

**DIVESTITURE AND DEREGULATION OF PUBLIC
ENTERPRISES: THE MEXICAN CASE**

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PREFACE

The objective of the Regional Project on Policy Reforms to Increase the Effectiveness of the State in Latin America and the Caribbean (HOL/90/S45), which ECLAC is executing with cooperation from the Government of the Netherlands, is to identify reforms that allow the States of the region to implement effective policies for pursuing the interrelated goals of macroeconomic stability, changing production patterns for attaining sustained growth, and social equity.

With this objective, the project seeks to analyse actual processes of public policy reform, from the perspective of an explicit view of State reform and how it relates to interest groups and social actors, in the context of the challenges facing the countries of the region during the current phase of their development, and the new functioning of their economies.

To achieve that objective, reform processes in different areas of public policy are analysed in a number of countries in the region that have undertaken such reforms. The areas selected are: tax reforms, privatization of public enterprises, reform of trade regimes, labour reforms and reforms in areas of social policy. The countries chosen are: Argentina, Bolivia, Brazil, Colombia, Costa Rica, Chile and Mexico.

In turn, comparative analyses -between countries- are made of reforms carried out in each of the instrumental areas selected, for the purpose of drawing lessons applicable to each policy area, on the basis of the different national contexts.

Finally, analyses of reform processes in each country are integrated into a multidimensional view of the reform of the State taking place in each of them, in order to draw conclusions about the determinants and possibilities of State-reform strategies in Latin America and the Caribbean.

I. INTRODUCTION

The objective of this document is to give an overview of the reform -concentrating on divestiture- of the public enterprise (PE) sector in Mexico.¹

The Mexican case is both relevant and interesting. Mexico is seen in many circles as a paragon to be followed by other countries. It is one of the few countries that has reformed its economy and -at least apparently- obtained macroeconomic stabilization while continuing to meet its foreign debt obligations. Amongst the reforms can be mentioned foreign trade liberalization, financial sector reform (including the privatization of commercial banks), and deregulation of some aspects of domestic activity. With respect to divestiture, it has sold a large number of PEs and the public sector has completely withdrawn from a large number of economic sectors.

As from 1983, Mexico initiated a reform of the PE sector which, although it started hesitantly, has gained momentum to such a point that by 1992 the country had divested most public enterprises. The public enterprise reform design and temporal pattern reflects a combination of different factors. Firstly, it is both a cause and a consequence of Mexico's radical shift in its development strategy towards private investment and non-petroleum exports as "motors of growth". The withdrawal of the public sector from direct intervention in production and distribution, and deregulation of the economy, are thus part and parcel of this strategy. Secondly, divestiture can be seen as due to the debt crisis and negative foreign shocks (the fall in petroleum prices and increasing real foreign interest rates) which have led to resource constraints making it necessary to radically reduce the fiscal deficit as part of the stabilization policy, as well as encouraging capital inflows. Thirdly, Mexican policy-makers felt that the PE sector had become "too large" but at the same time it was not achieving the goals that were set for it, and indeed with the existing structure it could not do so. The reform process was also given impetus by the cross-conditionality imposed by the International Monetary Fund and the World Bank, and the pressure from foreign creditors in general.

The main objective behind privatization is -or should be- efficiency gains on the assumption that the public sector has a comparative disadvantage in the production and marketing of non-monopoly goods and services compared with the private sector. However, four other considerations also enter into decisions to privatize: (i) the public sector's financing needs and (ii) the country's foreign exchange needs, both of which reflect policy-makers' macroeconomic concerns; (iii) finding owners that will manage the assets in the most efficient manner, while ensuring a privatization cooperative environment that will avoid allocative inefficiency but ensure internal efficiency², these latter two considerations

being concerned with economic efficiency *per se*, and (iv) equity considerations, that is, fairness in the distribution of the rents from privatization. This last point suggests that the social-political matrix of the country, particularly in its definition of the relative autonomy of the State, will play a key role in the divestiture process.

In this document, we first discuss the macroeconomic context in which divestiture has occurred (Chapter II). The macroeconomic aspects are relevant to the extent that the rate of divestiture and temporal profile reflected macroeconomic concerns (for example, fiscal income and foreign exchange requirements). In the following section we briefly discuss the political economy of divestiture, attempting to answer two questions: why did the Mexican Government decide on divestiture, and how was potential resistance to divestiture avoided? In the fourth section we discuss the general reforms of the PE sector, including changes in the economic environment, changes in managerial and regulatory bodies, and the restructuring of individual PEs. In Chapter V we analyze divestiture *per se*, and in Chapter VI we evaluate the results of the divestiture programme. We end the document with some tentative conclusions.

II. THE MACROECONOMIC CONTEXT

PE reform in Mexico took place in a period characterized by macroeconomic stabilization and structural change. The macroeconomic context is an important element in understanding the rhythm and timing of divestiture.

The administrations of Miguel De la Madrid, from 1983 to 1988, and Carlos Salinas de Gortari, from 1988 to the present, have focused on the following areas:³

- i) reducing inflation;
- ii) obtaining positive sustained and sustainable growth of per capita GDP;
- iii) reducing the external debt problem, and
- iv) creating a more open and market-oriented economy via:
 - foreign trade liberalization,
 - reduction of direct government participation in the economy,
 - more liberal treatment of direct foreign investment and technology transfer,
 - a more efficient capital financial market.

The evolution of the economy and policy can be subdivided into two main periods: 1983 to 1987, and 1988 to the present.

Originally the De la Madrid administration planned two years of shock adjustment, two years of consolidating stabilization, and two years of sustained economic growth at around 6% p.a. During the 1983-1987 period, macroeconomic policy was dominated by fiscal restriction (although with an increasing debt service, itself partly reflecting amortization due to the inflation rate), tight monetary policy, and major realignments of the exchange rate, as well as attempts to obtain a nominal interest rate that would give a positive real rate and a positive margin over interest rate parity. The external economy, however, was unfavourable as it implied high and rising real interest rates on foreign debt, non-availability of fresh voluntary loans, and deteriorating terms of trade (especially falling petroleum prices). During this period, the economy was, in general, dominated by high and variable inflation rates, sustained economic recession, and large real transfers abroad.

After a sharp recession in 1983, and only a marginal fall in the inflation rate, positive economic growth resumed in 1984. By 1985, however, the current account was moving sharply into a deficit, and the country had a foreign exchange crisis in mid-year. This led to sharp devaluation of the exchange rate and the reimposition of restrictive fiscal and monetary policy. Furthermore, in 1986 a severe fall in international petroleum prices

meant an income loss equivalent to 6% of GDP. Given the lack of external financing, most of the adjustment in that year had to be borne internally.

The crisis in mid-1985 was interpreted by policy-makers as showing that:

- (i) they had underestimated the limitations imposed by the foreign debt burden;
- (ii) structural reform measures -such as foreign trade liberalization and divestiture- had to be accelerated, and
- (iii) there was a need to reduce the country's vulnerability to oil prices.

Policy during 1986-87 consisted of maintaining the real exchange rate "undervalued", in a context of fiscal restriction. In other words, the main policy objective again reverted to improving the current account of the balance of payments. The result was an acceleration of inflation, a fall in economic growth, but an improvement in the current account. The precariousness of the economy was made evident by the events of late 1987. By the end of 1987, after a stock market crash, inflation -which had been high but stable- was again accelerating, economic growth was poor and there was again capital flight. Policy in late 1987 and early 1988 was therefore characterized by a sharp devaluation of the exchange rate, an increase in minimum wages, large rises in public sector prices and tariffs, and fiscal and monetary contraction. The aim of the increases in prices was to realign relative prices, which had deteriorated during 1986-87.

The policy-makers' interpretation was that:

- (i) stabilization required a radical reduction in the inflation rate. The underlying cause of inflation was the fiscal deficit, but there was also a big component of inertia. Thus, policy to break the inertia was necessary;
- (ii) a further reduction in real wages, an increase in unemployment, and further reductions in "social wages" would be politically difficult to implement;⁴
- (iii) it was essential to reverse resource transfers, so that what was necessary was a significant reduction of the debt overhang problem, encouragement of capital repatriation, and the attraction of direct foreign investment.
- (iv) structural reform measures, including the privatization of commercial banks (particularly those that would attract capital inflows) and DFI, had to be further accelerated and deepened.

Since March 1988, policy has been oriented towards two central goals: reducing the inflation rate, and encouraging net capital inflows. Thus, policy-makers accepted that a "transitory" increase in the current account deficit was inevitable. Policy was dominated by a social pact -the Economic Solidarity Pact- which involved the partial freezing of wages and public sector prices, and the use of the exchange rate as the nominal anchor. The inflation rate fell radically, although it is still above the USA level, and there was positive growth of the per capita product. However, the current account deficit began to double year by year and reached 6% of GDP in 1992. Nonetheless, the capital account was increasingly in surplus, and was sufficient to cover the current account deficit and increase foreign exchange reserves, thereby sustaining the exchange rate policy.

The late 1980s was also a period in which Mexico implemented a number of structural reform measures aimed at greater use of market mechanisms.

Mexico started the 1980s as a relatively closed economy. Foreign trade policy was characterized by a whole range of instruments: licenses, official prices, tariffs, etc. In general, trade policy became more restrictive when foreign exchange was scarce and more liberal when it was more abundant. In 1985, however, in the midst of the balance of payments crisis, the government started a policy of gradual and selective trade liberalization. In 1987 foreign trade policy shifted towards across-the-board radical trade liberalization, the practical elimination of licenses and official prices, and the homogenization and reduction of tariff rates. The net result was that Mexico shifted from highly positive real protection rates towards negative rates, and Mexico has now negotiated a Free Trade Agreement with the USA and Canada.

Substantial regulatory changes occurred in 1990 as regards direct foreign investment and technology transfer, though both were changes in existing regulations and bye-laws rather than changes at the congressional level. Originally the Mexican Foreign Investment Act of 1973 was interpreted to mean maximum foreign equity ownership of 49%, subject to prior approval of the Foreign Investment Commission, in areas that were not defined as exclusively for the State. The new regulations provide that, except in areas reserved for the State and Mexican nationals, wholly-owned foreign investment will be automatically authorized if the capital does not exceed US\$ 100 million, the project is located outside the three main industrial centers, it is wholly financed externally, and the project's balance of trade is positive for the first three years. The new regulations also significantly reduce bureaucratic procedures and formalities.

With respect to public foreign debt policy, there have been three main phases: i) increased official financing from the IMF and the World Bank, along with Paris Club rescheduling; ii) during the 1983 to 1987 period, restructuring of the external debt in three separate rounds of negotiations, and iii) from mid-1986 onwards, a shift towards debt reduction policies via (a) debt/equity swaps and (b) debt/bond swaps under the Brady Plan in 1990.⁵

The late 1980s also marked the beginning of liberalization of the financial sector. The following steps were taken: i) in 1988, banks were allowed to determine interest rates and maturity dates of deposits; ii) the complex legal reserve requirements were eliminated and replaced by a 30% liquidity ratio that had to be held in government securities or interest-bearing deposits in the Central Bank (the liquidity ratio was eliminated in September 1991); iii) in 1991 legislation was adopted to allow private ownership of banks and the formation of financial groups, and iv) privatization of 18 commercial banks took place between June 1991, when the first bank was sold, and June 1992 when the last one was privatized.

In addition, a number of other non-financial activities were deregulated or are in the process of revision.⁶ Among the most important, in terms of economy-wide effects, is transport, and within transport, road haulage -the most important form of transport in

Mexico- where regulation by limiting concessions had resulted in regional oligopolies. Concession-holders received favourable tax treatment, preferential prices for diesel fuel, and lower road tolls. The result of these limits on entry was high cost (tariffs contained oligopoly rents) and inefficient usage (frequent return trips without loads). The July 1989 reform eased the granting of licenses (and avoided granting them to existing oligopolies), eliminated predetermined routes and the obligatory use of existing regional centres controlled by the oligopolies, and allowed transporters to contract their services in any part of Mexico. Later, in January 1990, tariff controls were eliminated, as was the 15% charge on the transport of imported goods.

There are two essential points deriving from Mexico's stabilization cum structural reform policies during the 1980s and early 1990s. The first is that divestiture was part and parcel of the structural reforms, aimed at replacing compulsory control instruments with those that used market forces, and was intimately related to a 180 degree turnaround in Mexico's development strategy. The second is that the structural reform (including the divestiture programme, as discussed below) was in keeping, in terms of implementation and extension, to the macroeconomic concerns of policy-makers, particularly in the late 1980s.

III. THE POLITICAL ECONOMY OF DIVESTITURE

In this chapter we attempt to briefly review the political economy aspects of why Mexico adopted structural reform in general and divestiture in particular.

The first issue is the style of political control: i.e. the question of to what extent Mexico has a "true democracy". The generic problem is that reform -including privatization- necessarily results in a immediate reduction in the consumption expenditure possibilities of a large part of the population. Thus, if the populace is to make intertemporal trade-offs, governments must obtain their confidence that the reductions are temporary and will eventually lead to an improvement in the standard of living. In political systems where the government is subject to checks and balances, a country embarking on a reform path will have to engage in broad consultations with diverse political forces, which could lead to inertia.⁷ Governments with high relative autonomy -autocratic systems- on the other hand can implement reform by decree and adopt legislation without the need for modifications to reflect diverse -and sometimes conflicting- interests and opinions.

Numerous phrases have been used to describe Mexico's political system⁸: a single-party dictatorship (Needler, 1964); an authoritarian system (Hansen, 1971); semi-democracy (Levey, 1989); quasi-authoritarian, quasi-democratic regime (Graham, 1987), and the perfect dictatorship (Vargas Llosa, 1990). Although there is disagreement over what to call it in the literature, however, there is nonetheless a consensus that Mexico is not a "true" democracy, in the sense that the people decide who governs them, and that political reform is therefore required. However, the system has shown its ability to resolve the most intractable problem for non-democratic systems, namely, elite renewal with non-violent executive succession.

Ex post it is clear that a central assumption underlying structural economic reform policy was that there was a trade-off between structural change in the economic sphere and reform in the political arena. The Mexican case is one of the first carrying out economic reform and then political reform: "*perestroika* without *glasnost*".⁹

The Mexican political system is one in which political power resides at the very top. During their non-renewable six-year terms -*sexenios*- Mexican Presidents have the last word on all major policy decisions, and they control significant resources for patronage.

Although there have been regular elections, these have been dominated by the "official party", the PRI, with opposition parties weak and fragmented at least up to the 1988 election. The system relied on a low level of mobilization, as apathy and marginalization did

not present clear dangers to the regime but on the contrary allowed the Government a greater degree of freedom. Congress was dominated by PRI deputies and largely played the role of rubber stamping the Executive's decisions.

In general, the Mexican political system is a series of interlocking alliances or pacts. The ruling coalition has consisted of: i) the Mexican State, led by a political elite formed by technocrats -non-elected, highly trained bureaucrats- whose ascendance did not depend upon electoral processes, and "*políticos*" or seasoned politicians; ii) the private sector, particularly the elite formed by the so-called "thirty families", and iii) the external sector which is important for foreign credit. Although there have been strains within and between these sectors, there has also been a deep-seated consensus whose basic elements have been that (a) Mexico would follow a mixed economy capitalist path; (b) the popular masses would be kept under control, and (c) the State would play a dominant role, but with clear areas for private sector participation.

Stability of the system has in turn been based on two factors. The first of these has been the maintenance of equilibrium over time among the constituent groups: that is, one group may lose out in a particular *sexenio*, but there is the possibility of redress of grievances and gains in the next *sexenio*.¹⁰ Secondly, the corporative coalitions required a steady stream of pay-offs, so that the system has had ongoing non-market arrangements for the distribution of material rewards. The benefits took a variety of forms, including subsidies, price controls, wage and job agreements, etc. It should be noted that the State's ability to deliver depended critically on the economic performance of the economy -that is, a high economic growth rate and access to world capital markets. Thus, political stability, access to world capital markets and high economic growth had a symbiotic relation.

However, the 1980s brought a number of challenges to the system.

