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THE MEXICAN BUSINESS CLASS AND THE PROCESSES OF

GLOBALIZATION

TRENDS AND COUNTER-TRENDS



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Thesis submitted in fulfilment of the requirements for the degree of Doctor in Philosophy
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ABSTRACT

This thesis discusses the globalising processes undergone by a segment of the Mexican business class, notably: the spaces of the world economy they control; their links to social and political networks of global scope, as well as to global movements and currents of thought; and the interests, strategies, projects and perceptions which they share with their counterparts around the world. It argues that they have become one of the main and most powerful forces for the integration of the country in the global capitalist system.

Globalising processes lived and promoted by the Mexican business class are contradictory in several respects: on one hand, modernisation, institutionalisation and depersonalisation of corporate structures and of the system of business representation: is hindered by business clientelism and corruption in party funding. On the other hand, increasing opportunities of expansion, globalisation and modernisation for Mexican corporations do not always correspond with prospects for growth and development for the national economy.

The formation of a global business class in Mexico is conceived as a process in which big businessmen reconstitute their identity, projects and aspirations in a process of collective reflexivity whereby they discuss, negotiate and share experiences with business communities around the world.

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ABBREVIATIONS

ABM: Asociación de Banqueros de México
ACC: Advanced Capitalist Countries
ACCO: American Chamber of Commerce
ADR's: American Depository Receipts
ADS: American Depository Shares
AHMSA: Altos Hornos de México
AMCB: Asociación Mexicana de Casas de Bolsa
AMIB: Asociación Mexicana de Intermediarios Bursátiles (former AMCB)
AMIS: Asociación Mexicana de Instituciones de Seguros
ANIERM: Asociación Nacional de Importadores y Exportadores de la República Mexicana
ANTAS: Asociación Nacional de Tiendas de Autosevicio
BI: Bufete Industrial
BMV: Bolsa Mexicana de Valores
Canacero: Cámara Nacional de la Industria del Acero
Caval: Calificadora de Valores
CCE: Consejo Coordinador Empresarial
CCM-EU: Cámara de Comercio México-EU
CEO: Chief Executive Officer
CES: Centro de Estudios Sociales (affiliate of CCE)
CEESP: Centro de Estudios Económicos del Sector Privado (affiliate of CCE)
CEMAI: Consejo Empresarial Mexicano para Asuntos Internacionales
CMHN: Consejo Mexicano de Hombres de Negocios
CNB: Comisión Nacional Bancaria (reorganized into CNBV)
CNBV: Comisión Nacional Bancaria y de Valores
CNC: Cámara Nacional del Cemento
CNIC: Cámara Nacional de la Industria de la Construcción
CNIV: Cámara Nacional de la Industria del Vestido
CNP: Consejo Nacional de Publicidad
CNV: Comisión Nacional de Valores (reorganized into CNBV)
COECE: Coordinadora de Organizaciones Empresariales de Comercio Exterior
CONACEX: Consejo Nacional de Comercio Exterior
Coparmex: Confederación Patronal de México
COSSIF: Consejo Coordinador de Supervisores del Sistema Financiero
CSG: Carlos Salinas de Gortari
Desem: Desarrollo Empresarial
DHIAC: Desarrollo Humano Integral, A.C.
ESMO: Elite Social Movement Organization
FDI: Foreign Direct Investment
Ficorca: Fideicomiso de Cobertura de Riesgos Cambiarios
GATT: General Agreement of Tariffs and Trade
GDS: Global Depository Shares
GFB: Grupo Financiero Bancomer
GFSerfin: Grupo Financiero Serfin
G-7: Group of Seven
GIS: Grupo Industrial Saltillo

GMD: Grupo Mexicano de Desarrollo

Gruma: Grupo Maseca

HTO: Hostile-take-over

IBCA: International Banking and Corporate Association

ICA: Ingenieros Civiles Asociados

IESE: Spanish Institute of High Enterprise Studies

IMF: International Monetary Fund

IPADE: Instituto Privado para el Alto Desarrollo Empresarial

ISI: Import Substitution Industrialization

ISO: International Standard Organization

ITAM: Instituto Tecnológico Autónomo de México

ITESM: Instituto Tecnológico de Estudios Superiores de Monterrey

JV: Joint-venture

LBO: Leveraged-buyout

LDC: Less Developed Countries

MBO: Management-buyout

MMH: Miguel de la Madrid Hurtado

MNE: Multinational Enterprise

MSE: Mexican Stock Exchange

NAFTA: North American Free Trade Agreement

NASDAQ: Nasdaq Trade Exchange

NGO: Non-government organization

NYSE: New York Stock Exchange

OTC: Over the Counter

PAN: Partido Acción Nacional

PRI: Partido Revolucionario Institucional

PROFIEX: Programa de Fomento para las Importaciones y Exportaciones

PSE: Pacto de Solidaridad Económica

SA: Strategic Alliance

SEC: Security Exchange Commission

SHCP: Secretaría de Hacienda y Crédito Público (Ministry of Finance)

SIN: Spanish International Network

TAMSA: Tubos de Aceros de México

TCC: Transnational Capitalist Class

TMM: Transporatación Marítima Mexicana

TNC: Transnational Corporation

UN: United Nations

UNIAPAC: International Christian Union of Entrepreneurial Leaders

USEM: Unión Social de Empresarios Mexicanos

WB: World Bank

WTO: World Trade Organization

CHAPTER 1

INTRODUCTION, AIMS, THEORETICAL FRAMEWORK AND HYPOTHESES

1.1. Introduction

There is wide agreement among scholars that the national and international conditions which constrain the development of Mexican big business have changed radically over the past 15 years.¹ The former include structural reforms at all levels of the economy and polity relating to the institutional framework in which big business operates. The economy has been privatised, opened, liberalised and deregulated, strengthening in general the role of the market and reducing the role of the state as a mediator between economic forces (notably, capital and labour, capital and consumers, debtors and creditors). In the political arena, neoliberal policy makers have gained control over the state apparatus at the expense of more developmentalist oriented policy makers, who have been gradually marginalised from strategic state agencies. Some electoral reforms have weakened traditional politicians aggravating tensions and contradictions within the state.

Among the international conditions affecting most critically Mexican big business we find increasingly intense processes of globalisation, an invigorated competition between developing countries trying to expand their participation in the manufacturing and commodity markets and increase their share in the emerging financial markets; increasingly acute contradictions between productive and speculative capital; the growth of capital mobility and a global regulatory framework that privileges quality and ecological standards.

Several authors (Camp, 1989; Maxfield, 1990; Elizondo, 1992a and 1996; Kleinberg,

1996; Luna, 1992a and 1995; Heredia, 1996) have examined how these changes affect the relations between big business and the state. And though they focus on different aspects of that relationship (i.e., policy making, interest intermediation, party politics), a wide consensus has emerged. In the relations between the state and big business the latter has gained the power that the state has lost.² Or what amounts to the same thing, the state depends more on the private sector than the other way around. Big business has gained great political leverage as the state depends increasingly on business willingness to save and invest locally (Heredia, 1996:132).

As a result, the Mexican business class becomes in general terms a more rational, sophisticated, self-confident and modern actor. Rationalization and professionalization make corporate structures and strategies increasingly complex (Young, 1993); business associations become more autonomous and proactive in the process of policy-making (Luna, 1992, and 1996; Valdés, 1996); and business action in party politics becomes more transparent and diversified (Heredia, 1995; Mizrahi, 1995).

But more than a two-way interplay between the state and big business, the transnational environment and big business or the transnational environment and the state, we find these three distinguishable levels of interaction between the state, big business and transnational forces struggling to maintain or improve their relative autonomy in the context of increasingly greater popular pressures calling for more authentic democratic changes.

This work attempts to understand and interpret the changes undergone by Mexican big business not only in terms of its relations to the state upon which most scholars have focused but also in terms of its relations to the international environment in which operates. In particular, the ways in which big business interacts with, lives and experiences processes of globalisation of different types and scope. This is, in short, the focus of the present

analysis: the extent to which the Mexican business class becomes involved with, and part of, processes of globalisation which transform very deeply its organizational structure, strategies, projects and identity. The scope and nature of the changes in the relationship between big business and the state cannot be explained without examining these processes of globalisation. Only in this light, for example, is it possible to understand why only a few Mexican transnational corporations have gained true autonomy as they become relatively immune to government action and to the behaviour of national markets. Likewise, to be able to account for the rationalisation, professionalization and modernization of business and probusiness institutions it is necessary to consider the intense interaction, networking and collective reflexivity with their counterparts around the world. Economic and political reforms themselves could not have taken place without a close articulation of Mexican entrepreneurial currents of thought to global currents and, in particular, neoliberal.

Though modernization and globalisation are closely related and even feedback into one another, they are not one and the same thing. While modernization usually refers to processes of rationalization, professionalization and depersonalisation of social activities and, in particular, of organizations and economic processes (Sztompka, 1993: 71-74), globalisation points at a much deeper integration and interdependence of capitalist societies, "at the compression of the world and the intensification of consciousness of the world as a whole" (Robertson, 1992:8). Integration and interdependence are manifested not only in a multinational presence of certain actors, institutions and activities but in the density of social relations and networking which cuts across several countries and in the convergence of structures, strategies, cultural and political behaviour. However, in as much as modernization, or modernity, tends to expand over larger areas of the world it is, as Giddens acknowledges, inherently globalising too (Giddens, 1990:177).

1.2. Aims and conceptual synopsis

The main purpose of this dissertation is to show how and to what extent the most powerful Mexican entrepreneurs have become global actors. That is, to show the extent to which they have gained a leading position in specific areas and sectors of the world economy; act in economic and political spaces, networks and organizations which transcend national boundaries; negotiate and interact according to rules and regulations formulated by actors and institutions whose force has an impact and degree of aggregation surpassing national states; develop strategies similar to those of their counterparts around the world; promote a deeper insertion of the country in an economic, social and political system articulating strategic areas of the world (from now on termed the global system); and actively propagate the advantages of various types of neoliberal projects as the only alternative leading to development and modernization.³

To become global, different groups within this segment of the Mexican business class have followed different paths. Although these meet, branch off and interconnect again at certain points, two broad avenues can be distinguished. The first path to becoming global is the avenue followed by local businessmen --the local branch of the Mexican business class-- which depends on the development of national markets and the state. The second --the branch of facilitators, intermediaries and Mexican top executives of foreign corporations-- depends on relations with foreign capital.

The local branch is the outcome of an internal process of concentration and centralization of capital (briefly overviewed in Chapter 2) which in the 1960s and particularly in the 1970s led to an oligopolistic control of the Mexican markets; and to increasingly complex organizational structures involving manifold associations and joint-ventures with Transnational Corporations (TNC) based in advanced capitalist countries (ACC) and,

thereby, a process of negotiation and learning which gradually enhanced and strengthened the position of Mexican entrepreneurs. Ultimately, in the 1980s, this led to the transformation of the most important economic groups into global enterprises (the main argument of Chapter 3). They become, in their own right transnational corporations (TNCs), that is, organizations deeply rooted in the Mexican market, controlled by Mexican entrepreneurs, that have nevertheless expanded their operations to the global markets in several ways, notably through (1) industrial operating affiliates in advanced economies; (2) transborder strategic alliances; (3) securities; and (4) transborder manufacturing and trading networks.

Asymmetric relations with transnational agents based in advanced capitalist countries (ACCs) no doubt persist, and in certain areas the gap even grows, but the instrumental role of intermediary, trade-dealer or pawn, has long since been superseded⁴ by this segment of the Mexican business class. As it will be seen in the historical overview (Chapter 2), Mexican large corporations achieved a substantial economic and political potential even before they had become transnational. Nevertheless, global enterprises and social classes stemming from these developing markets and social class structures have not overcome altogether certain shortcomings characteristic of third world TNCs and dominant classes.

A second avenue to become global is that one followed by 'facilitators', i.e., very specialized professionals (lawyers, brokers, promoters, developers, managers and public officials) who control external resources and market capacities highly valued by TNCs operating in Mexico through maquilas (subcontracting firms) or other affiliates.

Although there is no clear-cut separation between these two avenues, since a Mexican entrepreneur can achieve transnational status following either one of these paths, or both,⁵ the distinction is nevertheless important for two reasons, in particular. First, processes of

globalisation have often, implicitly or explicitly, been considered to have been exported from advanced to developing economies rather than engendered by the tendency of capital of whatever origin to accumulate and expand. This means globalising trends originate at different levels of the global economy provoking readjustments in the terms and dynamics of the global system. And second, the historical roots of entrepreneurs can help explain well embedded links in the internal market, prevailing ties binding these groups to economic, political and social institutions and the contradictory nature of their relations to TNCs from industrialized countries.

Several scholars highlight globalising trends in the component following the second avenue, that is the branch of facilitators which promote and represent foreign investment and trade (Becker and Sklar, 1987 and Sklair, 1995). This work will focus on the components from the first avenue, that is on the owners of Mexican-based global corporations which no doubt interconnect and share activities and views with members proceeding from the second avenue, but compete, disagree and even clash on other issues as well.

It will be argued in Chapter 4 that to achieve global status Mexican corporations had to introduce significant organizational changes in order to deal with a more unpredictable and insecure environment, and simultaneously broaden the scale and scope of the national power and control. Among the most important changes, we find: (1) a rational articulation of their increasingly diversified and differentiated action; (2) the decision to go public and enlist in the Mexican Stock Exchange (MSE); (3) new management methods and corporate strategies leading to the separation of management from property and control; and (4) new devices and patterns of corporate control (pyramiding, non-voting stock, differentiated voting rights, voting trusts, etc.). These devices enable large economic groups to simultaneously enhance the capital under their control and reaffirm the scope of social and political power through

intricate interlocking and overlapping interests which tend to interconnect, stratify and unify different segments of the business class around its dominant segment: that is, to enlarge cohesion and soften intraclass contradictions despite an increasingly more concentrated process of decision-making and control, as Ratcliff and Zeitlin (1988) argue for Chile and Useem (1980 and 1984) for the US and UK.

The formation of this corporate elite⁶ entails, therefore, the restructuration of the constellation of intercorporate relations around its most outward oriented components. The process of restructuration simultaneously activates integrative and conflictual trends and forces, on different counts and levels. The thesis argues that the integrative trends lead towards a closer and more coherent relation of the transnational segment of the Mexican business class with the global system, classes and project, as well as a more cohesive and regulated corporate organizational structure. The latter tends towards greater distortions, dislocations and inequalities on the national level (Barkin, 1990; Centeno, 1994), and towards multiple tensions deriving from the increasingly hierarchical, contradictory and exclusive characteristics of the corporate network.

All these changes are accompanied and furthered by a more complex and sophisticated political profile of Mexican businessmen in party politics, interest politics and social movements. Chapter 5 shows a process of institutionalization of entrepreneurial action in interest politics. On the macro level, the system of interest intermediation clearly evolves, though not without setbacks, from state- to liberal-corporatist (Schmitter, 1979). On the meso level, institutional arrangements governing the different sectors become increasingly privatised. Both communal, more horizontal, networks and business associations play an increasingly important role in the formulation, regulation, implementation and evaluation of economic performance and plans (Hollingsworth, Schmitter and Streeck, 1994), although

with great differences across sectors of the economy. The more modern and more integrated the sectors with the global economy the more advanced the process seems to be.

Although entrepreneurial influence in party politics grows considerably too, Chapter 6 argues that whereas interest politics promotes institutionalization and professionalization, following patterns widely spread in ACCs, party politics moves in a more anarchic and contradictory way furthering clientelistic and influence-peddling patterns of action. That is, business party politics furthers short term, particular interests while interests politics is more concerned with furthering long-term, class-wide or sectorial interests.

Last, but not least, Chapter 7 shows how the new constellation of corporate forces is well immersed in the global entrepreneurial movement which arose in the 1980s to highlight the role of the market and private property in society and diminish the role of the state. With a much stronger organizational foundation, involving not only business associations, but also more or less visible strands of an extensive, inclusive and diffuse network of corporate connections, this corporate elite is in a much better position to consciously promote classwide interests and cohesion, to set in motion, encourage and propagate a debate to underscore the role of personal merit; diffuse and institutionalize managerial knowledge and expertise, give coherence and strength to a world-scale neoliberal strategy, overtly challenge direct participation of the state in the economy, spark the process of privatization of state enterprises, involve diverse sponsoring institutions in its activities and deliberately promote entrepreneurial leadership. It is in the context of this movement that the most powerful Mexican entrepreneurs become increasingly engaged in international negotiations (GATT, NAFTA), political or economic organizations (Social Christian, Neoliberal, libertarian, New Right, etc.), academic institutions (Harvard School of Business, MIT) and intellectual traditions of thought (Alvárez Alvarez, 1991; Useem, 1984; Cockett,

1995; Marchak, 1991; Sklair, forthcoming-a). The most salient feature of this global entrepreneurial movement is, no doubt, what Touraine (1987:149) has called the 'struggle for historicity', that is, the struggle for the general orientation of society through the control of economic, political, cultural and particularly organizational resources.

1.3. Theoretical framework

The thesis draws heavily on the theoretical thrust which from Giddens onwards has tried to approach and understand the interaction between social structures, classes and actors.⁷ Giddens' (1978) theory of social classes has been particularly enlightening in as much as it spells out the processes of class formation, recruitment and integration. The unifying argument I put forward throughout the dissertation, however, is that processes of class formation, recruitment and integration take place not only on the national level but on the level of what we can term the global system too.

Global institutions and processes have become widely accepted phenomena in the social sciences even if they are understood and interpreted with the help of different conceptual tools and theoretical frameworks. Scholarly research on the global nature of Transnational Corporations (TNCs), for example, covers almost all levels of theoretical, conceptual and empirical analysis.⁸ TNCs have been thoroughly studied not only according to country of origin, sector, technological development, corporate organization and strategies, but also according to their impact on economic, social and political development.⁹

In contrast, very little has been done on the process of class formation and structuration on a global scale. Among the few exceptions we find Becker and Richard Sklar (1987), Sklair (1995 and 1996a and b) and Gills and Palan (1994). In their theory of postimperialism, Becker and Sklar put forward the concept of managerial bourgeoisie which

they define as "... a socially comprehensive category, encompassing the entrepreneurial elite, managers of firms, senior state functionaries, leading politicians, members of the learned professions, and persons of similar standing in all spheres of society." (Becker and Sklar, 1987:16). Though they distinguish two wings of the managerial bourgeoisie, a local and a corporate international wing, they conceive the local wing not as the product of internal processes of capital accumulation but rather a byproduct of foreign direct investment. In their view, the local wing is the outcome of indigenization processes and partnerships with foreign investment. These two authors do elaborate further on the logic of the dominant segment of the national bourgeoisie --the corporate national bourgeoisie, according to their own definition-- which is parochially nationalist and at the same time has been influenced by transnational cosmopolitanism. It is not clear, however, if in their view this segment has achieved transnational status and if so the strategies they followed to transcend the national scope of their action.

In his theory of the global system, Leslie Sklair (1995 and forthcoming-a and b), in turn, advances the concept of the Transnational Capitalist Class (TCC). In his opinion the TCC in LDCs is integrated by the executives of transnational corporations and their local affiliates; the technocrats of the globalising state; pro-capitalist politicians and professionals; and consumerist elites (retailers, mass media entrepreneurs). The mission of this class --he says-- is to further its interests and those of the global system in general in the context of their own country. Again, the position of owners and executives of transnationals based in LDCs is unclear.

Both the theory of the global system (Sklair, 1995) and postimperialism (Becker and Sklar, 1987) have certain shortcomings which are characteristic of the World System paradigm (Wallerstein, 1974) and the *dependentistas* as well.¹⁰ In particular, a tendency to

underestimate the internal historical conditions in the final configuration of macro actors and social hierarchies (the national states, the national bourgeoisies, the local branch of the TCC).

They are not in-built, but only potential, shortcomings because both leave room for national trends and counter-trends, although they hardly ever focus on them. They usually undermine internal, 'state-centrist' (national) impulses and the way they interact with global trends. Nations and national actors become the supports of the World System. Their autonomy in the process of interaction with transnational forces is reduced to its minimal expression by both the Global and the World system approaches.¹¹

All this considered, the concept of TCC proposed by Sklair (1995) or global business class are helpful in constructing conceptual tools used throughout this thesis to approach the process of transnationalization and/or globalisation not only from the perspective of structures but that of actors. That is, if we correct the limitations mentioned, they can become the missing conceptual link which can bridge the contradiction between the structure and agent, the objective and subjective, national and international.¹² Both concepts will be used, however, as analytical tools with no pretension to test or validate any grand theory approach.

Gills and Palan's (1994) neostructuralist approach advances considerably in the direction of finding the connections between national and global processes. Even if the focus of analysis remains the social development of the global system as a whole --as in the cases examined of Becker, Sklar and in particular Sklair--, the dynamics of the system depends not only, or fundamentally, on social forces at the global level of aggregation but rather on the interaction occurring at different levels of the global system. Thus, all social forces --dominant and dominated, strong and weak, advanced and backward, statist and non-statist,

national and transnational-- participate and influence the dynamics and transformation of the global system.¹³ Their contribution has consequently shed light in the main issue addressed throughout this dissertation: the formation of a global business class in Mexico struggling to improve its market capacity and change the terms of integration into the global system. In order to overcome forces which constrained the scope of their action to the national context Mexican entrepreneurs had to continuously re-examine their economic and social practices and reform them in the light of experiences and knowledge proved successful in other countries. Both the process of disembedding and reflexivity which Giddens attributes to modern institutions and agents (Giddens, 1990:21-54) are present in the globalising processes of Mexican corporations and business class. According to Giddens, "Reflexivity of modern social life consists in the fact that social practices are constantly examined and reformed in the light of incoming information about those very practices, thus constitutively altering their character." (Giddens, 1990:38).

Global action exposes Mexican big businessmen to a very intense interaction with global actors, networks, institutions, rules and regulations. They reconstitute their identity, projects and aspirations in a process of collective reflexivity whereby they discuss, negotiate, agree and/or disagree on the basis not only of their own national experiences and traditions but of that of other business communities around the world.

The axis which cuts across and articulates the dissertation is the argument that globalisation of the Mexican business class is a process of class structuration (in the broadest sense) involving several trends not all of which appear with the same intensity in the different spheres of their action. These trends are identified as: (i) an increasingly greater number of activities transcending national frontiers; (ii) dense networks of interaction crossing national borders; (iii) an organizational development (in corporations, business

associations and probusiness institutions) which tends to converge with that of similar institutions in advanced and developing countries alike; (iv) strategies governing corporations, the economy, political parties and social movements which resemble increasingly those of advanced and developing countries; and (v) a cultural and political convergence with business elites throughout the world.

As a consequence of all these processes of globalisation, Mexican big business become very complex actors who constitute and reconstitute sophisticated institutions conveying strategies, practices and values characteristic of an advanced stage of capitalist development. The most powerful segment of the Mexican business class links closely and becomes part of a transnational capitalist class (TCC), that is, a group of very powerful capitalists from different countries around the world (both advanced and developing countries), whose main components depend greatly, though asymmetrically, on one another to reproduce the global capitalist system as a whole. It is part of that class because it interacts intensely and shares a sense of community --not exempt from contradictions-- with its members around the world, enjoying a similar situation of socioeconomic privilege and a common interest in preserving the political systems that make that privileged condition possible.¹⁴

In this sense the present analysis is a class-based analysis. It is, however, a wider concept of class than the one used in orthodox marxism which tends to reduce it to a narrow understanding of interest-based agency where property ownership plays a decisive role. A wider approach to class would define the concept, in the Schumpeterian tradition, as a differentiated access to economic, financial, technological, political, cultural and organizational resources (Swedberg, 1993:56). Giddens term of 'market capacity' also conveys all those more subtle "forms of relevant attributes which individuals may bring to

the bargaining encounter." (Giddens, 1978:103). Thus, not only ownership but market position defines the possibilities of belonging, and mobility, to a class.

Consequently, class in this study refers, to a group of persons whose social, economic and political position and perceptions are structured and restructured in the process of an intense interaction which transcends national frontiers. The position of this group of persons with respect to the means of production, means of authority, control, domination, and distribution not only of economic resources but of leisure time and cultural resources in general is similar. Structural differentiation leads no doubt to a differentiated structure of identity. A differentiated access to economic, cultural, and organizational resources turns the network of social relations increasingly dense and complex within every class, fostering communication, common interests and strategies, even if at the same time a greater specialization of political, economic and ideological functions among the different components of the class is experienced. Access to expertise and knowledge, for example, depends increasingly on the networks of relations and interaction with global forces. These networks, in turn, constrain or advance the capacity of reflexivity and strategic planning on a global scale.

Global action and strategies are simultaneously deployed in the economic, social and political arenas, which have been accumulating great momentum in the past ten years (1985-95). The global action of Mexican entrepreneurs in these different arenas will be examined separately. Thus, the thesis sets out to trace the global action of entrepreneurs in different spheres; to follow the paths they pursued to achieve global status; to identify the issues which they are more inclined to examine in global circuits and spaces, and those normally kept within national boundaries; to compare their practices with those of business communities in other countries, both advanced and developing; to find the bridges connecting

national with transnational networks, and the links between economic, political and social structures.

Chapter 2 examines the avenues of development and the process of concentration and centralization of capital of Mexican corporations drawing upon the theory of finance capital developed, among many other scholars, by Hilferding (1981), Baran and Sweezy (1966), Ratcliff and Zeitlin (1988), Aguilar (1975), Scott (1985b and 1989) and White (1992). However, finance capital is conceived not exclusively as the fusion of banking and industrial capital but rather, as Aguilar, Scott and White contend, as the combination of capital from different origin --commercial, industrial, banking and/or agricultural-- which assume multiple types of organizational configurations (conglomerate, holding, loose non-incorporated groupings, intercorporate share holdings, and other combinations).

In order to identify the strategies pursued by Mexican corporations to achieve global status the definition of Mexican transnational corporations put forth in Chapter 3 highlights the collective elements (collective planning, decision-making and reflexivity) underlying the processes of interaction and networking alliances and coalitions which several authors (Aronson and Cowhey, 1993; Dunning, 1993a) consider the key difference between global corporations and TNC (or MNE).¹⁵

Global strategies formulated and implemented by Mexican groups include different combinations of 'turnaround recipes' (Bibeault, 1982; Slatter, 1984); global positioning and benchmarking (Skalir, forthcoming-b); new forms of growth by acquisition consisting of hostile-take-overs (HTO), leverage buy-outs (LBO), management buy-outs (MBO), privatised firms (McKee, 1989); strategic alliances and trading networks (Alter and Hage, 1993; Lorange and Roos, 1992; Mytelka, 1991); and new more sophisticated financial and arbitrage instruments.

The definition proposed for strategic alliance (SA), in particular, considers as the most important features of these new associations: (1) a combination of strengths and assets (Lorange and Roos, 1992) and in particular knowledge capacity and sharing (Mytelka, 1991); (2) processes of deliberation which develop consensus between partners, a strong sense of common interest (Alter and Hage, 1993); and (3) a need for local business and affiliates to control the operations and adapt them to the national, economic and cultural environments (Lorange and Roos, 1992).

Chapter 4 assesses the extent to which corporate structures, agents and networks converge with those of other countries drawing on the synthesis of two sociological traditions --industrial society (Galbraith, Berle and Means, Dahrendorf) and advanced industrial capitalism (Ratcliff, Zeitlin, Useem)-- put forward by John Scott (1985b and forthcoming). The former focuses on the structures and devices of corporate property and control. The latter examines the relations of power such structures convey. Their methodologies and empirical research highlight corporate trends which are interpreted quite differently. Advocates of the industrial society approach argue that there is an increasingly greater separation between property and control which leads to the formation of two different interest groups, managers and owners. As a consequence, in their view, power tends to differentiate and disperse. Defenders of the advanced capitalist society and power structure (Domhoff, Ratcliff, Useem) approaches contest this view. Finding connections and overlaps between structures and groups they demonstrate a great concentration and collusion between those who hold economic and political power.

The assumptions of these two theoretical approaches influence decisively their interpretations. While the industrial society approach relies on functionalist, pluralist, assumptions which hold that in modern societies power is 'multibased, issue-specific, and

shifting' (Dahl, 1961; Dahrendorf, 1959), the capitalist society approach, on the other hand, relies on Marxist assumptions, the most orthodox versions of which tend to conflate economic and power structures. The synthesis proposed by Scott (1985b), acknowledges the processes of differentiation and impersonalisation of property which leads not to a dispersion but to a greater concentration of wealth, though control is exercised by constellations of forces combining very complex sets of interests: financial, family, personal, impersonal or institutional

Chapter 5 explores the extent to which the new institutional arrangements governing the Mexican economy interlock and resemble arrangements in advanced capitalist economies which, according to Hollingsworth, Schmitter and Streeck (1994), rely on a combination of market, corporate hierarchies, societal, communitarian, private, corporatist and/or statist policy networks. Gobeyn (1992) interprets the specific combinations as the response to a dynamic correlation of class forces not only on the national but transnational levels too.

Corporatism, conceived very broadly as "the politics of intervention into production" (Williamson, 1989:204), is the theoretical approach which can best explain the character of the relations between organized business interests and the state in Mexico. The basic conceptual tool-kit provided by this approach is used throughout this chapter to compare strategies and structures of business associations. Three generations of corporatist studies, however, have discovered that the specific mix of institutional arrangements governing the economy in general and specific sectors in particular varies greatly across countries and periods.

The debate among corporatists today revolves around the fate of corporatism in the context of the changes experienced in the global system. Gobeyn (1992) argues that in the past two decades capital mobility, technological modernization, economic and political

neoliberal reforms, have greatly weakened corporatist systems, both state and societal, throughout the world. Cawson (1985) and Williamson (1989), on the other hand, contend that the reorganization of corporatist systems tends to disaggregate and diversify the number of private institutions and associations which participate in the process of policy making and implementation, but that authority is none-the-less delegated by the state which retains supervisory functions in the context of more horizontal policy networks. Indeed, according to Williamson, "Beyond a role in ensuring compliance with the interventions, associations can assume a variety of roles in the implementation of public policy, and the more such a role is handed over from state agencies to associations the more developed, other things being equal, is the form of corporatism." (Williamson, 1989:223).

Chapter 6 examines the degree to which business participation in party politics reveals cultural convergence with business elites around the world, especially in the way they understand and practice liberal democracy, borrowing on the principles of liberal democracy as they are applied by Alexander and Shiratori (1994) to electoral politics; by Whitehead (1988, 1993a and b, and 1996) to political democracy and by Gills, et al. (1993) to social democracy. Whitehead (1988 and 1993b) points at the limitations of political liberalization and other versions of liberalization promoted by both internal and international forces in developing countries which privilege economic liberalization at the expense of political democratization, rights of private property at the expense of social rights and economic equality. Gills et al. (1993) argue that business elites in developing countries encourage certain democratic institutions and in particular a party system that can divert popular mobilization and discontent towards an electoral arena where they enjoy built-in advantages, avoiding in this way authentic social reforms.

According to Herbert Alexander (1994, 1989), transparency in the financial and

funding mechanisms of political parties is the keystone of any democratic system. Party funding, he says, must be regulated and monitored by an independent electoral commission in order to level the playing field and give people the opportunity to make an informed decision. That is, to give democracy an opportunity to develop. Financial contributions of the wealthy can bias the electoral playing field, give a small minority additional means of influence and power and increase clientelism, influence-peddling and corruption.

Business clientelistic practices in party politics are analyzed in the light of historic and contemporary case studies, in both advanced and developing countries, which have greatly enriched the definitions of corruption, clientelism and patrimonialism. The resurgence of corruption, according to Little and Posada-Carbó, (1996:10-14), coincides with efforts to strengthen democratic institutions. Abuses of power linked to private party funding have spread widely in both advanced and developing societies undergoing advanced stages of capitalist development, and in this respect the experience of Mexico does not seem to be very different. Whitehead (1996) suggests that the capacity to preempt and check such abuses depends on two things: first, on the strength of laws and regulations, i.e., 'the rule of law' and, second, on the capacity of citizens to organize, express and channel discontent when such laws are violated.

Chapter 7 explores the concept of a global entrepreneurial movement in Mexico drawing on the theory of social movements developed, among other sociologists, by Alain Touraine (1987 and 1981) and Piotr Sztompka (1993), as well as on the contributions of many scholars who have studied business traditions of thought, business political and ideological strategies and business intellectual and political movements in advanced capitalist countries during the eighties and nineties (Cockett, 1995; Marchak, 1991; Sklair, forthcoming-a).

According to Sztompka (1993:275) social movements represent a form of "Manifest change originating from below", that is a "situation in which people get together and organize themselves to some degree, in order to produce envisaged change in their society." Touraine (1987) is more ambivalent with respect to the origin of the movement, though he implicitly accepts the existence of elite social movements. In his view, social classes confront one another and fight for the general orientation of society through social movements. And the business class is not different in this respect. Sklair (1996a) explicitly points at 'elite social movements organizations' (ESMOs), a term first introduced by Boies and Richardson (1993-94), as a mechanism through which global capitalism creates and reproduces its hegemonic order. Drawing on these theoretical frameworks it will be argued in Chapter 7 that to maintain and improve its position and control over economic, political, social and organizational resources Mexican big business sets in motion, reactivates and actively supports intellectual and political movements and organizations. Thus, a global elite social movement, with a dense network of business and probusiness organizations is articulated in the eighties to push back the frontiers of the state, recover civil society and property rights from the state.

Most of the components which these and other authors (Sztompka, 1993:274-300 and Poweraker, 1995) include in their definitions of social movements are in some degree present in the global entrepreneurial movement of the eighties, which can be considered an elite social movement, for several reasons: it incorporates loosely articulated forces of different degree of structuration who share common goals and gradually agree on a basic program of action which, though not openly 'anti-establishment', overtly confronts the state (especially the populist and/or Welfare State); the programme begins in a rather spontaneous manner, evolves around its main guidelines on the basis not of a centralized planning agency but

rather of interactions that increasingly focus collective efforts on the most urgent changes; it undergoes several stages before it matures and achieves structural reforms.

Many factors drawing the Mexican business class closer to its counterparts around the world have been left out of the present work due basically to analytical and space problems. Kinship and non-kinship affinities bypassing national borders; patterns of consumption and management traditions revealing convergence of Mexican business elites with other business elites around the world are not examined rigorously because they would require space, time and specific analytical procedures which exceed by far the possibilities of the present investigation.

1.4. Hypotheses

First and foremost, I argue that the process whereby Mexican entrepreneurs become global actors is a process of structuration in Giddens sense of the term. That is, a process whereby entrepreneurs reconstitute, by virtue of their very action, their structural features (i.e., their economic, political and cultural institutions) and the terms under which they negotiate with other actors, global or not. In other words, as they become global actors and gain access to global networks and global resources, they transform the rules of the game, rules embedded in the structure of the global system which assigned this social force a marginal and weaker position.

In this sense, some of the largest Mexican corporations and entrepreneurs become global at the end of the 1980s in terms of: (i) the patterns of corporate control and organization; (ii) the principles of class formation and action which increasingly approach those of advanced capitalist countries undergoing the so-called institutional or late phase of capitalism (Useem, 1984; Scott, forthcoming); (iii) the increasingly broader interests they

share with transnational capitalist forces on the economic, political and ideological spheres; (iv) the greater proportion of their activity which takes place or depends on the global market; (v) their active involvement in the global entrepreneurial movement; (vi) the reformulation of national values and beliefs in the light of the experience of other business communities around the world.

Second, from the point of view of relations of causality or the motivations which prompted Mexican corporate agents to engage in a struggle to become global in the eighties, I hypothesize, even at the risk of simplifying, several causes: they became global in order (i) to survive in the context of an increasingly open economy which gave access to the Mexican market to TNCs based in ACCs; (ii) to accelerate economic reforms since they believed that the ISI model of development was at the root of the economic troubles; (iii) to strengthen market mechanisms and privatise institutional arrangements governing the economy, tempering and if possible reversing corporatist trends; (iv) to weaken the presence of the state in the economy and society at large; and (v) to change in their favour the correlation of social and political forces.

Third, the concept of Transnational Capitalist Class (TCC) advanced by Sklair (1995) can become a useful conceptual tool if third world components of this transnational social force are conceived as the logical outcome of processes of modernisation and globalisation taking place simultaneously in different areas of the world, albeit exhibiting contrasts and peculiarities. In this light, the TCC could become the missing conceptual link between global and national processes for several reasons: (i) the process of class formation in Mexico presents characteristics of an advanced stage of capitalist development; (ii) the community of interests shared with similar global forces in advanced and developing countries alike; and (iii) the national and historic origin links this force to both national and global processes.

Diffusion mechanisms weigh heavily too in the general outlook and structure of the Mexican TNCs and TCC when compared to the internal logic of modernizing and globalising processes, that is, to the tendency of large corporations to defend their markets and if possible to expand them. But even so, a minimum organizational complexity has to be reached before globalising devices and processes can be introduced and internalized.

NOTES

1. See in particular Heredia (1995), Centeno (1994), Whiting (1992) and the articles in Bulmer Thomas and Serrano (1996).
2. As Elizondo (1996) points out, in spite of the depth of economic and political reforms, the state elites have maintained a considerable degree of discretionary power to interpret the constitution, limit individual rights and distribute economic and political benefits at their discretion. A much greater structural power, however, give big business additional capacity to influence the way in which state elites use their discretionary power.
3. Sklair (1996) points at the intense debate about these issues and in particular about the validity of the term global. For the purposes of this thesis global refers to a higher degree of aggregation of institutions, social forces and collective action. The whole thesis, however, is an elaboration of what going global means.
4. Although some economic groups -the well known grupo Monterrey, for example- started in the XIX Century commercializing foreign products, since the end of the century they began expanding to agricultural and manufacturing activities.
5. We find cases of very large entrepreneurs providing specialized services to maquilas and other foreign affiliates (Vallina, for example) and simultaneously controlling a third world TNC (Ponderosa, recently taken over by Grupo Pulsar), Mexican entrepreneurs who have become partners of large foreign TNCs (as is the case of Claudio X. Gonzalez, CEO of Kimberly Clark) or entrepreneurs who have become managers after their firm has been taken over by a TNC, as in the case of Alberto Santos who temporarily became Chief Executive Officer (CEO) of Gamesa when Pepsico took over this firm from Monterrey.
6. This concept refers to the high degree of connectedness between the most powerful components of the business class, though the global status of these components differs greatly (See Chapter 4 Section 4 for further elaboration). The concept of class, as it is argued in the following pages, is used more broadly to refer to a group of people with a similar access to economic, social, organizational and political resources.
7. Among other authors Scott (1985), Mouzelis (1993) and Therborn (1986) have explicitly addressed this issue.
- 8.. The eclectic paradigm developed by Vernon and Dunning, in particular, has conceptualized the developmental stages in terms of the external projection of corporations; within this paradigm and under the auspices of the UN, Kahn, Lall and other scholars have analyzed multinationals from the third world. See: Fujita et al (1993), Dunning (1993a and 1988).
9. Vernon (1972), in particular, examines the economic and political consequences of TNCs. The UN Commission on Transnational Corporations has produced a 20 volume series on TNCs.
- 10.. Cardoso and Faletto (1978), as in fact all the *dependentistas*, tend to emphasize external constraints at the expense of internal constraints. Thus, even if they identify some of the most important and far-reaching changes in the organization of political power underlying the new forms of dependency, they seem to be determined by the external actors and not by the ways in which integration to the global system affects and interacts with the national system.
- 11.. Sklair's original focus on the components of the Mexican TCC coming from the second avenue (1989, 1992a and b) --that is all those professionals who depend or give some kind of service to TNCs based in ACCs--, for example, led him to over-emphasize the instrumental nature of the business class in LDCs, before and after it became transnational; to suggest it was created by first world TNCs and their local affiliates (1992b:1-2); and

to underestimate the economic and political role of the component proceeding from the first avenue --owners and executives of corporations based in LDCs-- in the reformulation of the terms and ways in which these countries relate and interact with the system as whole. There is no reason to believe -as he suggests- that the component linked to TNCs based in ACCs becomes increasingly stronger, or the 'leading-edge', of the Mexican economy. Whether you compare them --the components of the Mexican TCC stemming from the two avenues mentioned above-- in terms of size, complexity of their organizational structure, and the social and political network of national and international connections, the component linked to Mexican-based TNCs is still, by far, stronger. I rather suggest that both components of this class have attained a leading position almost in all strategic definitions, including the terms and conditions under which other members of the corporate elite and the business class in general, relate to them and to the new constellation of corporate forces operating in Mexico and abroad. However, in his case study on the Australian TCC, Sklair (forthcoming-b) examines global strategies of the local branch of the TCC.

^{12..} As Sklair himself argues: "Members of the TCC tend to be people from many countries, more and more of whom begin to consider themselves 'citizens of the world' as well as of their places of birth." (Sklair, forthcoming-a:6. Emphasis added).

^{13..} A good case in mind showing this kind of interaction is the reaction of the global markets to the devaluatory crisis in Mexico in 1994, and how it affected not only emerging and mature financial markets but the logic of the financial system as a whole, and in particular the rules of global institutions such as the WB and the IMF.

^{14..} Though this study does not explore very deeply global family links, nor other social connections formed through leisure and social clubs, they form part of the mentioned social networks of interaction and can improve market capacity as well. Two cases are very illustrative: those of Claudio X. González and Carlos Slim. Claudio Gonzalez, Chief Executive Officer and President of the Board of Kimberly Clark (the local affiliate), married the daughter of one of the main shareholders of Kimberly Clark Corp. Slim married the niece of the president of Lebanon, Soumaya Domit Gemayel, and it is said to represent large investments from that country.

^{15..} As it is highlighted in the introduction of Chapter 3, there is a problem in the literature regarding the definitions of these concepts. However, for the purposes of this thesis a distinction is made between, on one hand global and transnational corporation (TNC) and, on the other, Multinational enterprise (MNE). Whereas TNC or global corporations are conceived as companies which achieve a high degree of integration between a complex set of activities, resources, productive units and strategies, MNE or international firms refer to companies that have expanded operations to two or more countries irrespective of the degree of integration between activities and productive units. For greater elaboration on these concepts see the introduction and Section 3.5 in Chapter 3.

CHAPTER 2

HISTORICAL BACKGROUND: AVENUES OF DEVELOPMENT OF MEXICAN GROUPS PRIOR TO THE 1990s

The avenues of development followed by Mexican business groups have been typified according to different criteria. Derossi (1971), for example, considers regional origin to be the most important factor in the economic and political practices of Mexican entrepreneurs. Three patterns of development are identified by this author: (1) Peripheral independent development followed by the entrepreneurs from Monterrey. This is the oldest group whose economic success depended less on political support and more on entrepreneurial drive. (2) Peripheral dependent development followed by those businessmen from Guadalajara and Puebla who are distant from the power centre and economically not strong enough to develop without protection. And (3) Central dependent development is the path followed by entrepreneurs from Mexico City and surroundings who maintain frequent and permanent contacts with economic policy makers, relying more on government support and protection.

Political strategies are the criteria used by Luna, Tirado and Valdés (1987) to group entrepreneurs in two factions, the Radical and the Moderate. The former, headed by the Monterrey Group, includes entrepreneurs who have traditionally opposed state economic interventionism and populist rhetoric. The latter, centred in the Valley of Mexico has developed on the basis of protectionism, state promotion and favours from the political faction associated with former president Miguel Alemán Valdés (1946-52). These authors argue that while the radical faction advocates economic liberalism, the moderate faction prefers gradual liberalism.

Concheiro, Fragoso and Gutiérrez (1979) give more weight to the historic origin and conditions of emergence in the final configuration, economic and political practices and patterns of development. They propose on this basis three business fractions: the Northern, the Forties and the Central fractions. The main component of the Northern Fraction, the Monterrey Group, emerged well before the revolution of 1910. Frequent confrontations with post-revolutionary regimes, greater economic independence, internal unity and control of diverse social institutions rendered this fraction assertive, outspoken, class conscious and aware of hegemonic aspirations.¹ Strategies and patterns of action of the Forties Fraction, which arose during and in the aftermath of Second World War, contrast with those of the Monterrey Fraction in several areas: they constitute corporations with capital proceeding from different families (not one extended family as in the case of the Monterrey Fraction); they hardly ever make public their disagreements with the government; they are generally very secretive when negotiating concessions and policy measures; their growth depends greatly on relations with government officials; their members are represented and in a few cases even hold public offices; and they participate more or less openly in the governing block. Third, and last, the Central Fraction, formed by two strains: on one hand Banamex, Bancomer and Cremi and, on the other, the main representatives of business in the Valley of Mexico. Before the nationalization of the banks in 1982 this fraction occupied an intermediate position with respect to the other two fractions. Even though it had great influence in the formulation and application of the financial and economic policies and very close relationships with public officials, it had no organic links with the state, as in the case of the Forties Fraction. Hardly ever, however, did it seek political confrontation with the state as in the case of the Monterrey Fraction. The process of negotiation and consultation revolved around the formulation of economic plans, which generally responded to their interests.

Corporate strategies and organisation play the most important role in the avenues of development followed by the economic groups, according to Cordero, Santin and Tirado (1983). Whereas some groups integrated vertically and/or horizontally around a specific line of products, others diversified to unrelated sectors and activities. Patterns of associations with foreign capital vary greatly too: some groups form associations very early while others remain independent much longer.

All of the factors --regional and historic origin, corporate and political strategies-- highlighted by the scholars above have influenced decisively the strategic choices and the paths of development followed by large corporations, but their influence has varied greatly through time. That is, both, the conditions of emergence and the phase of development of the corporate organization can together explain patterns and strategies of action at a given time. Conditions of emergence usually account for the diversity of paths whereas the need to grow, compete and accumulate, intrinsic to the dynamics of capital development, drives large capital to adopt more complex forms of corporate organization.

This Chapter examines, first, the conditions of emergence --national and international-- which influence and shape the strategic choices of the most important business fractions and, second, the process of concentration and centralization which, although common to all these fractions, lead to quite different forms of corporate organization depending on the path of development followed and the economic sectors and financial strength of the groups.

In order to examine the main avenues of development of big business and later (in Chapter 3 and 4) the strategies to become global, I have constructed a list of the 60 largest industrial and/or retailing groups and a list of the 15 largest financial groups (see Tables 2.1. and 2.2.). This will be my basic sample throughout the dissertation, though as I point out in the methodological appendix, in some cases my illustrations spill over the sample

TABLE 2.1. ORIGINS AND TRAJECTORIES OF THE LARGEST ECONOMIC GROUPS

Company	Sales 1994*	Founded**	Region	Origin capital	Fraction
Telmex	29,213.00	1909	DF	F/P/S/P	New
Cifra	15,637.00	1958	DF	P	
Vitro	14,190.00	1909	NL	P	Northern
Carso	11,353.00	1980	DF	S/P	New
Cemex	10,645.00	1905	NL	P	Northern
VISA	9,393.00	1890	NL	P	Northern
Alfa	9,353.00	1890	NL	P	Northern
Comercia	9,060.00	1944	DF	P	Aleman
Gigante	9,046.00	1962	DF	P	
ICA	7,938.00	1947	DF	P	Aleman
Televisa	6,442.00	1930	DF	P	Aleman
GModelo	6,354.00		DF	P	
Bimbo	6,074.00	1945	DF	P	Aleman
Desc	5,536.00	1972	DF	E	Aleman
Soriana	4,056.00	1905	NL	P	
Gruma	4,046.00	1949	NL	P	Aleman
Aereome	4,026.00	1924	DF	S	
GIMMEX	3,885.00	1918	DF	F/P	
Kimberly	3,879.00	1925	DF	F/P	Central
La Moder	3,878.00	1936	NL	P	
Liverpool	3,536.00	1847	DF	P	Aleman
TMMSA	3,386.00	1950	DF	P	
IMSA	3,174.00		NL	P	
Aty	3,133.00	1892	Jal	P	
Nadro	3,129.00	1943	DF	P	Northern
Tribasa	3,074.00	1980	DF	P	
GMD	3,040.00	1942	DF	P	
CYDSA	2,996.00	1945	NL	P	
AHMSA	2,967.00	1942	NL	S/P	
CMA	2,884.00	1944	DF	F/P/S/P	
Chedraui	2,879.00	1968	Ver	P	
Sidek	2,689.00	1967	Jal	P	
DINA	2,470.00	1953	JAL	S	
Peñoles	2,458.00	1887	DF	F/P	
Apasco	2,363.00	1981	DF	P	
Ggemex	2,070.00	1981	DF	P	
Elektra	1,988.00	1989			
BI	1,766.00	1949	DF	P	
Synkro	1,622.00	1955	DF	P	Aleman
LALA	1,544.00		DGO	P	
GIS	1,504.00	1928	Coah	P	
Bachoco	1,420.00	1942	Son	P	
P Hierro	1,415.00	1898	DF	F/P	
Benavide	1,346.00	1917	NL	P	Central
SYR	1,287.00	1906	DF	P	
Copamex	1,196.00		NL	PP	
Hermes	1,145.00		DF	P	
GIDUSA	1,136.00	1982	Coah	P	
IUSACEL	1,108.00	1936	EM	P	Aleman
Herdez	1,037.00		DF	P	
TAMSA	1,006.00	1952	DF	P	
Argos	952.00	1940	Chih	P	
Coppel	810.00	1965	Sin		
Geupec	652.00	1978	JAL	P	
Posadas	585.00	1967	DF		
San Luis	573.00		DF		
Ponderos	539.00	1940	Chih	F/P	
Canada	504.00	1940	Jal	P	
Tablex	463.00	1978	DF	P	
Ceramic	443.00	1978	Chih	P	Aleman

SOURCES: BMV (1995); Expansion (Aug-95); Annual Meeting Reports and direct research.

* Million pesos; ** Year of foundation; F foreign capital; P private capital; S state capital.

TABLE 2.2. LARGEST MEXICAN BANKS

Name	Shareholder	US\$Assets ⁹⁴
banamex	R Hernandez Ramirez	34,655.00
bacomer	E Garza Laguera	30,684.00
serfin	A Sada Gonzalez	21,396.00
banmexi	C Gomez y Gomez	11,858.00
comrmex	A Legorreta Chauvet	10,695.00
intenal	J Sanchez Navarro	8,577.00
atlanti	A de Garay Gutierrez	8,523.00
banpais	A Rodriguez Saez	6,931.00
promex	E A Carrillo Diaz	5,506.00
confia	J Lankenau Rocha	4,460.00
banorte	R Gonzalez Barrera	4,131.00
bancreser	R Alcantara Rojas	4,103.00
mrcanti	J Madariaga Lomeli	4,041.00
bancen	H Villa Manzo	3,983.00
banoro	F Obregon Gonzalez	2,101.00

SOURCE: BMV (1994)

either because of insufficient information with respect to sales and assets (the main criteria used to rank industrial/retailing and financial groups, respectively) or because processes of restructuring (mergers, acquisitions, buy-outs, nationalizations and privatisation) have often led to the displacement, disappearance or emergence of groups not included in these lists.²

Although all the groups in these two lists are at the present predominantly private corporations, and most of them have always been private, a few were originally created as state enterprises (Aereovías de México, DINA, AHMSA), others were originally created by foreign investment (GMéxico, Peñoles and others) and are now controlled by Mexican entrepreneurs, and still others have represented different forms of capital (state, private, foreign or national, and different combinations thereof).³ Teléfonos de México (Telmex), for example, originated as a foreign company. It became predominantly national, private, in the late forties when a group of Mexican entrepreneurs headed by Senderos, Trouyet and Vallina acquired a large share of the capital. The state became predominant in the Sixties and mixed private capital (headed by Carlos Slim) in the Nineties. Likewise, Mexicana de Aviación (CMA) has followed a very sinuous route: it was created by the Northamerican firm, PanAm, in the forties, sold to Crescencio Ballesteros in 1967 (Ruiz Harrell, 1986:40), taken over by the state in 1982 and privatised again in the 1990s. Most of the affiliates of Grupo Carso, for example, have been state enterprises at least once.⁴

Consequently, the tables only partially reflect the situation of the groups at one point in time. When considering conditions of emergence and patterns of behaviour with which they are associated we must therefore think of the conditions under which a group which is now in control emerged.

2.1. National and international conditions of emergence

The conditions under which a country becomes predominantly capitalist --that is, class alliances pushing the process forward, relations of dependency with other countries, economic potential, etc.--⁵ are no doubt determining in the configuration and the routes of development followed by its dominant classes. However, periods of economic reform, restructuring and reconstruction usually create new opportunities, loosen the social closure of the economic and political elites and open possibilities of fast mobility, recruitment and incorporation of new members, bearing witness to a process of 'remaking' and reconstitution of these segments of the dominant class.

Three important generational turnovers can be distinguished in the composition of the Mexican corporate elite. The first proceeding from pre-revolutionary times gives birth to the Northern Fraction. Of the 60 groups in Table 2.1, 6 are clearly associated with this fraction. The second generational turnover, emerging in the context of the economic reconstruction and political reorganization which took place after the Revolution of 1910, leads to the formation of two fractions: the Central and the Alemán Fraction. The former headed by three financial groups (Banamex, Bancomer and Cremi), and the latter is by far the largest as far as the number of components is concerned (see Table 2.1).⁶ Most members of the Northern Fraction and certain other segments dating back to pre-revolutionary times found easy reaccommodation during this period of reorganisation, though others were certainly displaced.⁷ And the third generational turnover takes place during the period of economic reform from Miguel de la Madrid Hurtado (MMH) to Carlos Salinas de Gortari (CSG). This New Fraction has been able to move upwards and join the inner circle of the corporate elite by virtue of its close links to the inner circle of the political elite.⁸

During the 1960s and 1970s the expansion of foreign capital produced opportunities

of growth, adjustments, new combinations, mergers, dislocations and withdrawals, though very few groups actually emerged in this period. Only 5 groups in my sample can trace their origins to these decades. Desc was constituted as a holding group in 1972 but the capital of Manuel Senderos (one of the most important share holders) can be traced to the forties (Hernández Rodríguez, 1984). This group, however, rapidly expanded during the Seventies with the New Law to Regulate and Promote Foreign Investment (drafted by the administration of Echeverría) and the policies which promoted the mexicanization of foreign firms.

Geographic characteristics were determining factors in the constitution of new enterprises and the configuration of entrepreneurial efforts from the XIX Century through the aftermath of the Revolution of 1910. The heavy imprint of regional traits upon economic groups arising in this period can be attributed to the isolation of certain areas, distance from power structures, the inequalities in the level of development, resistance and difficulties in the process of integration of certain zones, all of which turned the relationships with the central power structures and elites very heterogeneous and contradictory (Cerutti, 1986)

Economic groups which can be traced to these periods are often rooted in regional corporate cultures strongly permeated by 'self-made man' and family enterprise traditions. Among the groups in our sample dating back to this period we find those revolving around the Northern Fraction which are led by the Monterrey Group, whose geographic and cultural distance from the political centre has greatly shaped their patterns of development. Representatives of VISA, Alfa, Vitro and CYDSA head this fraction, though several groups from the northern states often align themselves and share common interests and strategies.

The scope of the groups emerging in pre-revolutionary times remains predominantly regional until the 1940s when integration of the national market advances considerably with

the development of the system of communications and finance. Nonetheless, even before that decade forward and backward linkages in the process of industrial production, integration of interests from different activities (industrial, banking, commercial, real state, etc.) and combinations of capital from different families make the corporate structure of certain groups very intricate.

2.1.1. The Northern Fraction: distant from the power elite

One of the most outstanding cases dating back to pre-revolutionary times is that of the corporations clustered around the Monterrey Group. This group was formed by the different offsprings coming out of a brewery company, Cervecería Cuauhtémoc. Throughout the twentieth century (the group was founded in 1898 with Cervecería Cuauhtémoc) this family firm expanded and diversified. It branched off at several points either to offset market failures and shortages (HYLSA, Carton y Papel de Mexico, Vidriera Monterrey, which later became Vitro); counteract sectoral economic cycles; move to more profitable and dynamic sectors; to settle family divisions (as that giving way to the splinter of VISA and ALFA in 1974); or merely to simplify the structure and organisation of interests, aligning economic concerns more closely to the family structure (Vitro, VISA).

Divisions, however, do not preclude new combinations and overlappings which often turn the structure of this fraction very complex. Two offsprings of the brewery --Vitro and CYDSA-- have thus become increasingly intertwined since the eighties. In the Seventies Vitro acquired 25% of CYDSA, increasing its participation to 49% in the eighties. Privatisation of the banks in 1991-92 (Bancomer, Serfin, in particular) furthers and complicates the maze of links and combinations between families and interests belonging to this fraction (as will be seen Chapter 4). And in 1996 VISA and Alfa interlock again when

they decided to merge two projects in order to be able to compete with Telmex in the area of Telecommunications: Alestra (founded by Alfa and ATT) and Unicom (a project of VISA, Bancomer and GTE).

The most important components of this fraction today represent the interests clustered around VISA-Bancomer (headed by Eugenio Garza Lagüera), Vitro-CYDSA-Serfin (Adrián Sada González), Alfa (Dionisio Garza Medina), and Cemex (Lorenzo Zambrano), although groups from Puebla, Sonora, Coahuila, Chihuahua, Sinaloa, Tamaulipas and other states often share the views and strategies of this fraction.

The corporate strategy of this fraction varies greatly in time. Until the Fifties, expansion was driven by the need to reduce transaction costs and alleviate the shortcomings of a dependent, disintegrated, domestic market. The shortages and difficulties to import raw materials and manufactured goods during the Second World War greatly accelerated import substitution. It is in this context that HYLSA (Hojalata y Lamina) and Cartón y Papel de Mexico are created, to provide raw materials to produce bottle caps and boxes, respectively, for the brewery (Cervecería Cuauhtémoc). Vertical and horizontal integration through the foundation of new industrial facilities remains the most important mechanism of expansion. Acquisitions and joint ventures with foreign capital in order to diversify risks and raise profit potential become more important as mechanisms of expansion from the Sixties onwards. Links with banking and financial institutions start at a very early stage to fund new projects and acquisitions.

This Northern Fraction headed by the Monterrey Group basically corresponds to that of Concheiro et al (1979), to the Radical Fraction of Luna, Tirado and Valdés (1987), and to the Peripheral Independent of Derossi (1971). It has traditionally been typified for its independence --economic, political and ideological--, among other things because: its origin

and development relied less on state promotion and direct relations with central government officials; it survived several political regimes, some of them adverse or confrontational --at least rhetorically-- to their interests; it has developed its own class ideology,⁹ characterised by Concheiro et al (1979:90) as liberal-authoritarian because it promotes economic liberalism at the same time that it defends political order and stability, not democratic institutions.¹⁰

This fraction has benefited from economic policies, incentives and subsidies of all sorts by virtue of its structural power and the access such power gives to state agencies, and not (at least not as much) by virtue of personal, clientelist ties with state officials, as is the case of the groups belonging to the Alemán and New Fractions. Nonetheless, its economic independence becomes increasingly an ideological weapon as these groups become more dependent on transfers of different sorts (tax reductions and exemptions, public credit, subsidies, contracts, etc.).

2.1.2. The Central Fraction: closely related to the power centre

The origins of this fraction, basically corresponding to the Central Fraction of Concheiro et al. (1979) and forming part of the Moderate Fraction of Luna, Valdés and Tirado (1987a and b), can be traced to the period of reorganisation of the financial system at the beginning of the Thirties. Even though Banamex was founded in 1901, well before Bancomer and Cremi (founded in 1932 and 1934, respectively), they share in common several things: (1) large foreign capital traditionally administrated and represented by Mexican managers who gradually enhance their stake in the bank; (2) very close coordination with state authorities to regulate and govern financial markets; (3) continuous expansion to other activities, though the core of their business remains in the area of banking and finance, except in the case of Cremi where mining, manufacturing and commercial interests are just as important.¹¹

By far, the most salient common element grouping these three components in a fraction is their immediate access to political structures in the capital of the country. Agustín Legorreta López, the most important representative of Banamex,¹² collaborated closely with the financial authorities in the formulation of the New Law of Credit Institutions of 1932 and the policies to modernise the financial system in general. Since then, the three groups have been consulted on a regular basis for the introduction of legal reforms and policies in the financial system.

This fraction was disarticulated as such with the nationalization of the banks in 1982. Some of its members regrouped around brokerage houses first and financial groups after privatisation in 1991-92 and their strategies and patterns of political action have gradually been embraced by and diffused to entrepreneurial organisations and some members of the New Fraction.

2.1.3. The Alemán Fraction: simultaneously 'influyentista' and entrepreneurial

The Alemán fraction is greatly influenced by two contradictory trends. On one hand, personal links with government officials to obtain favours and privileges from the state, given an overwhelming dependence on state promotion and protectionism. And on the other hand, a true entrepreneurial drive necessary to overcome the restrictions and shortages during and in the aftermath of Second World War, to enhance the domestic market and promote a national more independent development.¹³

From the thirties to the fifties the possibilities of growth and development and the fate of new start-ups depended largely on the access to state agencies and personal links with politicians, members of 'la familia revolucionaria' (the triumphant revolutionary faction). Family and regional corporate traditions, when combined with the level of accumulation

achieved up to this point, become an important power resource which greatly facilitated access to the political elite. Without considerable economic resources previously accumulated, however, personal links with this elite was the main condition for rapid growth. Thus, for entrepreneurs ascending in this period competition to obtain favours and special privileges from the state becomes decisive in the process of capital concentration. Some of the largest business concerns from Mexico City developed on this basis during the presidential terms of Manuel Avila Camacho (1940-46) and Miguel Alemán Valdés (1946-52). Among the most outstanding, we find Televisa (grouping three families, Alemán, Azcárraga and O'Farril), which benefited from numerous television and radio concessions; GIMMSA (Larrea) was favoured by mining concessions; the construction groups --ICA, BI and GMD-- depended on public contracts; TAMSA (Alemán and Pagliai) another group belonging to the Alemán fraction depended on Pemex contracts.

However, offsprings of this fraction are also found in other states. In Monterrey several groups can be traced to this time and they share the views and practices of the Alemán Fraction. Among the most important we find Protexa, Gamesa, Maseca, and IMSA. In Chihuahua the Vallina-Trouyet interests (Celulosa de Chihuahua and Comermex), which benefited from forest concessions, best represent this fraction. And in Sonora we find Robinson-Bours (Bachoco).

