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The strategies pursued *by Mexican firms* in their efforts to *become global players*

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Almost 60% of the biggest non-financial groups in Mexico carry on at least two types of activities in transnational markets. This article describes and analyses the various internationalization paths and strategies of Mexican firms. This drive for internationalization is taking place against the background of an open export-oriented economy and growing integration with the United States and Canada. There are various national and international factors, as well as others specific to the firms themselves, which influence the strategies chosen and their results. This article consists of an introduction (section I), followed by six sections analysing the various paths followed by Mexican firms in order to become "global players". Section II identifies the firms which have set up subsidiaries in developed countries. Section III reviews the firms which have resorted to strategic alliances that could convert them into transnational corporations, and some outstanding examples of this are cited. Section IV describes the presence of Mexican firms on the international securities markets and the interaction that this involves with world financial institutions. Section V looks at the strategies followed by some Mexican firms in order to establish global marketing networks. Section VI examines the rapid expansion of the solutions and strategies applied by firms to gain a world-level position, and finally section VII offers some conclusions evaluating the paths and preferences of Mexican firms seeking to become transnationals, the obstacles they have had to overcome, and the consequences of their international activities.

I

Introduction

This article focuses on the processes followed by Mexican corporations in order become global players: that is to say, to attain a situation where their action is ruled, shaped and modified not only, or not fundamentally, by national processes and in which increasing influence over their organizational structure and corporate action is exerted by the greater interaction and feed-back with transnational institutions and agents operating through manufacturing, financial, trade and corporate networks that have attained a global outreach.

The purpose of this article is to see which Mexican corporations have become global enterprises and what strategies they pursued in order to do this; how Mexican entrepreneurs, by virtue of their transnational action and strategies, become global players and transform the structural constraints that limit the scope of their action and corporate organization; to what extent they overcome such constraints; and why they changed their strategies only late in the 1980s, when other newly industrialized countries (the Asian Tigers, for example) had already made great advances in this direction (Tseng, 1994). In other words, what forces set this process in motion?

The emphasis throughout the article will be on the level of the agent: an agent who is well informed of the significance of the present conjuncture and the opportunities and costs underlying the transition to global status. Other questions will also be addressed at this level: how Mexican entrepreneurs challenge and react to the ways, conditions and rules under which they interact with the global system, and how they articulate and activate a strategic, conscious drive to become global, to interact and compete with global forces, and to plan their action and, increasingly, their very organizational structure.

In view of this emphasis on the level of the agent, the definition of transnational corporations (TNCs) used in this article necessarily underscores the strategic and operational logic underlying global action. Thus, for the purposes of the present analysis a global (transnational) enterprise is defined as a highly complex business organization that has expanded its operations to several countries by at least two of the following means:

i) Operation of subsidiaries: usually acquired in order to gain a global position in certain products, outrank competitors and simultaneously defend the firm's own domestic market from massive and/or dumped imports. This new emphasis on positioning and/or benchmarking will be the main consideration when planning growth. Accordingly, Mexican corporations that reach global status must gauge and improve their competitiveness not in relation to national standards but in relation to their closest global competitors.

ii) Strategic alliances: multiple and diversified combinations with TNCs from advanced or developing countries, entailing segmentation, specialization, sectoral and/or geographic redistribution of markets; combination of distribution networks, technological management and marketing expertise; and exchange of top executives and directors. The nature of the link-up transcends that of the more generalized joint ventures or technology or marketing licensing of the 1960s and 1970s.

iii) Sale of stock and other securities on foreign markets. This requires, on the one hand, sophisticated systems of information and communication with institutional investors, investment bankers, brokers and different specialized agents, and on the other hand, a more open attitude towards the public in general and stakeholders in particular (creditors, management, clients, consumers, employees and stockholders).

iv) Networking: distribution and marketing networks strategically developed by the corporation to promote and commercialize its own or other Mexican exports, particularly in the United States or other industrialized countries. In this way, the corporations no longer rely on agents or brokers to export their products and they considerably diversify their sources of revenue.

Many large and medium-sized Mexican companies are exploring new avenues for opening new markets, and it is difficult at this point to assess whether they will be successful or not. Using the criterion of a more diversified presence in foreign markets (in at least two types of activities), I have attempted to determine that they have a firm footing in the global

economy and are more deeply involved in the global rules of the game.

All these activities presuppose intense interaction and collective planning with global agents from advanced capitalist countries. Information exchange and communication with customers, suppliers, investors, creditors, partners and allies make collective planning and decision-making increasingly complex, but necessary. This interaction, in turn, influences the enterprises' course of action and promotes strategies and patterns of behaviour like those widely used in the advanced countries. However, it also provokes, as we shall see, difficulties and contradictions that demand sophisticated responses, short-and long-term planning, and meticulous monitoring of all the enterprises' activities in Mexico and abroad. In other words, spontaneous reaction to market signals and to public policies gives way to an increasingly complex process of strategic planning and decision-making. Without this process it would not be possible to integrate national and transnational activities, nor to coordinate internalized and externalized[1] alliances and corporate networks. It would not even be possible to follow up all the enterprises' activities, much less to comply with the standards of their new global status. This process of strategic collective planning underlying their global action is in my view the main difference with respect to any previous participation by these firms in international markets and not, as Peres Núñez (1993, p. 56) claims, a shift from foreign trade and debt towards foreign direct investment.[2]

II

Establishment of affiliates

Ever since the 1970s, many Mexican corporations have extended their operations to other Third World markets, in predominantly defensive strategies designed to protect export markets, alleviate the contraction of demand in Mexico, diversify sources of foreign income, or at least reduce dependence on one country. In the 1990s, however, the new global players have penetrated industrialized markets and have rapidly achieved a very strong position and high ranking in their specific areas of operation. Table 1 shows that of the 60 largest non-financial groups,[3] only 13 have operating affiliates (i.e., value-adding activities) in industrialized countries, though many more have prospects, or are looking for prospects, of growth through mergers and acquisitions.

It would be difficult to trace the evolution of every case. I have chosen to examine three key cases in more detail (Vitro, Cemex and Televisa) for several reasons: (1) they all explicitly revealed the drive to become global and the courses of action followed in order to advance in that direction; (2) they have all pursued very aggressive strategies to expand their activities to other countries, gain a global position and integrate their operations in order to profit from firm-specific advantages and synergies; and (3) a very large proportion of their revenue and value-added originates abroad.[4]

Vitro started making forays into the United States market with the acquisition of Anchor Glass and Latchford Glass, so that in 1989 it became the second-largest producer of glass containers in the United States, with this market accounting for approximately 40% of Vitro's total sales in 1990, 59% in 1992 and 56% in 1993. The transaction exposed the group to new, sophisticated rules of the game. In Mexico's business environment acquisitions usually

[1] That is, links with firms which do or do not belong to the corporation.

[2] As we shall see, participation in international trade has dramatically changed the nature of Mexican corporations' involvement in the international markets. Although foreign investment was not altogether absent before, it was oriented either to other less developed countries or, as indirect or real-estate investments, to advanced capitalist countries.

[3] In order to examine the main avenues of development of big business and the strategies employed in order to become global, I constructed a list of the 60 largest non-financial groups and a list of the 15 largest financial groups according to sales and assets (the main criteria used to rank non-financial and financial groups, respectively). The list was prepared on the basis of sales revenue and assets in 1994 as reported by *Expansión 500*, the Mexican Stock Exchange and the firms' annual reports.