First, the foreign debt crisis, combined with a lack of voluntary foreign loans, led to a sustained economic recession, and the Mexican political system became a zero-sum game. The maintenance of the political system required positive economic growth and renewed access to international capital markets in order to obtain financial resources for making the corporative pay-offs, albeit through more cost effective mechanisms such as PRONASOL.

Second, there was a critical intra-elite rift involving the breakdown of consensus between the private business sector and the political elite -a strain that began with the administration of President Echeverría (1970 to 1976) and became a rift under López Portillo's Presidency (1977 to 1982) with the nationalization of the banks in 1982. This rift, in turn, clearly led to an unenthusiastic response by the private sector to the economic policies of the De La Madrid government, which attempted to restore economic growth led by private sector investment and non-petroleum private sector exports. More rapid narrowing of the economic space between the public and private sectors in favour of the latter was clearly needed in order to once again attain cooperation between the economic and political elites.

Third, there was a growing tension within the government bureaucracy between the traditional PRI politicians with a nationalist/populist ideology, referred to in recent parlance as "dinosaurs", and the technocrats, who, in view of their professional training and family background, embraced a neoliberal philosophy.

Fourth, the political arena changed when a new opposition party formed by a breakaway movement from the PRI combined with left-wing parties to form a new political party, PRD, which, with the revitalized traditional right-wing party, PAN, resulted in a hotly contested Presidential election of 1988 whose controversial result was that the PRI's candidate, Salinas de Gortari was officially declared President.

Thus, the 1980s were marked not only by an economic crisis but also by strains in the political-social matrix.

After the above brief discussion of the central characteristics of the Mexican political system, we will now return to our central question, i.e.: why, in the context of economic crisis and social-political strains, did the Mexican Government (first the De La Madrid administration and later that of Salinas de Gortari) adopt such a potentially controversial programme as the divestiture of public enterprises?

The question can be rephrased as to what extent privatization was due to a shift in the dominant ideology and to what extent it was due to pragmatic economic considerations.¹¹ The answer, as we argue below, is that although to a large extent the reform and divestiture programme was a pragmatic response to changing economic forces, the ideological/political considerations dictated the direction of that response and reinforced the commitment to that direction.

The following arguments may be put forward in favour of a pragmatic response.

Firstly, officially the Government has argued that efficiency arguments were the dominant reason for "rationalizing the size and operations of government enterprises, in order to achieve greater efficiency in pursuing objectives within strategic and priority areas". Resources freed through divestiture would strengthen other areas as well as the "efficiency" of the government in general.

In the words of President Salinas de Gortari: "The reality is that in Mexico a larger State has resulted in less capacity to respond to the social demands of our fellow citizens, leading in the end to greater weakness of the State. As the public sector's productive activities grew, its attention to water supply, health, education, rural investment, food supply, housing, the environment and justice decreased. The size of the State was growing, while the well-being of the people deteriorated.... As the facts show, the State concerned itself more with administering its properties than with meeting pressing social needs" (freely translated from Primer Informe del Gobierno, 1989).

In addition, and more recently, a frequently used argument is that after a decade of low investment by PEs, they have big investment requirements if they are to modernize.

Such increased expenditure, however, is incompatible with macroeconomic concerns. Thus, in order to free them from investment constraints, PEs should be privatized and thus modernized by the private sector.

Secondly, divestiture can be seen as a pragmatic economic response to the negative external shocks of rising foreign debt interest rates and falling petroleum prices since 1981. The following argument can be put forward, if we consider the government as a intertemporal optimizing agent with a life cycle of six years (the Mexican administration is for six years, with no re-election of the President).

In the case of a fall in oil prices (as in 1981 and again in 1986) if considered "permanent" this will have two sets of effects. The first of these is the wealth effect, where the reduction in the government's wealth (present value of future petroleum income flow) means that public expenditure is likely to fall. The second effect is the relative price effect. The fall in the price of oil and substitutes reduces their profitability, and since oil is in the hands of the government the price fall reduces the profitability of public investment in different sectors and therefore public investment, as a proportion of GDP, is likely to fall.

A rise in real interest rates on foreign debt, as in the early eighties, means that the real cost of capital increases relative to the discount rate, so that the optimal level of current expenditure and deficit financing is likely to fall. This fall has two components. First, for a given amount of tax revenue, the reduced spending calls for a reduction in deficit financing -the scale effect. Second, for the same level of spending there should be a reduction of foreign borrowing in favour of other sources of finance (domestic taxes, inflation tax, domestic bonds, divestiture sale income etc.) -the substitution effect.

These two negative external shocks triggered the Mexican economic crisis of the 1980s and quickly brought home the fact that the economic structure based on subsidies from abroad was no longer viable, without renewed access to world capital markets.

Although the above explanation can "explain " both the rise of the PE sector in the 1970s and its fall during the 1980s, it is an incomplete explanation of the structural reform measures adopted. Political and ideological factors are crucial in explaining, firstly, why the Mexican Government did not respond to the foreign shocks in its traditional manner, namely attempting to shield the effects of the foreign shocks on the domestic economy, and secondly, the modality adopted for the divestiture programme.

Commentators have attributed the privatization process (not called privatization but "*desincorporación*" during the De la Madrid government and "*enajenación*" during the Salinas de Gortari administration) to the following factors:

First, there was an important shift in the dominant ideology of policy-makers towards neoliberalism, which resulted in a high degree of commitment to the structural reform process, particularly divestiture of public enterprises. The "silent revolution" in the economic sphere was accompanied by a "generational revolution" which involved the loss of power of the traditional "revolutionary families" and the infusion of younger cadres who

had little or no vested interest in maintaining the *status quo*. On the contrary, their interest and ideology lay with the private sector. This argument could be questioned, in that divestiture did not really start till the end of the *sexenio*. It must be noted, however, that it takes time both to formally prepare a programme and to prepare the "public" for it.

Second, divestiture can be attributed to "denationalism", that is, pressures from international organizations like the IMF, World Bank and international creditors, particularly after the 1985 balance of payments crisis. Although there is no doubt that these organizations did pressure Mexico in favor of divestiture, not too much should be made of this argument. The Mexican case is not one of a reluctant debtor being pushed in an unwanted direction by over-eager creditors. However, the foreign debt negotiations, though not formally incorporated in the "conditionality", may have influenced the temporal profile of divestiture. For example, the balance of payments crisis in mid-1985 and the fall in petroleum export prices in 1986 both considerably weakened Mexico vis-a-vis its creditors and coincided with an acceleration of structural reform, including divestiture.

Third, divestiture can be seen as an attempt to recover the positive cooperative relation between the ruling elite and private business elite which had characterized the Mexican development model since the revolution but had been strained by the Presidencies of Echeverría and López Portillo. This rift in the relation had led, on the one hand, to growing activism of the business sector in political life through the opposition party PAN and, on the other, to a lukewarm response, in terms of an increase in productive investment and reversal of capital outflow, to the radical shift in factor income from wages to profits. It became increasingly clear that a crucial ingredient for recovering "confidence" was to radically redefine the economic space between the public and private sectors in favour of the latter and, within the private sector, to the business elite. Indeed, the sale of PEs has been dominated (see below) by sales of public enterprises to large industrial-financial groups which may have reinforced an already sharply unequal distribution of wealth but does meet the private sector business elites' demands, without necessarily compromising the State's ability to regulate and direct the economy.

A related question is what sectors could have potentially resisted divestiture, and how was this resistance diluted?

One potential anti-divestiture group was the government bureaucracy itself. We have already mentioned that De la Madrid's government, and even more so that of Salinas de Gortari, had an infusion of young, highly-trained political-bureaucrats with little or no interest in maintaining the *status quo*. Further, the resistance to privatization that was evident during the 1983 to 1985 period was avoided by a change in the process. During this period the responsible Ministry -the sector head- was responsible for deciding which public enterprise to divest and how. The post-1985 process of "disincorporation", however, involved taking the PE away from its responsible Ministry and placing it under the control of the Ministry of Finance (originally a group of advisors to the Ministry and later a small Divestiture Unit). Thus, the process of divestiture avoided the resistance and conflicts of interest that may have existed in the responsible Ministries.

Another group is the trade union movement and the unions of the individual PEs. This was particularly important in Mexico, as the strongest unions were PE unions. The government took a stick and carrot approach. Examples of the stick are the harsh treatment of the striking labour force of Aeroméxico -the company was declared bankrupt in 1988, as was Cananea, a copper mine which was also declared bankrupt in the midst of a labour strike, and the imprisonment of the "untouchable" PEMEX union leader Joaquín Hernández Galicia, who was imprisoned for alleged corruption and for keeping an arms cache in 1989. The carrot includes outright sale of the PE to the PE's union, or a workers' share in PEs that are privatized (see below).

Finally, within society at large, divestiture was not unpopular. In a recent survey -published in *Este País* in 1992- when people were asked "do you believe that the sale of public enterprises will: (i) help you, (ii) harm you, or (iii) have no effect", the results were that 39% responded that it would help (a little, 25%; a lot, 14%), while only 29% felt that it would harm them (a lot, 10%; a little, 19%). The rest did not know or did not answer. There was, however, an important difference between the income categories: 48%, 22%, and 8% of the high, middle and low income groups, respectively, felt that it would help a lot.

To conclude this section, firstly, privatization can be seen as a pragmatic response to an adverse economic situation, but political/ideological factors reinforced the process. Secondly, Mexico did not have any serious effective opposition to privatization. This lack of opposition partly reflects the mechanisms of control of the country's political system as well as the particular form of divestiture adopted.

IV. THE REFORM OF THE PE SECTOR

Reform of the PE sector will be conditioned on, involve changes in, and require interrelated measures for a number of distinct areas.¹² The following, in particular, can be mentioned. First, measures to improve the competitive environment in which PEs operate. Second, a reform of the judicial/legal framework governing the relation between PEs and regulatory bodies, aimed at giving greater managerial autonomy but obtaining accountability. A third set of measures refers to individual PEs, including reduction of price distortions so that a more rational price structure is obtained, restructuring of the financial structure of the PE by debt absorption, and streamlining of its activities. The fourth step includes divestiture.

In the Mexican case, reforms were implemented in all four areas. In this section we discuss the first three, while the fourth area is discussed in the next section.

1. Deregulation

The first set of actions consisted of a set of measures to improve the competitive environment in which PEs operate. Deregulation to encourage competitive forces and privatization are two different policies. Nonetheless, both are essential to obtain the efficiency gains from privatization.

Deregulation policies were aimed at: (a) improving the economic environment in which PEs operated, and (b) serving as a preliminary step for the divestiture of the PE, particularly if it operated in an oligopolistic market. The following measures were adopted: (i) a radical liberalization of foreign trade; (ii) to a lesser extent, reduction of regulations on domestic trade and production, and (iii) sector-specific deregulations when a PE was divested. It may be noted that deregulation and divestiture policies have only recently become explicitly intertwined, as most PEs divested in the early period, 1983-1987, were operating in "competitive" markets and the trade-off between internal and allocative efficiency was not considered relevant. Foreign trade liberalization, it was hoped, would result in a competitive environment even if increased entry to the sector was not obtained.

However, with the divestiture of larger firms, within an economic sector characterized as oligopolistic, particularly in the non-tradable sector or one dominated by networks, a coordinated deregulation cum divestiture programme became more urgent. Examples where this lack of coordination resulted in problems are those of the sugar industry and, to a lesser extent, the airlines. In the later case, regulation which included route licenses and tariffs (limited to "Y" tariffs, with no discounts) set by the Ministry of

Transport and Communications, SCT, continued until two years after the first divestiture of an airline.¹³

2. Managerial reform and the relation with regulatory bodies

The second step consisted of changing the legal/judicial framework governing the relation between PEs and regulatory government bodies. The main steps taken were a modification of the Mexican Constitution and the adoption in 1986 of a new law governing PEs. The constitutional reform was essentially directed at i) a clearer redefinition of the public and private sectors' areas of operation, and (ii) allowing the Government to by-pass Congress and divest PEs (other than those specified explicitly in the Constitution) by executive decision. In principle, the regulatory reform of the judicial framework governing PEs implies changes in their financial and managerial autonomy as well as changes in the mechanisms of control. The regulations, however, were only published in 1990. The lag between the law and the regulations reflects: (i) the intrinsic difficulty of overhauling an existing complex set of regulations; (ii) bureaucratic inertia, combined with the problems of reallocating power, and (iii) perhaps most importantly, the macroeconomic concerns which, on the one hand, diverted policy-makers' attention to other issues, and on the other, macro-budgetary concerns which imposed quarterly ceilings on the fiscal deficit of PEs, making arms-length management incompatible.¹⁴

3. Restructuring of individual PEs

The third set of actions taken consists of those specific to individual PEs, including in particular the following: (i) measures to reduce price distortions, particularly those resulting from cross-subsidization, the policy being essentially to set prices to cover costs, subject to cross-border prices; (ii) the financial restructuring of the PEs by debt absorption by the Federal Government under productivity-efficiency agreements (see table 2). These Financial Restructuring Agreements (*Asunción de Pasivos y Cambio Estructural*) specified the Governments' obligations (financial, pricing and debt absorption) and the PEs' performance targets. Originally these performance contracts were an attempt to improve the efficiency of PEs that were not necessarily going to be privatized, an example being CFE, the electricity utility, but they have increasingly become a preliminary step towards partial divestiture, (as in the case of CONASUPO) or total divestiture of the firm, examples being ALBAMEX (an agroindustrial PE), FERTIMEX (fertilizers) and SICARTSA (steel), and (iii) reorganization of some individual PEs in an attempt to streamline their activities, particularly by selling parts of them (subsidiaries and plants), as in the case of CONASUPO. Changes in CONASUPO and the sale of ALBAMEX also represent the public sectors' withdrawal from the production and distribution of basic foodstuffs.¹⁵

The final set of measures refers to the restructuring of the state-owned sector by divestiture of individual PEs. We will discuss this aspect of reform in greater detail in the following chapter.

V. DIVESTITURE

In Mexico, neither a list -a master plan- of PEs to be divested nor a timetable of actions to be taken was officially published. The lack of an explicit timetable of actions with a list of PEs has, *ex post*, worked to the advantage of the divestiture programme. First, it avoided the Government becoming embroiled in political/legal infighting. Second, it gave the Government an important degree of freedom regarding the number and types of PEs and mechanisms of divestiture. Thus, the Government could gradually divest PEs, and at the same time it obtained useful experience for consolidating the divestiture of PEs.

Divestiture, known as "disincorporation" in Mexico, includes the transfer of PEs to local authorities, mergers, liquidation (formally separated into "extinction", referring to the liquidation of financial trusts, and "liquidation", referring to other PEs), and outright sale. Obviously, the first two forms merely reduce the number of PEs on the Federal Government lists, while the latter two represent divestiture proper.

1. The selection process and administration of divestiture

In terms of bureaucratic procedure, two stages can be distinguished. In the first stage, following a loosely defined procedure, each responsible Ministry selected the PE to be divested and the mechanism to be used. However, the experience with this method was that the Ministries encountered conflicts of interests, and became embroiled in intra-ministry infighting. In the second stage, from 1985 onwards, the general decisions were taken by the Intersectorial Commission on Expenditure and Financing (an *ad hoc* committee of the main Ministries), and operational aspects were the responsibility of the Treasury (SCHP) (mainly a group of advisors to the Minister of Finance). A divestiture unit (DU) was formally set up from that group within the Ministry in early 1990.

This change in procedure in deciding which PEs to "disincorporate" had the advantage that it (i) put greater emphasis on sale income; (ii) placed the onus on the responsible Ministry to defend why one of the public enterprises under its control should remain in public sector, rather than defining which one should be divested, and (iii) concentrated technical know-how and experience into one entity and avoided overlapping responsibilities and workloads.