Most of these groups depend greatly on concessions, contracts, infrastructure projects and government spending. Contracts and auction results usually favour entrepreneurs who have developed personal ties with public officials and agencies or have become closely articulated to the governing block. For this reason entrepreneurs arising in this context have cultivated personal relations with the government, penetrating and virtually 'capturing' certain agencies. It is the only business fraction which maintains permanent, organisational

and in some cases even institutional relations with the government.¹⁴ Exchanges of personnel between public officials and business positions, though not very common, do occur at the highest ranks of the hierarchy.¹⁵ It is consequently known for a much greater ideological and political dependence from the state and forms part of the so-called 'Revolutionary Family'.

Traditionally integrated around one sector from which they expand, integrate and, to a less extent, diversify, the groups which form this fraction are also influenced greatly by the economic environment in which they first develop: the need to substitute imports of many products given the shortages provoked by the conditions of Second World War. This period, often called that of easy and inevitable import substitution (Cordero et al, 1983:89), strengthened greatly national feelings and independent aspirations among representatives of domestic capital. The pressures put on the productive structure by shortages of all kinds forced national entrepreneurs to develop forward and backward linkages, foray into new sectors and openly discuss problems of integration and industrial development (Zabludovsky, 1984). The emergence of a national bourgeoisie --notwithstanding serious shortcomings-- preoccupied to enhance the domestic market and struggling to sustain economic development and overcome serious market imperfections contributes in this context to the formulation of a nationalist ideology.

Representatives of this fraction are likely to make statements which link independence, prosperity and welfare to the health of the domestic market. The following declarations are very typical of entrepreneurs representative of this fraction. In recalling the situation when in 1967 he bought the Mexican affiliate Compañía Mexicana de Aviación (CMA) from PanAm, Crescencio Ballesteros Ibarra¹⁶ said: "When they announced to me that Mexicana was going to disappear, I objected. No, I said, I do not accept it. Mexico needs this airline. We must keep it alive at whatever cost: our development and 3500 workers who

cannot be laid off demand it ..." (Ruiz Harrell, 1986:40).¹⁷

The Alemán Fraction appears in this context and remained until the seventies committed to the postulates of a nationalist doctrine, even if in a very rhetorical, pragmatic and inconsistent way and to a very different extent depending on the specific group. Entrepreneurial families coming from pre-revolutionary times are also greatly permeated by this debate although their inclinations for the postulates of economic liberalism surface at different historical conjunctures.

'Influyentismo' and entrepreneurship are therefore characteristics shared by most groups dating back to this period (roughly 1935-1955). However they vary greatly in intensity and form between different groups. Even the same group or entrepreneur may express differently these two trends from period to period, and even at the same time depending on the issue at stake. But the influence-peddling practices characterising the relationship between the Alemán Fraction and high level public officials had the effect of gradually tending to erode the entrepreneurial drive once also characteristic of this fraction.

Despite efforts and statements, protectionism and economic promotion are not systematically revised to upgrade the technological and educational potential of the productive base. That would have demanded a much greater supervision and accountability on the part of both powerful politicians and entrepreneurs. They rather accommodate and become increasingly complacent towards one another. Thus, nationalism, truly furthered by this fraction with an impressive expansion of the domestic market between the 1940s and 1950s, becomes increasingly a rhetorical weapon which has nonetheless an objective foundation in the historical past.

2.1.4. Mexican groups multiply their links with foreign capital

The expansion of plants and establishment of new facilities is the most important mechanism of growth until the 1950s. From the sixties onwards acquisitions and mergers become increasingly common. Groups tend to diversify when the market of their core business becomes saturated or when other activities present more attractive opportunities. From 1960 to 1980 links with foreign capital become more important for the expansion and technological modernization of large Mexican economic groups. Connections with foreign capital provokes readjustments between fractions and changes in corporate strategies but no new fraction emerges in this period. The nature of the links with transnational corporations (TNCs) vary greatly between regions, fractions and even groups though a general trend to form associations is greatly accelerated by national and international factors. Once the Second World War is over, TNCs reorganize and search for new markets, in Latin America and elsewhere, at a time when national firms, having attained certain level of growth and development, faced technological and capital requirements which were more easily satisfied with foreign licenses, credit and partnerships. Access to foreign capital and technologies increasingly conditioned the growth potential, technological upgrading, expansion and diversification to more dynamic and modern sectors (autoparts, petrochemicals and capital goods, for example).

On the other hand, the new Law of Foreign Investment of 1973 and the numerous incentives it offered to those firms having the minimum of Mexican capital required encouraged foreign firms to form Joint Ventures (JV) with Mexican companies and banks.¹⁸ Links with foreign TNCs, banks and other institutions developed bargaining skills and strengthened the negotiating muscle of Mexican corporations. By 1980, some groups had formed a quite complex set of relations with different TNCs. Thus:



- + Vitro had technological assistance and capital from Owen Illinois, Pilkington Brothers and Ford.
- + Alfa's JVs included: Petrocel-Hercules (USA), Nylon-Dupont (USA), Polioles-BASF (Germany), Indelpro-Himont (USA), Titán-Stone Container (USA), Mackrotek-Duro Felguera (Spain), Nemak-Ford (USA) and Teksid (Italy).
- + CYDSA had developed one of the most intricate maze of associations with TNCs, involving, among others: Bayer (Germany), BF Goodrich, Allied Chemical, Morton Salt International.
- + Desc's set of relations with TNCs was very complex too, including: Resistol-Monsanto (USA), Spicer-Dana Corp. (USA) and R. Bosch. (Germany).
- + ICA's associations involved its subsidiaries Tremec with Clark Equipment, Ericsson with Ericsson (from Sweden).
- + TAMSA formed a JV with Aluminum Co of America in Aluminio, S.A.
- + IMMSA emerged in the process of mexicanization of ASARCO.

2.1.5. The New Fraction

The rise of a new group of entrepreneurs from the 1980s to the present is tightly linked to the post-1982 economic reforms, the reorganisation of the state apparatus, the change in political discourse and strategies, a new generation of political officers and globalisation of corporate practices.

New groups emerged almost from scratch and/or expanded substantially by virtue of their personal relations with the new technocratic elite and the clientelistic arrangements they promoted during the administrations of MMH and CSG to influence in their favour the privatisation of state enterprises and to engineer advantageous offers to buy them out. It is

probable that businessmen belonging to this new fraction may have accumulated some capital before, in some cases quite considerable sums, but they certainly had not become part of the inner circle of the corporate elite. Among the most important representatives of this new fraction in our list we find Carlos Slim Helú (the main stockholder of Grupo Carso), Alfredo Harp Helú and Roberto Hernández (Banamex). More established groups could rely on the leverage given by their financial potential, although in some cases they resort to clientelistic practices as well.

Members of the New fraction, which will be examined in more detail in Chapter 6, continue and intensify the clientelistic practices so greatly enhanced by the Alemán Fraction. However, they embody a different mix of contradictory trends. On one hand, there is the 'corporate raider' (or turnaround artist) who --as it will be seen in Chapter 3-- adopts global corporate strategies to turn around (reorganize, downsize, slim down, etc.) recently acquired state or mismanaged enterprises. And, on the other hand, they embody also quasi-praetorian political practices to influence in their favour state contracting, concessions and public auctions. Corporate raiders themselves represent quite contradictory global actors. While neoliberals (Vedder, 1989) consider they personify efficiency and competitiveness, ethical liberals, such as Thurow (1993) and Albert (1993) associate them with speculative activities which are eroding the productive potential of some ACCs.

2.2. Concentration and centralisation cuts across all fractions

From the point of view of the present analysis it is important to underline other factors in the development of economic groups which created minimum conditions to expand their activities to the global markets in the early 1990s, as well as to adopt corporate organisations and strategies similar to those prevailing in ACCs. And one of the basic conditions to expand

activities to the international market from the 1980s onwards is the level of concentration of the domestic market and the capacity to defend that market from foreign competition without recourse to protectionist policies.

The level of concentration was already very high when Mexico became a capitalist country towards the end of XIX Century.¹⁹ However, throughout the periods of capitalist development (pre-revolutionary, post-revolutionary and the current period of economic reform) the processes of concentration and centralization of capital gain speed and feed back into one another. Combinations of industrial, banking, agricultural and commercial interests are increasingly common, although specific combinations vary through time and space.²⁰ Corporate structure, information flows, board composition and interlocking directorates become increasingly complex and demand a more sophisticated administration. Growth through associations, acquisitions and mergers leads to an oligopolistic control of the domestic market. And without access to finance capital such speed of growth would not have been possible. Several authors have already highlighted the close relationship between the processes of concentration and transnationalisation.²¹ Some governments have even promoted National Champion Corporations capable of competing in the global markets (Michalet, 1991). Several states in South East Asia, and countries like Japan and France have pursued this strategy before Mexico, accelerating concentration and centralization through mergers, acquisitions and reshuffling of assets.

Several scholars document that even before this strategy was deliberately pursued, concentration in Mexico had reached very high levels. According to Cordero, Santin and Tirado (1983:35-40), in 1965 fewer than 1% of the industrial establishments controlled 64% of the production, 66% of the invested capital and 34% of employment in the industrial sector (extraction and manufacturing). The 100 largest industrial firms concentrated more

than 30% of the national industrial production in the sector and the 300 largest more than 72%. Foreign capital tends to be more important among the largest firms, but firms in which national capital predominates have gained a high ranking too, even before considering that several of these firms may belong to the same group.²² Of the largest 500 firms considered by Expansión in 1992, 419 were controlled by national private capital (of these 311 firms were 100% national capital), 71 firms were controlled by foreign capital and 10 by the state. Of 490 private companies, 121 had mixed capital (national and foreign). Of the 100 largest, 76 were controlled by Mexican capital (Expansión, 18-Aug-93).

By the 1970s several markets were controlled by Mexican private groups. Some cases demonstrate, however, that national capital continues to dominate, some times in close association with foreign capital, the production of basic, traditional or less sophisticated consumer goods.²³ Four types of industries can be found: (1) those in which national capital exercises total control, such as beer, glass, steel, construction, TV broadcasting and airlines. Foreign capital only participates through technological licenses, at least until the 1990s. (2) Sectors in which companies having mixed capital (national and foreign) predominate: paper, autoparts, petrochemicals, mining. (3) Sectors controlled by large firms, national, foreign or mixed, such as cement, food and textiles. And (4) those in which foreign capital exercises complete control (notably, automobile and computing industries). Thus, by the end of the Seventies:

+ **Beer production** is controlled by three national corporations that share a similar proportion of the market: Cervecería Cuauhtémoc (belonging to Grupo VISA), Moctezuma (Bailleres) and Modelo.²⁴ After VISA's acquisition of Moctezuma in 1984 the market was divided in roughly two halves: one controlled by this group (48%) and the other by Modelo (52%). Until recently these companies had 100% of Mexican capital.

+ **Glass:** Vitro concentrated 100% of windshield production, 100% of flat glass for the construction industry and 100% of glass bottles and containers. Only glass for crafts was out of its control.

+ **Steel:** Alfa, Sidek, TAMSA and several state firms (AHMSA and Sicartsa, privatised in the early 1990s) dominated the market. In some specific lines of products private corporations enjoyed a virtual monopoly. Alfa for example was the only producer of certain special steels and TAMSA of seamless tubes.

+ **Civil construction** industry was dominated by ICA, BI, GMD and Protexa, all of them controlled by national capital. A few regional groups participated in less complex infrastructure projects.

+ **TV broadcasting:** only Televisa and state firms participated in this activity. Recently a state firm was privatised and the market is controlled by two firms, Televisa (with more than 80% share of the market) and Televisión Azteca.

+ **Airlines:** two lines (one predominantly state controlled and the other private) control the domestic market, Mexicana de Aviación (Ballesteros) and Aereoméxico, privatised too in the 1990s.

+ **Banking and finance** were until the nationalization in 1982 controlled by national capital, private and state. Four banks --Bancomer, Banamex Serfin and Comermex-- controlled more than 50% of the market in private hands. After re-privatisation of the banks from 1991 to 1992 and particularly after the devaluation on December 1994, larger proportions of foreign capital have been authorized.

+ **Paper production** was controlled by Ponderosa (Grupo Chihuahua), Grupo Durango, Kimberly (mixed capital), San Cristóbal (mixed capital and recently acquired by Kimberly) and Loreto y Peña Pobre (acquired by Carso)

+ **Autoparts:** this market had also reached a very high level of concentration. Most of the companies had mixed capital (national and foreign) and specialize in specific lines of product. The dominant groups are Tremec (ICA), Spicer (Desc), IMSA, GISSA, Hermes.

+ **Petrochemicals** is a sector controlled by companies with mixed capital since the 1970s: Resistol (Desc-Monsanto), Petrocel (Alfa-Hercules), Celanese and CYDSA (in which Vitro is associated with several foreign companies).

+ **Mining** was controlled by GIMMSA, Frisco, Peñoles and San Luis, all of them in association with foreign capital.

+ **Cement:** Empresas Tolteca (until recently of mixed capital), Cemex (national capital) and Apasco (mixed capital) dominated the market in the 1970s. After the acquisition of Empresas Tolteca in 1990, Cemex controls around 80% of the market.

+ **Wrapped bread:** Bimbo virtually monopolizes the market since 1987 after it acquired Continental from a foreign firm.

+ **Corn flour:** Maseca controls the most industrialised sector of the market (80% of the flour market and 40% of the tortillas market in the nineties).

The only manufacturing sectors where national small and medium size companies had any chance of survival were textiles, apparel, several lines of products in the food and dairy industry, furniture, shoes and leather, some mechanical tools and grocery stores.

Some of the groups expanded from industrial to banking and other financial institutions, often to satisfy or complement the capital needs of their own concerns. In time, however these financial institutions become increasingly autonomous from the parent company and respond simultaneously to its own dynamics and to the rates of profit expected in the different branches of the group. Other groups expand from banking to industrial, agro-industrial, commercial and other activities, usually through portfolio investments. Both of these options give groups great flexibility to rapidly transfer resources from one activity to another according to expectations of growth, profit, opportunity costs and to the incentives offered by the state.

The expansion to financial activities is important not only because of the financial resources needed to grow but also the set of relations required with other economic interests and the state which facilitated information flows, contacts with suppliers or clients, etc.

Three corporate routes can be identified in Mexico, all of them combining in various ways capital from different economic sectors and activities:

(1) The first expanded from industry to banking and finance, but industry usually remained their core business. Some groups which followed this route may have incorporated all the financial and industrial activities within one holding (VISA and Vitro incorporated Serfin and Banpaís, respectively, before the nationalization of the banks in 1982). Other industrial groups may have developed more informal links with banks, although an important overlapping of ownership interests and intercorporate shareholdings was present too (the cases of ICA-Banatlántico, Cervecería Moctezuma-Peñaoles-El Palacio de Hierro-Cremi,

Bachoco-Banpacifico are representative examples). The groups which followed this avenue of development generally stick to the original core business in manufacturing (Vitro, VISA), construction (ICA), agroindustry (Bachoco and Vallina). This path which linked industrial-commercial-agricultural activities with banking interests has been reestablished with the re-privatisation of the banks in 1991-93. Most of the industrial groups formerly having a bank recovered a space in this activity, although not necessarily in the same bank. VISA, for example, who had an important stake in Serfin before 1982 shares after 1992 the same group of control of Grupo Financiero Bancomer after re-privatisation. Vitro owned an important share of Banpais before 1982 and is controlled by the same group at the head of Serfin.

The new Law regulating Financial Groups, drafted in 1990, restricts intercorporate shareholdings of industrial and financial firms, though overlapping of ownership interests continues and even expands because the control on interlocking has been considerably relaxed (Interview No. 27). Besides the two cases already mentioned (Visa-Bancomer and Vitro-Serfin) other big industrialists who used to have more informal links with the banks before nationalization have become members of the group of control in several financial groups. Thus, Carlos Hank Rhon heads the group of control of Hermes (capital equipment), Tribasa (construction), Interacciones (financial group); Fernando Senderos heads Desc (industrial and real state) and Grupo Financiero Mexicano-Somex; and Carlos Slim initially linked to brokerage activities has expanded his activities in both the industrial and financial markets: he controls Carso and Inbursa, an industrial and financial group respectively.

(2) The second route consisted in a process of vertical and/or horizontal integration around an industrial/retailing firm which eventually clustered in a holding company. These groups usually develop more loose, interpersonal, links with banking and finance institutions, usually through the network of interlocking directorships. Bimbo, Alfa, Modelo, Cifra,

Televisa, GMD are among the most representative examples, all of which reestablished after the reprivatization of banks the same pattern of relations with financial groups (see Chapter 4).

(3) The third was the route followed by groups which expanded from banking to mining, construction, manufacturing, retailing and other activities. Only two banks clearly pursued this path: Banamex and Bancomer until they were nationalized, greatly increasing their stock in several firms. Thus, before the bank nationalization Bancomer held stock in Frisco, Anderson Clayton, Pigmentos y Productos Químicos, Productos Mexalit. Banamex, in turn, participated in Celanese, Union Carbide, Nacobre, Kimberly Clark, Indetel, John Deere, Minera Cananea, among the most important (Aguilar, 1983). After the reprivatization only Banamex pursued this route and is expanding to telecommunications (Avantel),

As can be seen, the choice of routes does not depend on the geographic or historic origin, though groups from Monterrey are more inclined to follow routes one or two. A trend which they are now re-establishing after the banks' re-privatisation. Only two groups follow route 3, and they are from different geographic and historic origins. Nationalization of the banks abruptly interrupts this third route and after nationalization only Banamex continues the same path. Bancomer becomes tightly linked to the industrial group VISA, sharing the same group of control.

Consequently, we find in Mexico a combination of the routes identified by several authors in ACCs. Scott (1989:213-221), for example, distinguishes three routes in Western Europe: the entrepreneurial (characteristic of the UK) which roughly corresponds to the route 2 above; the holding (France and Belgium) basically corresponding to route one in which industrial and financial interests clearly overlap; and the Hegemonic (Germany, the Netherlands and Austria) matching route 3 above. This third route resembles that of the

bank-centred groups of Japan too (Marioka, 1989). As in ACCs, in Mexico these routes influence corporate organization and, as shall be seen in Chapter 4, the structure of the corporate network too.

2.3 Conclusions

The effort to identify the main routes of corporate and entrepreneurial development should not lead to a reductionist over-simplification of the options available, but rather to understand the ways and extent to which present strategic choices are shaped by historic trajectories.

Two sets of factors determine the paths followed by entrepreneurial groups. On one hand, the conditions of emergence, that is, the national and international processes -- economic and political-- shape the outlook of firms and entrepreneurs. And on the other hand, the stage in the processes of accumulation, concentration and centralization compel all groups to create conditions and formulate strategies of expansion. In regards to the latter, that is to the level of concentration and centralization, by the 1980s Mexico's largest groups control --sometimes in close association with foreign corporations-- important areas of the economy and structure complex organizations involving many different firms (either vertically and horizontally integrated or completely unconnected), as well as manifold associations and joint-ventures with transnational corporations. These links entailed a process of negotiation, learning, developing skills and expertise which gradually enhanced and strengthened the position of Mexican entrepreneurs, leading to the articulation of increasingly intricate networks of manufacturing, financial and commercial firms and ultimately, in the 1980s to the transformation of the most important economic groups into global enterprises.

The number of firms controlled by these groups exhibits the size and corporate

complexity reached. Thus, at the beginning of the Eighties:

- Alfa owned more than 100 firms (in steel, petrochemicals, food and tourism) and as we have seen had developed loose links with Banamex and Serfin.
- VISA had more than 50 affiliates, including Serfin and other financial institutions, beer, soft drinks, food products and retailing firms.
- Vitro controlled 40 companies, besides Banpais and other financial institutions
- CYDSA had around 30 subsidiaries, all in the petrochemical sectors and was an affiliate of Vitro.
- Desc had no less than 40 companies in petrochemicals, autoparts, agroindustry and real estate and had developed loose links with Banamex.
- ICA held at least 40 affiliates (in civil construction, cement autoparts, construction equipment, tourism) and large overlapping interests with Banatlántico.
- Cifra had developed a network of supermarkets (Aurrerá) and Restaurants in the Valley of Mexico.

Not all the groups survive to present date (1996). Some have been absorbed either by the state (Fundidora Monterrey), foreign capital (Gamesa bought by Pepsico in the Nineties) or by other national groups (Blanco was taken over by Gigante in 1992). Certain groups had to reorganize to strengthen or reconcentrate their position in their core activity, divesting in marginal or less important areas, as in the cases of ICA, VISA and Alfa. ICA, for example, abandoned in 1989 the production of cement when it sold Empresas Tolteca to Cemex in order to focus its efforts in civil construction and production of construction equipment. Likewise, in the eighties VISA retreated from food production (Mafer and Caperucita) to concentrate in beer and soft drinks, Alfa abandoned tourism and paper. Desc attempted to abandon its petrochemical interests in the early 1990s.

With regards to the avenues of development several points should be stressed. The

avenue originally taken can undergo changes to adapt to new conditions, or it can be influenced by other paths and experiences, though some of the original traditions and inclinations no doubt remain, grouping entrepreneurs in fractions that share economic, political and social values which in turn constrain future avenues of development. Thus, even today members of the Alemán Fraction are more likely to acknowledge their PRI affiliation. Roberto González Barrera, main stockholder of Grupo Maseca, Humberto Lobo (Protexa) and Alberto Santos (Gamesa) openly support the PRI and in the last two cases have even competed for electoral positions. The groups from Sonora which emerged from the revolutionary process are generally more open towards party politics too.

Economic patterns of action change more rapidly as groups have to adapt to very dynamic and sometimes unstable national and international environments. Thus, groups may be encouraged to move or expand from agriculture to manufacturing, banking or real state. They have to update their technological base, modernize corporate structure and management if they want to survive. On the contrary, political and cultural traditions are more enduring and, although they combine old and new elements (traditional and modern), they leave more profound traces, more difficult to eradicate. However, they tend to be more difficult to follow for several reasons: they combine contradictory patterns of behaviour and they are mediated in certain cases by elements which share interests, commitments and even views with more than one tradition or fraction. A good example of this kind of group which often serves as a broker is Vallina (from Chihuahua). As has been mentioned, this group is an outstanding representative of the Alemán Fraction. Nonetheless, on one hand, it represents and is associated to the Terrazas-Creel capital, from Porfirian origin and, on the other, it has family links with the Monterrey Group (Salas-Porras, 1992a and Wasserman, 1989).

One of the patterns of political action which shows great continuity is the

tendency to form direct, personal, relations with public officials, exchange political favours for economic advantages, penetrate government agencies and exchange members at the highest levels of the hierarchy, particularly by components of the Alemán and Central fractions. Claudio X González, Chairman of Kimberly Clark, former president of the CCE, once president of the CMHN and representative of the Central Fraction, was an official advisor on foreign investment of CSG. And Gilberto Borja Navarrete, Chairman of ICA until 1994 and outstanding representative of the Alemán Fraction, was appointed director of Nafinsa by Zedillo in December of 1994. Representative of the Northern fraction do not compete for electoral positions, at least not with the PRI credentials, nor are they appointed to administrative position in the government.

The personalised characteristics of the relationship between entrepreneurs and politicians gradually eroded entrepreneurship and promoted influence-peddling, clientelistic practices.²⁵ Influence-peddling, in turn, may have precluded protectionism from becoming gradually more selective and from upgrading the ISI strategy. No countervailing institutional forces committed to check and supervise achievements in the ISI process developed and a relationship of accomplices between the state and Mexican entrepreneurs followed suit. It is true that changes in the international context did not help very much. By the late fifties transnational capital resumed expansionary trends in Latin America, threatening to displace or take over domestic firms. This tension between national and foreign capital encouraged the state to protect the former (Zabludovsky, 1984). On these grounds, instead of closely scrutinizing and periodically revising the terms of the ISI and protectionist strategies a complacent attitude towards national capital developed. National firms found it easier and more profitable, in turn, to import and adapt technological innovations and productive processes than to develop their own. As Rubio points out "... protection became a way of life, as well as the conditioning factor of economic survival.

Devices to secure protection for domestic firms, as well as power for the country's bureaucrats, proliferated... the private investor, whether or not he was committed to building a globally competitive industry, became fully dependent on bureaucratic goodwill." (Rubio, 1988:34-35.)

'Influyentismo', the pattern of action which tends to bypass formal political institutions mediating relations with the state, to compete for, traffic with and exchange political favours (economic privileges in exchange for political support) has been especially acute among members of the Alemán Fraction, has had long-lasting effects and, as shall be seen in Chapter 6, has resisted the pressures for greater modernization and institutionalization of entrepreneurial action in the present. Several authors have shown that competition for political favours has been a quite extended practice in the historical experience of bourgeoisies in several countries. Souza Martins, for example, argues that political clientelism as an exchange of favours between "the powerful and the rich" greatly "explains the apathy of the Brazilian bourgeoisie, which has never posed itself the question of its political responsibility as the dominant class." (Souza Martins, 1996:200-201)).²⁶ Chiesi and Martinelli (1989), in turn, reveal that these practices have been common too in the history of the Italian bourgeoisie. The extent and conditions under which they hinder and distort economic development and modernization, however, remains a question of debate and empirical research.

But if certain patterns of action are enduring, others change considerably. The economic independence of the groups from Monterrey, for example, gradually withered away in the 1970s (Rubio, 1988:39). Periods of crisis in particular tend to unveil the economic dependence of these groups on the state. After the devaluation of 1982 they could survive the debt crisis only with the financial support offered by the state through Ficorca.²⁷

Monterrey's groups have profited too from the privatisation of state enterprises, particularly banks. Bancomer and Serfin were sold to the members of the Monterrey Fraction. In 1995 again the state had to engineer several mechanisms to assist troubled banks. Serfin (controlled by Andrés Sada González), received the largest financial support from PROCAPTE and Fobaproa to alleviate the impact of bad loans.²⁸ And Bancomer benefited considerably too.

However, since the sixties (and even before),²⁹ groups from Monterrey depended increasingly on the incentives, contracts, tax reductions and other economic policies which implied massive transfers of economic resources from the state. Often only large groups had the organizational and administrative clout to benefit from such policies (Cordero et al, 1983).

The difference with respect to other groups belonging to the Central and Alemán Fractions lies in the organisational distance from the state which the group of Monterrey deliberately kept until recently. Today they have abandoned even in the political arena a traditionally more independent position. They now exhibit an open support for the PRI, especially during the presidential and gubernatorial electoral campaigns when, as shall be seen in Chapter 6, they have been involved in Financial Committees and other activities to raise funds for the official party.

Some of the routes pursued until the eighties influence the potential of some groups to become global. On one hand, financial situation, past and present corporate strategies, competitiveness achieved on a transnational scale and characteristics of the core business were very important to project the concerns of these groups to the global markets. On the other hand, the legacy of the corporate culture may have an inhibiting or a stimulating effect on the process of globalisation. Certain developmental strategies traditionally implemented by some groups or fractions may foster or hinder globalisation,

while other strategies encourage a specific path to globalisation. Members of the new fraction, emerging from the process of privatisation of state enterprises during the last 15 years, usually headed by former brokers, are prone to be more successful in the adoption of 'turnaround' strategies which depend on asset reduction and redeployment, cost-cutting schemes and redundancies. Since they have no personal commitment to corporate bureaucracies, they can downsize much faster expensive and unnecessary professional expenses. Thus, Carso has introduced these strategies much faster than Alfa, Vitro, VISA and CYDSA, which have developed gigantic corporate structures, staffs and overheads.³⁰ Cemex has been very successful in the application of these turn-around corporate strategies even though this groups does not belong to the new fraction.

However, more established corporations, like Alfa, Vitro, CYDSA and Desc enjoy other advantages. During the past three decades they have developed a very rich network of contacts with transnational markets, banks and corporations. Consequently, their capacity to negotiate with these forces and agents was substantially greater and facilitated their expansion to the global landscape. In addition to the intricate network of joint ventures already examined in this chapter, during the seventies some groups expand operations to Latin America and some states in the Southwest of the US. Thus, for example, we find that:

- + Vitro had a subsidiary in Central America.
- + Alfa was exporting its technology HYL to India and other countries
- + ICA had construction projects in Brazil and other South American countries
- + Televisa broadcasted part of its TV programming among the Spanish community in the US
- + Tremec (ICA) had created its own representative to promote and distribute its products in the US.

However, Mexican Corporations did not broaden their horizons to First World markets until late in the eighties. Even though the process of concentration and centralization had advanced considerably, they were not yet accustomed to perform in unprotected markets. But late arrival to the global landscape did hinder, as we shall see in Chapter 3, the global scope of their actions and restrict it to more traditional sectors where they developed competitive advantages. The opening of the Mexican economy between 1984 and 1987 forced some of the most successful groups to become more aggressive and develop such competitive capacity.

NOTES

1. This characterization of the Monterrey group is in basic agreement with Vellinga's (1988) analysis.
2. See Appendix I for sources and other methodological considerations regarding the elaboration of these lists.
3. Column 5 in Table 2.1 follows this trajectory when information allows it.
4. As can be seen in Figure 4.2 in Chapter 4, Slim privatised at least 6 of Carso's affiliates.
5. Barrington Moore (1966), for example, analyses the characteristics of social forces and class alliances which produced more or less democratic versions of capitalism in England, France, Germany and Japan. The studies by country in Bottomore and Brym (1989) examine the ways in which conditions of emergence shaped capitalist classes in several European countries, the US and Canada.
6. Cordero et al (1983:89) also found that the largest number of large national firms originated during this time.
7. In Chihuahua, for example, the most important components of the Porfirian Terrazas-Creel clan regrouped around the corporations and interests headed by a member of the Aleman Fraction, Eloy Vallina (Wasserman, 1987 and Salas-Porras, 1992a).
8. Chiesi and Martinelli (1989:110-119) identify, in a similar fashion, 4 entrepreneurial types in Italy, whose main strategies vary according to the nature of the political regimes in which they emerged and the phase of economic development they undergo. They also observe that regional disintegration and a rather fragmented nation were very important in the configuration of the first type of entrepreneurs, the 'traditional entrepreneurs'. Economic opportunism is the main characteristics of 'subsidized entrepreneurs', which roughly correspond to the Aleman Fraction in Mexico.
9. Vellinga (1988) also acknowledges the link between the greater autonomy and independence of this fraction and the development of a class ideology. Spohn and Bodeman (1989:95) use the concept of 'authoritarian-conservative' to describe the path followed by the German bourgeoisie before World War II.
10. Throughout its existence, representatives of these groups have systematically criticised state intervention in the economy and protectionism.
11. Raul Bailleres holds from the forties onwards controlling share in Peñoles, Cervecería Moctezuma and El Palacio de Hierro, as well. Sistema Desem (Desarrollo Empresarial Mexicano) awaraded him in 1994 the distinction to form part of 'El Salón del Empresario Mexicano' (The National Hall of Fame). (Expansión, 13-April-94:34-36).
12. This bank was confiscated by Venustiano Carranza and returned to its original owners by Alvaro Obregón in the context of the reorganisation of the financial system. Concanaco (1986:98) narrates the history of Legorreta's life when it awarded him the 'Medal of Honour to the Entrepreneurial Merit' in 1980.
13. In a similar fashion the Mexican state follows from this time to the present patterns which could be considered simultaneously predatory and developmental, according Evan's definitions (1995:12). In his definition "Predatory states lack the ability to prevent individual incumbents from pursuing their own goals" while developmental states come closer to Weber's definition of bureaucracy.

¹⁴. Construction groups, for example, are generally represented in the boards of CFE, Pemex, the Underground System, Banobras and other public offices which offer construction contracts and credits, as well as in commissions and bodies created to regulate and modernize the communication and transportation systems. See Hobbs (1991) and Camp (1989).

¹⁵. The most outstanding cases of politicians who became large entrepreneurs are those of Miguel Alemán and Hank González. And, the other way around, among large entrepreneurs that have held political positions we find during Alemán's administration: Antonio Ruiz Galindo (president of Concamin becomes Secretary of the Economy), Nazario Ortiz Garza (General Manager of Nacional Reguladora becomes Secretary of Agriculture), Agustín García López (former president of Concamin becomes Secretary of Public Works), Antonio Bermúdez (industrial businessman goes to Pemex), Antonio Díaz Lombardo (president of ABM goes to IMSS), Manuel Gual Vidal y Carlos Novoa (both from the ABM to, respectively, to the Secretary of Public Works and the Bank of Mexico) (Zabludovsky, 1984:22-23). More recently we find other entrepreneurs appointed to public positions, notably, Claudio X. González, member of the Central Fraction, Chairman of Kimberly Clark and advisor of CSG on foreign investment; Gilberto Borja Navarrete, belonging to Alemán Fraction, former Chairman of Grupo ICA and recently appointed by Zedillo Director of Nafinsa.

¹⁶. Crescencio Ballesteros Ibarra, civil engineer who in 1941 became the public officer responsible of construction works in the National Commission of Roads and the National Commission of Irrigation. During that and the following decades he created one of the largest corporations (GMD) specialized in construction projects, infrastructure and industrial, most of them public (Ruiz Harrel, 1986:39-43). His family has interests in Synkro and until 1982 in Mexicana de Aviación too.

¹⁷. See also Concheiro et al (1979:138) and Salas-Porras (1992a) for statements of Eloy Vallina with a similar orientation.

¹⁸. The percentage required varied according to the sector. In the mining and autoparts sectors a maximum of 33 % of foreign capital was permitted and 49 % in the remaining manufacturing sectors. Although the Law was not retroactive TNCs affiliates in Mexico were encouraged to become legally Mexican by the incentives offered. When a partner was not found among the business community, Nafinsa, Somex or other state agency may have complemented the capital needed to be considered legally Mexican and eligible for the tax incentives and other subsidies.

¹⁹. Aguilar (1974) thoroughly documents that, notwithstanding great inequalities and distortions in the level of development, Mexico becomes a predominantly capitalist country in the second half of the XIX Century. He argues that high concentration, regional and productive disintegration and other distortions in the economic development at that point reveal that Mexico did not undergo, as the great majority of industrialised countries, a free competitive phase of capitalist development.

²⁰. Groups from Sonora, for example, have traditionally combined since the Forties agricultural, agro-industrial and banking interests. From the Eighties onwards they have expanded to the development of maquiladora parks and the promotion of this industry (Salas-Porras, 1991).

²¹. For Europe see the chapters on France, Germany and Japan in Bottomore and Brym (1989).

²². Foreign firms predominate in the more dynamic and technologically advanced sectors, such as the electronic and automobile, but many sectors are controlled totally or partially by national capital.

²³. Unlike Japan and other Southeast Asian countries, protectionism was not systematically upgraded in Mexico to cover increasingly more technologically sophisticated sectors.

²⁴. In 1977 Cervecería Cuauhtémoc concentrated 31 %, Moctezuma 31 % and Modelo 38 %. After Cuauhtémoc and Moctezuma merged in 1984 they shared 49 % of the market and Modelo 51 %. As will be seen in Chapter 3, in the Nineties both Modelo and Cuauhtémoc form associations with foreign TNCs (Annual Meeting Reports).

²⁵. A good example of these influence-peddling practices is the 'derecho de picaporte', a rule whereby large businessmen bypass political institutions and procedures formally mediating relations with the state.

²⁶. The Institute of Latin American Studies in the University of London has contributed considerably to open this line of research. Besides the compilation of articles edited by Little and Posada-Carbó (1996) see: Conference on Financing Party Politics in Europe and Latin America organized by Institute of Latin American Studies (Univ. of London) in conjunction with the Instituto Universitario Ortega y Gasset, Madrid. London 25 to 26 March, 1996.

²⁷. Groups from Monterrey benefited the most from this program designed in 1983 to protect private firms against devaluatory risks --see section 3 in Chapter 3-- because they were highly indebted when the crisis broke out.

²⁸. FOBOPROA, the deposit insurance fund, agreed to buy bad loans from Serfin at a ratio of 2:1 for each dollar of new capital raised by the bank. FOBOPROA would fund the transaction by issuing 10-year, Cetes-linked bonds to Serfin. Serfin would retain 20% of the risk of the loans sold. According to several analysts in the market community the recapitalization will demand large amounts of public revenues reaffirming the government's strong support for the banking system. See: JPMorgan, Emerging Markets Research, 16-June-95:9; Mexico Business Monthly, 6-May-95:6 and La Jornada, 14-June-95.

²⁹. Tax exemptions were granted by Bernardo Reyes, governor of Nuevo Leon during several periods from 1885 to 1905, to promote industrial development and stimulate infant industrial efforts (Derossi, 1971:53).

³⁰. The representative of Carso --Eduardo Valdés-- underscored in the interview (No. 21) the difference of the corporate buildings and offices of this group with respect to those of Vitro, Alfa and CYDSA.

CHAPTER 3

TRAJECTORIES AND STRATEGIES TO BECOME GLOBAL PLAYERS

The literature on transnationalization of the Mexican groups usually revolves around one particular aspect of their external economic relations: foreign trade, investment, debt and joint ventures, and often on the macroeconomic level, that is, on the level of national variables.

In several studies Celso Garrido and Enrique Quintana, for example, have examined private foreign debt in great detail, from the renegotiation process in 1982-85 to the present.¹ The nationalization of the banks, the debt crisis, the rearticulation of a private financial system reveal, according to these authors, the struggle between the different components of capital, national and foreign, to play the leading role in the reorganization of the financial flows, in the pattern of distribution and allocation of resources and the configuration of a hegemonic bloc (Garrido and Quintana, 1987:105-107). In this light, the programme to bailout large private corporations after the 1982 devaluatory process (Ficorca,) the privatization of the banks and the new private debt issues reveal which segments of capital have been most successful.

Wilson Peres Núñez focuses attention on foreign direct investment from Latin America (FDI). In a recent study (1993:55-68) he discovered that new Mexican FDI is oriented predominantly towards developed countries and that it concentrates in non-metallic mineral industries, largely due to the investments undertaken by two companies, Cemex and Vitro. Firms from Newly Industrialized Countries (NICs) in general, he says, have increased considerably FDI in developed countries in order to counteract protectionism in major world

markets, regionalization processes that may greatly reduce potential for trade and the capital shortage which has been aggravated by the needs of reconstruction of the economies of Eastern Europe and Russia. Besides, FDI usually facilitates access to technologies, managerial and organizational resources.

Both internal and external factors, he adds, encourage firms to expand their activities towards the international markets. The former include the need to increase efficiency and profitability, to accelerate the learning process in different areas (markets, technology, management, etc.) and to reduce risk. The latter, that is, factors of the business environment, includes economic policy and economic situation, market position which offers opportunities to certain firms and reorganization of global markets.

He acknowledges that efficient involvement will have an impact on the levels of competitiveness --and even the well being of their societies-- but he does not explore more deeply on the distinctions between what he calls traditional and non-traditional participation in the international economy --that is, between participation in international trade and capital markets, on one hand, and FDI on the other--, particularly with respect to the strategic and structural changes the latter engenders in the firms themselves and in the interaction with other firms and agents from advanced capitalist countries. Furthermore, participation in international trade and capital markets has changed dramatically the nature of their involvement, and foreign investment was not altogether absent, although it was oriented either to other Less Developed Countries (LDCs) or, as indirect or real-estate investment, to advanced capitalist countries (ACC)s.

Alonso Aguilar (1978, 1983) generally covers a broader range of aspects in the international projection of Mexican corporations, both on the macro and micro levels. In his view, which is scattered in multiple works, transnationalization represents a structural

response to the needs and contradictions of the process of accumulation of capital and to the long-term crisis of the Mexican economy. At the same time it is a process that draws national and international capital closer together, but under conditions of dependency and subordination of the former to the latter. His analysis is, therefore, basically structural: transnationalization is conceived as the economic presence of the groups in the international markets and how this presence affects their organization and performance. He does not examine the transformation of corporate actors in the process of interaction with global agents and institutions.

This Chapter, on the other hand, focuses on the processes whereby Mexican corporations become global players. This means, their action is ruled, shaped and modified not only or fundamentally by national processes. Instead, the greater interaction and feedback with transnational institutions and agents operating through manufacturing, financial, trade and corporate networks that have attained a global outreach come to have more and more influence over their organizational structure and corporate action.

The purpose of this chapter is to show which Mexican corporations have become global enterprises and what strategies they pursued to do so; 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 transformed their strategies only late in the 1980s when other NICs (the Asian Tigers, for example) advanced greatly in this direction earlier. In other words, what forces set this process in motion?

The emphasis throughout this chapter will be on the level of the agent. An agent that is well informed of the significance of the present conjuncture, the opportunities and costs underlying transition to a global status. On this level of the agent, other questions shall be

addressed: How Mexican entrepreneurs challenge and react to the ways, conditions and rules under which they interact with the global system? How they articulate and activate a strategic, conscious drive to become global, to interact and compete with global forces, plan their action and, increasingly, their very organizational structure? Their action, however, is not undertaken in an institutional, structural, vacuum but through the corporations they head and with the technological, financial and organizational resources they control. The following chapter will focus on corporate structure and the changes it has undergone as a condition for, and result of, the global action.

Hence, the first task is to identify the global corporations to show then what was their course of action to become global players.

It is not the purpose of this chapter to undertake an exhaustive survey of the vast literature on transnational corporations (TNCs). However, it is clear that scholars who from different intellectual traditions focus their analysis on TNCs, multinational enterprises (MNE) or international business (IB) have not arrived at widely accepted definitions. Some stress quantitative characteristics, others qualitative.

Dunning (1993a:3-4) in a recent and comprehensive work recognizes the quantitative criteria most frequently used to assess multi- or transnationality. Among the most important he mentions the number and size of foreign subsidiaries the corporation owns or controls; number of countries with value-adding activities; percentage of assets, revenue, income and employment which foreign affiliates account for; proportion of international stock ownership; foreign origin of management and the degree to which higher value activities (including R&D) have been internationalized. However, he identifies two features as distinctive for multinational enterprises (MNE):

"First, it organizes and coordinates multiple value adding activities across

national boundaries and, second, it internalizes the cross-border markets for the intermediate products arising from these activities. No other institution engages in **both** cross-border production and transactions.

An MNE [...] may be a large diversified global corporation owning or managing a network or coalition of activities in many countries or a small, single-product firm that operates only one foreign marketing venture." (Dunning, 1993a:4).

Since 1972, Vernon and Wells (1981:4)² have given more emphasis in their definition to the process of integration not only at the level of ownership and the pool of resources they share (money, credit, information, etc.) but at the level of common strategic objectives.

Very often TNC, MNE and global corporation are concepts used indistinctly. Nevertheless, Aronson and Cowhey (1993:43-47) distinguish between TNC and global corporations, the main distinction being the level of integration of transnational operations. Whereas TNCs --or multicountry domestic firms-- have widespread international operations, most of their competitive strength comes from their home country and their transnational operations are not highly integrated. Global corporations, on the other hand, need highly integrated transnational operations in order to take full advantage of firm-specific assets, to secure complementary assets either through a closer interaction of producer with customers (networking) or through partnerships with firms that offer competing products (international corporate alliances, also known as strategic alliances). This process of networking alliances and coalitions of different kind and scope is considered by several scholars --including Dunning-- the most important difference between global and transnational or multinational corporations.

Given the emphasis on the level of the agent, the definition used in this thesis has to underscore the strategic logic underlying global action and, at the same time, be operational. Thus, for the purposes of this dissertation a global enterprise is defined as a highly complex business organization that has expanded its operations to several countries in at least two of

the following ways:

- i) Operating subsidiaries: usually acquired to gain a global position in certain products, outrank competitors and simultaneously defend their own domestic market from massive and/or dumping imports. This new emphasis on positioning and/or benchmarking will be the main consideration when planning growth. Accordingly, Mexican corporations that reach a 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 (SA): multiple and diversified combinations with TNCs from advanced or developing countries, entailing segmentation, specialization, sectorial 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 venture, technology or marketing licensing of the 1960s and 1970s for two reasons in particular: the SA assumes broader and more flexible mix of commitments, and the longer process of deliberation and collective planning preceding and accompanying the alliance unifies management strategies and practices between the firms involved.
- iii) Stock and other securities circulating in foreign markets which require, on 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 their own or other Mexican exports particularly in the US, or other industrialized countries. That is, they no longer rely on agents or brokers

to export and they have considerably diversified their source of revenue. Besides, a closer interaction of producer with customers (the so-called networking) feeds back into the process of strategic corporate planning.

Many large and medium size Mexican companies are exploring new avenues to open new markets and it is difficult at this point to assess whether they will be successful or not. With the criterion of a more diversified presence in foreign markets (of at least two types of activities) I attempt to make sure that they have a firm foot in the global economy and are more deeply involved in the global rules of the game.

All these activities presuppose an intense interaction and collective planning with global agents from advanced capitalist countries (ACC). 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 their course of action and promotes patterns of behaviour widely spread in ACC. However, it also provokes, as we shall see, difficulties and contradictions that demand sophisticated responses, short- and long-term planning, and a meticulous monitoring of all their activities in Mexico and abroad. In other words, spontaneous reaction to market signals and to public policies give 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 externalized³ alliances and corporate networks. It would not even be possible to follow up all their 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 (1993:56) claims, a shift from foreign trade

and debt towards FDI.

My definition of global corporation is justified in terms of my theoretical framework which is built upon two basic, quite straightforward assumptions: (1) social relations and interaction with global forces⁴ underlie the process of global institutional networking and (2) the expansion to foreign markets presupposes an institutional, organizational, level of development. These assumptions are not circumscribed to industrial production but encompass financial, trade, technological, and other activities. Managing global networks has become, as Dunning (1993a:6) acknowledges, the most developed corporate activity. Only strategic collective planning can successfully integrate the different forms of global economic action. Consequently, the difference between TNC and global corporation is not only of degree but of kind.

This chapter has been divided in 5 sections which examine the different paths followed by Mexican corporations to become global. (1) the first section identifies the corporations which have established operating affiliates in first world markets and the strategies they pursued to achieve high ranking by internationals standards. (2) The second section analyses SA as another possibility to achieve global status and some of the most outstanding cases which considered this strategy as an option. (3) The third section describes the presence of Mexican corporations in global securities markets and the interaction such presence entails with global financial institutions. (4) Section four follows the strategies of some Mexican corporations to articulate global trading networks. (5) Section five examines the rapid expansion of corporate recipes and strategies to achieve global positioning and/or benchmarking and (6) section 6 --conclusions-- assesses the trajectories and preferences of Mexican corporations to become global, the obstacles they had to overcome and the consequences of their global action.

3.1. Operating affiliates

As was seen in Chapter 2, since the seventies several Mexican corporations have extended their operations to other third world markets in predominantly defensive undertakings geared to protect export markets, alleviate the contraction of demand in Mexico, diversify the source 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 3.1 shows that of the largest 60 corporations in our sample, 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 trajectory of every case. I have chosen to examine 3 key cases in more detail (Vitro, Cemex and Televisa) for several reasons: (1) they all made explicit the drive to become global and the courses of action 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 to profit from firm-specific advantages and synergies; and (3) a very large proportion of their revenue and value-added is originated abroad.

Vitro started making forays into the US market with the acquisition of Anchor Glass and Latchford Glass in 1989 becoming at one stroke the second-largest producer of glass containers in the US. The North America Container Division, comprising the US operations of the group, accounted for approximately 40% of Vitro's total sales in 1990, 59% in 1992 and 56% in 1993 (Annual Meeting Reports, 1990-1993).

TABLE 3.1. SUBSIDIARIES IN FOREIGN COUNTRIES

GROUP	SUBSIDIARY	COUNTRY	YEAR	PROCEDURE
VITRO	Anchor (100%) Latchford (100%)	US US	89 89	HTO Acquisition
CARSO-Global Telecom	International Wireless - Prodigy	US SPAIN	96	Merger and Acquisition
CEMEX (20 countries)	Sunbelt Pacific Coast La Valenciana Sansón Vencemos Bayano Diamante Samper	US US SPAIN SPAIN VENEZ PANAMA COLOMB COLOMB	89 89 92 92 94 94 96 96	Acquisition Acquisition Acquisition Acquisition Acquisition Acquisition Acquisition Acquisition
VISA	Coca-Cola (51%)	ARGENT	94	Acquisition
ICA	Rodio	SPAIN		
TELEVISA	Univisión Galavisión Televisine España Cía Peruana Telev Argentina Telev Bolivia Telev Chile Venevisión	US US SPAIN PERU ARGENT BOLIVIA CHILE VENEZ		
BIMBO	Baird's, QFS (50%) Alimentos Alesa Bimbo Bimbo Bimbo Bimbo Marinela Marinela	US CHILE C RICA ARGENT HONDUR EL SALV VENEZ C AMER	94	Acquisition
GRUMA	Maseca	US		New plant
IMSA	Acumulad Fulgor Acumulad Indust Durex Indust Stabilit IMSA Enermex	VENEZ VENEZ Brazil ARGENT CHILE BRAZIL	93 93 94	Acquisition Acquisition New plant
DINA				
SYNKRO	Kayser-Roth Modecraft	US ARGENT	93 93	LBO Acquisition
IUSACELL				
HERDEZ	Festin Food	US	90	Acquisition

SOURCES: America Economia, Número Especial, 1993-1994. Infosel, Reuters and Annual Meeting Reports of companies quoted in the MSE.

LBO: Leveraged-buy-out

HTO: Hostile take-over

The transaction exposed the group to new sophisticated rules of the game. In Mexico's business environment acquisitions usually take place through friendly deals, rarely through hostile take-overs. Anchor's board was obviously aware the take-over meant the entrance of Vitro to the US market and was determined to make the most out of it. It recommended stockholders to reject the first tender offer, forcing Vitro to a higher bid. The original offer was for US\$251.4 million and the final cost was US\$390 million for the capital and \$460 million for the debt (\$900 million altogether, including Latchford Glass). It was the first time a Mexican corporation had attempted a hostile take-over of a US concern and, according to Wall Street analysts the price was "overly generous" (\$21.25 a share), particularly considering that Anchor had reported losses for the past year (more than \$26 million) and the glass industry was facing strong competition from plastic containers. However, other analysts judged it to be a brilliant move: "Vitro has opened a huge window into the US, and I would suspect we are going to see them benefit from a lot of fertilization and cross-trafficking," said an American economist. Throughout the negotiations Vitro's top executives exhibited the will to become global. "If we want to continue to be a glass company, as we have been for 80 years, we can no longer be satisfied having a strong domestic base and some export activity", said Ernesto Martens, Chief Executive Officer, before the deal was over. "With a more open economy, our strategy has had to change." And he continued "If we had done nothing we would have ended up with a strong domestic market position, but with everybody outside shooting at us." Much more was at stake than a conventional acquisition. Both players -Vitro and Anchor's senior management- were well informed with the meaning of the move and they struggled for the best deal. Vitro was willing to pay a high price to gain a foothold in the American market and become a global

force in the glass industry. "We're buying 26% of the biggest market in the world," said Mr. Martens. "We have to be bigger, more efficient and more international", declared Adrián Sada, President of the Board. (The New York Times, 30-Oct-89). The international stock market community and the Mexican business community were closely following the transaction. Lorenzo Zambrano, Chief Executive Officer of Cemex, who in the past years has also made gigantic leaps to become a global player, commented on Vitro's progress: "Vitro recognizes that Mexican companies must now choose between being either a giant or a subsidiary of a giant. Everyone is wishing Adrián and Vitro the best, because we all know that's the way of the future." (Wall Street Journal, 11-Sept -89).⁵

Cemex's expansion into the international market has also been achieved primarily through acquisitions. In 1989 the group bought several companies in Texas and California which gave it a tenth of the US sunbelt market. By 1995 sales generated outside Mexico (considering exports and international operating income) represented almost half of the total revenue (Annual Meeting Report, 1995)

Cemex produces and exports cement to the US. Its exports to the US, however, have encountered ferocious opposition from American companies, apparently led by the Swiss transnational Holderbank, that has greatly thwarted its expansion in this country and has involved the group in a very complicated anti-dumping lawsuit that concentrated much of the group's attention for a time.

In 1989 Cemex bought Empresas Tolteca -the second-largest cement producer in Mexico- for US\$750 million reinforcing control in the Mexican market (it accounted for 64% of the Mexican market and 90% of Mexico's cement exports). With a much stronger position in the Mexican market, Cemex attacked again. In 1992 it launched the largest bid ever undertaken by a Mexican company. The group first acquired from a Swiss company a 'call

option',⁶ a very sophisticated financial expedient used in the global market to offer controlling shares. It paid US\$1.85 billion for Spain's two largest cement firms -La Valencian and Sansón- which represented 28% of the Spanish cement market.

The international stock market community -particularly those watching closely Latin American stock- considered it a very risky move for several reasons: the company had little experience managing overseas operations; the acquisitions increased long-term debt by US\$760 -provided plans for refinancing the bridge loan, and sales of assets and shares ran smoothly- and it increased immediate borrowing by US\$1.35 billion;⁷ Spain's construction market was slowing and its cement industry was suffering a crisis.

US and Mexican 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 Cemex's shares price dropped 17%. "Most investors who bought Cemex bought it on a high growth story. To the extent that Cemex diversifies into countries with less attractive growth prospects, earnings slow down," said Jorge Mariscal, manager of Latin American equity research at Goldman Sachs.⁸

Underneath this aggressive strategy, lies once more Cemex's decision to become global and to simultaneously defend its market from within and without 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, July 23, 1992). With a firm foot in Spain the group felt in a much better position to compete with Holderbank, the world's largest cement producer, who openly confronted Cemex in the US - leading an anti-dumping demand- and who greatly increased pressure in Mexico expanding its interests and investments in Apasco.⁹

Despite the weak demand in Spain, Cemex top executives thought that, particularly once the Spanish firms had been merged, streamlined and restructured, the group could profit enormously from future growth in the Eastern European reconstruction, where they can challenge Holderbank directly in European territory.

All the uneasiness and opposition from the market community notwithstanding, Cemex top managers pursued its aggressive strategy. Early in 1993 the company acquired a 50% share in Concem Ltd. and Contrade Ltd, two firms that distribute cement in the Caribbean. Cemex executives travelled at the end of this year to Manila to look for investment possibilities in the Philippines. From 1994 to 1996 the group expanded considerably to South and Central America. By 1996 its sphere of influence included 20 countries (see Table 3.1).¹⁰ The spectacular demand for Cemex bonds in May of 1993,¹¹ demonstrated that the group's strategy had been largely approved by the global financial community. According to Cemex's management, institutional investors modified their perception because the results of the operations in Spain were encouraging and Cemex had diversified its risk to increase cash-flow (Interview No. 15).

Televisa, the TV and media company, had also to fight its way through the US market. The first two forays --Spanish International Network (SIN) and The National-- were not successful. In the middle of a controversial scandal that greatly overshadowed the whole issue,¹² the group was accused in 1986 of illegal practices. It had to undergo a complicated and obscure legal dispute, never completely disclosed to the public.

Several groups in California were concerned about the influence of SIN over 17 million Spanish speaking viewers in the US. The California Chapter of the League of United Latin American Citizens, Armando Durón, president of the Mexican-American Bar Association of California and G. Martínez, a California Democrat in Congress objected to

the increasing control of Azcárraga, the most important stockholder of Televisa, over the Spanish television network in the US.

SIN held control of Spanish International Communication Corp. (SICC) which, in turn, owned 10 Spanish-language television stations in the US. A group of shareholders of SICC resented displacement in the news division of the network by Jacobo Zabludovsky, who had been assigned to head SIN-News. They thought he would not comply with US objective journalistic standards because he was overly forgiving of the Mexican government. They filed a law-suit alleging illegal control by a foreigner.

The Federal Communication Commission found that the firm was violating restrictions on foreign ownership.¹³ Emilio Azcárraga Milmo sold the stations to Hallmark Cards Inc., who agreed to continue with the same management structure. A group of US Hispanic investors, led by Turco Junco, claimed to have offered more for the Company than Hallmark but Hallmark agreed to let Azcarraga's management run the programmes.¹⁴

The group was forced to retreat, temporarily at least, from the Spanish TV network in the US. SIN sold its share in SICC, retaining only the distribution and marketing of a wide variety of Spanish programs (soap operas, light musical entertainment shows, News Univisión and others). Later SIN became Univisión and by 1987 more than 300 stations in the US broadcast Univisión programmes.

The other unsuccessful incursion in the US market, the sport newspaper --The National-- was mismanaged and went bankrupt in 1991.

Soon after that, Televisa tried again, but this time with a different ally, to penetrate the US. In January 1991 the group bought a share of 34.8% of Univisa and in September the rest of the stock. Associated with Jerrold Perrenchio, from California (who would share 75% of the TV stations and 50% of the network) and Gustavo Cisneros (president of

Venevisión) who would have a similar share as Televisa, approval was achieved from the Federal Communication Commission (FCC). Once again, Azcárraga encountered strong opposition. This time from the National Hispanic Coalition of Diffusion Media (25 organizations), the Puerto Rican National Coalition and the Hispanic Chamber of Commerce. The latter, however, soon abandoned the opposition arguing that the acquisition complied with the regulations stemming from the NAFTA proposal (Expansión, 14-Oct -92).

Univisa controls the distribution of international sales of Televisa's Spanish programs, which means that the group bypassed the ownership restrictions to foreigners in the US by selling its programs to a group of stations over whom it exercises management control. Thus, even if they were partially and temporarily displaced from operating stations the group manoeuvred and ultimately recovered and strengthened its position in the US Spanish TV market.

Today this media empire covers 90% of the North American Spanish network, plus 18% of Spain's, and it has expanded through a series of joint ventures to Chile, Peru, Argentina and Venezuela. It ranks first in the world in the production of Spanish TV programmes and it has plans to produce soap operas in English. It has developed many arrangements to sell programmes to satellite and cable networks spreading throughout the US, South America and North Africa and it has licensed its programming to stations in 52 countries (Annual Meeting Report, 1994 and Interview No. 34). Early in 1996 the group announced plans to reconcentrate activities in TV broadcasting and programming and entertainment in general. It sold Cablevision to Telmex and is planning to sell Skytel.

At the beginning of 1996 Carso announced an aggressive program of mergers and acquisitions to expand to one of the most technologically advanced areas in telecommunications, i.e. multimedia activities and services. Through a new division, Carso

Global Telecom, this group bought in May 1996 participation in International Wireless (operator of Prodigy Services), the fourth largest company in multimedia services in the US. The new owners have disclosed ambitious projects to offer Prodigy Services through Internet outside the US in several languages. Carso has acknowledged that with this program it plans to simultaneously displace attention from traditional to leading-edge activities and from developing to advanced economies. However, these plans have raised scepticism in the financial community "Mr. Slim is very good operator in terms of running a traditional company" said Felix Boni of James Capel, "But going on to create something totally new, for the 21st century, is something quite different from his track record." (Financial Times, 25-Jan-96).

Other Mexican corporations have operating affiliates in the US or other industrialized countries but have not yet gained an important position on the world. 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; learn different financial, legal and fiscal practices; operate in an much more aggressive and strictly regulated institutional framework. In short, they had to prove to the global financial community they were worthy and talented enough to risk investments and funds in their concerns.

And even when they relied on specialized teams of consultants and financial advisors, the undertakings have been complex and dangerous. While the new ventures have demanded very little (and sometimes no) real new Mexican investment, nonetheless, the new players are gambling with resources accumulated over a long historic period, and despite optimistic forecasts in the light of the NAFTA the outcome is still far from clear. The global contenders they are playing with -or against- are very powerful. Institutional investors, for

example are demanding greater participation in the decision-making process, even when they hold non-voting stock.¹⁵

3.2. From the conventional Joint-Venture to the Strategic Alliance

The relations Mexican global firms develop with TNCs based in industrialized countries have undergone radical changes too. The combination of capital is often accompanied by a combination of distribution networks, marketing techniques, managing skills, decision-making and strategic planning practices and interlocking directorates.

There is no broad agreement yet as to a basic definition of strategic alliances (SA). Since it is one of the new practices most characteristic of the 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.

Strategic alliances are often defined as almost any kind of cooperation between corporations. According to Peter Lorange and Johan Roos (1992:11-13) "The cooperation can involve any part of the firm's value-creating activities, that is, R&D, product development, manufacturing, distribution, or service, or combination of these." It includes those in which partners "merely put in a minimum set of resources, often on a temporary basis by complementing each other", as well as those in which "both parties put in resources in abundance, allowing the resources that are generated in the strategic alliance to be retained in the alliance itself (except for dividend, royalty fees, etc.)." Mytelka (1991:1-5) refines this much further in his definition to include all those agreements among independent firms which meet two conditions: (1) they involve knowledge production or sharing activities, and (2) they aim at improving competitive position giving greater emphasis to long-term planning than to short-term gain. Knowledge production and sharing however seems to be the crucial

distinction for Mytelka.

Lorange and Roos (1992) and Alter and Hage (1993) underscore, on one hand, the gradual, multistep process of negotiation which leads to active and collective practices and, on the other hand, the complementarity of goals and capabilities. "Almost by definition--say Lorange and Roos-- the parties will come to the table with different strategic intents--they will seek different benefits from the strategic alliance in relation to their respective strategies. The two different strategic intents must, however, be sufficiently compatible to leave room for cooperation." And they add: "The prospective strategic alliance would be of interest only if it is clearly likely to succeed in producing synergies that benefit both partners." (Lorange and Roos, 1992:27-28, 35).

Alter and Hage (1993:78-82) delve deeper on the process of deliberation and agreement which leads to a collective conceptualization, that is, shared views, beliefs, opinion, language and symbols, that draws organizations in the network closer together.

Throughout the literature on SA there is a strong even ideological, emphasis on cooperation, collaboration and complementarity. Since 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. According to Alter and Hage (1993:189-195), for instance, conflict is contingent upon three characteristics of the network: centrality, complexity and differentiation of functions. Nonetheless, "... networks are, in a normative sense, both non-hierarchical and self-regulating, and we hypothesize that poor performance results when structures are created that do not accommodate these inherent characteristics." (Alter and Hage, 1993:77).