[4] Unless otherwise specified, the information comes from interviews (see the list of interviews at the end of this article), Annual Reports and Offering Circulars.

take place through friendly deals. This was the first time a Mexican corporation had attempted a hostile takeover of a United States concern and, according to Wall Street analysts the price paid was "overly generous", particularly considering that Anchor had reported losses the year before and that the glass industry was in crisis, facing strong competition from plastic containers.[5] Throughout the negotiations Vitro's top executives exhibited the will to go global: "If we want to continue to be a glass company, as we have been for 80 years, we can no longer be satisfied with having a strong domestic base and some export activity", said Ernesto Martens, Chief Executive Officer, before the deal was over (*The New York Times*, 1989 and *Wall Street Journal*, 1989). By 1997, however, this venture had failed and Vitro had to sell its investments in Anchor Glass and retreat back to the Mexican market.

Cemex's expansion into the international market has also been achieved primarily through acquisitions. In 1995 sales generated outside Mexico (considering exports and international operating income) represented almost half of its total revenue. In 1989 the group bought several companies in Texas and California which gave it a tenth of the United States sunbelt market. In 1992 Cemex paid US$ 1.85 billion for Spain's two largest cement firms –La Valenciana and Sansón– which represented 28% of the Spanish cement market.

The international stock market community –particularly those closely watching Latin American stock– considered these acquisitions a very risky move for several reasons: the company had little experience managing overseas operations; the acquisitions increased its long-term debt by US$ 760 million, and they increased the company's immediate borrowing by US$ 1.35 billion.

United States and European investors who had recently acquired Cemex stock resented what they considered an arbitrary, unilateral decision about which they had not been properly informed in previous prospectuses and presentations. Two days after the deal was announced the price of Cemex's shares dropped by 17%.[6] The decision by security market agents to dump Cemex's stock led the company's top management to organize several presentations in order to demonstrate that their strategy was sound and promising. The market community, however, remained sceptical for some time about the Cemex management's capability to operate in European markets (Interview 2).

Despite all the uneasiness and opposition from the market community, Cemex's top management pursued an aggressive strategy. From 1993 to 1996 the group expanded considerably to South and Central America, and by 1996 its sphere of influence included 20 countries (see table 1). Underneath this aggressive strategy was Cemex's decision to become global and to simultaneously defend its market inside and outside Mexico. "The global cement business is becoming increasingly concentrated and we need to stay with the leaders", said Lorenzo Zambrano, Chief Executive and controlling shareholder (*Financial Times*, 1992). The spectacular demand for Cemex bonds in May 1993[7] demonstrated that the group's strategy was finally approved by the global financial community.

Televisa, the television and media company, also had to fight its way into the United States market. The first two forays –Spanish International Network (SIN) and The National– were not successful, and in 1986 the group was accused of illegal practices and had to undergo a complicated legal dispute. The Federal Communications Commission found that the firm was violating restrictions on foreign ownership[8] and Emilio Azcárraga Milmo sold the stations to Hallmark Cards Inc., who agreed to continue with the same management structure. The group was forced to retreat, partially and temporarily at least, from the Spanish television network in the United States.

Soon after that, Televisa tried to penetrate the United States television market once again, but this time with a different ally. In association with Jerrold Perrenchio from California (who was to share 75% of the television stations and 50% of the network) and Gustavo Cisneros (President of Venevisión), who was to have a similar share to that of Televisa, approval was finally obtained from the Federal Communications Commission (FCC) (*Expansión*, 1992).

[5] The original offer was for US$ 251.4 million and the final cost was US$ 390 million for the capital and US$ 460 million for the debt (US$ 900 million altogether, including Latchford Glass).

[6] See *Euromoney* (1993) and *Financial Times* (1992).

[7] See the section on global securities markets.

[8] United States legislation prohibits more than 20% foreign ownership of television stations.

TABLE 1

Mexico: Foreign subsidiaries of Mexican companies

Group	Subsidiary	Country	Year	Procedure
VITRO	Anchor (100%)	United States	1989	Hostile takeover
	Latchford (100%)	United States	1989	Acquisition
CARSO-Global	International Wireless	United States	1996	Merger and acquisition
Telecom	Prodigy	Spain		
CEMEX	Sunbelt	United States	1989	Acquisition
(20 countries)	Pacific Coast	United States	1989	Acquisition
	La Valenciana	Spain	1992	Acquisition
	Sansón	Spain	1992	Acquisition
	Vencemos	Venezuela	1994	Acquisition
	Bayano	Panama	1994	Acquisition
	Diamante	Colombia	1996	Acquisition
	Samper	Colombia	1996	Acquisition
VISA	Coca-Cola (51%)	Argentina	1994	Acquisition
ICA	Rodio	Spain		
TELEVISA	Univisión	United States		
	Galavisión	United States		
	Televicine España	Spain		
	Cía Peruana	Peru		
	Telev. Argentina	Argentina		
	Telev. Bolivia	Bolivia		
	Telev. Chile	Chile		
	Venevisión	Venezuela		
BIMBO	Baird's,QFS(50%)	United States	1994	Acquisition
	Alimentos Alesa			
	Bimbo	Chile		
	Bimbo	Costa Rica		
	Bimbo	Argentina		
	Bimbo	Honduras		
	Marinela	El Salvador		
		Venezuela		
		Central America		
GRUMA	Maseca	United States		New plant
IMSA	Acumulad. Fulgor	Venezuela	1993	Acquisition
	Acumulad. Indust.	Venezuela	1993	Acquisition
	Durex Indust.	Brazil	1994	New plant
	Stabilit	Argentina		
	IMSA	Chile		
	Enermex	Brazil		
DINA				
SYNKRO	Kayser-Roth	United States	1993	Leveraged buy-out
	Modecraft	Argentina	1993	Acquisition
Iusacell				
Herdez	Festin Food	United States	1990	Acquisition

Sources: América Economía (1993-1994), Infosel, Reuters and Annual Meeting Reports of companies quoted on the Mexican Stock Exchange.

Univisa controls the international distribution of Televisa's Spanish programmes, which means that the group bypassed the ownership restrictions on foreigners in the United States by selling its programmes to a group of stations over which it exercises management control. Thus, although it was partially and temporarily prevented from operating stations itself, the group manoeuvred in such a way that it ultimately recovered and strengthened its position in the United States Spanish television market. Today, this media empire covers 90% of the North American Spanish network, plus 18% of that of Spain, and it has expanded through a series of joint ventures to Chile, Peru, Argentina and Venezuela (see table 1), now leading the world in the production of Spanish-language television programmes (Interview 7).

Other Mexican corporations have operating affiliates in the United States or other industrialized countries but have not yet gained an important posi-

tion. Those that have become global players had to struggle to make headway and defend their space in the domestic and foreign markets. They had to use different investment strategies; to play by different bargaining rules; to learn different financial, legal and fiscal practices, and to operate in a much more aggressive and strictly regulated institutional framework.

Even when they relied on specialized teams of consultants and financial advisors, the undertakings have been complex and dangerous. The new ventures have demanded very little (and sometimes no) real new Mexican investment, but, as Vitro's failure in the United States glass industry shows, the new players are gambling with resources accumulated over a long historical period.

III

From conventional joint ventures to strategic alliances

There is no broad agreement yet as to a basic definition of strategic alliances. Since these represent one of the new practices most characteristic of global action, some key traits must be identified in order to be able to assess the degree to which Mexican corporate alliances have become truly strategic.

