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LADB Staff

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Mexico's CEMEX Acquires Chilean Cement Company, Bids for Egyptian Firm

by LADB Staff

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Cementos de Mexico (CEMEX), the world's third-largest cement manufacturer, continued its global expansion this year with a new venture in Chile and a bid for Egypt's state-run cement manufacturer Assiut. CEMEX entered the Chilean market in early June when the company acquired a 12% share in Chile's Cementos Bio Bio for about US\$34 million.

The transaction also provided CEMEX an entry into the Bolivian market, since Cementos Bio Bio owns a 36% share in Bolivia's Cementos Saboce. CEMEX's expansion into Latin American markets this year has included the purchase of shares in the Colombian cement company Diamante and in Mexican competitor Tolmex.

The Mexican company has also made strong inroads in Southeast Asia this year by expanding its presence in the Philippines and Indonesia. In its Philippine transactions, CEMEX acquired APO Cement for US\$400 million and increased its share in Rizal Cement to about 70%. Similarly, CEMEX spent about US\$200 million to boost its stake in Indonesian cement manufacturer Gresik to 22.5% from a previous 14%.

Company officials say the company is now attempting to gain a foothold in northern Africa. In late June, less than a month after completing the purchase of a share in Bio Bio, CEMEX announced its intention to participate in the Egyptian government's sale of a 77% share of Assiut Cement. CEMEX, one of 15 companies seeking to acquire the majority share in Assiut, is expected to face stiff competition from European giants Lafarge of France and Germany's Heidelberg Zement.

The results of the Assiut privatization are expected sometime in July. CEMEX's aggressive expansion has boosted the company's production capacity to 61 million metric tons annually, third only to Swiss cement manufacturer Holderbank and France's Lafarge.

WTO to hear Mexican complaint against US cement tariffs

On a related matter, the World Trade Organization (WTO) has scheduled a review in August of Mexico's complaint against a US duty levied against imports of Mexican cement since 1990. President Ernesto Zedillo's administration pushed for the review at the request of Mexican cement manufacturers CEMEX, Apasco, Cruz Azul, Moctezuma, and Grupo Cementos Chihuahua. Javier Prieto, president of the Camara Nacional del Cemento (CANACEM), said a favorable review by the WTO toward Mexico could result in the elimination of the US tariff as early as 2000.

The duty, imposed on Mexican gray cement and clinker, has ranged between 36% and 120%, depending on the company and on the year. Prieto said the anti-dumping duties have caused

Mexican cement exports to the US to drop to 10% of the country's total production, compared with 20% in the early 1990s.

The CANACEM president complained that the US restrictions were placed on Mexican cement despite the commitment of the two countries to free trade under the North American Free Trade Agreement (NAFTA). "It is ridiculous that the US is importing 20 million MT of cement from countries such as Denmark, Turkey, Greece, and Thailand at the expense of its free-trade partner," Prieto told Reuters news service.

The issue has already come before NAFTA. In September 1996, a special NAFTA dispute-resolutions panel voted unanimously to uphold countervailing duties imposed by the US government against the imports of Mexican cement (see SourceMex, 1996-09-18). That panel was formed primarily at the request of CEMEX and Cementos Chihuahua. (Sources: Reuters, 06/02/99, 06/24/99, 06/25/99; El Economista, 06/03/99, 06/25/99; Excelsior, 06/25/99)

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