Flecker and Schienstock (1992) give conflict a greater weight in the ways alliances and the global networking in general are structured. The little attention to conflict in the

literature may in part stem from the fact that all of these scholars have focused attention on SA involving TNCs based in advanced capitalist countries. These are more likely to stand on a similar position 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 in advanced and newly industrialized countries, since this kind of alliance is a relatively new and rapidly changing phenomenon which involves corporations of different size and force. However, some of the most important traits of SA which ought to be found are: (1) a combination of strengths and assets; (2) a gradual, intense and often multistep process of deliberation which develops consensus, a strong sense of common interest and active management collective practices; and (3) a need for local business control and adaptation to national, economic and cultural environment (Lorange and Roos, 1992:4).

In the particular case of SA 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 national and foreign corporations closer together: the Mexican partner usually wants to become more active in the international arena, gain access to foreign markets and state-of-the-art technology whereas the foreign partner aims at gaining access to the Mexican growth potential (Jurgensen, 1993). Both flexibility and certain degree of ambiguity are also characteristics of SA with Mexican corporations.

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 later, 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 NAFTA and the formation of a North American regional market.

As can be seen in Table 3.2, the number of alliances in the past few years has rapidly

increased. However, only a few have a clear-cut strategic profile, as a multipurpose agreement, combining manufacturing, distribution, marketing, investment and/or organizational potential resources. Among the most important are Vitro-Corning, Vitro-WTI, Cifra-Walmart, Modelo-Anheuser Busch and CocaCola-Femsa

Even though it collapsed after 2 years, the Vitro-Corning alliance could be considered a paradigmatic case for several reasons: it was conceived in more egalitarian terms, it soon became a case which other Mexican corporations were trying 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 close look to its characteristics reveals that, in contrast with the traditional Joint Venture (JV) of the 1970s which generally gave access or facilitated the entrance of first world TNCs to the Mexican market, the Vitro-Corning alliance was a double JV. The two companies exchanged assets in their consumer glass interests. Two separate companies, in the US and Mexico, were created: Corning-Vitro in the US with a 51% controlling share by Corning, and Vitro-Corning in Mexico with a 51% controlling stake by Vitro. The two divisions had combined sales of US\$800 million in 1991. The transaction would enhance Vitro's position in the US market, where it already ranked second in the glass container industry. Corning expected to improve the performance of the glassware division with the potential of the growing Mexican market, particularly under the conditions the NAFTA was supposed to create.

The alliance was complementary on other accounts as well. There was not much overlapping of similar products. Corning specializes in cook-ware and Vitro on table-top ware. The former specializes in melting glass, the latter at moulding glass. "What we are doing", said one of Vitro's top executives "is combining product lines to strengthen

TABLE 3.2. STRATEGIC ALLIANCES

MEXICAN GROUP	PARTNER(S)	ORIGIN	DATE	SECTOR
TELMEX	*Southwest Bell *France Telecom *Sprint	US France US	91 91 96	Communications Communications Multimedia
CIFRA	*Wal-Mart	US	91	Retailing
VITRO - Famosa - Vitrocrisa - Vitrocrisa - Aeros - CYDSA San Marcos	Ford Pilkington Owens *Corning** *WTI *Whirpool American Silver Pechiney BF Goodrich Royal Plastics Mitsubishi Royal Plastics Bayer Allied Signal Dora Olver Crown Crafts	US US US US US US US France US	91* 92 92 91 94	Glass Glass Equipment E appliances Houseware Aluminum cont Petrochemicals Environment
CARSO - Nacobre - Cigatam - Euskadi - Frisco	Modine Philip Morris General Tire Continental AG Placer Dome	US Germany Canada	93 93 ?	Tobacco Tires Tires Mining
CEMEX	Mobley Environ't Scancem		92 93	Energy Cement distrib.

ALFA - Sigma - Petrocel - Alpek - HYLSA - Ademsa - Nemak - Versax	MANGHH Shaw AT&T Payless Cashways Oscar Mayer Sodima Himont Eastman Chemical Akzo Dupont BASF Celanese AMOCO Worthington Metecno Bekaert *Ford Kawasaki Davy	US	80	Technology Carpets Communications Retailing Distribution Yogurt Petrochemicals Chemicals Synthetic fibers Synthetic fibers Petrochemicals Petrochemicals Petrochemicals Steel Steel Metals Autoparts Technology Technology
		US	94	
		US	95	
		US	93	
		US	93	
		France	93	
		US	92	
			95	
		US	75	
		Denmark	76	
		Germany	75	
		Mexico	7	
		US	87	
GIGANTE - Radio Shack	Flemming Carrefour Tandy	Spain	94	Retailing Retailing
		Belgium	93	
VISA - FEMSA - FEMSA	*Coca-Cola Miller Brewing	US	93	Soft drinks Beer
		US	93	
COMERCIAL MEXICANA	Price Club	US	91	Retailing
ICA	ABB Knoll Int Fluor Daniel Gral Electric *Con Perini *O&G Ind GEC Alsthom Duro Felguera WMX Tech Gral Des Eaux Souletanche Bechtel *Florida Roads Sheraton	US	93	Construction Engineering Hydroenergy Water storage
		US	92	
		France	92	Thermoenergy Capital Goods Environment Environment
		Spain	92	
		US	92	
		France	92	
		France	94	Construction Construction
		US		
		US		

TELEVISA	Megavisión Venevisión Cía Argentina Cía. Peruana TCI *Discovery Comm *Sociedad Europa News Corp *Hearst *Pan Am Sat QVC Network Fox Braodcasting	Chile Venez Argent Peru US US AUSTRA US US	91 91 92 92 93 93 93 93 93 94	TV media TV media TV media TV media TV cable TV programming Transmission TV programming Magazin publish Satellite Telemarketing
AEROMEXICO	*Air France	France	93	Transport
GMODELO	*Anheuser-Bush *Bambrini	US US	93	Beer Distribution
BIMBO	*Sara Lee *Baird's Bak	US US	92 94	Distribution Food products
DESC - Spicer	*DANA CORP Kelsey Hayes GKN GM TRW Cabot	US	70-93	Autoparts Metal Autoparts Autopart Autoparts
LIVERPOOL	K-Mart	US	93	Retailing
TMMSA	*JB Hunt	US	92	Transport
IMSA	Nicholas Plastics Durlex Ind	US Brazil	93 94	Autoparts Autoparts
ATY	Car Sprint			
AHMSA		Holland		
GGEMEX	Pepsico Natural Beverage Seagrams	US Canada Canada	93 93	Soft drinks Distribution Soft drinks

SIDEK - Situr	Holiday Inn Diamond Resorts Club Robinson Caribbean Villas Bel-Air Thomas Cook Trafalgar House	US Canada Germany RDominic US UK UK	92 92 92 92 92 93 92	Tourism Development Tourism Tourism Tourism Tourism Construction
GMD	Benito Roggio	Argent	93	Construction
ELEKTRA - TV Azteca	Western Union NBC	US US	94 94	Services TV programming
BI	Underwater Inv Lyonnaise Eaux *Kellog	US France US	94 89	Petroleum Water treat Construction
IUSACELL	Bell Atlantic	US	93	Telecommunic
HERDEZ	Gilroy Foods Heinz	US	92 94	Transport Food products
GEUPEC	Pepsico	US	92	Soft drinks
SANLUIS	Triangle Springs Cambior Teck Hillsborough	US Canada Canada Canada	93 93 93 93	Autoparts Mining Mining Mining
BANACCI - Accival	Swiss Bank Corp MCI Aegon NV	Switzerl NVS	93 95 95	Brokerage Telecommunic Insurance
GFB	GTE			Telecommunic
GSERFIN	GE	US	92	Leasing

SOURCES: Jurgensen, (1993); América Economía, Número Especial 1993-1994; Annual Meeting Reports and offering circulars of corporations and journals in Bibliography.

*Alliances that enabled Mexican groups to transcend their operations to global markets

**This Alliance aborted in December of 1993.

leadership wherever we have it." (Financial Times, 10-Aug-91). This allows a segmentation of markets according to income-levels and preferences of consumers.

The combination of distribution networks and marketing skills, revealing knowledge of consumer tastes and habits, was supposed to benefit both of the incumbents. Neither of these companies had developed distribution systems due to the trade barriers prevailing until the 1990s. Spokesmen of both companies were very optimistic about the mutual benefits: "Each of us has different operating skills in our own country", said Corning Vice Chairman, Richard Dulude, who heads the Worldwide Consumer Housewares Division, "We are moving toward a North American trading community. We will be in a tremendous position to take advantage of that." (Los Angeles Times, 7-Aug-91).

Last, but not least, a reshuffle of board directors and top executives was also agreed. The alliance opened the gate of the US corporate network to Vitro's top executives and shareholders. And if the board of directors and the corporate network is to be understood as one of the most important devices to transmit information, strengthen class cohesion, discuss and design corporate strategies (Useem, 1984), this alliance represented indeed a breakthrough on the part of Vitro's top leaders. It furthered the interests of these two corporations and it intertwined two networks of corporate power, the US and the Mexican networks.

Although Vitro has become involved in at least two other SA under the concept of a double JV (with Whirpool and World Table International, WTI) and 9 Joint Ventures of a more traditional kind,¹⁶ the failure of Vitro-Corning SA reveals some of the great difficulties in attempting to gain access to the global strategic corporate network.

According to Corning's officials the separation was due to different management philosophies and to the great effort required to coordinate their activities. John W. Loose,

Corning's Vice-president for consumer products said: "Their management structure is different from ours, their accounting standards completely different and the whole thing became a distraction for both organizations." (Mexico Business Monthly, Jan-94).¹⁷ Adrián Sada G., Chairman of Vitro's Board, attributed the failure to the fact that "NAFTA does not ... favour Mexican manufacturers of glassware products for the kitchen and table." (Annual Meeting Report, Vitro 1993:4). The alliance was therefore redefined to cover only marketing, the area of greatest synergies between the two firms.

Bleeke and Ernst (1991:129) anticipate problems for SAs under conditions of disparate size and strength, although they primarily focus on SA between firms from ACCs.

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 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. (Bleeke and Ernst, 1991:129-30).

Cifra, Mexico's largest retailer and the 19th biggest company in Latin America, teamed up with Wal-Mart, the largest retailer in the US. Cifra is widely recognized by investors and market analysts as the best ranked company in Latin America not only in the sector but in the country.¹⁸ Although not under the concept of a double JV, the link-up covers several projects in both countries. The most innovative and far-reaching - Comercializadora Mexico-Americana- offers distribution services to Cifra's more than 7000 suppliers not only to provide Cifra's outlets, but Walmart's network in the US as well. However, according to Cifra's management this project of supplying Walmart's network in the US had not advanced at all by the end of 1993 (Interview No. 24).

Cifra expects to benefit from Walmart's retailing experience in warehouse stores (where margins are very low), distributing centres and highly sophisticated marketing techniques (computerized inventory and point-of-sale).¹⁹ The distribution centres are particularly important if Cifra wants to expand its geographic presence to other areas of the country (75% of Cifra's outlets are located in the Metropolitan area of Mexico City).²⁰

Modelo and Anheuser-Busch, leading brewers in Mexico and the US, respectively, joined forces in April of 1993. The link-up includes four areas: (1) 17% direct equity interest of Anheuser-Busch in Modelo, which cost the former US\$477 million in cash; (2) Modelo will remain the exclusive importer and distributor of Budweiser and other brands of the US brewery; (3) 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 (4) rotation of executive and management personnel between these corporations, particularly in the areas of marketing, planning and finance. US distribution rights of Corona and other Modelo's brands that have achieved a leading position among imported brands in that country will continue to be held by the representatives of Modelo, Barton Beers and Gambrinus Importing Co.²¹

Coca-Cola's alliance with the group from Monterrey, Femsa (VISA), could also be considered strategic for several reasons: (1) Mexico is, after the US, the largest consumer of soft drinks (in per capita terms) in the world but with a much larger growth potential (the US market is saturated); (2) the new firm created --Femsa-Cocacola-- will become in the future the headquarters for the transnational activities in Latin America; (3) the agreement stemmed from a process of collective discussion; and (4) the alliance is planned to unfold through different stages (Annual Meeting Report. Femsa, 1993).

If the logic of these alliances is to join up with competition before being beaten by

it, then the drive to become global and gain a foothold in the global market may well be a first step to promote an alliance later, but under better bargaining conditions. Thus, Vitro's acquisition of Anchor parallels Cemex's drive to expand to gain bargaining muscle.

The comparison between two strategic alliances, Vitro-Corning and Modelo-Anheuser Busch, can shed some light on the logic of the strategy. Corning and Vitro were comparable in size. Both had sales just below US\$3 billion, even though Corning's consumer products division was about 3 times the size of Vitrocrisa (that is the reason Vitro had to pay around US \$130 million in the joint venture). Corning ranked first in the consumer glass industry and Vitro second.

In contrast, the Modelo-Anheuser Busch alliance showed several weaknesses. Though Modelo is the leader in Mexico, with sales of US\$1.5 billion in 1992, Anheuser Busch's sales in 1992 were \$11 billion, more than seven times those of Modelo. Anheuser Busch is the largest brewery in the US and the world, and Modelo ranks 10th. This 1 to 7 relation was clearly disadvantageous to Modelo. In fact, negotiations were lengthy because Anheuser Busch wanted to take over Modelo (Mexico and Nafta Report, 15-April-93). And although it was confined to a minority stake,²² the outcome of the alliance was more limited than that of Vitro-Corning, before it failed. Clearly Modelo did not gain access to Anheuser's corporate network, though one representative of Modelo was to be appointed to Anheuser Busch's board.

Bimbo's experience is also quite instructive. The US transnational Sara Lee wanted to initiate a marketing alliance to be able to use Bimbo's distribution network in Mexico. Sara Lee, however, wanted to confine the alliance to the area of marketing exclusively. After complicated negotiations, an agreement was finally reached whereby Bimbo would distribute Sara Lee's pastries and this company would invest in a refrigeration, distribution and

transport system in Mexico (Expansión, 30- Sept-92).

Despite the failure of Vitro-Corning alliance, this group, Alfa, Desc, Carso and other Mexican groups are knitting a network of alliances with an increasingly greater number of links with global corporations based in industrialised countries which foster communication, economic integration, coalescing corporate strategies.

Tables 3.2 show the number of associations these groups have formed, each of which may involve different arrangements. These cases shed some 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 the overall decisions affecting the articulation and dynamics of the network are considered. Collaboration 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 of the game which will shape and constrain strategic choices.

In short, social relations within the framework of the corporate network that strategic alliances knit and develop imply not only collaboration and cogovernance, as most scholars underscore, but differences, contradictions and often imposition too. The assumption of a non-hierarchical pattern does not stand. The specific technological, financial and/or marketing resources the agents bring to bear on the network have to be negotiated and valued according to global rules of the game.²³ However important the advantages in the area of marketing may have become under the new conditions the NAFTA is supposed to offer, technological, financial and organizational resources are still considered more influential, particularly if they give access to first world markets. Large corporations from Mexico have

thus gained some spaces and functions within the corporate network. In the process they have made the rules more favourable to their interests. And although the conditions under which they interlock with the network vary greatly from one group to the other, in general terms they are still far from holding the key position TNCs from industrialized countries control.

3.3. Expansion to global security markets²⁴

In order to renegotiate foreign debt and overcome the financial instability provoked by the devaluatory crisis of 1982-83, Mexico's largest corporations had to design financial engineering operations which often demanded the help of transnational consultants and agents from global corporations.

During the eighties 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, given the under-rating of the Latin American public debt issues. 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 nineties.

Nevertheless, before the groups could pursue any negotiations, the Mexican government had to bail them out. Through a very complex mechanism --Ficorca-- the government underwrote the private foreign debt. Most of the largest groups -especially those from Monterrey- would have defaulted if the government had not intervened.²⁵ The trust --Ficorca-- provided a mechanism whereby, once they had reached an agreement with foreign credit institutions to defer terms of redemption, the corporations registered under the Ficorca programme would be eligible to buy the foreign currency needed to pay the debt interests and principal at subsidized, fixed, rates.²⁶

There is no overall assessment of the total transfers of funds Ficorca channelled to private groups due to this difference between exchange rates (those offered by Ficorca and those prevailing in the market). However, different estimates give us an idea of what these subsidies meant for companies on the brink of bankruptcy. According to Garrido and Quintana (1987), for example, the Ministry of Finance estimated a financial support worth 3.8 billion pesos (around US\$ 2.5 billion) for companies registered in the programme. As few as "20 groups and major companies accounted for more than 80 percent of the resources

TABLE 3.3.1. DEBT EQUITY RATIOS (Percentages)

	1987	1988	1989	1990	1991	1992	1993	1994
Telmex	129	81	69	74	54	41	43	36
Cifra	50	58	68	65	62	56		
Vitro	34	30	89	96	98	120	160	130
Carso		45	48	57	70	70	57	51
Cemex	32	26	85	85	72	109	101	119
VISA		40	30	30	110	99	66	
Alfa	370	90	45	55	81	106	91	126
Comercial			68	62	53	57	78	91
Gigante				51	40	58	75	96
ICA					178	101	106	141
Televisa					63	39	57	80
GModelo						9	10	9
Bimbo					33	38	34	34
Desc	71	63	38	53	64	88	92	113
Soriana		36	41	47	37	33	35	47
Gruma				101	114	124	108	118

SOURCE: BMV, 1992-1994; BMV and AMIB (1992 to 1995/96).

of the Ficorca trusteeship. Its members were not only able to avoid bankruptcy but also managed to acquire significant amounts of liquid assets." (Garrido and Quintana, 1987:117).²⁷

By the second half of the eighties some of these corporations had improved substantially their leverage (see debt-equity ratios on Table 3.3.1). Some, however, had to swap debt for equity capital (Alfa, VISA and Moctezuma).

The second half of the decade (especially the years 1987 and 1988) offered private corporations the opportunity of buying public debt issues (Sovereign debt) in the secondary market with attractive discounts to pay back their own debt through Ficorca. In April 1987 the Mexican government allowed Mexican private investors to buy in the secondary market Mexican sovereign debt (UMS) and to use it to redeem their own foreign debt even before it was due. The Mexican foreign debt was purchased at 50-60% its value and was redeemed in pesos with the government at around 90%. If it was used to prepay foreign debt in Ficorca it was taken at face value (that is, 100%). Some groups profited enormously from this situation and from other debt-reduction innovations.

Not all the groups had the same conditions when the debt crisis sparked off all these financial readjustments. Consequently, they did not have the same options neither when the crisis first broke out nor along the way as new constraints, possibilities and choices became available. Alfa, VISA and Vitro benefitted the most. However, even between these groups differences are quite significant and sometimes determining of growth. While VISA and Vitro soon reached an agreement with foreign banks and could take full advantage of the different possibilities offered by Ficorca, Alfa's negotiations lasted more than six years, the group accumulated deferred interests and negative cash flows which forced it to cut costs and disinvest. Therefore, very little investment to modernize plants and equipment could be undertaken throughout the decade.

In April 1982 Alfa suspended payments. Its foreign debt increased from US\$2.4 billion in 1982 to \$2.8 billion in 1984 due to deferred interests (around 75% of its interest

bill). At the end of 1986 the group had renegotiated \$1.8 billion. Between 1987 and 1988, after very complicated negotiations that lasted 6 years, Alfa could at last register in Ficorca the final tranche of its debt. Overall, the group swapped more than 40% of its stock for debt. By 1988 the debt for equity ratio had come down from 6.36 in December 1985 to 0.90 and 0.45 in December of 1988 and 1989, respectively (see Table 3.3.1).

According to Peter Hutchinson, Alfa's Anglo-Chilean Financing and Planning Corporate Manager, the group had to respond with "imaginative financial engineering". But, he said, "now that we knew what kind of deals the banks were looking for", negotiations really progressed (*Financial Times*, 13-July-88). In 1991, under the pre-payment scheme which offered discounts of 40 to 50% on face-value, this group bought back from foreign banks most of the stock they still controlled at discounts of 40%.²⁸

VISA, in contrast, registered in Ficorca from 1983 to 1984 to buy foreign currency at fixed, subsidized, rates of exchange and protect the group from future devaluations. In 1985 it got reductions of 30% for Moctezuma's debt, taken over by the group around that time. And between 1986 and 1988 Ricardo Guajardo Touché, VISA's Financing Corporate Manager, engineered a package to buy back part of their debt, using the same swapping facility. That is, the group swapped Mexican sovereign debt -acquired at about 53 to 58 cents on the dollar- to pay for its own debt. The government paper was taken at Ficorca at "face-value". Top managers estimated savings of 50 to 60% in these transactions, which reduced foreign debt from US\$1.7 billion to \$400 million.²⁹ Femsa, VISA's most important subholding, reduced its debt-equity ratio to 0.4 in 1988.

The opening of the Mexican economy and then the negotiations toward the 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 productive. A new wave

of mergers, reshuffling and investments in the new modern technology needed to cut costs also meant the reorganization of the capital structure and a 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 securities markets from 1989 to the beginning of 1992, aimed at the equity markets. From April to June 1992 most Mexican stock issues circulating in the global markets through American Depository Shares/Global Depository Shares (ADS/GDS)³⁰ plummeted because the market was saturated, according to some analysts.³¹ 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 3.3.2 shows that from 1989 to 1992, over 35 Mexican corporations entered the international stock market with American or Global Depository Shares (ADS or GDS). Only 20 of these companies were fully registered with the US Securities and Exchange Commission (SEC).³² The remainder of these issues trade 'Over the Counter' (OTC) in the institutional markets (pension and insurance funds), where they are more protected from hostile take-overs, leveraged buy-outs (LBO) and other aggressive investment strategies (Mackee, 1989).

Several Mexican groups used ADS/GDS to finance acquisition or investment programmes. Femsa's most important shareholders (headed by Eugenio Garza Lagüera) offered around US\$90 million worth ADS from this subholding in 1991 (4.4% of its capital) to obtain enough funds to bid for Bancomer, second largest Mexican bank which was privatized at the beginning of 1992.³³

TABLE 3.3.2. GLOBAL ISSUES

Name	ADS's/GDS's	NF	NYSE	NASDAQ
Telmex	X		X	
Cifra	X	X	X	X
Vitro	X	X		
Carso	X	X		
Cemex	X	X		X
VISA	X		X	
Alfa	X	X		
Comercial	X			
Gigante	X			
ICA	X	X	X	
Televisa	X		X	
GModelo				
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
Ggemex	X		X	
Continental				
Elektra	X		X	
BI	X		X	
Synkro	X			X
LALA				
GIS				
Bachoco				
P Hierro				
Benavides				
SYR	X			
Copamex				
Hermes				
GIDUSA	X			
IUSACELL	X		X	
GHerdez				
TAMSA	X			
Argos				
Coppel				
Geupc				
Posadas	X			
San Luis	X			
Ponderosa	X			
Canada				
Ceramic	X		X	

SOURCES: BMV-AMIB, Mexico Company Handbook(1995-96);
Banamex-Accival , Semana Bursátil (1995).

ADS's/GDS's: American Depository Shares and/or Global Depository Shares

NF: Neutral Fund

NYSE: New York Exchange

NASDAQ: Nasdaq exchange

In April 1991 Vitro sold 4% of its capital in a secondary offer (ADS and common shares for Mexican investors). The proceeds were to be used to finance investment projects and provide fresh capital to the beneficiaries of the Common Share Trust (83% of which represented interests of Vitro's most important shareholders). At that point Vitro was already actively involved in negotiations with Corning and needed funds to conclude the alliance. This secondary offer may have well served that purpose.

ICA sold in April 1992 around 8.3% of its equity capital in a primary offer. The company planned to use the funds proceeding from this issue on new construction equipment, modernization of industrial facilities and hotels, and working capital (Offering Circular, April 1992)

During the process of reprivatization of the banks, bridge loans were partially paid with proceedings from secondary or primary offers (of ADS/GDS). In October of 1991 a group of entrepreneurs from Monterrey headed by Eugenio Garza Lagüera won the public auction for Bancomer. In March of 1992 Grupo Financiero Bancomer, which owned 56% of Bancomer, launched a global primary offering representing 4.6% its equity capital. The proceedings (around US\$1.2 billion) were used to pay part of the US\$2.8 billion the bank cost.

In May 1992, Grupo Financiero InverMéxico made a primary offering worth 7.6% of its stock in order to acquire the remaining share of Banco Mexicano Somex. In March 1992 GF InverMéxico had bought almost 82% of this bank and with the proceeding from the global offering was planning to acquire up to 99%.

In September 1991 Grupo Financiero Banamex-Accival (Banacci) which had recently (in August) acquired around 61% of Banamex from the government, launched a public primary offering representing 10.9% of the group's capital in order to reorganize the group's

property structure. The proceedings were used to finance the bank's acquisition from the government. Later on, in June 1992, Banacci was planning to make another offer (around US\$500 million) worth of ADS/GDS (approximately 13% of its stock) in Mexico, the US and other countries. This global offering had to be cancelled because the market was saturated with Mexican issues. However, late in 1992 Banacci launched a very successful Eurobond worth US\$565 million.

Other groups used ADS/GDS to reorganize proprietary interests. Azcarraga, for example offered 20% of Televisa's capital at the end of 1991 to pay part of the share he bought from previous stockholders, O'Farril and his sister. The reorganization of proprietary interests undertaken throughout 1991 led to greater control of Televisa by the Azcárraga family, who increased its share from 58.3% to roughly 80% of the voting capital. Before the offering, the company bought temporarily³⁴ from O'Farrill and Alemán their share.³⁵

The government also used this device to complement Telmex's privatization program. In December 1990 the Mexican government sold 20.4% of Telmex capital (51% of the common shares with voting rights, although some kind of restrictions) to Grupo Carso (10.4%), Southwestern Bell (5%) and France Telecom (5%). To proceed with the privatization of this firm in April 1991 the Government offered 1.4 billion shares series L (with limited voting rights), which represented around 13% of its capital in the international market (US, Japan, Canada and Europe) through ADS/GDS.

Most of the expansion into international markets, whether through acquisitions, JV or SA, 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.³⁶ And certain Mexican companies had a favourable position for several reasons: (1) the NAFTA had changed remarkably the

perception of risk for Mexican issues; (2) international investors began to demand Latin American paper because interest rates dropped dramatically in the 1990s and Latin American issues offered on the average better returns; (3) most Mexican groups trading in global markets achieved low levels of leverage in the 1990s; and (4) some groups had large cash flow potential.

By 1993, many analysts and investors considered Mexico more favourably than the rest of Latin America. 30-year Mexico par bonds went up a point when US Treasury bonds rose one point. "We had one private issue, one public issue, and a long term bond, all showing a good reception for Mexican risk," said a participant in the international capital markets (International Financial Review, 30-Jan-93:24-25). The very good reception of almost all Mexican debt issues launched between 1992 and 1993 confirms this perception (see Table 3.3.3).

In December of 1992 Banamex had to raise an original offering from US\$350 million worth of convertible Eurobonds to \$565 million. The bonds were convertible into shares of Grupo Banacci. In January 1993 ICA, the largest private construction company, increased a paper issue from an initially planned US\$150 million to US\$200 million and then to \$225 million. The paper was priced at 415 basic points (bp) above Treasuries,³⁷ the lowest in the estimated 415 to 430 bp. Andrew Pisker, director of the co-lead Lehman Brother, said this transaction "represents a significant step forward for Mexican private sector borrowers and provides 1993 with a successful benchmark issue." One of the syndicate members commented that its share sold almost immediately.

Almost simultaneously HYLSA, the most important subsidiary of Grupo Alfa and the second largest steel producer in Mexico, offered US\$175 million at 550bp above Treasury issues. According to Peter Clark, vice-president at Morgan, the issue was over-subscribed,

TABLE 3.3.3. DEBT INSTRUMENTS FOR GLOBAL SECURITY MARKETS

GROUP	INSTRUMENT	AMOUNT* US\$	LEAD AGENT	DATE	RATE bp
CARSO	ECP	300	Citicorp	92	
CEMEX	ECP Term note progr ECP Bonds (5yrs)	425 280 300 1000	Citicorp Citicorp Citicorp JP Morg	92 92 92 93	
VISA - FEMSA	ECP	100	Citicorp	92	
ALFA - HYLSA	ECP Eurobond	100 175	Lazard JP Morg	92 93	550
ICA	Eurobond Eurobond	225 150	Citicorp Barings	93 96	200 550
TELEVISA	Euronote	100	Merrill	92	
DESC	ECP	100	Citicorp	92	
GRUMA	Euronotes	125	Lehman	93	415
AEROMEX	Fixed rate notes	100	Citicorp	92	
LIVERPOOL	ECP	100	Chmical Citicorp	92	
CYDSA	Term note progr	250	Citicorp	92	
APASCO	Eurobond	50		92	
IUSACELL	Eurobond (3 yrs)	45	JP Morg	92	610
LA MODERNA		125			
BANKS					
BANAMEX	Eurobonds Medium term note	565 175		92 93	
BANCOMER	Receivable trust certificates	280	Citicorp	92	
SERFIN	Floating notes	90	Citicorp	92	

Sources: *International Financial Review* (1992 and 1993, all issues).

ECP: Euro Commercial Paper

* Million US dollars

particularly by US institutional investors. "HYLSA is an interesting example of a company whose credit story was digested by institutional investors and that was the cornerstone of distribution," he said (International Financial Review, 30-Jan-93:24-25).³⁸

In February of 1993 Televisa launched US\$100 million worth of five-year Euronotes with warrants attached to purchase GDS or ADS. A representative of Bankers Trust International, lead agent in the offering, said the demand was so great the issue was increased from US\$75 million to \$100 million and some of the participants in the syndicate had to be cut back (International Financial Review, 13-Feb-93:26).

Grupo Maseca's offering in Feb. of 1993 was also a big success. Syndicate desks said the deal "flew out the door", even though this is not an internationally known group. Once again, the issue had to be increased -from 100 to US\$125 million- to meet demand. The note was priced at 445bp, in the middle of the expected range because of the drop in Treasury yields (International Financial Review, 13-Feb-93:30).

But 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 \$800 million and finally to 1 \$billion. According to market analysts the spectacular reception of the five-year bond issue was due to the company's international prestige, its leading market position in Mexico's large growing cement industry, large cash flows, the high 'BBB-' (triple B minus) rating of the issue by Duff and Phelps.³⁹ and the belief that with or without NAFTA Mexico represented a very attractive investment opportunity. Some institutional investors even complained they had been assigned very small packages by JP Morgan Securities, the leading agent of Cemex issue. This and other issues launched in 1991 and 1992 (see Table 3.3.3)⁴⁰ certainly satisfied the financial needs derived from its recent acquisitions in Mexico (Empresas Tolteca in 1989 and Cementos Hidalgo in

1993) and Spain (La Valenciana y Sansón in 1992) and the new investments prospects mentioned above.⁴¹ The proceeds from this bond issue were used to redeem issues offered at higher rates, restructure maturity terms and lower the cost of all its debt. Cemex would not have been able to engage in these multi-million global transactions if its leverage had been high and its cash flow potential low. However, the opposite is true. In spite of all the debt paper issued during 1993, at the end of the year its leverage (total liability/total assets) was only 50%, the liquidity ratio (current assets/current liabilities) 1.36 times, and the cash flow represented 30% of the sales (cash flow from net earnings to 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 the means to obtain foreign funds took a whole decade (1982-1992). The multiple relations and contradictions with several agents of the global securities market --leading agents, institutional investors, investment bankers, fund managers, brokers, etc.-- put pressure and forced the groups to rapidly change their corporate structure, practices and strategies. Practices of disclosure, accountancy and information became more open. Some groups reorganized their corporate structure by sectors to respond to the needs of certain funds focusing investment by economic sectors. The short term strategy of the international market community forces Mexican groups to offer quarterly information and results.

3.4. Distribution networks

This is perhaps the activity in which Mexican large 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 administrative muscle to coordinate increasingly complex

production, promotion, marketing and distribution tasks. Moreover, very proficient and specialized professional teams are required to tackle foreign and transnational legal and institutional frameworks (GATT, NAFTA and other trading agreements).

Until the 1980s manufacturing exports depended predominantly on the situation of the domestic market. If demand was depressed these groups looked for 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 productive 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 the network formed in the domestic market and to follow their customers to other countries, lest they lose them to other suppliers (Cowhey and Aronson, 1993:46).

As can be seen in Table 3.4, several Mexican corporations have increased considerably the proportion of exports in their total revenue. Very few groups, however, have articulated a global system of distribution, encompassing transportation (ships, lorries, terminals, distribution centres, etc.), warehouses, marketing, promotion agents and legal representatives. Among the most important we find Alfa, TAMSA, Carso, Televisa, Cemex and Modelo.

Carso's subholdings, for example, give great emphasis to export markets. In particular, Nacobre exports represent 30% of the firm's total sales (US\$427 million in 1989) and Frisco exports 20% (\$266 million). ICA has carried out since the seventies many complex civil works in South and Central American countries. In partnership with O&G Ind. it constructed tunnels in the US. BI has formed marketing contacts in the US, Saudi Arabia, Russia, Argentina, Chile and other countries in Central and South America to promote capabilities, develop clients, collect information regarding potential contracts and prepare bids for international projects. It has participated in projects in Spain, Malaysia, the US, Bulgaria and several South and Central

TABLE 3.4. EXPORTS, DISTRIBUTION NETWORKS AND MARKET AGREEMENTS

GROUP	EXP/SALES 1993 (%)	TRADING NETWORKS & 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 US
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 (fibers & 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 M Benz
PEÑOLES	41.0	General Products Co, Peñoles & Chemicals
BI	13.0	Agreement with Kellogg and representatives in the US, Europe, Central and South America
SYNKRO	66.0	Subsidiaries in the US and representatives in LA
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
PONDEROSA	19.3	

Sources: Expansión, 28-Sept-94; BMV (1994); Annual Meeting Reports and Offering Circulars.

American countries.

In 1995 Alfa exported more than US\$ 1.1 billion which represented almost 40% of total revenues. Since 1992 it has exported around 70% of its production of petrochemicals, (Interview No. 23). The difficulties faced by Pemex since the beginning of the eighties forced TAMSA to develop complex global marketing strategies that have increased substantially export revenues (to more than 70% of total revenues in 1994).

From the point of the agent, however, Cemex and Modelo's experiences are particularly enlightening since they tackled powerful global players who were trying to prevent them from growing in the US and European markets. To do so they had to learn 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, complained before the Federal Trade Commission that unfairly low-priced Mexican cement imports were affecting them. The Trade Commission imposed antidumping duties fluctuating from 50 to 58%. Mexican cement exports to the US dropped from 3.5 million tons to less than 1 million and Cemex was badly hurt since the firm had around 90% of that amount. Several Mexican attempts to overturn the ruling did not succeed. But in July of 1992 an international panel found that the US had violated the GATT antidumping code. US Trade representatives offered Mexico to drop antidumping penalties if Mexico withdrew its GATT complaint, kept exports to the US within certain limits and prices, and open its own cement market to imports. The penalties have gradually been reduced though not eliminated (Interview No. 15 and Placement Memorandum, June 3, 1993).

In order to properly assess this confrontation and Cemex's ultimate -though relative- success in the GATT panel, we would have to identify the contenders struggling behind the scenes. The Swiss TNC, Holderbank, controls 13% of the US, 23% of the Canadian and 15%

of the Mexican cement markets. Holderbank tried to buy control of Empresas Tolteca (acquiring the stock of the British company Blue Circle) to expand substantially its share in the Mexican market. Cemex finally took over Tolteca, strengthening its position from around 40% to over 65% of the Mexican market. "Wherever we go", says Victor Naranjo, financial manager of the group, "we have confrontations with Holderbank". (Interview No. 15).

Another important player in the US cement market is the French TNC Lafarge -second largest cement company in the world. In 1989 this company was expanding aggressively: it bought control over Cementia Holdings (a Swiss company) and Asland (Spanish) and was rapidly growing towards Florida and the South of the US with the acquisition of General Portland. Blue Circle, Heidelberg, Cements Francais, Beazer and CBR are also active in the North American market.⁴²

It is not surprising that Cemex spent huge amounts in lobbying in order to defend its new fourth ranking in the global market.⁴³ Cemex's geographic proximity to the US represented a competitive advantage -particularly when transport costs were considered- which no doubt troubled the adversaries who promoted this legal fight. During the legal dispute, which lasted more than two years and has not altogether 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 highlights too the new strategies Mexican corporations have to develop to expand to first world markets. Between 1986 and 1987, a Modelo's brand -Corona Extra- became the second-best-selling imported beer in the US. The Mexican brand displaced Heineken as the number one in California, Texas and Colorado.⁴⁴ Very soon after Corona had been recognized as the second-best-selling imported beer, in May of 1987 a persistent rumour began to spread across the US saying the beer was contaminated. The rumour affected certain

regional key markets. After trying other strategies, Modelo's representative in the US, Michael Mazzoni, filed a US\$3 million lawsuit against Luce & Sons, Inc., the Heineken distributor, because salesmen from this competing wholesalers had told customers that Corona was brewed from impure water. The dispute was later settled when Luce agreed to state publicly that Corona was not contaminated (Wall Street Journal, 30-July-87).

From 1986 to 1987 Corona increased its share in the US import market from 11% to 18% (versus 25% for Heineken which had 29.3% in 1986). However, Modelo's general sales director, Valentín Diez, was striving to rank number 1. Since Corona had expanded to only 36 states in the US, he felt the brand still had a large space to gain. The US Department of Commerce revoked trade preferences for Mexican beer in 1987 but the decision did not affect Corona's growth (Journal of Commerce, 19-May-88).

Modelo accounted in 1992 for 69% of all Mexican beer exports, with sales in 59 different countries. That year, however, rumours that Corona included carcinogenic compounds affected its expansion in the rapidly growing European market. Once again, the company claimed the charges were part of an unfair and unethical campaign orchestrated by its competitors (Mexico & Nafta Report, 15- April-93: 4).

3.5. Global strategies

In the cases we have examined throughout this chapter, there is a deliberate effort to adopt global strategies and become global actors. This is broadly considered a condition to overcome, or at least soften, the inefficiency, lack of competitiveness and chronic shortage of financial resources characteristic of closed, protected and underdeveloped economies. At least four of my interviewees (No. 15, 21, 23 and 36, representatives of 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. Cemex management, for example, considered that national markets can only be defended if Mexican corporations confront their rivals not only in Mexico but in their countries of origin. "To be able to defend our own natural, geographic market, we have to achieve a global status." (Interview No. 15). According to Vitro's management, in turn, "As the Mexican economy opened 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 No. 36).

The drive to become global is thus the strategy to survive and supersede some traditional limitations and constraints characteristic of the national bourgeoisie, particularly inefficiency and widespread dependency on the state. Many scholars have underlined that economic, cultural and political shortcomings of domestic bourgeoisies are one of the most important causes of underdevelopment (Cardoso and Faletto, 1978; Canak, 84; Frank, 1967). Other authors stress the role of the state in promoting development (Evans, 1989 and 1979; Evans and Skocpol, 1985).⁴⁵ However significant these two factors may be --and I think they both are--, under certain circumstances the main thrust comes from particular, private, interests that have a great deal to lose and/or gain from certain conjunctures. And the situation we are examining of a transition to a global status is such a case.

To become global, as was seen throughout this chapter, Mexican entrepreneurs had to adopt a more active, aggressive, conscious and even self-analytical position. This strategic orientation presupposes this segment of the national bourgeoisie takes up some distance 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 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 to a predominantly outward orientation.⁴⁶ Global strategies formulated and implemented by Mexican groups are rather comprehensive. They include different combinations of the turnaround recipes⁴⁷ elaborated by TNCs based in advanced capitalist countries in the 1980s; the new forms of growth by acquisition (privatisations, hostile take-overs, leverage buy-outs and management buy-outs); positioning or bench-marking on a global scale; strategic alliances and networking; 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 particularly because competitiveness and performance have to be evaluated on a global scale, that is in comparison to the results of global competitors. This new emphasis on positioning permeates their growth and turnaround strategies. Positioning on a global scale becomes thereby one of the main objectives in almost all the areas of corporate action.

Presentations to agents from the global market community⁴⁸ 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 instruments of financial promotion cannot evade the problem. Most of my interviews show that positioning has deeply transformed the logic of strategic management among large Mexican corporations. Cifra's management acknowledged, for example, this group had been monitoring for many years the results and performance of the largest US retailing company --Walmart-- before they considered forming a SA with this firm (Interview No. 24). Likewise, one of the most important considerations which encouraged Cemex to buy Sansón and La Valenciana in Spain, was that the group would achieve --once the reorganization, integration and synergies expected were taken

into account-- a return on assets much greater than that of their competitors in Europe (Interview No. 15). Lorenzo Zambrano, Cemex's CEO, considers that in order to compete with TNCs from industrialised countries Mexican management has to know them in detail, understand their strategies, follow their development in different countries, identify their vulnerable areas and anticipate their next moves (IMEF, Oct. 1993:10).

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

Before the opening of the economy, most Mexican large companies could be considered stagnant businesses. That is, firms with underutilized assets and ineffective management, by transnational standards. Under the conditions of a closed protected market, these firms survived in spite of their poor performance. As the economy opened, they had to adapt to the international product environment, if they were to endure. The threat of foreign competition spurred Mexican top management into action. Among the most popular courses of action adopted to overcome the competitive weakness due to the change from a highly protective environment characteristic of ISI strategies to an open export-oriented economy, we find those prescribed by classical turn-around specialists (Bibeault, 1982 and Slatter, 1984):

- (1) Product-market reorientation: adopted by Alfa, Desc, San Luis and to a less extent VISA
- (2) Cost reduction: adopted in particular by Alfa, Cemex, Carso, Vitro,
- (3) Improved marketing: Bancomer, Modelo
- (4) Asset reduction: Alfa, Cemex, Carso
- (5) Constitution of professional senior management and boards: Alfa, Carso, VISA-Bancomer.

Turnaround recipes rapidly spread throughout the corporate milieu becoming a buzzword among top executives. Turnaround specialists or 'artists' emerged, greatly sponsored and guided by transnational agents, consultants and investment bankers as both the external and internal constraints (environmental and management) created a turnaround situation for most Mexican corporations.⁴⁹ The expectations of success are closely related to previous development and to the support of other agents which may benefit from the process.

Carso, like Kohlberg Kravis Roberts (KKR) and Fortsmann Little in the US (Useem, 1993:318) and Trafalgar House Ltd in England (Bibeault, 1982:87), has made a practice of privatizing and buying out large firms facing difficulties of different sorts. Privatization of state firms has spurred quite a number of turn-arounds since state companies were very poorly managed. Carso was one of the groups which benefited the most from the 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 implemented in situations of turn-around. Similarities with the classical recipes prescribed in the management literature are striking, although adaptation to the Mexican situation is equally important.

Another successful turn-around 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 his recently acquired Spanish companies, Sansón and La Valenciana.⁵⁰ His expansion to Europe, the US, Southeast Asia, South and Central America in order to counteract the cyclical nature of the cement industry has given him the reputation of a turn-around artist.

Mexican large groups had to develop and enrich strategic planning potential to find an access to the global networks and markets. Global financial, trading, manufacturing and corporate networks, however, are hierarchically structured and the space occupied depends on

the assets which are brought to bear on the network. Mexican corporations do not occupy in general terms a salient space. Negotiations with other global agents reveal in critical circumstances this secondary position. Besides the aforementioned failure of Vitro-Corning alliance, the response of institutional investors to Cemex's acquisitions of the Spanish firms in 1992 can help assess this position. The decision by security market agents to dump Cemex's stock led Cemex top management to organize several presentations in order to demonstrate that their strategy was sound and promising. The market community, however, remained sceptical of Cemex managerial capabilities to operate in European markets. According to Victor Naranjo, Finance Director of the group, throughout the presentations this prejudice surfaced in one form or another showing a form of "financial international racism" (Interview No. 15). Or, what amounts to the same thing, that a secondary position in the global markets has been gained to become a second class partner of the global capitalist class. But even this has required a great effort. Mexican groups had to struggle, confront and displace other corporations based in ACC. It is not as if the latter left empty spaces of their own free will.

Reactions from Mexican top management to prejudices and rifts with agents from ACC vary greatly. Cemex top officials, as was seen, resented deeply prejudices which underestimated their management potential. ICA's management resisted institutional investors from interfering in their strategies on two occasions: when they demanded information which could affect their competitive advantage (terms of a contract with the government) and when they were trying to induce the group to revise the contracts for the construction of highways. According to Gerardo Saénz, Director of Investors Relations "At the beginning institutional investors felt they owned the firm but gradually they have realized what their position as non-voting stockholders is." (Interview No. 25).

Other groups are more responsive to institutional investors' demands. Alfa, for example

tried to concentrate in its core business and to restructure operations in sectoral sub-holdings to make them more transparent and amenable to institutional analysts (Interview No. 23). Desc also experienced tension with institutional investors partly because of the poor performance of the petrochemical firms, the slow pace at which the group has withdrawn from this cyclical sector and the quality of the information provided. Nevertheless, while both Cemex and ICA resented the fact that investors were prejudiced and did not have the right to intervene in the strategic decisions of the groups, Desc and Alfa prefer to adapt to the needs of these investors or convince them that some of the information requested could benefit competitors and affect their results (Interview No. 17).

3.6. Conclusions

The compounded effects of national and international factors between 1982 and early 1990s contributed decisively to promote globalisation of Mexican corporations. The most important national factors were: (i) the recession of the eighties which forced groups to look for and open new markets for their products; (ii) the negotiation of foreign debt, Ficorca and the depreciation of Mexican debt which linked them to new, more sophisticated and modern financial circuits and agents; (iii) the opening of the economy, affiliation to the GATT and NAFTA which meant less protection, less subsidies and transferences; (iv) the revaluation of Mexican corporations in the light of the expectations generated by NAFTA; (v) the debt overhang which created financial opportunities.

Among the international factors the most important were: the globalisation of an increasingly greater number of industrial sectors, clusters and networks which opens new spaces and niches for transnational corporations from developing countries; many TNCs from advanced capitalist countries displace attention from traditional to leading-edge activities; a technological

development in the area of communication and information which enables complex combinations of productive, marketing and financial operations; financial agents looking for and creating more attractive (speculative) options of investment in the emerging markets given a general fall in interest rates; and a regulatory global framework more concerned with quality and ecological standards.⁵¹

As can be seen in Table 3.5, of the 60 largest industrial-retailing groups in Mexico, 37 (that is, almost 60%) have become global corporations according to the definition proposed at the beginning of this chapter, i.e., with at least two types of activities in the transnational markets (see introduction to this chapter). There is some degree of overlapping between the spheres of interests of these groups.

Strategic alliances have become the most common strategy. Of the 60 largest industrial groups in Mexico, an exhaustive survey of the business literature⁵² reveals that 29 have formed SA in the past 5 years. But only in very few cases do these alliances enable Mexican groups to expand their operations to global markets, either facilitating exports or in value-adding activities (see Table 3.2).

The 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 security markets, the NYSE in particular. Of the 60 largest industrial-retailing corporations by 1994, 55 are listed in the Mexican Stock Exchange (MSE), 35 trade in the international markets American Depository Receipts/Global Depository Receipts (ADS/GDS), only 20 are listed in the NYSE and 13 offered different debt instruments from 1992 to 1993 (see Tables 3.3.2, 3.3.3., 3.5. and 4.1).

Only 13 groups (Vitro, Carso, Cemex, VISA, ICA, Televisa, Bimbo, Gruma, IMSA,

DINA, Syncro, IUSACELL and Herdez) have operating subsidiaries and therefore value-adding activities in their core business abroad. Most financial groups have subsidiaries in peripheral activities (see Table 3.1). 24 groups have developed their own trading, manufacturing networks and market agreements with global corporate clients (see Table 3.4). Of the motives identified by Fujita et al (1993:11-14) for promoting direct foreign 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, Syncro, Gruma, 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 SA. As can be seen in Table 3.5, of the 60 groups in our sample, 37 have become global. Of these 37 global Mexican firms, 25 combined in some way these two activities, SA and securities. 6 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 their corporate strategies and organisation. Most large retailing groups have followed this trajectory. Only 6 Mexican groups (Vitro, Carso, Cemex, VISA, ICA and Televisa) combine all 4 of the global strategies (see Table 3.5).

Groups that had advanced in the expansion to other foreign markets --either through subsidiaries or the development of trading networks and market agreements to export-- are in much better condition to overcome the difficulties of the crisis of the mid 1990s.

Not all the largest corporations have become global, although some may be heading in that direction. A mix of factors makes difficult their expansion to global markets. Steel and

TABLE 3.5. TRAJECTORIES TO THE GLOBAL LANDSCAPE

GROUP	SECTOR*	SUBSIDIARIES	SECURITIES**	SA	EXPOR
TELMEX	COMMUNICATIONS		X	X	X
CIFRA	RETAILING		X	X	
VITRO	GLASS	X	X	X	X
CARSO	VERY DIVERSIFIED	X	X	X	X
CEMEX	CEMENT	X	X	X	X
VISA	BEER, SOFT DRINKS	X	X	X	X
ALFA	STEEL, PETROCHEM		X	X	X
COMERCIAL	RETAILING		X	X	
GIGANTE	RETAILING		X	X	
ICA	CONSTRUCTION	X	X	X	X
TELEVISA	TV	X	X	X	X
GMODELO	BEER		X	X	X
BIMBO	FOOD PRODS	X		X	X
DESC	VERY DIVERSIFIED		X	X	X
SORIANA	RETAILING				
GRUMA	FOOD PRODS	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	AUTOPARTS	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	AUTOMOVILES	X	X		X
PEÑOLES	MINING				X
APASCO	CEMENT		X		
GGEMEX	SOFT DRINKS		X	X	
ELEKTRA	RETAILING, TV			X	
BI	CONSTRUCTION		X	X	X
SYNKRO	TEXTILES	X	X		X
LALA	FOOD PRODS				
GIS	AUTOPARTS				X
BACHOCO	AGROINDUSTRY				X
P HIERRO	RETAILING				
BENAVIDES	RETAILING				
SYR	RETAILING				
COPAMEX					
HERMES	METALS				X
GIDUSA	WOOD PRODS				
IUSACELL	COMMUNICATIONS	X	X	X	
HERDEZ	FOOD PRODS	X		X	X
TAMSA	STEEL TUBES		X		X
ARGOS	SOFT DRINDS				X
COPPEL					
GEUPEC	SOFT DRINDS			X	
POSADAS	TOURISM				X
SANLUIS	MINING			X	X
CANADA	SHOE				

TABLEX	FOOD				
CERAMIC	CONSTRUCTION		X	X	X
PONDEROSA	WOOD PRODS		X		X

SOURCES: PREVIOUS TABLES

* CORE BUSINESS(ES) ** ADR/ADS and/or debt instruments

petrochemicals, for example, are very cyclical sectors affecting severely the situation of Alfa and Desc until recently. Although cement is a traditional and cyclical sector too, it generates high cash flows which rapidly create opportunities for new investments and expansions that have benefited Cemex in particular. Beer firms too enjoy high cash flows favouring Modelo and VISA.

Throughout the 1970s and until 1989 Alfa was the largest private corporation. It had developed its own technology (iron reduction) and had substantially increased exports. However, the group was highly indebted when the debt crisis broke out at the beginning of the eighties. Negotiations turned out to be a very complicated and long process. Although the group was quite successful in the end, the process demanded the group's attention for a whole decade. Consequently, it could not obtain for all that time the financial resources to invest in new technology. Alfa's problems were compounded by the situation in the markets of its core business --steel and petrochemicals-- that experienced a severe contraction, restructuring and fierce competition until the mid-1990s.

Some technological restructuring was undertaken in its steel concerns during the nineties with the introduction of minimills. Nonetheless, during the process of privatisation other groups gained ground at Alfa's expense: Grupo Acerero del Norte won the auction to buy AHMSA and Sicartsa was acquired by a Japanese group. Both competed quite successfully with Alfa in certain areas of the domestic steel market. However, the recovery of both the steel and petrochemical industries in the US in the mid-1990s, the severe contraction of the domestic

market and the subvaluation of the peso since December of 1994, have helped to greatly increase export revenues to \$US 1.1 billion in 1995, that is 40% of the group's total revenues.

On the other hand, the group has articulated a very intricate network of 20 alliances with some of the most powerful steel and petrochemical corporations. Nevertheless, most of these links reveal that the conventional JV seems to prevail and the group has not yet achieved a global muscle in either of these sectors.

If we compare Mexican global corporations with the multinational enterprises of the third world in the sixties, analyzed by Khan et al. (1986), some major differences can be found with regard to investment strategies, location, mechanisms of expansion and instruments to finance expansion. Whereas the latter employ defensive strategies to expand to third world markets in order to counteract the effect of recessive trends, protective measures or to reduce risk through regional diversification, the former use aggressive strategies to penetrate first world markets.⁵³ That is, the Mexican global players deliberately aim at first world markets to become global forces in their respective areas of operation. They penetrate first world markets not through arrangements with the government, handshake deals or joint ventures with third world investors, as MNEs from the third world did before (Kahn et al., 1986), but rather through complex and aggressive actions comprising acquisitions, hostile take-overs, leveraged buy-outs, buying options, strategic alliances, lawsuits and other legal or financial maneuvering. To finance expansion they generally do not depend on their own internal financial resources. Instead, they use sophisticated financial devices engineered by powerful transnational agents who have become a key link in all the process of globalisation.⁵⁴ Acquisitions, strategic alliances and other investments projects are carried out with relatively low or no fresh Mexican capital, but rather with bridge loans in combination with ADS/GDS offerings, eurobonds and other instruments which presume low leveraged financial statements achieved by Mexican groups throughout the

1980s, and also high cash flow potential.

The drive to become global constitutes the strategy of survival in the context of an open export-oriented economy and increasing integration with the US 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) (Fujita et al., 1993). In other cases, this is achieved where for cultural reasons it would be very difficult to replace them (retailing, TV programming). And this is precisely the main similarity with the multinational enterprises from the third world analyzed by Khan et al. (1986).

Thus, even when they become global, these corporations from LDCs 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. 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 fibbers where Corning has become a leading-edge producer. Despite being connected to the US corporate network, they hold a peripheral position in the hierarchical distribution of functions prevailing in most areas of the network (Flecker and Schienstock, 1992).

The strategy underlying SA --to join up with competition before being defeated by it-- reveals that NAFTA is not simply a process of seeking greater competition and productivity, but also involves more complex arrangements which entail a more sophisticated control of markets, prices, tastes, habits and preferences. Practices of segmentation generally mean that products, advertisements and marketing strategies are targeted according to income levels, so that an ever greater proportion of potential consumers is covered. Equally important, however, segmentation also allows for price control within each segment of the population.

Very few Mexican global corporations have developed towards more technologically advanced areas. Thus, Vitro is producing glass machinery and equipment for its subsidiaries in the US (Anchor's plants); 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 the product. And Carso Global Telecom began in 1996 an aggressive expansion to multimedia activities with the acquisition of Prodigy Services, ranking fourth in the Northamerican on-line services market, following American-on-Line, Compuserve and Microsoft Network.

The better ranking of Mexican debt issues (Euro-bonds, commercial paper, etc.) from 1992 to 1994, which nonetheless still offered 2 to 3 points more than issues of TNCs based in first world countries, has been dramatically adjusted after the devaluation and collapse of December 1994. Since then, much higher rates have to be offered from 1995 onwards to compensate for a much higher risk. Besides, these newcomers to the global landscape are more vulnerable to 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 they are usually interested in short-term returns they also exert pressure on the corporations to sacrifice long-term investment strategies, fostering speculative practices. The reaction of institutional investors to Cemex take-overs in Spain best exemplifies this situation.

The reaction of Mexican groups to the ways, conditions and rules under which they interact with the global system vary greatly. Some groups challenge those rules, particularly when they try to contain their growth, as was the case in Cemex, Televisa, Modelo, Vitro and it seems to be the case too of Carso Global Telecom with the expansion project to multimedia activities. Others adapt to the requirements of institutional investors, fund managers and market

analysts, particularly with respect to standards of disclosure and corporate organization.

To pave the way to the global markets Mexican corporations had to strengthen considerably their bargaining power *vis à vis* more entrenched global players. The huge credit contracts in the 1970s and the renegotiation of foreign debt in the 1980s, increasingly complex associations with TNCs from industrialized countries from 1970s onwards and overseas marketing and promotion trained Mexican corporate management to tackle global agents.

Whether in the production, distribution, marketing or financial activities, they had to learn to play the new global rules of the game. These rules of the game have been operating since the 1970s. In the 1980s they become the institutional framework regulating and shaping the action of TNCs from LDCs too. The emergence of these global players has, in turn, modified the global rules of the game and some of the structural constraints which until recently limited their action enormously.

Independence and autonomy of large corporate actors from the Mexican state increases considerably with globalization. As global players they can now sidestep regulation in different areas and they have more clout to influence policy-making. Expansion to productive and securities markets, strategic alliances and contract manufacturing (trade networking) link Mexico's largest corporations to global networks of different size and scope which increase their bargaining power and erode the capacity of the state to regulate their economic action. On the other hand, and as it occurs in many ACCs, the state has to shift from a strategy of confrontation to one of cooperation in as much as it considers global enterprises to be the means to generate and sustain national competitive advantage (Dunning, 1993:77; Michalet, 1991:44). As will be seen in Chapters 5 to 7, this increasing economic autonomy and structural power becomes one of the links between economic and political action, interaction and reshaping of economic governance institutions and political arrangements.

NOTES

1. See: Ejea, Garrido and Leriche (1992); Garrido and Quintana (1987 and 1988).
2. This title was first published in 1972.
3. That is links with firms belonging or not to the corporation.
4. Global forces are conceived as institutional and collective actors whose degree of impact and aggregation transcends national boundaries. 7
5. The interview with Cemex management (No.15) also revealed how significant this expansion has become for these groups.
6. A call option is the right to buy shares of a particular stock at a predetermined price before a preset deadline, paying a premium (Downes and Goodman, 1995).
7. Disinvestments were calculated in US \$300 million, including a collection of art masterpieces.
8. See: Euromoney (Supplement. May 1993) and Financial Times (23-July -92).
9. This confrontation with Holderbank was explicitly mentioned by the management during my interview (Interview No.15). This company has plans to increase production capacity in Mexico and has opened a new plant in Saltillo, Coah., previously considered Cemex's territory.
10. Mexico Business Monthly (March-93:14); El Financiero International (15-March-93); Reuters and Infosel.
11. The company originally planned an issue of US\$ 600 million, then it rose it to 800 million and finally to \$1 billion to satisfy the demand. Nevertheless, some institutional investors still felt they were assigned very small amounts
12. Jacobo Zabludovsky, one of the most important and most powerful Mexican news agents, was appointed director of the news broadcasting in the US. However, he was severely attacked by the US media not only for his lack of journalistic objectivity but for his consumerist and arrogant practices. In protest many Hispanic journalists quit. He was quickly reassigned to the Mexican network.
13. US legislation prohibits more than 20% foreign ownership of TV stations.
14. See Wall Street Journal, April 3, 1987; The New York Times, Sept. 28, 1986; and Expansión, Oct. 14, 1992.
15. Recently US institutional investors exerted pressure on German corporations to soften regulations and restrictions on non-voting stock. Drucker (1991) examines in more detail the role of pension funds in the restructuring of the US corporations during the 1980s and the reasons why they should become more involved in the firms management. It is not surprising then that in 1993, when Pedro Aspe, Finance Ministry, announced the reforms to Mexico's Stock Market Regulations, foreign investors expressed dissatisfaction because restrictions to voting stock would not change (Mexico and Nafta Report, May 6, 1993:8). See also Useem (1993) for the influence of institutional investors in the process of corporate restructuring in the US during the eighties.

¹⁶. CYDSA alone -where Vitro exercises control with a share of 49%- has linked up with 5 TNCs, either in JV or technology transfer deals and altogether Vitro has at least 15 links of different sorts.

¹⁷. March and Simon consider compatibility can only be achieved through a plan or set of rules if activities are standardized (Alter and Hage, 1993:92)

¹⁸. This explains the six times book value of Cifra's shares when the average for Mexican public companies is 2.2 times book value. The poll conducted by Euromoney revealed the best ranked company in Latin America was Cifra. See Fortune, December 31, 1990; Latin American Economy and Business, April 1992 and the supplement to Euromoney, May 1993.

¹⁹. These techniques collect data on consumers preferences and effects of price changes.

²⁰. The whole strategic alliance was financed by a US \$500 million credit line from Banco Nacional de Comercio Exterior (Bancomext) so Cifra did not have to put any of its capital at risk (Latin American Economy and Business, April 1992). Other retailing groups have undertaken similar strategic manoeuvring, if only to defend their share of the Mexican market and prevent Cifra from expanding an already wide gap. La Comercial Mexicana paired up with Price Co, Gigante with Flemming and Liverpool with K-Mart. Most stock analysts foresaw before 1994 a very promising future for retailing companies, particularly in the light of the NAFTA. Merril Lynch Capital Markets forecasted a growth of 4% a year in this sector, and 5 to 10% for large retailing companies (Latin American Economy and Business, April-92).

²¹. See: Mexico Business Monthly, May-93:14; and Mexico and Nafta Report, 15- April-93.

²². It bought 17.7% of the stock and has the option to buy up to 35% between July 1995 and December 1997.

²³. Evan's book (1995) which came to my attention after the thesis was written, discusses the specific conditions under which Brazilian, Korean and Indian firms negotiated their integration into the global markets.

²⁴. Unless otherwise stated, the information concerning the groups in this and the following section comes from the offering circulars or the annual meeting reports published directly by the firms.

²⁵. Alfa and Moctezuma did default because it took them very long to reach an agreement with their creditors. Alfa had 170 creditors when it started renegotiations and the sheer number of agents involved slowed down the process considerably.

²⁶. The Ficorca programme offered different options to buy the foreign currency needed to pay interests and principal.

²⁷. Both the renegotiation of the terms of redemption of foreign debt and the reappreciation of fixed assets following the devaluatory process of 1982 generated an unexpected cash flow which was used to prepay foreign debt in Ficorca, take over other firms (as in the case of Vitro who took over Aceros Esmaltados), buy Cetes or speculate. See also Informe Financiero Trimestral, no. 2. In Supplement to El Financiero. Mexico City. June-Sept, 1984.