Once a decision to divest a given public enterprise was taken, control of the firm was passed to the DU in the Treasury. The DU was a small group whose head was equivalent to an Assistant Minister. The staff (about six persons) were not in general

seasoned bureaucrats and had little to no vested interest in maintaining the *status quo*. The smallness of the group reflects the fact that although the Unit was responsible for each specific divestiture, its role was that of overseeing the divestiture as a supervisor, while banks were given the responsibility for the operational details of privatization. The DU's role was therefore: (i) pre-screening potential buyers; (ii) acting as a matchmaker between potential purchasers, particularly Mexican with foreign buyers, as for example in the 1990 divestiture of AHMSA,¹⁶ and (iii) quickly making the necessary adjustments to the PE prior to divestiture.

2. The sale process

The sale process, with varying degrees of minor changes, can be characterized by the following procedure:¹⁷

- The Treasury selects a bank, whose functions are to: (a) write the basic profile (technical and financial analyses) of the firm; (b) produce the Sale Prospectus, and (c) calculate the minimum price (which is kept secret from potential buyers). The minimum price is based on the judgement of the bank and is derived from price calculations using a combination of the following methods: (i) discounted cash flow; (ii) book value as given in the firm's balance-sheets; (iii) liquidation value, and (iv) market value (stock market value).
- The sale date is published in the Official Gazette. Between the formal publication and the sale date there is an important pre-screening of potential candidates.
- Potential buyers have to make a returnable cash deposit -which receives interest- in exchange for the sale prospectus, and have time to meet existing managers, unions and see the plants.
- The Treasury receives closed bids on the pre-established sale date. These are opened in front of the bidders, the Press and a representative of the Comptroller's Office.
- The bank produces a document for the DU comparing the different offers, to make it easier to evaluate them.
- If the DU receives more than two bids, and at least one is above the minimum price, it sells the firm.¹⁸ If not, the Divestiture Unit attempts (normally three times) to sell the firm at later dates, or it can recommend sale to ISCGF, or suggest liquidation. The minimum price is not published before or after the sale.
- The winning bid is normally decided using the following criteria: (i) the sale price (the most important element); (ii) the financing of the purchase; (iii) managerial experience, and (iv) the productive investment profile proposed by the buyer.
- Once the sale is formalized, the financial agent -the bank- sends the sale income to the Treasury, minus 1% of the sale price as commission.

All the documentation on the divestiture of a given PE is collected by the bank into a "White Book" and given to the DU, which adds all official documentation.¹⁹ A copy of the latter is sent to the Expenditure and Planning Secretariat, SPP, the Comptroller, SCGF, and the *Contaduría Mayor de Hacienda* of the Chamber of Deputies.

Although in general the above procedure was followed, the actual divestiture process involved a number of different mechanisms. One method was by capital dilution. For example, Mexicana, an airline, was divested by a capital dilution operation in which the income from the increased shares was capitalized by the firm instead of being taken by the Treasury. Although the dilution reduced the percentage of government ownership, it remained the main shareholder. In order to pass control to the new investors, the remaining government shares were put under the control of the controlling group.²⁰ Another example of capital dilution, but where government income was important (US\$ 6 billion) is the TELMEX case. Another method which has been important is bankruptcy, and the sale of the assets of the PE. Two particularly interesting examples are those of the aeroline AeroMéxico and CANANEA, a copper mine.²¹ The fishery PEs were placed under the control of private financial groups, "Sociedades de Inversión de Capital" (SINCAS). In the case of the sugar mills, the fall in the price of sugar resulted in non-payment by some buyers. Sale conditions were therefore renegotiated to 20% of the value of the sale in cash payment, and 80% through the issue of adjustable bonds indexed to the price of sugar in Mexico. In some cases the PE was broken up and some plants sold and others closed down. For example SICARTSA, an iron and steel PE, was broken up into four different firms, and ALTOS HORNOS, also a steel company, was divided into two. Two of the plants, SIEMENS-MARTIN and Planta de Piedras, were closed down, as the technology used did not satisfy Mexico's pollution laws.²² Another example is FERTIMEX, a PE that produced and distributed fertilizers. Its 12 plants were sold individually between 1991 to 1992.

3. Divestiture: who could buy?

In addition to the above formal procedure there was an important pre-screening process before formal bids were accepted. To some extent this reflects the fact that the thrust of privatization was to find a small group of identified buyers. The objective of limiting the sale to these pre-screened identified buyers was that it would not only more likely yield a higher sale income but also obtain an infusion of managerial experience. A buyer-controller nexus would imply a quicker and more efficient management shake-up than, for example, sale via the stock market to a large number of buyers.²³ However, it weakens one of the main justifications for privatization, namely increased efficiency due to the discipline (shareholder pressure, threat of a takeover, or bankruptcy) of the capital market.²⁴

One characteristic of the Mexican divestiture process has been the lack of effective resistance by the labour union movement. To some extent this was because of: (i) the links between CTM and PRI within the corporative political culture of Mexico, in which little publicly debated disagreement is aired. In addition, particularly in the initial stage of privatization, a number of PEs were sold to the "social sector"; (ii) the right of first refusal, in the limited sense that the union was given a chance to match the best offer; (iii) an

understanding with the new owners that massive layoffs were not, in general, to occur and firms were expected to grow on line with their labour force; (iv) cooperation induced by the prospect of massive layoffs -as on the cases of Aeroméxico and Cananea, and (v) union involvement either by partial sale of shares or outright sale to the union. PEs sold directly to unions -about 21 in number between 1989 to 1992- were mainly in fishing, sugar mills, other agroindustrial activities and textiles (see Appendix 1). Further, there were cases of partial involvement: for example, the TELMEX union bought 4.4% of TELMEX's capital, with financing from NAFINSA, and Aeroméxico's pilots' union bought 25% of Aeroméxico's social capital.

Participation by foreigners was eased by a relaxation of direct foreign investment laws and the introduction of innovative financial mechanisms of share ownership.²⁵ The degree of foreign ownership varied from that permitted under the direct investment law. In fact, the Mexican divestiture process is an example of how to balance the need for an infusion of managerial experience and new capital inflows with the need to avoid political resistance to "selling grandma's jewels" to foreigners. Of the PEs sold between 1987 and 1991, 98% were sold to Mexicans. One controversial sale was that of a plant of CONASUPO to UNILEVER, since at the time of sale the plant produced about 60% of the country's output of basic cooking oil. However, this appraisal understates foreign participation in the Mexican divestiture process for two reasons. First, in many privatizations there was minority foreign participation. Second, where there was no time condition imposed on resale, and given the DFI laws, a number of companies have been taken over or have formed alliances with foreign companies.

4. Divestiture: characteristics of the PEs

As in the case of the bureaucratic procedure, in terms of types of PEs divested two stages can also be distinguished.

The first period covers 1983 to 1987, during which small to medium-sized PEs operating in competitive markets were divested. These were relatively easy to privatize. They were in general in non-priority areas where it was difficult to defend continued government ownership. In general they were profitable, so that they did not require major adjustment, nor debt restructuring of the firm, nor major changes in the regulatory framework governing the economic sector in which they were located. Moreover, their market valuation sale price was easier to determine. PEs divested during this period had no major impact (other than in terms of number sold) on government finances or on government participation in the economy.

During the second stage, from 1988 to the present, larger firms were divested or put up for sale. During this stage divestiture and the needs of macroeconomic stabilization, with simultaneous deregulation, become more clearly intertwined.

In terms of numbers of firms divested, the figures are impressive. From the 1,155 PEs that existed in 1982, disincorporation resulted in a reduction to 661 by 1988, the last

year of the De La Madrid government and by 1992 these had been further reduced to 217, with a further 85 in the process of divestiture (see table 3). In terms of administrative types -see table 4- the number of decentralized organizations was reduced from 102 to 82, while trusts were reduced from 251 to 35 and majority-owned PEs from 744 to 100 between 1982 and 1992. Thus, excluding the 85 PEs created between 1983 and 1992, the number of PEs was reduced by 81%.²⁶ Excluding minority-owned enterprises from the total number of PEs disincorporated: 49% were liquidated, 37% were sold, 10% were merged, and 4% were transferred (see table 5). Thus, 86% were privatized. It may be noted that the relative importance of the type of divestiture process used has also changed over time, with "sale" becoming more important.

5. PEs not divested

A number of PEs have not been divested. This group contains PEs in process of divestiture as well as those that apparently will remain within the PE sector. An interesting example is PIPSA, which was, for tax reasons, a government monopoly in the production and importation of newsprint. An attempt to divest it failed because downstream users felt it would create an excessively powerful actor in the publishing-cum-newspaper business. Its monopoly power, however, was eliminated. One characteristic of the Mexican divestiture programme is that no PE operating in an economic area defined as "strategic" in the Mexican Constitution has been privatized: for example, PEMEX, the petroleum company, and CFE, the electricity utility.²⁷

PEMEX, the petroleum monopoly, is to be restructured into operational subsidiaries: Exploration and Production; Refining; Gas; Basic Petrochemicals, and Secondary Petrochemicals. Each is to be in charge of its own budget, planning and personnel and will use market-based but managed transfer prices within PEMEX. Between 1989 and 1992, the number of employees has been reduced from 210,000 to 116,000, while a new collective contract permits PEMEX to select the lowest bidder. Moreover, a number of basic petrochemicals (reserved for public enterprises) have been reclassified as secondary petrochemicals (open to the private sector). In 1986, 36 products were reclassified, and another 14 in 1989.

The public utility in charge of electricity (generation, transmission, distribution) is CFE. However, in May 1991 the Government authorized private firms to build their own plants and sell excess electricity to CFE. Private companies are encouraged to build and then sell or lease their plants to CFE. The incentives are that businesses with power plants can deduct 77% of their investment from taxes in the first year of operation (as opposed to 48%) and use a 10% annual depreciation rate (instead of 3%).

VI. RESULTS

The bottom line, of course, is to what extent divestiture achieved the objectives explicitly or implicitly put forward as a reason to divest public enterprises. One method of evaluating the privatization programme would be to judge it in terms of its declared objectives.

1. A smaller and more efficient public sector

What has the divestiture programme meant in terms of the direct participation of the public sector in the economy?

First, percentage PE participation in GDP, capital formation, employment, exports and imports fell from 18%, 37%, 5%, 78% and 49% to 9%, 12% (1988), 4%, 41% and 14%, respectively, between 1983 and 1990 (see table 6).

Second, the PE sector completely withdrew from a number of sectors (see table 7). For example, using the 72 sector classification of GDP -that is, at the two-digit level- by 1990 PEs had completely withdrawn from agriculture (classification number 1), non-metallic minerals (8), prepared fruits and vegetables (12), wheat milling (13), oils and fats (17), miscellaneous food products (19), soft drinks and mineral water (22), spinning and weaving of soft fibers (24), thread (25), synthetic resins (37), pharmaceutical products (38), metal furniture (48), structural metal products (49), other metals (50), non-electrical machinery and equipment (51), household electrical appliances (53), automobiles (56), bodies, motors and parts (57), and restaurants and hotels (63).²⁸ Moreover, PEs divested since 1990 or that are in the process of divestiture have also meant or will mean withdrawal from fertilizers (FERTIMEX between 1991 and 1992), basic iron and steel products (AHMSA in 1991, SICARTSA in 1991), commercial banking (18 commercial banks were divested between 1991 and 1992, basic telecommunications (TELMEX in December 1990), airlines (Aeroméxico and Mexicana), and a radical reduction in participation in petrochemicals.

Third, for those who believe a smaller state is a more efficient State, the question arises of whether the 1980s can be viewed as a period when the State became more efficient. Two proxies of size are the number of employees of the public sector and public expenditure as a proportion of GDP. The total number of public employees increased by 11% between 1983 and 1987 and then fell by only 2% by 1990. This pattern reflects the fact that although PEs' employment numbers fell by 11% (25% in indirectly controlled sectors) between 1983 and 1990, public employees in the central government increased. Public expenditure as a proportion of GDP is shown in figure 1. As can be seen, the main fall is in current

expenditure (in turn, mainly due to a fall in debt service) followed by a fall in capital expenditure.

A note of dissent may be found, however, regarding the above proxies of the efficiency of the State. Alternative measures are the evolution of public sector productivity, proxied by public GDP per public employee, and the extent that the State has reoriented its expenditure towards the "basic functions" of the public sector. Table 9 summarizes government social expenditure. By 1991, as a percentage of GDP, it had risen only marginally, but as a percentage of expenditure it had more than doubled, mainly reflecting the dramatic fall in debt service (social expenditure as a percentage of debt service rose from 50% in 1983 to 129% by 1991). Figure 2 shows public sector labour productivity. After a sharp fall between 1983 and 1985, productivity has begun to improve.²⁹

2. Changes in the financial and economic performance of the firms that remain in the PE sector: improved performance?

The disincorporation process was also accompanied by reform of enterprises that remain in the PE sector, but has their performance improved?

In terms of transfers received by directly controlled PEs, the following facts stand out:

(i) Transfers from the federal government to these enterprises have fallen both in real terms and as a proportion of GDP. The latter indicator fell from 9% of GDP to 3% of GDP by 1990 (see figure 5).

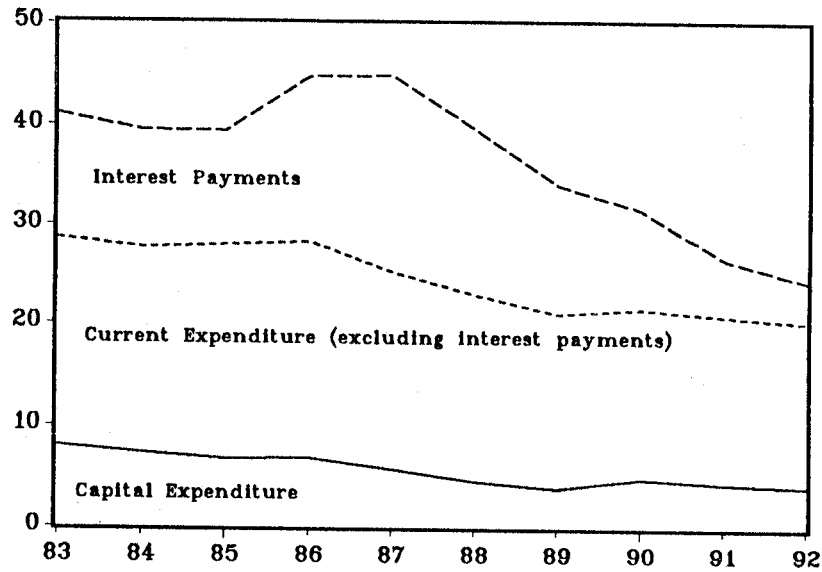
(ii) The average ratio of transfers received as a proportion of "own income" has fallen from an average of 31% in 1983 to 14% in 1990.

(iii) In 1983, four PEs accounted for 87% of transfers (CFE with 47%, Fertimex with 11%, Ferronavales, 10%, and Conasupo with 19%), while in 1990 the same PEs received 19%, 9%, 11% and 51% of total transfers, excluding social security entities.

The budgetary balance (sum of current and capital account as a percentage of GDP) of the PE sector has remained mainly in surplus but has fallen throughout the 1980s (see figure 5). This partly reflects the combined impacts of: (i) the reduction of PE accounts as they were privatized and (ii) the changing pattern of PE prices relative to the GDP deflator (dramatic increases in relative prices in 1983 and 1987). Further, labour productivity -particularly when excluding PEMEX- has also shown a marked improvement recently (see figure 6).

