged investments in food production, poultry processing, financial services, and other sectors.

Among the companies that pledged increased investment are AT&T, GTE, and Nextel (telecommunications); Pilgrim's Pride (poultry processing); Hotelier Journey (hotel construction); International Paper Co. (paper); Dupont (petrochemicals); Kraft (consumer products), AIG-GE Capital and Mogul (financial services); Eastman Kodak, Delco, and TRW (manufacturing); and Amoco (retailing). One executive, Jorge Escalona of AT&T de Mexico, said his company expects to spend more than US$1 billion to set up a telephone network in Mexico. AT&T is entering the Mexican market in partnership with Monterrey-based Grupo Alfa. The AT&T-Alfa partnership has not yet received a formal concession from the Communications and Transportation Secretariat (SCT), but is expecting a response in the next several months. In addition to providing telephone service, AT&T de Mexico's investment involves construction of a plant in Guadalajara to produce telephone equipment for consumers. Another US telephone company, GTE, is also bidding for concessions in Mexico in partnership with Grupo Financiero Bancomer through their Unicom joint venture, which the two companies formed in October of 1994.

Still another company that pledged support in the communications sector is Nextel, which promised to invest about US$5 million in the next year. Nextel expects to channel its investment through Corporacion Mobilcom, Mexico's largest radio communications company. Nextel acquired a 22%

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share of Mobilcom in mid-1994 (see SourceMex, 06/22/94). The Nextel-Mobilcom partnership is competing with Bell Atlantic-Grupo Iusacell and Telmex's Telcel for a share of Mexico's cellular telephone communications market. The pledge by US companies to increase investments in Mexico over the next five years is very timely. In early October, the Trade Secretariat (SECOFI) announced that direct foreign investment registered by the agency in Mexico so far this year has been much slower than anticipated.

SECOFI officials said about US$7 billion in direct investments have been registered with the Mexican government, but a portion of that may involve projects already committed in 1994. On the other hand, SECOFI's deputy secretary, Jaime Zabludovsky, explained that many potential foreign investors had not canceled plans to enter the Mexican market, but were merely taking a wait-and-see attitude because of the economic crisis that resulted from the devaluation of the peso. Zabludovsky told reporters that direct investment has been gradually returning to Mexico in recent weeks. SECOFI said the US has been the largest source of foreign investment in Mexico thus far, spending about US$29 billion as of year-end 1994.

The US was followed by Britain, Germany, Japan, Switzerland, France, and Spain. According to SECOFI statistics, the manufacturing sector has managed to attract 50% of all direct foreign investment. After manufacturing, the next most common destination for direct foreign capital was the service sector, followed by the extractive industry (such as mining). SECOFI noted that direct investment in agriculture is increasing gradually and has reached about US$210 million, but the sector remains undercapitalized. (Sources: La Jornada, 10/03/95, 10/11/95, 10/13/95; Agence France-Presse, Reuter, 10/11/95; Reforma, 10/12/95; El Financiero International, 10/16/95)

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