²⁸. See: Financial Times (10-April-87 and 29-May-87); and The Wall Street Journal, (8-May-88).

²⁹. See Expansión, (23-Feb-90) and Wall Street Journal, (25-Oct-88).

³⁰. ADS/GDS are receipts circulating in the international stock markets which represent stock of a company. Stock is deposited in a neutral trust, usually in Nafinsa. Nafinsa issues then receipts representing that stock. The holder of receipts has the rights to profit but no voting rights.

³¹. Banamex had to cancel an issue worth US\$1 billion. It first reduced it to \$500 million and it finally cancelled it.

³². Only those companies fully registered can trade directly in the NYSE. Not all Mexican groups can meet the disclosure requirements demanded by the SEC, i.e., more frequent and more complete reports, history of operation for the last 5 years and use of proceeds when offering new stock or paper. Companies listed in the NYSE are more closely regulated implying less risk for individual investors which cannot trade over the counter (OTC). Therefore, companies fully registered have access to funds from individual investors who give institutional markets much greater marketability. Only institutional investors operate in the OTC market which enjoys an inferior liquidity. In the OTC markets transactions are conducted through a telephone and computer network connecting dealers (brokerage houses or investment banks) in stocks and bonds rather than on the floor of an organized exchange (Downes and Goodman, 1995).

³³. To be able to bid for a bank in the reprivatization program, entrepreneurs had to participate in a public auction and give a prepayment as a warranty.

³⁴. The Mexican Securities Law allows a company to buy back part of its stock for a maximum period of one year.

³⁵. This is the reason the financial statement showed at the time of the offering a negative equity capital that shocked brokers and analysts. "I don't remember having seen anything similar in the 20 years I've been working in the market," said a specialist when he was given the offering circular, "I have never seen an enterprise offering stock in the market with negative equity capital". This means, he added, an invitation to investors "to openly speculate". (El Financiero, 10-Dec-91)

³⁶. According to Michalet (1991:43) the process of globalization is different to the multinational process, among other things because "... the reshaping of the 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."

³⁷. In the international market the US Treasury paper and Libor have become the basis to price debt issues. 415 basic points (bp) represent 4.15% above the paper issued by the US Treasury.

³⁸. Alfa, Hylsa's holding company, defaulted in 1982.

³⁹. Besides the sovereign risk, the 'BBB-' rating does recognize other risks: the difficulties to rationalize and assimilate the new operations in Spain, the variability of operating cash flows in this industry and the financial leverage of Cemex which was considerably increased after the Spanish acquisitions. See Mexico Business Monthly (June 1993:10).

⁴⁰. In May 1991 Cemex put the largest Eurobond issued to that date by a Mexican company since the crisis of 1982. It was the first unsecured offering by a Latin American private company.

⁴¹. For the Spanish bid JP Morgan negotiated a bridge loan worth US\$1.6 billion from Citibank.

⁴². See: The Miami Herald, (13-Nov-93); Expansión, (23-January-91).

⁴³. It had just become the fourth largest cement corporation on a global scale after acquiring E. Tolteca

⁴⁴. "Demand has been increasing so rapidly -said Michael J. Mazzoni, executive vicepresident of Barton Brands Ltd., a Chicago-based company that has the rights to import Corona in 25 Western states- it would be virtually impossible for any manufacturer to keep up." Modelo had to slow plans to grow in the Eastern states until it expanded production capacity in Mexico. (New York Times, 11-July-87).

⁴⁵. A more recent book (Evans, 1995) suggests that he has moved slightly in the opposite direction.

⁴⁶. This corresponds to Giddens' concept of reflexivity applied to corporate activity, that is, a process whereby a corporate actor examines and reforms corporate practices in the light of strategies experienced and tested in ACCs. The participation of consultants, investment bankers and other global agents greatly facilitates and

accelerates the appropriation of knowledge and expertise needed to underwrite their global activities. In other words they provide Giddens' expert systems which validate and endorse their activity in the global markets (Giddens, 1990:53-54)

⁴⁷. By turnaround strategies I understand a comprehensive corporate organization which acts on all levels of the corporation: financial, technological, organizational, etc. This 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 Leverage buyouts (LBO), junk bonds to finance acquisitions, strategic alliances and so forth. See: Bibeault (1982) and Slatter (1984).

⁴⁸. By global market community I understand all the agents involved in buying and trading securities in the transnational markets.

⁴⁹. The role these agents played in the process of corporate restructuration in the US and other countries is controversial. Whereas some authors (Vedder, 1989:14) consider they contributed to make corporations more efficient and productive, others (Bruning, 1989:53; and Brock and Walter, 1989:34-35) think they fostered speculation, destroyed productive capacity and jobs.

⁵⁰. He is planning a similar strategy for Cementos Samper and Diamante, two Colombian companies acquired in May of 1996.

⁵¹. Although these problems are beyond the scope of this thesis, there is a lot of discussion of these issues since the expansion of the maquilas, the opening of the economy and negotiations of NAFTA.

⁵². Both primary and secondary sources were revised: annual meeting reports and offering circulars of companies listed in the MSE, analysis of market agents (brokerage houses and investment bankers), business magazines and journals.

⁵³. A study conducted by the United Nations (1993) points at the greater proportion of FDI channelled from third world to first world countries.

⁵⁴. See Salas-Porras (1991) which explains the role of facilitators, that is, agents who facilitate -and under certain circumstances virtually push- the process of integration and globalization.

CHAPTER 4

CORPORATE STRUCTURES, AGENTS AND CONSTELLATIONS IN THE EARLY 1990s

The structure of large modern corporations has been examined from two competing theoretical perspectives, those of industrialism and capitalism. The former draws on the assumptions of pluralism and functionalism whereas the latter relies on those of marxism and neo-marxism. However, as Scott (1985b) argues, these two theoretical approaches --industrial society and capitalist society-- are at the same time contradictory and complementary.

Under the tenets of the industrial society approach, Berle and Means (1968) identify some of the most important changes undergone by the joint stock company: dispersion of capital among an increasingly greater number of stockholders, new forms, mechanisms and devices of corporate control. According to this perspective all these changes lead to a gradual separation of ownership from control and eventually to the managerial revolution. This is a situation in which the company's board of directors and corporate strategies are controlled by senior managers. Managers, in turn, are conceived as an interest group essentially different from owners, though they may share certain interests in common. While management pursues long term strategies and is more responsive to the interests of consumers and the community in general, owners are basically interested in short term profits.

Scholars who have studied large joint stock companies from the perspective of the capitalist society, which draws on more or less orthodox versions of marxism, interpret quite

differently all these changes. The most simplistic interpretation acknowledges a trend towards dispersion of capital, which varies according to the country and time in question. However, even in the cases where such dispersion is very advanced, it is argued that managers are themselves capitalist, respond and serve basically capitalist interests, or in many ways have been recruited through a process of socialization involving complex systems of economic and status rewards whereby loyalty is permanently tested and a commonality of interests promoted (Baran and Sweezy, 1966; Zeitlin, 1974).

More sophisticated interpretations associate this trend towards a greater dispersion of capital and other changes in corporate property structure with changing patterns and locus of control. Advocates of the finance capitalism approach, for example, argue that control has shifted from entrepreneurial to finance capitalists, that is, capitalists controlling capital from different sources: banking and industrial activities (Hilferding, 1981), banking and non-banking (Aguilar, 1975; Zeitlin, 1974; Scott, 1985b and forthcoming). Moreover, according to these authors, the nature and characteristics of groups in control vary greatly in time and space. In certain cases (such as that of Chile and probably Mexico) where family interests are still overwhelming or relatively important in the property structure, large corporations are controlled by a "kinecon group", i.e., "a specific set of loosely interrelated kindred and their associates, based on their combined ownership interests and strategic representation in management, reinforced through an intricate system of intercorporate holdings and interlocking relationships." (Zeitlin and Ratcliff, 1988:7). These kinecon groups, often involving finance capital interests, may in turn form part of broader constellations of corporate forces, complex intercorporate systems of propertied interests, national and transnational, where institutional investors (investment banks, pension and insurance funds, trusts) may participate in a more or less direct manner (Scott, 1985b and forthcoming).

The mechanisms of control identified by Berle and Means have been used by advocates of both the industrialist and capitalist society approaches to understand the way in which property and management interests are structured to exercise strategic control over a large amount of resources. Minority control, alliances of investment holding large minority stocks, pyramiding and other more intricate combinations of intercorporate shareholdings, trusts and nonvoting stock are combined in complex ways to enlarge control over a given set of firms which share common property interests.

Interlocking directorates, on the other hand, are used to study spheres of corporate influence which do not necessarily correspond with property interests. The method of interlocking directorates, as a positional method, has been used for some time by supporters of the power structure approach to examine the connections between economic and political interests. They argue that the high degree of overlapping between economic and political elites reveals a high concentration of power contesting the pluralist view according to which power "is multibased, issue-specific, and shifting" (Domhoff, 1980:8). This approach has also been used to strengthen anti-trust and anti-monopoly feelings, regulations and political groups by showing the multiple possibilities of collusion and monopolistic action that interlocking directorates represent (Fennema and Schijf, 1979:299-302). More recently, organizational sociologists have developed computer packages to study more rigorously networks of social relationships in general and, in particular, the networks formed by interlocking directorates and the relations of power and communication such networks represent.¹

As was seen in Chapter 3, globalisation became the strategy of survival in the context of an open-oriented economy. To become global players, Mexican corporations and Mexican entrepreneurs had to undergo very profound changes in their organizational

corporate structure and strategies. Their global experience and strategies, in turn, greatly furthered changes in corporate organization and increasingly in general outlook, organizational structure, patterns of control and interlocking started to correspond to those prevailing among the corporations of advanced capitalist countries (ACCs). This organizational corporate convergence has facilitated enormously communication, interaction and integration, not only with financial, productive and technological transnational circuits, but increasingly with the global corporate network.

Crisis put Mexican large corporations under similar constraints, such as a greater dependence on their own internal organizational, financial, managerial, productive and commercial resources. Crisis represented, in this way, an opportunity for certain groups to become global or at least to head in that direction. Naturally, not all groups had the same conditions, nor the same preferences. The choices and courses of action varied greatly between corporations depending on: (1) historic, personal or familiar preferences; and (2) constraints that had differentiated effects.

Foreign debt, for example, became a straight jacket for Alfa and Cervecería Moctezuma; a serious limitation for VISA; and a general scarcity of financial resources from the international markets for all groups which eventually forced them to go public. Another constraint pushing groups in a similar direction was the severe contraction of the Mexican market which compelled companies to adopt cost-cutting strategies (Cemex, Vitro, Alfa and many others), a more export oriented production and, consequently, specialized promotion and management bodies. The options available to respond to the pressures arising first from the crisis and later on from the opening of the economy were similar. How they combine all these options in a specific corporate strategy varies according to past experiences and strategies, the present situation of the firm and the economic sector where it operates. The

outcome may then differ considerably but the structuring constraints pushed them all in a similar direction.

This Chapter examines the ways in which changes in corporate structure and strategies respond to, affect or interact with the global projection of Mexican large corporations. The chapter has been divided in 4 sections which aim to show the increasing pressures Mexican corporations undergo to: (1) go public and enlist in the Mexican Stock Exchange (MSE); (2) introduce new management methods and separate management from control functions in different specialized bodies and activities; (3) diversify patterns of control and organization; and (4) articulate an increasingly centralized, hierarchical and far-reaching network of intercorporate relations.

4.1 The decision to go public²

Most companies with global ambitions had to go public if they were not already listed in the Mexican Stock Exchange (MSE). There was no other way to tap the debt and equity markets, national or transnational, in order to get the funds so badly needed after a decade of almost no investment. In some cases, however the decision to go public was by no means an easy one, since it forced the firms to radically transform principles and practices of disclosure, accounting, and more difficult still, accountability. To make their operations 'public' meant, as we have seen, to be subject of public scrutiny. This, in turn, meant to modify drastically deeply entrenched authoritarian, discretionary, practices prevailing since the groups were created. Companies often held different financial statements and balances depending on whether they were used for fiscal, credit or other purposes.

Those corporations already listed in the MSE which began to trade in the transnational markets had to furnish much richer information to comply with the

requirements of the Securities and Exchange Commission in the US, the institutional investors and the market community interested in acquiring Mexican issues.

Even companies strongly positioned in their respective markets -such as Televisa, ICA, Modelo, Gigante and IUSACELL- were family enterprises not long ago. In our sample of the largest 60 industrial and retailing groups (see Table 4.1) only 4 (that is, 7%) had not made the decision to go public by December of 1994, including very large groups such as IMSA and LALA. Of those already listed in the MSE, 19 were listed in the Seventies or before, 12 in the Eighties and 23 did not go public until the Nineties (1990-1994). However, even in the case of those firms listed in the MSE two caveats should be made to properly appraise their 'public' character: (1) the proportion of stock circulating in the market is relatively small and it often represents non-voting stock, and (2) the weight of one family or the group of founders remains generally overwhelming. Specific cases can help gauge the scope of the public character. The most recently listed groups trade only between 10 and 25% of their capital in the institutional market, often non-voting stock. Thus:

+ Televisa was listed for the first time in the MSE in November 1991 when it launched a global offering representing 20% of the stock (2.6% in the MSE and 17.4% in the international markets). The operation, that only considered Series L stock,³ left Emilio Azcárraga with almost 65% control of the equity capital and 80% of the shares with unlimited voting rights.

+ Gigante began to trade stock publically in 1991 with an offering representing 10% of the stock. Losada family still concentrated after the offering 86% of the stock.

+ ICA, the largest construction corporation, made its first public appearance in 1992 with an offering representing 25% of the capital (8.3% in the MSE, 8.4% in the US and 8.3% in Europe, Japan and other countries). The board of directors retained control over 67% of

TABLE 4.1. MEXICAN PUBLIC COMPANIES AND DEVICES OF CONTROL

Name	MSE	Devices	Shareholder*	CEO/Gral Dir**
Telmex	1951	NVS, T	Carlos Slim Helu	Juan A Perez Simon
Cifra	1974	NVS	Jeronimo Arango Arias	Henry Davis Signoret
Vitro	1976	P, NVS, T	Andres Sada Trevino	Ernesto Martens R
Carso	1980	P, NVS, ICS	Carlos Slim Helu	none
Cemex	1976	P, NVS, ICS	Marcelo Zambrano	Lorenzo Zambrano
VISA	1976	P, NVS	Eugenio Garza Laguera	Othon Ruiz M
Alfa	1978	P, NVS	Bernardo Garza Sada	Rafael R Paez
Comercial	1991	NVS	Carlos Gonzalez Nova	Javier Cantu Ch
Gigante	1991	NVS	Angel Losada Gomez	same
ICA	1992	NVS, T	Gilberto Borja Navarrete*	same
Televisa	1991	NVS	Emilio Azcarraga Milmo	same
GModelo	1993		Valentin Diez Morodo	
Bimbo	1980		Lorenzo Servitje Sendra	Roberto Servitje Sendra
Desc	1975	NVS, ICS	Fernando Senderos Mestre	same
Soriana	1987		Franciso Martin Bringas	Ricardo Martin Bringas
Gruma	1992	NVS	Roberto Gonzalez Barrera	same
Aeromex	1974	NVS	Gerardo de Prevoisin	Alfonso Pasquel
GIMMEX	1978		Jorge Larrea Ortega	same
Kimberly	1961	NVS	Claudio X Gonzalez L	same
La Moderna	1971	NVS	Alfonso Romo Garza	Francisco Gonzalez S
Liverpool	1965	NVS	Enrique Bremond	Max Michel
TMMSA	1980	NVS	Jose Serrano Segovia	Francisco Lopez Barredo
IMSA	no		Eugenio Clariond	
Aty	1993	NVS	Adolfo Autrey Maza	
Nadro	1985		Pablo Escandón Cusi	same
Tribasa	1993	NVS	David Peñaloza/C Hank R	same
GMD	1993	NVS	Crescencio Ballesteros I	
CYDSA	1973		Andres Marcelo Sada Z	Fernando Sada M
AHMSA	1974		Alonso Ancira Elizondo	
CMA	1974	NVS	Gerardo de Prevoisin	
Chedraui	SR		Alfredo Chedraui	
Sidek	1981	NVS	Jorge Martinez G	Guillermo Martinez G
DINA	1993	NVS	Raymundo Gomez Flores	
Peñoles	1961		Alberto Bailleres	Jaime Lomelin Guillen
Apasco	1981	NVS	Agustin V. Santamarina	Pierre A Froidevaux
Ggemex	1991	NVS	Enrique Molina Sobrino	
Elektra	1993	NVS	R Salinas Pliego	
BI	1993	NVS	Jose Mendoza Fernandez	Sergio de Uriarte
Synkro	1991	NVS	Crescencio Ballesteros I	Jose L Ballesteros I
LALA	no			
GIS	1976		Isidro Lopez del Bosque	Javier Lopez del Bosque
Bachoco	SR		Robinson Bours	
P Hierro	1990		Alberto Bailleres	
Benavides	1993		Domingo Benavides Pompa	
SYR	1981	NVS	Jorge E Ortiz Salinas	Jesus Gonzalez Elizondo
Copamex	no		Rogelio Maldonado	
Hermes	no		Carlos Hank Rhon	
GIDUSA	1994	NVS	Miguel Rincon Arredondo	
IUSACELL	1994	NVS	Alejo Peralta	
Herdez	1991		Enrique Hernandez Pons	
TAMSA	1953	NVS	Ernesto Fernandez Hurtado	
Argos	1991		Benito Fernandez	
Coppel	1993		E Coppel Luken	
Geupc	1987		Juan Gallardo Thurlow	Ildefonso Ochoa M
Posadas	1992	NVS	Gaston Azcarraga Andrade	same
San Luis	1984	NVS	Antonio Madero Bracho	
Ponderosa	1979	NVS	E Vallina Laguera/A Romo	Alfredo Schultz M
Canada	1991		Sandra Lopez Benavides	
Tablex	1987		Eduardo Monroy Cardenas	
Ceramic	1987	NVS	Oscar Almeida Chavre	same

SOURCES: MSE; Offering circulars and Annual Meeting Reports

P: Pyramiding; NVS: Non-voting stock; T: Trust; SR: Shelf registration

* Main Shareholder;

** Chief Executive Officer or General Director

the shares, which were deposited in a Trust (64% belonging to directors and executives and 3% to other employees).⁴

+ Tribasa: before its public offering in 1993 the group in control of this construction corporation, headed by David Peñalosa and Carlos Hank Rhon, owned almost 92% of the share outstanding. After the offering, this proportion was reduced to 67%. But, since most of the new shares were traded in the global markets as ADS and GDS --that is, with no voting rights--,⁵ control was hardly reduced at all.

+ Bufete Industrial, another important construction company, went public in 1993 with an offering worth 25% of its capital. After the offering José Mendoza, the most important shareholder, still controlled 42% of equity and MW Kellogg, its foreign partner, 21%. However, L shares, representing around 20% of the total capital of the group, and around 80% of the new offering, have limited voting rights. Consequently, the group in control still exercise great decision-making power on most accounts.⁶

The proportion of stock circulating in the institutional markets (national and transnational) is quite low even among groups listed in MSE since the Seventies and before. Some cases in our list of global corporations illustrate this practice:

+ Femsa was created as a subholding of VISA in 1987, when it registered in the MSE. Although it has traded in the stock market under VISA's name since 1978, by 1992 public holdings hardly reached 3% of the capital in Mexico and 4.4% in the global markets (represented by ADS/GDS).

+ Carso was listed in the MSE right after it was constituted in 1980. In 1991 the group put 1.42% of its capital in the MSE and 4.7% worth of global shares (ADS/GDS). After this offering Carlos Slim and his family still owned more than 60% of the capital.

+ Vitro: in April of 1991 this group provided for the first time information about its

property structure. The group in control, formed by 3 families --Sada González, González Sada and Muñoz Terrazas-- held 62% of the share outstanding, several trusts concentrated 8.7%, 6.2% was traded as ADS/GDS in foreign markets and around 23% was traded in the MSE.

+ Cemex has articulated a more intricate ownership structure. In 1992, at the time of its first public offering in the global markets, 30% of the outstanding common stock was owned by members of the board and their extended families. Subsidiaries of Cemex held 15% in intercorporate shareholdings. In addition, the corporate charter establishes that the board must authorize any transfer of voting shares representing 2% or more of the capital, a device to prevent hostile take-overs or bids for control.

+ Desc: in 1993 the Senderos family still held 51% of Class A shares and 40% of Class B and C. Eneko de Belausteguigoitia, founder and member of the group in control, held 7%.

Despite a more complex property structure the financial groups also show high levels of concentration of voting stock in the hands of the controlling shareholders. However, these generally include a more varied and heterogenous set of regional and national interests since they were articulated between 1991 and 1993 to gather enough resources to bid for the banks.⁷ Thus:

+ Grupo Financiero Banacci made a public offering representing almost 20% of its capital in September 1991. The structure of control headed by Roberto Hernández and Alfredo Harp Helú did not change because the offering consisted of L shares (with limited voting rights). On average, directors and officers kept control over 61.5% of the voting stock (Series A, B and C). Banacci, in turn, controls 69% of Banamex, the largest Mexican bank.

+ Grupo Financiero Bancomer (GFB) launched in March 1992 a global offering worth almost 20% the capital represented in Class L shares (4.6% to be traded in the MSE and

14.7% in the US, Canada, Japan and Europe). The control group (headed by Eugenio Garza Lagüera) and the regional group kept close to 64%.

+ Grupo Financiero Serfin (GFSEFIN): at the end of 1993 Adrián Sada González controls 8.34% of the common shares and 9.2% of the vote. Directors of the board and high executives control 36.4% and 40.1%, respectively. The offering in 1993 did not alter these proportions because only voting stock with limited rights was sold.

Furthermore, most Mexican stock traded in the global markets usually circulates 'over-the-market' (OTC), among institutional investors because operations in the open market are usually more aggressive and Mexican entrepreneurs fear hostile take-overs and other belligerent financial maneuvering characteristic of this market.⁸ Even when they trade in the open market --the NYSE and NASDAQ-- they use different devices to preclude such overtakings. Thus, by 1993, only 20 Mexican corporations (including ICA, Telmex, TAMSA, Serfin, TMM, Vitro, Radio Centro, Tribasa, Televisa, Cemex, Bufete Industrial and Coca Cola-Femsa) were listed in the NYSE and traded in the open market. Voting stock of two corporations (Telmex and ICA) were deposited in a trust and cannot be traded freely in any market. In the case of Telmex, the terms of the trust restrict transmission or surrender of voting rights and require that all voting stock (20.4%) is voted in block. Similarly, in the case of ICA, stock belonging to members of the staff (40%) cannot be withdrawn from the trust until they leave the company or, exceptionally, to pay for their children's education, or to buy a house. Televisa, Bufete Industrial, Serfin and TMM have only offered L shares, with restricted voting power and, as we have seen, most stock circulating in the global markets are represented by certificates that limit corporate rights.

Hence, exposure to widely spread raiding practices is minimal. In spite of all this, Mexican groups undergo greater constraints from the interference and permanent monitoring

of results and performance by the international stock market community. A close look at the financial reports of the most important Latin American stock market analysts⁹ reveals some of the new rules these new global players have to comply with: (1) Almost every important move or decision has to be informed. Thus, periodical information sessions and roadshows with institutional investors, market analysts, brokers and the financial press become a norm; (2) standardized methods of accounting and regularity in financial reports are obligatory; and (3) rating of risk for Mexican issues circulating in the capital markets become more common.

Ratings alone have put Mexico's largest corporations under new pressures. The rating of corporate issues is a very recent trend in Mexico. Most of the largest corporations promote the rating of their issues (debt and equity) to reduce financing costs and avoid restrictions against buying non-investment grade debt.¹⁰ However, only a few corporations have been individually rated (Cemex, Kimberly Clark, Cementos Apasco and the banks, among the most important).¹¹

The drop in interest rates on a transnational level has forced institutional investors to look for more attractive options in the emerging securities markets.¹² Since interest rates are likely to remain low in the near future, ratings will probably become a generalized practice and Mexican corporations circulating issues in the global markets will try to make sure their issues are upgraded.

Although rating policies vary between agencies, among the general criteria considered to assess a corporation are: the position they occupy in the Mexican and global economies, revenues in dollars or other hard foreign currencies, the relationship with investment grade companies in investment grade countries and assets in the US or other industrialized countries.

A small number of Mexican corporate debt issues were upgraded before the devaluation of 1994. Cemex, for example, was rated 'BBB' by Duff and Phelps when it launched in May of 1993 the US\$ 1 billion eurobond issue mentioned in Chapter 3. Although graded relatively high, the rating recognized, nonetheless, certain risks. In contrast, International Bank Credit Analysis rated 6 Mexican banks (Banamex, Bancomer, Serfin, Comermex, International and Banco Mexicano) very low. IBCA pointed, in December of 1992, to the poor quality of assets of all these banks due to the rapid growth of bad loans (IBCA, 1992).

In addition, the largest brokerage houses (JP Morgan, Barings, Merryl Lynch, Latinvest and others) examine systematically the performance of Mexican corporations to recommend 'buying', 'holding' or 'selling' stock. Mexican brokerage houses have started recently this practice too, following closely the same format. This practice pushes Mexican groups to adopt strategies and make decisions amenable to these institutions.

The four rating agencies authorized by the CNV in Mexico take after the US model and apply the same rating criteria furthering practices widely spread in the US. The speed in the process of convergence has been interpreted by some analysts as a 'hostile takeover' of the MSE by the American institutional investors (América Economía, Sept. 1993:24).

The devaluation of 1994 and the ensuing crisis have meant a serious setback to the possibility of upgrading both the country's risk rating and individual corporate ratings. Several rating agencies were seriously considering upgrading Mexico to investment grade once NAFTA came into effect. The decision, however, was put into question throughout 1994 given a general political and social instability (in particular, the Chiapas uprising, several political assassinations, kidnapping of businessmen, etc.). The devaluation of December 1994 and all the difficulties it entailed and aggravated finally took the decision off

the agenda. The great majority of corporation stocks trading in global markets were downgraded too. Those highly dependent on the internal market, with less infrastructure to generate hard currencies and/or highly indebted were affected most. The first to be affected were naturally the banks and financial groups whose bad loans had reached unacceptable levels, even before the devaluation crisis broke out. The rise of domestic interest rates and a general fall in the economic activity created a situation of bankruptcy which once again demanded a state bail-out. Construction groups were severely downgraded too, given their dependence on the domestic market, the rise in interest rates and level of both internal and external debt. Even Cemex suffered a setback having to offer higher premiums in the debt paper issued in 1995.

With respect to the methods of accounting, though they approach very rapidly too those of the US, global analysts feel some corporations lag too far behind and can still manipulate financial reports. In particular, large Mexican banks have been bitterly criticised for the lack of transparency in their reporting practices (*Financial Times*, 12-July-95)

4.2 Separation of management from ownership

The families of shareholders, even if they are very large, cannot carry out the wide array of specialized activities demanded by the public character of the firms --first, a greater number of transnational transactions and, ultimately, a thorough understanding of and commitment to the global rules of the game. Renegotiation of foreign debt and later on financial and trading promotion require, as we have seen in Chapter 3, skilful professional maneuvering in transnational circuits. Standardized methods of disclosure, information and accounting can only be met with management expertise. Exports and relations with partners and other transnational agents need organizational and professional resources overflowing the

possibilities of one or several families. All these processes feed back almost inevitably towards a greater separation between management and control and, to a much lesser extent, between ownership and control.

Derossi (1971:103-107) discovered in the 1960s certain new corporate patterns increasingly common among the large Mexican companies and modern sectors of the economy: (1) differentiation, rationalization and professionalization of several management functions; (2) an incipient separation of management and control functions assigned to professionals and family members, respectively; and (3) a greater complexity in the composition of the board.

The complexity of the composition of the board, she argues, depends on both the maturity of the firm (that is, degree of corporate organizational complexity) and sociocultural factors which may slow considerably the incorporation on one hand, of executives not relatives of the largest shareholders and, on the other hand, of outsiders.

The board of directors is made up of insiders and outsiders. Insiders usually perform executive, administrative and supervising functions and are more deeply involved in all organizational decisions.¹³ Outsiders may fulfil different functions such as monitoring the environment, facilitating relations with suppliers and clients; information and communication with other firms, including banks; public relations, corporate image and class cohesion (Useem, 1984).

Derossi distinguishes different possibilities in the composition of the Mexican board which depend on size and sector. She identified four stages:

(1) Board is made up of shareholder's family members exclusively. This is a purely formal board. Decisions are extremely centralized, or informally discussed, and meetings are infrequent.

(2) Executives or experts not belonging to the family are included in the board: owners have the final say but a technical specialization of management decisions has developed.

(3) Industrialists from other groups are invited revealing "an increasing awareness of backward and forward linkages between the firm and other companies and/or of the necessity of inserting the company in the industrial community, in order to seek alliances and eventually form a pressure group to protect regional or sectorial interests."

(4) Bankers are appointed as outsiders not only to improve terms of credits but because their broader views "can bring a new contribution to the growth of the firm." (Derossi, 1971:103-107).

This study has also found great differences in the degree to which separation of management and control has been carried out at almost all levels. This is perhaps the area where greater inequalities are perceived, which are particularly acute from the regional point of view. Separation and specialization of management and control can be examined on several levels: (1) the presence of the family of shareholders in the Chief Executive Office (CEO) *vis-à-vis* the Presidency of the Board; (2) presence of the family of shareholders in the corporate staff and in the board; and (3) structures and specific roles of management and control assigned to main officers and shareholders.

Table 4.1 shows that in the list of the 60 largest industrial and retailing groups by 1992 only 13 Chief Executive Officers (CEO) or General Directors, out of 33 (the rest were not identified), are not members of the controlling family (or families). On the level of the CEO, certain shareholders have decided to keep both management and control within the family. The most outstanding, considering their global outreach, are Cemex and Televisa. Both the presidency of the board and the CEO have been assigned to Lorenzo Zambrano whose family holds the largest block in Cemex. The Azcárraga family also controls both of

these positions in Televisa.

In general terms the groups from Monterrey have advanced further in the separation and specialization of management and control functions, particularly on the level of Chief Executive Officer. Thus, the CEO position is increasingly assigned to professionals not belonging -at least not originally- to the family of shareholders. The Corporate Staff rely to an even greater extent on professionals. On the contrary, the composition of the board of directors is generally controlled by the main stockholders as insiders. In 1992, for example, 6 out of 13 directors of Vitro were members of the controlling family (Sada-González/González-Sada). VISA had 5 out of 19. Alfa 6 out of 18. Desc had 11 members of the founding families in the board. However, in 1995 there is a partial reversal in this trend, both in the cases of Alfa and Vitro, whose CEOs were held again by the president of the board, members of the family of shareholders.¹⁴

As Derossi points out, large entrepreneurs from other firms have been quite common as outside directors since the 1960s. Very occasionally, top executives who are not members of the controlling family, have seats in the board, and only at the level of CEO. Alfa and Vitro's former CEOs hold seats in the boards of these companies. VISA and Cifra's professional CEOs have been directors for several years. No other executive officer who is not member of the stock-holding families participates in the board. The exception is Grupo Carso, whose board is formed by the CEOs of all its subsidiaries.

A greater presence of foreign executives is noted at the level of CEO and the corporate staff. Cifra's CEO, Henry Davis Signoret comes from the US. Alfa's Financing and Planning Corporate Manager, Peter Hutchinson, is of Anglo-Chilean origin. Jonathan Heath, in Serfin is also American. The most outstanding case, however, is that of Lloyd Bentsen, former Ministry of Finance in the US who joined Femsa's board (VISA's most

important subsidiary) in 1996 Annual Meeting. According to Jose Antonio Fernández, general director of Femsa, Bentsen "can help us a lot to become global, decide what countries we should cover first, besides helping us in solving several conflicts in the company" (El Norte, 17-April-96). The increasingly greater number of foreign directors and administrative staff may reveal scarcity of specialized managing skills in Mexico which has periodically led to head-hunting practices widely spread internationally. It may also reveal, however, the reshuffle on the levels of directors and top executives agreed in certain strategic alliances.¹⁵

Hence, some Mexican corporations have no doubt become global and exhibit, nevertheless, a very traditional family corporate structure, where one family -and often one man- makes the most important decisions. Derossi (1971) acknowledges the weight of the family of stockholders in the property structure and composition of the board, but she also shows that these practices are not incompatible with a more differentiated and hierarchical management structure. Rationalization and professionalization may then advance when family control prevails as it happens in several industrialized countries (the UK, for example). In fact, several authors (Jones and Rose, 1993; Church, 1993; Chadeau 1993; Winkelman, 1993) have contested Chandler's correlation between performance and the separation of property from control, in particular, his view that economic decline in Britain during the first half of this century could be attributed to the traditional structure of manufacturing firms.¹⁶ The belief that family owned firms are forces of conservatism and backwardness has been greatly dispelled by these and other business historians. But, as Chaterjee and Sheik (1995) argue, it is more difficult to prevent abuses of corporate power and make a code of conduct abiding without separating executive and supervisory functions and particularly with boards where, as shall be seen below, supervising, ownership, controlling and executive interests

concentrate and overlap to an extent such that it becomes relatively easy to collude and become accomplices.

If we compare the situation examined by Derossi in the 1960s with that of the 1990s dramatic changes can be noticed: (1) more complex property structures relying on a combination of patterns of control such as pyramiding of interests, trusts, non-voting stock, which may even reinforce control by a family or group of shareholders; and (2) the configuration of the board depends not exclusively on the immediate needs of the corporations (resource dependency) but also on the structuring of a centralized national corporate network whose links with the international network become closer.

4.3 New patterns of corporate control and organization

Some of the largest corporations that show a clear global outreach have introduced new devices of corporate control and organization in order to exercise control over a much larger stake, on the national and international levels. Without such devices the gigantic leaps to reach leading positions on a global level would not have been possible.

All of these devices -pyramiding, non-voting stock or stock with differentiated corporate rights and voting trusts- were developed long ago in industrialized countries and have been thoroughly studied since the pioneering work of Berle and Means (1968), originally published in 1932. They are applied and regulated differently in each country. Although changes are also observed over time, certain basic characteristics remain constant and these generally lead towards a greater concentration and centralization of control of wealth, not necessarily of direct property.

According to Berle and Means (1968) pyramiding is the most common device used to extend control over a larger number of firms without greatly increasing the amount of

capital invested. This device reduces considerably the share required to retain control through blocks of stock concentrated in holdings, subholdings, operating companies or subsidiaries, where the controlling group holds a dominant position. The blocks of stock can be organized hierarchically, pyramiding the property structure so that at the top of the structure control is exercised through an all encompassing holding (Berle and Means, 1968:65-66). But, as Zeitlin and Ratcliff (1988:35-36) have pointed out, other combinations are also possible depending on practices and regulations in each country. Thus, the pattern of links vary considerably: in certain countries a firm at the bottom of the structure can hold blocks of stock from a firm at the top or in the middle of the structure.¹⁷ The important thing, however, is to make the financial resources and sphere of influence reach as far as possible.

Another device increasingly used in Mexico -particularly by highly regulated activities such as banking, telecommunications and transportation- is the non-voting stock. Net capital (equity capital) is consequently represented by different classes of stock: common and preferred. The latter have priority over profit, insolvency or bankruptcy rights, but have no voting rights in the ordinary annual meetings to select directors of the board and make other decisions. A relatively small proportion of stock may have voting rights as defined in the Corporate Charter (20.4 % in the case of Telmex). 51 % ownership of this block is sufficient to exercise overall control.

Differentiated classes of stock, on the other hand, tend to distribute corporate rights disproportionately. One class may have half or less the voting power of another class. Some classes can only vote on certain type of decisions. Voting power is concentrated by virtue of this device in one class of stock which may account for a relatively small proportion of the total capital. Property of a relatively small percentage of this class of stock --which may vary according to the limitations of the other classes-- may be sufficient to control the firm.

Voting trusts are a device used in Mexico to prevent voting power from dispersing. They usually entail limitations to sell the stock deposited in the trust. When more than half of the voting stock is held by the trust, trustees exercise control over strategic decisions. Shareholders who deposit stock in a trust are given certificates whereby they receive their profit share. In Mexico trustees are usually selected from among the largest stockholders.¹⁸ Among the most important corporations using this device of control we find Telmex, ICA and Aereomex.

Neutral trusts in Mexico were designed in 1989 to deliberately increase the proportion of stock a company can sell to foreigners. Shares are deposited in a trust run by Nafinsa. Trustees, however, must vote the way the majority does, so that the block deposited in the trust and the certificates Nafinsa issues to represent such stock have no real voting power. ADS/GDS are also certificates which represent stock deposited in neutral funds. Their holders therefore have no voting power. Nonetheless, as we have seen before, institutional investors and other global agents can indirectly influence corporate decisions and strategies by selling or recommending selling (the typical exit option), dumping the prices of stock, rating debt or equity issues or simply not buying new paper.

A combination of these devices makes the corporate organization, property structure and the patterns of control very complex. Table 4.1 shows that these devices have become a widespread practice among the most globalised Mexican groups.

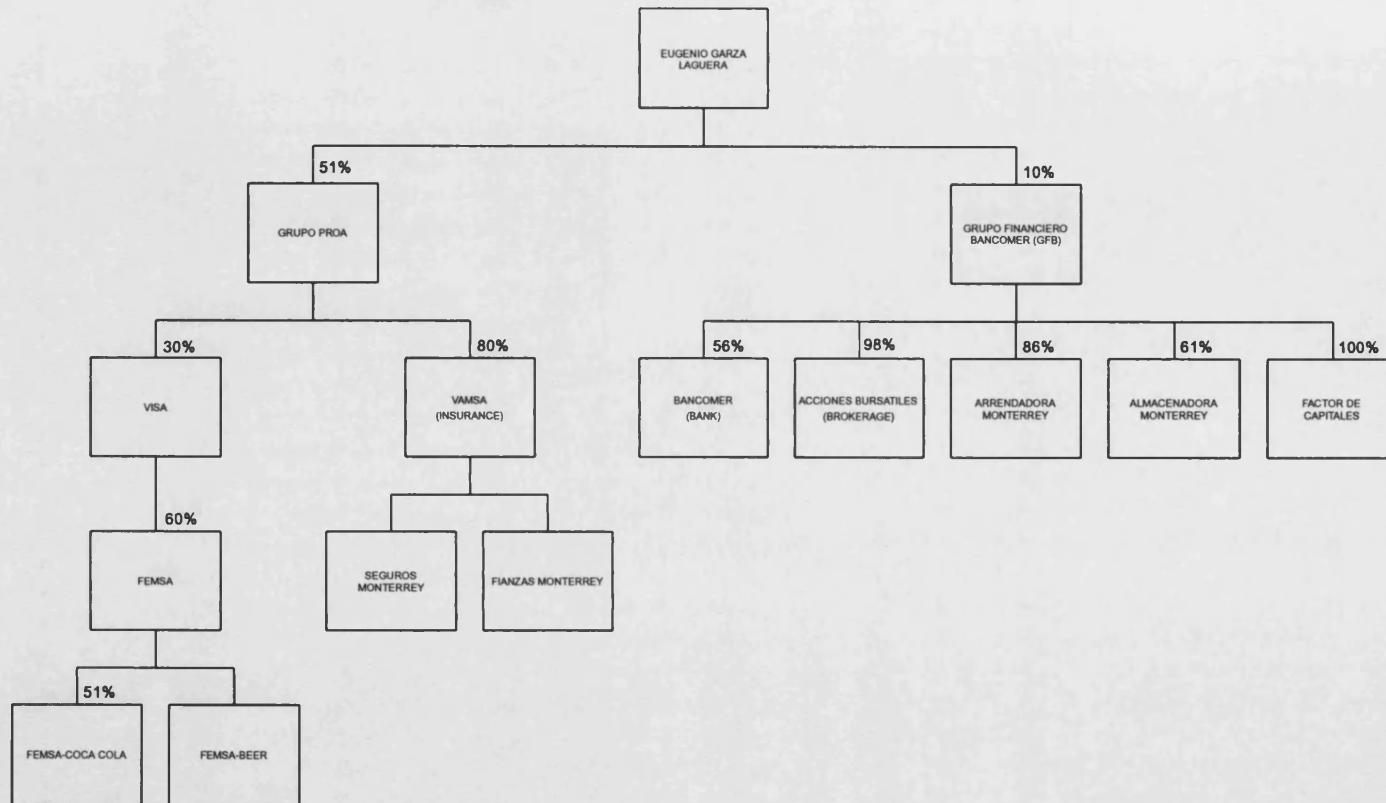
It would be beyond the possibilities of this dissertation to examine in detail all the corporate charters of the groups in our sample. Nevertheless, some of the offering circulars of the companies trading stock and/or debt issues in the international markets give a reasonably good picture of the use of these new more modern expedients of corporate control, particularly among the most globalised groups. Among the groups with very

traditional structures of corporate control we find La Comercial Mexicana, Gigante and Herdez. All of these corporations have only marginally introduced non-voting stock. Groups with more complex structures include VISA-Bancomer (with a highly pyramided structure combining trusts, differentiated and non-voting stock), Vitro-Serfin (pyramiding stockholding, trusts, differentiated and nonvoting stock), Carso (pyramiding, trusts and non-voting stock), ICA (trust, stock with differentiated voting rights), Telmex (trust, stock with limited rights), Cemex (intercorporate shareholdings, stock with limited rights). Thus:

Eugenio Garza Lagüera heads a group of stock holders who control two financing and one industrial holding (Grupo Financiero Bancomer, VAMSA and VISA, respectively). The industrial holding (VISA) was reorganized from 1985 to 1993 leading increasingly towards a pyramided structure, in order first to buy Cervecería Moctezuma, then to prevent a hostile take-over from a shareholder member of the family,¹⁹ later to gather enough resources to bid for Bancomer and finally to align the investments in soft drinks in order to sell 49% to Coca-Cola. Pyramiding has therefore been a gradual process which by 1994 had led to the property structure shown in Figure 4.1.²⁰ On top of that, both Femsa and Bancomer have issued ADS/GDS (worth 4.4 and 20% of the capital, respectively) with no voting power, which reduce the percentage of stock needed to exercise control. Consequently, with around 10% of Femsa's total capital and 9% of the voting stock, Garza Lagüera controls this subholding. With 4.5% he controls the operating companies in the soft drink division, and with only 5.6% or less of the capital, he controls Bancomer.²¹

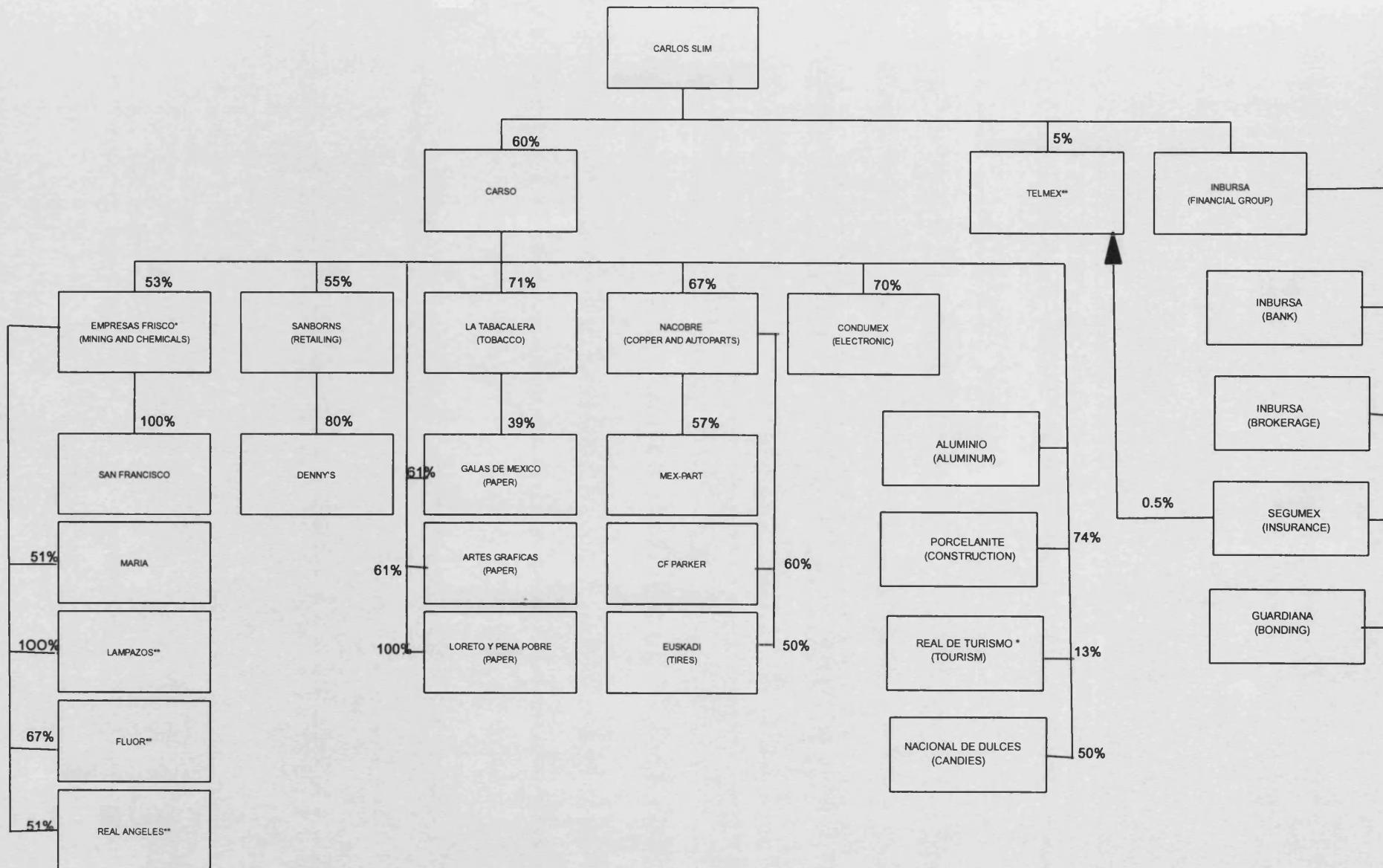
Carlos Slim's group (Carso) is a very young group. It was created in 1980 and it expanded through acquisitions organized in a pyramided structure which it combines with all the other devices. Telmex is without any doubt the most important affiliate of the group. Privatization left Telmex with a very complex property structure. 51% of its voting stock

FIGURE 4.1. E GARZA LAGUERA'S CORPORATE INTERESTS (1995)



SOURCES: OFFERING CIRCULARS AND DIRECT RESEARCH

FIGURE 4.2 STRUCTURE OF SLIM'S CORPORATE INTERESTS (1995)



SOURCE: OFFERING CIRCULARS AND DIRECT RESEARCH

* BANK COMPANY: FIRMS BELONGING TO THE BANKS BEFORE NATIONALIZATION

** PRIVATIZED COMPANY

has been deposited in a voting trust and the voting rights have to be exercised *en bloc*. Limitations to property rights prevent control from dispersing or from being the object of corporate raids or take-overs. Around 30% of the stock is represented by ADS/GDS with no voting rights. Approximately 4.4% (serie L shares) was sold to the union, and the government kept 15.5% (L) which was offered later on in several tranches as ADR/ADS. In addition, other subsidiaries of Carso interlock forming a very complex pyramided organization (whose shape is not truly a pyramid), combining concerns at different levels of the structure, as can be seen in Figure 4.2. Plans to restructure the group in the beginning of 1996 and create 2 subholdings (Carso-Global Telecom, on one hand, and industrial interests, on the other) further this pyramided structure.

In the case of Televisa, Azcarraga Milmo used the differentiated stock device to strengthen his control over Televisa. Through a public offering of Series L shares -with half the voting power of the other series- he bought a large block of stock from his partner, O'Farril, with whom he had many disagreements over a long period of time. As a result of the offering he concentrated a larger proportion of the voting stock in his own hands.

4.4. Patterns of corporate interlocking

Some of the computer packages developed by organizational sociologists have been applied, and in some cases even designed, to study the networks of corporate power (Scott et al., 1985), i.e., the patterns of power relations as they can be traced through the interlocking of corporate directorates and their connections with policy networks and other business institutions.²² These computer packages are based on graph theory, a mathematical analytical tool to study the configuration of points and lines. In the case of interlocking directorates the firms can be considered the points and the interlocks the lines, or vice versa. On the basis

of very complex set of matrices, the patterns of connections of interlocking directorates can be identified and interpreted. Among other patterns these packages can discover: (1) the formation of components, cliques, clusters and other types of groupings with different levels of connection, transmission of information, views and therefore of cohesiveness between the firms and persons involved; (2) the overall density of connections of the corporate community analyzed and of the different groupings within that community (i.e. the density of the graph as a whole, of the centre, the components, blocks if any, etc.); (3) centrality of corporations, and/or persons, which point at strategic positions in terms of number of interlocks generated (degree), connectedness, flows of information and distance.²³

The process of corporate interlocking in Mexico reveals great dynamism. The nationalization of the banks in 1982 seriously disrupted traditional patterns of interlocking between corporate directors. Recent privatisation has accelerated new patterns which reveal structuring mechanisms similar to those prevailing in industrialized countries. The composition of the board becomes increasingly complex in response to new constraints at work. The need for financial capital, technical, management and financial expertise, for closer relations with client and suppliers persists and even exercises greater force not only on the composition of particular boards but on a more sophisticated process of interorganizational decision-making and corporate governance.²⁴

More complex resource dependence constraints --which validate in the Mexican case the resource dependence approach-- are greatly compounded by a more complex set of interests vying for greater and better representation in the boards (shareholders, foreign partners, institutional investors, financial and executives interests).²⁵ In response to these and other constraints the largest Mexican corporations tend to promote differentiation of governance functions within their boards, a process that in certain cases crystallizes in

specialized governance structures.

Even though the single board system prevails in Mexico (as in the US and Great Britain),²⁶ the corporate strategies and management responsibilities tend to rely on a more or less formally constituted executive committee which runs the corporation and represents it legally in relation to third parties (the government, other corporations, labour unions, etc.). In the past few years all the largest financial groups (Banacci, GFB, GFSerfin, GFInlat) and some of the largest industrial groups (Desc, Alfa, ICA, Televisa, Vitro) have formally reformed the corporate charter to constitute executive committees. The largest shareholders are directly or indirectly represented in this committee.

Supervisory functions are generally carried out by large shareholders, usually members of the group in control, not actively involved in, or gradually separating from, management responsibilities. Thus, if we compare the number of seats and positions of several former chairmen (B. Garza Sada, A. Sada Treviño, M. Senderos Irigoyen and G. Borja Navarrete), we observe similar trends characteristic of a generational turnover. First, they all have given up from executive functions and even chairman responsibilities that have been delegated to a close relative, usually sons. In the case of B. Garza Sada, however, the successor was his nephew and in the case of G. Borja Navarrete the son of one of the founders, Bernardo Quintana I. Second, although they remain well connected to the network, they tend to lose centrality (i.e., degree of connectedness) while their successors advance to a more central position. As can be seen in Table 4.4.1, while previous chairmen loose centrality, the present ones gain it. Note that in two cases the process of turnover is still at a very initial stage. B. Garza Sada was not replaced until 1994 and G. Borja Navarrete until 1995. This explains the low centrality of D. Garza Medina in 1992 with respect to his predecessor. He did not become director of Alfa's board until 1993 which means his

succession could not have been planned well in advance.²⁷ In contrast, G. Borja Navarrete left ICA's presidency not only because he was appointed by Zedillo to chair Nafinsa but also because the corporate charter establishes an age limit for the chairman. This rule, the more central position of B. Quintana Isaac since long ago and Borja Navarrete's appointment reveal a more planned succession corresponding to the institutional practices of the Japanese. Third, previous chairmen seem to concentrate increasing attention on business associations (particularly the CMHN) and to engage increasingly in party funding activities to support the PRI, as shall be seen in Chapters 5 and 6.

The task of auditing ('comisario') which was formerly performed by a representative of non-controlling shareholders has been taken over by firms of accountants, as in the US and GB. It is no longer oriented to represent the interests of small shareholders who could scrutinize the performance of executives and prevent abuses, but rather to satisfy legal and fiscal requirements. The counterweight which the 'comisario' formerly represented has been gradually weakened while the weight of institutional investors and potential takeovers has greatly increased.²⁸

External directors, whether professional or not, provide organizational resources and expertise, monitor the environment, facilitate communication to govern the corporatesystem, tend to unify views, soften contradictions and promote cohesion between members of the corporate elite, as is suggested in the class cohesion model (Useem, 1980 and 1984). Professional directors often play this role and they are deliberately invited for this purpose, according to Rubén Aguilar Monteverde, who considers himself a professional director, holds 4 seats in the boards of companies listed in the MSE in 1992 and was for a long time a top executive of Banamex before the bank was nationalized in 1982 (Interview No. 1).

TABLE 4.4.1. GENERATIONAL TURNOVER

GROUP	KINSHIP RELATIONSHIP	PREVIOUS CHAIRMAN	SEATS		BONACHIC EIGENVECTOR CENTRALITY*	
			1981	1992	1981	1992
ALFA	UNCLE	B GARZA SADA	6	4	16.6	12.5
VITRO	FATHER	A SADA TREVISO	3	2	2.1	4.7
DESC	FATHER	M SENDEROS I	8	2	35.5	7.7
ICA	NONE	G BORJA N	0	2	-	8.6
	SUCCESSORS	NEW CHAIRMAN				
ALFA	NEPHEW	D GARZA M '94	0	1	-	-
VITRO	SON	A SADA GONZALEZ	2	4	0.9	11.8
DESC	SON	F SENDEROS M	1	6	-	15.6
ICA	SON OF FOUNDER	B QUINTANA '95	0	2	4.2	19.3

SOURCE: Same as Table 4.4.3 and own research

* Bonachich Eigenvector Centrality: calculates the centrality of each person (vertex) which is determined by the centrality of the persons (vertices) each person is connected to (Borgatti, Everett and Freeman, 1992:78).

However, as in the case of many ACCs (Stockman and Wasseur, 1985:32-41), an internal director (executive or not) of one corporation can have an external position in another board. The significance and roles of particular directors in a given board can only be determined empirically on a case by case basis. This would necessarily require extremely accurate information and, at least in the case of Mexico, would be virtually impossible to obtain. Nevertheless, multiple directors *per se* --that is, directors sitting in two or more boards-- form complex patterns of relations between corporations, the structure of which reveals trends similar to those discovered by many authors in ACCs on several accounts: (1) accumulation of board positions; (2) functions performed by 'big linkers' and multiple directors in general; and (3) global features of the network structure.

To examine the characteristics of the Mexican corporate network at two points in

time, I collected the information on the composition of the boards of directors of all the companies (retailing, industrial and financial) listed in the MSE in 1981 and 1992.²⁹ Only Mexican-owned or Mexicanized companies are quoted in the MSE, so 100% foreign companies are not represented in this network. In what I consider a first approach, I did not include subsidiaries or affiliates having 50% or more participation of another company in the sample. That greatly reduced connections due to the overlapping of ownership interests. However, not all family groups have decided to formally integrate all their interests in one holding.³⁰ On the other hand, as we have seen previously in Chapter 2, the law regulating financial groups restricts intercorporate shareholdings between industrial-retailing and financial groups, even when a large overlapping of ownership interests between them is present and surfaces in the outlook of the corporate network.³¹ Given the above criteria, the network I examine in the following pages is formed by a total of 1,776 board positions distributed by 127 corporations listed in the MSE in 1992 and 1,738 positions in 138 corporations in 1981 (see Table 4.4.2).

In order to compare the results with those obtained by the European Consortium that analyzed the networks of 10 industrialized countries,³² I follow a similar procedure, starting with the distribution and concentration of positions in multiple directors. Since only multiple directors (with two or more positions in different boards) generate interlocks and the greater the degree of accumulation of positions the more intricate and dense the network, the first problem to address is the way positions are distributed between directors. As can be seen in Table 4.4.2, the level of concentration of positions is similar to that of most of the countries examined by the European Consortium. In 1992 only 293 directors hold two or more seats, representing 22.8% of all the directors in our sample. Although slightly higher than the proportion in the case of France (20%), Italy (19%), Finland(18%), the US (18%) and

TABLE 4.4.2. ACCUMULATION OF POSITIONS BY DIRECTORS

COUNTRY	TOTAL POSITIONS	TOTAL DIRECTORS	MULTIPLE DIRECTORS		2 SEATS		3-5 SEATS		6-10 SEATS		> 10	
				%		%		%		%		%
MEXICO '81	1738	1218	250	21	133	53	97	39	16	6	4	1.6
MEXICO '92	1776	1283	293	23	182	62	97	33	13	4	1	0.3
AUSTRIA *	2939	2430	271	11		65		30		4		2
BELGIUM *	3000	2203	373	17		57		34		6		2
SWITZERL *	3681	2999	405	14		67		27		5		1
GERMANY *	4727	3943	420	11		60		34		5		0.5
FRANCE*	2625	1931	378	20		60		34		6		0
BRITAIN*	3091	2682	282	11		69		30		1		0
ITALY*	2358	1737	322	19		63		29		7		1
NETHERL*	2950	2321	357	15		64		31		5		0
FINLAND*	4178	3110	564	18		61		32		7		0.4
USA*	3976	3108	564	18		64		35		1		0

SOURCES: Stokman and Wasseur (1985:23-24) for European countries and the US and own research for Mexico. * For the year 1976

Belgium (17%), it is still a small minority of all directors in our sample. Though the level of concentration between 1981 and 1992 tends to diminish (from 21 to 23%), the tendency is more acute as we successively approach 'big linkers', i.e., directors that generate multiple interlocks. Thus, while in 1981, 39% of all multiple directors hold 3 to 5 seats, in 1992 that proportion diminishes to 33%; from 6 to 10 directors it diminishes from 6 to 4% and for more than 11 directors from 1.6 to 0.3% (that is, only 1 director, Agustin V. Santamarina, holds more than 11 seats). And, as shall be seen below, the structure of the network as a

whole (with respect to centrality and density), advances also in the direction of the countries analyzed by the European Consortium.

TABLE 4.4.3. BIG LINKERS OF THE MEXICAN CORPORATE NETWORK*

BUSINESSMAN	COMPANY	SEATS	INTER-LOCKS**	POLITICAL AFFILIATION***
A Santamarina	UCarbide ¹ JDeere ¹ Indetel ¹ Apasco ¹	15	128	CMHN
C Gonzalez	Kimberly ¹	10	120	CEMAI, CCE, CMHN
V Diez Morodo	GModelo	8	91	
R O'Farril	Banacci	5	83	CMHN
J Gallardo T	Geupec ¹	8	80	COECE
M Cosio Ariño	Banacci	5	77	
A Ruiz Galindo	Desc	5	73	CMHN
R Barrera V	Banorte	6	73	
J Sanchez N	Gmodelo, Intenal	6	72	CCE, CMHN, USEM, Concanaco
B Quintana I	ICA ²	7	71	
A Cosio Ariño	GCarso	6	70	
P Aramburuzabala	Banacci, GModelo	6	69	
E Canales S	Banacci	4	69	
A Madero B	Sanluis ¹	6	68	CMHN
C Hank Rhon	Tribasa Cbinter ²	6	65	
A Legorreta Ch	GFIInlat ¹	4	65	CCE, CEMAI, CMHN AMB
F Senderos M	Desc ¹ GFIInver	6	59	CMHN
J Gomez Sainz	GSerfin	3	59	
B Garza Sada	Alfa ²	4	58	CMHN
E Carrillo G	Ericson	5	58	FP
M Somoza A		4	57	MSE, AMIB
A Sada Gonzalez	Vitro ¹ GSerfin ²	4	57	CMHN
C Ballesteros I	Synkro ² GMD ²	4	56	CMHN

L Prado Vieyra		3	56	
L Zambrano T	Cemex ¹	6	56	CNC
TOTAL	25		1790	

SOURCES: BMV, Annual Meeting Reports, UCINET VI (Column 4); and own research.

1 Chairman of the Board and Chief Executive Officer (CEO); 2 Chairman of the Board; * I selected the 25 businessmen with the highest degree, that is those that generated the highest number of interlocks in 1992; ** Degree (UCINET IV) *** President or director

The concentration of interlocks is likewise very high. The greater the number of positions, the greater the number of interlocks generated. 22.5% of interlocks were effected by 25 multiple directors (8.5% of all multiple directors). Thus, with 15 seats A. Santamarina generates 128 interlocks in 1992 and Claudio X. González generates 120 with only 10 seats. As can be seen in Table 4.4.3, some large businessmen interlock with a greater number of directors due to the size of the boards in which they participate or to the centrality of the corporation to which they are affiliated and not necessarily to the number of seats they hold (in particular, the cases of L. Prado Vieyra and J. Gómez Sainz). Consequently, the characteristics of the network as a whole depend also on the corporation to which 'big linkers' are affiliated. In particular, the complexity of the boards, that is, the number of seats and centrality in terms of the interlocks generated by all its members. Therefore, 20 directors in Synkro's board generate 64 interlocks. Of these, 40 interlocks (62.5%) take place with the 20 most central corporations, that is with corporations that generate the highest proportions of interlocks. Consequently, with less than half the number of seats in the board than, for example, GFB (with 45 seats), Synkro generates 24 more interlocks (40 versus 64). This explains the central position some relatively less important companies (in terms of sales, assets and number of subsidiaries) occupy in the network.

TABLE 4.4.4. INTERLOCKS OF THE 20 MOST CENTRAL CORPORATIONS IN 1992

GROUP	SEATS	DEGREE	INTERLOCKS WITH 20 MOST CENTRAL CORP	
			TOTAL	%
SYNKRO*	20	64	40	62.5
SANLUIS*	21	73	55	75.3
GMODELO*	10	49	36	73.5
JDEERE*	16	40	29	72.5
KIMBERLY*	12	47	39	83.0
ALFA	18	48	29	60.4
GMEXICO	15	56	33	58.9
GCARSO	12	46	28	60.9
TELMEX	20	36	23	63.9
DESC	23	36	20	55.5
OXY	12	25	17	68.0
GISSA	12	19	17	89.5
GGEMEX	15	29	16	55.2
GFBURSA	34	21	7	33.3
GFMEXI	34	24	8	33.3
GFB	45	40	11	27.5
GSERFIN	47	42	15	35.7
GFINVER	44	57	29	50.9
BANACCI	45	71	41	57.7
GFINLAT	53	62	31	50.0

SOURCE: Same as Table 4.4.3.