Figure 1

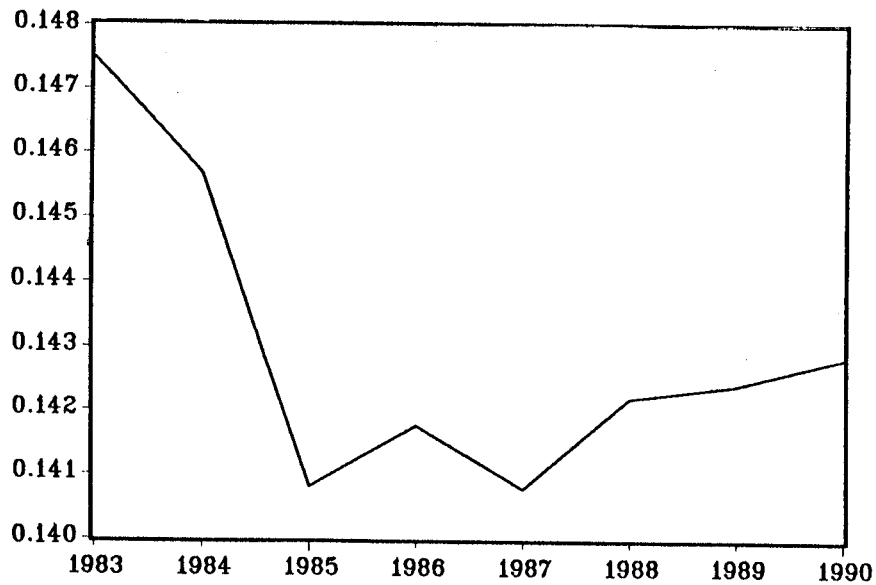
Public Sectors' Expenditure
(percentage of GDP)



Source: Informe Annual, Indicadores Economicos, Banco de Mexico.

Figure 2

Labor Productivity of General Government \1
(millions of 1980 pesos)

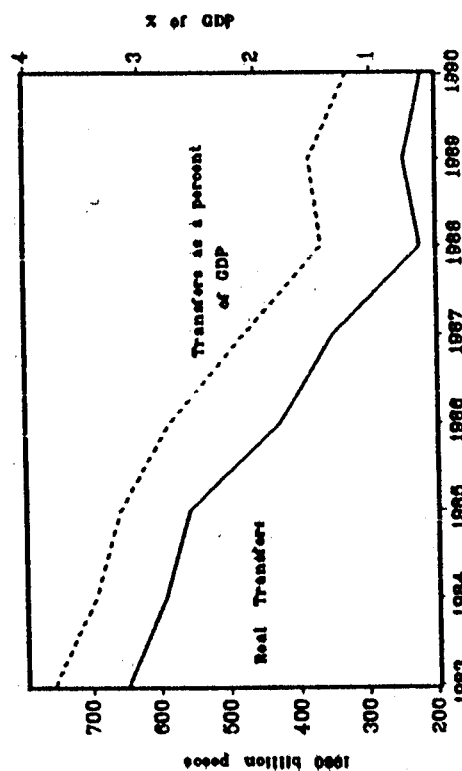


\1 Includes the central government, local, and social security.

Source: III Informe del Gobierno, 1991.

Figure 3

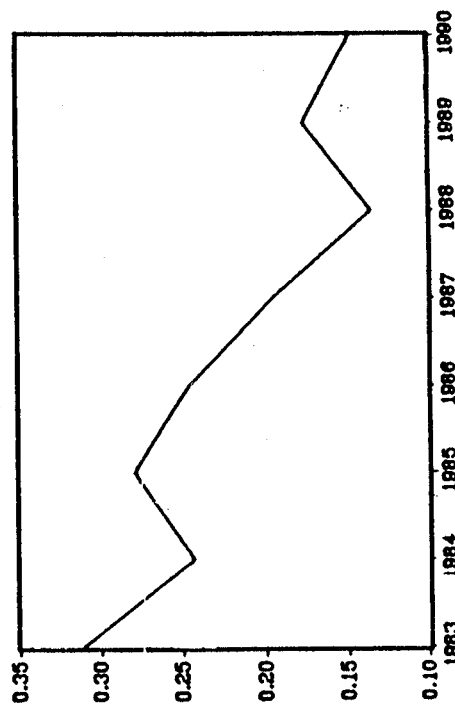
PG's:Transfers Received \1



\1 Excluding Social Security Entitles.
Source: III Informe Del Gobierno, 1991.

Figure 4

PG's:Transfers Received Over Own Income
(Ratio)



Source: III Informe Del Gobierno, 1991.

Figure 5
PE's Budget
(% of GDP)

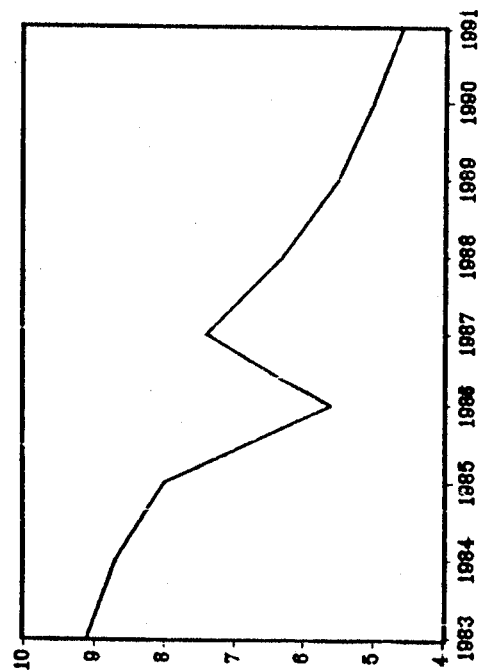
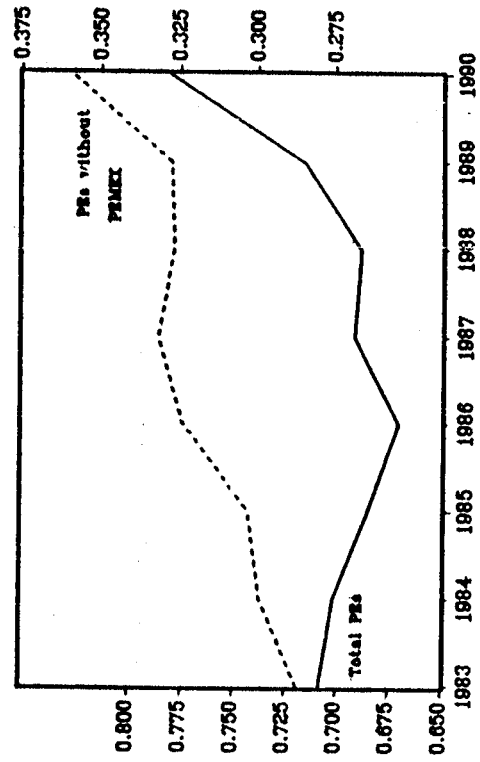


Figure 6
PE's Labor Productivity
(million 1980 pesos)



Source: III Informe Del Gobierno, 1991.

3. The budgetary impact of divestiture and other macroeconomic aspects

The budgetary impact of reform of the PE sector in general and divestiture in particular are three fold: firstly, to what extent has the budgetary burden of the PE sector been reduced, (as discussed above), and secondly, how much was the sale income received by the government, and how was the income used.?

Table 10 summarizes the number of PEs sold, and the sum of the sale price contract of divestiture, by years. The total sale -of controlling shares of the enterprises- amounted to 4,402.6 million MEX\$. However, this figure does not include banks, income derived from liquidation, or income from the sale of non-controlling shares of PEs. Total income as a percentage of government revenue and GDP are given in table 11. As may be seen, income from divestiture only became significant from 1990 onwards.

Since 1991 divestiture income has been deposited in a contingency fund³⁰ at the Central Bank. The proceeds from privatization were mainly used to reduce the Governments' internal debt. Buyers of PEs were allowed to pay with government bonds that they held. The mechanism was that the buyer would hand in his holding of government bonds to the Central Bank, which would reimburse him with pesos. These were used to pay the Government Treasury, which in turn would deposit them in the Central Bank. The Government bought back 20 billion MEX\$ worth the Central Bank's holdings of government debt in 1992, using the peso component of the contingency fund.

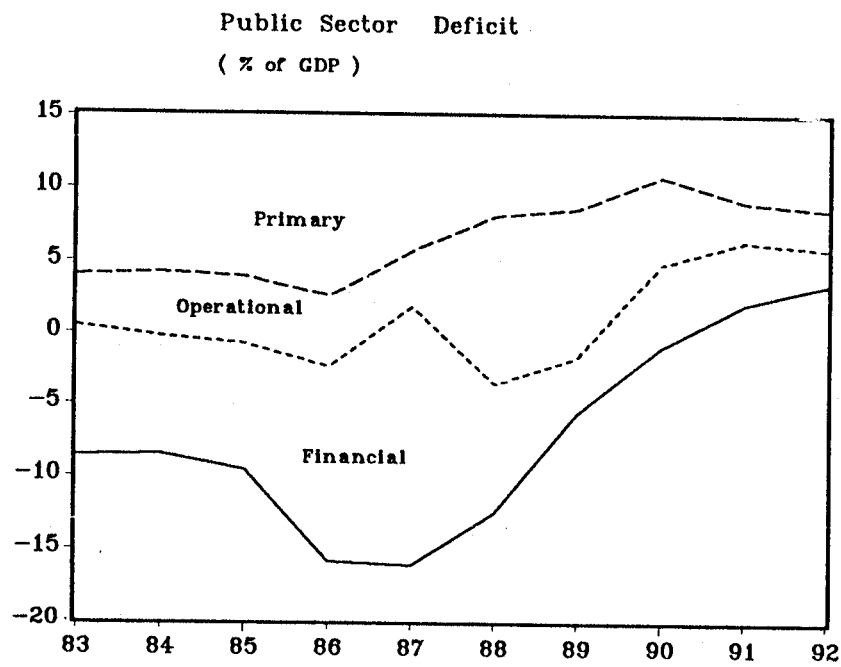
Thus, the income from divestiture and form of payment were both aimed at reducing the Government's domestic debt, thereby reducing the future domestic debt service burden as well as partly counterbalancing the increase in the monetary base due to an increase in foreign exchange reserves.

Figures 7 and 8 show the evolution of the fiscal deficit (primary, operational and financial) and public domestic debt (both consolidated and not with the Central Bank). Both of these show a marked fall as a proportion of GDP in the very recent period.³¹

Other macroeconomic objectives of divestiture were to increase the productive investment of the private sector and increase the capital inflow to finance the current account deficit. However, it is difficult to separate the impact of divestiture *per se* on these variables from other macroeconomic and structural reform measures. Nonetheless, as privatization was to a large extent part and parcel of these measures, a collinear relation would give some indication of divestitures' role.

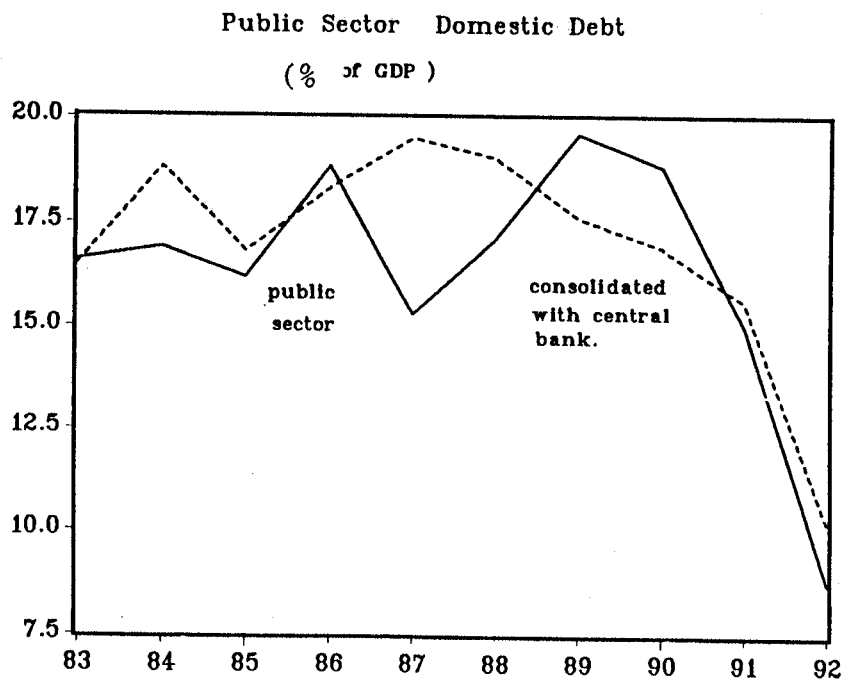
Figure 9 shows the evolution of gross capital formation by the public and private sectors. A notable feature is the dramatic fall, for most of the 1980s, in public gross capital formation. This reflects the cap placed on PEs' investment due to budgetary concerns as well as the impact of PEs divested. The sharp fall in 1991, for example, is due to the divestiture of TELMEX. The private sector's gross capital formation followed the public investment pattern until 1990, since when it has continued to show a positive growth.³²

Figure 7



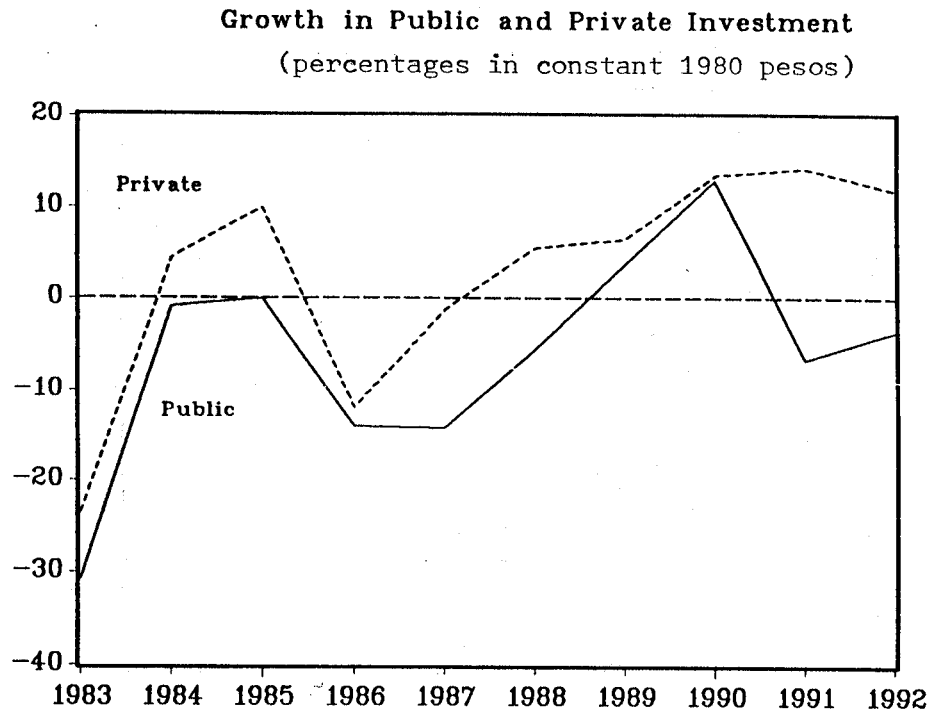
Source: Criterios Generales De Política Económica, Presidencia. de la República.

Figure 8



Source: Informe Anual, Banco De Mexico, 1992.

Figure 9



Source: Cuentas Nacionales, INEGI.

Estimates of total direct foreign investment (including portfolio investment from 1989 onwards) show sharp increases (see table 12). DFI was 2.9, 4.9 and 9.8 billion US\$ in 1989, 1990 and 1991, respectively. The biggest percentage of foreign investment was realized through ADRs, although that result is skewed by the international placement of TELMEX L shares in May 1991 and June 1992.

Further, divestiture has also been important both in the return of flight capital as well as in attracting new capital inflows (see table 13). It may be noted that in order to encourage the return of capital, Mexico imposed a policy of laying only a 1% "stamp tax" on returned capital, which exempted the returned capital from the taxable income base. The maximum income tax rate is 35%.

4. The ex post performance of divested enterprises

Has the performance of divested PEs improved? Analysis of a number of case studies suggests a mixed picture.³³ Of the two privatized airlines, Aeroméxico has dramatically reversed its poor performance, but Mexicana has failed to do so, and it effectively came under the control of Aeroméxico early in 1993. TELMEX's performance improved dramatically, but this mainly occurred in 1987/88, suggesting that the improved performance had more to do with the new regulatory framework *cum* tax/tariff changes than with

ownership *per se*. Many of the privatized sugar mills remain on the verge of bankruptcy, and sale conditions have had to be revised. The problems of the latter are largely due to the inadequate regulatory framework.