The literature tends to underscore cooperation, collaboration and complementarity as the principles guiding the formation of this type of corporate alliance. Strategic alliance networks are assumed to be non-hierarchical and self-regulating, conflict is by and large absent, and when it is present it is considered deviant and rare (Alter and Hage, 1993, pp. 189-195). The scant attention given to conflict in the literature may in part stem from the fact that these and other scholars have focused on strategic alliances involving TNCs based in advanced capitalist countries. These corporations are more likely to have similar levels of strength. Consequently, it would be difficult at this point to arrive at a definition that would also embrace the particularities of alliances between corporations based respectively in advanced and in newly industrialized countries, since this kind of alliance is a relatively new and rapidly changing phenomenon which involves corporations of different size and strength. However, some of the most important traits of strategic alliances which ought to be present are: i) a combination of strengths and assets; ii) a gradual, intense and often multi-stage process of deliberation which develops consensus, a strong sense of common interest and active collective management practices; and iii) a need for local business control and adaptation to the national, economic and cultural environment (Alter and Hage,1993; Lorange and Roos, 1992).

In the particular case of strategic alliances involving Mexican corporations, the network of allied firms is very dynamic and contradictory, as we shall see below. However, the need for complementary assets draws the national and foreign corporations closer together: the Mexican partner usually wants to become more active in the international arena and gain access to foreign markets and state-of-the-art technology, while the foreign partner aims at gaining access to the Mexican growth potential (Jurgensen, 1993).

Some of the most outstanding strategic alliances recently undertaken by Mexican firms reveal not only the scope of the relation but the strength –and, as we shall see, the weaknesses as well– of the emerging Mexican global players. They also show a sectoral redistribution and segmentation of markets that become increasingly important in the light of the North American Free Trade Agreement (NAFTA) and the formation of a North American regional market.

As may be seen from table 2, the number of alliances has grown rapidly in the past few years. However, only a few have a clear-cut strategic profile as a multipurpose agreement combining manufacturing, distribution, marketing, investment and/or organizational resources. Among the most important are Vitro-Corning, Cifra-WalMart and Modelo-Anheuser Busch.

Even though it collapsed after two years, the Vitro-Corning alliance may be considered a paradigmatic case for several reasons: it was conceived in

TABLE 2

Mexico: Strategic alliances of Mexican companies

Mexican group	Partner(s)	Origin	Date	Sector
Telmex	Southwestern Bell [a]	United States	1991	Communications
	France Telecom [a]	France	1991	Communications
	Sprint [a]	United States	1996	Multimedia
Cifra	Wal-Mart [a]	United States	1991	Retailing
Vitro	Ford	United States		Glass
	Pilkington	United States		Glass
Famosa	Owens	United States		Equipment
Vitrocrisa	Corning [a,b]	United States	1991[a]	Elec. appliances
Vitrocrisa	WTI[a]	United States	1992	Houseware
Acros	Whirlpool [a]	United States	1992	Aluminum cont.
	American Silver	United States	1991	Petrochemicals
	Pechiney	France	1994	
Cydsa	BF Goodrich	United States		
	Royal Plastics			
	Mitsubishi			
	Bayer			Environment
	Allied Signal			
	Dora Olver			
San Marcos	Crown Crafts	United States	1993	
Carso				
Nacobre	Modine			
Cigatam	Philip Morris	United States	1993	Tobacco
Euskadi	General Tire	Germany	1993	Tires
	Continental AG	Canada		Tires
Frisco	Placer Dome			Mining
Cemex	Mobley Environ't		1992	Energy
	Scancem		1993	Cement distribution
ALFA	MANGHH	United States	1980	Technology
	Shaw	United States	1994	Carpets
	AT&T	United States	1995	Communications
	Payless Cashways	United States	1993	Retailing
Sigma	Oscar Mayer	United States	1993	Distribution
	Sodima	France	1993	Yogurt
Petrocel	Himont	United States	1992	Petrochemicals
	Eastman Chemical		1995	Chemicals
Alpek	Akzo	United States	1975	Synthetic fibres
	Dupont	Denmark	1976	Synthetic fibres
	Basf	Germany	1975	Petrochemicals
	Celanese	Mexico		Petrochemicals
	AMOCO	United States	1987	Petrochemicals
Hylsa	Worthington		1994	Steel
	Metecno	Spain	1993	Steel
Ademsa	Bekaert	Belgium	1993	Metals
Gigante	Flemming	United States	1992	Retailing
	Carrefour	France	1994	
Radio Shack	Tandy	United States		Retailing
Visa				
Femsa	Coca-Cola [a]	United States	1993	Soft drinks
Femsa	Miller Brewing	United States	1993	Beer
Comercial Mexicana	Price Club	United States	1991	Retailing
Ica	ABB			
	Knoll Int	United States	1993	Construction
	Fluor Daniel	United States	1992	Engineering
	General Electric	United States	1992	Hydroenergy
	Con Perini [a]	United States	1992	Water storage
	O&G Ind.	United States		
	GEC Alsthom	France	1992	Thermoenergy
	Duro Felguera	Spain	1992	Capital goods
	WMX Tech	United States	1992	Environment
	Gral Des Eaux	France		Environment
	Soletanche	France	1994	Construction
	Bechtel	United States		Construction
	Florida Roads [a]			
	Sheraton	United States		Hotels

TABLE 2 *(concluded)*

Mexican group	Partner(s)	Origin	Date	Sector
Televisa	Megavisión	Chile	1991	TV media
	Venevisión	Venezuela	1991	TV media
	Cía Argentina	Argentina	1992	TV media
	Cía Peruana	Peru	1992	TV media
	TCI	United States	1993	Cable TV
	Discovery Comm.[a]	United States	1993	TV programming
	Sociedad Europa[a]		1993	Transmission
	News Corp	Australia	1993	TV programming
	Hearst[a]	United States	1993	Magazine publishing
	Pan Am Sat[a]	United States	1992	Satellite
	QVC Network		1993	Telemarketing
	Fox Broadcasting		1994	
Aeroméxico	Air France[a]	France	1993	Transport
GModelo	Anheuser-Busch[a]	United States	1993	Beer
	Bambrini[a]	United States		Distribution
Bimbo	Sara Lee[a]	United States	1992	Distribution
	Baird's Bakeries	United States	1994	Food products
Desc				
Spicer	Dana Corp.[a]	United States	1970-1993	Auto parts
	Kelsey Hayes			Metal
	GKN			Auto parts
	GM			Auto parts
	TRW			Auto parts
	Cabot			
Liverpool	K-Mart	United States	1993	Retailing
Tmmsa	JB Hunt[a]	United States	1992	Transport
Imsa	Nicholas Plastics	United States	1993	Auto parts
	Durlex Ind.	Brazil	1994	Auto parts
Aty	Car Sprint			
Ahmsa		Holland		
Ognex	Pepsico	United States		Soft drinks
	Natural Beverage	Canada	1993	Distribution
	Seagrams	Canada	1993	Soft drinks
Sidek	Holiday Inn	United States	1992	Tourism
Situr	Diamond Resorts	Canada	1992	Development
	Club Robinson	Germany	1992	Tourism
	Caribbean Villas	Dominican R.	1992	Tourism
	Bel-Air	United States	1992	Tourism
	Thomas Cook	U.K.	1993	Tourism
Sidek	Trafalgar House	U.K.	1992	Construction
Gmd	Benito Roggio	Argentina	1993	Construction
Elektra	Western Union	United States	1994	Services
TV Azteca	NBC	United States	1994	TV programming
BI	Underwater Inv.	United States	1994	Petroleum
	Lyonnaise Eaux	France		Water treatment
	Kellog[a]	United States	1989	Construction
Iusacell	Bell Atlantic	United States	1993	Telecommunications
Herdez	Gilroy Foods		1992	Transport
	Heinz	United States	1994	Food products
Geupec	Pepsico	United States	1992	Soft drinks
San Luis	Triangle Springs	United States	1993	Auto parts
	Cambior	Canada	1993	Mining
	Teck	Canada	1993	Mining
	Hillsborough	Canada	1993	Mining
Banacci				
Accival	Swiss Bank Corp.	Switzerland	1993	Brokerage
	MCI		1995	Telecommunications
	Aegon NV	NVS	1995	Insurance
GFB	GTE			Telecommunications
GSERFIN	GE	United States	1992	Leasing

Source: Jurgensen (1993); *América Economía* (1993-1994); Annual Meeting Reports and offering circulars of corporations, and journals listed in the Bibliography.