* Companies which do not have a high ranking in Table 4.1; ** Number of interlocks

Thus, as can be seen in the Table 4.4.4, companies marked with an asterisk, with small boards and not very high ranking in the sample list (Tables 2.1 and 4.1), can be quite central in the network because the number of interlocks generated by their directors (that is, the degree, in terms of graph theory analysis) is substantially higher. In the case of San Luis, 17 out of 21 directors hold 3 or more seats (one holds 15, another 10, still other eight, two hold 6, four seat in 5 boards and 3 in 4). And we find a similar situation in Synkro's board,

with one director holding seats in 15 boards, another in 10, one 8, two seating in 6 boards, two in five and 5 in 4.

As in the case of the Austrian network, big linkers have often held leading positions in the main associations of the corporatist system (see Table 4.4.3).³³ The characteristics of big linkers and in particular their trajectories in political associations confirm Useem's thesis (1982) which posits that big linkers are industrial spokesmen, opinion leaders who are more than just the heads of large firms. The fact that some of the most central big linkers (in terms of seats and interlocks generated) head relatively low ranked corporations (in terms of sales) further substantiates this thesis too. Since big linkers carry a disproportionate part of the network it may be inferred that the network as a whole is more important for communication than for performance, domination and control.³⁴ The two most central big linkers --Agustín V Santamaría and Claudio X González--, who in 1992 hold 15 and 10 seats, respectively, and effect 128 and 120 interlocks, chair boards of transnational subsidiaries mexicanized during the seventies, opening in this way channels of communication with transnational corporate networks too. Thus, the former is the chairman of John Deere, Union Carbide, Indetel and Apasco (Holderbank) and the latter chairs the board of Kimberly Clark.

With respect to the overall structure of the network,³⁵ though substantial variations are found, which are quite common even between the 10 largest countries analyzed by the European Consortium, similar trends are also present which point at common structuring mechanisms. As in the case of all industrialized countries whose corporate networks have been analyzed with the help of computer packages (Stockman and Wasseur, 1985:27; Fennema and Schijf, 1979:319), only one large component was found in the two Mexican networks examined in these pages. That is, the vast majority of the corporations (117 out of

127 in 1992 and 133 out of 138 in 1981) were connected by a path, that is, direct or indirect links (Scott, 1991:71). Only 10 corporations were isolated in 1992, having no link with any other (that is, with a degree of 0 in graph theoretical terms), and only 5 in 1981.

The overall density of the network, that is, the level of communication within the largest component (measured in terms of the number of links effected by directors in relation to all possible links) was 8% in both years, 1981 and 1992. The highest density in the group of ten countries mentioned above was also 8%.³⁶

A general centre was found in 1981 and 1992 with marked hierarchical structure in terms of the differences in density between the core and the centre in general. The core is formed by those 7 corporations that showed both an important difference in global centrality and eigenvector centrality. The centre was formed by the 20 corporations with highest eigenvector centrality. In graph theoretical terms, a point is globally central when its distance from all other points is the shortest. This measure takes into account not only the degree but distance with respect to all other points in the network (Scott, 1991:88-89).³⁷ The corporations in the core are thus located at the very centre of the graph because the sum of the distances to every other point (in terms of the geodesics connecting them) is the shortest. They are also the most central in terms of the number of interlocks (degree) generated by their directors. The centre is formed by the 20 corporations with highest eigenvector centrality which is determined by the centrality of the corporations each corporation is connected to (Borgatti, Everett and Freeman, 1992:28).

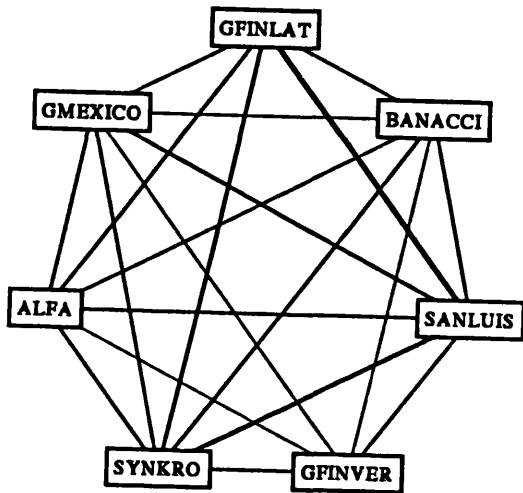
Both the centre and core are more dense in 1992 than in 1981 (68 and 95% with respect to 66 and 90%, respectively). A density of 95% in 1992 means that the 7 most central corporations, not only locally but in the graph as a whole, are highly connected. Except for one pair (GFIInver and GFIInlat) the rest are all directly connected to one other

(that is, at a distance one in graph theoretical terms), although as can be seen in Figure 4.3 with different level of intensity. Some companies have more intense relationships in terms of the number of directors in common. Ziegler, Bender and Biehler argue that multiple ties (i.e., lines representing 2 or more directors in common) indicate closer and more permanent relationships because they are "...more likely to be the result of a conscious and purposeful act of both companies..." (1985:95). 95% of all lines in the core are multiple in 1992; 30% (that is, 6 lines) have 2 directors in common (multiplicity 2); 50% (10 lines) have multiplicity 3; 2 lines, (10%) were found with multiplicity 4 and, finally one line has multiplicity 6. Thus, GFInlat-Sanluis have 6 directors in common, GFInlat-Synkro and Synkro-Sanluis have 4 suggesting close institutional connections. In 1981 we also find 7 corporations at the core but with a density of 90% which means that two pairs of corporations (Serfin-Desc and Luismin-Bancomer) are not directly connected. Notice that after the reprivatization of the banks between 1991 and 1992, the strong connections between the group headed by A. Legorreta (GFNLAT) and A. Madero B (SALUIS) are reestablished. In 1981 the former headed Banamex and the latter Luismin (whose legal listing code changed to Sanluis in 1992). Whereas in 1981 these two groups shared 9 directors, in 1992 they shared 7. The intensity of the relationship transcends, therefore, the specific financial institutions whose property structure changed radically at least twice in that period (first when the banks were nationalized in 1982 and then when they were reprivatised in 1991-92). It reveals, consequently, strong connections not only between institutions but between persons and groups of persons as well.

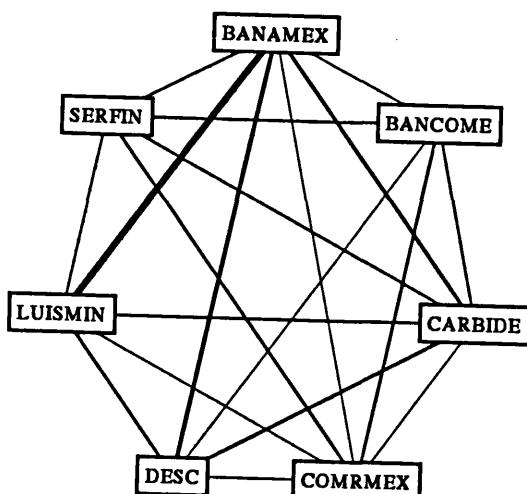
With respect to the characteristics of the 20 corporations in the centre of the 1992 network, we find that the 6 largest financial groups (Banacci, GFB, GFSEFIN, GFInlat, GFInver, GFMexi) and a brokerage house (CBBursa); 4 diversified holdings (GCARSO,

FIGURE 4.3 CORE OF THE MEXICAN CORPORATE NETWORK

1992



1981



DESC, ALFA and SYNKRO); 2 mining companies: (SANLUIS and GMEXICO); 1 in the field of communications (TELMEX); and 6 manufacturing (not diversified) corporations (GMODELO, KIMBER, JDEERE, OXY, GISSA, GGemex).

The integration of a densely connected core seems to be due, as in the cases of Austria, Germany, Finland and Switzerland (Scott et al., 1985), to a few corporations which function as meeting points. Some of them are not even among the most important in our list or the most globalized. Two of them (Sanluis and Synkro) do not have a very high ranking as far as sales are concerned (they rank 59 and 39, respectively in Table 4.1). But all of the 7 corporations in the core have the largest information-based measure of closeness centrality (4.01 to 4.12) in 1992.³⁸ Their high information index and the fact that these two corporations are directed by big linkers seem to indicate that both boards are meeting points.

In the core of 1992 we only find groups where overlapping of industrial and financial property interests is less common, except for GFInver having a large property overlapping with the industrial group Desc (not in the core). This suggests that resource dependence is a strong structuring mechanism of the core since owners of industrial groups in the core (Alfa, Synkro and Sanluis) do not own high proportions of stock in financial groups (or viceversa). Though they may have their property interests distributed among a larger number of financial groups, they seem to be highly motivated to hold seats in the boards of banks and other meeting points in order to be able to have first hand information and communication from the financial community.³⁹ This is further substantiated by the fact that more industrialists participate in the board of banks than the other way around, as in the case of Germany (Bender, Biehler, and Ziegler, 1985:110), which in turn suggests that financial groups do not exercise control over industrial concerns.⁴⁰ When we examine the composition of the boards of industrial corporations in the core we observe that in 1992 only one director

in each board (Sanluis, Synkro, Alfa and GFMexico) is a banker, while between 10 and 15 industrialists participate in the boards of Banacci, GFInlat and GFInver. Even though the boards in financial groups are on average much larger than those of industrial groups (with 45 and 20, on average respectively), participation of industrialists in the boards of financial groups are disproportionately larger. This pattern is basically the same in 1981 (with 8 to 15 industrialists in the boards of financial groups and only one banker in boards of industrial groups in the core) revealing a change in trend with respect to Derossi's findings in the sixties.

Therefore, the structure of links seem to express interest to facilitate access to financial resources, communication and information and not control by financial groups of industrial interests. The 5 largest financial groups are located in the centre of the network in 1992, though only 3 are located in the core. The two financial groups which are not present in the core --GFB and GFSerfin-- have large overlapping of ownership interests with industrial groups (VISA and Vitro, respectively).⁴¹ One of the most important conclusions of the Bad Hombourg Group which analyzed the structure of corporate network in Europe and the US, was the overwhelming weight of the banks in the structuring of the network. In spite the diversity, "... a common move towards bank hegemony of a loosely structured kind. The units of finance capital may be diversified enterprises, combines, or spheres of influence, but these typically operate within a corporate environment which is structured by the hegemonic position of banks." (Scott, 1992:229)

Though Mexican global corporations are well connected in the network, the most globalized --i.e., the 6 Mexican groups discussed in Chapter 3 (Vitro, Carso, Cemex, VISA, ICA and Televisa) which combine all 4 of the global strategies (see Table 3.5)--are not located at the core, some of them not even in the centre, coinciding with the findings of

Stokman (1988) in The Netherlands. However, they may be directly or indirectly represented in the centre as in the cases of Carso, Vitro and VISA. The last two are represented indirectly by GFSerfin and GFB, respectively.

This section has concentrated attention on broad similarities with advanced economies which point at similar mechanisms structuring the Mexican corporate network, i.e. resource dependence, information, communication and class consensus constraints. However, there are distinctive features which approach in some ways the patterns of the Mexican network to the 'corporate webs' found by Scott (forthcoming) in what he calls the 'Latin' economies (France, Belgium, Italy and Spain). From rather loose corporate webs which greatly facilitated transfers of resources and helped surmount market failures, Mexican groups evolved towards more formally constituted holding companies which structured more tightly-knit corporate webs. Groups from Monterrey, in particular, became formally constituted in holding companies in the 1970s (Sociedades de Fomento Industrial), greatly promoted by tax incentives to this type of legal figure. A few groups in Mexico City followed the same path, though others (Cremi-Peñoles-El Palacio-Moctezuma) remained loosely structured. Pyramiding of ownership interests in the 1990s to expand the sphere of influence and control loosened up again the corporate webs of the groups from Monterrey. Thus, the structures of the corporate webs are quite dynamic as in the cases reported by Scott, particularly the case of France.

Two financial groups at least (Banamex and Bancomer) pursued patterns of networking more centrally structured, following a path more like what Scott calls 'corporate filiations' of Germany and Austria, at least until 1982 when the banks were nationalized. After reprivatisation, some of the banks which do not overlap with industrial groups may again pursue this path. Hence, structures of corporate networks are not static, but respond

to changing constraints: notably, property legal frameworks, regulatory frameworks and state strategies.

4.5. Conclusions

The expansion of Mexican corporations to the global markets transforms corporate organization and structure in different ways. On one hand, global strategies entail very sophisticated organizational structures, information systems to assess and monitor not only financial results but an increasingly complex set of interactions with powerful transnational agents (investment bankers, institutional investors, security market agents, clients, suppliers, etc.).⁴² On the other hand, a more complex and diversified set of interests have come to exert increasing pressure on corporate strategies. Given the need for external financial resources, transnational institutional investors have a greater say than before even without a direct presence in the board. The threat of an 'exit' option --that is, selling stock and dumping prices-- weighs more or less heavily according to the dependence on international investors for new capital.

Consequently, a process of convergence with corporate structures in ACCs is taking place and is particularly observed in the trend towards becoming publically quoted companies and adopting disclosure, information, dividend and short term strategies and other criteria which are amenable to global market institutional investors. Management, executive and ownership structures tend to differentiate and demand a wide array of professional and technical expertise but one or a few families remain in control of the largest corporations. Likewise, the devices of corporate control become more sophisticated and make the property structure very complex even if at the same time they reinforce the control of one family.

As in the case of many ACCs, the weight of one or a few families has not been an

obstacle for Mexico's largest corporations to adopt global strategies. Several scholars (Jones and Rose, 1993; Church, 1993; Chadeau, 1993) have already contested Chandler's (1990) negative correlation between the traditional family property structure and the efficiency of corporations which in his view accounted for the severe setback of British manufacturing in the first half of this century. Useem (1993) has even noticed a reversal of the trend that led to the strengthening of the position of management vis-à-vis shareholders and for certain shareholders (particularly institutional investors) to substantially increase direct and indirect control over company boards.

In Mexico, generational turnovers have coincided with profound changes in management practices, rationalization and differentiation of functions, codes of behaviour (tacit and implicit) and entrepreneurial culture. Sons or close relatives of big businessmen have been educated in foreign schools and are well acquainted with modern management schools, with sophisticated methods of financial and organizational engineering. They are trained managers with long term experience in the firm to be able to propose and decide corporate strategies. The shift of control from founding families to professional managers not members of those families never did never go very far and in certain cases has already suffered a setback.

The board of directors has been long used as a vehicle to tighten relations with different members of the corporate elite and obtain information from the financial community. But, as the measures of centrality show, in the nineties the core of the corporate network becomes more centralized around key entrepreneurs and corporations (Fig. 4.3). Patterns of structuring interlocks and networks of directorates resemble in several respects those of ACCs revealing agents with similar strategies and rationality. Although the outcome of these structuring processes is still far from clear, particularly since privatisation of banks

is still very recent --and the fate of banks not clear at all-- a close look reveals: concentration of positions in a few big linkers who hold a central place not only in the corporate network but in the business community as a whole and in particular in its most powerful associations; centralized patterns of corporate interlocking and overlapping of interests, accelerated with privatization of the banks to involve a great variety of regional, national and sectoral interests in the corporate network.

'Big linkers', or network specialists, i.e. directors with four or more directorships, hold an important role in communication often playing, as Useem (1984) suggests, the part of 'eminence grise' and constituting the inner circle of the corporate elite. Stokman and Wasseur even argue that:

historical research has demonstrated that the big linkers are decisive in promoting new ideas on political and economic issues, new answers to urgent problems and ways out of economic problems which confront several, if not all, corporations (Stokman and Wasseur, 1985:38-39).

As in the cases of publically traded companies throughout the world, only institutional investors have gained power in the Mexican system of corporate governance and they generally opt for 'exit' mechanisms if they are dissatisfied with the management approach and strategies.⁴³ The short term logic of these investors (Useem, 1993) generates great pressures on investment strategies of Mexican groups trading stock in the international financial markets.⁴⁴ Their influence is subtly transmitted through a network of communication which involves presentations, information roadshows, investment and analysts' recommendations.

There are serious difficulties in the possibility of advancing in the direction of a public company with a board prepared to account to a more diversified set of interests which would include not only powerful corporate agents but small stockholders, small savers

(particularly in case of banks), consumers, employees and a public which would benefit from the development of a corporation, as is proposed in the corporate governance debate (Chaterjee and Sheik, 1995; Albert, 1993; Thurow, 1993). Very little independence of monitoring from management, control and ownership structures has been achieved to restrain powerful corporate actors from abuses and discretionary decisions which affect other interests, public and private. Traditions and institutions conducive to the surveillance and improvement of business conduct have hardly developed.⁴⁵ As will be seen in Chapters 5 and 6, the absence of a code of business conduct and of the minimum independence of surveillance structures to hold corporate actors accountable has allowed a few corporate raiders to abuse their personal, clientelist links with powerful public officials. These abuses, in turn, have raised increasing concern among more ethically oriented entrepreneurs and business associations to discuss and agree upon a basic code of ethics which can provide norms and sanctions for business conduct.

NOTES

¹. The most important social network packages are GRADAP (Graph Definition and Analysis Package), STRUCTURE and UCINET (Scott, 1994:176-182).

². Unless otherwise stated the information in this Chapter regarding property, corporate structure, composition of the boards and corporate staff comes directly from the companies' Annual Meeting Reports, Offering Circulars, Placement Memoranda and the Mexican Stock Exchange Annual Reports.

³. In general, in Mexico Series L represent stock with limited corporate rights. However, both the proportion of the total equity capital issued as Series L and the specific limitations to corporate rights vary greatly from company to company.

⁴. In an interview, a former high executive of ICA considered in 1991 that ICA would never become a public company due to the discretionary accounting procedures traditionally used in the group.

⁵. See note 27 in Chapter 3.

⁶. Holders of L shares, for example are only entitled to vote at general ordinary shareholders meetings to elect 2 of the 10 members of the board. That is, they cannot interfere directly in decisions regarding corporate and financial strategies.

⁷. Regional interests are incorporated into the groups in control through regional boards that have supervisory functions on regional operations exclusively.

⁸. OTC markets (see note 28 in Chapter 3) are controlled by institutional investors. Hostile-take-overs are not possible in this market because stock is highly concentrated by institutional investors and any transaction is rapidly perceived in the market. See also McKee (1989) for further explanation on this kind of corporate behaviour.

⁹. See, for example, JP Morgan's Market Brief and Emerging Markets Update; Salomon Brothers' Emerging Markets Research, International Financial Review, Mexico Business Monthly, Fortune, Euromoney, and the articles on Mexico by newspapers read worldwide, such as The Wall Street Journal, The New York Times and Financial Times).

¹⁰. Most institutional investment agencies can only channel a small proportion of their funds to non-investment grade paper.

¹¹. Only exceptionally are corporations rated on an individual basis, if the country has not yet achieved, as in the case of Mexico, investment grade rating. With respect to the country's risk rating, before the devaluation of 1994 the two most important rating agencies, Moody's and Standard & Poor's judged differently the credit quality of Mexico's sovereign debt. While Standard & Poor rated Mexico investment grade (BB+, that is, slightly lower than the BBB given to Chile), Moody did not consider Mexico investment grade at all. Their major differences were due to a different assessment of (1) the global environment and the negative impact this may have on developing countries; (2) social structure inequalities and the negative effect these have on domestic savings, exports and economic growth; (3) balance of payment, debt burden and the possibilities of generating in the medium term a trade surplus to finance imports and debt; and (4) the political system and public policy, the scope of structural reforms undertaken by the last two presidents and the impact they may have on democratic liberalization. Standard and Poor's more favourable evaluation on all of these accounts relied particularly on the successful fiscal policy which managed to generate a budget surplus even during years of slow growth; the consistent falling rate of inflation which reached in 1993 the level of one digit; and a

flexible exchange rate policy. See: Purcell, Brown et al., Salomon Brothers, Emerging Markets Research, Feb., 1993.

¹². According to Timothy Heyman, General Director of Baring Research in Mexico, emerging markets have become attractive because they pay higher rates for the higher risk involved (IMEF, Oct 1993:20-34). Consequently, as Mexico approaches an investment grade rating, generally associated to ACCs, lower rates of return make the country less attractive. Thus, the argument follows, as long as the country needs large amounts of foreign capital, it is in its own interests to remain in the category of emerging market even if financial costs are higher.

¹³. In certain countries these functions (executive and supervising) are separated in two boards. See note 24 in this Chapter.

¹⁴. Useem (1993) has discovered that in recent years the separation between ownership and control has been halted and has even been reversed.

¹⁵. In 1992 Vitro had 2 foreign directors in the board.

¹⁶. See his book Scale and Scope. Several authors (In McKee, 1989) document that differentiation very often generates bureaucratic costs, inefficiency and organizational conflicts.

¹⁷. As we have seen earlier in this chapter, some of Cemex's subsidiaries hold shares of the holding.

¹⁸. See Berle and Means (1968:69-73). The introduction to this point is organized in much the same fashion as the article published by Salas-Porras and Vidal (1992). The analysis, however, delves deeper in these pages.

¹⁹. In 1986 Javier Garza Sepúlveda, tried to seize control from his cousin E. Garza Lagüera through a hostile take-over. To avoid this and future raids of this sort the latter created a subholding, pyramiding the organization one step further.

²⁰. Bear in mind that in 1992 the Mineral Water Division was sold to a British corporation and in 1993 49% of the Soft Drink Division to Coca Cola, as was originally planned.

²¹. According to the Law that regulates the financial groups in Mexico, the largest block a person can own in a financial group is 5%. Only when authorized by the Mexican financial authorities (SHCP) could that percentage be increased to 10%.

²². Mokken and Stokman (1979) used network analysis to find the connection between the Dutch corporations and government state agencies. Mizruhi (1992) used it to find the correlation with political behaviour of Political Action Committees in the US.

²³. Scott (1991) gives a very accessible introduction to network analysis, its applications and to the most important concepts used.

²⁴. Chatterjee and Sheik distinguish management from governance roles in corporations. The former consists in running business operations such as product, design, procurement, personnel, production, marketing and finance functions. Corporate governance, on the other hand, is concerned with the overall direction of the firm, supervising and controlling executive actions, "...satisfying legitimate expectations for accountability and regulation by interests beyond the corporate boundaries." (Chatterjee and Sheik, 1995:6).

²⁵. Consumers and employees interests are generally not represented in the Mexican boards. ICA and Telmex are exceptions. In the case of Telmex the labour union acquired 4.4% of non-voting stock though labour representatives are generally consulted on certain decisions, particularly when they affect labour relations.

²⁶. In Austria, Germany, The Netherlands and Switzerland a two board system of management operates with an executive board and a supervisory board. The latter appoints the executive directors and oversees the management of the company. The supervisory board is selected directly by shareholders. The former runs the company. The differentiation of functions basically corresponds to the distinction between executive and non-executive directors in the US, the UK and Mexico too. Belgium, Finland, France and Italy have two board systems which rather differentiate auditing and administrative functions (Scott, 1985a:17).

²⁷. The process of succession is widely recognized by business historians as one of the main difficulties facing family corporations (Church, 1993:29-33). This in part explains why Alfa even consulted foreign experts to define the successor (Interview No.23).

²⁸. Institutional investors represent a source of capital investment, a threat of dumping the share prices, i.e., the shareholder value, which can ultimately lead to takeovers.

²⁹. I selected 1981 because after the nationalization of the banks in 1982 the boards were controlled by government officials.

³⁰. The group headed by Alberto Bailleres, for example, has kept its interests in Peñoles and El Palacio de Hierro legally separated, though some intercorporate shareholdings is not excluded.

³¹. In 1992 only five clusters with 2 members each have strong ties (value greater or equal to 7, level 4) in graph theoretical terms (UCINET IV). They all have a large overlapping of ownership interests (that is, the group in control is the same). This kind of clusters, however was greatly reduced because I deliberately excluded subsidiaries quoted separately in the MSE. In 1981, 9 clusters with strong ties (value greater or equal to 5 and on level 7) were found. Except for one (with Banamex at the centre), all were based too on ownership interests.

³². Scott et al (1985) analyzed the networks of 10 countries (listed in Table 4.4.2) for the year 1976.

³³. Bender, Reissner and Ziegler (1985:73) found that the majority of interlocks in Austria were effected by big linkers who had held positions in business associations.

³⁴. Bearden and Mintz, (1992:192), suggest too that in the US outside directors (i.e., those who are not actively involved in the administration of the corporation and do not hold a large share of the stock) are responsible for the cohesion and unity of the network.

³⁵. I used the computer package UCINET (version IV, Professional edition) instead of Gradap (which was the package used by the European Consortium Group). However, I made sure the relations (density, centrality, etc) used were comparable.

³⁶. With 147 corporations in the most important component Austria had a density of 8%. Both Belgium and Germany had a density of 7% with 182 and 195 corporations, respectively, in the largest component (Stokeman and Wasseur, 1985:26).

³⁷. The central position of these 7 corporations has been determined with the 'closeness' coefficient in UCINET IV which measures "... the sum of the lengths of the geodesics to every other vertex. The reciprocal of farness is closeness centrality." (Borgatti, Everett and Freeman, 1992:76).

³⁸. Information centrality of a vertex (in this case a corporation) is an average (the harmonic mean) of all the information measures between that vertex and all other vertices in the network (Borgatti, Everett and Freeman, 1992:81).

³⁹. This pattern was not as generalized in 1981 when at least two financial groups (Serfin and Comermex) were part of larger industrial interests.

⁴⁰. Since Hilferding (1981) first introduced the concept of finance capital the terms of the relations between banking and industrial capital has been a matter of a bitter debate. Several authors (Scott, forthcoming; White, 1992; Zeitlin and Ratcliff, 1988), however, have already highlighted the differences between countries. For good surveys of this debate see: Mizruchi (1989) and Fennema and Schijf (1979)

⁴¹. In fact, some analysts and other bankers consider that these financial groups are controlled by industrial interests (Interview No. 22).

⁴². Victor Naranjo, Financial Director of Cemex (Interview No. 15) insisted this was indeed one of the main changes the company has undergone with globalisation.

⁴³. However, in some countries institutional investors have become increasingly active pressing for changes, threatening if need be to support potential take-overs (Useem, 1993:311). According to Jorgen Gronborg (1990:82), insurance companies and pension funds in Denmark have become more vocal in company meetings to influence corporate restructuring processes, remove limitations on stock voting rights and prerogatives in appointment of directors. Some Australian fund managers have also become more active after the stockmarket crash of 1987 (Thomson, 1990:53). O'Connor (1990:130-131) found that the top institutional investors in Ireland have gained great influence over the most important listed companies. Vogt and Watter (1990:211) document that pension funds in Switzerland tend to protest against free transferability of shares. Even in the UK, where institutional investors were widely known for their passivity, Simpson (1990:224) points at a greater institutional involvement.

⁴⁴. While this is generally true for institutional investors and fund managers in the US, in other countries it can vary greatly. Thus, Dutch pension funds (van Leeuwen, 1990:173) prefer stable long-term investment and do not invest in countries where union or human rights are violated. In the UK too (Simpson, 1990:224-225) some pension funds and insurance companies acknowledge sustainable and successful long-term corporate strategies benefit their own interests.

⁴⁵. See Maurice Kirby's (1993) analysis of the Meeting House System of Quakers networks, an institution which oversaw business conduct in eighteenth century Britain.

PART II

POLITICAL AND SOCIAL ACTION

Although the relationship between the globalising processes undergone by Mexican corporations in the economic sphere and a more intense participation of entrepreneurs in politics is close, it is by no means mechanical, deterministic or simplistic. Transnationalization and modernization of their corporate structure and image do not mechanically engender changes in their political structure and action to make them, in a Parsonian fashion, more compatible. On the contrary, open participation of Mexican entrepreneurs in politics was one of the social forces which put pressure on the government to radically transform economic policy.¹

Formulation and construction of the Mexican neoliberal project, however, underwent several stages from 1982 to 1990 (Lustig, 1992:28-60) during which the different social forces played different roles. Public officials, national and transnational entrepreneurs, organized or not, engaged in a very intense debate to change the guidelines of economic and corporate policies.

Changes in business political strategies, in turn, were necessary to put under tension key strings of the system before a debate on alternate policy choices took place. That is to say, crisis of a policy model --ISI, developmentalism, protectionism, or whatever-- was not sufficient. Social forces, foreign and domestic, private and public, had to engage in a political struggle to change economic and political discourse from nationalism to neoliberalism. Consequently, more than a one way simplistic relationship between, on one hand, a global economic action and a more structured corporate network

and, on the other, the ever greater participation of entrepreneurs in politics, both trends interact and share common constraints which no doubt contribute to explain strategies and outcomes. Among these constraints, we find the crisis of the development model, globalisation processes on a world scale, and both internal and external pressures to change the political discourse (paradigm or metapreference)² from nationalism to neoliberalism, from inward to outward oriented economy. And in order to change the accent of the political discourse, entrepreneurs had to promote aggregation of business interests, become involved in party politics, enhance civic action and articulate a social movement. All these strengthened their capacity for discursive competition.

The formulation, adoption and implementation of a neoliberal project underwent several stages among other reasons because not all the ingredients of the neoliberal recipe were equally accepted among the forces driving the project forward. Thus while at the beginning of the 1980s state actors and exporters (national and foreign) were pushing for trade liberalisation and an outward oriented strategy, the great majority of Mexican entrepreneurs, and the CCE in particular, were more interested in orthodox monetary and fiscal policies to cut down inflation. Late in the 1980s wider agreement to join the GATT (in 1986),³ the negotiations of the social pact (PSE) in 1987 and the progress in the privatisation of state enterprises all reveal greater cohesion and consistency around a neoliberal strategy. Other transnational actors (in particular, the WB, IMF, the private credit institutions), whose leverage increased with the debt and fiscal crises, constrained greatly the strategic options available and accelerated the transition in the same direction. Thus, once the process was set in motion, all the forces committed to neoliberalism reinforced one another. When in 1984 De la Madrid increased public spending and relaxed austerity measures (Lustig, 1992:36), entrepreneurial forces, of domestic and foreign origin, impelled the government not to loose track (Luna et al, 1987:25). By the

same token, liberalisation of foreign trade and investment from 1985 onwards, entry in the GATT in 1986 and negotiations for the NAFTA encouraged large entrepreneurs to become globally competitive, broaden their horizons and reach for a global status. The social pacts virtually institutionalized since they were introduced in 1987 have become the vehicle to formulate and implement an orthodox incomes policy to reduce inflation through strict controls on monetary expansion, rate of exchange, fiscal revenue, wage and price increases. As the project unfolded and gained consistency, business organizations expanded their political action, exploring avenues and strategies followed by their counterparts in ACCs.

The purpose of this PART II of the dissertation is to discover how the global segment of the Mexican business class shapes or is shaped by political arrangements, policies and practices. In what ways does the global scope of entrepreneurial corporate action transform their political action and their interaction with national political institutions? To what extent does the intense interaction with global corporate actors from other countries change their political/democratic horizons? How does this force contribute to change extant political arrangements? Does it transform --as some authors seem to suggest (Schneider, 1993:II-18; Story, 1986:199 and Camp 1989:251)-- the authoritarianism characteristic of the Mexican political system in a pluralist, democratic direction?

Several authors (Schneider, 1993; Story, 1986; and Camp, 1989) suggest that entrepreneurial organizational autonomy and collective action can promote democracy and modernization. Camp (1987 and 1989:251), in particular, points at the greater maturity of entrepreneurs as social agents in the light of the more sophisticated, profound and diversified dimensions of their social, economic and political action. Furthermore, both Camp and Schneider, who focus attention predominantly on large entrepreneurs and

representatives of business interest associations, consider entrepreneurs can become --and at certain points have already become-- a force countervailing an authoritarian political elite and system. Other authors believe economic liberalization, the opening of the economy and NAFTA will advance democratization in a more or less direct, mechanical or subtle manner (Philip, 1994; Weintraub, 1990:202).⁴

However, other scholars (Centeno, 1994:4; Whitehead, 1993a and b; Knight, 1992:136; Luna, 1992a:136) have recognized contradictions and inconsistencies between the economic liberalization and the political and ideological strategies of political and economic elites, which they seem to conceive as incompatibilities that generate friction between competing political forces. In particular, Alan Knight (1992:136) points out that the functional relationship between economic and political liberalization assumed by North American political scientists remains unclear: "To the extent that economic liberalisation strains the already-strained social compact between rulers and ruled, it may encourage authoritarian rather than liberal politics, that is, the politics of Michoacán rather than the politics of Baja California." Centeno (1994:4) argues likewise that the ruling elite was able to carry out the economic reform far ahead of the political openings by virtue of a bureaucratic control over economic and political resources. In his view this control was the main instrument of the technocratic revolution. Whitehead (1993b:1372), in turn, exploring ethical and realist traditions of liberalism, points out that trade-offs between political and economic liberalization may be necessary to advance and consolidate democratic achievements in Latin America.

This part of the dissertation contends that global corporations and entrepreneurs arose in the context of a very dynamic process of reorganization of political arrangements and redefinition of the economic project and that they are in a better position than other social forces to shape the process in their favour, given the new global scope of economic

processes as well as of the neoliberal and entrepreneurial movement. Nevertheless, their action has aroused a myriad of contradictions because the institutional framework which they are trying to transform is complex and deep seated in the social tissue.

Entrepreneurial political strategies and action in Mexico revolve around the system of interest representation, party politics and social movements. Between 1940 and 1970 the private sector refrained from overt participation in party politics and social movements. As long as the state guaranteed political stability, a climate favourable to profitable investment, considerable influence over the process of economic policy-making and the right to exercise veto power over certain decisions and appointments (Knight, 1992:139; Anzaldúa Montoya and Maxfield, 1987:2), the rules of the game which assigned the private sector a low political profile were broadly accepted.⁵ This, in turn, strengthened the image of a populist state, facilitating control over popular groups and organizations.

From 1970 onwards, the state showed greater difficulties to secure these conditions. Rampant inflation, high public deficit, mismanagement, corruption, foreign debt, capital flight and general economic instability, accompanied by distressing signs of political and social unrest, and ultimately in 1982 the bank nationalisation, widely considered a serious violation of the informal arrangements ruling the relations between the government and entrepreneurs, all troubled the political class. These and other problems nurtured a vicious circle, which strained the main joints of the political system, aggravated opposition and antagonisms, and prompted entrepreneurs to engage in a struggle to modernize their institutions, revise their strategies and change the rules of the game in all areas of their political action:

(1) First, in the area of interest politics, they moved from informal mechanisms of pressure and influence to institutionalized, formal procedures; from consultations to the

negotiation of social pacts; from personal lobbying to increasingly aggregated corporatist organizations; from a state to a liberal-corporatism, that is more autonomous, strong and aggregated; from an economy highly regulated by the state to one in which institutional arrangements governing the economy become increasingly privatised; and from spontaneous to professional, technocratic and rationalized policy-making negotiations.

(2) Second, with respect to party politics, they pass from behind-the-scenes to various forms of overt support for political parties and electoral campaigns. Access to power depends increasingly on explicit support and loyalty to the official party. In general terms large entrepreneurs enrich and diversify party politics to facilitate access to favours, expanding influence-peddling practices between government officials and big business.

(3) Third, they became increasingly involved in social movements, reactivating the entrepreneurial movement in Mexico and articulating it to the global entrepreneurial movement.

In short, the 'old politics' of influence peddling and bribery which permeated almost all areas of the relations between big business and state tends to concentrate increasingly around party funding and support for the PRI. Simultaneously, there is a more systematic attempt by big business to engage in 'social engineering' across a range of issues.

NOTES

¹.Schneider (1993:16), Young (1993), Whiting (1992) and Hobbs (1991) consider that the original impetus came from state forces.

².I use these terms in the same sense proposed by Hirschman, Whiting and Schneider. Whiting (1992:55), following Hirschman, uses the concept of metapreference as a "preferred possible future", whereas policy refers to "a set of actions designed to make that future happen." Schneider uses the term discourse with a similar content, as the worldview which shape understanding and policy-making strategies. "To become dominant --he argues-- discourses require heavy investment in dissemination, socialization, and attacks on competing discourses." (Schneider:1993:II-6).

³.According to Escobar (1987) and Hobbs (1991) Mexican entrepreneurs were divided about the decision to join the GATT until 1985.

⁴.Though there is a large litterature on this debate, see Philip (1994) for a detailed analysis which finds a positive correlation between economic liberalism and democracy in Latin America.

⁵.There were of course certain situations that provoked entrepreneurial discontent (the anti-Cuba mobilisation around 1960, for example), but their response was in general terms reactive rather than part of a well articulated movement as it is seen today.

CHAPTER 5

GREATER INSTITUTIONALISATION OF BUSINESS INTEREST POLITICS

Systems of interest intermediation in capitalist societies have been traditionally characterized either as pluralist or corporatist. According to Schmitter pluralist systems of interest intermediation consist of "... unspecified number of multiple, voluntary, competitive, non-hierarchically ordered and self-determined... categories which are not specially licensed, recognized, subsidized, created or otherwise controlled in leadership selection or interest articulation by the state and which do not exercise a monopoly of representational activity within their respective categories." On the other hand, corporatist systems of interest intermediation involve units "... organized into a fixed number of singular, ideologically selective, noncompetitive, functionally differentiated and hierarchically ordered categories, created, subsidized and licensed by a single party and granted representational role within that party and *vis-à-vis* the state in exchange for observing certain controls on their selection of leaders, articulation of demands and mobilization of support." (Schmitter, 1979:15-17).

In this seminal work Schmitter identifies two types of corporatist systems, the liberal or societal corporatist and the state corporatist, the main distinction being the origin and degree of autonomy from the state. The former which prevails in some European countries such as Germany, Austria, The Netherlands and Denmark can be distinguished for an independent origin of the associations from the state and a much greater autonomy too. State corporatist systems, associated with authoritarian or semi-authoritarian regimes characteristic of developing countries, are deliberately created and sponsored by a state interested in

controlling or discouraging mass mobilization and pressure politics in general. Thus, while societal corporatism emerges in democratic welfare states to manage social demands and preserve or improve economic performance, state corporatism emerges in authoritarian political regimes to control social mobilization and guarantee a minimum of political stability.

Most corporatists acknowledge great variations in the degree of control of the state over functionally different interest associations involved in state-corporatist systems, particularly between business and labour associations (O'Donnell, 1977; Lehmbruch, 1982; Schmitter, 1979). Corporatism entails, therefore, a differentiated access to representation which reproduces and legitimizes an unequal distribution of influence and power. Variations along the state-liberal continuum are quite normal across countries, periods and sectors depending among other things on specific trajectories of social movements, of states as well as on the level of modernization of the economy in general and specific sectors in particular.

The debate among corporatists today focuses on the fate of corporatism in the context of transformations experienced in the global system. While some authors (Gobeyn, 1992) argue that in the past two decades capital mobility, technological modernization, economic and political neoliberal reforms, have greatly weakened corporatist systems, both state and societal, throughout the world; other authors (Cawson, 1985; Williamson, 1989) contend that what has occurred is a reorganization of corporatist systems which tends to disaggregate and diversify the number of private institutions and associations which participate in the process of policy making and policy implementation. Thus, governing the capitalist economy involves in different degrees a range of institutions which include the market, corporate hierarchies, interest associations (corporatist or not), state agencies, quasi-public or auto-regulatory institutions and labour associations. The specific mix depends increasingly on the

level of globalisation and modernization of the economy and specific sectors and varies greatly along the process of policy making and implementation.

Corporatism could, therefore, very broadly be defined as the politics of intervention in production (Williamson, 1989). Intervention can be directly undertaken by state agencies or in its stead indirectly by quasi-public or auto-regulatory institutions which have been delegated authority and responsibilities from the state or from global regulatory institutions (the case for instance of private agencies giving quality or ecology standard certificates). The line dividing public and private policy tasks tends in this way to blur.

On the macro level the politics of intervention usually involves a tripartite system, composed of state, peak business and labour associations that negotiate macroeconomic strategies, in particular income policies. On the meso level (that is, the sectoral or regional levels) the politics of intervention involves a bipartite system where state agencies and a wide range of private interest associations and institutions perform public policy functions, from the early stage of policy consultation and formulation to the late stages of implementation and evaluation. On this meso level, several authors have classified the types of state intervention, state agencies, business associations and/or policy networks articulated at each of these phases. Campbell, Lindberg and Hollingsworth (1991) typify intervention and governance according to degree of formal integration between agencies and the range of interaction. Atkinson and Coleman (1989) typify policy networks according to factors conditioning their structure (level of mobilization, autonomy and concentration of state agencies).

Great progress has been achieved in the conceptualization and understanding of the Mexican system of business interest intermediation on the macro level. There is wide agreement as to the predominantly state-corporatist character of interest intermediation

between the state and entrepreneurs.¹ Several authors have put forth the thesis that from the 1970s onwards entrepreneurial interest associations have changed from state to liberal corporatist, that is, from dependent, state-sponsored, and state-controlled organizations to more autonomous and active organizations.² But even if the business corporatist structure has gained considerable autonomy from the state, the system of interest representation as a whole has not necessarily become liberal --or societal-- because the other functional structures of the system --labour and peasant associations-- have not advanced in the same direction. The system of intermediation remains predominantly state-corporatist and the affinity with the authoritarian character of the political systems still holds (O'Donnell, 1977). Such variations along the state-societal continuum have deepened these representational imbalances already noted in ACCs by both the liberal and neo-marxist approaches to corporatism (Schmitter, 1979; Panitch, 1980; and Gobeyn, 1992).

The purpose of this chapter is not to duplicate the vast research undertaken by numerous scholars --Mexican and foreign--, nor to reproduce or revise their results. The main objective of this and the next chapters is to investigate the connections, if any, between the appearance of the Mexican global corporation and these new forms of political action. That is, to ask to what extent new patterns of business interest intermediation resemble those of entrepreneurs in other countries, correspond to the liberal ideology espoused and the ways business associations around the world interpret and practice the different strands of liberalism.

By and large, from the 1940s to the 1970s large entrepreneurs preferred personalized and informal mechanisms to further particular or sectoral interests within the state. From the 1980s onwards it was clear that the protectionist model introduced since Cárdenas had become exhausted or had greatly reduced its growth and development potential, forcing the

business and political elites to invest greater economic, organizational and political resources to bring about a change in the political discourse and policy metapreferences.

Entrepreneurs became aware that the exit option (that is, capital flight and disinvestment) was extremely shortsighted and suicidal in the long run if it was not accompanied by the voice option, that is, by different forms of collective action (Hirschman, 1970). Entrepreneurial organizations were either created or reactivated. Some came rapidly to the forefront of the ideological and political debate nurturing it with concepts and traditions of thought deeply rooted in the global entrepreneurial movement. Entrepreneurial organizations and collective action flourished, expanded and turned more dynamic and complex.

Luna and Tirado (1992:9) have divided the modern history of entrepreneurial interest associations in Mexico into two stages. The first, from 1917 to 1975, was that in which the great sectoral organizations, created between 1917 and 1945, dominated entrepreneurial collective action. The second, from 1975 to date, begins with the configuration of the Consejo Coordinador Empresarial (Entrepreneurial Coordinating Council, known by its Spanish initials, CCE) as an umbrella organization encompassing the most representative sectoral associations.

I will focus on the second stage since it is in this period that entrepreneurs profoundly revise political strategies, the rules governing relations with the state and institutional arrangements in order to illuminate the debate about policy alternatives. A few words about the first stage, however, seem necessary to understand the dynamics between the forces committed to continuity and those driving change.

From 1940 to 1975 entrepreneurial associations could be characterized for their great dependence on the state. They are state-sponsored and to some extent state-controlled. Except

for the Mexican Banking Association (ABM today), the most important sectoral organizations --Concanaco, Concamin and Canacintra-- were created, sanctioned, ruled and in many ways structured by the state.

Some of them were mandatory and this characteristic actually strengthened them during this first period since there were few incentives to join such organizations. The state deliberately kept sectoral organizations separated in order to put entrepreneurs sharing particular interests at odds with each other, weakening their force and collective action. This separation stimulated competition between sectoral interests.

However, several authors acknowledge that, even in this period, the power of entrepreneurial associations was far greater in relation to other functional associations in Mexico (labour and peasant), as well as to counterpart organizations in Latin America (Story, 1986), which confirms the multiple possibilities along the state-liberal corporatist continuum already pointed at by Schmitter (1979), O'Donnell (1977:48)³ and Lehmbruch (1982:7). Variations along the state-liberal continuum are however more striking in the Mexican case particularly with respect to functional associations (labour and peasant vs. business), rather than sectors of the economy, and the degree of participation of these associations in the different levels of policy-making.

In short, throughout this period (1940-1975) the state negotiated economic policy, sectoral, regional or more specific concessions and programs with the interest associations most affected by a given set of measures. Negotiations took place either in an environment of friendship or confrontation, often friendship with certain sectoral associations and confrontation with others, which gave greater autonomy to the state and credibility to its populist discourse. Basañez (1981) argues, for example, that the state deliberately manipulated social groups in this way to enhance its autonomy.

Entrepreneurial interest politics was predominantly reactive, concentrating attention on the process of economic policy-making in which the state held the initiative. The network of corporatist entrepreneurial associations connected, according to their specific sectoral interest, with the economic agencies of the public administration most involved in those sectors.⁴

From the 1970s on, business strategy in interest politics consisted in: (1) strengthening interest associations, rendering them more autonomous, proactive and aggregated, and redefining their action as political, although not overtly partisan; (2) diversifying institutional channels of communication and devices to privatise institutional arrangements governing the economy, government agencies and processes of policy-making without abandoning and sometimes enhancing ministerial, personal and informal lobbying; (3) rationalizing the negotiation process; and (4) promoting new interest organizations - corporatist or not- to fill gaps, stimulate specialization and technical expertise among entrepreneurial interest associations. As these strategies unfold, the structures of the associations and the policy networks they develop with public and private agencies follow trends present in ACCs.

5.1. Greater aggregation and specialization at the macro level of the corporatist structure⁵

Coparmex and the CMHN represent the first collective efforts to articulate a unified plurisectoral front to counteract state strategies which promote divisions between different sectoral associations, offset state participation in the economy and neutralise its populist rhetoric. They were created, however, parallel and in no way articulated to, or encompassing, other state-sponsored sectoral organizations, conveying at the end particular

positions and interests.

The CCE, on the contrary, was conceived from the beginning as an all-encompassing, peak association which would articulate and represent hierarchically structured interests. It was created by the presidents of the Concanaco, Concamin, Coparmex, CMHN, AMB and AMIS in the context of acute confrontations of entrepreneurs with the state in order to reverse participation of the state in the economy, fiscal reforms and the populist rhetoric which had been all greatly deepened during Echeverría's presidential term. It also aimed at influencing the appointment of the PRI's next presidential candidate and most likely subsequent president.

The most important characteristics of this organization according to Luna and Tirado (1992:36) were three: (1) it is plurisectoral, with a representation of industrial, retailing, financial, insurance and brokerage interests; (2) it is a "free" association on two accounts: it was created on the initiative of its affiliates, not the state, and affiliation is voluntary, not compulsory, as was the case for most organizations created between the 1916 and 1970; and (3) it is an association of associations, which means it can only affiliate intermediate organizations which in turn affiliate other organizations of a lower level of aggregation or, directly, enterprises or entrepreneurs on an individual basis.

However, as Luna and Tirado also acknowledge (1992:3), when you consider the free and voluntary character of the CCE you would also have to take into account first, that the decision to create the CCE was taken not by the members of the founding associations but by the presidents of those entities and second that affiliation is indirect. The Coparmex and other voluntary associations have questioned on these grounds the legitimacy of the CCE.

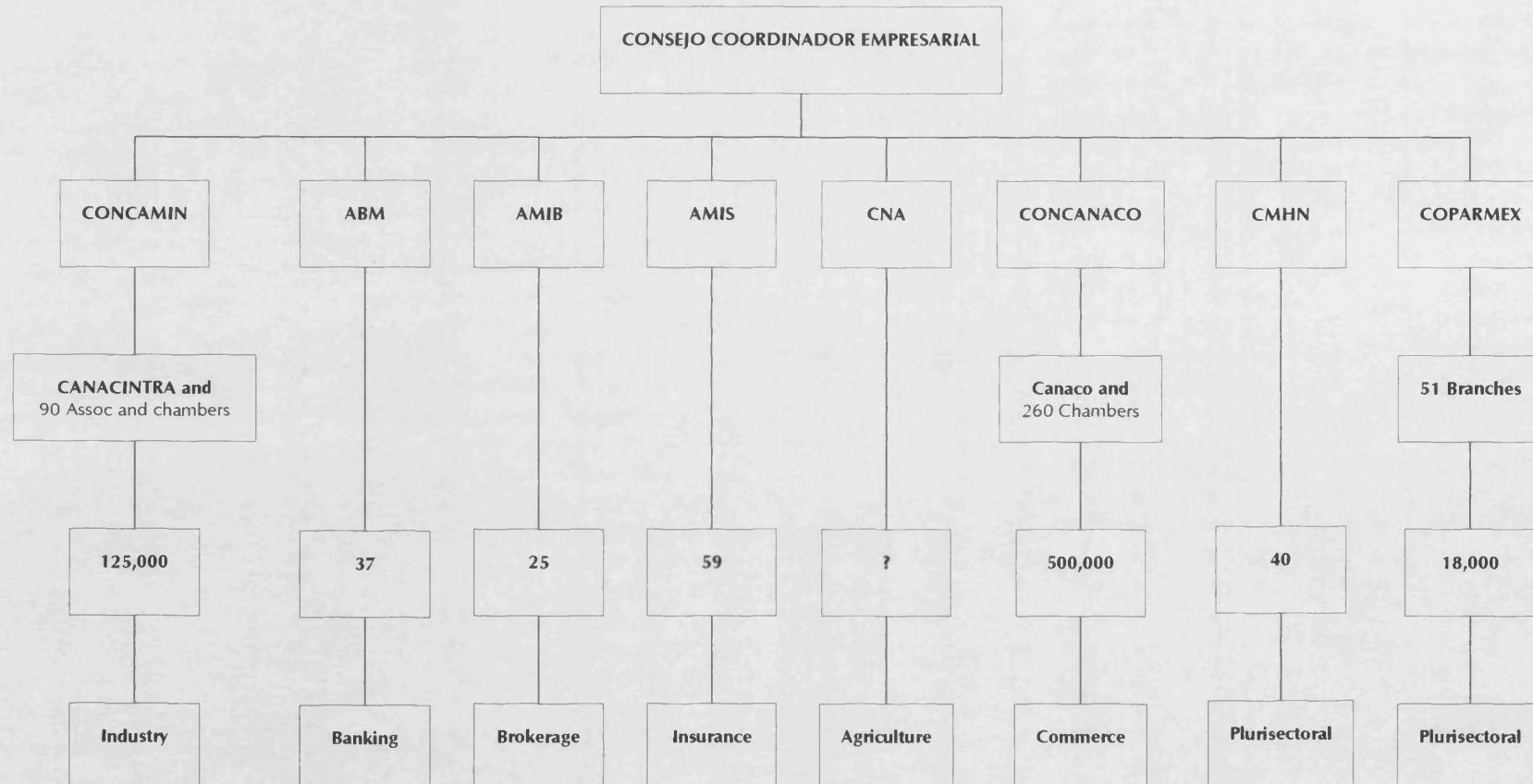
Furthermore, the structure of the CCE is strongly biased to favour the interests of the financial sector (represented by AMIB, AMIS and the ABM, reorganized after the

privatisation of the banks in 1991-92). As Figure 5.1.1. shows, the CCE structure is highly hierarchical and unbalanced. Integration of all, or the most important, sectoral organizations in an all encompassing functional association increased concentration and decreased the competition between the sectoral organizations observed in the previous period. However, accumulation of decision-making powers at the peak favoured the interests of a few economic sectors, firms and entrepreneurs that were disproportionately represented.

As can be seen in Figure 5.1.1. the CCE affiliates 8 organizations, each of which brings together a disproportionate number of members. While Concanaco and Concamin have, respectively, 500,000 and 125,000 members at the base of the pyramid, the AMIB, CMHN and AMIS have only 25, 40 and 59, respectively. Despite these great inequalities in the number of members, each of these intermediate associations has the same voting power (one vote) for the most important decisions. Canacintra and Canaco, which belong to Concamin and Concanaco, respectively, have voice but no vote. The ABM, rearticulated after re-privatisation has only voice too (Interview, No. 14). Coparmex and CMHN are the only plurisectoral associations grouped in the CCE. Moreover, those organizations having fewer members (AMIB, CMHN, AMIS and ABM) are controlled by the same large entrepreneurs who usually participate--directly or indirectly--in several financial and industrial associations. Table 5.1, elaborated on the basis of the membership of the CMHN, exhibits the concentration of voting power of big entrepreneurs. Eugenio Garza Lagüera, Carlos Slim and Adrian Sada González, for instance, who have large industrial and financial interests are represented at least 5 times. Since the largest, often global, entrepreneurs are present in one or more of the disproportionately represented organizations -AMIB, AMIS, ABM, CMHN- the structure is designed so that big entrepreneurs outweigh the great majority of firms.⁶

FIGURE 5.1.1. ORGANIZATIONAL STRUCTURE OF THE CCE

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SOURCE: Expansión
20-June-90 and Interview
No. 14

The case of the CMHN is of particular interest because it reveals not only how entrenched these interests are in the corporatist system but how these entrepreneurs borrow from different models to aggregate power too. The CMHN, created in the mid-1960s, greatly resembles two US associations, the Business Roundtable and Business Council. Like in the former, membership of the CMHN is by invitation only, extended exclusively to entrepreneurs linked to the very top Mexican corporations. Likewise, it is a rather secretive organization, with respect to functions, meetings, agenda and internal structure. The CMHN resembles the Business Council on different counts: it is a 'blue ribbon' organization which undertakes behind-the-scenes political action, cuts across many sectors of the economy, functions in a clan-like manner or like a very selective club, transcends company, regional and/or sectoral interests through informal interlocking and interpersonal ties.⁷

Although the CCE incorporates the most important traditional, mandatory associations which emerged in the 1930s and 1940s, it introduces new, more proactive, forms of consultation, negotiation and concertation with the state, formally tripartite but, as several authors have pointed out, bipartite in terms of the possibilities of influencing policy outcomes.⁸ Despite the heterogeneity of its components at all levels and the numerous contradictions between its members since it was first created in 1975, the CCE becomes by 1987 the most influential, virtually sanctioned,⁹ representative of Mexican entrepreneurs and the most important vehicle of negotiation and debate on the national level. The hierarchical structure allows greater management of contradictions and the articulation of highly differentiated interests into the common interests which are defended in the Social Pact Commission.

The restructuration of the business system of corporatist representation was accompanied and pushed forward by a greater mobilisation of several associations. After the

TABLE 5.1: REPRESENTATION OF GLOBAL ENTREPRENEURS IN THE CCE

Entrepreneur/firm	<u>CMHN*</u>	<u>AMIB*</u>	<u>ABM**</u>	<u>AMIS*</u>	<u>Concamin*</u>	<u>Concanaco*</u>	<u>Global</u>
MAlemán/Aluminio and Televisa (DF)	X				X		X
J Arango A/Cifra (DF)	X					X	X
I Aranguren C /Union Carbide Seguros America	X			X	X		
A Bailleres/Penoles P de Hierro (DF)	X				X	X	
C Ballesteros I/GMD, Desc	X				X		X
G Borja N/ICA Tremec (DF)	X		X		X		X
E Robinson B/Bachoco (Sonora)	X		X		X		
J Fernandez	X						
Eugenio Garza L/VISA-Femsa, Bancomer-VAMSA (MRY)	X	X	X	X	X		X
Bernardo Garza S/ Alfa (MRY)	X				X		X
C Gonzalez L/ Kimberly	X				X		X
C Gonzalez N/ La Comercial	X					X	
A Gutierrez P/ El Presidente	X					X	
E Hernandez P/ Herdez	X				X		
J Larrea O/GIMMSA)	X				X		X
A Legorreta/Inverlat-Comermex (DF)	X	X	X	X			
I Lopez del B/ GIS (Saltillo)	X				X		
P Lopez M/Desc (DF)	X				X		X
A Madero B/San Luis (DF)	X				X		
J Martinez H/ Sidek, Probursa I (JAL)	X	X	X		X		X

J Mendoza F/BI (DF)	X				X		
F Ponce G/Peninsular	X						
J Represas/Nestle	X				X		X
E Rojas G/TMSA	X				X		
A Ruiz G/Desc (DF)	X				X		X
A Sada G/Vitro, Serfin (MRY)	X	X	X	X	X		X
A Sada Z/ Cydsa (MRY)	X				X		X
J Sanchez N/ Modelo	X				X		X
L Servitje/Bimbo (DF)	X				X		X
C Slim H/Carso, Inbursa (DF)	X	X	X		X	X	X
Santamarina V/J Deere (DF)	X				X		X
A del Valle/Synkro	X				X		X
E Vallina/Ponderosa (Chihuahua)	X				X		
R Vega I/Ticharo	X						

SOURCE: Constructed on the basis of the composition of the CMHN and my data-base for the interlocking directorates

* See: Abbreviations

** The AMB was reorganized as the ABM after the privatization of the banks.

bank nationalization of 1982, radical entrepreneurs closely linked to the CCE, Coparmex and Concanaco¹⁰ openly supported the right wing opposition party arguing that business political and civic apathy allowed the state to make decisions countering business interests. Concamin and Canacintra opted for more cautious negotiations and bargaining (Anzaldúa Montoya and Maxfield, 1987:4).

By 1984 the CCE had adopted a more moderate position. The often contradictory and changing posture of the CCE responded to the debate and pressure from its own affiliates. Whilst the more radical organizations (Coparmex and Concanaco) held throughout the process the most anti-statist position, rejecting vigorously participation through a state

directed process of planning and advocating the dismantling of the corporatist system, Concamin and the members of the CMHN, on the other hand, aimed not at destroying the corporatist structure, but rather at restructuring it, but with business associations more powerful. Following this line, the CCE actively participated in corporatist consultations and negotiations, as long as these were designed as simple, purely technical and depoliticised bodies of policy-making and planning.¹¹

The formulation of a neoliberal project with a clear outward orientation contemplated entry into the GATT in 1986 and to the NAFTA between 1990 and 1993. Negotiations towards both agreements accelerated the development of entrepreneurial associations, making their structures organizationally more complex, comprehensive, vertically and hierarchically integrated, more active in the process of policy making, particularly with respect to foreign trade and investment. Associations representing the interests of exporters and outward looking firms --whether of national or foreign capital-- strengthened at the expense of corporatist chambers more closely linked to the interests of firms oriented to the internal market.

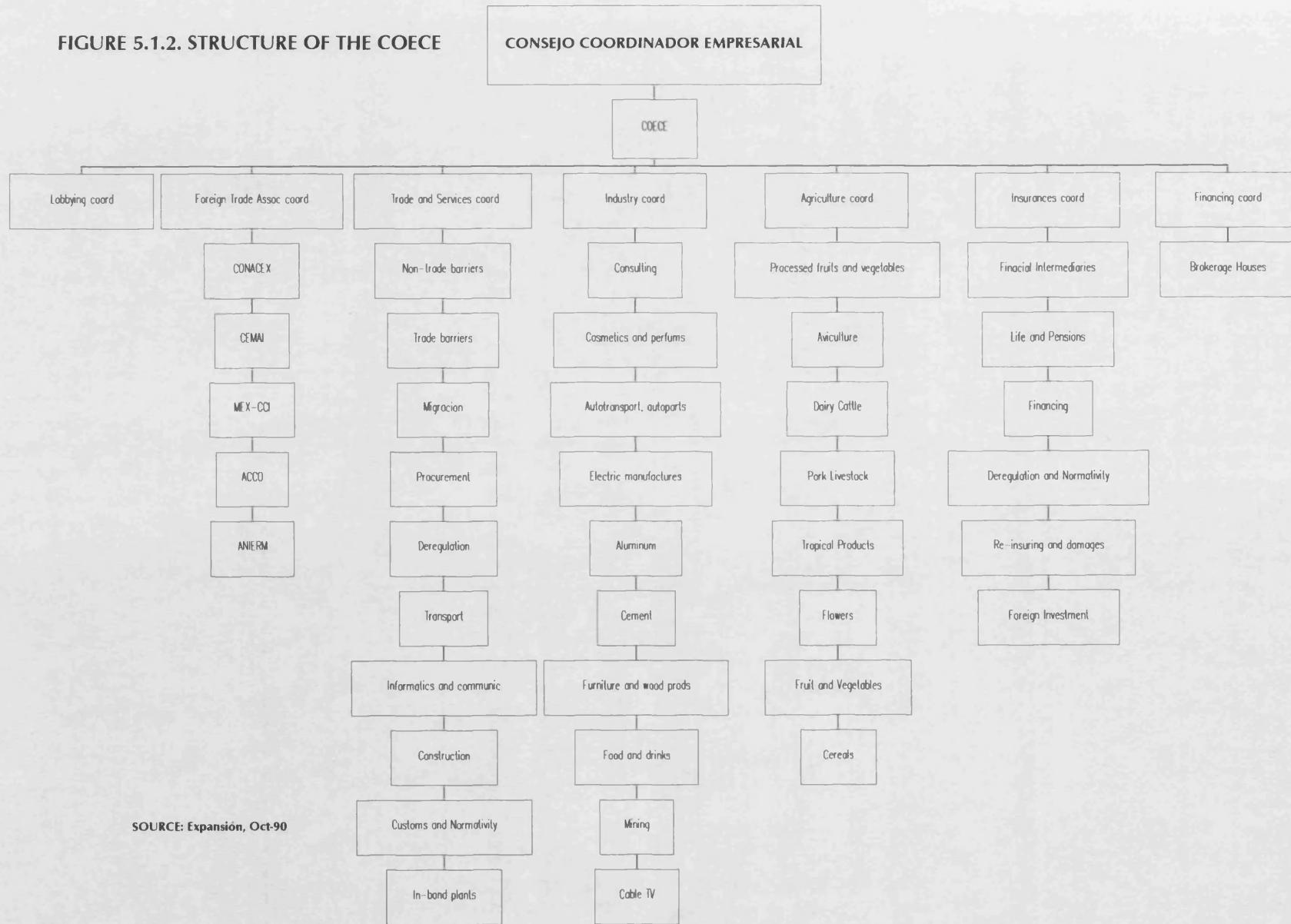
Hobbs (1991) thoroughly documents that even before the NAFTA was conceived, a group of independent associations specialized in foreign trade gained political status and representation as they became deeply involved in the formulation of an export oriented project from 1981 to 1984, in the Industrial and Foreign Trade Program (PROFIEX), the trade liberalisation packages in 1985, and in the decision to join the GATT in 1986.