In an informal sample of twenty divested PEs, without making a detailed case study of each firm, the following remain troubled companies: Mexicana, Algodonera Comercial, Química Fluor, Tubacero, Astilleros Unidos de Veracruz, Concarril, Minera Lampasas, Minera Real de L.A., Motores Perkins, Cananea, as well as the fishery companies and sugar mills. Companies that have reversed their tendency and now have a positive performance include Aeroméxico, Consorcio Dina (trucks), Finacril (chemicals), Tereftalatos, Grupo Rassini and Mexicana de Cobre.

Apart from the sugar mills, only two other PEs were taken back by the Government and re-divested: Cerámicas y Ladrillos S.A. was originally sold in 1987, but because of non-payment, it was taken back in 1992 and resold to the private sector, while Triplay de Palenque was originally sold in 1990, was taken back in 1992, and is presently in the process of liquidation.

5. Distribution of wealth

Unlike some countries, Mexico did not even pay lip service to "workers' capitalism": that is, viewing divestiture as a means of spreading widely the ownership of firms. On the contrary, divestiture has helped in the formation of large financial-industrial groups. Examples where privatization has created companies that dominate a particular market are:

(i) the creation of a copper baron -Jorge Larrea- who bought Mexicana de Cobre and Compañía Minera Cananea (both copper firms accounting for over 88% of domestic production), as well as the Acido Sulfúrico PE;

(ii) Transnational Engle Cement Corporation bought four of the largest cement PEs: Cementos Anahuac del Golfo, Ceser, Materias Primas Anahuac del Golfo and Navicement del Golfo;

(iii) Grupo Durango bought six PEs and has become the most important forestry firm in Mexico;

(iv) Grupo Carso bought TELMEX (19 companies), and thereby became a private monopoly in basic telecommunications.

This is not to deny, however (particularly in view of the fact that fiscal income is fungible), that divestiture income helped in the substantial increase in social and anti-poverty programmes.

VII. CONCLUSIONS

What are the lessons that can be drawn from the Mexican privatization process?

The first aspect refers to which enterprises to sell and when. Sometimes it is claimed that divestiture should start with a large public enterprise in order to put privatization on the economic policy agenda and demonstrate government commitment to divestiture. The Mexican case is the opposite, however, and consisted of first selling small PEs in the tradable sectors, followed by larger PEs in the tradable sectors, and only then by larger PEs in non-tradable sectors. The advantages are that this offers a learning process where an "error" does not halt the process. Secondly, in the tradable sector problems of allocative inefficiency can be reduced by foreign trade liberalization. Large PEs operating in the non-tradable sector require complicated regulatory changes and possibly profound changes in the sector where they operate. The second aspect refers to the temporal interrelation between macroeconomic stabilization and structural reform -including privatization. The Mexican experience suggests that the divestiture programme can start almost simultaneously with stabilization. However, large firms should be divested when further fiscal adjustment has become increasingly difficult and there is an increasing need for foreign exchange.

How should the process be carried out, and by whom? The Mexican experience suggests that there should be a centralized high-level policy-making body that is the ultimate authority in the privatization process -in Mexico, the Intersectoral Commission on Income and Expenditure. The supervision of the details of privatization should be carried out by a small (around six persons) privatization unit located in the Treasury. The details of privatization should be subcontracted out to banks and or financial consultants. A related question is to what extent the non-Executive branch of government, for example Congress, should be involved. Mexico bypassed Congress except when it was decided to divest a PE in an economic activity specified by the Constitution. An aspect related to the above is the extent to which the process is transparent. In the first stage (1983 to 1987) the Mexican process was not transparent at all. However, in the second stage the degree of transparency increased.

How should PEs be divested? This question has two levels. First, what mechanism should be used? Mexico used a variety of different methods for different PEs as well as sometimes even for the same firm. Basically, PEs were divested either by sale or by liquidation. Generally, PEs operating in the same sector were sold in packages which included profitable and non-profitable firms, but in some cases, individual plants were sold separately. In some cases control was transferred to the private sector by capital dilution,

where the dilution meant capital infusion in a firm rather than income for the Government. Thus, in the Mexican case a wide variety of specific methods were used, tailored to the specific PE. The second level to the question is how much of a PE should be sold? The Mexican sale process clearly differentiated between ownership and control. In some cases, by the issue of non-voting shares, 51% of the full voting shares were sold in bids, but the remaining shares (full and limited voting shares) were sold over time, thereby avoiding depressing the value of shares at the original sale date but selling in small tranches over time to capitalize the increase in share prices during the post-divestiture period.

Notes

¹ PEs in Mexico are classified in three respects: (a) in constitutional terms, that is, into strategic and priority PEs. The former are PEs that are constitutional monopolies reserved exclusively for the State, and require Congressional approval for divestiture, while the latter are PEs operating in areas where private and foreign companies (subject to DFI laws) can operate, and can be divested by executive decree; (b) in budgetary terms, that is, into directly vs. indirectly controlled enterprises. The former have detailed budgets formally approved in Congress, while the latter's budgets are included in the budgets of their controlling ministries; (c) in terms of the legal and judicial framework, that is, into majority, and minority-owned decentralized organizations, (both subject to commercial and tax laws) and trusts (subject to the financial laws). It may be noted that commercial banks and development banks are not classified as PEs in Mexico.

² This also entails "privatizing" part of the private sector, that is, putting onto a commercial basis those firms which had previously depended to a critical extent on government patronage.

³ See N. Lusting, Mexico: The Remaking of an Economy, 1992, and J. Córdoba, "*Diez lecciones de la reforma económica en México*", Nexos, No. 158, 1991 for an evaluation of this period.

⁴ Real minimum wages had fallen by 49% and manufacturing wages by 38% during the period 1982 to 1989.

⁵ For a positive evaluation see S. van Wijnbergen "The Mexican Debt Deal", Economic Policy 6, N° 2, 1991, and for a critical review S. Islam "Whither the Brady Plan", International Economy, October 1991.

⁶ Section 4 discusses sector-specific deregulations, particularly where there was divestiture of PEs.

⁷ In other words, the upfront costs are highly localized (social groups, regions, and industry), leading to vocal opposition, while the benefits are in the future and diffused.

⁸ Reviewed in K. Ho, "The Mexican State", mimeo, UDLA, 1992. See also P. Gonzalez Casanova, Democracy in Mexico, 1977 and R. Collier and D. Collier Shaping the Political Arena, 1991.

⁹ See F. Meyer, Excelsior, 13 May, 1991.

¹⁰ This characteristic of the Mexican political system, it could be argued, has resulted in pendulum-like swings between successive *sexenios* of left-centre-right-left-center governments, while within each *sexenio* cycle there has been an alternative of successive two-year periods of recession-boom-recession.

¹¹ Mexico does not neatly fit into Pereira's neo-liberal vs. pragmatic dichotomy. See L. Bresser Pereira et. al., New Democracies. A Social -Democratic Approach, 1993. In Mexico, the new policy regime has been officially labelled "Social Liberalism".

¹² See M. Shirley, "The Reform of State-Owned Enterprises", Policy and Research Series, 4, World Bank, 1989.

¹³ In fact the Government reduced tariffs by 5% in April 1991. However, when deregulation came in June 1991, Aeroméxico increased its tariffs three times in the three subsequent months, with an accumulated increase of 30%, and these fare rises were matched *pari passu* by Mexicana.

¹⁴ The Deficit-Surplus Agreements (*Acuerdos de Déficit-Superávit*) entailed both cash and total financing limits, with quarterly targets but with the PE reporting monthly.

¹⁵ CONASUPO's subsidiaries, "Industrias CONASUPO" (agroindustry, with 10 plants) and "LICONSA" (milk, with 7 plants), were sold between February-August 1990 and September 1990-April 1991, respectively. The plants were sold individually, some of them to foreigners.

¹⁶ The Mexican buyers of AHMSA (an iron and steel company) were basically interested in its large coal mining operations. They had no managerial experience in running a steel plant. With help from the Divestiture Unit, acting as a matchmaker, they were brought together with the Dutch steel company Hoogovens. The latter was given a five-year management contract in exchange for all expenses, fees and a 2.5% equity share.

¹⁷ See "*El proceso de desincorporación en México*" by R. Garcia, SHCP, 1992, and "*El proceso de enajenación de entidades paraestatales*", SHCP, 1992.

¹⁸ According to the DU, during 1988 to 1991 only 22 PEs were sold below their minimum price, and most of these were sugar mills.

¹⁹ Even after the sale of a PE, the White Book, which contains all the documentation relevant to the divestiture, is not available for public consultation.

²⁰ Mexicana is also an example of the use of swaps, since Chase Manhattan Bank, one of the foreign owners, exchanged debt for 9% of equity.

²¹ Cananea's divestiture was an important symbol for the privatization programme. Its story is intimately related to the Mexican Revolution, and the PE was the main employer of the mining town, Cananea, to which it provided free electricity, water and sewage facilities. The first attempt at privatization, in a closed bid auction in January 1988, failed as bids were below the minimum price. The second attempt was not realized as the winning bidder, Protexa, failed to obtain a bridge loan from Chicago First Bank. The company was declared bankrupt one month after a strike was declared, and the army was sent to the mine. Eventually, it was sold to Grupo Minera México (GMM), which had also bought Mexicana de Cobre. Thus the GMM controls about 88% of total copper production.

²² Eventually SICARTSA's four plants were sold to one buyer. Buyers of SICARTSA and ALTOS HORNOS were given a "a reasonable time" to fulfill anti-contamination emission laws. Hence, they are often quoted as cases where privatization would result in a reduction in pollution.

²³ From a political economy point of view, this characteristic of divestiture reflects the need of the ruling elite to recover the alliance with the business sector elite.

²⁴ See J. Vickers and G. Yarrow, Privatization: an economic analysis, 1991.

²⁵ Series A shares are available only to Mexicans unless otherwise authorized by the National Commission on Foreign Investments Series. B shares are open to foreigners. Generally, no more than 49% of the share capital of a company may be issued in the form of B shares. In case of financial institutions, foreign ownership is permitted only through C shares, which may represent up to a maximum of 39% of the issuer's capital. However, foreigners may acquire the monetary and economic benefits but not voting rights of A shares listed on the Mexican Stock market (other than banks and financial institutions) through neutral investment trusts. The trustee is NAFINSA, a Government-owned development bank, which issues Ordinary Participation Certificates to non-Mexican investors. Another method includes American Depositary Receipts and investment funds, including The Mexican Fund, Inc. The latter is a closed investment company listed on the New York Stock Exchange which invests in shares on the Mexican Stock Market.

²⁶ Minority-owned public enterprises, 71 in number, were taken off the government lists of public enterprises as the new Federal Law on State Enterprises reclassified them as non-public enterprises.

²⁷ Articles 25 and 28 of the Mexican Constitution define "Strategic Areas" as those reserved exclusively for the State, including oil, hydrocarbons, basic petrochemicals, satellite telecommunications, railways, electricity and radioactive materials. It should be noted that the privatization of commercial banks required a constitutional change. See I. Ruprah, "Reform and divestiture of the Mexican banking system", mimeo, UDLA, 1992.

²⁸ The remaining classes are: 68, professional; 69, education; 70, medical; 71, other; 72, public administration and defense.

²⁹ However, major adjustments were made more recently, hence productivity should have increased during 1992 and 1993.

³⁰ The contingency fund was originally set up in response to the uncertainty of petroleum prices during the Gulf War. It was later used to receive income from divestiture, including the sale of commercial banks. The fund had two accounts: one denominated in pesos and the other in US\$.

³¹ Note that the fiscal accounts for 1990 included 3% of GDP in terms of debt reduction; for 1991, 3.8% of GDP derived from divestiture, and for 1992, 3% of GDP from divestiture and 1.4% of GDP for the financial deficit due to the removal of financial intermediation from the fiscal accounts.

³² Thus, public investment as a percentage of GDP was 13% in 1981 but only 4% in 1992. Private sector investment was 14% of GDP in 1981 and 17% in 1992.

³³ See J. Pérez Escamilla, "El redimensionamiento del sector público en México", mimeo, SHCP, 1988; Welfare consequences of selling public enterprises: some case studies for Chile, Malaysia, Mexico and the U.K., World Bank, 1992 and I. Ruprah, "Divestiture case studies: TELMEX, Aeroméxico, Mexicana, the sugar industry and Bancomer", UDLA, 1992.

APPENDIX 1
PUBLIC ENTERPRISES SOLD

SECTOR	ENTERPRISES	AGENT	DATE OF SALE CONTRACT	BUYER	NOMINAL SALE PRICE (MILLIONS OF PESOS)
SEMIP	INTERRUPTORES DE MEXICO, S.A.	NAFIN	30-Mar-83	SIEMENS	147.4
SEMIP	EQUIPOS AUTOMOTRICES, S.A. DE C.V.	FISOMEX	08-Jun-83	RENAULT DE FRANCIA	---
SEMIP	VEHICULOS AUTOMOTORES DE MEXICO, S.A. DE C.V.	FISOMEX	08-Jun-83	RENAULT DE FRANCIA	---
SEMIP	RENAULT DE MEXICO, S.A. DE C.V.	DINA	08-Jun-83	RENAULT DE FRANCIA	4,699.5
SEMIP	BICICLETAS CONDOR, S.A.	NAFIN	31-Jul-84	C.T.M.	208.1
SEMIP	TALLERES TLAJOMULCO, S.A.	NAFIN	31-Jul-84	C.T.M.	---
SEMIP	ACCESORIOS TUBULARES ESPECIALES, S.A.	NAFIN	31-Jul-84	C.T.M.	---
SEMIP	COMPAÑIA MEXICANA DE RADIOLOGIA CGR, S.A.	NAFIN	13-Mar-85	THOMPSON CGR. FRANCIA	39.4
SEMIP	CENTRIFUGAS BROADBENT INTERAM, S.A. DE C.V.	NAFIN	23-Aug-85	PROMOCIO Y FOMENTO IND., S.A. DE C.V.	50.6
SEMIP	MANUF. MEXICANA DE PARTES DE AUTO, S.A. DE C.V.	BANAMEX	09-Sep-85	INDUSTRIAS NACOBRE, S.A.	392.6
SEMIP	COMPAÑIA MINERA COMONFORT, S.A.	COFOMIN	23-Sep-85	SR. ADOLFO GRANA	21.0
SEMIP	MANANTIALES DE SAN LORENZO, S.A. DE C.V.	SERFIN	27-Sep-85	EMBOTELLADORA METRO- POLITANA, S.A. DE C.V.	---
SEMIP	REFRESCOS Y ALIM GARCÍ CRESPO, S.A. DE C.V.	SERFIN	27-Sep-85	EMBOTELLADORA METRO- POLITANA, S.A. DE C.V.	---
SEMIP	TRANSPORTES GARCÍ CRESPO, S.A. DE C.V.	SERFIN	27-Sep-85	EMBOTELLADORA METRO- POLITANA, S.A. DE C.V.	---
SEMIP	INMOBILIARIA LA CANTERA, S.A.	SERFIN	27-Sep-85	EMBOTELLADORA METRO- POLITANA, S.A. DE C.V.	---
SEMIP	GRANJA BUENAGUA, S. DE R.L.	SERFIN	27-Sep-85	EMBOTELLADORA METRO- POLITANA, S.A. DE C.V.	1,960.0
SEMIP	EMBOTELLADORA GARCÍ CRESPO, S.A.	SERFIN	27-Sep-85	EMBOTELLADORA METRO- POLITANA, S.A. DE C.V.	---
SEMIP	DISTRIBUIDORA SAN LORENZO, S.A.	SERFIN	27-Sep-85	EMBOTELLADORA METRO- POLITANA, S.A. DE C.V.	---
SECTUR	OPERADORA DE HOTELES, S.A. (OPERACION HOTEL DEL PRADO)	FONATUR	01-Oct-85	GRUPO TURNAL, S.A.	---
SECTUR	OPERADORA EL PRESIDENTE LAS PALMAS, S.A. DE C.V.	FONATUR	01-Oct-85	GRUPO TURNAL, S.A.	---
SECTUR	HOTELES EL PRESIDENTE, S.A. DE C.V.	FONATUR	01-Oct-85	GRUPO TURNAL, S.A.	---
SECTUR	INMOBILIARIA EL PRESIDENTE SAN JOSE, S.A.	FONATUR	01-Oct-85	GRUPO TURNAL, S.A.	---
SECTUR	HOTEL GALERIAS, S.A. DE C.V. (EL PRESIDENTE INTERNAL)	FONATUR	01-Oct-85	GRUPO TURNAL, S.A.	---