[a] Alliances that enabled Mexican groups to expand their operations to global markets.

[b] This alliance aborted in December 1993.

more egalitarian terms, it soon became a case which other Mexican corporations tried to emulate, and it entailed a gradual process of negotiation which lasted months and was preceded by an intense interaction and previous, more traditional, links.

A closer look at its characteristics reveals that, in contrast with the traditional joint ventures of the 1970s, which generally gave access or facilitated the entry of First-World TNCs to the Mexican market, the Vitro-Corning alliance was a double joint venture. The two companies exchanged assets in their consumer glass interests. The transaction would enhance Vitro's position in the United States market, and the alliance was complementary in other respects as well. There was not much overlapping of similar products, allowing a segmentation of markets according to the income-levels and preferences of consumers, and the combination of distribution networks and marketing skills was supposed to benefit both of the parties. Neither of the companies had developed distribution systems in the other country, due to the trade barriers prevailing until the 1990s. Last, but not least, a reshuffle of Directors and top executives was also agreed.

Although Vitro has become involved in at least two other strategic alliances under the concept of a double joint venture and nine joint ventures of a more traditional kind, the failure of Vitro-Corning SA reveals some of the great difficulties in attempting to gain access to the global corporate network. According to Corning's top officials the separation was due to different management philosophies (*Business Mexico*, 1994). But Adrián Sada G., Chairman of Vitro's Board at the time, attributed the failure to the fact that "NAFTA does not ... favour Mexican manufacturers of glassware products for the kitchen and table." (Vitro, 1993, p. 4). The alliance was therefore redefined to cover only marketing.

Bleeke and Ernst (1991, p. 129) anticipate problems for strategic alliances between companies of disparate size and strength:

> *When one partner is weak, managing the alliance seems to be too great a distraction from improvement needed in other parts of the business. When unbalanced partnerships do succeed, it is usually because the strong partner brings the capability that is crucial to the venture; it pulls the weaker partner along for a while before acquiring it or finding another partner.*
>
> *While it is important that partners have complementary skills and capabilities, an even balance of strength is also crucial. This is especially true in product-for-market swaps. When one partner brings a product or technology and the other brings access to desirable markets, there is often a certain amount of suspicion. Each partner fears that the other will try to usurp its proprietary advantage.*

The fate of both the Vitro-Corning and the Cifra-WalMart alliances seem to confirm this opinion. The first-named case has already been examined above. In the latter case, the stronger partner (WalMart) took over the weaker partner around six years after they started the link-up. In 1991 Cifra, Mexico's largest retailer, teamed up with WalMart, the largest retailer in the United States. The link-up covered several projects in both countries (Interview 5). In 1997 the Mexican partners agreed to sell the controlling share, arguing problems of family generational turnover.

Modelo and Anheuser-Busch, the leading brewers in Mexico and the United States, respectively, joined forces in April 1993. The link-up included four areas: i) the acquisition by Anheuser-Busch of 17% of the equity of Modelo, with the option to buy up to 30%; ii) Modelo will remain the exclusive importer and distributor of Budweiser and other brands of the United States brewery; iii) Anheuser-Busch will be given three seats on Modelo's board of directors and a Modelo representative will be appointed to the Anheuser-Busch board; and iv) there will be rotation of executive and management personnel between these corporations, particularly in the areas of marketing, planning and finance.[9] The fate of this alliance has not been decided, but many fear that Anheuser will eventually buy out full control.

Table 2 shows the growing number of associations Mexican groups have formed, each of which may involve different arrangements. The cases examined in more detail, however, shed light on the nature of the global network. Strategic alliances link up two or more global firms in a corporate network. Each may fulfil, however, a different function. Some organizations may hold central positions, whereas others remain marginal, particularly when overall decisions are being taken affecting the articulation and dynamics of the network. Thus, collaboration

[9] See *Business Mexico*, 1993, p. 14, and *Latin American Newsletters*, 1993.

and integration of the manifold and extremely differentiated functions take place only after a complex process of negotiation ruled by a global institutional framework. Not all the global players participate to the same extent in the formulation of the global rules shaping and constraining strategic choices.

IV

Expansion to global securities markets

During the 1980s, most Latin American corporations could not participate in international financial markets, except to renegotiate debt, swap debt for equity capital and, later, buy back their own paper at discount rates. All of these negotiations, however, entailed a process of learning how to manoeuvre in the global financial circuits, paving the way for the more aggressive and sophisticated undertakings of the 1990s.

Before the groups could pursue any negotiations, however, the Mexican Government had to bail them out. Through a very complex mechanism –Ficorca–[10] the government underwrote the private foreign debt.[11] Most of the largest groups –especially those from Monterrey– would have defaulted if the government had not intervened.[12] The second half of the decade offered private corporations the opportunity of buying public debt paper at attractive discounts. In April 1987, the Mexican Government allowed Mexican private investors to buy Mexican sovereign debt in the secondary market and to use it to redeem their own foreign debt. The Mexican foreign debt was purchased at 50%-60% of its value and was redeemed in pesos by the government at around 90% of its value. If it was used to prepay foreign debt in Ficorca it was taken at its face value (i.e., 100%). Some groups profited enormously from this situation and from other debt-reduction innovations.

The opening of the Mexican economy and, later, the negotiations to form NAFTA forced many corporations to strengthen their position. To be able to defend their markets in Mexico they had to become larger, competitive, more efficient and more productive. The new wave of mergers, reshuffles and investments in the new modern technology needed to cut costs also meant the reorganization of the capital structure and greater access to the international securities market. This, in turn, meant greater familiarity with transnational standards of disclosure, accounting and information.

The first incursions in the global securities markets, from 1989 to the beginning of 1992, were aimed at the equity markets. From April to June 1992 most Mexican stock issues circulating in the global markets through American Depositary Receipts/Global Depositary Receipts (ADR/GDR)[13] plummeted because the market was saturated, according to some analysts. But by the end of 1992 a great variety of complex debt and equity instruments were being used. Participation in international roadshows and presentations to market analysts and fund managers became part of the new function of financial promotion and planning. Specialized management teams for financial promotion were often created in the corporate structures.

Table 3 shows that between 1989 and 1992 over 35 Mexican corporations entered the international stock market with ADRs or GDRs. Only 20 of these companies were fully registered with the United

[10] This trust –Ficorca– provided a mechanism whereby, once they had reached an agreement with foreign credit institutions to defer the terms of redemption, corporations registered under the Ficorca programme would be eligible to buy the foreign currency needed to pay the debt interest and principal at subsidized, fixed rates. The Ficorca programme offered different options for buying the foreign currency needed to pay interest and principal.