Several facts testify that the process of building consensus around an export oriented project runs parallel to the articulation of an increasingly tight policy network specialized in foreign trade promotion, that gradually intertwined independent business associations (ANIERM, CONACEX, CEMAI, ACCO, CCM-EU)¹² with government agencies

(Bancomext, IMCE, the Central Bank) and public officials identified with an export oriented project. From a loose set of institutions which often competed for the monopoly of representation they advanced towards a highly coordinated policy network driving forward the government agenda towards liberalisation of trade and investment. Forces opposing the project (linked to Canacintra, Secofi and the labour movement) were out-numbered in the consultations and negotiations, deliberately engineered as technocratic and non-political, but which in fact led to the privatisation of the corporatist planning structures. National and international constraints (the debt crisis of 1981-82 and again 1985-86, the fall in oil prices in 1981 and 1986, and the budgetary and foreign currency restrictions they entailed) greatly reduced the government's economic leverage to manage a gradual transition and strengthened the IMF and the WB to push further liberalisation (Hobbs, 1991).

The formation of the Coordinadora de Organizaciones Empresariales de Comercio Exterior, COECE (Coordinator of Entrepreneurial Organizations of Foreign Trade) in 1990 crystallizes the process during which foreign trade associations tilted in their favour the balance of power within the entrepreneurial corporatist structure, privatised government agencies and gained recognition by the state. The COECE, created in the context of the discussions and promotion of the NAFTA to represent business interests in the negotiations through a mechanism of consultation ('the room next door'), is a highly aggregated and hierarchical association. It greatly reproduces, in fact, the structure of the CCE (see Figure 5.2.1.). The main differences are to be found in the issue arenas they specialize in. While the CCE concentrates on macroeconomic strategic issues, affecting particularly income-policy, and the concertation of social pacts to regulate prices, wages public spending and rate of exchange, the COECE, on the other hand, specializes on foreign policy, particularly foreign trade and foreign investment. According to Héctor Larios Santillán, president of CCE

FIGURE 5.1.2. STRUCTURE OF THE COECE



(Interview No. 14), the COECE was created since the beginning as an organism belonging to CCE and responsible of negotiating foreign economic policy. It comes to the fore at certain conjunctures, as those of the NAFTA negotiations and the need to formulate a defensive response to the US Helms-Burton Law. Consequently, the factions of capital more closely linked to the global economy and financial markets gained muscle and representation in the CCE, and the business corporatist system as whole, with the formation of the COECE.

Both the CCE and the COECE have a powerful representation of large entrepreneurs. Since they usually only participate directly on the higher levels of the hierarchy of the system, that is the CCE and COECE, or in those organizations which have a proportionately much greater weight in the structure as a whole (CMHN, ABM, AMIB, etc.), the composition and structure of these organizations greatly enhances their voice and clout. However, senior managers of global corporations participate in sectoral and regional associations so these corporations are often represented on these levels too.

Despite great inequalities between the affiliates at the base of the pyramid, a strategy of unity has prevailed. Contradictions between associations representing small and large entrepreneurs (Canaco and Canacintra versus AMCB, AMIB and Concamin), between the radical and the moderate fractions (the former represented by Concanaco and Coparmex and the latter by the Concamin, CMHN and AMCB) have been successfully relegated when strategic options are debated. Both the CCE and the COECE have presented a unified front to negotiate business interests in the definition, or redefinition, of national social pacts and macroeconomic strategies from 1987 to date and the NAFTA from 1990 to 1993. The asymmetry between Mexico and the two other countries involved in the Agreement was a quite powerful and convincing argument to present a unified position. Without the highly aggregated and hierarchical structure of these two peak, all-encompassing associations,

however, such a position of unity would have been far more difficult to achieve. Displacement of some business interests and subordination of others is still no doubt a source of tensions and contradictions which stimulate the articulation of independent associations which can call into question in the future the representativeness of corporatist structures, as Luna (1992a and 1992b) has pointed out.¹³

Although the system of interest representation is predominantly corporatist at the macro level, different possibilities of mediation and representation are not excluded. This is even more so in the case of Mexican entrepreneurs, who may undertake alternative actions favouring patron-client relations on the individual, informal, level, while using more formal, institutional devices on the collective level. The use (or abuse) of patron-client relations has recently become a source of conflict among more established big businessmen who resent the rapid growth of the power of new businessmen favoured by MMH and CSG (Carlos Slim, Roberto Hernández, Alfredo Harp Helú, Enrique Molina Sobrino and Cabal Peniche) who were rapidly outranking them. The interviews with high officials from Bancomer and Serfin (Interview No. 19, and 20, respectively), reveal these groups resent practices of bankers with "no experience in the banking system".

In general terms, however, a greater emphasis is given to formal, institutional, corporatist channels of communication in order to participate actively in the process of policy-making, from the level of sectoral and regional planning (mesocorporatism) to the level of the revision and reformulation of national economic strategies and the social pacts which carry such strategies forward, combining multiple devices and structures (macrocorporatism).

Greater aggregation of business interests means that the large corporations now have the choice to negotiate on a more or less aggregated level depending on the nature of the

policies they put forward and the forces resisting such policies. National economic strategies naturally demand greater aggregation specially when resistance can be foreseen from labour associations, as is likely to occur under income policies which hold down wage levels, for example in the social pacts from 1987 to 1994. Foreign economic policy which may affect small and medium entrepreneurs (entry into GATT and NAFTA) also demand a high degree of aggregation, not only because they imply a dramatic shift in practices but require a profound reconversion and a series of inducements and supports.

The devaluation of December 1994 and the crisis it unravelled provoked a setback in the process towards a more liberal form of corporatism. Zedillo could not deliver a concerted widely supported emergency plan and this had to be decided unilaterally by the state, at least until the end of 1995 when a new pact was finally signed, although most sectors remained quite sceptical. It is difficult at this point to assess the significance of this setback but the scope of the crisis reveals the limitations of Mexican corporatism to promote and guarantee economic stability.

If we compare the two peak entrepreneurial organizations with functionally equivalent structures of those in ACCs we discover certain similar trends: (1) Interests are hierarchically structured; (2) although competition between sectoral associations does not disappear, it is subsumed within the dynamics of the aggregation and division of labour and (3) there is no competition between COECE and CCE but rather, specialization, division of labour and representational monopoly in their specific policy arenas.

When compared to European and Canadian business corporatist structures, the Mexican counterparts show comparable high complexity and development at the level of the two peak, cross section, comprehensive organizations. As we have seen above, both the CCE and the COECE are all-encompassing in scope and purpose, specialized and coordinated

internally, institutionally strong and relatively autonomous from members to pursue long term strategies (Coleman and Grant 1984; Schmitter and Streeck, 1985).

Comprehensiveness or domain of representation is broad both sectorally and regionally speaking. Both integrate practically all sectors and regions and both show a high vertical integration, the pattern of which greatly resembles the French and German comprehensive associations. Coleman has typified them as 'Confederal Associations', that is, associations in which "Individual firms belong directly to the specialized associations and pay their fees to them. The specialized groups, in turn, pay a levy, usually based on membership size, to the overarching association." (Coleman, 1990:238-239).

5.2. Policy networks and associational development at the sectoral- (meso) level

At the meso level, that is, the level of sectoral and regional interest associations --most of which belong directly or indirectly to the two peak umbrella councils-- we find a more primitive stage of associational development. A detailed comprehensive description of the regulatory framework in the different sectors of the Mexican economy is well beyond the scope of this thesis, particularly since very little research has been undertaken in Mexico on the level of meso-corporatism. A few examples, however, illustrate that economic governance on this level evolves, though with great disparities and setbacks, from highly state-centrist toward a decentring of policy-making decisions and responsibilities through policy networks, that is, a more horizontal coordination between public and private organizations (Marin and Maintz, 1991). This trend, in turn, points at a more complex collective action by Mexican entrepreneurs whose strategic responses tend to converge with those of similar actors in ACCs.

We have seen in the preceding section that higher mobilization of business interests

brought about --together with other national and international constraints-- a breakdown of the statist approach on the macro-level of corporatist policy making (on both the income and foreign economic policies), changing the organizational characteristics of business interest associations from state- to liberal-corporatist, and the policy networks from those in which personal and informal ministerial lobbying predominated to corporatist networks which facilitate management, control and integration of competing interests.

On the meso level, the privatisation of policy networks is not an even or linear process. It is unequal depending on the degree of globalisation and disarticulation of the protectionist regulatory framework of these different sectors and on their vulnerability to much greater competition derived from a hasty economic liberalisation. Both the process of liberalisation and deregulation exposed economic sectors to highly differentiated environments and conditions compelling specific but in general terms more dynamic strategies of survival. The trend towards a greater privatisation of policy-making has been at the same time very contradictory because the process of restructuring has taken place in a highly unstable, dependent economy.

Campbell, Hollingsworth and Lindberg (1991:14-28) arrive at 6 different mechanisms of governance (markets, obligational networks, hierarchies, monitoring, promotional networks and associations). Mechanisms of governance can be typified according to: the degree of formal integration between the agencies involved (which can be low, moderate or high) and to the range of interaction between institutions coordinating economic activity (either bilateral or multilateral). Atkinson and Coleman (1989:54) typify policy networks according to the factors which condition their structure, that is, on one hand the level of mobilisation of business interests, which can be low or high; and, on the other hand, the level of autonomy and concentration of the state agencies involved in a policy arena.

These criteria yield 7 types of network (state directed, concertation, pressure pluralism, clientele pluralism, corporatism, parentela and pluralism). Kenis and Schneider (1991:27) contend that a combination of governance mechanisms and agencies may actually become involved in a process that tends to decentralize governance and political decision making. "Contemporary policy processes emerge from complex actor constellations and resource interdependencies, and decisions are often made in a highly decentralized and informal manner." These and other scholars (Hollingsworth, Schmitter and Streeck, 1994; Smith, 1993; Marin and Mayntz, 1991; Grant and Paterson, 1994), however, focus attention on ACCs when they examine governance systems and policy networks. Although the influence of a developmental, centrist state and the contradictions characteristic of a developing economy have inhibited this trend in Mexico, the increasingly greater power and organizational complexity of corporations and entrepreneurs move the process ahead, even if at a slower and more uneven pace.

With the sole purpose of illustrating some trends towards the redistribution of governance functions from state to private agencies of different sorts, I have selected the financial and industrial sectors where this process seems to have advanced fastest. I do not pretend to thoroughly describe or characterize the system of governance in each of these sectors, but rather to show their direction and the forces driving the process forward.

5.2.1. Governing the securities market

Globalisation has influenced the reorganization of policy networks in the securities market, in particular, which has changed from predominantly state-directed to a concertation network in which a narrow fraction of business, represented by the Mexican Association of Securities Dealers (by its Spanish initials, AMIB) and the MSE, share policy-making responsibilities

with state agencies (CNVB, COSSIF, etc.) and other private agencies (risk rating firms and auditing companies) (See Table 5.2.1).

The securities market is one of the most globalised sectors of the economy. The foreign investment balance, measured as the market value of shares held by foreigners (in ADRs, the Nafin Trust, the Mexico Fund and Free Subscription Shares) amounted to almost US 55 billion dollars at the end of 1993, that is 27% of the capitalization value of the securities market (201 US billion). Debt issues of Mexican companies offered abroad amounted to US 9791 million dollars in 1993, 138% over 1992 and 48% of the total obtained in the period 1989-1993 (CNV, 1993:29). Additionally, debt instruments have diversified and become more complex and sophisticated. These and other manifestations of the globalization of the MSE called for an institutional framework which would provide a climate of confidence, fairness and transparency not only among Mexican investors but foreign as well. This means not only that Mexican corporations listed in the MSE have to abide by the regulations and practices of the US Securities Exchange Committee (SEC) and the global policy networks if they want to trade in the US and other foreign markets. It also means that the greater complexity of debt and capital instruments (ADR's, warrants, options, medium term notes, eurobonds, etc.) demand much greater expertise, specialisation and division of labour between private and public agencies.

Though very slowly, the CNV gradually relinquished authority to several private agencies. The MSE judges on conflicts between intermediaries on the operation floor, monitors and supervises that warrants are properly covered, that liquidity and capital requirements of companies listed are fulfilled, and that a minimum of information is given to prevent risk. The AMIB has formulated the terms of the intermediary basic contract which is compulsory for all securities dealers. Besides, this association promotes the skills, human

capital and training necessary for the new instruments offered and for the higher disclosure requirements of transnational markets. In order to promote trust and credibility, from 1991 on, rating companies had to evaluate the risk of all new issues (securities, medium- and long-term commercial paper, etc.) before the CNV authorized listing. The CNV establishes the legal regulatory framework for listed companies and retains most monitoring and surveillance functions, though with a greater communication and coordination with other private agencies. The establishment of coordinating committees between the different public agencies involved and between these and the private agencies, national and transnational, have no doubt stimulated independent long term policy planning.

The policy network governing the security market can be characterized as a concertation network, according to Atkinson and Coleman's definition. That is, one in which the state agencies involved have a high autonomy and high concentration of power, and business interests are highly mobilized. Only a very small fraction of business shares responsibility with the state. The business activity is mobilized and the association has a high density of representation (all brokerage firms are affiliated to AMIB). The most important government agencies involved in the network --CNV, SHCP and COSSIF (See Table 5.2.1.)-- administer a corpus of law (the Law of the Security Market) and regulation that defines their responsibilities. Several interviews (No. 3, 5, 6 and 16) revealed that public officials have a functional mandate and usually have a clear conception of their role and are very jealous of their value system, as it is expected in this type of network (Atkinson and Coleman, 1989).

However, several forces hinder the development of a more decentred community policy network. The CNV still controls a very important area of the policy arena and delegates very slowly self-regulatory functions.¹⁴ Officials from AMIB resent and question

this approach by the CNV: "The CNV is much more constraining and regulatory than its counterparts in the UK and the US... There are not relations of trust between the public authorities, the association and the MSE as in those countries." (Interview No. 3). Nevertheless, representatives of the MSE consider self-regulation has progressed very slowly for several reasons: in contrast to the US and the UK, where horizontal community networks, relying primarily on private institutions (intermediaries, stock exchanges and interest associations), have prevailed from the start, and where government agencies have only gradually expanded their presence in the network since the crisis of the thirties, and even so only "... to develop, apply and enforce norms based on formal delegation of state authority", that is, "keeping the shotgun behind the door" (Coleman, 1994:250). On the contrary, the Mexican stock market emerged as a highly regulated activity in which the state supervision is excessive (even today the CNV has an internal and external auditor in the MSE); the CNV still fears speculative abuses, like those of 1986-87, given the size of the market and the weight of the actors involved. Investors and brokers do not want to eliminate, even if only partially, the securities secrecy because they are afraid of being exposed to a double control, at least whilst surveillance responsibilities are transferred from the CNV to the MSE. Nevertheless, different members of the community agree that the CNV does not have the capacity to properly supervise stock operations¹⁵ and is trying to create the conditions for self-regulation, at least in the area of operation, through the association, a code of conduct approved by the market community and other mechanisms. Several projects for a self-regulatory framework exist, but the contradictory interests between intermediaries, businessmen and authorities slow down the process and hinder possibilities to develop the environment of trust necessary for a more horizontal kind of policy network (Interviews No. 3, 5, 6 and 16). Officials from AMIB hope to follow the same path of the French stock

regulatory framework which evolved from a highly regulated, state-centrist, policy network to a more horizontal, self-regulated one (Interview No. 3).

TABLE 5.2.1. Securities Market Policy-network

Government agencies involved

- 1) National Securities Commission (CNV), the equivalent of SEC (coordinating agency). It was merged in 1996 with the National Banking Commission becoming the National Banking and Securities Commission (CNBV)
- 2) Attorney General's Office of the Federal District
- 3) The General Director's Office of Fiscal Auditing of the Ministry of Finance and Public Credit (SHCP)
- 4) The Ministry of the General's Office of the Comptroller of the Federation
- 5) The Attorney General's Office of the Republic
- 6) The Coordinating Council of Financial System Supervisors (COSSIF): which includes the CNB the CNV and the Nation Insurance and Bonding Commission

Private agencies involved

- 1) AMIB
- 2) MSE
- 3) Risk Rating Companies Calificadora de Valores (Caval)
- 4) Emerging Markets Federation

SOURCE: Own research

TABLE No. 5.2.2. BANKING POLICY NETWORK

Public Agencies

- 1) CNBV
- 2) CNV
- 3) COSSIF
- 4) SHCP

Private agencies

- 1) ABM
- 2) Credit rating bureaus
- 3) External Directors in the Boards
- 4) Internal and external auditors

SOURCE: Own research

5.2.2. Governing the banking sector

In the banking sector we observe, as in the securities market, that a narrow fraction of business, represented in the ABM, mobilizes increasingly to reorganize the policy network, as a concertation network in which private agencies play a greater role in surveillance and monitoring mechanisms. The strength of the ABM --as of other financial associations, e.g.,

AMIB and AMIS-- stems from the fact that they affiliate all the potential members, notwithstanding its voluntary status. The financial community is formed by a relatively small number of actors, due to the high degree of concentration, making affiliation and cooperation relatively easier. In addition, they control huge resources, not only economic but organizational and political: most members of these associations are tightly interlocked, as we have seen in Chapter 4, to the corporate network and can rapidly communicate with and mobilize manifold interests (manufacturing, construction, retailing, etc.).

The dismantling of the institutional framework which regulated banking activities until the eighties has been very disruptive and has provoked abuses calling for a revision of the regulatory framework and the policy-network. Deregulation from 1989 to 1992 considered four reforms to the banking law (Ley de Instituciones de Crédito); the elimination of state-control over interest rates (on both assets and liabilities) and of minimum reserve requirements in the Central Bank (Banco de Mexico); the independence or decentralization of Banco de Mexico's governance structure; privatization of the banks and the reorganization of the financial groups; and the liberalisation of the market to foreign capital with the authorization in 1994 of foreign bank subsidiaries to operate in Mexico. A framework of prudential regulation, similar to that of ACCs was considered sufficient. The risk capital coefficient was raised to 8% and it was supposed to be sustained by systems of portfolio risk rating. The fund of protection and banking insurance (with high savings proceeding from the nationalization period) provided, it was believed, additional protection (Suarez Dávila, 1994:9).

The removal of federal reserve requirements generated large amounts of liquid assets in the banking system. The new private bankers were very keen to lend in order to recover faster the high prices they paid for the banks (Elizondo, 1992b). Most banks expanded loan

portfolios almost indiscriminately. In addition, as many analysts have pointed out, the new banking legislation was poorly drafted particularly in as much as it did not provide mechanisms of loan management, supervision and rating. The system failed to oversee quality of loans, insider lending and adequate credit reporting. Non-performing loans increased from 8% in June of 1993 to 10% in June of 1994,¹⁶ when on average they amounted to 4% of a bank's debt on an international level. Banamex's non-performing loans reached 11.9% of its entire debt, Bancomer's 10.3% and Serfin's 12.2%. In an interview, Guillermo Ortiz Martínez, Secretary of Finance during Zedillo's administration, admits "there was no mechanism of banking supervision strong enough to anticipate the risks on time. All this happened in the context of deregulation, of very rapid growth of loans, insufficient banking supervision, excessive asset appreciation, and all of this provoked a great deterioration of the quality of loans." (Epoca, 3-June-96). In short, liberalisation of interest rates and financial funds plus privatisation of the banks at high prices generated profiteering expectations among the new bankers which in the context of a slack regulatory framework provoked serious dislocations in the banking system.

There has also been incapacity to enforce regulations concerning the limits to insider lending. According to the Law of Credit Institutions (Article 17) "no individual or company can directly or indirectly, through one or several operations of whatever nature, borrow more than 5% of the social capital of a multiple banking institution." However, as Jean-Pierre Caldairou, representative of Banque Nationale de Paris in Mexico acknowledges, "it is really a question of ethics" because an industrialist controlling a bank "is not going to apply to his companies the same rigorous loan standards he would apply to other clients." (El Financiero International, 6-Nov-94).

The call for a code of ethics and more efficient mechanisms to enforce banking

regulations has been underscored by several financial frauds, such as one involving a leasing, insurance and brokerage company, Havre (for US \$400m), and the other involving Carlos Cabal Peniche, who lent US \$700m of the Cremi-Union bank to his own business concerns.¹⁷ If you take into account that of the 37 commercial banks controlled by Mexican businessmen, 21 belong to industrialists, the need for stricter controls and supervision is further highlighted, particularly because throughout 1994, even before the Havre and Cremi-Union scandals surfaced, SHCP warned several banks to be more careful with their loans criteria.

In the light of the regulatory problems above mentioned, several suggestions have been made. Debt management and credit policies are considered the key to long term improvements in the quality of portfolios. The Financial Commission (formed by the SHCP, CNBV, ABM) is formulating a project with the help of US advisors bring banking regulation up to international standards. Among other things the project considers (1) the creation of credit rating bureaus similar to those operating in ACCs; (2) new regulations that will require auditors and external directors to play a more active role in scrutinising the operations of their companies; (3) new rules requiring banks to assess their exposure to market risks, such as interest rates and devaluation; and (4) a code of ethics which among other things would establish norms to regulate and supervise the links between industrialist and bankers (Financial Times, 12-July-95).

As can be seen, all the suggestions mentioned to counteract irregularities and abuses in the application of the existing legislation and regulations presuppose a greater coordination of the agencies involved in the policy network (public, such as CNBV, COSSIF, SHCP and private, such as ABM, credit rating bureaus, auditors, etc.) and a redistribution of authority functions.

The main problems, however (volatile interest rates and a sluggish economy) have

deepened greatly with the economic crisis unleashed by the devaluation of December 1994, deteriorating the situation of some banks to the point of bankruptcy. In this context, a more horizontal policy network may do little to improve the situation and a return to a more statist approach has already taken place. By 1996 the state had intervened in 7 banks (Banpaís, Cremi-Unión, Banoro, Banco Obrero, Interestatal, Capital and Banco del Sureste) to avoid bankruptcy and panic runs. Besides, it offered support to restructure debt portfolios and foreign debt through the Fund Foboprofa. The cost of the government bailout has been estimated by Urzúa (1995) at 10% of GDP. But even this may not be sufficient and take overs by foreign banks are expected. Some are already under way. InverMéxico, for example, is negotiating with First Boston to sell control, Inverlat has already sold control of Comermex to the Canadian bank Nova Scotia and Probursa to the Spanish Bilbao Viscaya.

5.2.3. Governing the industrial sector

Variations between industrial sectors are still more striking than variations between the financial sectors, partly because the levels of concentration, oligopolistic control and globalisation are very different, partly due to different associational development and partly to the specific characteristics of the production process and clusters.

The dismantling of the protectionist regulatory framework during the eighties created an institutional vacuum. As Atkinson and Coleman (1989:53) foresaw in the case of ACCs, the speed at which policy networks are reconstituted depends on the capacity to create associational expertise, to generate technical and political information, expand mobilization and participation in policy-making (formulation and implementation) and on the ability to enforce the agreements, dispositions and codes of conduct.

The industrial sectors which are more concentrated and globalised are reconstructing

much faster the policy networks than sectors where small and medium companies prevail. In particular, sectors where the largest firms have promoted associational activity, business organizations have developed greater capacity of strategic response, extending their control over certain policy functions such as training, health regulatory measures and other industrial relations activities, quality certifying, environmental control, customs supervision, supply management schemes, export promotion, and other policy arenas where the state agencies no longer have the necessary resources and expertise to promote or to carry them out. Additionally, highly concentrated sectors, seem to produce more mobilized business communities, more involved in associational activity and more interested in promoting a more active role in the formulation and implementation of policy-making and in a wider array of private agencies developing new expertise.

Without claiming to exhaust the range of possibilities, not even to show the most representative cases, but rather to illustrate some dominant trends and the forces behind them, I briefly discuss the cases of 4 industries in Mexico, which I have chosen on the basis of the degree of concentration. These are, on one hand, the steel, cement and construction industries which are highly concentrated, and on the other, the garment industry where the large majority of firms are small and medium size firms.

The steel, cement and construction sectors share certain market, community and associational characteristics. They are highly concentrated sectors, where a few economic groups dominate the market, even if a large number of small and medium size firms have survived, as in the construction and steel sectors.¹⁸ The largest groups --some of which have become global (Cemex, ICA, Tribasa and Bufete Industrial)-- have contributed decisively to the development of their sectoral associations, in some cases since they were first founded (the case of the Construction and Cement National Chambers where the most important

shareholders of the groups founded, presided and promoted the development of their respective associations) and, in the case of steel since its recent privatisation.¹⁹

Despite these similarities, the structural complexity and organizational resources of these three sectoral associations (CNIC, CNC and Canacero) vary greatly. The National Chamber of the Construction Industry (CNIC) has no doubt the highest level of organizational development in terms of its internal structure, professionalization of staff and capacity to generate information and expertise. The internal structure is extremely complex. It is formed by 42 state and regional delegations which in turn affiliate 18,000 firms, and it is organized in 5 vicepresidencies. The latter act through more than 85 task committees, some related to specialized subsectors of the industry (such as housing, engineering, industrial construction, machinery and equipment, etc.), and others to tasks of promotion, consultation in the formulation of laws, regulations and other legal proceedings. In addition, this chamber has created three institutions with a relatively independent governing board to support and offer additional services to its members: the Institute of Training for the Construction Industry (ICIC) founded in 1978 to improve qualifications of the sector's labour market; the Construction Technological Institute (ITC) sponsored since 1983 by the CNIC and ICIC to offer undergraduate, postgraduate and specialized courses in construction; and the Centre to Promote Housing Development.

The CNIC has been very vigorous for many years, furthering the interests of the firms through mixed commissions and consultation bodies created according to the construction needs of the public and private sector (49 mixed commissions with important institutions such as Pemex, CFE, Telmex, Fonatur, among many others), all of which are coordinated by the vicepresidency of Promotion. To the more traditional roles of consultation and concertation with government agencies, the CNIC has increasingly added a more active

role in training, financial promotion and monitoring safety measures. On all of these counts it has sponsored independent agencies and a tighter coordination with national and international organisms to develop the needed expertise. Particularly after the agreed gradual opening-up of this sector in the NAFTA,²⁰ the Chamber and the largest groups have been concerned to develop the management expertise, specialisation and financial resources to bid successfully for 'turnkey' projects, that is projects which require one company to be responsible for providing all the services needed (engineering, procurement, construction and even financial services). As the government tends to opt for this kind of project, particularly in the petroleum and power generation sectors, and a larger number of foreign firms will have access to this market, small and medium size firms will depend increasingly on offering specialised subcontracting services to turnkey contractors. In this light, the CNIC promotes greater coordination, associations and consortiums, providing information about possible avenues of specialisation, promising niches in the sector and business opportunities to find access to these projects (CNIC, 31-August-94:1-4).

Credit is an area where Mexican companies compete with great disadvantages since foreign companies tap financial markets at substantially lower rates. To counteract this trend the CNIC has intensified the promotion of special lines of credit for construction firms at lower than commercial interest rates. The chamber created mixed commissions with practically all the development banks and promotion trusts --Bancomext, Nafinsa, Banobras, FIRA, Fidec and Fonatur-- with the purpose of keeping its affiliates informed of the possibilities and mechanisms to access such funds.

In the area of regulation, the permits for construction in Mexico City are no longer authorized by state agencies, the Delegations, but rather by specialized bureaus licensed by a mixed committee where the CNIC participates with Sedesol. This has contributed to

eliminate corruption, to lower costs of construction and relieve the state from a task that demands engineering and environmental expertise.²¹

The cement industry is still more concentrated and oligopolistic than the construction sector. Two corporations concentrate 83 % of the national market: Grupo Cemex with 63 % and Grupo Apasco with 20 %. The former has participated actively in the activities of the CNC. Lorenzo Zambrano, Chairman of the group, presided over the CNC from 1987 to 1988. Cemex could be regarded, in fact, as a 'tripartite firm', that is a firm that has traditionally supported the associative activity and has played a key role in its development (Coleman and Grant, 1984:227). 5 out of 6 members of the Executive Committee of the CNC come from Cemex or from one of its subsidiaries, and of 30 directors in the chamber's board, at least 24 are high executives from Cemex.

The structure of the CNC is very simple, particularly when compared to the CNIC, largely due to the nature of the productive process and the simplicity of its productive clusters. It is only integrated with the construction industry on the higher end of the production chain and extraction of minerals at the lower end. On the contrary, the construction industry is linked to about half of the 72 sectors of the Mexican economy (IMEF, 1993:115). The level of professionalization of the CNC is practically nil. It is organized in 4 Commissions (Ecology, Security and Hygiene, Norms and Legal Affairs). Commissions and governing bodies rely on the support provided, on a voluntary basis, by professionals from the affiliates. Mexican cement firms are highly competitive and have not been greatly threatened by the trade opening. On the contrary, they have diversified export possibilities on the basis of a cost cutting strategy. And health security costs have become an important target. Despite a low associational development, the Chamber has developed an aggressive activity to influence health and security measures, and lower the contributions

the firms have to pay to the Mexican Health Institute (IMSS) which has traditionally rated the industry as a high risk activity, from the point of view of work accidents and work related diseases. With the help of specialized bureaus of social workers and the health teams of the members, the chamber has promoted the revision of the frequency of work accidents and work related diseases and has lowered substantially the IMSS rating. Additionally, it organizes seminars and discussions to develop measures of security, working conditions, health and hygiene systems for the industry whose results have been highly commended by the health authorities in Mexico and Spain, where Cemex implanted its health system.²²

The National Chamber of Steel (Canacero) has a rather rudimentary structure too, although more complex than that of the Cement Chamber. It is organized in task related commissions (Norms, Ecology, Hygiene and Security, Training, etc.) which basically respond to the processes of consultation the chamber sustains on a permanent basis with the government agencies, particularly with Secofi, Sedesol, the Ministries of Health, Finance and Labour. In the area of procurement and import substitution it has created mixed consultative commissions with Azúcar, S.A., Covitur, Pemex and CFE. Besides, Canacero is affiliated to the International Institute of Iron and Steel, it is the official representative of the Regional Mexican Ministry of the Latin American Institute of Iron and Steel and it has recently stretched links with the American Iron and Steel Institute.

The process of privatisation of the steel industry (60% of the market was controlled by the state until 1990), the liberalisation of prices, the opening of the economy and a much greater competition have influenced the reorganization of the industry, the associational activity and the network of institutions that support this industry.

Before the privatisation, Canacero was not a very dynamic chamber. It was controlled by the government. Steel prices were regulated by Secofi and not by the international market

as today. After privatisation the firms more committed to the association --AHMSA which was privatised by Grupo Acerero del Norte, HYLSA (subsidiary of Grupo Alfa), IMSA and Sicartsa I (Grupo Villacero)-- have exerted great pressure to make the association more responsive and dynamic, with respect to the challenges posed by the trade liberalisation, particularly the need for credit facilities, controlling dumping and unfair competition.

Canacero has consequently diversified its activities from the traditional promotional expositions and consultations with government agencies to a more aggressive defense of the interests of steel companies through new policy-making devices. Thus, it signed an agreement with the Ministry of Finance (SHCP) in February of 1994 to collaborate in training technical personnel in the Customs Offices, develop a methodology to prevent the introduction of dumping products, identify the country of origin, verify quality norms, strengthen the laboratory infrastructure and unify criteria with the US and Canada to classify steel products. It signed a second agreement in May with Nafinsa to create a fund of US\$1,200 million to provide risk capital, long term credit for turnkey projects, short, medium and long credit 'take or pay' contracts²³ for suppliers of steel firms. Under the Agreement Bancomext-Canacero to Preserve the Competititvity of the Mexican Steel Industry, Bancomext created a fund of US\$200 million which was later increased to 500 million.²⁴ These two credit agreements, with Nafinsa and Bancomext, and a project to organize a data base to identify business opportunities for its members have attracted greater attention from small and medium size firms which have been generally indifferent towards Canacero because they feel the Chamber is controlled by and only benefits the interests of large corporations.²⁵

Even in sectors where small and medium firms still prevail, new challenges derived from a more intense competition (often with dumping products), massive imports and closing

of numerous plants have forced associations to develop greater initiative and change from a reactive to a more proactive policy approach. The National Chamber of the Garment Industry (CNIV), in particular has traditionally had a very passive policy approach. After the approval of the NAFTA, it intensified communication with the affiliates to keep them informed of the results of the negotiations, the tariffs agreed for each article, the stages to gradually eliminate them and the perspectives and possibilities under the new regulatory framework. Faced with the pressure of a declining share of the domestic market, the chamber has advanced in other directions too: greater coordination with training institutions, developing supply management schemes, supporting and training customs personnel, and promotion of special financial schemes for small and medium firms.

The garment industry is a very diversified, dispersed, labour intensive industry, squeezed in the production chain between two highly oligopolistic sectors, textiles and retailing.²⁶ As has happened in other countries in sectors with similar characteristics --the case of the food industry in the UK and Canada examined by Coleman and Grant (1984:226)-- the CNIV has initiated, in close coordination with the National Association of Retailing Companies (ANTAS) and the Ministry of Commerce (Secofi), a supply management scheme called 'quick response'. With this new concept, the data bases generated by marketing with the bar code system will be used to identify consumers preferences in Mexico, the US and Canada, accelerate times of delivery and replacement, and find attractive niches for Mexican companies. In this first pilot stage, the purpose is to organize the supply of only 3 products (jackets, trousers and shirts) to large retailing stores in Mexico affiliated to ANTAS. Depending on the results, the program will be expanded to cover other products and countries subscribed to NAFTA. Both associations --ANTAS and CNIV-- expect to benefit from a more efficiently managed supply, which will hopefully generate a

more sophisticated demand.

The effort to support the customs infrastructure resembles that of Canacero. The confusion that followed a hasty opening to foreign competition has taken years to resolve. According to Guy Lebron, vicepresident of the Federation of Associations of the Textile Industry, a lobbying group for many of the largest manufacturers in the sector, "We have been at the mercy of dumping ever since. In 1990, for example, tariffs were imposed on denim from Hong Kong. But customs personnel weren't trained to detect the goods, there were no clear guidelines for certificates of origin and there was administrative chaos for four years. In fact, the government rules didn't help at all." (El Financiero International, Dec. 5-11, 1994). It was believed that new government rules to standardize certificates of origin and more qualified personnel to control imports of garments could improve substantially the situation of the industry. However, the contraction in the consumer's power expected for 1995 may dislocate once more all these arrangements.

As can be seen, despite great disparities in their level of development, all the industrial and financial associations examined have been forced to become more actively involved in the policy-making process and to diversify links with government agencies and with other private agencies. The general trend on the meso level is, therefore, to evolve from reactive to a more proactive strategic attitude towards policy-making, from state-centrist to more horizontal policy networks in which responsibility in policy formulation and implementation is shared by a greater number of private and public institutions.

Thus, as on the macro-level, Mexican entrepreneurs are also exploring on the meso-level new possibilities to govern the activities in which they operate. In general terms the new arrangements point toward a more aggressive and sophisticated approach by entrepreneurs in the policy-making process. The most concentrated and globalised sectors

have advanced faster in this direction, probably due to greater communication and feedback with global agents (clients, suppliers, partners, international associations). Other sectors have followed suit, partly prompted by the need to rearticulate a regulatory framework and overcome an extremely precarious and unstable situation, and partly driven by the example set forth by the most successful sectors or by sectors in their own clusters.

Policy- and decision-making power has been redistributed in this way among a greater number of institutions depending on their capacity to generate information, expertise, training and access to organizational resources.²⁷ Consequently, research entities have mushroomed in the most important associations to support their political action and further particular, regional, sectoral or class-wide interests.²⁸ Similarities with ACCs in this process of rationalization are manifold and stem from the links organizations and specialized research centres have with similar institutions in those countries, which no doubt facilitate communication and diffusion of criteria and policy strategies; from the complexity of the process of policy-making itself, which is increasingly evaluated and influenced by global institutions such as the IMF, WB, WTO and ISO, and must therefore comply with certain international standards and norms; and from academic and intellectual traditions of thought that inspire and motivate technocrats in the public and private administration.

Although lagging far behind --and often with serious and unpredictable setbacks-- this process seems to advance in the direction pointed out by scholars focusing attention on ACCs, most of whom agree on the many possibilities and combinations of policy-networks within and between sectors, but in general tend towards more horizontal coordination.²⁹ Besides this tendency toward a greater horizontal coordination, policy networks and associational development resemble those of their counterparts in ACCs on four more counts. First, there has been an increase in the bipartite nature of negotiations, consultation

commissions and decision-making bodies, involving only private and government agencies. Labour organizations are generally excluded, except where industrial relations issues are discussed (health, training, working conditions). Second, the lines dividing private, public and state functions tend to be blurred too. Third, differences between associational development, policy-networks and policy approaches across sectors vary greatly in ACCs also, as Hollingsworth et al (1985 and 1994) demonstrate in the US case. Fourth and last, technical qualifications and professionalization have become highly valued as political resources that strengthen organizational position and action *vis à vis* the government, the media and other interest groups, organized or not. They have stimulated, in turn, the convergence of discursive jargon, values and ideology with those of public officials (the so-called technocrats).

5.3. Conclusions

While, on one hand, the business corporatist agents explore new paths and strategies to make the structure of business interest representation more complex, modern, hierarchically ordered, aggregated and effective in terms of policy outputs, on the other hand, labour corporatist associations weaken, become increasingly disarticulated and even promote flexibilization of corporatist controls and marketization of labour-management relations (Gobeyn, 1992:18-22; Luna, 1992b:136). Like in the case of the European Community and the Trade Agreement between the US and Canada, the processes of economic integration and the negotiations leading to the NAFTA advanced the development of the business corporatist structure. Associations representing exporters' interests strengthened at the expense of those representing firms that concentrate their activities in the internal market. The fractions of capital most closely linked to the global manufacturing and financial markets have become

better represented in the structure. The weight of large, global corporations and entrepreneurs in the system of representation of business interests is very strong at all levels, but especially in the peak, comprehensive associations (CCE and COECE) and in those sectoral chambers which enjoy greater sway in the structure as a whole (ABM, AMIS, AMIB, CNIC, CNC, etc.).

In the meantime, labour and peasant associations have lost both representativeness within the state apparatus (in the process of policy-making and in Congress) and legitimacy with their affiliates because neither the state nor the leaders are able to deliver the traditional trade-offs which underlay the corporatist relation since the 1940s: votes and political stability in exchange for favourable social policies, economic concessions and electoral positions in Congress (Casar, 1991). Additionally, global trends alter the correlation of class forces in favour of capital, modifying substantially the terms of the bargaining processes. Mobility of capital, trade deregulation, differentiated investment opportunities, unemployment and other global trends greatly undermine the role of labour organizations in the process of policy-making, as it occurs in ACCs with well entrenched corporatist patterns of interest representation (Gobeyn, 1992).

At the level of both peak, comprehensive associations the interests of global entrepreneurs are furthered, in particular, by the CMHN, the financial and foreign trade associations, all of which are overly represented and are to a large extent controlled by these global entrepreneurs. The CMHN takes after two US business organizations, the Business Roundtable and Business Council. Neither the CMHN, nor the US counterparts (the Business Council and the Business Roundtable) have direct, organizational, ties with specialized sectoral associations. But whereas the US associations work in the context of a pluralist system of interest representation which greatly waters down its influence,³⁰ the CMHN, on

the contrary, has penetrated a highly aggregated, corporatist system and its privileged articulation to both the CCE and the COECE, enables this association to influence decisively the structuration and definition of business interests as a whole.³¹

Consequently, the NAFTA, the process of economic integration and the emergence of Mexican global corporations have not led to the formation of supranational institutional corporatist arrangements which Neofunctionalist theoretical approaches expected to arise, as they did in the case of the European integration. Schmitter and Streeck (1991) show that in the case of the integration of the European Community, supranational corporatist structures were promoted at some points but they never took hold. In the case of Mexico we find a similar situation. A search for new corporatist arrangements which would correspond to the more favourable position of large, global corporations *vis-à-vis* other social forces, including small and medium size entrepreneurs more inwardly oriented, did not mean the formation of corporatist structures on a supranational scale probably because global organisms such as the IMF the WB, WTO as well as think-tanks with links throughout the world (The Heritage Foundation, etc.) and the TNCs themselves have at their disposal other mechanisms to influence policy-making at the macro and meso levels.

Privatisation of institutional arrangements governing the economy has advanced more rapidly in the areas of income and foreign trade policy (which are governed by corporatist arrangements) and in the most concentrated and globalised sectors of the economy in which a combination of corporatist and non-corporatist mechanisms is emerging.

The sectors examined in this chapter (securities, banking, steel, construction, cement and textiles) undergo profound changes in the structure of policy networks, most of them triggered by economic and political reforms. In the case of the banking sector adjustments respond to a rapid process of deregulation; the securities sector reacts to a much deeper

integration to the global securities markets; steel responds simultaneously to privatisation and the opening of the market; construction to deregulation and the opening of public contracts to foreign competition; textiles to the opening of the market, dumping practices and a more intense competition.

The greater redistribution of policy-making roles from the state towards private agencies, on the level of meso-corporatism, can be explained as the result of (1) the incapacity of the state to develop the expertise and specialisation needed in all fronts of economic promotion and regulation, especially in the context of a rapid economic opening; (2) greater mobilisation of business interests; (3) more complex and mature organizational activity; and (4) more intense feedback from other experiences around the world. Nevertheless, the trend towards the breakdown of the state centred policy-networks, which prevailed during the ISI policy-making, seems to advance very slowly and irregularly due precisely to the scope of problems the new more horizontal networks are supposed to manage and overcome, i.e., economic instability and economic dependency. But as long as the sectors survive, the search for institutional alternatives to manage problems of interdependence will probably continue and will involve a greater number of social agents, supporting Campbell, Lindberg and Hollingsworth's argument ".that governance transformations are likely to occur when actors, who are unable to manage problems of interdependence to their satisfaction within the existing arrangement of governance mechanisms, search for institutional alternatives in contingently rational ways." (Campbell, Lindberg and Hollingsworth, 1991:8)

Although entrepreneurial influence in party politics grows considerably too, next chapter argues that it advances in the opposite direction. Whereas interest politics promotes depersonalisation, institutionalization and professionalization, following patterns widely

spread in ACCs, party politics in Mexico moves in a more anarchic and contradictory way furthering clientelistic and patrimonialistic patterns of action. That is, entrepreneurial party politics furthers short term, particular interests while interests politics is more concerned with furthering long-term, class-wide or sectoral interests. New patterns in party politics tend to hinder and distort the process of institutionalisation and modernisation of entrepreneurial action in interest politics.

NOTES

- ^{1.} Though with some caveats Story(1986), Maxfield (1990) and Camp (1989) agree with this characterization.
- ^{2.} See Schmitter's (1979) definition at the beginning of the chapter. Luna, Valdés and Tirado have examined the nature of the entrepreneurial interest intermediation in multiple works. The most comprehensive are: Luna (1992 and 1987), Luna and Tirado (1992), Luna, Valdés and Tirado (1987a and b).
- ^{3.} O'Donnell in fact argues that corporatism is inherently 'bifrontal' in as much as it presupposes, on one hand, subordination of certain groups (labour and peasants), and on the other, opening spaces of participation in the state, usually for business interests (1977:48).
- ^{4.} Luna and Tirado (1992:24-25) have classified this negotiation as the economic-administrative action of entrepreneurs. Atkinson and Coleman (1989:54) refer to 'state directed policy networks', characterized by low mobilisation of business interests, high autonomy and concentration of the state.
- ^{5.} While in Mexico the amount of empirical research on macro-corporatism is very large, that on meso-corporatism is almost non-existent. This section of the chapter relies basically on secondary sources and, in particular, on the research of Matilde Luna, Francisco Valdés, Ricardo Tirado and Jeremy Hobbs.
- ^{6.} From its foundation the CCE has also had a regional bias embedded in its structure which privileges groups from Mexico City. Regional branches of the sectoral associations have aggressively questioned this preference, even after considering that the Committee of Direction (Comité Directivo) must include at least 15 (around 42%) of the 32 representatives from the branches outside of Mexico City (Luna and Tirado 1992:43).
- ^{7.} For the CMHN see: Camp (1989:167-70); for the Business Roundtable and the Business Council in the US see: Hollingsworth and Lindberg (1985:236), and Coleman (1990:248-251).
- ^{8.} O'Donnell (1977:48-49) points out that for labour the Social Pact has become a device to control demand-making and for business it means an additional policy-making device.
- ^{9.} Although representation of the CCE is not legally sanctioned in the Law of Chambers of Commerce and Industry, the state endorses its credentials as the representative of business interests on a national scale in the negotiations for the Social Pact since 1987 and in the Following-up Commission of the Pact, which has become the highest, most aggregated device of negotiation between functionally organised interests.
- ^{10.} Manuel Clouthier presided over the Council in 1981-82, Jose Ma. Basagoiti presided over Coparmex and Emilio Goicochea over Concanaco. As can be seen in Table 6.1, Goicochea and Clouthier competed in several elections representing the opposition party, PAN.
- ^{11.} Hobbs (1991:284) quotes Claudio X. González, president of the CCE at the time and member of the CMHN saying: "Previous governments told us that the balance between the market and state direction should be flexible because of the diversity of the mixed economy ... this situation of maintaining a certain flexibility worked whilst the pact and the consensus continued to exist, at the moment they broke [however] we have to go back and restructure them and for that we have to define certain spheres of influence and paths, without which it is going to be difficult."
- ^{12.} ANIERM: the National Association of Mexican Importers and Exporters established in 1944; ACCO: the American Chamber of Commerce in Mexico; CEMAI: the Mexican Business Council for International Affairs (created in 1950); CCM-EU: the Mexico-US Chamber of Commerce; and CONACEX: the National Council for Foreign Trade.

¹³. When firms feel their interests are not represented or are relegated they may be encouraged to opt out. Procentro, for example, was created by small commerce firms in Mexico City because they felt Canaco was not defending them from the expanding presence of informal commerce. Likewise, the Sindicato Independiente de Proprietarios de Pequeñas y Micro-empresas (SIPPE) spun-off from Coparmex due to the difference in size and interests of their members. Medium and small size entrepreneurs and firms are more likely to show disaffection and disappointment with state licensed associations.

¹⁴. According to Marcos Vázquez, subdirector of CNV (Interview No. 16), the code of ethics cannot be applied because the Law does not authorize moral-ethical sanctions.

¹⁵. Most analysts agree the CNV (now CNBV) does not adequately fulfil oversight functions because it lacks organizational and expertise resources and personnel, as well as cultural tradition in securing a minimum of compliance. Among the most common irregularities reported we find: Cifra did not report on time, Telmex reported first in the US, a black market of information, information at the same time sluggish and restricted (Interview No. 27). All of these irregularities entailed abuses in the use of information.

¹⁶. From June 1992 to June 1994 they rose from 3.48 to 12.02 billion dollars (El Financiero International, 6 Nov, 1994).

¹⁷. SHCP and CNB acted in a coordinated manner to intervene Financial Groups Havre and Cremi Union (Mexico and Nafta Report, 29-Sept-94).

¹⁸. According the CNIC, 95% of its members are small and medium size firms (Boletin Informativo de la Construcción, CNIC, August 31, 1994) and the informal sector in the construction industry (mainly self-construction) is not affiliated to the CNIC even though it represents around 42% of the industry (IMEF, 1993:11).

¹⁹. Bernardo Quintana Arrioja, for example, the most important shareholder of Grupo ICA (before he died in 1984) founded the CNIC and presided over it from 1953 to 1954; Jose Mendoza Fernandez, Chairman of Bufete Industrial presided over it from 1971 to 1973 and Guillermo Ballesteros Ibarra, Chairman of Grupo Mexicano de Desarrollo (GMD), from 1979 to 1981. Alonso Ancira Elizondo, Vicepresident of Grupo Acerero del Norte, presided over Canacero from 1993 to 1995. Lorenzo H. Zambrano Treviño, CEO of Cemex presided over the CNC from 1987 to 1988.

²⁰. NAFTA programmed the opening of the procurement construction in several stages. During the first 10 years foreign companies will be able to bid for only 50% of the projects offered by Pemex and the CFE. From the 11th year onwards, this percentage will increase gradually until it disappears completely in the following 10 years (IMEF, 1993:116).

²¹. For the analysis of the construction industry policy-network see Interview No. 8 and all the documents elaborated by the CNIC and listed in the document section of the bibliography.

²². Interview No. 10 with Carlos Gutiérrez Camarena, president of the CNC and documents elaborated by CNC in the document section of the bibliography.

²³. That is credits underwritten by contracts of supply.

²⁴. Among the firms which have benefited the most from this program we find Abinsa, AHMSA (Grupo Acerero del Norte), Galvak (Alfa), Lamina y Placa de Monterrey y Siderúrgica Lazaro Cardenas Las Truchas (Canacero, June-July-94:25).

²⁵. For the analysis of the steel industry policy-network, see Interview No. 9 and all the documents by Canacero in the bibliography.

²⁶. According to Victor Miklos, president of the CNIV in 1991, 91% of the companies were small or micro, 8% medium and 1% large.

²⁷. This confirms Marin and Mayntz' thesis that "While policy networks are predominantly informal, decentralized and horizontal, they never operate completely outside power dependence relations, i.e., outside asymmetric interdependencies and unequal mutual adjustments between autonomous actors, imbalanced transaction chains, and vertically directed flows of influence." (Marin and Mayntz, 1991:16)

²⁸. The CCE alone, for example, has developed four centres: (1) the CEMAI which offers services in consultancy, promotion and information about foreign trade and participates in 70 bilateral business committees; (2) the CEEESP, considered the private sector think tank, undertakes numerous economic opinion polls, sophisticated macroeconomic forecasts; (3) the CES publishes the most important statements and conferences given by representatives of entrepreneurial associations, offers synthesis of books relevant to entrepreneurial economic, political or social action, gives ideological support to the principles of the CCE and private property in general, and propagates traditions of thought which highlight in one way or another the role of entrepreneurs in society; and (4) the CEFYL gives consultancy and advise in legal and fiscal matters (Interview No.14)..

²⁹. See in particular Hollingsworth, Schmitter and Streeck (1994); Smith (1993); Campbell, Hollingsworth and Lindberg (1991); Mayntz and Marin (1991) and Atkinson and Coleman (1989).

³⁰. In spite of this, some scholars (Burch, 1981; Useem, 1984 and Dohmoff, 1980) believe this business associations are the centre of the American Ruling Class.

³¹. According to Basañez (1990:169), the CMHN is the locus of control of the business community, where all the major strategies and policies are decided. The corporatist structure enforces their implementation in chambers and confederations.

CHAPTER 6

THE EXPANSION OF BUSINESS CLIENTELISM AND ‘INFLUYENTISMO’ IN PARTY POLITICS

The Mexican political system has been characterized as semi-democratic (Needler, 1971), stable limited democracy (Burton, Gunther and Higley, 1992:6) façade democracy (Cansino, 1995), presidentialist (Philip, 1992), semi-authoritarian (Camp, 1989:10), bureaucratic-authoritarian (Centeno, 1994:X), party-based authoritarian (Kaufman, 1977); inclusionary authoritarian (Knight, 1992:139),¹ and institutionalized, civilianized as well as inclusionary authoritarian (Whitehead, 1995).² Regardless of outright differences and nuances between these approaches, most scholars would agree that it falls short in almost all of the procedural criteria required to consider a system democratic, which according to Dahl (1971) would comprise regular, free and open elections; low barriers to participation; genuine political competition and wide protection of civil rights.

The record of political stability and the veiled characteristics of Mexican authoritarianism isolated the system from international pressures for a long time. As both of these are called into question, and as the country integrates more deeply into the global system, pressures increase. Throughout the eighties and particularly since the negotiations preceding the NAFTA began, international pressures for greater electoral competition have gradually intensified. Though to a much lesser extent, demands for greater protection of civil rights have increased too. Pressures for genuine political competition and low barriers to participation have been, at best, erratic.

At a stage in the process of globalisation when transnational capitalist forces have

made of democracy the most important ideological tool,³ a test for the transnational, global, character of the most powerful Mexican entrepreneurs is the extent to which they understand, foster and practice democracy in the same way. A cultural convergence of political and economic elites has been reckoned as one of the most important manifestations of this new stage of globalisation which tends to deepen integration of developing countries in the global system (Gills and Palan, 1994). A similar understanding and practice of democracy by the Mexican business class would consequently point in this direction.

The contribution of entrepreneurs to political modernization, liberalization and/or democracy has become a highly contested issue, particularly in the case of LDCs⁴ undergoing processes of transition from authoritarian rule of different sort and persuasion.

Different authors give elites in general a paramount role in the process of democratisation. Burton, Gunther and Higley (1992:xi), in particular, argue that 'elite transformations' --whether 'elite settlements' or 'elite convergence' "... constitute the main and possibly the only route to democratic consolidation", determining stability and scope of democratic regimes. Though they acknowledge that social movements constitute the background and often even the stage of such settlements, it is the role of the elites to come to terms and devise the institutional arrangements to negotiate social disputes.

Within this theoretical framework, Alan Knight (1992:136-39) argues that in the Mexican case an elite settlement occurred in 1929 the outcome of which was a long period of relative stability which helped "to maintain entrenched elite interests and to head off genuine democratization." Though the elite settlement facilitated political stability, it did not foster democratization but inclusionary authoritarianism "whereby once-excluded elements are conciliated, coopted, and given some informal access to

power." As Knight points out, the main weakness of this approach is that it does not relate the origin, scope and fate of elite settlements to the changing national and international conditions, the dynamic structural relations of political elites with social classes (business and popular classes alike) and the process of permanent reconstitution of elites themselves.⁵

Reuschemeyer, Stephens and Stephens (1992:271) argue that the contribution of the bourgeoisie to democratic reform varied greatly depending on both the set of alliances available to them and the ideological legacies, although they say "... capitalists and the parties they primarily supported rarely if ever pressed for the introduction of full democracy." The bourgeoisie supports the opening up of contestation and parliamentary democracy when it needs to form an alliance with working and/or middle classes either against landed upper classes or authoritarian military elites.

Whitehead, O'Donnell and Schmitter (1988) consider that the contribution of entrepreneurial forces to a democratic transition can be significant and even decisive, though at the same time dependent on alliances with middle and working classes.⁶ However, their efforts usually fall short of democracy, opting instead for different forms of limited political liberalization, that is of disintegration of authoritarian regimes (Przeworski, 1988:56). Whitehead, in particular, argues that in response to international pressures, "powerful minorities that wish to defend and preserve their privileges have often found it advantageous to adopt at least an appearance of sympathy for democracy." These minorities perceive that to push any further the process of democratization can be too destabilizing and is very likely to compromise their privileges (Whitehead, 1988:8-9).

Along the same lines, Fernando Cardoso (1988) shows that in Brazil's process of transition, the private sector played a strategic role in the set of alliances pushing for democratization. More than "... a hegemonic democratic movement which sees civilian

society as its source of power, political parties as its instrument, and a democratic regime as its objective," big business in general supported 'controlled liberalization', that is, greater safeguards to private property and private enterprise *vis-à-vis* state control of the economy. The new regime, however, is bound to be more receptive to popular social movements (Cardoso, 1988:149-153).

Gills, Rocamora and Wilson (1993), on the other hand, argue that big business in LDCs furthers the project of formal political democracy. In their view this project is the option of democracy ('low intensity democracy', they say) offered and supported by transnational capitalist forces to avoid authentic social reforms and, at the same time, divert popular mobilisation and discontent towards an electoral arena where they enjoy built-in advantages. As business elites in LDCs become self-assertive and gain autonomy from the state, they promote certain democratic institutions and, in particular, a party system that can guarantee the enormous advantages characteristic of formal electoral democracy. The drive towards democracy in LDCs is viewed in this sense "... as an integral aspect of the economic and ideological restructuring accompanying a new stage of globalisation in the capitalist world economy ... the new formal democratisation is the political corollary of economic liberalisation and internationalisation." (Gills, Rocamora and Wilson, 1993:4). In spite of the limitations of formal political democracy, however, they acknowledge that political reforms leave more room for social movements to develop and advance popular social reforms.

Notwithstanding important differences,⁷ the last two frameworks point at the limitations of the versions of liberal democracies promoted by national and international forces (either government or non-government institutions), particularly with respect to social rights and economic equality, and to the contradictions between the economic and political goals of liberalization, market economics and democratic institutions. They argue

that economic liberalisation demands social sacrifices, engenders dissatisfaction, social and political instability. Consequently, they say, it is difficult to foresee stable democratic regimes. But, both currents agree too, these national and international forces favour a version of democracy which privileges the rights of private ownership and the conditions favourable to private investment and tend to neglect or undercut social rights and economic equality.⁸

In my view, these last two frameworks are best able to account for the scope and consistency of big business commitment to democracy in Mexico for several reasons: as in some of the cases these and other authors (Bartell and Payne, 1995; Cardoso, 1988; Gills, 1993; Rocamora, 1993) examine, Mexican entrepreneurial forces have gained self-confidence and autonomy from the state.⁹ Big businessmen in particular feel self-sufficient enough to expand the scope of their political participation, though at the same time they do not want to compromise their privileges by extending democratic rights indiscriminately.¹⁰ Only certain entrepreneurial forces are thoroughly convinced of the advantages of democracy and when it comes to big business very few act consistently with the principles of political democracy.¹¹ The version of democracy they support fears and discourages popular participation. And, most large entrepreneurs vacillate, mould or accommodate democratic principles to their situation and personal interests.

The purpose of this chapter is to show that big business action in party politics resists and holds back social pressures calling for greater modernization, liberalization and democratization of the political system. Notwithstanding a greater institutionalization and, in particular, a greater commitment of large entrepreneurs to the electoral rules of formal democracy, this chapter argues that the process is contradictory. On one hand, it moves from secretive consultations to promote candidates favourable to their particular, often personal, interests to a much greater concern for the policy metapreferences and

political profile of candidates; from behind-the-scenes to more open participation in the financial promotion and to a lesser degree (at least in the case of big business) in direct competition for electoral positions. On the other hand, personal benefits transcending by far those trade-offs formally agreed are expected and promoted. Therefore, even if their participation in party politics is increasingly mediated by political institutions (mainly the PRI), it bypasses the procedures and rules agreed and applied to other players involved in the game.

Entrepreneurial financial promotion entails in this way unfair competition on both the electoral and the economic fields. It translates into more opportunities for the PRI at the expense of all other parties, and for a handful of economic groups at the expense of others. On one hand, the contributions and support of large entrepreneurs to the PRI adds to the already advantageous position of the official party which receives disproportionate economic and organizational resources from the government. On the other hand, groups which support the PRI are likely to be favoured in the concession of public auctions, privatisation of state companies, public contracts, etc.

Globalisation of big business generates multiple pressures to reform and modernize the institutions they control. As it has been seen in Chapter 5, entrepreneurial institutions involved in regulating and governing the economy advance clearly in this direction. Big business action in party politics, however, holds this process back in as much as a highly selective group of entrepreneurs undoubtedly use financial promotion to obtain or maintain special privileges and favours. They sidestep in this way rules and procedures applied to other entrepreneurs and social actors, rendering the economy and the political system increasingly unstable.¹² Additionally, as will be seen in Chapter 7, they erode more consistent and serious efforts, of small and big entrepreneurs alike, to build a more ethical and plural version of liberalism. Though these clientelistic practices of

'influyentismo' (influence-peddling) and free-riding are present too in other countries, both developed and developing, in Mexico the evidence presented throughout this chapter suggests that they have become one of the main obstacles to construct genuine democratic institutions.

This chapter is divided in five sections: (i) the first section briefly describes how and for what reasons Mexican businessmen became since the seventies increasingly motivated to participate more openly in party politics; (ii) the second section appraises the extent to which businessmen compete for electoral positions; (iii) section three analyzes the new forms corporate party funding devised since the eighties to support the PRI; (iv) section four tries to discover who are the main beneficiaries of entrepreneurial action in party politics; and (v) section five evaluates the consequences of big business action in party politics and, in particular, in private party funding.

6.1. From behind-the-scenes to increasingly open participation in party politics

Since the revolution of 1910 the state and entrepreneurs tacitly agreed a formal separation between economic and political power. This formal separation and the ensuing low level of exchange between economic and political elites (Camp, 1989:32-34) have given credibility to the populist discourse of the state and has greatly contributed to the long period of political stability. Separation, however, only included, as it has been seen, party politics and participation in social movements. Relations with the ruling party were greatly restricted and if present were generally disguised as unofficial contacts, regular assurances and real veto power (Knight, 1992:139).

But even in these areas of the political activity there has always been some behind-the-scenes participation on the national level, with great variations on the regional level. Entrepreneurs from Mexico City and surroundings have maintained very close relations

with politicians and a greater dependence from government concessions and spending. They have occasionally held outstanding positions in the administration,¹³ and only exceptionally have they competed for electoral positions. However, they have been informally consulted on the selection of PRI candidates and were expected to give more or less conventional signs of approval and support, particularly at the presidential level. Entrepreneurs in Nuevo León have traditionally exhibited disgust for party politics, have hardly ever held positions in the administration and are more independent from the government in general terms. In Sonora, by contrast, they have often competed for different electoral positions. Within regions and states political patterns of participation may have varied too, although cultural trends in this respect have been well entrenched. Thus, as we have seen in Chapter 2, even in Nuevo León large entrepreneur members of the Alemán Fraction have held electoral positions (Alberto Santos and Humberto Lobo of Gamesa and Protexa, respectively).