SECTOR	ENTERPRISES	AGENT	DATE OF SALE CONTRACT	BUYER	NOMINAL SALE PRICE (MILLIONS OF PESOS)
SECTOR	CORPORACION NACIONAL OPERADORA S.A. DE C.V.	FONATUR	01-Oct-85	GRUPO TURNAL, S.A.	---
SECTOR	NACIONAL HOTELERA DEL NORTE, S.A. DE C.V.	FONATUR	01-Oct-85	GRUPO TURNAL, S.A.	25,331.0
SECTOR	INMOBILIARIA EL PREDIENTE LORETO, S.A. DE C.V.	FONATUR	01-Oct-85	GRUPO TURNAL, S.A.	---
SECTOR	SERVICIOS INTERNOS				
SEMP	MANUFACTURAS ELECTRICAS, S.A.	SERFIN	28-May-86	GRUPO MONTECASINO Y PARTICULARES	1,050.1
SEMP	NUEVA SAN ISIDRO, S.A.	SERFIN	28-May-86	GRUPO AMCO, LOCERIA	500.0
SEMP	ATSUGI MEXICANA, S.A. DE C.V.	BANAMEX	29-May-86	JALIS, ING. EUSEBIO RUBIO	10,644.7
				GRUPO INDUSTRIAL BOCAR,	
				GRUPO INDUSTRIAL	
				SALDUAR, S.A. DE C.V.	465.0
SEMP	CIA. INDUSTRIAL Y COMERCIAL AMERICANA S.A. DE C.V.	NAFIN	16-Jun-86	SALVADOR MILANES A.	306.4
SEMP	MANUFACTURERA CORPOMEX, S.A. DE C.V.	BANAMEX	27-Jun-86	GRUPO VITRO	---
SEMP	CORPORACION NACIONAL IND., S.A.	BANAMEX	27-Jun-86	GRUPO VITRO	---
SEMP	ESFERAS Y REFRIG. NALES, S.A. DE C.V.	BANAMEX	27-Jun-86	GRUPO VITRO	---
SEMP	FORMADOS APB, S.A.	BANAMEX	27-Jun-86	GRUPO VITRO	114,492.6
SEMP	INMUEBLES Y EQUIPOS IND. S.A. DE C.V.	BANAMEX	27-Jun-86	GRUPO VITRO	---
SEMP	ACEROS ESMALTADOS, S.A. DE C.V.	BANAMEX	27-Jun-86	GRUPO VITRO	---
SEMP	ACROTEC, S.A. DE C.V.	BANAMEX	27-Jun-86	GRUPO VITRO	---
SEMP	ACROS, S.A.	BANAMEX	27-Jun-86	GRUPO VITRO	---
SEMP	POLIETILENO DE MONTERREY, S.A.	BANCOMER	07-Jul-86	PABLO MEJIA A.	---
SEMP	POLITECNICA DE MONTERREY, S.A.	BANCOMER	07-Jul-86	PABLO MEJIA A.	125.0
SEMP	CONFECCIONES DE OCCIDENTE	NAFIN	07-Jul-86	C.T.M. (INC./15-008)	---
SEMP	NUEVA NAL. TEXTIL MANUFACTURERA DEL SALTO, S.A.	NAFIN	07-Jul-86	C.T.M.	---
SEMP	IND. FAIRBANKS MORSE DE CENTROAMERICA S.A.	BANCOMER	30-Jul-86	UNION DE TRAB./HIERRO, DERIV/EDO.MEX.	3,615.0
SEMP	MANUFACTURERA FAIRBANKS MORSE, S.A. DE C.V.	BANCOMER	30-Jul-86	UNION DE TRAB./HIERRO, DERIV.EDO.MEX.	375.0
SEMP	NAVIMENT, S.A.	SERFIN	09-Oct-86	EAGLE CEMENT CORP.	---
SEMP	CESER, S.A.	SERFIN	09-Oct-86	EAGLE CEMENT CORP.	---
SEMP	CEMENTOS ANAHUAC DEL GOLFO, S.A. DE C.V.	SERFIN	09-Oct-86	EAGLE CEMENT CORP.	---
SEMP	MATERIAS PRIMAS ANAHUAC DEL GOLFO, S.A.	SERFIN	09-Oct-86	EAGLE CEMENT CORP.	---
SEMP	AVANTRAM MEXICANA, S.A.	NAFIN	07-Nov-86	SR. JOSE RAMON PERALES	30,762.0
SEMP	PROMOCIONES Y COMISIONES AVANTRAM, S.A.	NAFIN	07-Nov-86	SR. JOSE RAMON PERALES	---
SARH	MEZCAL SANTIAGO, S.A. ENVASES GENERALES	SARH	26-Nov-86		940.0
					0.3
					0.8

SECTOR	ENTERPRISES	AGENT	DATE OF SALE CONTRACT	BUYER	NOMINAL SALE PRICE (MILLIONS OF PESOS)	
SEMP SEMP SARH	ENVASES GENERALES CONTINENTAL, S.A. DE C.V. PORCELANAS EUROMEX, S.A. ALIMENTOS DEL FUERTE, S.A.C.V.	BANCOMER SERFIN NAFIN	03-Dec-86 18-Dec-86 18-Dec-86	CONTINENTAL CAN CO. INC. JUMP NEWCOR, INC. GRUPO IND. DEL FUERTE, S.A. DE C.V. GRUPO IDESA	1,450.0 6,411.4 9,864.0 2,500.0 1.0 ---	20,182.6 85,818.8 132,033.0 29,543.1 2.8 ---
SEMP SEMP SEMP	GLICOLIS MEXICANOS, S.A. C.V. FERROMINERA MEXICANA, S.A. CONCRETOS PROCESADOS, S.A.	NAFIN COFOMIN SERFIN	04-Feb-87 30-Nov-88 09-Apr-87	GPO. ANAHUAC Y PARTICULARES GPO. ANAHUAC Y PARTICULARES GPO. DE EJIDOS Y COMUN. INDIGENAS	---	---
SEMP	CONCRETOS TAMAULIPAS, S.A.	SERFIN	09-Apr-87	---	---	---
SARH	RESINERA EJIDAL DE MICHOACAN, S.A.	BANCOMER	26-May-87	---	2,560.0	25,720.4
SEMP	CERES ECOLOG. DE MEXICO, S.A.C.V.	NAFIN	31-May-87	CARLOS ALEJANDRO HORNEDO MARIN	100.0	884.1
SHCP D.D.F. SEMP SEMP	ACCIONES BURSATILES SOMEX, S.A. CLUB DEPORTIVO ATLANTIC FIBRAS NACIONALES DE ACRILICO, S.A. ENVASES Y EMPAQUES NALES., S.A.	BANAMEX CONFINA BANAMEX NAFIN	03-Jun-87 29-Jun-87 03-Jul-87 13-Jul-87	COLOCACION BURSATIL GRUPO GARCIS, S.A. GRUPO KALTEX GRUPO INDUST. DURANGO (INC./05-001)	50.0 32,560.7 160.0 57,645.8 ---	440.7 285,282.2 1,311.4 469,714.3 ---
SEMP	COMPAÑIA INDUSTRIAL DE ATENQUIQUE, S.A.	NAFIN	13-Jul-87	GRUPO INDUST. DURANGO (INC./05-001)	---	---
SARH SARH	IND. FORESTALES INTEGRALES, S.A. SERVICIOS ATENSA, S.A.	NAFIN NAFIN	13-Jul-87 13-Jul-87	GRUPO INDUST. DURANGO GRUPO INDUST. DURANGO (INC./05-001)	54,000.0 ---	428,942.8 ---
SARH SEMP SEMP SEMP	UNION FORESTAL DE JALISCO Y COLINA, S.A. DINA CUMMINS INDELTA, S.A. MECANICA FALK, S.A. DE C.V.	NAFIN DINA NAFIN SERFIN	13-Jul-87 25-Sep-87 01-Oct-87 14-Oct-87	GRUPO INDUST. DURANGO CUMMINS ENGINE CO. INDUSTRIAS NACOBRE, S.A. SUNDSTRAND PACIFIC LTD, FALK CORP., Y JACK M.	---	---
SEMP	CABEZAS DE ACERO KIKAPOO, S.A.	BANCOMER	14-Oct-87	TRINITY INDUSTRIES INC. Y GPO TATSA	2,910.8	18,489.7
SEMP SEMP SEMP	POLIESTIRENO Y DERIVADOS, S.A. DE C.V. PRODUCTORA NAL. DE REDES, S.A. C.V. PRODUCTOS QUIMICOS E INDUST. DEL BAJIO, S.A.	BANCOMER INTERNAL SERFIN	18-Nov-87 10-Dec-87 22-Dec-87	GRUPO IDESA MOMOI FISHING NET, CO. MANUEL ESTRADA	1,596.6 24,752.0 3,407.5	10,141.8 144,303.6 18,827.3
SEMP	YAVAROS INDUSTRIAL, S.A.	BANAMEX	07-Jan-88	CAMPUSANO Y SOCIOS	294.9	1,574.5
SARH SEMP	MADERAS INDUSTRIALES DE NAYARIT, S.A. DE C.V. ADHESIVOS, S.A.	NAFIN NAFIN	08-Jan-88 20-Jan-88	GPO. IND. DEL BAJO RIO MAYO, S.A. C.V. GOB. DEL EDO. DE NAYARIT NEMESIS	1,598.3 1.0 3,000.0	8,179.0 5.1 14,696.8

SECTOR	ENTERPRISES	AGENT	DATE OF SALE CONTRACT	BUYER	NOMINAL SALE PRICE (MILLIONS OF PESOS)	
SEMP	AUTOEXPRESS REGIONTANO, S.A.	BANCOMER	26-Jan-88	BERNARDO LIJTSZAIN Y SOCIOS	700.0	3,360.9
SEMP	COLOR DE TEHUANTEPEC, S.A.	SERFIN	03-Feb-88	GRUPO PRIVADO MEXICANO, S.A. DE C.V.	44,161.1	205,516.2
SEMP	PERFILES Y ESTRUCTURAS DE DURANGO, S.A.	SERFIN	15-Feb-88	GRUPO ARMAS, S.A. DE C.V.	233.7	1,040.2
SEMP	POLIMAR, S.A. DE C.V.	SOMEX	17-Feb-88	GRUPO ICA Y OTROS	1,409.9	6,229.0
SEMP	TORRES MEXICANAS, S.A.	BANORTE	14-Mar-88	SUTERM/EPN	5,000.0	20,401.7
SEMP	HULES MEXICANOS, S.A.	BANAMEX	22-Mar-88	GPO. SERVIA Y SINDI. DE LA IND. PETROQUIMICA	57,318.0	227,956.6
SEMP	REFRACTARIOS MEXICANOS, S.A.	INTERNAL	25-Mar-88	INDUSTRIAS PEÑALES (QUIM.MAGNA, S.A.)	2,100.0	8,245.4
SEMP	COMPANIA INDUSTRIAL JACARANDA S.A. DE C.V.	SERFIN	08-Apr-88	C.T.M.	---	---
SEMP	HILADOS GUADALAJARA, S.A. C.V.	SERFIN	08-Apr-88	C.T.M.	---	---
SEMP	CIA. TEXTIL MEXICANA, S.A.	SERFIN	08-Apr-88	C.T.M.	---	---
SEMP	HILOS CADENA, S.A. DE C.V.	SERFIN	08-Apr-88	C.T.M.	---	---
SEMP	GPO. TEXTIL CADENA, S.A. C.V.	SERFIN	08-Apr-88	C.T.M.	---	---
SHCP	INMOBILIARIA MEXICANA IND., S.A.	BANCOMER	26-Apr-89	GRUPO INDUSTRIAL LUX, S.A.	2,320.0	5,402.5
SEMP	CENTRO IND. BIOQUIMICO, S.A. C.V.	BANAMEX	01-Jun-89	SR. JAIME BENAVIDES	13,235.4	29,381.0
SCT	AERONAVES DE MEXICO, S.A. DE C.V.	BANOBAS	12-Jun-89	ICARO AEROTRANSPORTES, S.A. DE C.V.	655,190.0	143,191.9
SEMP	HIERRO Y ACERO DEL NORTE, S.A.	BANORTE	19-Jun-89	FAMILIA MONTENAYOR	3,120.0	7,043.8
SEMP	CIA. INDUST. AZUCARERA, S.A. (INGENIO CUATOTOLAPAN)	FINASA	19-Jun-89	GPO. DE INVERSIONISTAS DE ANERMEX	---	---
SEMP	INGENIO PLAN DE AYALA, S.A.	FINASA	19-Jun-89	GPO. DE INVERSIONISTAS DE ANERMEX	---	---
SEMP	INGENIO SAN GABRIEL VERACRUZ, S.A.	FINASA	19-Jun-89	GPO. DE INVERSIONISTAS DE ANERMEX	104,220.8	235,290.3
SEMP	COMPANIA MINERA CEDROS, S.A.	BANAMEX	18-Jun-89	INDUST. PEÑALES, S.A. DE C.V.	4,200.0	8,738.0
SCT	CIA. MEXICANA DE AVIACION, S.A. C.V.	INTERNAL	22-Aug-89	GRUPO XABRE	358,820.0	717,078.3
SCT	AEROPUERTOS Y TERRENOS, S.A.	INTERNAL	22-Aug-89	-----	---	---
SCT	DATATRONIC, S.A. (50%)	INTERNAL	22-Aug-89	-----	---	---
SEMP	ASTILL. UNIDOS DE ENSENADA, S.A. C.V.	CREMI	18-Sep-89	CIA. SIDERURG. DE GUADALAJARA, S.A.C.V.	10,500.0	20,431.4
SEMP	AHMSA INGENIERIA	SERFIN	22-Sep-89	CONSORCIO DE ACCIONISTAS EN INGENIERIA, S.A. DE C.V.	5,266.0	10,207.2