[11] Garrido and Quintana (1987) have assessed the total transfers of funds made by Ficorca to private groups.

[12] Alfa and Moctezuma did indeed default because it took them a very long time to reach agreement with their creditors. Alfa had 170 creditors when it started renegotiations, and the sheer number of agents involved slowed down the process considerably.

[13] ADRs/GDRs are receipts circulating on international stock markets which represent stock in a company. The stock is deposited in a neutral trust, usually Nafinsa, which then issues receipts representing that stock. The holder of such a receipt has the right to receive profits, but no voting rights.

States Securities and Exchange Commission (SEC).[14] The remainder of these issues trade "Over the Counter" in the institutional markets (pension and insurance funds), where they are more protected from hostile takeovers, leveraged buy-outs and other aggressive investment strategies (MacKee (ed.), 1989).

Several Mexican groups (Femsa, Vitro and ICA) used ADRs/GDRs to finance acquisition or investment programmes, while other groups used them to reorganize proprietary interests. During the process of reprivatization of the banks, bridge loans were partially paid with proceedings from secondary or primary offers (of ADRs/GDRs), and the government also used this device to complement Telmex's privatization programme (Salas-Porras, 1997).

Most of the expansion into international markets, whether through acquisitions, joint ventures or strategic alliances, has been undertaken with little or no new investment. Very sophisticated financial operations, including debt swaps at heavily discounted prices, had to be engineered to reshuffle proprietary interests on a global level,[15] and certain Mexican companies had a favourable position for several reasons: i) NAFTA had remarkably changed the perception of risk for Mexican issues; ii) international investors began to demand Latin American paper because it offered, on average, better returns; iii) most Mexican groups trading in global markets achieved low levels of leverage in the 1990s; and iv) some groups had large cash flow potential.

In 1993, many analysts and investors considered Mexico more favourably than the rest of Latin America. The very good reception of almost all Mexican debt issues launched between 1992 and 1993 confirms this perception. Most of the issues shown in table 4 had to raise the original offering because they were over-subscribed and were priced at relatively low rates considering the conditions of the markets for high-risk countries. Undoubtedly the largest and most successful issue was launched by Cemex in May 1993. The demand was so great that the offering had to be increased from an original US$ 600 million to US$ 1 billion. This and other issues launched in 1991 and 1992 (see table 4) certainly satisfied the financial needs arising from Cemex's recent acquisitions in Mexico (Empresas Tolteca in 1989 and Cementos Hidalgo in 1993) and Spain (La Valenciana and Sansón in 1992) and the new investment prospects mentioned above.[16] Cemex would not have been able to engage in these multi-million-dollar global transactions if its leverage had been high and its cash flow potential low. However, the opposite was true. In spite of all the debt paper issued during 1993, at the end of the year its leverage (total liabilities/total assets) was only 50% and its cash flow represented 30% of sales (cash flow from net earnings/net sales).

The shift from private negotiations and credit contracts with foreign banks and financial institutions to the issue of different and complex equity and debt instruments as a means of obtaining foreign funds took a whole decade (1982-1992). The multiple relations and contradictions with numerous agents of the global securities market –leading agents, institutional investors, investment bankers, fund managers, brokers, etc.– put pressure on the groups and forced them to rapidly change their corporate structure, practices and strategies. Disclosure, accountancy and information practices became more open. Some groups reorganized their corporate structure by sectors to respond to the needs of certain pension funds focusing their investments by economic sectors. The short-term strategy of the international market community forced Mexican groups to offer quarterly information and results.

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[14] Only those companies which are fully registered can trade directly on the New York Stock Exchange (NYSE). Not all Mexican groups can meet the disclosure requirements demanded by the SEC, i.e., more frequent and more complete reports, history of operations for the last five years, and use to be made of proceeds when offering new stock or paper. Companies listed on the NYSE are more closely regulated, implying less risk for individual investors who cannot trade over the counter (OTC). Therefore, fully registered companies have access to funds from individual investors, who give the institutional markets much greater marketability. Only institutional investors operate in the OTC market, which has lower liquidity. In the OTC markets transactions are conducted through a telephone and computer network connecting stock and bond dealers (brokerage houses or investment banks), rather than on the floor of an organized exchange (Downes and Goodman, 1995).

[15] According to Michalet (1991, p. 43) the process of globalization is different from the multinational process, among other things because "... the reshaping of world industry is not giving rise to an economic process of capital accumulation. In contrast to the previous period, foreign direct investment mainly constitutes a shift in the ownership and control of existing companies."

[16] For the Spanish bid, J. P. Morgan negotiated a bridge loan worth US$ 1.6 billion from Citibank.

TABLE 3

Mexico: International securities issues by Mexican companies

Name	ADR/GDR [a]	Neutral Fund	New York Stock Exchange	NASDAQ [b]
Telmex	X	X	X	
Cifra	X	X		X
Vitro	X	X	X	
Carso	X	X		
Cemex	X	X		X
Visa			X	
Alfa	X	X		
Comercial	X			
Gigante	X			
ICA	X	X	X	
Televisa	X		X	
G. Modelo				
Bimbo		X		
Desc	X	X	X	
Soriana		X		
Gruma	X		X	
Aeromex	X			
Gimmex		X		
Kimberly	X	X		
La Moderna	X		X	
Liverpool	X			
TMMSA	X	X	X	
IMSA				
Aty	X		X	
Nadro				
Tribasa	X		X	
GMD	X		X	
Cydsa				
Ahmsa				
CMA	X			
Chedraui				
Sidek	X		X	
Dina	X		X	
Peñoles		X		
Apasco	X	X		X
Ogemex	X		X	
Continental				
Elektra	X		X	
BI	X		X	
Synkro	X		X	
Lala				
Gis				
Bachoco				
P Hierro				
Benavides				
Syr	X			
Copamex				
Hermes				
Gidusa	X		X	
Iusacell	X		X	
GHerdez	X		X	
Tamsa	X			
Argos				
Coppel				
Geupec				
Posadas	X			
San Luis	X			
Ponderosa	X			
Canada				
Ceramic	X		X	

Sources: BMV-AMIB (1995-1996); Banamex-Accival, *Semana Bursatil*.

[a] ADR/GDR: American Depositary Receipts and/or Global Depositary Receipts.

[b] NASDAQ: National Association of Security Dealers Automated Quotation.

TABLE 4

Mexico: Debt instruments for international securities markets
(Millions of dollars)

Group	Instrument	Amount	Lead broker	Date	Rate
Carso	ECP [a]	300	Citicorp	1992	
Cemex	ECP	425		1992	
Visa					
Alfa	BCP	100	Lazard	1992	550
Ica	Eurobond	225	Citicorp	1993	200
Televisa	Euronote	100	Merrill	1992	
Desc	ECP	100	Citicorp	1992	
Gruma	Euronotes	125	Lehman	1993	415
Aeromex	Fixed rate notes	100	Citicorp	1992	
Liverpool	ECP	100	Chemical	1992	
Cydsa	Term note progr.	250	Citicorp	1992	
Apasco	Eurobond	50		1992	
Iusacell	Eurobond (3 years)	45	JP Morgan	1992	610

Source: *International Financial Review* (1992 and 1993).
[a] ECP: Euro Commercial Paper.