During the seventies entrepreneurial opposition and discontent with the government led to a greater support --overt or disguised-- for the opposition party, National Action Party (Partido Acción Nacional, PAN). With the nationalization of the banks in 1982 a larger number of entrepreneurs manifested political support for this right-wing party. At the beginning, party politics was considered a means to exert greater pressure on the government to rectify what they judged unsatisfactory economic policies, express discontent, change the rules of the game and, ultimately, transform the political discourse.

Not all large entrepreneurs, however, switched their electoral preferences. As several authors point out (Heredia, 1995; Luna, Valdés and Tirado, 1987:35-37; Montesinos, 1992:113), even in the most critical years of 1982-85, most large entrepreneurs from Mexico City remained loyal to the PRI. Among the most outstanding,

those linked to Televisa (Alemán Velasco, Azcárraga y O'Farril), Desc (Senderos) and ICA (Borja Navarrete) were all members of the Alemán Fraction. And most of those who did change their preferences, soon rectified their position --often because they were induced or coerced to do so.¹⁴ From 1982 to 1986, quite a few of them changed their political preferences: Eloy Vallina and Eugenio Garza Lagüera, for example, supported the PAN from 1982 until 1984 and 1985, respectively.

As the ruling party, Institutional Revolution's Party (PRI) and the political technocrats have radically modified the official discourse and the economic strategy, large entrepreneurs show different forms of support for the PRI too, turning their action in party politics increasingly more open, complex and diversified, and making it a more permanent activity.

Although very few powerful entrepreneurs compete directly for electoral positions, they support candidates who are likely to favour their particular or general interests. As was shown in Chapter 2, until the 1960s a more personal relationship was favoured because clientelistic trade-offs were overwhelming and sometimes determined the economic performance of a firm. As we shall see below, though competition for favours and clientelistic trade-offs do not disappear, and in certain cases even intensify and determine the fate of some economic groups, a trend towards more institutionalized procedures expands. The presidential elections in 1988 and 1994 are very illustrative in this respect. When Agustín Legorreta, president of the CCE at the time, made his support for Salinas explicit in June of 1987 he stressed the need to continue the policy of privatization and economic orthodoxy (Centeno, 1994:13). And in March of 1994 a group of the 10 largest businessmen from Guadalajara met with Luis Donaldo Colosio, the PRI presidential candidate (later assassinated) to offer him their support and negotiate the future candidate for governor of the state, Jalisco. They made clear that they were

interested in the profile and policy preferences of the future governor more than in personal characteristics. They wanted a promoter and a deregulator, they insisted (*Expansión*, 27-April-94). Throughout 1994 businessmen supported the PRI because they feared that a victory of the PRD would mean a set-back in the economic reforms introduced by MMH and CSG. When interviewed about the possibilities of the PRI pre-candidates, several representatives of the business community mentioned they thought Colosio and Camacho had greater possibilities of winning against Cárdenas, even though they were personally more inclined towards Aspe.¹⁵

6.2. Direct competition for electoral positions

In order to regain the support of entrepreneurs, the PRI openly invited them to participate in its ranks. The invitation was first addressed to entrepreneurs from Chihuahua and later, in 1991, from the whole country. The Institute of Political, Economic and Social Studies (IEPES) of the PRI, which disappeared around that time, presented a document during the XIV National Assembly of the party, summoning entrepreneurs to enlarge their constituent base and become 'truly political activists' (*Expansión*, July 1993:62).

The response was positive. As can be seen in Table 6.1, since the eighties competition for electoral positions has become a quite frequent political practice among entrepreneurs. They have run for, and often gained, electoral positions at all levels of the system: governors, mayors, federal senators and deputies, the Assembly in Mexico City and others at the local level. This experience enriches their political horizons and influence, although it has benefited almost as much the PAN as the PRI. The first state governors from the opposition party (PAN) --Ruffo Appel (BC), Francisco Barrio (Chih.), Carlos Medina Plascencia (Gto.), Vicente Fox (Gto.) and Héctor Terán (BC)-- are all small businessmen. The PRI governor for Campeche --Jorge Salomón Azar-- also

TABLE 6.1: ELECTORAL COMPETITION OF ENTREPRENEURS (1979-94)

Candidate	Size	Party	State	Period	Assoc
Presidency					
M Clouthier*	M	PAN	Sinaloa	88-94	CCE, Coparmex
D Fernandez de Ceballos*	S	PAN	Guanajuato	94-2000	
Governorship					
C Anaya	M/S	PAN	Sonora		Coparmex
F Barrio*	S	PAN	Chihuahua	86-92@/92-98	C Patronal,
F Canales Clariond*	L	PAN	Nuevo León		C Patronal Canaco, Caintra
V Fox*	M	PAN	Guanajuato	92-95-2001	
E Goicochea@	M	PAN	Sinaloa	92-98	Concanaco
A Rosas	S	PAN	Sonora	76-82	
E Ruffo A*	S/M	PAN	B California	89-95	C Patronal
H Terán	S	PAN	B California	95-2001	
R Villa E*@	S/M	PAN	Puebla	92-98	C Textil
A Cárdenas		PAN	Jalisco	95-2001	
Mayor					
F Barrio*	S	PAN	Cd Juárez	83-86	C Patronal
F Canales Clariond*	L	PAN	Garza García		C Patronal Canaco, Caintra
C Medina	M/S	PAN	Guanajuato	88-91	C Patronal
J Ocejo M*	M	PAN	Puebla	92-95	Coparmex C Patronal
E Ruffo A*	S/M	PAN	Ensenada	83-86	C Patronal
J R Uribe@		PAN		90-93	Canaco
R Villa E*@	S/M	PAN	Puebla	83-86	C Textil
F Deputies**					
J Ahumada*	M	PRI	Colima	79-82	UGanadera
J Alcántara*	M	PRI	Edo. de Mex	79-82	Confed. Autotransp.
F Canales C*	L	PAN	NL	79-82	
V Fox*	M	PAN	Guanajuato	88-91	

J Lobo M	L	PRI	Nuevo León	85-88	Conacex
JJ Moreno S	S/M	PRI	Oaxaca	88-91	Canacintra
A Santos H	L	PRI	Nuevo León	82-84	Inds. Hnos Santos
R Villa E*@	S/M	PAN	Puebla	85-87	C Textil
Senators					
J Ahumada P*	M	PRI	Colima	82-84	UGanadera
J Alcántara*	M	PRI	E México	88-91	Confed. Autotransp.
M Alemán	L	PRI	Veracruz	91-94/94-97	GMéxico
JJ Padilla P	L/M	PRI	Guanajuato	91-94	
R Suárez N	M/L	PRI	Guanajuato	91-94	

Source: *Expansión*, July 7, 1993 and own research

G: Global, L: large, M: medium, S: small. Size was classified on the basis of the interviews conducted by Ignacio Rodríguez Reyna (*Expansión*, 7-July-93)

* Has held or competed for more than one electoral position

** Local deputies are not considered

@ Lost the elections

has an entrepreneurial background. During the LV Legislation Session, 35 PRI deputies were entrepreneurs.

Even at the level of the presidential elections two entrepreneurs have competed: Manuel Clouthier, ran in 1988 for that position as the PAN candidate. Although he did not succeed, the experience in the areas of electoral promotion and organization strengthened this opposition party enormously. And, during the presidential elections of 1994, the PAN candidate Diego Fernández de Ceballos enriched the electoral debate.

However, of all the entrepreneurs in Table 6.1 competing between 1979 and 1994 for electoral positions, only four are big businessmen with interests in global corporations. Three (Miguel Alemán Valdés, Javier Lobo Morales and Alberto Santos) represent the PRI and only one (Fernando Canales C) the PAN.

According to Silvestre Fernández Barajas, federal deputy for the PRI and former president of Conacamin "There is nothing new. The party [PRI] has had throughout its history honourable militants who are entrepreneurs. Now it is more noticeable because

when we dedicate ourselves to political activities we no longer conceal that we dedicate ourselves to entrepreneurial activities too." And Edmundo Chacón, federal PRI deputy and entrepreneur, adds: "The doors of the PRI have always been opened. More than anything we were responsible for not participating." (Expansión, July 7, 1993:57).

Entrepreneurial presence has expanded to appointed positions in the administration, particularly at the level of the states, whether governed by the opposition or not. Thus, in Nuevo León the PRI governor appointed in 1991 five entrepreneurs to cabinet positions: Elmo Alanís Gómez (Undersecretary of Foreign Trade), Jorge Arrambide Garza (Secretary of Urban Development), Ricardo Maldonado (Undersecretary of Agricultural Promotion), Jorge Montero Zubillaga to the Secretary of Economic Development and Raúl Rangel Hinojosa (Secretary of Finance and Treasury); in 1986 Fernando Baeza, PRI governor for the state of Chihuahua appointed 3 entrepreneurs (Ricardo Wisbrun Sáenz, Luis Luján Peña and Armando Aranzola Madrid) to his cabinet in order to win back entrepreneurial support after the controversial elections of that year; and in Guanajuato 4 entrepreneurs were appointed¹⁶ in order to silence the protests against the irregularities during the elections of 1989 (Expansión, July 7, 1993:56). Most of these entrepreneurs represent medium size firms, except Armando Aranzola who was linked to Grupo Chihuahua, and the cases mentioned before of Claudio González Laporte appointed by Salinas Official Advisor on Foreign Investment and more recently of Gilberto Borja appointed as director of Nafinsa by Zedillo.

6.3. Economic support to electoral campaigns

Corporate financial contributions have been a political practice well entrenched in the US and other ACCs.¹⁷ According to Herbert Alexander (1989:10-11), "In affluent societies, many individuals find it easier to show their support for a candidate or their loyalty to

a party by writing a check than by devoting time to campaign or other political work ... When wealthy persons seek to translate their economic power into political power, one of their tools may be money contributions."

In the past decade financial contributions of big business to political parties have rapidly expanded to LDCs. Roberto Aguiar (1994) documents the case of Brazil where electoral campaigns are funded by large businessmen. Firms which depend greatly on the state for contracts are specially generous. As in the case of Mexico, large civil construction groups play a leading role. In South Korea corporate donations can be channelled through Sponsor's Associations or the Central Election Management Committee (CEMC), according to Chan Wook Park (1994:175-76).

Until the 1970s opposition parties in Mexico did not receive state funding, and had to rely on their own members voluntary economic support, as well as the organization of special events: raffles, dinners, dances, concerts, etc.

The PRI has received funds from different sources: (1) the labour, peasant and popular associations which had become since the Cárdenas regime organically incorporated to the party; (2) public officials and white collar civil servants (the so-called 'trabajadores de confianza') who were more or less openly coerced to support the PRI with special contributions (sometimes a given percentage of their income);¹⁸ and (3) unaccountable sums from government sources at the federal, state and municipal levels which were given in goods and services or monetary funds diverted from other allotments.

Electoral reforms from 1978 onwards have gradually introduced and regulated state funding for opposition parties registered in the Federal Electoral Commission (Comisión Federal Electoral), the amount of which is proportional to the outcome of the elections. However, disparities with respect to the resources obtained by the ruling party

(PRI) have limited seriously the possibilities of a fair competition (Molinar Horcasitas, 1996).

From the 1980s on, big business becomes an additional source of financial support and promotion for the PRI, either through the Commission of Finance and Patrimony Reinforcement (Comisión de Financiamiento y Fortalecimiento Patrimonial) which operates at the federal, state and municipal levels to obtain contributions from businessmen, or else through special events deliberately organized to raise funds.

The PRI Commission of Finance has become an important vehicle to co-opt large entrepreneurs and engage them in financial promotion during gubernatorial and presidential elections. Although it was created in 1984 to enforce contributions of public officials to the PRI, it did not become politically relevant until February of 1988, when it was first directed and organized by entrepreneurs to raise funds for Salinas' campaign (Este País, Jan-1992). By 1992 the PRI had Finance Commissions in 24 states, most of them headed by powerful local entrepreneurs. Table 6.2. shows that large entrepreneurs, some of whom hold prominent positions in the network of corporate power and business associations examined in Chapter 4, participate actively in the electoral processes too.

The organization of events has also become a device to obtain additional economic, organizational and political backing. The private dinner party organized in February of 1993 by Antonio Ortiz Mena and Miguel Alemán Velasco, who was at the time the PRI's Secretary of Finance, is perhaps the most illuminating case. Each of the 25 prominent guests (see Table 6.2.) was asked to contribute US\$25 million to the ruling PRI for the 1994 election campaign.¹⁹ Emilio Azcárraga, who controls Televisa --the TV giant corporation that has expanded operations to the US, Latin America, Spain and other countries-- said he would contribute up to US\$70 million. "I have earned so much money over the past six years that I pledge to give even more," he was quoted by the business

leader who leaked the story to the newspapers (*Miami Herald*, March 4, 1993). Other entrepreneurs offered between US\$4 and 30 million. The list of guests exhibits the ever closer relations between the PRI and large, often global, entrepreneurs.

"This wasn't the first time, nor will it be the last time that we do a fund-raiser," said Miguel Alemán Velasco. And he added "If I could do 100 dinners with people like these before the election, I would do them gladly." (*Miami Herald*, March 4, 1993). These statements seem to show a deliberate effort to promote an open, modern, image of entrepreneurial political action which apparently contrast with the more cloaked, behind-the-scenes politics largely practised until recently. According to the dinner host, Antonio Ortiz Mena and president Carlos Salinas de Gortari, this kind of fund raising and economic promotion will contribute to make the party financially independent from the government. "If we can make the party live independently, we will be doing a great service to the country," said Ortiz Mena (*Miami Herald*, 4-March-93). "With the proposed reforms --said Salinas de Gortari to the members of the PRI during the celebration of its 64-year anniversary on March 4, 1993-- the PRI will continue to be the great party of Mexico, no longer the party of the government, but still the best option for the nation." (*El Financiero International*, 22-March-93).²⁰

CHART 6.2. ELECTORAL SUPPORT OF BIG BUSINESS TO PRI (1981-1992)*

ENTREPRENEUR	Privatised firms and concessions ⁽¹⁾	Mechanism of support ⁽²⁾	Board seats ⁽³⁾	
New capital			81	92
A Ancira Elizondo	AHMSA@ Nafinsa credits		0	2
A Ariza C	Banamex@ Aeromex@	FC	0	3
E Carrillo Díaz	Promex	DP	0	2
A.Chedraui	(Chedraui)@		0	3
A de Garay	GFMatlantico@	DP	0	2
G De Prevoisin	AereoMéxico@	SC	0	2

R Gomez Flores	DINA@ Cremi@	DP, G-10	0	2
R González B	Banorte, Gruma@	EC, FC, G-10, SF	0	3
A Gutiérrez P & D Gutierrez C ⁽⁴⁾	GUTSA, Banamex@ H Presidente	FC, DP	0	3
C Hank Rhon	Tribasa@ (Hermes) Interacciones	DP	0	7
A Harp Helú	Banamex@	EC	0	3
R Hernández	Banamex@	EC, DP	0	6
E Legorreta	(GVideo), (Geupec)@	EC, FC	0	2
R Martin Bringas	(Soriana)@		0	4
E Molina Sobrino	Sugar mills, Garcí-Crespo, Banpaís@ (GGEMEX)@	FC	0	5
A Name Yapur	Probursa,@ CMA@ Datatronic	FC	0	3
C Peralta Q	Banpaís@ Iusacell@	FC, SF	0	3
A Romo G	(La Moderna)@(Pulsar) (Ponderosa) (Vector)	G-10	0	3
Saba Rafoul	(Celanese)@	FC	0	3
C Slim Helú	Telmex@ Frisco, Q Flúor, and others (Carso)@	FC, DP, EC, SF	0	11
M Somoza	Banmexi@	EC	0	6
<u>OLD CAPITAL</u>				
C Abedrop**	(OXY)	DP	3	4
P Aramburuzavala ⁽⁵⁾	(OXY) (Modelo)@	DP	1	8
M Alemán Velasco	(Televisa)	DP	2	3
J Arango	(Cifra)@	DP	2	3
E Azcárraga M ⁽⁵⁾	Televisa@	DP	0	2
A Bailleres	(Peñoles)@ (El Palacio)@	DP	10	6
G Borja N ⁽⁴⁾	ICA@ Polimar, Manuf Metálicas Pesadas	FC, DP, EC, G-10	7	5
P Brenner B	CMA@ sugar and fishing firms (Xabre)	FC	3	2
E Clariond	(IMSA)@	G-10	3	3
A del Valle ⁽⁵⁾	Prime-Internal	FC, DP, EC	1	5
M Espinosa Y		DP	3	1

B Garza Sada	(Alfa)@	DP, G-10	7	6
E Garza Lagüera	Bancomer@ (VISA)@	DP, G-10	8	6
C González L**	(Kimberly)@	DP	10	13
E Hernández P	Bancomer@ (Herdez)@	DP	2	5
J Larrea	Cananea(GIMMSA)@	DP	5	3
A Legorreta**	Comermex@	DP	6	6
A Losada ⁽⁵⁾	(Gigante)@	DP	1	6
J Madariaga L**	Probursa@	EC, DP	2	5
A Madero Bracho	(San Luis)@ Rassini	FC	9	7
J Martínez G ⁽⁵⁾	(Sidek)@ Ast. Unidos	DP	1	7
R O'Farril	(Novedades) Banamex Telmex	DP	3	6
A Sada Treviño	Serfin@ (Vitro)@	DP, G-10	4	4
A Santos de H	Banorte	G-10	2	3
F Senderos	Banmexi@Forjamex A Balanceados (Desc)@	FC, DP, SF	11	8
E Vallina	(Ponderosa)	DP, FC	6	4
L Zambrano	(Cemex)@	G-10	3	9

Sources: Ignacio Rodriguez Reyna, Este País, Jan-1992; Expansión, April 27, 1994; F. Vidal, Column in Reforma "Retratos de Familia", Mexico and Nafta Report (25 March 1993); New York Times (9-March 1993); Miami Herald (3 March 1993); Proceso (8 March 1993); and own research

@ Firms listed in our samples of the largest groups in tables 2.1 and 2.2.

** Entrepreneurs who have held presidencies of business associations

(1) Firms without parenthesis refer to privatised firms or firms which have received government concessions; firms in parenthesis refer to other interests of these entrepreneurs.

(2) FC: Financial Commission of the PRI during the Salinas' presidential campaign in 1988;

(3) Includes seats in holdings and subsidiaries.

(4) In some cases the number of seats refers to the those of a close member of the family. For example, in the case of Gutiérrez Prieto to his son Juan Pablo Gutierrez Cortina and in the case of Jorge Larrea to Germán Larrea. In the case of Gilberto Borja Navarrete, the number of seats in 1981 refers to those of Bernardo Quintana Arriola who was then president of ICA and passed on when he died most of the seats to the next president (Gilberto Borja N)

(5) Groups that were not recorded with more than one director because they were not listed in the MSE in 1981.

(6) Pedro Aspe was appointed CEO of Vector at the beginning of 1996.

DP: Dinner party organized by the FC in Feb., 1993

EC: Entrepreneurial Cell during Colosio-Zedillo's presidential campaign in 1994

G-10: Group of 10 largest entrepreneurs supporting Zedillo's presidential campaign in 1994;

SF: Salinas' friends; the press has mentioned in more than one case personal links with Salinas' family. G Borja Navarrete reckoned he was a good friend of Salinas' family; Gonzalez Barrera admitted he was friend and 'compadre' of CSG's father;

SC: Special contribution. In particular the case of de Prevoisin when he argued he used funds from Aeromexico to support the PRI during Zedillo's presidential campaign.

However, this new way of doing politics does not seem to generate the expected results. The reactions to the dinner party reveal discontent from different sources:

(1) Although some members of the PRI have accepted that the entrepreneurial sector has been in practice added to the other three sectors that have traditionally formed part of the PRI (labour, peasant and the so-called popular sector), many others fear that the manifold compromises with the wealthiest elite will dramatically change the class orientation of the party and will distance it from its popular constituencies. Several members of the ruling party were quite distressed about the event. "Because we have turned over everything to the private sector, we can't rely on the government to give us the money any more. So now we turn to that private sector for the money. My God, it looks like we are up for sale to the group that has the most money," said one of these members (El Financiero International, 22-March-93:13).

(2) Opposition parties (the PAN and PRD) obviously feel at great disadvantage to finance electoral campaigns. The PAN declared it would pull out from negotiations which intended explicitly to establish rules on party financing and campaign spending.²¹

(3) Intellectuals, small entrepreneurs and civilians think these giant contributions will no doubt give large entrepreneurs privileges in the new government, as happened with the Financial Commission for the Salinas presidential campaign in 1988 (Este País, Jan-92:2-8). The Democratic Revolutionary Party (PRD) said the money would "mortgage the state, in a simple buy/sell contract." (El Financiero International, 22-March-93).

(4) Some detractors believe the fund-raisers will cover up subsidies from the government to the ruling party. As the Miami Herald stated: "the business tycoons are lending their names to major campaign contributions that in reality will come from government coffers. In exchange, they would get significant tax benefits or other forms of government help." (Miami Herald, 4-March-93).²²

Despite different efforts to calm the opposition, uneasiness inside the ruling party persisted. The price to pay for a greater independence from the government was considered much too high. Under great pressure the request for donations was finally dropped and a bill was passed by Congress at the beginning of 1994 to limit campaign spending and contributions.

During the presidential elections of 1994 --both Colosio's and Zedillo's-- entrepreneurs offered new forms of economic and political support, more regionally oriented. Two new organizational mechanisms were devised to promote entrepreneurial support to the PRI: the so-called Group of 10 largest (G-10) entrepreneurs and the entrepreneurial cells (EC). The former grouped the largest entrepreneurs of the most important regions to encourage financial support, and the latter was designed to involve entrepreneurs not only in fund raising activities but particularly in the ideological diffusion of the political platform. Thus:

- + The so-called Group of Ten Businessmen in Monterrey which was constituted in the eighties --including Eugenio Garza Lagüera (VISA-Bancomer), Bernardo Garza Sada (Alfa), Adrián Sada Treviño (Vitro-Serfin), Alberto Santos de Hoyos (Banorte), Roberto Gonzalez Barrera (Maseca-Banorte), Lorenzo Zambrano (Cemex) and Eugenio Clariond (IMSA)-- promoted business financial support for the PRI's presidential campaign of Luis Donaldo Colosio and Ernesto Zedillo and endorsed the ideological promotion of the entrepreneurial cells among the business community in Monterrey (Interviews No. 31 and 32). According to Ovidio Elizondo Treviño, head of the Financial Commission "All of them are priístas and make their contributions as party militants, on completely voluntary terms." (Expansión, 12-Jan-94:17)
- + In Guadalajara, Jorge Martínez Güitrón (Grupo Sidek) headed the Group of 10 Businessmen who promoted Colosio and Zedillo's campaigns in Jalisco. This group

included well known names such as: Aranguren, Covarrubias, Garciarce, Arroyo, Gómez Flores and Aurelio López Rocha (Expansión, 27-April-94:44).

+ Gilberto Borja Navarrete, chairman of Grupo ICA, organized around 40 groups of businessmen ('entrepreneurial cells') in several states of the country to support Zedillo's campaign, diffuse his ideological platform among entrepreneurs and make a proposal for his economic program. He was particularly active in Querétaro where ICA has developed an industrial complex to house most of its manufacturing facilities (Expansión, 5-May-95:16).

The project of 'entrepreneurial cells' to promote the PRI's presidential campaign in 1994 was engineered by, among others, Oscar Espinosa Villarreal, former director of Nafinsa, Secretary of Finance of Zedillo's campaign and appointed in 1994 mayor of Mexico City; Gilberto Borja Navarrete, ex-president of ICA and appointed director of Nafinsa; Jorge Kawhagi, former president of Concamin and Antonio Argüelles former public official at Secofi. Some of the most enthusiastic supporters who sold the idea of the cells in the entrepreneurial community include Roberto Hernández (Banamex), José Madariaga Lomelí (Probursa), Roberto González Barrera (Maseca y Banorte), Antonio del Valle (Prime-Internacional), Carlos Slim (Telmex, Carso and Inbursa), Manuel Somoza (Banco Mexicano), Eduardo Legorreta and Luis Germán Cárcoba (leader of CCE at the time). However, José Antonio Mandujano, Executive Director of Relations with Entrepreneurs during Colosio and Zedillo's campaign, argues that big businessmen were not actively involved in the cells. They only endorsed the work of the cells (Interviews No. 31 and 32).

According to Jesús Gómez Flores, leader of the Confederación Mexicana de Células Empresariales (Mexican Confederation of Entrepreneurial Cells), from the beginning of 1994 they organized meetings with Colosio, and then with Zedillo, at least

once or twice a week and on average they formed from 20 to 30 cells in each state, most of which disappeared after the elections (by June of 1995 only 30 cells throughout the country sustained any activity). In a press conference several members of this Confederation expressed disappointment because the cells had been relegated and forgotten. They were reported as saying that the PRI made them feel key elements of the political game and important source of financial support and now most have been marginalized from the political and economic decisions. "They used us" (La Jornada, 9-June-95). However, the official organizers of the cells argue that the cells were only created to support the PRI candidate's campaign and were never meant to survive once the elections were over.²³

Notwithstanding contradictions and detractors, economic support for electoral campaigns has become a widespread and institutionalized practice among entrepreneurs who favour either the PRI or the PAN, promoting in this way one aspect of formal electoral democracy. Parliamentary lobbying, however, is a practice that was altogether absent from party politics until 1995 when leaders of CCE (Luis German Carcoba), Coparmex (Carlos Abascal) and Canaco (Salvador Lopez Negrete) admitted these associations were lobbying PRI and PAN deputies and senators to vote against the increase in VAT (IVA) and other restrictive fiscal and credit policies which were part of the emergency package imposed by the Zedillo's administration to face the economic crisis unleashed --or aggravated-- by the devaluation of December 1994 (La Jornada, 16-March-95).

6.4. Main beneficiaries of entrepreneurial party politics

Even though big business action in party politics becomes more open and institutional, it additionally furthers clientelistic and patrimonialistic patterns of action which hinder

modernization and democratization of political structures.

Big businessmen involved in party politics expect benefits which transcend by far those derived from the policies, strategies, platforms and promises openly offered by the candidates during campaigns. And those more obscure, secretive promises, negotiations and/or understandings seem to be delivered, as can be demonstrated in particular by the process of privatisation of state enterprises which favoured Salinas' supporters and friends,²⁴ by the privileged information which enabled several large corporations to prepay foreign debt just before the devaluation of 1994 and also by evidence given by Raul Salinas to state prosecuting authorities.

As Michalet (1991) and Gills (1993) point out for the cases of France and South Korea, respectively, in Mexico economic strategy deliberately pursued the formation and strengthening of national champions capable of competing with other transnational corporations in the domestic market and abroad. This strategy benefited corporations with a long trajectory in the national market such as Cemex, GEMEX, Vitro, CYDSA, Bimbo Desc and others that were able to expand their position in their respective markets through the acquisition of state enterprises.²⁵ It also enabled, however, the formation and rapid growth of huge capitals, even by international standards, which quickly outranked and displaced more entrenched economic interests.²⁶ The formation and rise of such groups could not be explained without recourse to personal favours and backing by public officials, and in certain cases --such as that of Carlos Cabal Peniche (Cremi-Unión), Angel Rodríguez (Banpaís) and Gerardo de Prevoisin (Aereméxico), all of them taken over by the state-- even of corruption and fraudulent practices.

Open participation in party politics has been generously rewarded during the process of privatisation and deregulation, the main beneficiaries of which were businessmen closely related to Salinas' group who openly supported the PRI in several

campaigns. This is more striking when some of these businessmen were very insignificant (or not present at all) in the corporate circles before Salinas' group came to power.

Table 6.2. shows there is a strong correlation between support for the PRI on one hand and, and on the other, the results of the auctions of state firms and new concessions for activities formerly regulated and controlled by the state. This correlation is even stronger when it comes to the new fraction of entrepreneurs, most of whom have been members of Financial Commissions (FC), Entrepreneurial Cells (EC) to promote PRI candidates, guests to special events organized by the PRI or, simply, Salinas' personal friends.²⁷ Though other factors have played an important role too (such as more aggressive corporate strategies, some of which make more efficient use of assets), very few businessmen have recently made their way to the top corporate circles without close connections with the upper circles of the state. They may have been very wealthy but did not belong to the corporate elite because they did not hold at least 2 seats in the boards of companies listed in the MSE.²⁸

Of all the new names mentioned in the corporate media in the past 5 years,²⁹ at least 21 have made their way to the top Mexican corporate circles, that is by 1992 they have at least 2 seats in the boards of companies listed in the MSE and they are represented in the lists of the 60 largest industrial-retailing groups and of the 15 largest banking groups (Tables 2.1 and 2.2). These 22 entrepreneurs were not linked, or were only marginally linked to the corporate network in 1981, when they did not hold any seats, or held only one, in the boards of companies listed in the MSE. Except for three (Alonso Ancira Elizondo), all of them have shown some form of open support for the PRI since 1988, whether in the financial committee (FC) to support Salinas' campaign, the dinner party organized by the PRI (DP) at the beginning of 1993 to ask large entrepreneurs for a special contribution, in the groups of the Ten Largest regional

entrepreneurs (G-10) or the entrepreneurial cells (EC) designed to promote Colosio's and Zedillo's platforms. Two in particular (Roberto González Barrera and Carlos Slim Helú) have shown most forms of support and personal links to Salinas' family.

On the other hand, 38 entrepreneurs represented in Tables 2.1 and 2.2 had 2 or more seats in 1981 and 1992. Of these 38, 18 (that is, 47%) did not offer --directly or indirectly--³⁰ any of the forms of support to the PRI so far considered. Although it is not easy to assess the significance of these percentages, even a cautious interpretation points at a much greater dependence of new capital on support for the present regime. Old, more entrenched, interests are very likely to be asked for some form of financial support but their performance does not necessarily depend on it.

The dinner party and the regional groups of ten (G-10) organized to raise funds are disproportionately represented as forms of support among these more entrenched interests which could be interpreted as a predisposition to offer donations and funds rather than to devote time to political work. In contrast, participation in the FC, involving a more activist commitment to the party, prevails among new capitals. Information on the composition of entrepreneurial cells (EC) is still very fragmented, although this practice appears to be more widely spread among members of the new fraction, as can be seen in Table 6.2.

Both old and new capitals benefited considerably from the process of privatisation and deregulation. In the banking system alone, although most old bankers recovered their place (the only exceptions being Manuel Espinosa Yglesias and Eloy Vallina), very important positions were given to previously unknown or rather insignificant businessmen, such as Roberto Hernández and Alfred Harp Helú (jointly heading Banamex), Madariaga (Mercantil-Probursa),³¹ Margain (Banorie), Cabal-Peniche (Cremi-Unión), De Garay (GBMATLA), Gomez Flores (Cremi). Of the 16 largest banks

privatised between 1991 and 1992, 9 were acquired by members of the new fraction (with no more than one seat in the boards of 1981) and 7 banks were bought by members of old fractions (with more than one seat in 1981), concentrating, respectively, 40 and 60% of the assets in 1992 (59,571 and 88,217 million new pesos in 1992, respectively). That is, the new fraction controls more banks but a smaller proportion of the market.

The most attractive non-banking firms privatised in the past decade favoured the new groups: Telmex, by far the most important, was assigned to Slim. The only important large firm assigned to old groups was Cananea (to Jorge Larrea). The rest may have expanded the position of old groups in certain markets but were by no means essential to their strategy. Concessions favoured new and old groups alike. Iusacell, Tribasa and GUTSA, among the former and ICA and Televisa, among the latter, depend on concessions and public contracts.

Several cases deserve special attention,³² but one in particular, that of Carlos Slim Helú, stands out as paradigmatic. This case synthesizes the conditions that enabled the emergence and growth of large capitals within an extremely short period of time, that is: (1) access to privileged information from the inner circles of both the state and the corporate elites, and (2) transnational recipes of financial and corporate restructuring. These two conditions in combination make speculative manoeuvring more successful. Several authors (Marchak, 1991:xiii; Mackee, 1989; Useem, 1993; Thurow, 1993) have discovered that speculative investments and the wave of leveraged buy-outs have formed large fortunes in ACCs. In Mexico, these speculative strategies depend on and are combined with clientelist arrangements whereby certain entrepreneurs obtain privileged information from government sources.

The origin and growth of Carlos Slim's capital is controversial and very difficult to account for. Even though he was completely absent from the corporate network in

1981 (when he held no seat in the companies listed in the MSE), since then he has accumulated the largest fortune in Mexico and Latin America, and one of the largest on a world wide scale;³³ he has built an international reputation of 'turn-over artist' and has been said to represent investments from politicians (de la Madrid and Salinas de Gortari included) and from Lebanese sources.³⁴

His privileged position in a brokerage house (Inbursa) gave him insider information about the financial situation of underpriced firms and their potential for asset redeployment and restructuring, tasks in which he has become internationally known for his expertise. According to his own account (Slim-Helu, 1994), between 1982 and 1984, when the shares of many companies were priced at 5% or less of their book value, he acquired the first large quoted corporations: Reynolds Aluminio, Sanborns, Nacobre, Euskadi, Hulera El Centenario and others. In addition, brokerage activities trained him in corporate raiding practices which successfully led him to several hostile takeovers (Bicicletas de Mexico, Hulera Euskadi) and friendly acquisitions (such as, Condumex and Aluminio).

Equally important, however, are his close relations with Salinas' group and the loyalty he has openly exhibited during electoral campaigns. He played an important role in all the promotional activities to support the PRI: he was member of the PRI's Finance Commission during Salinas' campaign, actively participated in the promotion of entrepreneurial cells during the presidential elections of Colosio and Zedillo in 1994, a guest at the now famous dinner party to raise funds for the PRI in 1993, a member of Solidarity's Consultative Committee and, on top of all that, a close friend of Salinas (see Table 6.2).

His loyalty has been generously rewarded throughout the process of privatisation. During MMH's administration, he acquired several companies that were the property of

the banks (the so-called bank-firms: Frisco and most of the firms formerly controlled by Bancomer), enlarging rapidly the newly formed industrial group, Carso. During Salinas' administration he expanded enormously with the acquisition of state enterprises, particularly Telmex and Manufacturera Mexicana de Partes.

According to his own biographic notes (Slim Helu, 1994), before the acquisitions of 1982-84 the group consisted of relatively small firms, such as Galas de Mexico and Jarritos del Sur. The only exception is Cigarrera La Tabacalera Mexicana (Cigatam) which he gradually privatised during 1981 and which he argues generated the cash flow to carry out the ambitious investment program of the next four years. Therefore, the story of his success really began with the crisis of the stock market in 1982-84 and the privatisation of the bank-firms in 1984. It continued later on with the stock market boom of 1986-87, the crash of 1987 and the programme of privatisation of CSG.

Since his acquisitions are not highly leveraged and most of them involve controlling stakes, he must enjoy access to large amounts of cash flow to rapidly engineer buy-outs of very large companies such as Grupo Condumex in 1992, Aluminio in 1993 and to start in 1996 an ambitious program of mergers and acquisitions in Mexico and abroad to expand to area of telecommunications and multi-media. The cash flow generated by the group's affiliates could not account alone for the funds needed to plan within a few days such large take-overs. He informs us that Cigatam --Carso's most important company from 1981 to 1984-- generated \$20 million cash flow in two years (1982-84) and \$350 million in the following ten years. In August of 1984 Carso bought the groups of bank firms belonging to Bancomer for \$58 million, that is almost three times the cash flow generated by Cigatam which, according to Slim himself, was the most profitable and cash flow generating company of the holding (Slim, 1994) . Though insider information may have been essential to gauge the asset potential, possible

synergies with other affiliates in the holding and the situation of the firms in general, huge amounts of fresh capital must have been needed to achieve at one stroke majority control of these and other firms. The possibility of representing 'behind-the-scenes' interests from national and foreign origins does not seem in this light far-fetched.³⁵

With respect to the privileged information proceeding from top level officials, the cases of prepaid foreign debt just before the devaluation of 1994 are very illustrative. Two cases in particular were mentioned by the weekly Proceso (2-Jan-95:10), those of Emilio Azcárraga Milmo (Televisa) and Carlos Slim Helú (Carso). A Report from the IMF published in the Washington Post (21-Aug-95), despite not mentioning specific names, adds credibility to these arguments. It considers that the huge devaluation of the Mexican peso was largely provoked by capital flight. In December alone, the report says, private groups prepaid debt titles for more than 4.7 billion dollars, which accounts for more than two thirds of the fall in the international reserves registered that month. According to the same document, local big business in developing countries "are more likely to be close to the information centres about the economy and financial projects" to be able to foresee changes in monetary policy.

Azcárraga Milmo's unsolicited self defense seems to confirm the IMF's assessment, which in fact does not mention any particular name. Azcárraga did not deny the fact that large amounts were indeed used by Mexican groups to prepay foreign debt. However, in his opinion, the devaluation and the crisis it generated was not caused by Mexican entrepreneurs who withdrew foreign currency in order to protect their property, but by the government's inefficiency and incapacity to create the proper climate for private investment (Jornada, 5-Sept-95). Another well documented case is that of Eduardo Legorreta, main shareholder and CEO of Videovisa, who just before the devaluation bought US \$190 million at the rate of 3.46 new pesos per dollar to prepay debt titles

issued in dollars. In a letter to shareholders he admits that before the devaluation the company liquidated with the 344 million new pesos, which would have meant 426 million new pesos in December 31, 1994 (Expansión, 10-May-95).

As it will be seen in Chapter 7, members of associations committed to the principles of the Social Christian doctrine and other versions of ethical liberalism, openly criticize these practices of favouritism and speculation as unethical, arguing that they convey very negative effects in the economy and are to a great extent responsible for the present crisis.

Supporters of this entrepreneurial current of thought show greater and more genuine commitment to the process of political liberalization not only in their statements but in practice. There is a negative correlation between support for associations embracing ethical liberal principles on one hand, and, on the other, support for the PRI and personal benefits from such participation. As can be seen in Chart 6.2., the most conspicuous representatives of this current (Juan Sánchez Navarro, Lorenzo and Roberto Servitje) are not involved in the activities to promote the PRI and when they are (for example, Claudio González who participated in the dinner party and in Salinas' Cabinet), they have not received special concessions. Although they have benefitted from the strategy of economic liberalization and the policies to promote exporters and concentration of markets,³⁶ they appear not to have bid --at least not personally-- for state companies or for concessions. Nor have they been openly involved in speculative activities, a quite general practice among members of the new fraction.

6.5. Conclusions

The presence of big business in the party system is very contradictory and skewed towards the financial promotion of those candidates of the PRI favourable to the projects

and interests of big business. Very few big businessmen openly support the PAN.³⁷ Overt participation of these entrepreneurs in party politics has accelerated a realignment of forces within the PRI, the PAN, the PRD and the party system in general. The presence of large entrepreneurs has often meant the displacement of other social forces who had played until recently a more important role in the configuration of party programs, social and economic policies.

Within the PRI, in particular, such participation has stretched key joints with the corporatist system which had been crucial in preserving political stability. Disaffected sectors in the PRI tend to contest increasingly the populist rhetoric and the neutral character of the state. Some leave the PRI to join the PRD or the PAN. Others articulate currents of political opposition which undermine cohesion, complicate internal debates and multiply divisions. The system of patronage (*cacicazgos* and *charrismo*) deteriorates but alternative modern institutional arrangements are only artificially engineered, resisted by traditional forces and in practice discarded. This is leading to a situation of ungovernability, which will probably continue if the process of party realignment does not respond to changing cleavages and demands. As Dalton et al (1984:15-16) have pointed out, these tendencies of de-alignment have aggravated problems of demand and political overload in ACCs. However, in a country like Mexico, where the narrowing of class differences has been arrested, and has even been reversed,³⁸ this political realignment may polarize and politicize social differences.

Mizruchi (1992) correlates trends of corporate networking with patterns of behaviour of corporate Political Action Committees (PAC) in the US. The results of his investigation reveal that businessmen more highly connected in the corporate network show similar political preferences and patterns of financial support during electoral processes. The Entrepreneurial Cells (EC) in Mexico seem to take after the PACs in the

US. However, information and transparency of their activities are still very relaxed because the Federal Electoral Commission is not an independent body which can regulate fund raising, check and balance the use of money power of social groups during elections. It would be impossible therefore to carry out in Mexico an investigation similar to that of Mizruchi since the information is simply not available. However, the findings of this Chapter are very revealing. If similar political behaviour reflects unity, as Mizruchi contends (1992:52), then the Mexican corporate elite is united in the area of party politics since most large entrepreneurs are more inclined to support the PRI than any other party, including the PAN. But certain different patterns of political support were also identified between, on one hand, members of old fractions (the Northern, Central and Alemán Fractions mentioned in Chapter 2) and, on the other hand, the New Fraction which emerged in the context of the economic reorganization and reforms effected in the past decade. Whereas the former tend to restrict support to financial contributions, the latter become more involved in the organization of political promotion. Both groups reap handsome benefits, though without them the new fraction would simply not exist.

The mixture of "needy candidates/needy parties" and "greedy contributors" has increased, as Alexander and Shiratori (1994:2) anticipate, the influence of the latter, greatly eroding the legitimacy of the Mexican political system. The financial contributions of the wealthy make the electoral playing field still more unfair, give a small minority additional means of influence and power, increase clientelism, 'influyentismo' and corruption.

Mexico is evidently not the only country --developed or developing-- where influence-peddling practices characterize the relationship between big business and high government officials. Scandals in South Korea which ended in the indictment of two

former presidents revealed that corruption and abuses of power involved big business too. James Clad (1991) uncovers the system of business favouritism which in his view undercuts the economic potential and achievements of Southeast Asian countries, in particular Malaysia, Singapore and Thailand.

Other authors point at practices of monetary contributions widely spread in both developed and developing countries.³⁹ Many of these countries have had scandals stemming from contributions to gain political favours.⁴⁰ Shiratori (1994) documents several scandals in Japan (the Lockheed Affair, the Recruit Gate scandal, and the Meidenko scandal) involving politicians and top corporate executives who use their power and authority for personal gains. But in contrast to what occurs in Mexico, they are not above the law. Even prime ministers, like Tanaka, have been found guilty and have been sentenced. Thus, in spite of abuses of power characteristic of societies undergoing a very advanced phase of capitalist development, formal democratic procedures and electoral forces are still capable of countervailing such abuses and preempting them from severely undercutting economic and social institutions.

But not all countries have effective democratic institutions to scrutinize and temper abuses of economic and political power coming from both large businessmen and senior politicians. In India, for example, Jain (1994:169) argues that several electoral reforms have been unable to "... curb the power of money which, along with muscle power, breeds a growing nexus between politicians and criminals." Rhodes (1996), on the other hand, describes the systemic corruption of Italy and other European Mediterranean countries which, among other factors, he attributes to the strength of familial and clientelistic relations between politicians and large business.⁴¹ And this is the case of Mexico where powerful entrepreneurs enjoy an exceptionally privileged situation whereby they can avoid all the procedures applied to the average citizen by virtue of the

clientelistic arrangements that have been strengthened and furthered with financial contributions and political sponsorship to the PRI.⁴²

Problems of business corruption and/or favouritism are compounded because in the electoral arena private funding is not matched by stronger electoral and democratic procedures to act as a counterweight to the power of the wealthy. It is not surprising that two of the scandals involving misuse of corporate resources also involve clandestine financial support to the PRI. In particular, it is now known that Carlos Cabal Peniche gave a contribution of 140 million pesos (more than \$US40 million at the rate of exchange of the time) to finance Tabasco's gubernatorial elections in 1994, exceeding by 8 million pesos the limit authorized by the Federal Electoral Institute (IFE). Gerardo de Prevoisin, in turn, alleges that of the funds missing from Aeromexico's accounts, US\$8 million were diverted to support Zedillo's presidential election.⁴³ But other big entrepreneurs not involved in corruption scandals --at least not openly-- donated in a more or less disguised way very large sums too. Thus, Roberto González Barrera offered US\$10 million to Donaldo Colosio who received around 4 million and spent around 3.5. There was no way of accounting for the difference. Another millionaire contribution came from Jorge Hank Rhon who donated 100 million pesos (around US\$30 million at the prevailing rate of exchange) to support the local elections for Baja California state deputies and mayors.⁴⁴ Carlos Peralta (main shareholder of IUSACELL) alleged giving Raúl Salinas US\$ 50 million to invest in several projects but journalists have expressed suspicion that he is trying to cover him up for illegal embezzlement (Linares Zapata, 1996). An increasingly larger number of personal links are being discovered between Salinas' family (in particular, his brother Raul Salinas who is now being prosecuted for the murder of the former president of the PRI, Francisco Ruiz Massieu, as well as for embezzlement) and the fraction of business who emerged or expanded their wealth

considerably during his administration.

Entrepreneurial party politics remains fundamentally a national activity. Networking with transnational forces in this arena is virtually non-existent. The main globalising trend consists of a cultural and political convergence. In particular, the understanding and practice of an electoral democracy which tends to maintain built-in advantages to parties defending neoliberal strategies, and financial promotion practices that increase the power of the wealthy, spread influence-trafficking, free-riding, bribery and corruption.

NOTES

¹. Which in his view consist of an "absence of genuine party competition or outright (exclusionary) authoritarianism." (Knight, 1992:139).

². According to Whitehead (1995:256) these three characteristics --institutionalized, civilianized and inclusionary-- make the Mexican authoritarian regime *sui generis*, i.e., fundamentally different from other Latin American authoritarian regimes, and in particular more stable and resilient.

³. Marchak (1991), Chomsky (1993), Whitehead (1993b) and other authors point at the widespread equation between market (ergo capitalism and/or economic liberalization) with development and/or democracy.

⁴. However, even in the case of industrialized countries disagreements about the role of the bourgeoisie -- and other social forces for that matter-- in the process of democratisation are quite frequent. See Reuschemeyer, Stephens and Stephens (1992) and Barrington Moore (1966).

⁵. The elite settlement was not wholly inclusionary because according to Knight it failed to incorporate or satisfy all elite groups. In particular, it excluded the private sector, partly because it was not yet sufficiently organized to participate in the negotiations. However, it also excluded the Church and some members of the revolutionary elite, like the Obregonista military movement (headed by Aaron Saenz), the Vasconcelista liberals and the Mexican Communist Party. In contrast with other authors using this approach, Knight underscores in his analysis the structural relationship of the elites with social classes: on one hand, with the private sector "who chose to colonize and coopt the revolutionary leadership" and, on the other hand, with the masses who were highly involved in politics at that time (Knight, 1992).

⁶. Notwithstanding the limitations of formal political democracy, they contend, it gradually and almost inevitably leads towards social reform in as much as it provides procedures, spaces and opportunities to voice and settle differences and demands. Thus, political democracy is considered a goal in itself. Gills, Rocamora and Wilson (1993:5), on the contrary, contest this opinion. They argue that if political democracy and social reforms are not closely linked, democracy in practice is undermined.

⁷. Whitehead (1988:10-19) argues, on one hand, that leading industrialised countries promote democracy for several reasons which depend on the specific time, country and institution involved. While some are genuinely concerned to extend the benefits of the system to LDCs, others are trying to preempt the threat of communist and fascist regimes and/or to extend their own supremacy (particularly in the case of the US). On the other hand, Gills, Rocamora and Wilson (1993:7) hold a more radical position. They believe the so-called promotion of democracy is an ideological struggle to further and justify a total submission to the forces governing the worldwide market. The former forms part of the intellectual current advancing a social democratic path, whereas the latter are members of the grass-roots or social masses approach.

⁸. According to Whitehead (1988:10), this explains why governments in LDCs have not been able to commit themselves irreversibly to democracy, nor to authoritarianism. See also Whitehead (1993b)

⁹. Gills (1994), in particular demonstrates that exporters in South Korea have become more autonomous from the state in the past 20 years. Bartell and Payne (1995), on the other hand, show that business success in Latin America, as the main engine of economic growth, has enhanced their social status, political power and tolerance to democracy.

¹⁰. Bartell (1995:xii), in particular, argues that although business leaders in Chile have overcome some traditional attributes which prevented them from supporting democratic regimes, they are still "likely to thwart any attempts to redistribute wealth that are not market-oriented, thereby limiting one of democracy's most substantive goals."

^{11.} Héctor Larios Santillán, president of CCE, insisted in a meeting with businessmen that a broad social participation was needed in order to make possible a democratic transition which will, in turn, produce gradual and stable progress (*Jornada*, 18-July-1995). However, In the context of a growing financial instability, at the beginning of October of 1995, Gustavo Terán, Chief economist at the brokerage house Bursamex, expressed a widespread view among the Mexican stock market community: "We are moving to a more open political system, where people can speak openly and the markets don't like that," he said. "The economy is too weak to handle political turmoil." (*Financial Times*, 11-Oct-1995).

^{12.} Democratic institutions are stabilising in as much as all interests play according to rules "specified a priori, explicit, potentially familiar to all participants." (Przeworski, 1988:56).

^{13.} Antonio Ruiz Galindo, owner of DM Nacional at the time was appointed Minister of Economics by Miguel Alemán; Eduardo Bustamante was Minister of Patrimony during the period of Adolfo López Mateos; Javier Barrios Sierra (one of the founders of Grupo ICA) was Minister of Public Works in the same period and Julio Hirschfield left temporarily the administration of his company --H Steele and Co-- to head the Ministry of Tourism (*Expansión*, May 25, 1994:179-180). Crescencio Ballesteros Ibarra was responsible of public works at the Ministry of Agriculture in the 1940s.

^{14.} According to Rogelio Sada Zambrano he was sacked from Vitro because of his political affiliation to the PAN (Gutiérrez and Veloquio, 1987).

^{15.} Several interviewees, though deliberately vague and evasive, shared this view. They insisted, however, to remain anonymous in this respect.

^{16.} Including the governor who was appointed by Salinas (gobernador interino) after the contested elections of 1989.

^{17.} The Federal Election Campaign Act (FECA) first passed in 1971 and modified after the Watergate Affair regulates financial contributions to candidates, campaigns and parties in the US (Wolinetz, 1988:279-84).

^{18.} According to the Sistema Nacional de Cuotas in the PRI (National System of Donors) issued on April 1992, all senior civil servants, from the president to the Chief of Department, had to give a special contribution to the official party which depended on their income.

^{19.} The event was subject of great speculation and amendments about the numbers and guests but the government never denied it had been held and for what purpose.

^{20.} Other forms of financial promotion introduced by the PRI's Finance Commission include a lotto that was expected to raise US\$30 million a year and a PRI Visa credit card given to party members that would raise US\$40 million (*Miami Herald*, March 4, 1993).

^{21.} In 1982-83, when the West German Presidential Committee of Experts on Party Funding made several proposals to shift the emphasis of party funding from the state to the citizens, the Green Party challenged successfully the provisions dealing with tax deductibility of contributions on the grounds that it gave greater advantages to parties supported by the wealthy (Schneider, 1989).

^{22.} During the gubernatorial elections in Nuevo León in 1991, members from the PAN denounced that the PRI Commission of Finance was used as a vehicle to conceal the deviation of public funds to the PRI. See: *El Fiananciero International*, March 22, 1993:13; and *Mexico and Nafta Report*, March 25, 1993:7.

^{23.} See Interviews No, 31 and 32 as well as Argüelles an Villa (1994).

^{24.} The bailout by Zedillo's government of the banks and the special support to construction groups, on the other hand, could not be explained exclusively in terms of personal favouritism but of structural power too. The bankruptcy of the banking system would no doubt aggravate enormously the economic crisis and pressures to engineer a bailout came not only from the bankers themselves but from international investors and agencies. And, as it is well known, the main beneficiaries of the widely demanded reactivation of public spending will most certainly be large construction groups.

²⁵. Enrique Molina Sobrino (GEMSA and Escorpión) belongs to the New Fraction and greatly expanded its presence in the area of soft drinks with the acquisition of sugar plants (ingenios) and several bottling companies from the state. Likewise, Fernando Senderos (Desc) belongs to the Alemán fraction and he strengthened the position of his group in the autoparts and agroindustrial markets when Desc bought the state companies Forjamex and Alimentos Balanceados de México, respectively (See Table 6.2).

²⁶. Carso, for example, has outranked Alfa, VISA, Desc and other groups (See Table 2.1). Slim was ranked number 1 in Mexico and Latin America by Forbes (5-July-93, 15-July-94 and 15-July-95)

²⁷. Business Week (22-July-91) underscores the clientelism underlying the process of privatisation, deregulation and (alas!) economic modernization. In an article entitled "Salinas Friends", the journal describes the relations between big business and the government as of mutual support, forbearance and complacency, the typical clientelistic trade-offs, "I give you so that you give me later on". According to Este País (Jan-92:4) during Salinas' administration, Slim, Molina Sobrino and the Brener brothers acquired 50 state companies, that is, 20% of all privatised companies.

²⁸. Though to some extent an arbitrary criterion since some large companies are not listed in the MSE, only multiple directors with two or more seats interlock and therefore hold a more active position in the corporate networks. That is, they can transmit information, views, opinions and connections. See Chapter 4, section 4.

²⁹. I reviewed exhaustively the most important Mexican corporate magazine, Expansión, and several international newspapers (Wall Street Journal, New York Times and Los Angeles Times).

³⁰. Indirectly through another important stockholder of the group.

³¹. This bank was taken over in 1995 by the Spanish bank Banco de Bilbao Viscaya.

³². Roberto Hernandez and Alfred Harp Helú whose trajectory is based on brokerage activities and, in particular, the boom of the stock market between 1985 and 1987 and the crack in 1987. Raymundo Gomez Flores, Carlos Cabal-Peniche and Gerardo de Prevoisin (Aereomexico) because their expansion was in large measure due to overt fraudulent moves. Roberto González Barrera, Alejandro and Carlos Peralta, Salinas Pliego, Alfonso Romo and other personal friends of the Salinas de Gortari family who have been involved in the scandals of Raul Salinas de Gortari's business associations with members of this new fraction. As can be seen in Table 6.2., none of these held in 1981 any position in the board of directors of the companies listed in the MSE. Though in different degree, they all seemed to have enjoyed access to privileged information from both top government and financial circles.

³³. According to Forbes (5-July-93, 15-July-94, 15-July-95) his personal fortune increased from 2.1 billion dollars in 1992, to 3.7 billion in 1993 and 6.6 in 1994, that is in two years he tripled it. In 1995 it depreciated substantially due to the devaluatory effect of December 1994. But in 1996 new and ambitious projects of expansion in telecommunications, in Mexico and advanced economies, reveal this group has been one of the least affected by the crisis of the mid-1990s.

³⁴. His wife, Soumaya Domit Gemayel is the niece of Amin Gemayel ex-President to Lebanon (Este País, 4-Jan-1992).

³⁵. Trusts and other devices that greatly facilitate proxy operations have become more sophisticated, adding credibility to this assumption, not yet documented, but which is no doubt spread *soto voce* by detractors in the business community who feel this kind of speculative growth and competition is unethical and unfair. (Interview No. 18 with Martha Cervantes, Director of Desem).

³⁶. Bimbo (owned by the Servitjes) is a virtual monopoly of wrapped bread since the middle of the Eighties and Modelo (with large participation of Juan Sánchez Navarro) is the most important beer company with an aggressive export strategy (see Chapter 3).

³⁷. Some exceptions include Miguel Fernández in Chihuahua who holds a controlling stake in Grupo Argos and Fernando Canales Clariond in Monterrey linked to Grupo IMSA.

³⁸. According to Centeno, the income earned by the bottom 20% declined from 6.1% to 2.4% from 1950 to 1987, while the top 20% increased participation from 60 to 65%. Labour's participation in personal income declined from 36% in the mid seventies to 23% in 1990. The minimum wage lost two thirds of purchasing power between 1982 and 1991 (Centeno, 1994:18-19).

³⁹. See Avril (1994) for the case of France, Gidlund (1994) for Sweden, Jones (1994) for the US, Pinto Duschinsky (1994) for the UK, Landfried (1994) for Germany and for developing countries see: Aguiar (1994) for Brazil and Woo Park (1994) for South Korea. All of them in Alexander and Shiratori (1994).

⁴⁰. The congressional investigation carried out in Brazil against Collor de Mello found that the former president received \$8 million in bribes for political favours. According to Farias, a friend of the ex-president, these funds were part of the left-overs of contributions raised to finance campaigns (Alexander and Shiratori, 1994:6-7). Though the experience was frustrating since Collor de Mello was the first president democratically elected in three decades, as Alexander and Shiratori point out, it revealed greater strength of Congress to make the president accountable.

⁴¹. In his paper he considers corruption is also due to the rapid transition from an agricultural economy to an industrial one first and later on a service economy; to the huge large state apparatus inherited from fascist times and the ambivalent commitment of the middle classes to democratic procedures.

⁴². According to Tom Gjelten, Journalist from the National Public Radio in the US, who interviewed Carlos Hank González in May of 1995, this entrepreneur and politician said he was not afraid of the wave of investigations against some of Salinas' ministers because "top officials were his friends" and he "had excellent relations with Zedillo" (Novedades, 21-May-95). He had nothing to fear not because he had not broken any law but rather due to his extraordinary position above the law.

⁴³. Gerardo de Prevoisin headed the privatisation of Aeroméxico. He used funds from Aeroméxico to finance the electoral campaign of President Ernesto Zedillo. According to the board of this company, "The company never authorised the withdrawal of \$8 million which he said was sent as a donation to a political party". Aeroméxico is suing Prevoisin to recover part of the \$72 million they claim he embezzled. Reuters (8-Aug-95)

⁴⁴. Proceso (7-July-96) and Linares Zapata (1996).

CHAPTER 7

THE GLOBAL ENTREPRENEURIAL MOVEMENT IN MEXICO

Several scholars (Useem, 1984 and 1993; Jackson and Schendelen, 1987; Alvárez Alvárez, 1991; Marchak, 1991; Gobeyn, 1992; Cockett, 1994) have advanced the thesis that in response to the economic crises of the seventies business and probusiness forces and institutions started a worldwide ideological, political and social movement in order to reduce government intervention in the economy, legitimate business activities and private property, break or weaken corporatist practices and institutions and revitalize the individualist facets of the liberal doctrine *vis à vis* the communitarian ones, the private with respect to the public rights. The movement was pushed forward by public officials --as happened in the US and UK under the lead of Ronald Reagan and Margaret Thatcher, respectively-- and by private actors, gradually incorporating an increasingly greater number of forces and institutions.

This movement has been approached from different theoretical perspectives which in addition focus attention on specific aspects of the business response, according to the country or region in question. Some authors (Useem, 1984 and 1993; Gobeyn, 1992; Jackson and Schendelen, 1987) concentrate their analysis on the programme of action, the institutions, groups and/or individuals involved in the movement, which vary greatly depending on the country and phase. Other scholars (Block et al, 1987; Hayes, 1994; Alvárez and Alvárez, 1991) examine in more detail the ideological components and justifications. Thus, according to Useem (1984 and 1993), in the first half of the 1980s the entrepreneurial offensive in the US was primarily concerned with reducing the

presence of the state in the market. But since the new economic strategies followed by Reagan did not restore national economic performance and competitiveness, in the second half of the decade the offensive turned against professional managers and entrenched corporate bureaucracies that had become completely unresponsive to the interests of shareholders. This second phase of the offensive unleashed a wave of corporate raiders and turnover specialists who, with the help of stock market devices such as the 'hostile take over', 'leveraged-buy-out' (LBO), 'management buyout' (MBO), junk bonds and others, restored power to owners, disarticulated and often dismantled corporate hierarchies, or at least represented a threat for management. If executives were to stay they had to turn the companies around and make them profitable in the short run.

The drastic shift from long-run to short-run corporate strategies and the devastating effects of neoliberal recipes on the system of education, R&D and manufacturing productivity sparked off a debate in the US business community between realist and ethical strands of liberalism. The former defend corporate restructuring and asset redeployment on the grounds that they enhance productivity and efficiency. Corporate raiders, says Vedder (1989), liberate market forces from entrenched, incompetent, corporate executives who constrain mobility of resources and thwart the market mechanisms. Bruning (1989), however, shows that both poorly and well managed corporations had been taken over. The motive underlying mergers in the 1980s, he argues, was primarily speculative. Likewise, Trevor (1989) and Adams and Brock (1989) claim that the wave of corporate take-overs has benefitted investment bankers, professional arbitrageurs, speculators and even inside traders who illegally took advantage of privileged insider information. Playing the merger game --they say-- has diverted attention and resources from building new plants, developing new products, creating jobs and research facilities.

On the other hand, Heffern (1989) and Thurow (1993) openly introduce ethical considerations when they evaluate the public interests affected by corporate mergers and restructuring. Thurow, in particular, makes a strong argument against both corporate short-run and public monetarist strategies, and puts forward a programme to recover American competitiveness not on the basis of low wages but higher productivity. "Free unfettered markets," he asserts, "had a habit of discovering very profitable but nonproductive activities. Practical experience taught that profit maximizing did not necessarily lead to output maximizing." (Thurow, 1993:285). In order to overcome the lags accumulated in the past two decades, he says, the US must reform the regulatory framework and introduce policies to inhibit speculative short-term investment and reshuffling of financial assets; give incentives for long term productive investment; discourage consumption and encourage savings; penalize monopolistic rent seeking; stimulate cooperation and teamwork; strengthen education and investment in human capital, "man-made comparative advantage". In short, he tries to recover elements essential to the ethical strand of liberalism, i.e., public rights, communitarian values and norms to regulate speculation, investment and consumption priorities, etc., for the sake of the 'public good'.

The debate on corporate governance which has expanded throughout continental Europe, the US, Australia, New Zealand and more recently to the UK raises, on the level of the corporation, the main issues of ethical liberalism, i.e., the need "to attain a humane, caring and progressive corporate governance system" (Rees and Sheikh, 1995:vi) with clear roles, responsibilities and accountabilities for directors, shareholders and auditors, and a code of conduct or ethics that can temper corporate abuses and shift the balance from profit maximization towards profit optimisation and public obligations.¹

As we have seen in Chapter 4, separation of ownership from control has only

advanced partially in Mexico. Therefore, the offensive against entrenched management has never been very significant. Rather, turnaround recipes were oriented against large unnecessary corporate staffs and particularly workers and employees at lower levels. The swing from realist to more ethical interpretations of liberalism from 1993 to the present revolves around the hurtful, pernicious effects of outright neoliberal policies, particularly the excessive contraction of state expenditures, a process of privatisation and deregulation that promoted Darwinian competition, fraud and theft, as well as the most baffling enrichment of some entrepreneurs.