SECTOR	ENTERPRISES	AGENT	DATE OF SALE CONTRACT	BUYER	NOMINAL SALE PRICE (MILLIONS OF PESOS)
SARH	FERMENTACIONES MEXICANAS, S.A. C.V.	BANCOMER	30-May-90	KIOWA HAKKO KOGYO CO. LTD. Y SUMITOMO CORP.	47,450.3
SECTUR	SUR DEL PACIFICO, S.A.	BANAMEX	30-May-90	PROMOC. TURISTICAS	1,035.6
SARH	TABAMEX (PLAN DESV. LAZARO CARDENAS, VENTA DE ACTIVOS)	BANCOMER	04-Jun-90	BANAMEX, S.A. C.V.	14,500.0
SHCP	PRODEL (VENTA DE ACTIVOS)	BANCOMER	21-Jun-90	CIGARR. LA TABACALERA MEXICANA, S.A.	86,779.3
NO SECT.	CIA. DE MANUFACTURAS METALICAS PESADAS, S.A.	NAFIN	03-Jul-90	OPERADORA METROPOLITANA, S.A.C.V.	26,411.4
SEGOB	CINES REGIONALES, S.A.	SOMEX	10-Jul-90	INDUSTRIAS ICA, S.A. DE C.V.	245.0
SARH	EXPORTACION DE TABACOS MEXICANOS, S.A. DE C.V.	SERFIN	26-Jul-90	MA. INES CHAVEZ A. Y/O JAIME LOPEZ R.	13,160.0
SCT	SERVICIO TELERESERVACIONES	INTERNAL	01-Aug-90	EXPORTADORA DE ARTICULOS MEXICANOS, S.A. DE C.V.	69,350.4
SCT	DATATRONIC (50%)	INTERNAL	07-Aug-90	SARTEL, S.A. DE C.V.	1,150.0
SCT	TURBORREACTORES, S.A. DE C.V.	BANAMEX	10-Aug-90	CORPORACION MEXICANA DE AVIACION	54,217.0
PESCA	PRODUCTOS PESQUEROS DE SALINA CRUZ, S.A. DE C.V.	BANCOMER	20-Aug-90	CORPORACION MEXICANA DE AVIACION	6,418.8
SEMIP	TUBACERO, S.A.	NAFIN	20-Aug-90	SIND. TRAB. IND. PESQ./FED. REG. SOC. COOP.	52,488.0
SEDUE	URBANIZADORA DE HERMOSILLO, S.A. (50%)	SOMEX	24-Aug-90	IND. PES. OAX.	874.1
SARH	FIDEICOMISO DE LA PALMA, S. DE R.L. DE I.P. Y C.V.	CREMI	27-Aug-90	ACEROS GENERALES, S.A. DE CV./JAIME WOLDENBERG C. BEATRIZ MENDIVIL G. Y 4 SOCIOS	16.0
SEMIP	FAB. DE TRACTORES AGRICOLAS, S.A.	NAFIN	29-Aug-90	PROD./PALMA (8 UNIONES DE COMUN./UNA SOC. DE SOLID. S.	24,000.0
SARH	ALIMENTOS BALANCEADOS DE MEXICO, S.A. DE C.V.	-----	-----	ING. RODOLFO BARRERA VILLARREAL	13,500.0
SARH	PLANTA MERIDA YUC.	BANCOMER	13-Sep-90	UNIVASA	7,046.4
SARH	PLANTA MATAMOROS, TAMS.	BANCOMER	04-Jan-91	C. DAVID ALVAREZ JIMENEZ	4,822.5

SECTOR	ENTERPRISES	AGENT	DATE OF SALE CONTRACT	BUYER	NOMINAL SALE PRICE (MILLIONS OF PESOS)	
SARH	PLANTA TEXCOCO, MEX.	BANCOMER	02-Oct-90	MEXICANA DE INVERSIONES		
SARH	PLANTA IRAPUATO, GTO.	BANCOMER	04-Feb-91	MEMAC. S.A. C.V.	16,500.0	21,495.7
SARH	PLANTA AUTALAN, JAL.	BANCOMER	15-Jan-91	C. LUIS ROBLES ROMAN	11,143.0	13,118.8
SARH	PLANTA GUALAJARA, JAL.	BANCOMER	22-Nov-90	C.SERGIO ANAYA Y J.LUIS JIMENEZ	300.0	359.0
SARH	PLANTA METIONINA	BANCOMER	30-Nov-90	ALVAREZ JIMENEZ	9,125.0	11,467.1
SARH	PLANTA CHIHUAHUA	BANCOMER	08-Apr-91	ECOLOGIA Y RECURSOS	5,000.0	6,183.0
SARH	CIA. MINERA DE CANANEA, S.A.	FINASA	28-Sep-90	ASOC., S.A. C.V.	5,900.0	6,663.2
SARH	TABACOS AZTECA, S.A.	SERFIN	28-Sep-90	HARINAS DE CHIHUAHUA, S.A. DE C.V.	124,635.0	163,880.7
SARH	INGENIO LA PURISIMA	FINASA	01-Oct-90	MEXICANA DE CANANEA, S.A. DE C.V.	18,647.0	24,552.4
SARH	IMPULSORA DE LA CUENCA DEL PAPALOAPAN, S.A. DE C.V.	FINASA	01-Oct-90	CIGARRERA LA MODERNA, S.A. DE C.V.	3,700.0	4,824.6
SARH	INGENIO JOSE MARIA MARTINEZ, S.A.	FINASA	01-Oct-90	OPER. AZUCARERA DEL PACIFICO, S.A. C.V.	50,000.0	65,197.1
SARH	INGENIO LAZARO CARDENAS	FINASA	01-Oct-90	CONSORCIO INDUST. ESCORPION, S.A.C.V.	---	---
SARH	INGENIO INDEPENDENCIA, S.A.	FINASA	01-Oct-90	CORPORACION INDUST. SUCRUM, S.A.C.V.	156,819.0	204,482.8
SARH	CIA. IND. AZUCARERA SAN PEDRO, S.A.	FINASA	03-Oct-90	CORPORACION INDUST. SUCRUM, S.A.C.V.	---	---
SARH	INGENIO SN. FCO. EL NARANJAL, S.A.	FINASA	03-Oct-90	FONDO DE INVERS.	---	---
SARH	INGENIO FOMENTO AZUCARERO DEL GOLFO, S.A.	FINASA	03-Oct-90	FONDO DE INVERS.	35,235.0	45,820.5
SARH	DERLIKON ITALIANA DE MEX., S.A. C.V.	NAFIN	11-Oct-90	VERACRUZ, S.A.C.V.	---	---
SARH	INGENIO DE HUIXTLA, S.A.	FINASA	15-Oct-90	FONDO DE INVERS.	6,120.0	7,908.7
SARH	INGENIO MELCHOR OCAMPO, S.A.	FINASA	16-Oct-90	VERACRUZ, S.A.C.V.	23,601.0	30,340.6
SARH	INGENIO SAN SEBASTIAN, S.A.	FINASA	16-Oct-90	FONDO DE INVERS.	---	---
				GRUPO GUILLEN, S.A. DE C.V.	76,133.0	98,118.7
				GPO. TORRES BUENO Y PERDOMO BUENO		
				UNION DE PRODUCT. DE CAÑA, C.N.C.		
				UNION DE PRODUCT. DE CAÑA, C.N.C.		

SECTOR	ENTERPRISES	AGENT	DATE OF SALE CONTRACT	BUYER	NOMINAL SALE PRICE (MILLIONS OF PESOS)	
SARH	INGENIO SANTA CLARA	FINASA	16-Oct-90	UNION DE PRODUCT. DE CAÑA, C.N.C.	---	---
SARH	CIA. AZUCARERA DE LOS MOCHIS, S.A.	FINASA	16-Oct-90	CONSORCIO AGA DE GUADALAJARA, S.A.	11,600.0	14,923.0
SARH	INGENIO DE JUCHITAN, S.A.	FINASA	19-Oct-90	DR. ANDRES DE LA GARZA Y SOCIOS	---	---
SARH	CIA. AZUCARERA DEL ISTMO, S.A.	FINASA	19-Oct-90	DR. ANDRES DE LA GARZA Y SOCIOS	10,000.0	12,830.0
SARH	INGENIO JOSE MARIA MORELOS	FINASA	31-Oct-90	SR. JOAQUIN REDO	---	---
SARH	INGENIO PRESIDENTE BENITO JUAREZ, S.A.	FINASA	31-Oct-90	SR. JOAQUIN REDO	---	---
SARH	AZUCARERA DE LA CHONTALPA, S.A.	FINASA	31-Oct-90	SR. JOAQUIN REDO	44,000.0	55,896.0
SARH	INGENIO HERMENEGILDO GALEANA, S.A.	FINASA	31-Oct-90	SR. JOAQUIN REDO	---	---
SCT	TRANSBORDADOR CHAIREL	SERFIN	07-Nov-90	SERVS. NAUTICOS EL DORADO, S.A. DE C.V.	760.0	958.9
SHCP	PRODS. PESQ. DE SINALOA, S.A.C.V.	BANCOMER	12-Nov-90	MEXABRE, S.A.C.V./PESQ. CALIF. S.A. C.V.	21,800.0	27,395.3
SHCP	PRODS. PESQ. DE MATANCITAS, S.A. C.V.	BANCOMER	12-Nov-90	MEXABRE, S.A.C.V./PESQ. CALIF. S.A. C.V.	---	---
SHCP	PESQUERA DEL PACIFICO, S.A.C.V.	BANCOMER	12-Nov-90	MEXABRE, S.A.C.V./PESQ. CALIF. S.A. C.V.	---	---
SHCP	PRODS. PESQ. DE TOPOLOAMPO, S.A.C.V.	BANCOMER	12-Nov-90	MEXABRE, S.A.C.V./PESQ. CALIF. S.A. C.V.	42,250.0	53,094.2
SHCP	PLANTA SAN CARLOS (ACTIVO SEGREGADO DE PROD. PESQ. DE LA PAZ)	BANCOMER	15-Nov-90	SOC.COOPERATIVA DE PROD. PESQUERA BAHIA MAGDALENA	---	---
SCT	OPERADORA EX-CONVENTO DE STA. CATARINA, S.A. DE C.V.	BANAMEX	07-Dec-90	HOTELES PRESIDENTE, S.A. DE C.V.	350.0	438.8
SHCP	TELEFONOS DE MEXICO, S.A. C.V. (44%)	INTERNAL	13-Dec-90	SINDICATO DE LA EMPRESA	4,501.0	5,548.3
SHCP	TELEFENOS DE MEXICO, S.A. C.V. (20.4%)	INTERNAL	13-Dec-90	GPO.CARSO, S.A. DE C.V. SOUTHWESTERN BELL	955,167.5	1171784.7
SHCP	ALQUILADORA DE CASAS, S.A. DE C.V.	INTERNAL	13-Dec-90	GPO.CARSO, S.A. DE C.V. SOUTHWESTERN BELL	5171216.0	6343967.8
SHCP	ANUNCIOS EN DIRECTORIO, S.A.	INTERNAL	13-Dec-90	INTERN.FRANCE CABLE SOUTHWESTERN BELL	---	---
SHCP		INTERNAL	13-Dec-90	INTERN.FRANCE CABLE SOUTHWESTERN BELL	---	---

SECTOR	ENTERPRISES	AGENT	DATE OF SALE CONTRACT	BUYER	NOMINAL SALE PRICE (MILLIONS OF PESOS)	
SHCP	CANALIZACIONES MEXICANAS, S.A. C.V.	INTERNAL	13-Dec-90	GPO. CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SHCP	CIA. DE TELEFONOS Y BIENES RAICES, S.A. DE C.V.	INTERNAL	13-Dec-90	INTERN. FRANCE CABLE GPO. CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SHCP	CONSTRUCC. TELEFONICAS MEXICANAS, S.A. DE C.V.	INTERNAL	13-Dec-90	INTERN. FRANCE CABLE GPO. CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SHCP	CONSTRUCC. Y CANALIZAC., S.A. DE C.V.	INTERNAL	13-Dec-90	INTERN. FRANCE CABLE GPO. CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SHCP	EDITORIAL ARGOS, S.A.	INTERNAL	13-Dec-90	INTERN. FRANCE CABLE GPO. CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SHCP	FUERZA Y CLIMA, S.A.	INTERNAL	13-Dec-90	INTERN. FRANCE CABLE GPO. CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SHCP	IMPRESA NUEVO MUNDO, S.A.	INTERNAL	13-Dec-90	INTERN. FRANCE CABLE GPO. CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SHCP	IMPULSORA MEXICANA DE TELECOMUNICACIONES, S.A.	INTERNAL	13-Dec-90	INTERN. FRANCE CABLE GPO. CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SHCP	INDUSTRIAL AFILIADA, S.A. DE C.V.	INTERNAL	13-Dec-90	INTERN. FRANCE CABLE GPO. CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SHCP	OPERADORA MERCANTIL, S.A.	INTERNAL	13-Dec-90	INTERN. FRANCE CABLE GPO. CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SHCP	RADIO MOVIL DIPSA, S.A. DE C.V.	INTERNAL	13-Dec-90	INTERN. FRANCE CABLE GPO. CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SHCP	RENTA DE EQUIPO, S.A. DE C.V.	INTERNAL	13-Dec-90	INTERN. FRANCE CABLE GPO. CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SHCP	SERCOTEL, S.A. DE C.V.	INTERNAL	13-Dec-90	INTERN. FRANCE CABLE GPO. CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---

SECTOR	ENTERPRISES	AGENT	DATE OF SALE CONTRACT	BUYER	NOMINAL SALE PRICE (MILLIONS OF PESOS)	
SHCP	SERVICIOS Y SUPERVISION, S.A. DE C.V.	INTERNAL	13-Dec-90	GPO.CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SHCP	TELECONSTRUCTORA, S.A.	INTERNAL	13-Dec-90	INTERN.FRANCE CABLE GPO.CARSO, S.A. DE C.V.	---	---
SHCP	TELEFONOS DEL NORESTE, S.A. DE C.V.	INTERNAL	13-Dec-90	SOUTHWESTERN BELL INTERN.FRANCE CABLE	---	---
SARH	INGENIO CASASANO LA ABEJA, S.A.	FINASA	17-Dec-90	GPO.CARSO, S.A. DE C.V. SOUTHWESTERN BELL	---	---
SARH	INGENIO EL DORADO, S.A.	FINASA	17-Dec-90	INTERN.FRANCE CABLE LIC.FRANCISCO GARCIA	---	---
SHCP	CIA. NAVIERA MINERA DEL GOLFO, S.A. DE C.V.	CREMI	18-Dec-90	GONZALEZ CORP.INDUSTRIAL SUCRUM, S.A. DE C.V.	9,000.0	11,005.8
SARH	INGENIO LA PRIMAVERA, S.A.	FINASA	20-Dec-90	EMPLEADOS DE NAVIMIN, S.A. DE C.V.	9,050.0	11,066.9
SCT	ASTILLEROS UNIDOS DE VERACRUZ, S.A.C.V.	COMERMEX	31-Jan-91	SIND.TRAB.IND. AZUCARRA/UNION DE PROD. DE CAÑA	29,941.1	36,584.7
SEMP	FERTILIZANTES MEXICANOS	-----	-----	GPO. SOKANA INDUSTRIES, LTD.	12,100.0	14,761.2
SEMP	UNIDAD INDUSTRIAL TORREON	INTERNAL	04-Mar-91	INDUSTRIAS PEÑALES, S.A. DE C.V.	54,993.1	65,029.8
SEMP	UNIDAD INDUSTRIAL COATZACOALCOS	SERFIN	06-Mar-91	ELEATIVO, S.A. DE C.V.	---	---
SEMP	SIDERURGIA NACIONAL, S.A.	SERFIN	14-Mar-91	GRUPO INDUSTRIAL SAN LORENZO	39,824.5	46,014.9
SHCP	CLENEX, S.A.	NAFIN	12-Apr-91	GRUPO INDUSTRIAL ARZAC, S.A. DE C.V.	4,569.2	5,272.4
SCT	TRANSBORDADOR COZUMEL	SERFIN	12-Apr-91	S.A. DE C.V.	42,040.0	48,186.0
SCT	TRANSBORDADOR QUINTANA ROO	SERFIN	12-Apr-91	GRUPO COZUMEL	23,000.0	25,900.9
SECOFI	PRODUCTOS ALIMENTICIOS LA CAMPIÑA, S.A. DE C.V.	NAFIN	22-Apr-91	NAM INVERSIONES, S.A. DE C.V.	---	---
SHCP	PRODUCTOS PESQUEROS DE GUERRERO, S.A. DE C.V.	BANCOMER	02-May-91	FEDERACION DE TRABAJADORES DEL ESTADO DE GUERRERO (ctm)	5,000.0	5,630.6
SHCP	TELEFONOS DE MEXICO (ACCIONES "L")	INTERNAL	20-May-91	ADQUIRIENTES DIVERSOS (NACIONALES Y EXTRANJEROS)	24,539.0	27,452.3
					1,000.0	1,112.3
					6818006.0	7491770.7