V
Distribution networks

This is perhaps the area of activity in which big Mexican corporations have been working for the longest time. Nevertheless, the degree to which they have been successful in building their own distribution networks in other countries varies a lot. Success depends not only on the quality of the products but on the administrative muscle needed to coordinate increasingly complex production, promotion, marketing and distribution tasks. Moreover, very specialized professional teams are required to tackle foreign and transnational legal and institutional frameworks (World Trade Organization (WTO), NAFTA and other trading agreements).

Until the 1980s, manufacturing exports depended predominantly on the situation of the domestic market. If demand was depressed, companies looked for other channels to orient surplus production. From the second half of the 1980s on, foreign trade strategies became increasingly aggressive among manufacturing groups. A greater part of production capacity was deliberately oriented towards foreign markets and a closer interaction of producers with customers –particularly TNCs in the automobile and electronic sectors– led the former to expand their distribution networks and follow their customers to other countries.

As may be seen from table 5, several Mexican corporations have considerably increased the proportion of exports in their total revenue. Very few groups, however, have articulated a global system of distribution encompassing transportation (ships, trucks, terminals, distribution centres, etc.), warehouses, marketing, promotion agents and legal representatives. Among the most important are Televisa, Cemex and Modelo. From the point of view of the agent, the experiences of Cemex and Modelo are particularly enlightening since they tackled powerful global players who were trying to prevent them from growing in the United States and European markets. To do so they had to learn a variety of procedures, ranging from the very sophisticated anti-dumping laws and GATT institutional rules to more informal rules and trading tricks.

In 1988, seven cement producers from Texas, New Mexico, Florida and Arizona, apparently led by a subsidiary of the Swiss TNC Holderbank, com-

TABLE 5

Mexico: Exports, distribution networks and market agreements

Group	Exports/Sales 1993 (%)	Trading networks and market agreements
Telmex	20.3	
Vitro	22.0	ICI America, Pilkington Bros, Agreement with GM
Carso	16.2	
Cemex	11.5	Sunbelt, distribution centres, marine terminals and ships
Visa	2.7	Representatives in United States
Alfa	21.4	Eastman Chemical, Just-in-Time agreement with Ford
Ica	6.8	ICA Tech, ICA Construction, Tremec Trading Co
Televisa	22.5	Galavisión, Sociedad Europea
GModelo	8.8	Moctezuma Imports, Gambrinus
Bimbo	1.1	Sara Lee
Desc	21.3	Chemtech, Housmex, Just-in-Time agreements with GM, Ford
GMexico	55.4	Minera Mexico International, Western Copper Supplies
Kimberly	3.1	Intercompany trading with parent
La Moderna	20.0	Mid and Far East
Celanese	32.3	Intercompany trading with parent
Tmmsa	40.3	The Texas-Mexican Railway Co., Cardiff, Marine terminals and ships
Imsa	12.2	Representatives
Tribasa	1.0	
Cydsa	26.1	Rayon Yarn, Intermex, Jansen, Veratec (fibres & textiles)
Ahmsa	3.9	
Cma	61.7	Agreements with travel brokers
Sidek	3.3	Pacific Steel Inc., Agreements with travel brokers
Dina	30.8	Agreement with Mercedes-Benz
Peñoles	41.0	General Products Co., Peñoles & Chemicals
Bi	13.0	Agreement with Kellogg and representatives in the United States
Synkro	66.0	Subsidiaries in the United States and representatives in Latin America
Gis	15.4	Representatives
Bachoco	20.4	
Herdez	3.0	Festin Food
Tamsa	71.4	ITL, TAMSA Inc., Tamtrade
Argos	8.4	
Posadas	12.1	
San Luis	74.5	Market agreements

Source: *Expansión* (1994); BMV (1994).

plained to the United States Federal Trade Commission that they were being unfairly affected by low-priced Mexican cement imports. The Trade Commission imposed antidumping duties ranging from 50% to 58%. Mexican cement exports to the United States dropped from 3.5 million tons to less than 1 million and Cemex was badly hurt, since it accounted for around 90% of that amount. Several attempts to overturn the ruling were unsuccessful, until in July 1992 an international panel found that the United States had violated the GATT antidumping code. United States trade representatives offered to do away with the antidumping duties if Mexico withdrew its GATT complaint, kept exports to the United States within certain limits and prices, and opened its own cement market to imports. The punitive duties have gradually been reduced, but not eliminated (Interview 2).

Cemex's geographic proximity to the United States represented a competitive advantage –particularly when transport costs were considered– which no doubt troubled the adversaries who promoted this legal fight (the Swiss TNC Holderbank and the French Lafargue, ranked first and second in the world, respectively). During the legal dispute, which lasted more than two years and has still not completely ended, Cemex has been forced to find new markets in Japan, Singapore and other Southeast Asian countries, Europe and Latin America, diversifying its network of trading representatives and agents.

The case of Modelo also highlights the new strategies Mexican corporations had to develop to expand to First-World markets. Between 1986 and 1987, a brand of beer produced by Modelo –Corona Extra– became the second-best-selling imported beer in the United States, displacing Heineken as the

number one in California, Texas and Colorado. Very soon after Corona had been recognized as the second-best-selling imported beer, a persistent rumour began to spread across the United States saying the beer was contaminated. This rumour affected certain regional key markets. After trying other strategies, Modelo's representative in the United States filed a US$ 3 million lawsuit against Luce & Sons, Inc., the Heineken distributor responsible of spreading the rumour. The dispute was settled when Luce agreed to state publicly that Corona was not contaminated. From 1986 to 1987 Corona increased its share in the United States imported beer market from 11% to 18% (whereas Heineken's share dropped from 29.3% to 25%). In 1992, Modelo accounted for 69% of all Mexican beer exports, with sales in 59 different countries.[17]

VI

Global strategies

The cases examined in this article all reflect a deliberate effort to adopt global strategies and become global actors. This is broadly considered as a condition for overcoming, or at least lessening, the inefficiency, lack of competitiveness and chronic shortage of financial resources characteristic of closed, protected and underdeveloped economies. At least four of the interviewees (2, 3, 4 and 8, representing Cemex, Carso, Alfa and Vitro, respectively) explicitly linked competitiveness and the possibility of defending their markets (national and sectoral) to the adoption of global strategies. According to Vitro's management, for example, "As the Mexican economy opened up, the only alternative was to expand towards foreign markets and, simultaneously, protect national markets, but on the basis of the rules of the game of the international market." (Interview 8).

The drive to become global is thus the strategy adopted in order to survive and overcome some traditional limitations and constraints characteristic of the national bourgeoisie, particularly inefficiency and widespread dependence on the State. To become global, Mexican entrepreneurs had to adopt a more active, aggressive, conscious and even self-analytical position. This strategic orientation presupposes that this segment of the national bourgeoisie takes a step back from the role it has been playing in the economy, examines it critically and tries to transform it.

My interviews demonstrate that this strategic planning –different actions logically connected together in order to produce a specific outcome– is now deeply rooted as a corporate practice. Global strategies –that is, sets of deliberate actions aimed at gaining or maintaining a position in the global market– have transformed the predominantly inward orientation of corporate metapreferences into a predominantly outward orientation.

The global strategies formulated and implemented by Mexican groups are quite comprehensive. They include different combinations of the turnaround strategies[18] worked out by TNCs based in advanced capitalist countries in the 1980s; new forms of growth by acquisition (privatization operations, hostile takeovers, leveraged buy-outs and management buy-outs); positioning or benchmarking on a global scale; strategic alliances and networking, and the use of new financial instruments (commercial paper, Eurobonds, buying options and other financial devices).

