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In a report published in late March, the Secretaria de Comercio y Fomento Industrial (SECOFI) said direct foreign investment in Mexico totaled US$10 billion during 1997, an increase of about US$1 billion over the US$9 billion in foreign capital invested during 1996. The increase in direct foreign investment coincides with a report published by the UN Conference on Trade and Development (UNCTAD), listing Mexico as the eighth most important destination for foreign investment.

Mexico's strong attraction for foreign investment has been partly the result of the Asian financial crisis, which led many foreign companies to place more capital in Mexico. But the strong influx of foreign capital is also related to tax breaks and other benefits offered by the Mexican government. Some Mexican business leaders have complained that these incentives for foreign businesses have created an uneven playing field for domestic industries. "We welcome foreign investment, but our government should offer domestic companies the same incentives," said Jorge Marin Santillan, president of the Confederacion de Camaras Industriales (CONCAMIN). "After all, we account for two- thirds of Mexico's annual GDP."

## *Some foreign firms acquire shares in Mexican companies*

Marin, in an interview with the weekly news magazine Proceso, raised concerns that many foreign investors were entering the Mexican market by acquiring majority shares in existing companies, either through direct transactions or through the stock market. "Foreign companies are buying off everything from breweries, satellites, and banks to cigarette companies, textile operations, and fisheries," Marin Santillan said.

Marin said the growing presence of foreign companies in Mexico has put many Mexican industries in the hands of multinationals. "Multinational companies with access to vast amounts of capital are acquiring Mexican firms weakened by the economic crisis," said Marin. "This is occurring on a massive scale, reducing opportunities for Mexicans to grow and expand our companies." In recent years, multinational companies based in the US, Canada, Chile, Britain, Spain, the Netherlands, Germany, Japan, Italy, France, South Korea, and other countries have established or expanded operations in Mexico. The US companies include Philip Morris Products, Procter & Gamble, Anheuser-Busch, Bell Atlantic, Wal-Mart, and Chase Manhattan Corporation.

Economist Manuel Monreal Macias of Universidad Obrera de Mexico (UOM) said foreign participation in the Mexican economy was expected to expand further this year because of scheduled privatizations. President Ernesto Zedillo's administration is expected to offer concessions for several seaport and airport management units, the sale of shares in the country's petrochemical plants, and the auctioning off of bank debt. "The government will auction off 534 billion pesos (US $63 billion) of the country's patrimony in 1988," said Monreal. He said the benefits of privatization were not limited to multinational companies, but also to 26 powerful Mexican conglomerates such

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as Grupo Alfa and Televisa. Study cites need for more domestic maquiladora suppliers Another concern regarding foreign investment is the relatively small amount of direct investment in Mexico devoted to companies that will supply the maquiladora sector.

A recent study published by the Centro de Estudios Economicos del Sector Privado (CEESP) said the government has made token efforts to develop domestic suppliers for the maquiladora sector, but has not taken sufficient steps to encourage foreign companies to establish maquiladora-supply operations nor facilitated the creation of such companies by Mexican nationals. Only a handful of US and other foreign companies have established operations in Mexico to supply maquiladora plants. One such company, Phelps Dodge Corp., recently inaugurated a plant in Nuevo Leon state to supply magnetic wire to maquiladora plants in Tamaulipas state and to Mexican manufacturers. Until now, the company had supplied the Mexican market through its plants in Texas and Kentucky.

CONCAMIN's Marin Santillan pointed out that the inclusion of maquiladora statistics in the monthly trade-balance reports resulted in misleading data. He said more than US$2 billion of the export total was re-exports from the maquiladora sector. "If you considered only exports from domestic manufacturing companies, we would have a trade deficit instead of a trade surplus for 1997," said Marin.

While many foreign companies continue to invest heavily in Mexico, many Mexican firms have also expanded their operations in the US and other countries. Grupo Bimbo recently announced the purchase of Texas-based bakery Mrs. Baird's. The Mexican company was the highest bidder among six companies, which included US bakery-industry giant Interstate Bakeries Corp. The purchase of Mrs. Baird's, completed in late March, will expand Grupo Bimbo's presence in the US market. The company already operates two bakeries in California and a tortilla factory in Ohio.

This was Grupo Bimbo's second attempt to acquire Mrs. Baird's. In early 1994, Mrs Baird's agreed to sell 50% of the company to Grupo Bimbo (see SourceMex, 02/16/94). That deal was dropped by mutual consent while Mrs. Baird's underwent a US Justice Department investigation and conviction on price-fixing charges and a subsequent settlement that led to a bankruptcy reorganization (see SourceMex, 10/19/94) [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Apr. 15, reported at 8.47 pesos per US$1.00] (Sources: Proceso, 10/26/97; Notimex, 10/22/97, 03/25/98, 03/26/98; El Diario de Yucatan, 03/27/98; The Dallas Morning News, 03/26/98, 03/30/98; Reuter, Associated Press, 03/30/98; El Economista, 09/19/97, 03/23/98, 03/30/98, 04/02/98; El Nacional, 04/02/98; Excelsior, 04/06/98; The News, 04/14/98, 04/15/98)

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