SECTOR	ENTERPRISES	AGENT	DATE OF SALE CONTRACT	BUYER	NOMINAL SALE PRICE (MILLIONS OF PESOS)	
PESCA	PLANTA JALISCO MADERO (ACTIVO-SEGREGADO DE PROPEPAZ)	BANCOMER	21-May-91	PLANTA MAQUILADORA DE SOC. DE PROD. PESQUERA DE LA PAZ	931.0	1,022.3
SHCP	PRODUCTOS PESQUEROS ISLAS DE CEDROS, S.A. DE C.V.	BANCOMER	19-Jun-91	EL SIND. DE LA EMP./SOC. COOP. DE PRODUCTOS PESQUEROS	3,500.0	3,778.0
SHCP	INGENIO ALIANZA POPULAR, S.A. (51%)	FINASA	20-Jun-91	INGENIOS SANTOS, S.A. DE C.V.	---	---
SHCP	INGENIO PEDERNALES, S.A. (51%)	FINASA	20-Jun-91	INGENIOS SANTOS, S.A. DE C.V.	57,120.0	61,620.7
SHCP	INGENIO PURUARAN, S.A. (51%)	FINASA	29-Jun-91	INGENIOS SANTOS, S.A. DE C.V.	---	---
SHCP	COMPAÑIA AZUCARERA DEL INGENIO BELLAVISTA, S.A. (51%)	FINASA	20-Jun-91	INGENIOS SANTOS, S.A. DE C.V.	---	---
SEMP	REACTIVOS MINERALES MEXICANOS, S.A.	INTERNAL	26-Jun-91	E.I. DU PONT DE NEMOURS AND COMPANY	839.2	902.1
SHCP	REFRACTARIOS H.W. FLIR DE MEXICO, S.A. DE C.V.	BANCOMER	27-Aug-91	INDUSTRIAS PEÑALES, S.A. DE C.V.	37,000.0	38,407.1
SHCP	TELEFONOS DE MEXICO, S.A. (5.0%)	INTERNAL	09-Sep-91	GRUPO CARSO, S.A.C.V. SOUTHWESTERN BELL INTERN. FRANCE CABLE	1425369.8	1425359.8
SHCP	PRODUCTOS PESQUEROS DE ALVARADO, S.A. DE C.V.	BANCOMER	25-Sep-91	SERVAC INTERNATIONAL LTD.	---	---
SHCP	PRODUCTOS PESQUEROS DE CAMPECHE, S.A. DE C.V.	BANCOMER	25-Sep-91	SERVAC INTERNATIONAL LTD.	13,000.0	13,270.4
SHCP	PRODUCTOS PESQUEROS DE YUCALPETEN, S.A. DE C.V.	BANCOMER	25-Sep-91	SERVAC INTERNATIONAL LTD.	---	---
SHCP	PRODUCTOS PESQUEROS DE MICHOACAN, S.A. DE C.V.	BANCOMER	25-Sep-91	SERVAC INTERNATIONAL LTD.	---	---
SECOFI	PLANTA PASTEURIZADORA MORELOS, COAH. (LICONSA)	CREMI	30-Sep-91	SOC.COOPERATIVA DE PRODUCTORES DE LECHE DEL NORTE DE COAHUILA	1,880.1	1,914.6
SECOFI	PLANTA DE ALIMENTOS BALANCEADOS MORELOS, COAH. (LICONSA)	CREMI	30-Sep-91	SOC.COOPERATIVA DE PRODUCTORES DE LECHE DEL NORTE DE COAHUILA	---	---
SECOFI	UNIDAD AGUASCALIENTES Y CENTROS DE ACOPIO (LICONSA)	CREMI	03-Oct-91	OPERADORA METROPOLITANA DE LACTEOS Y GANADEROS DE AGS.	106,152.0	106,215.7

STATISTICAL TABLES

Table 1
MAIN MACROECONOMIC INDICATORS

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Economic growth (%)	-4.2	3.6	2.6	-3.8	1.7	1.2	3.5	4.4	3.6	2.6
Inflation (%)	101	66	58	86	132	114	20	27	23	16
Growth of real gross capital formation (%)	-27	6	10	-21	5	14	6	10	7	9
Fiscal deficit (% of GDP)	-8.6	-8.5	-9.6	-15.9	-16.0	-12.4	-5.6	-3.9	1.8	3.4
Primary fiscal deficit	4.8	5.5	3.9	2.2	5.0	6.4	8.3	8.0	9.0	
Real effective exchange rate (index 1980=100)	125	102	99	144	157	130	118	118	108	101
New Peso/Dollar exchange rate	0.1	0.2	0.4	0.9	2.2	2.3	2.6	2.9	3.1	3.1
Terms of trade (index 1980=100)	77	76	71	51	57	52	54	56	52	52
Current account position (billion US\$)	5.4	4.1	1.1	-1.7	3.8	-2.4	-3.9	-7.1	-13.8	-22.8
Capital account position (billion US\$)	-2.9	-1.5	-2.1	1.1	-1.0	-1.3	1.3	8.5	24.3	26.4
Foreign reserves (billion US\$)	4.7	7.9	4.9	5.7	12.4	5.2	6.3	9.8	17.7	18.9
Debt/GDP ratio (%)	57	55	54	59	65	59	52	50	48	45
Debt service ratio (%)	52	52	52	55	40	48	40	29	33	44

Source: IMF, Financial Statistics, and IDB, Socio-Economic Data.

Table 2
SELECTED FINANCIAL RESTRUCTURING AGREEMENTS
(millions of US\$)

Enterprise	Amount	Present Status
CFE (electricity)	8,578	Not divested
CONASUPO (Marketing Board and agroindustry)	1,336	Restructured, many plants and subsidiaries privatized
FERTIMEX (Fertilizers)	767	Broken up and divested
SICARTSA (Steel)	795	Broken up and divested
FERRONALES (Railways)	519	Not divested
ALBAMEX (agroindustrials)	12	Divested

Source: ICEF, August 1989.

Table 3
NUMBER OF PEs, DIVESTITURE AND CREATION OF PEs^a

Year ^b	Number beginning of year	Divestiture		Created
		Concluded	In process	
1983	1,155	75	32	10
1984	1,090	45	7	18
1985	1,044	96	23	7
1986	955	155	75	7
1987	807	161	49	15
1988	661	45	204	2
1989	618	76	170	7
1990	549	139	138	8
1991	418	51	118	3
1992 ^c	239	66	32	8 ^d

Source: Cuarto Informe de Gobierno, 1993, Informe Anual, Banco de México, 1992.

^a Does not include banks and their subsidiaries. Thus, excludes bank's subsidiaries that were sold in the early 1980s after banks were nationalized in 1982, nor the privatization of commercial banks from 1991 onwards.

^b For 1983, the period is from December 1982 to June 1983; from 1984 to 1987, the information refers to June of the previous year to the year referred; for 1988, the data refers to June 1987 to November 1988; for 1989, the information refers to the period December 1988 to December 1989; for 1990, the data refers to end of December of that year; while for 1991, the information refers to September of that year; and for 1992, December.

^c By the beginning of 1993 there were 217 with 85 PEs in the process of divestiture.

^d Including the four PEMEX subsidiaries.

Table 4
TOTAL NUMBER OF PEs BY LEGAL TYPE

	1982	1988	1992	1993 ^b
Decentralized organization	102	89	82	81
Enterprises (maj.)	744	252	100	97
Trusts	231	71	35	31
Enterprises (min.) ^a	78	0	0	0
Total	1,155	412	217	209

Source: Tercer Informe de Gobierno, 1992.

^a Eliminated from government lists by a change in definition of PEs.

^b September 1993.

Table 5
DIVESTITURE BY PROCESS^a
(percentages)

	Transfer	Liquidation	Sale	Mergers	Total
1983	0.00	41.46	9.76	48.78	100.00
1984	27.27	45.45	27.27	0.00	100.00
1985	7.69	47.25	34.07	10.99	100.00
1986	8.47	37.29	47.46	6.78	100.00
1987	1.41	30.99	29.58	38.03	100.00
1988	2.78	8.33	83.33	5.56	100.00
1983-1988	5.22	33.33	42.61	18.84	100.00
1989-1992	2.81	60.04	33.73	3.41	100.00
Total	3.80	49.11	37.37	9.73	100.00

Source: SCGF, SHCP, Informe Anual, Banco de México.

^a Excluding minority owned PEs.

Table 6
CHANGING IMPORTANCE OF THE PUBLIC SECTOR AND PEs IN THE ECONOMY

	1975	1983	1988	1991
% of GDP				
Public sector	14.6	25.6	19.0	19.9
PE	6.5	18.6	8.9	8.7
PE w/o PEMEX	3.9	12.3	6.4	6.8
% of total capital formation				
Public sector	56.3	59.5		
PE	38.2	37.3	11.8	
PE w/o PEMEX	31.1	21.3	6.3	
% of total formal employment				
Public sector	14.0	20.4	19.8	18.4
PE	3.5	4.8	4.5	3.8
PE w/o PEMEX	2.9	4.3	3.9	3.3
% of total exports				
PE	28.4	20.4	19.8	40.9
PE w/o PEMEX	14.8	9.9	7.1	3.3
% of total imports				
PE	38.2	49.8	18.8	14.3

Source: INEGI.

Table 7
PE PERCENTAGE PARTICIPATION IN VALUE ADDED

Class	1983	1990
1. Agriculture	0.25	0.0
2. Livestock	0.00	0.0
3. Forestry	0.00	0.0
4. Fishing	0.00	0.0
5. Coal and graphite	40.7	33.5
6. Petroleum and gas	100.0	100.0
7. Iron ore	30.7	14.4
8. Non-metallic minerals	4.4	0.0
9. Other non-metallic	47.9	42.7
10. Meat and dairy products	2.4	2.8
11. Prepared fruits and vegetables	0.1	0.0
12. Wheat milling products	2.8	0.0
13. Corn milling products	0.07	-1.5
14. Coffee milling	0.0	0.0
15. Sugar	39.8	1.3
16. Oils and fats	4.7	0.0
17. Animal feed	7.3	1.7
18. Misc. food products	4.4	0.0
19. Alcoholic beverages	0.0	0.0
20. Beer and malt	0.0	0.0
21. Soft drinks	0.0	0.0
22. Tobacco	10.8	2.3
23. Spinning and weaving of soft fibers	3.2	0.0
24. Thread	15.0	0.0
25. Misc. textiles	0.0	0.0
26. Wearing apparel	0.2	0.0
27. Leather goods	0.0	0.0
28. Plywood	3.5	-0.1
29. Wood and cork products	0.0	0.0
30. Paper	6.4	3.2
31. Printing and publishing	0.8	0.3
32. Refined petroleum	83.2	80.6
33. Basic petrochemicals	100.0	100.0
34. Basic chemicals	11.1	1.2
35. Fertilizers	100.0	100.0
36. Synthetic resins and man-made fibers	5.8	0.0
37. Pharmaceutical products	0.35	0.0
38. Soaps, detergents and cosmetics	0.0	0.0
39. Other chemical products	2.6	2.1
40. Rubber	0.0	0.0
41. Plastics	0.0	0.0
42. Glass	0.0	0.0
43. Cement	0.0	0.0
44. Non-metallic mineral products	0.5	0.5
45. Basic iron and steel	45.4	18.7
46. Basic non-ferrous metals	0.0	0.0
47. Metal furniture	10.0	0.0
48. Structural metal products	10.4	0.0
49. Other metal products	0.8	0.0

(cont. Table 7)

Class	1983	1990
50. Non-electrical machinery and equipment	5	0.0
51. Electrical machinery and appliances	0.0	0.0
52. Household electrical appliances	2.1	0.0
53. Electrical equipment and apparatus	0.0	0.0
54. Automobiles	-1.3	0.0
55. Bodies, motors and automobile parts	7.1	0.0
56. Transport equipment	55.2	40.8
57. Miscellaneous manufactured products	0.9	0.9
58. Construction	0.0	0.0
59. Electricity, gas and water	100.0	100.0
60. Commerce	28.8	-0.9
61. Restaurants and hotels	0.2	0.0
62. Transport	13.8	9.9
63. Communications	100.0	100.0
64. Financial services	70.2	69.9
65. Real estate	0.1	0.1

Table 8
PUBLIC SECTOR EMPLOYMENT
(thousands of posts, annual average)

Year	Total	General government ^a	Public enterprises		
			Subtotal	Direct	Indirect ^b
1983	3,943	2,943	1,000	388	387
1984	4,186	3,144	1,042	447	358
1985	4,292	3,235	1,057	468	359
1986	4,344	3,316	1,028	503	305
1987	4,378	3,346	1,031	504	301
1988	4,365	3,348	1,017	496	293
1989	4,308	3,358	950	431	296
1990	4,281	3,389	891	433	250

Source: Tercer Informe del Gobierno.

- ^a General government includes central government, local government and social security.
- ^b Direct and indirect refers to the fact that in the former category, PEs' budgets pass through Congress, while the latter they do not. Note "indirect" excludes financial PEs, while "subtotal" includes financial PEs.
- It should be noted that "large" PEs were sold from 1991 to 1992, and the main adjustments in PE employment took place during 1992 to 1993, thus the table understates the true actual fall in public and PE employment.

Table 9
GOVERNMENT SOCIAL EXPENDITURE^a
(percentage)

Year	of expenditure	of GDP	of debt service ^b
1982	16.8	7.4	49.8
1986	16.1	6.6	38.4
1988	15.0	6.0	33.2
1989	18.5	6.1	47.2
1990	21.2	6.6	63.6
1991	29.4	7.9	129.4
1992 (budgeted)	35.3	9.0	194.3

Source: Cuenta de Hacienda Pública Federal.

^a Social expenditure includes education, health, labour National Solidarity Programme created at the end of 1988 (PRONASOL), and for 1992 also includes the social development programme (urban development, water and ecology).

The composition within social expenditure was:

	1989	1991 ^a	1992 ^b
Education	42.7	38.4	41.0
Health and labour	48.7	45.5	42.7
Solidarity and regional	4.2	7.6	7.7
Urban and ecology	4.4	2.8	5.7
Provision	-	-	2.9

Table 10
SALES: NUMBER OF FIRMS AND SALE INCOME^a

Year	Number		Sale Income (Billions of nominal Mex\$)
	Total	Independent ^b	
1983	4	2	4.8
1984	3	1	0.8
1985	32	9	29.2
1986	29	15	61.6
1987	30	15	229.2
1988	64	50	1,180.8
1989	38	25	1,798.6
1990	93	62	9,008.2
1991	32	23	9,030.2
1992			32,090.0
Total			44,402.6

Source: Appendix 1, Divestiture Unit.

^a Sum of contract sale price. It does not include either the actual payments, or the sale income from sale of non-controlling shares, or income from liquidation.

^b Independent transactions.

Table 11
TOTAL DIVESTITURE INCOME

Year	Percentage of public sector revenue	Percentage of GDP
1985	0.02	0.01
1986	0.04	0.01
1987	0.31	0.10
1988	0.67	0.20
1989	0.59	0.19
1990	4.32	1.19
1991	14.40	3.83

Source: Cuenta de Hacienda Pública Federal.

Table 12
DIRECT FOREIGN INVESTMENT

Year	Millions of US\$	Percentage of GDP
1984	1,253	4.6
1985	875	5.3
1986	1,633	9.6
1987	2,316	14.9
1988	1,296	9.4
1989	3,226 ^a	6.7
1990	6,496 ^a	8.2
1991	12,241 ^a	12.7
1992	7,380 ^a	7.7

Source: Tercer Informe del Gobierno, Informe Anual, BMV.

^a Includes portfolio investment of 414, 125.6, 2,881 and 1,349.7 millions of US\$ in 1989, 1990, 1991 and June 1992, respectively. The percentage composition -excluding foreign investment in government bonds* was:

	1989	1990	1991	1992
Mexican fund	2.3	5.9	2.6	2.5
Neutral fund	31.5	16.5	7.2	6.6
Publicly traded	9.0	26.4	5.9	1.5
ADRs	36.0	51.2	74.1	81.8

* By January 1993, 24% of government bonds were held by foreign investors: an increase of 152% with respect to January 1992.

Table 13
CAPITAL INFLOWS IN THE BALANCE OF PAYMENTS
(billions of US\$)

	1989	1990	1991	1992
Capital account	1.3	8.5	24.4	26.4
Private	1.6	5.6	19.3	29.6
Government	-0.2	-5.6	-1.5	-4.6
Monetary sector	-0.1	8.5	6.5	1.3
Errors and omissions	2.7	0.8	-2.5	-1.8

Source: IMF, Financial Statistics; IDB, Socio-economic data.