Operations on a transnational scale broaden the scope of action not only because top management has to coordinate activities in different countries but also, and particularly, because competitiveness and performance have to be evaluated on a global scale: i.e., in comparison with the results of global competitors. This new emphasis on positioning permeates corporations' growth and turnaround strategies. Positioning on a global scale thus becomes one of the main objectives in almost all areas of corporate action.

[17] See *Wall Street Journal*, 1987; *Journal of Commerce*, 1988, and *Latin American Newsletters*, 1993.

[18] By turnaround strategies I understand a comprehensive corporate organization which acts on all levels of the corporation: financial, technological, organizational, etc. These strategies were first formulated in the 1970s but the different financial and corporate measures have changed considerably since that time. Among the most important new elements we find the use of leveraged buyouts, the issue of junk bonds to finance acquisitions, strategic alliances, and so forth. See Bibeault (1982) and Slatter (1984).

Presentations to agents from the global market community[19] invariably give a special space to positioning on various accounts (net income, productivity, return on assets, etc.). Annual Meeting Reports, offering circulars, road shows, presentations and other financial promotion instruments cannot evade the problem. Most of my interviews show that positioning has deeply transformed the logic of strategic management among large Mexican corporations. One of the most important considerations which encouraged Cemex to buy Sansón and La Valenciana in Spain was that the group would achieve a return on assets much greater than that of their competitors in Europe (Interview 2). Lorenzo Zambrano, Cemex's CEO, considers that in order to compete with TNCs from industrialized countries Mexican management must know them in detail, understand their strategies, follow their development in different countries, identify their vulnerable areas and anticipate their next moves (IMEF, 993, p. 10).

However, firms do not necessarily adopt *all* the components of the global formulas, because their sectoral and/or specific situation may involve different problems and constraints. The possible combinations of strategies are thus manifold. They depend on the firm's financial situation and the characteristics of the core business, cost structure, historical strategy and so forth.

Before the opening-up of the economy, most big Mexican companies could have been considered stagnant businesses: firms with under-utilized assets and ineffective management, by transnational standards. Under the conditions of a closed protected market, these firms survived in spite of their poor performance, but as the economy opened they had to adapt to the international production environment if they were to stay in business. Among the most popular courses of action adopted to overcome their competitive weakness are those prescribed by classical turn-around specialists (Bibeault, 1982 and Slatter, 1984): i) Product-market reorientation, adopted by Alfa, Desc, San Luis and to a lesser extent VISA; ii) Cost reduction, adopted in particular by Alfa, Cemex, Carso and Vitro; iii) Improved marketing (Bancomer, Modelo); iv) Asset reduction (Alfa, Cemex, Carso), and v) Constitution of professional senior management and boards (Alfa, Carso, VISA-Bancomer).

Turnaround strategies rapidly spread throughout the corporate milieu, becoming a buzzword among top executives. Turnaround specialists or "artists" emerged, sponsored and guided by transnational agents, consultants and investment bankers as both the external and internal environment and management constraints created a turnaround situation for most Mexican corporations.[20] The expectations of success are closely related to previous development and to the support of other agents who may benefit from the process.

Carso, like Kohlberg Kravis Roberts (KKR) and Fortsmann Little in the United States (Useem, 1993, p. 318) and Trafalgar House Ltd. in England (Bibeault, 1982, p. 87), has made a practice of taking part in privatization operations and buying out large firms facing difficulties of different sorts. Privatization of State firms has spurred quite a number of turnarounds, since State companies were generally very poorly managed. Carso was one of the groups which benefited most from this process. The group has proved quite successful in turning these ailing firms around through a combination of devices –stronger management, financial instruments, cost-cutting and asset redeployment strategies– very often used in turnaround situations. Another successful turnaround specialist is Lorenzo Zambrano, Chairman and CEO of Cemex, who has restructured Empresas Tolteca and implemented a similar cost-cutting and asset reduction strategy in the recently acquired Spanish companies Sansón and La Valenciana.[21]

[19] By global market community I understand all the agents involved in buying and trading securities in the transnational markets.

[20] The role these agents played in the process of corporate restructuring in the United States and other countries is controversial. Whereas some authors (Vedder, 1989, p. 14) consider they helped to make corporations more efficient and productive, others (Bruning, 1989, p. 53 and Brock and Adams, 1989, pp. 34-35) think they fostered speculation and destroyed productive capacity and jobs.

[21] He is planning a similar strategy for Cementos Samper and Diamante, two Colombian companies acquired in May 1996.

VII

Conclusions

The compounded effects of national and international factors between 1982 and the early 1990s decisively helped to promote the globalization of Mexican corporations. The most important national factors were i) the recession of the 1980s, which forced groups to look for and open new markets for their products; ii) the negotiation of foreign debt, the operations of Ficorca, and the depreciation of Mexican debt which linked them to new, modern and more sophisticated financial circuits and agents; iii) the opening-up of the economy and Mexico's entry into GATT and NAFTA, which meant less protection and fewer subsidies and transfers; iv) the revaluation of Mexican corporations in the light of the expectations generated by NAFTA; and v) the debt overhang, which created financial opportunities.

Among the international factors, the most important were the globalization of a growing number of industrial sectors, clusters and networks, which opens new spaces and niches for transnational corporations from developing countries; the fact that many TNCs from advanced capitalist countries are shifting their attention from traditional to leading-edge activities; the technological development in the area of communications and information, which makes possible complex combinations of productive, marketing and financial operations; financial agents looking for and creating more attractive (speculative) options for investment in emerging markets, given the general fall in interest rates; and a global regulatory framework more concerned with quality and ecological standards.[22]

As may be seen from table 6, of the 60 largest non-financial groups in Mexico, 37 (that is, almost 60%) have become global corporations according to the definition proposed at the beginning of this article, i.e., with at least two types of activities in transnational markets (see introduction).

[22] Although these problems are beyond the scope of this article, there has been a great deal of discussion of these issues since the expansion of the maquilas, the opening-up of the economy and the negotiations on NAFTA.

Strategic alliances have become the most common strategy. An exhaustive survey of the business literature reveals that 29 of the 60 largest non-financial groups in Mexico have formed strategic alliances in the past five years. Only in a few cases do these alliances enable Mexican groups to expand their operations to global markets, however, either by facilitating exports or in value-adding activities.

Expansion to the securities markets is a very popular strategy too, since credit contracts are gradually disappearing and the Mexican capital market cannot satisfy the capital requirements of these large groups. However, not all Mexican corporations have the organizational capacity to quote in the international securities markets, especially the New York Stock Exchange (NYSE). Of the 60 largest industrial-retailing corporations as of 1994, 55 are listed on the Mexican Stock Exchange, 35 trade American Depositary Receipts or Global Depositary Receipts (ADRs/GDRs) on international markets, only 20 are listed on the NYSE, and 13 offered other types of debt instruments from 1992 to 1993 (see tables 3 and 4).

Only 13 groups have operating subsidiaries and therefore value-adding activities in their core business abroad (table 1). A total of 24 groups have developed their own trading, manufacturing and marketing agreements with global corporate clients (see table 5). Of the motives identified by Fujita and others (Taylor (ed.), 1993, pp. 11-14) for promoting foreign direct investment (FDI), Mexican corporations are particularly keen on upgrading technological skills and increasing efficiency through rationalized operations and cost reduction strategies (Cemex and Vitro). However, market-seeking and export-oriented FDI tend to become more important for companies operating in saturated national markets (Televisa, Synkro, Bimbo-Baird's). Resource seeking is considerably less important for Mexican firms.

In sum, the most common trajectory is a combination of two strategies: expansion to the global securities market and the formation of strategic alliances. As may be seen from table 6, of the 60 groups in our sample, 37 have become global. Of these 37 global Mexican firms, 25 combine these two

TABLE 6

Mexico: Paths followed by Mexican companies to become global players

Group	Sector [a]	Subsidiaries	Securities [b]	Strategic alliance	Exports
Telmex	Communications		X	X	X
Cifra	Retailing		X	X	
Vitro	Glass	X	X	X	X
Carso	Highly diversified	X	X	X	X
Cemex	Cement	X	X	X	X
Visa	Beer, soft drinks	X	X	X	X
Alfa	Steel, petrochemicals		X	X	X
Comercial	Retailing		X	X	
Gigante	Retailing		X	X	
Ica	Construction	X	X	X	X
Televisa	Television	X	X	X	X
GModelo	Beer		X	X	X
Bimbo	Food products	X		X	X
Desc	Highly diversified		X	X	X
Soriana	Retailing				
Gruma	Food products	X	X		
Aeromex	Airlines		X		
GMexico	Mining				X
Kimberly	Paper		X		X
La Moderna	Tobacco	X			X
Liverpool	Retailing		X	X	
Tmmsa	Transport		X	X	X
Imsa	Auto parts	X		X	X
Aty	Retailing		X	X	
Nadro	Petrochemicals				
Tribasa	Construction		X		X
Gmd	Construction		X	X	
Cydsa	Petrochemicals		X	X	X
Ahmsa	Steel		X	X	X
Cma	Airlines		X		X
Chedraui	Retailing				
Sidek	Steel, tourism		X	X	X
Dina	Automobiles	X	X		X
Peñoles	Mining				X
Apasco	Cement		X		
Ggemex	Soft drinks		X	X	
Elektra	Retailing, television			X	X
Bi	Construction		X	X	X
Synkro	Textiles	X	X		
Lala	Food products				X
Gis	Auto parts				X
Bachoco	Agroindustry				
P Hierro	Retailing				
Benavides	Retailing				
Syr	Retailing				
Copamex					
Hermes	Metals				X
Gidusa	Wood products				
Iusacell	Communications	X	X	X	
Herdez	Food products	X		X	X
Tamsa	Steel tubes		X		X
Argos	Soft drinks				X
Coppel					
Geupec	Soft drinks			X	
Posadas	Tourism				X
San Luis	Mining			X	X
Canadá	Footwear				
Tablex	Food				
Ceramic	Construction		X	X	X

Source: Previous tables

[a] Core business(es).

[b] ADRs and/or debt instruments

strategies in some way. Six groups limit their global action to these areas. Although value-adding activities are not involved in this trajectory, the interaction with global partners and securities agents can be very intense, deeply transforming corporate strategies and organization. Most large retailing groups have followed this trajectory. Only six Mexican groups combine all four of the global strategies (table 6).

If we compare Mexican global corporations with the multinational enterprises of the Third World in the sixties, as analysed by Khan (ed.), 1986, some major differences may be found with regard to investment strategies, location, mechanisms of expansion and instruments to finance expansion. Whereas the Third World multinationals employ defensive strategies to expand to Third World markets in order to counteract the effect of recessive trends or protective measures, or in order to reduce risk through regional diversification, the Mexican transnationals use aggressive strategies to penetrate First World markets.[23] In other words, the Mexican global players deliberately aim at First World markets in order to become global forces in their respective areas of operation. They do not penetrate those markets through arrangements with governments, handshake deals or joint ventures with Third World investors, as Third World multinationals did before (Khan (ed.), 1986), but rather through complex and aggressive actions comprising acquisitions, hostile takeovers, leveraged buy-outs, buying options, strategic alliances, lawsuits and other legal or financial manoeuvres. They generally do not depend on their own internal financial resources to finance their expansion. Instead, they use sophisticated financial devices engineered by powerful transnational agents who have become a key link in the whole process of globalization. Acquisitions, strategic alliances and other investment projects are carried out with relatively little or no fresh Mexican capital, but rather with bridge loans in combination with ADR/GDR offerings, Eurobonds, and other instruments which presume the low-leverage financial positions achieved by Mexican groups throughout the 1980s, and also high cash flow potential.

The drive to become global constitutes a survival strategy in the context of an open export-oriented economy and increasing integration with the United States and Canada. The national and international conditions favour those groups whose competitive edge lies in goods demanding mature and standardized technology, where they have achieved high productivity, primarily through cost-cutting strategies (Vitro, Cemex) (Taylor (ed.), 1993). In other cases, globalization is achieved where, for cultural reasons, it would be very difficult to replace the services in question (retailing, television programmes). And this is precisely the main similarity with the multinational enterprises from the Third World analysed by Khan (ed.),1986.

Thus, even when they become global, these corporations from less developed countries exhibit weaknesses and shortcomings. They gain a foothold in non-leading and highly cyclical areas of the world economy (cement, steel, glass, petrochemicals), where they have more potential to compete on a global level. The Vitro-Corning strategic alliance, for example, was confined, even before it failed, to the house-ware industry division and did not include state-of-the-art products such as optic fibres where Corning has become a leading-edge producer. Even in the traditional production of glass containers, however, Vitro suffered a blow in 1996, when the group reported losses for more than US$ 400 million and withdrew completely from the United States market after selling Anchor Glass.

Very few Mexican global corporations have developed towards more technologically advanced areas. Vitro was producing glass-manufacturing machinery and equipment for its subsidiaries in the United States (Anchor's plants), but as already noted it nevertheless had to withdraw from the United States in 1996. However, Cemex, ICA, BI and GMD are exploring the production of environmentally friendly facilities; Televisa has bought its own satellite, which will force the group to get involved and assimilate the technology contained in that equipment, and in 1996 Carso Global Telecom began an aggressive process of expansion into multimedia activities with the acquisition of Prodigy Services.

The better ranking of Mexican debt issues (Eurobonds, commercial paper, etc.) from 1992 to 1994 has been dramatically adjusted after the devaluation and collapse of December 1994. Much higher rates have had to be offered from 1995 onwards to compensate for the much higher risk. Moreover, these newcomers to the global scene are more vulnerable

[23] A United Nations study (Taylor (ed.), 1993) likewise notes the greater proportion of FDI channelled from Third World to First World countries.

to the financial strategies of the open market and even to institutional investors and transnational financial engineers who are permanently monitoring their decisions and performance and can provoke instability in the price of their shares and their financial situation. Since these agents are usually interested in short-term returns they also exert pressure on the corporations to sacrifice long-term investment strategies, fostering speculative practices.

(Original: English)

Interviews

1. Bufete Industrial
   Lic. Luis de la Mora
   Subdirector of Financial Resources

2. Cemex
   C.P. Víctor Naranjo
   Director of Finance and Investors Relations

3. Grupo Carso
   Eduardo Valdés

4. Grupo Alfa
   Ing. Enrique Flores
   Director of Investors Relations

5. Grupo Cifra
   Ing. Federico Casillas
   Director of Investors Relations

6. Grupo ICA
   Ing. Gerardo Sáez
   Director of Investors Relations

7. Televisa
   Manuel Abud
   Director of Investors Relations

8. Vitro
   Hugo Sánchez García
   Director of Investors Relations

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