The agenda of the entrepreneurial movement and the forces committed to carry forward the programme of action has been the focus of attention of other scholars. Some examine the forces devoted to weaken corporatism. Others consider the attack on the Welfare State is at the centre of the movement's agenda and encompass different forms of negotiation (corporatist, parliamentary, propagandistic, etc.). Gobeyn (1992), for example, focuses on the business reaction against corporatism. He argues that the increasingly militant business associations in Europe (in particular Sweden and Germany) weakened corporatist practices of wage negotiation and reduced the influence of the government and organized labour in the process of policy-making. Capital mobility and higher unemployment greatly eroded the utility of corporatism as a means to discipline the working class, moderate wages and achieve social stability "... as substantial supplies of reserve labour are at present in place in many European societies to act as external restraints on the emergence of labour militancy and high wage demands" (Gobeyn, 1992:92). Hence, business federations undertook an offensive to undermine the negotiating muscle labour associations had gained in the previous decades and revise welfare, unemployment and other benefits obtained since the Second World War and even before.

Jackson and Schendelen (1987) contend that the politicisation of business in Western Europe in the 1980s represent a reaction against the Welfare State. The offensive sought, particularly in the case of Sweden, Denmark, France and Germany, to increase negotiating power *vis à vis* the state and labour, influence and shape public policies, create a public opinion more favourable to business interests and modify the terms of the relations between the public and private sectors. Among the most important outcomes of the struggle we find a greater and more direct involvement of businessmen in the process of policy-making, an increased attention of politics to the problems of business and a change from reactive to more proactive attitudes which aggressively promote policy measures favourable to their interests.²

Block et al. (1987) point out that the attack on the Welfare State has been the classical response of the most conservative forces --which usually, though not always, align around realist interpretations of liberalism. However, the new ingredients of the entrepreneurial movement of the 1980s these and other authors have taken heed of, is a political and ideological discourse which tends to conflate arguments of the ethical and realist strands of liberalism with more conservative traditions, associating the Welfare State to moral and ethical values, or the lack thereof. This symptom has been particularly intense in the US (Ehrenreich, 1987) and the UK (Hayes, 1994), where similar features have surfaced with the return to traditional Victorian values, to family values, the 'back to basics' campaign. And, as we shall see, though in a much lesser degree and with a different outlook, it has appeared in Mexico too.

In contrast to the traditionally elitist conservatism, the New Right in the US is populist in its appeal and puts more emphasis on moral issues. However, as Block et al. (1987) underscore, on one hand, the populist tone inevitably contradicts the capitalist spirit of the discourse and, on the other, the authoritarian restrictions to contain and

reverse permissiveness clash with the more libertarian, laissez faire interpretations of liberalism. The populist ideological components of the New Right in the US which appeal to the rights of the common Americans contrast with the predominantly elitist outlook of the New Right in the UK, whether in its Neo-conservative or Neo-liberal strands (Hayes, 1994). However, the high degree of overlapping and cross-fertilization between the components of the New Right (both liberal and conservative) blurs the nature of the policies they bolster and the interests they ultimately further and defend.³

Alvárez and Alvárez (1991) highlights entrepreneurship --that is, the economic, social and ideological potential of small enterprises and entrepreneurs-- as the most important force ("idea-force") behind the campaign to legitimate entrepreneurial interests in the eighties because it provides a democratic image of businessmen, the image they prefer to be identified with. He characterizes this business offensive as an 'entrepreneurship movement', although he admits that it is a top-down movement, i.e. one initiated not by small entrepreneurs but rather by large entrepreneurs or public officials depending on the country. He accepts, moreover, that large entrepreneurs have benefitted the most from the reforms achieved in the political institutions.

Marchak (1991) offers a comprehensive interpretation of the global entrepreneurial offensive of the eighties which in her view created the ideological conditions to be able to undertake the restructuring of the global economy. The main purpose of the political movement and, in particular, of the New Right ideological discourse embedded in it, was to discredit and undermine the arguments supporting Keynesian governments and Welfare States and, simultaneously, to underpin individualist, utilitarian and libertarian contentions that set in motion the New Right agenda, ultimately favouring global corporate interests. Economies were liberalised and deregulated, state enterprises were privatised, collective bargaining, unions and labour confederations weakened, taxes reduced, etc.

Corporate leaders, she contends, promoted the movement in a variety of ways. They funded multiple think-tanks, institutes and groups⁴ around the world which in turn furthered and diffused the New Right ideology, offered financial support to intellectuals and institutions committed to libertarian principles; and organized multiple events and media to strengthen the views and positions of scholars elaborating on the often divergent and contradictory themes of the New Right: on one hand, individualism, free markets, liberty, entrepreneurship and competition; and on the other, the need for a more centralized government, a more disciplined society, law and order. Corporations are implicitly associated with individual entrepreneurship, aligning in this way the interests of small and big business, whose main common concern revolves around an opposition to the government. According to Marchak, despite the intrinsic contradictions between the different components and interests involved, the movement facilitates and legitimizes the transition to a global economy, furthering in this way the interests of the global corporate elite.

This chapter will argue that these phenomena became a social movement of global scope which gradually engaged a larger number of business and probusiness institutions, intellectuals and other actors in many countries in a programme of action which followed very similar guidelines. The movement took hold and spread at different pace in different countries because, on one hand, the intensity of the economic, political and legitimacy crisis was different and, on the other hand, the strength and diversity of organizations controlled by entrepreneurs varied too. Certain lines of the programme may have become, consequently, specially relevant and urgent in one country whereas in another they may have been completely irrelevant. In Mexico and Bolivia,⁵ for example, the purpose of dignifying the image and role of entrepreneurs in society was paramount given a widespread negative image,⁶ while in Spain and the UK not so much effort was geared

in this direction (Alvárez Alvarez, 1991). Privatisation has been a top priority in the UK, France and Mexico, whereas in the US the movement has focused greater attention on public spending cuts.

Although some authors (Sztompka, 1993:274-275) discard the possibility of social movements promoted and advanced by dominant forces from above, I consider this massive offensive of the eighties a social movement for several reasons: it incorporates loosely articulated forces and actors of different degree of structuration who nevertheless share common goals and gradually agree on a basic programme of action; the program begins in a rather spontaneous manner, evolves around its main guidelines on the basis not of a centralized planning agency but rather of growing interactions that increasingly focus collective efforts on the most urgent changes; it undergoes several stages before it matures and achieves structural reforms: collective awareness and perception of disadvantage and risk, emergence of charismatic leaders,⁷ mobilization, organisation, confrontation and negotiation; and it includes and furthers the interests of rather heterogenous groups, although in a quite hierarchical manner.⁸

Notwithstanding its privileged position in society, the entrepreneurial class in Mexico is very heterogeneous allowing for a broad participation --often though not always induced-- of small and middle size entrepreneurs who have become disaffected with the state. Entrepreneurial actors with different levels of institutional structuration (global, macro, meso and micro) become increasingly involved in the global entrepreneurial movement in order to expand their control over cultural, organizational and political resources; unify entrepreneurs and entrepreneurial organizations around a common strategy that would enhance their role in society; shift policy metapreferences from protectionism to liberalism; and reverse in their favour the correlation of forces.

Additionally, entrepreneurs more or less deliberately distanced themselves from

the state to contest policies and force structural reform from a more autonomous position. The liberal and libertarian demands evince a confrontation not only with subordinate classes but mainly with the state which they perceive has encroached too deeply on the economy and civic society. "Thus, on one side we have the state and on the other the longing for liberation." (Touraine, 1981:1).⁹

The global scope of the movement is justified in terms of: (i) the universality of the traditions of thought inspiring it: on one hand, the ethical and realist strands of liberalism which are universal, at least in the Western World. In Mexico these traditions of thought are embedded, respectively, in the Social Christian and neoliberal doctrines. On the other hand, libertarian and neoconservative traditions and arguments are also present, though the latter is relatively unimportant; (2) the multiple connections of the institutions and actors involved in the movement with their counterparts around the world which intensify the flow of information, knowledge and collective reflexivity; (3) the strategies employed to change the correlation of forces in favour of entrepreneurs and against the state and the labour movement which have become worldwide recipes (liberalisation, privatisation, deregulation, state-slimming, etc.); and (4) the maturity of the institutions involved in the movement, i.e., the strategic capacity to plan, articulate, set in motion and accomplish a programme of action.

7.1. Business traditions of thought in Mexico

Two global traditions of thought, deeply rooted in Mexican business and pro-business organizations inspire this movement, the neoliberal and the Social Christian doctrines, representing, respectively, the realist and ethical strands of liberalism. The principles guiding the former are free market for economic relations, pluralism and, in its most extreme forms, anti-statism for political relations and realism for social relations. The

Social Christian doctrine is structured around the principles of the social market economy (or market economy with a social content), subsidiarity and solidarity which should guide the economic, political and social relations, respectively.

There is a great deal of overlapping between these two doctrines. However, the main differences are: (1) the religious and non-religious orientation of the Social Christian and neoliberal doctrines, respectively; (2) the former advocates a market economy with social content. That is, the forces of the market should be given a social orientation which according to Erhard (1958:117), means that consumers should "benefit from economic progress, from the results of increased effort and increased productivity." The neoliberal doctrine, on the other hand, defends the free market *tout court* (that is, no actor should intervene or distort the neutral character of the market); (3) in the Social Christian doctrine society is held together by communitarian values, norms and beliefs, whereas neoliberals tend to argue that it is held together by conflict and power (even force); (4) the Social Christian doctrine is the ideology of Christian Democratic Parties, whereas the neoliberal ideology tends to be associated to New Right or conservative parties and forces within right-wing parties.

Social liberalism represents the state, secular version of ethical liberalism, a version more concerned with the principle of equality of opportunity and therefore less appealing to business interests. The Social Christian doctrine which represents a modern, entrepreneurial, religious version of ethical liberalism¹⁰ is an elitist version, more concerned with the principle of solidarity, rather than equality, and with certain moral, conservative, values regarding the family and education which strengthen community ties. Given its commitment to solidarity, it supports certain social policies built on welfarist principles. Although on a rather discretionary basis, its support for welfare policies contrasts with extreme neoliberal realist positions which consider that welfare policies

should disappear because they pervert market mechanisms.

Other points of contrast between these versions of liberalism relate to their vision of property rights and the market. The neoliberal interpretation of private property, which is based in Roman Law (so much reinforced in XVIII and XIX Century England), is a very rigid absolute one, according to which property rights gives absolute, exclusive and unlimited control over the propertied object. In contrast, according to Juan Sánchez Navarro (Interview No. 33),¹¹ the Social Christian doctrine conceives property not only as a right but as an obligation as well, an obligation for example, to create jobs, increase and distribute wealth. Neoliberals advocate the smallest possible interference of the state with the market mechanisms, if possible only to set and oversee the legal framework. All kinds of state regulation should be avoided. Social Christians, on the contrary, believe the state has to participate actively to guarantee a social orientation of market mechanisms. In order to govern the economy, Social Christians see the need for a state with a subsidiarist profile, that is, a state which, according to their own definition, is guided by the norm that higher governing structures should not interfere where lower social structures are capable and qualified to undertake economic, social and civic tasks (USEM, 1991). This means state agencies should not interfere in the economy unless the private sector is incapable of undertaking the necessary activities. Likewise, the state should not interfere in civic and societal associations, in regional agencies and plans, in schools and so forth, except when private institutions fail to provide the basic services and needs. Neoliberals defend individual rights and individualism, whereas Social Christians privilege public rights and personalism.¹² Thus, ethical liberals, represented in the Social Christian tradition, advocate a consensual model of society, whereas realist liberals, represented by neoliberals, contend that conflict and power hold a community together (Bellamy, 1992:253).¹³

While the Social Christian doctrine relies on a unified body of ideas and principles which make explicit ethical assumptions and communitarian norms, in contrast, there is a good deal of debate as to what the essence of neoliberalism is. Neoliberal pretensions of absolute neutrality with respect to the market and to different conceptions of good have elicited a wide variety of contradictory interpretations and doctrinaire expressions, as Bellamy (1992), Marchak (1991), Block et al (1987), Hayes (1994) and Gray (1993) point out. Furthermore, liberal practices and concepts have been internalized in a different way in different countries making it still more difficult to agree on a basic definition of neoliberalism. Consequently, while it is relatively easy to spot institutions and actors embracing Social Christian principles, it is more difficult to identify neoliberal institutions and arguments. This Chapter does not attempt to clarify or disentangle the debate, but rather to show the extent to which Mexican business and probusiness forces, institutions, strategies and action draw on these traditions and to which similar confrontations, arguments and even inconsistencies are present in the Mexican entrepreneurial debate.

In general terms, neoliberalism in Mexico appears as a mix of blunt marketization strategies with extreme anti-statist positions which can paradoxically become authoritarian when it comes to social and political stability. Libertarian (as an extreme, dogmatic form of anti-statism) and New Right conservative influences are also present in the Mexican entrepreneurial movement but they usually reinforce principles, guidelines and actions derived or explicitly recommended by neoliberal or Social Christian institutions and actors.

The organizational origins of the Social Christian doctrine in Mexico can be traced to the foundation of the Social Union of Mexican Entrepreneurs (USEM, after its Spanish initials) and several academic institutions founded by the Spanish religious order, OPUS

DEI: IPADE (founded in 1967) which is modelled on the Spanish Institute of High Enterprise Studies (IESE) and Universidad Panamericana.

USEM is the most important Social Christian institution which has transmitted, adapted and reelaborated the principles of this doctrine in the light of the Mexican experience and particular problems. It was founded in 1957 to undertake a programme of entrepreneurial education, the main purposes of which consisted in reappraising and dignifying the image of entrepreneurs in society, promoting leadership and a greater commitment of entrepreneurs to social and political problems.

It became affiliated to the International Christian Union of Entrepreneurial Leaders (UNIAPAC) in 1962 and by the 1990s had developed a network of 18 regional associations in Mexico that enjoy "autonomy though not independence" from the national confederation. According to Gustavo Mendoza, president of Confederación USEM, this means their work is always organized around 6 committees¹⁴ that may have certain flexibility in the way they operate.¹⁵ Nevertheless, they all aim at unifying, orienting and motivating entrepreneurs around the task of "constructing a more just, human and free society." (Interview No. 35)

Membership is individual, although in the great majority of cases the enterprises pay membership fees. In 1993 around 1,000 entrepreneurs were affiliated to USEM (either executives or stockholders), all of whom had to take a course on 'Social Initiation' that focuses on the application of Social Christian principles to the performance of the firm. Those corporations more concerned about the human factor tend to participate more actively in the activities of USEM. Some corporations have 10 members or more affiliated to this association. Most of the work of the association takes place in the committees which, in turn, depend on the voluntary work of the members.

Contrary to neoliberal institutions that act in a more spontaneous and aggressive

way, the USEM has gradually and quietly increased the scope and impact of its educational activities, generating a multiplying effect over a far-reaching network of institutions and preparing the ground for future discussions about how to conduct the reform of the state and society. The structure of USEM's network reveals, on one hand, the key contribution of certain members (notably Lorenzo Servitje, founder, twice president and widely acknowledged as the most committed member of the association) and, on the other hand, that it literally covers all the realms of entrepreneurial social and political action. It is well connected to the corporate network examined in Chapter 4, where Lorenzo Servitje holds 4 directorships and Juan Sanchez Navarro 6; to Desem whose board is deliberately manned by members of USEM; and, indirectly, to an extensive web of universities and academic institutions that --as will be seen below-- implement Desem's programmes of entrepreneurial education among the young (in ITESM, ITAM, Iberoamericana, UNAM and many secondary and primary schools). The most outstanding members of USEM have founded and presided over numerous boards of social and academic institutions. Lorenzo Servitje, for example, a member of CMHN, has been president of the Centre for Social Studies (CES, affiliate of CCE), Rural Development (Asociación Mexicana para el Desarrollo Rural, A.C.) and the National Council of Publicity (CNP).¹⁶ Juan Sánchez Navarro, another prominent member of USEM, presided over the CCE in 1975, Concamin (1962-64), Concanaco (1957-58) and CMHN in 1996. According to Gustavo Mendoza, director of the National Confederation of USEM, "the business organizations more compatible with the principles of the USEM are the CCE, Coparmex, Concanaco and IMEF. Except for one or maybe two, all the presidents of Coparmex have been or are members of USEM: Basagoiti, Ardavin, Sanchez Diaz, Ocejo Moreno. The organisations least compatible are all those that become stagnant in concepts of productivity, efficiency and have a much narrower vision

of work and entrepreneurs." (Interview No. 35)

Thus, even without a political arm, which in several European and Latin American countries is the Christian Democratic Party,¹⁷ the USEM had permeated by the 1990s a great variety of business interest associations, corporatist or not, probusiness NGOs, civic associations, state agencies and political parties (both the PAN and the PRI) with the Social Christian principles or with a more ethical vision of liberalism, the state and society. The PRI's recently proclaimed new ideology of 'Social Liberalism', which represents a secular version of ethical liberalism re-elaborated to temper the social distortions unleashed or aggravated by the neoliberal project, borrows concepts and guidelines from the Social Christian vision of society, particularly the concepts of a subsidiarist and solidarist state.

In contrast, it is more difficult to relate the neoliberal doctrine to specific institutions, perhaps because the image of 'all against all', of having 'one's own way' at whatever price is not one the entrepreneurs like to be explicitly identified with. One must look therefore at the logic of arguments and struggles which, as we shall see below, often make actors move from neoliberal to more ethical positions. The picture is made very complex given a great feedback, cross-fertilization, flow and movement of ideas between institutions and actors committed to these doctrines. The cases of Desem, AMCCO, PRI and PAN in Mexico and Citicorp, IMF and the WB on a global scale best exemplify this shift from a realist to a more ethical liberalism.

Consequently, there is no sharp division between the two doctrines. The flexibility to interpret principles leaves a comfortable margin to justify many decisions affecting large sectors of the population. Frequently one institution or representative holds a typically realist opinion on certain issues and an ethical one on others (for example, on state enterprises and education). Often, too, views swing from one to the other according

the situation (state spending, the opening-up of the economy). And it also happens -as has been noted by authors in other countries--¹⁸ that ideological positions can be contradictory and inconsistent.

7.2. Stages of the entrepreneurial movement in Mexico

The global entrepreneurial movement evolves with different speed and intensity according to the specific historical conditions of different regions and countries and, in particular, according to the motives prompting entrepreneurs to participate in politics and the variety of resources which they control. In Mexico the movement has undergone two stages. In the first stage, which extended throughout the eighties, both Social Christian and neoliberal organizations and agents shared a common program of action which aimed at diminishing the role of the state in society and highlighting that of entrepreneurs. This meant privatising state enterprises, cutting public expenses, deregulating the economy, supporting business interest associations, pro-business NGOs and other autonomous pluralist interest organizations while disarticulating corporatist, state-sponsored and/or controlled labour associations.

In the seventies many business associations expressed increasing discontent about the overwhelming presence of the state in the economy. The conflictual relations with Luis Echeverría Alvarez and José López Portillo, the populist and anti-business rhetoric of these presidents and other public officials, and a decaying social image of entrepreneurs in society at large (Maxfield, 1990; Camp, 1989:39-53) urged their representatives to strengthen and diversify organizational resources. New institutions were founded, the old ones became more aggressive, connections with similar foreign institutions proliferated accelerating a revision and reappraisal of their strategies and action, and a greater specialization was promoted (Montesinos, 1992:112-113). All this

occurred in the context of discussions and debates that tended to ferment feelings among entrepreneurs of common interest, discontent, resistance and reaction.

It was, however, the debt crisis which lasted from the end of 1981 to 1983 and especially the nationalization of the banks in 1982 that was responsible for the rapid spread of a sense of danger and urgency, prompting all those organizations not already in one way or another engaged in the movement to find a role to play. And since the spectrum of institutional resources controlled by entrepreneurs had become rich and diversified --as can be seen in Table 7.1 --, the movement acquired great momentum very fast. The challenge was not any more only to "push back the frontiers of the state", as in Britain and many other countries, but to change a regime which at this point most entrepreneurial forces perceived as dangerous for not being sufficiently committed to private enterprise and property rights (Alvárez Alvarez, 1991:234-236; Luna et. al. 1987; Elizondo, 1992a).

A great offensive was launched covering a wide range of political and social fronts. The business interest associations concentrated their action in policy choices, reinforcing and modernizing their representation with respect to the state and labour. The process of privatisation, liberalisation and deregulation were negotiated with the help of new corporatist devices such as the Social Pact, commissions, new and more effective channels of communication and other mechanisms of consultation, strategic policy making think-tanks (CEESP, for example). In the 1980s the party system was also increasingly used to exert pressure on the government and further policy changes.

Once the objectives of the first stage of the movement had been by and large accomplished, that is, as the state retreated considerably from the economy and the system of interest representation, leaving economic and social forces to confront one another with their own resources and much less mediation from the state --whether in the

form of economic direct participation, regulation or sanctioning of interest representation-, the forces of individual liberalism, of 'having one's way', are unfettered. And as all these trends intensify, the debate between the Social Christian and neoliberal options of conceiving the social order becomes increasingly manifest, not only in events, seminars and publications promoted by the associations which espouse these doctrines, but by the business media in general. Several critical circumstances undoubtedly contributed to bring to the fore in 1994 the problems of social welfare and the model of society, state and liberalism to promote and construct: an ethical liberalism which privileges social cohesion and communitarian shared values as the basis and conditions of social stability (which is the liberalism characteristic of the Social Christian Doctrine and the Social Liberalism recently endorsed by the PRI); or a realist liberalism which considers that power is the only resource to guarantee stability in a society driven by competition and individual impulses.

Stability in 1994 was very precarious: the pace of growth fell from 1990 to 1993 from an average of 3.6% in 1989-91 to 0.5% in 1993 (Macroasesoría Económica, 1995), unemployment increased, an uprising started in the state of Chiapas, the presidential elections generated not only a bitter debate but profound contradictions within the official party which provoked two political assassinations,¹⁹ and a wave of corruption and corporate frauds was aired throughout the year revealing irregularities and shortcomings in the processes of deregulation, privatisation and political reform.

Even before the Chiapas' uprising, several entrepreneurs and business representatives contended that the opening of the economy had been pushed much too fast provoking numerous closings of small and middle size manufacturing firms. They also questioned the degree to which public spending had been cut, and particularly the 3 year surplus in the public budget which, in the light of the recessive trends of 1992-93 and the

widespread poverty, they considered unjustifiable, even ludicrous. "The monetary policy has been excessively restrictive," said Lorenzo Servitje, expressing satisfaction that the government responded to the entrepreneurial demands with tax reductions and the "excellent program of subsidies" initiated in the rural areas in the second half of 1993 using the resources from the public surplus (Proceso, 1- Nov-93:16-19).

The Chiapas uprising generated a debate about the causes and forces behind the conflict and the alternative courses of action to end it. The confrontation clarifies the ideological profile of institutions and the visions of society and state they endorse. Although they often alter, nuance or change altogether their statements, Concanaco and DHIAC clearly adopted neoliberal (or realist liberal) explanations when they attributed the conflict to 3 factors: (1) a division within the official party between modernizers and hardline sectors who deliberately provoked the conflict to recover political positions and arrest the process of political reforms; (2) professional guerrillas using indigenous people for political purposes, and (3) the preaching of Liberation Theology. In a document entitled "Chiapas, an unended story," Concanaco envisages a Hobbesian state, of having one's own way at whatever price, when it considers that if reformers headed by CSG (and all those that support Colosio) do not prevail over the 'dinosaurs' (hardliners), whose candidate is Manuel Camacho Solis (sic!), "there will be no choice other than imposition."²⁰ The argument justifies power and even authoritarian outcomes as the only recourse to hold society together. This is a realist liberal argument *par excellence*, wielded by a typically New Right institution, the DHIAC.

In contrast, USEM has insisted that political solutions will be at best partial if they do not provide "opportunities of welfare, social and human development." (Boletín USEM-México, March-94). From the very beginning Lorenzo Servitje underscored --in spite of official guidelines not to make any public statement about the Chiapas uprising--

ethical arguments as the root of the conflict which in his opinion "was due to the misery, poverty and lack of development in the communities, as well as to other political factors such as oppression and lack of justice." (Proceso, 7 Feb-94:20).²¹ Coparmex shared the view manifested by representatives of the Social Christian doctrine. According to a study entitled 'Scope and limits of the economic reforms,' elaborated by this independent business interest association, the uprising was caused by "the poverty, marginalization and discrimination suffered by a lot of the inhabitants of this Southern state." If the state fails to design a social policy of compensation and to correct the high trade deficit, insufficient economic growth, scant creation of productive jobs, low rate of domestic savings, excessively high interest rates and other shortcomings, the economic model will collapse completely. The alternative to the past model of state-dominated economy, says the study, is the social market economy (Latin American Weekly Report, 3-Feb-94:4041).

The cases of fraud, influence-peddling, access to privileged information, insider trading and 'get-rich-quick' speculators in the corporate community²² have brought to light the fact that deregulation has not been substituted by a code of business conduct, trust and ethics, whereby the business community could promote and oversee safety mechanisms, self regulating measures and even sanctions.

The 19th World Congress of UNIAPAC held in Monterrey, Mexico, in October of 1993 provided a forum for Social Christian entrepreneurs from all over the world where they could examine these problems, discover their global scope and forge common courses of action. The event congregated 413 members from 34 countries (248 from Mexico, the host country) who participated in collective discussions organized around four working groups: (a) the market economy and the primacy of man; (b) competition and ethics; (c) trade exchange and international solidarity; and (d) the enterprise and youth. The papers presented by Sir Dermont Trafford and Professor Franz Furger

representing the Christian Association of Business Executives from the UK and a collective paper presented by USEM-Puebla from Mexico to the group working on competition and ethics shed light on the subtle differences between ethical and realist liberalism with regard to competition and on the historically specific nature of such differences.²³

According to these authors, competition conceived as collaboration is an ethical requirement for the organization of the social order, both economic and political (de Trafford and Furger, 1993). They argue that to pursue purely individual interests leads to an utilitarian conception of man that justifies trampling over everyone else's interests.²⁴ Utilitarian values, they say, promote distrust and injustice. Distrust, in turn, does not create the proper climate of mutual responsibility and reliance with suppliers, partners, clients, etc. which ultimately favour an efficient use of resources and competition. "... competition based in the exclusive defense of one's individual interest creates a destructive effect on society and on the very entrepreneurs generating it" (USEM-Puebla, 1993:5). The arguments address, from an ethical perspective, specific organizational requirements of modern production --the need to eradicate patron-client relations and promote relations of trust--, reconciling in this way competition with cooperation, two otherwise incompatible concepts.

The paper presented in this event by Onno Ruding --Vice-chairman of Citicorp and former Chairman of the Netherlands Christian Federation of Employers (NCW)-- reveals that concerns about the need to promote a business code of ethics converges and feeds back on a similar debate which in the US, Europe, Australia and Latin America is trying to reappraise, revise and reverse some destructive effects of the neoliberal strategies of the 1980s (Ruding, 1993).

Several authors have already questioned the corporate wave of merger wars,

LBOs, hostile take-overs, junk bonds and other financial strategies of turnaround artists that severely damaged the US industrial infrastructure in the 1980s.²⁵ It is however Lester Thurow (1993) who, from an ethical liberal point of view, provides a comprehensive assessment of the neoliberal strategy in the US and how it affected productivity, education, technology, R&D and business ethics, leaving the economy at a great competitive disadvantage with respect to Japan and the European Community. In several manufacturing sectors, he says, the US firms will have to catch up or these trends will be irreversible. And in order to catch up the regulatory framework has to be reformed to penalize speculative short-term asset reshuffling and give incentives for productive long term investment.

In Europe, Michel Albert (1993a), president of UNIAPAC, compares the results of the neoliberal strategies followed in the US, UK and to a lesser extent other European countries with the more favourable results of the Rhine and Japanese models. Whether you compare them in terms of productivity, levels of unemployment, social inequalities, welfare, industrial relations and social outcomes in general, he says, the Rhine model, which has been conceived and implemented by the Christian Democratic Party is by far the one to emulate. Thurow and Albert agree that the strength of the German and Japanese economies lies in the ability to strike the right balance between competition and cooperation, free market and regulation: that is, the best mix of the communitarian and individualistic strains of capitalism. Ruding (1993) underwrites both Albert and Thurow's views and criticisms but at the same time he confirms the flexibility needed to interpret the principles of ethical liberalism, flexibility which leaves enough room to justify many decisions affecting different interests, "to call for action, even if the measures are not easy and not popular". After all, as Christian entrepreneurs they must know what "mixture of policy action is necessary to address all the elements contributing to these

complex problems" of economic-financial necessities as well as social and moral imperatives (Ruding, 1993:9).

This flexibility which tends to blur the line dividing ethical and realist liberalism dates back to the Victorian concept of 'man of character' which "... consisted in the ability to rise above sensual, animal instincts and passions through the force of will."²⁶ It leaves, thereby, the ultimate decision to the intrinsically good nature of the "... talented and hardworking individuals from amongst the 'middle and industrious classes' of the new manufacturing centres." (Bellamy, 1992:10); and, in the case of the Social Christian doctrine, to the good nature of Christian entrepreneurs.

The close links of Michel Camdessus (Director General of the IMF and member of the UNIAPAC) and Onno Ruding (Vice-chairman of Citicorp) to the Social Christian business associations and the growing number of documents and discussion papers prepared by big multilateral financial institutions, reveal that these institutions are recommending a swing from realist to more ethical conceptions of liberalism in order to reverse the excesses and distortions provoked by the neoliberal recipes they encouraged for the past 20 years.²⁷

The unveiling of financial scandals in 1994 and the proliferation of lists of the wealthiest²⁸ which have disclosed the size of relatively new groups that in ten years, or even less, have gained a high ranking among the world's wealthiest (starting in certain cases almost from scratch) has intensified the confrontation between neoliberals and ethical liberals and has exacerbated discontent among the defenders of the Social Christian principles. According to Martha Cervantes, director of Desem, entrepreneurs like Carlos Cabal Peniche or Carlos Slim will never become members of "El Salon del Empresario en Mexico, "a distinction awarded only to entrepreneurs who have successfully intertwined their economic and social responsibilities" (Interview No. 18).

A careful reading of two interviews with the management of Bancomer and Serfin (No. 19 and 20, respectively) also shows, however, that some of the more established, traditional, groups resent the speed with which the new groups have outranked them. According to Manuel Sánchez, Director of Grupo Financiero Bancomer, the management of Bancomer is used to manage the bank "as a banker, not as a broker", explicitly referring to Banamex' aggressive and speculative brokerage activities. And Jonathan Heath, director of Grupo Financiero Serfin also highlighted the generational experience of Serfin's management in banking activities, whereas Banamex management has been traditionally linked to brokerage activities.

In an article entitled "Economic Darwinism and NAFTA", Jose Angel Conchello, a member of the PAN's National Executive Committee, severely criticizes the individualist practices of neoliberalism, stresses the need to promote relations of trust, cooperation and solidarity and exhibits a radicalization of the PAN --or a current within this party-- in the principles of social market economy, subsidiarity and solidarity.

Today, anyone who fails to take account of the violence prevailing not only in Chiapas but throughout the country's political and social life would seem to be devoid of emotion. However, other factors have subtly emerged that threaten to assume an equally destructive dynamic. These include the amoral character of economic neoliberalism: the country's adoration of economic success at any price, which often involves fraud and theft...

When executives lose sight of their social obligations to their suppliers, when, for the sake of costs, they squeeze their suppliers nearly to the point of bankruptcy, they foster the creation of monopolies, force other companies out of business, provoke social problems in the region where they are established and create a commercial system in which the poor pay more than the rich.

When business leaders forget their responsibility to their country because the government recommends, on the pretext of lowering prices, that they buy imported products, thereby destroying local businesses and jobs, the idea of competitiveness and lowering costs becomes immoral...

This adoration of competitiveness, this economic Darwinism, is really the application of the law of the strongest or the most immoral. And when the rights of the strongest prevail, society destroys itself. The growing problems faced by Mexico are not easy to resolve. But it is disgusting that many leaders are uninterested in solving them, either due to utter greed or, in the words of the business leader whose speech I attended, because they believe such problems are natural, logical and even desirable. (El Finciero International Edition, October 24-30, 1994)

This radicalization of the PAN and other business and probusiness organizations is even more remarkable when you consider that the PRI did not deliver any statement

or opinion on the issue of business ethics which clearly affected a broad spectrum of interests. Both the PAN and the PRI show a swing from realist towards ethical liberalism. In the case of the PRI, however, it is less pronounced and becomes more apparent in the area of social policy, particularly the 'Solidarity Program', and in its recently endorsed new ideology of Social Liberalism, which explicitly adopts the definition of a solidarist and subsidiarist state.

In the business media we observe that entrepreneurs realign their perceptions around two lines: on one hand, as can be seen in several interviews conducted by Expansión in 1994, the concepts advanced by both entrepreneurs and representatives of business or probusiness institutions exhibit: (1) a greater concern to expand the responsibilities of entrepreneurs in social welfare activities, redefine and redistribute those of unions, interest and civic associations and the state; (2) an awareness of the need to promote an ethical code not only to make business practices more transparent but to link them to the problems of development and competition; (3) a much greater influence of the Social Christian doctrine which has permeated several business and probusiness organizations and academic institutions with a more ethical approach to liberalism; and (4) a disapproval of outright neoliberalism.²⁹

If in socialist societies, says Carlos Llano --director of the Panamerican Institute of High Management for Enterprises (known by its Spanish initials, IPADE)-- "...everybody is responsible for everything, for extreme liberalism nobody is responsible for anything, except what he[she] wants." And he continues "... in as much as we entrepreneurs manage to include in our business strategies the classical principle of ethics that extreme liberalism has lost: it is not licit to provoke bad outcome effects even when these result from good primary effects ... ", only then we shall fulfil social responsibilities and avoid inconsistencies (Expansión, 17-Aug-94:44-45). He condemns, thereby,

impoverishment even when it results from sound liberal strategies, pointing to a need for equilibrium between liberty and solidarity, a need that was reiterated by several participants in the already mentioned International Congress of UNIAPAC held in Monterrey.

On the other hand, the advocates of neoliberalism, or realist liberalism, are more difficult to spot. They believe interference by the state perverts market mechanisms which will eventually and spontaneously lead to a more rational and balanced distribution of resources and wealth. In their view, therefore, it is too soon to assess the results of the neoliberal strategy gradually implemented in the administration of MMH and greatly intensified in that of CSG. It is clear, however, how they tend to highlight the monetarist achievements (with respect to inflation, privatisation and public spending) while minimizing the social disparities and problems. "Things are not magic", declared Dionisio Garza Medina --Chairman of the Board of Grupo Alfa since March of 1994. And he added, "Some opportunists have tried to undercut the brilliant performance [of Salinas' administration] and everybody pays attention to Chiapas. Evidently, there is a problem there which has to be corrected, but let's not forget that inflation was reduced from 150% to 8%, interest rates were lowered, state enterprises were disincorporated and the Central Bank (Banco de Mexico) was decentralized. It is unfair that a regional detail overshadows all the series of extraordinary positive actions of the past five years which perhaps will allow the country to go from underdevelopment to development." (Expansión, 27-April-94:38. Emphasis added).

7.3. Specialization, division of labour and ideological bent of business and probusiness institutions

Not all the actors involved in the entrepreneurial movement advance the program of

action in the same direction. Whereas some institutions put more emphasis in transforming the image and highlighting the role of entrepreneurs in society, others stress a more reduced role of the state in the economy, and in particular privatisation of state enterprises, public spending cuts across the board and privatisation of institutions governing the economy.

Table 7.1. shows that even if you leave out the complex system of organizations specializing in the representation of business interests, on the meso, macro and micro level (examined in Chapter 5), the network of institutions controlled by entrepreneurs is very rich, covering a wide range of activities: formal and informal education, promotion of civic and electoral participation, social welfare, cultural and charitable responsibilities. Although most of these institutions started out of an independent initiative of a group of entrepreneurs, they have become closely intertwined, particularly around certain issues the relevance of which has varied greatly in the past two decades.

Thus, USEM, Desem, ITESM, Iberoamericana and other private universities have been founded separately and independently with quite different purposes and agendas by entrepreneurs or business representatives sharing little or no overlapping economic interests. In the past decade, however, they tend to converge around the task of reviving the spirit of free enterprise and dignifying the image of entrepreneurs. Desem has been the key institution articulating, discovering the potential and making good use of the wide array of organizational resources of universities controlled by entrepreneurs.

7.3.1. Network Desem-Academic Institutions

Uneasiness about a deteriorating image of entrepreneurs in society (Camp, 1989:40-41) prompted William Locum, president of the American Chamber of Commerce (AMCCO), to create Desarrollo Empresarial, A.C. in 1974 and to bring the programmes of informal

TABLE 7.1. NON INTEREST BUSINESS/PRO-BUSINESS ASSOCIATIONS

Organization	Founder	Date	Ideol. bent	International links
Academic				
ITESM	Garza Sada	1943	N>SC	MIT et al
ITAM	Bailleres	1943	N	Univ of Chicago UCLA
Ibcoreameric	Ballesteros Ruiz Galindo	1948	SC	
Anahuac	Legionarios de Cristo			
IPADE	Servitje et al		SC	
Informal Education				
ADMIC	Groups from Monterrey	1979	N	AID
USEM	Servitje	1962	SC	UNIAPAC
DESEM	American Chamber	1974	N>SC	Junior Achievement
Magazines				
Vuelta	O. Paz		L	
Expansión	Business Trends		N>SC	Fortune
Finanzas	IMEF		N>SC	International Assoc of Financial Executive Institutes
Political NGO's				
DHIAC			NR	
Ejército Democrático			NR	
Frente de Solidaridad Empresarial			SC	
Ancifem				
Frente Cívico de Participación Ciudadana				
Asociación Cívica Estudiantil				
Colude				
Social NGO's				
Mov Familiar Cristiano			SC	
Centro Cívico de Solidaridad			SC	
Funsalud		1985	SC	
Desarrollo Rural			SC	

SOURCE: Own research

N= Neoliberal; SC= Social Christian; L= Libertarian; NR=New Right; N>SC= Moves from Neoliberal to Social Christian positions.

education developed and implemented by its parent, Junior Achievement, throughout the world.³⁰ The programme, which in Mexico adopted the name 'Jóvenes Emprendedores' (Young Entrepreneurs) was first implemented in secondary schools and from 1985 onwards in universities. By 1994 more than 40,000 young people had taken the programme, conducted and supervised by one of the 9 branches of Desem located in the states of BC, Sonora, Sinaloa, Jalisco, Guanajuato, Morelos, Puebla, Guerrero y Mexico City. (Interview No. 18).³¹

The programme has been designed to facilitate the transition and assimilation to the system of production. A small group of participants (between 10 and 15) create and operate a simulated enterprise in order to: (a) learn in a practical way the basic principles required to run a firm (from the constitution, operation, accounting, fund rasing to the termination); (b) understand the relations of a private enterprise with the other components of the market economy; and (c) appraise the attitudes characteristic of entrepreneurial spirit, i.e., "initiative, constant search for progress, creativity and disposition towards teamwork." (Sistema Desem, 1993:2-3). Around 30% of the participants become entrepreneurs (Interview No. 18).

These basic introductory courses have been applied through an extensive network of universities and secondary schools. They were first introduced in the ITESM in 1986, ITAM since 1987, UNAM from 1989 and the University La Salle from 1990 (Alvárez Alvarez, 1991:123). In order to assess the potential, possibilities and impact of the programme, suffice it to recall that ITESM alone has facilities in 25 cities around the country and that in all of them it has been implemented.³² Moreover, according to Rafael Rangel, Principal of System ITESM, the former and original purpose of this university -of educating good professionals-- has been superseded. Today, he says, we seek above all "to create leaders, promoters of development." And he continues: "The conjuncture

of the 1980s forced us to change our mission." Ramón de la Peña, Rector of the unit in Monterrey, adds that this unit is trying to reproduce the experience of the programme in other organized systems --social clubs, secondary schools, etc.-- to promote the entrepreneurial culture in the region. (Expansión, 12-May-93:81-84).

Besides the programme 'Young Entrepreneurs,' Sistema DESEM --new name of this institution-- offers another program called Simec (Simulator of Exercises in Administration and Economy) oriented to strengthen formal professional education with practical experiences. It organizes an International Forum (International Forum of Young Entrepreneurs) to gather the most outstanding students of its courses around the world to discuss in workshops, participate in seminars and listen to the experience of entrepreneurs and politicians such as Lorenzo Servitje, José Gutiérrez Vivó, John Dimitri Negroponti, Isaac Chertorivski, Luis Germán Cárcoba and others.³³

Recently this institution expanded its educational activities to the primary level, where it implements the program 'Entrepreneurial Basics' designed in the US. This programme was first introduced in bilingual private primary schools (such as the American School, Peterson and others) in 1992, but Desem has signed an agreement with the Ministry of Education (SEP) to translate it into Spanish and implement it in state schools as well. The BID has offered US\$25 million to expand it from Mexico and Venezuela to all Latin America (Interview No. 18)

Finally, in 1993 Desem began to sponsor, together with the business magazine Expansión the 'Salon del Empresario en México', the equivalent of the 'National Business Hall of Fame' sponsored by Junior Achievement in collaboration with the US business magazine Fortune. It consists of awards given to entrepreneurs for their economic achievements and social contributions. The acknowledgements are accompanied by highly motivational narratives of their struggle for success, creating a role model which tends

to legitimize and justify the leading position of large entrepreneurs in the economy and society. Except for Manuel Clouthier, all the members elected in 1993 and 1994 represent, and in some cases have become virtual symbols of, large economic interests. Additionally, the profile of the members of this selective club correspond to the model of entrepreneurs promoted by the Social Christian doctrine, that is, not only successful, persevering and talented, but committed to the solution of national social problems. According to Javier Martínez Staines, who coordinated the project, the five members selected in 1993 to become members of the Hall represent "clear examples of initiative, creativity and permanent desire of excellence, of winners who did not isolate themselves in an ivory tower, but who spread knowledge and generous resources through social, educational and cultural institutions." (Expansion, 28-April-93:43).³⁴

Thus, the contribution of Desem to the development of the movement has been particularly outstanding in the area of changing the image of entrepreneurs in society, legitimizing their action and developing the spirit of free enterprise. Additionally, the evolution of this institution reflects rather faithfully the changes of the movement in the content of their academic courses and other activities and even at the level of the composition of the board the members of which have gradually become well known Social Christian entrepreneurs, such as Lorenzo Servitje and Andrés Marcelo Sada.³⁵ "We identify and advance in the direction of the Social Christian doctrine and we seek that the directors of our board share the guidelines of USEM," said Martha Cervantes, director of Desem (Interview No. 18).

7.3.2. Spirit of free enterprise, realist liberals and libertarians

The spirit of free enterprise has also been promoted by realist liberal institutions and intellectuals which, in contrast to the Social Christian associations, have only developed

a very loose network. Although they are often sponsored by the same corporations and organizations,³⁶ their action unfolds in a more spontaneous manner in response to specific constraints and stimulus rather than to preconceived programmes of action.

Asesoría Dinámica a Microempresas (ADMIC) represents the first effort of the private sector to encourage the development of small enterprises. It was founded in 1979 by some of the richest companies in Monterrey to offer financial support and management advice to small manufacturing businesses. Its scope of action grew considerably in the 1980s due to the massive layoffs of executives from the largest groups and public officials from the government, the closing or reorganization of private and public corporations and a generalized process of streamlining in private and state technocracies. With money obtained from private firms and the US Agency for International Development (AID), ADMIC created a credit fund for \$US150,000 to offer loans at rates slightly below the market for small businessmen who did not have access to commercial banks. It also promoted the organization of cooperatives and warehouses to buy raw materials at substantial discounts. By 1987 ADMIC had expanded offices to 5 other cities where they supported start-up business efforts with low interest loans, courses and consultancy on accounting, planning, marketing, sales and production.

This non-profit association served several purposes. On one hand, it was conceived to increase productivity, alleviate unemployment, create expectations of advancement within the private sector and counteract the attraction for state options of high income employment. "We are concentrating on people who have the desire and potential to advance in life" says Alfonso González Migoya, a member of ADMIC's executive board and Vicepresident of Grupo CYDSA, "and we see their micro-enterprises as a way to increase productivity." On the other hand, as executives from ADMIC concede, it also attempts to legitimize business in general. The very fact that it has been

created, financed and controlled by Monterrey's largest groups would give evidence enough of this. But, Benito Cabello, director of ADMIC, further testifies: "This is a way to create new jobs with very small injections of resources..." and, he adds "These are people with real initiative and creativity, and as they gain experience, they have developed a real sense of solidarity and identity with the traditional business community" which, in turn, "fortifies the private sector as a whole."³⁷

The efforts of ADMIC coincided with the campaign 'Employ Yourself' launched by the National Council of Advertising (CNP) in 1987 to improve the image of entrepreneurs, spread the spirit of free enterprise and raise expectations about its potential. The CNP transmitted on radio, TV and newspapers a populist version of free enterprise the main theme of which was: "Make the maxim of your talent ... Employ yourself."³⁸

The spirit of free enterprise has also been embraced by a group of intellectuals who believe that the crisis of the 1980s stems from an all encompassing gigantic state, deeply entrenched in all the spheres of civic society and severely undercutting creativity, initiative and individuality. Disenchanted with the authoritarian, antidemocratic trends of both socialist and capitalist states, formerly left-wing intellectuals throughout Latin America approach liberal traditions in search of libertarian avenues of development. Mario Vargas Llosa and Hernando de Soto in Peru,³⁹ Gabriel Zaid, Enrique Krauze and Octavio Paz in Mexico⁴⁰ have greatly revitalized antigovernment feelings and inspired a return to popular capitalism and free enterprise.

The most influential works in Mexico have been Octavio Paz' The Philanthropic Ogre published in 1979, Enrique Krauze's article "For a democracy without adjectives" published in 1983 and Gabriel Zaid's best seller The Presidential Economy in 1987. Krauze's influential article was published in the context of Chihuahua's municipal

elections which resulted in a landslide victory for the opposition right-wing party, the PAN, that won the 6 most important cities. In his article, first published in Vuelta, and later reedited in a book bearing the same title, Krauze (1986) assumes a pluralist conception of politics which should secure free competition between parties; underwrites a libertarian vision of the government, the democratic essence of which, he says, consists in "not unfolding in civic society"; attacks state enterprises that promote inefficiency for not being disciplined by market competition and condemns the expansionist character of the Mexican state.

Like de Soto, Zaid who has become part of the business intelligentsia,⁴¹ strongly favours a popular or family capitalism as the only prescription to counteract a state gigantism that concentrates, misuses and squanders national resources. There is no other way to resolve the crisis than "development from below," the promotion of "small-scale operations" and opportunities for self-employment, he argues.

Within this framework, Sergio Aguayo, professor at El Colegio de México underscores de Soto's "fascinating argument that Peru's traditional private sector has become a roadblock to the development of what he sees as the real entrepreneurs: those operating in the 'informal sector' (the black market) where a person is judged on the basis of his goods and services without special privileges and protections." Aguayo claims that in Mexico "Solving the crisis will require the contribution of a healthy and truly entrepreneurial class that is politically and economically independent. But these entrepreneurs --he argues-- may not come from the traditional private sector elite." (Wall Street Journal, 18-December-1987).

7.3.3. Business and probusiness NGO's linked to civic and electoral activities

The influence of liberal traditions, ethical or realist, on NGOs devoted to political and

civic activities has also spread considerably. Civic associations (NGOs) sponsored, funded and often governed too by entrepreneurs became involved in different ways in electoral processes: they promoted and defended participation, oversaw the electoral process to prevent irregularities and preclude fraud, educated and stimulated leadership, particularly among entrepreneurs.

Although these institutions naturally intensify activities during electoral processes, some of them have succeeded in maintaining a programme of action which aims at improving civic education and responsibilities in different sectors and strata of the population. The common strategy which inspires and articulates their action consists in equating private sector and civic society. That, in turn, encourages and dignifies the role of persons who act individually (Luna et al., 1987:42). Consequently, promotion of leadership has become paramount in the educational activities of these organizations.

Among the most important and influential civic associations we find DHIAC and Ancifem. Desarrollo Humano Integral, A.C. (DHIAC) is the most significant representative of the 'New Right' which tends to combine some of the moral issues of ethical liberalism and conservatism with the realist liberal principles of free market, the state and society (Ehrenreich, 1987). Accordingly, DHIAC focuses attention primarily on moral issues concerning the orientation of education, abortion, problems of security in neighbourhoods, among others. However, it also has developed a program of education to form social leaders and it fiercely supported the campaign 'Mexico for Freedom' in 1984, together with Ancifem, Movimiento Familiar Cristiano, Frente Cívico de Participación Ciudadana and the Asociación Cívica Estudiantil (Montesinos, 1992:113)

DHIAC has devoted great efforts and resources to put pressure on the government to revise and modify the content of official school textbooks that according to this institution lean too much towards communist values; it participates actively in the anti-

abortion and to a lesser extent anti-gay movement. On all of these counts it shares common ground with New Right and conservative ethical and moral values worldwide. However, its vision of market and society does not coincide with the solidarian, communitarian and cooperative values ethical liberals endorse. On the contrary, as we have seen, its statements regarding the Chiapas uprising rather subscribe to the law of competition and of the survival of the fittest, that is Social Darwinism.

The link of entrepreneurs with civic institutions has permeated broad sectors of the population, in particular those with an antigovernment predisposition, facilitating the acceptance of a neoliberal project, which nevertheless considers certain elementary moral issues addressed by ethical liberalism (particularly, the need for a safety net through targeted subsidies).

Social NGOs sponsored by entrepreneurs include not only charitable, leisure and cultural institutions as before but, increasingly, institutions created to fill up some of the gaps which the reduction of the Welfare State has left. Many entrepreneurs believe they are better fit to run all these organizations and to put public resources to better use due to the high levels of corruption among public officials. Thus, health, rural and charity NGOs, governed by entrepreneurs sitting in their boards, have mushroomed seeking to attract contributions --that can now be tax deductible--⁴² from enterprises, wealthy individuals, international agencies and the state. Some of these NGOs even aim at obtaining funds from the state's social policy programme, Solidaridad. Three institutions, in particular, reveal the spaces entrepreneurs seek to govern by means of prominent positions in the boards of directors: Centro Cívico de Solidaridad (Civic Centre of Solidarity), Fundación Mexicana para la Salud (Mexican Foundation for Health) and Asociación Mexicana para el Desarrollo Rural (Mexican Association for Rural Development).

Centro Cívico de Solidaridad was founded in 1985 and is governed by a group of entrepreneurs, teachers and professionals. The main purposes of this non-profit association are: (1) to promote civicism and solidarity and to orient them towards concrete actions; (2) raise funds to satisfy the most urgent social needs; (3) guarantee that economic resources reach quickly, efficiently and adequately the intended targets; (4) make sure the will of benefactors is fulfilled; and (5) diffuse the concept of solidarity as a rule of conduct and a moral obligation in order to further the humanitarian spirit. This Civic Centre is particularly preoccupied with the social needs of orphans, elderly and marginalized people; educational institutions and hospitals. It also supports the most needy to acquire housing and undertake private initiatives of self employment. It develops projects to meet the donors' wishes and demands, and it must account to them for the use of contributions. It offers in this way a wide array of possibilities to cover welfare needs and simultaneously ensure that the funds meet the intended purposes, that they are not diverted for political, dishonest or fraudulent reasons.⁴³

Fundación Mexicana para la Salud (Funsalud) was created and is also run by the private sector. Its purpose is to strengthen R&D in problems of health. It supports research teams working on gastric infections, nutrition, paediatrics and other areas. It has pioneered a program of repatriation of Mexican scientists to strengthen national health institutions and has sponsored theses and other scientific efforts. The Foundation has recently undertaken a campaign to raise the funds needed to construct its headquarters in a 4000 square meters piece of land donated by the Federal Government.⁴⁴ The significance of this project is better understood in the light of Mexican achievements in this area of scientific research, the disarticulation and gradual privatisation of the national health system and, especially, the deteriorating economic and working conditions of scientists which have often encouraged brain drain.

7.4. Conclusions

The New Right political movement represents the ideological response and justification to further and deepen the integration of regions and countries in the global economy. However, as Marchak (1991) points out, it is not merely an ideological representation of the global process in its different dimensions in the typical --though in my view rather simplistic-- interpretation of Marx's concept of superstructure. Instead, and above all, it carries the global project forward by providing an ideological framework within which the proposals to remove trade barriers, liberalise investment regimes, eliminate regulation of capital flows, reform all the institutions governing advanced, developing and underdeveloped economies and, in particular, their labour markets, can be presented as the only road to development and prosperity.

As the ideological content of the entrepreneurial movement, the New Right basically reformulates on the principles of conservative and liberal traditions, both of which have developed an ethical and a realist strand. The ideological content differs greatly depending on the country because conservative, liberal and libertarian forces (of a more or less ethical or realist bent) draw on both a national and a global pool of intellectual currents, policy paradigms and historic experiences which are then re-elaborated and reinterpreted in the light of specific national needs and constraints.

The task of mapping the ideological forces and institutions involved in the movement becomes particularly difficult in Mexico for several reasons: (1) actors and institutions may adhere to ethical principles on some issues and realist on others (state enterprises versus education, for example); (2) their position with respect to the same issue may change considerably in time (public spending, is a typical case); (3) libertarianism and conservatism, though not very well structured as ideological traditions, raise moral issues that nuance or influence the general outlook of institutions and actors

making still more difficult the effort of classification; and (4) the institutional framework governing the economy and the Mexican Constitution itself are permeated by both the ethical and realist strands of liberalism with some taints of the socialist tradition.

All this notwithstanding, in general terms liberal traditions (ethical and realist) prevail over conservative ones, although we observe a rather different mix of ethical and realist values for historic and contemporary reasons. Liberal traditions emerged much later in Mexico --the XIX Century-- confronting and in response to problems of development. This fact explains the strength and appeal of the ethical strand of liberalism, whether in the secular form of social liberalism, originally fashioned by Juárez and the intellectuals participating in the movement of Reform in the second half of the Nineteenth Century and recently re-fashioned by the PRI; in the form of Mixed Economy or the Social Christian Doctrine. The latter, however, represents a considerably more elitist, confessional, version of ethical liberalism.⁴⁵

Realist liberalism, on the other hand has traditionally remained --except for the Porfiriato and the 1980s when it has been placed at the core of the economic strategy-- a resort for both entrepreneurs and politicians. The former usually wielded realist arguments and principles to check and balance state participation in the economy, cut public deficit, reduce and control state regulation. The latter used realist liberal arguments to modernize the economy, liberalise and promote foreign investment and trade. It has been advocated particularly by the Ministry of Finance and the Central Bank.

Libertarian, dogmatically anti-statist, demands have gained momentum particularly among intellectuals concerned with a state that hinders and impairs not only economic but civic, social and political participation and development. Libertarian currents have also influenced entrepreneurial organizations (Coparmex) and have strengthened the movement's programme of action, particularly with respect to the privatisation of state

enterprises, the corporatist system, welfare and civic institutions, in general; highlighting the role of entrepreneurs in society and indeed legitimizing small and big interests alike.

The entrepreneurial movement in Mexico undergoes two stages. In the first stage the forces of the market were liberated by a program of action subscribed by neoliberal and Social Christian institutions from both the private and public sectors. During this first stage business corporatist associations of national, regional and sectoral scope played the most important role in advancing the program of action. To push back the frontiers of the state they had to deploy a systematic offensive that would weaken and eventually withdraw resistance from representatives of the protectionist/nationalist project in the private and public sectors. Institutions committed to ethical liberal principles supported this offensive on the ideological front which gradually moved from the rear- to the avant-gard. As they move into the second stage the main concern of interest associations becomes the rearticulation of a system of economic regulation with a much greater sway of private institutions, corporatist or not (depending on the policy in question) and, increasingly, the formulation of a business code of ethics to substitute patron-client relations that promote corruption, *influyentismo*, diversion of funds and squandering of resources, with relations of trust and cooperation which further stability and solidarity.

The general objective of the second and present stage, which consists in the redefinition of the vision of state and society, engages another set of actors and institutions. Around these issues, contradictions surface once more between neoliberal and Social Christian forces and organizations. Whereas, the neoliberal project advocates the least possible intervention of the state in the economy and in the corporatist institutions, the individual as the driving force of development and a Hobbesian conception of the state to enforce law and order, the Social Christian project considers instead a market economy with a social orientation, a subsidiarian and solidarian state (that is, savage

capitalism and a state of a Hobbesian type versus a social market economy and a Hegelian state).

In general terms, the Social Christian doctrine offers a much better articulated and coherent social project with educational programmes and activities to develop, inform, educate and shape politicians and entrepreneurs. Consequently, it has permeated many business and probusiness associations, civic, political and social NGOs and even traditional parties with their vision of state and society. But above all, it offers a project that reveals a class much less dependent on the state to look after and promote its long-term interests.

Many academics argue that Mexico has never had a truly entrepreneurial class. Libertarians attribute it to the state's gigantism (Paz, 1979 and Zaid, 1987). Other scholars consider that without the state the bourgeoisie would not have developed in the first place. According to Lorenzo Meyer, for example, in Mexico "... the state appeared before the bourgeoisie. Mexico was not shaped by its entrepreneurial class but by its political class and the former will always depend on the latter." (Expansión, 25-May-94:100).⁴⁶ Others still add that the symbiotic, contradictory or paradoxical relationship between the private and public sectors has come to the point where "... the disciple, in this case the private sector, must break away from the confines of its mentor. However much it owes its mentor for creating, moulding and sustaining it through difficult times, it must exert its independence." (Camp, 1989:251). We rather seem to be witnessing a new stage in the constitution of a national bourgeoisie which is increasingly capable of defending and thinking in terms of its long term interests. The question as to the extent to which this new class consciousness is associated with the global scope of Mexican entrepreneurs' action and reflexivity remains, and will be addressed in the next Chapter. Suffice it to say at this point that participation in the entrepreneurial movement reveals

several forms of global entrepreneurial action. First, a complex and multifaceted network of interaction with global associations, NGOs, think-tanks and other institutions which provide multiple spaces of collective reflexivity, i.e., conferences, seminars and other fora where past and present experiences, strategies and results can be examined and where new agendas and programmes be designed. And a second expression of global action, to a great extent an outcome of the first, is the cultural, political and ideological convergence with the main strategies, programmes of action and entrepreneurial traditions of thought.

NOTES

1. Albert Michel (1992), leader and representative of the International Social Christian Organization (UNIAPAC), agrees with this understanding of the modern corporation as a private institution with public obligations.
2. See, in this book Henning (1987), Sidenus (1987), Schlenker (1987) and Wessels (1987).
3. Gray (1993) documents too some of the inconsistencies of the New Right from a Conservative perspective.
4. Among the most important institutions which participated in planning, organizing and funding the movement, Marchak (1991:93) includes the Mont Pélérin Society in Geneva, the Kiel Economics Institute in West Germany, the Club de l'Horloge in France. In Britain, the Institute of Economic Affairs, the Adam Smith Institute, the Centre for Policy Studies, the Institute of Directors and the Aims of industry. In North America, the Heritage Foundation, the American Conservative Union, Young Americans for Freedom, the Thomas Jefferson Center Foundation, the Reason Foundation, the CATO Institute, the Society for Individual Liberty, and the Fraser Institute. A global institution at the core of the movement is the Trilateral Commission (Gill, 1990). Cockett (1994) examines in much greater detail the role played by intellectuals and think-tanks in the neoliberal revolution of the eighties. In particular, he analyzes the influence of Friedrich von Hayek and a group of intellectuals in the political movement to transform the dominant discourse in the UK from fabianism to neoliberalism.
5. Conaghan (1995) argues that business interest groups in Bolivia promoted a campaign to expand neoliberal economic ideas and a more positive public image of businessmen.
6. Camp (1989:39-53) points out that entrepreneurs have a poor image for several reasons: they are often blamed for the persistence of social inequalities; they show a sense of inferiority with respect to foreign businessmen; intellectuals have portrayed them as "ruthless money-grubbing opportunists"; the government uses them as scapegoats of wrongful policies and profits from contradictions between the public and private sector to give credibility to its populist rhetoric.
7. Manuel Clouthier is the clearest example of a representative of ethical liberalism involved in political activities. However, Lorenzo Servitje is a model among ethical liberals too. Octavio Paz, Gabriel Zaid and Enrique Krauze have become champions of libertarianism and entrepreneurship.
8. For other definitions, the dynamics, stages and types of social movements see Sztompka (1993:274-300) and Foweraker (1995).
9. The autonomy and initiative of national bourgeoisies in LDCs has been greatly impaired by an oversized state which, in the first place, paradoxically promoted their growth and to a certain extent even their own existence, sponsored their organisation and guaranteed their reproduction. See: Camp (1989:34, 251) and Story (1986) for this contradictory relation between the state and the national bourgeoisie in Mexico.
10. Christian Democracy emerged as an alternative to both communism and liberalism, under the auspices of the Catholic Church (González, 1995). Even though it claimed to represent an alternative to liberalism, it has defended some of its basic principles, particularly freedom and private property. On the basis of the experience of the Christian Democracy in the Rhine countries, the Social Christian doctrine representing the ideology of Christian Democratic parties, offers an alternative to the 'savage capitalism' promoted by neoliberalism, a more humane and ethical capitalism (Albert, 1993a and b).
11. He represents one of the few Mexican businessmen who has elaborated on the theories of the doctrinaire roots of these strands of liberalism (Sánchez Navarro, 1981).

¹². According to Hanley (1994:4) personalism is the most articulate version of the doctrine underwritten by Christian Democratic parties. In this version society is composed of persons whose destiny is not in competition but in the role they play in the community (neighbourhood, church, company, family, nation), corresponding precisely to the precepts defined by the ideologues of the Social Christian doctrine (USEM, no date and 1992). This current of thought is, thus, solidaristic, conveying a consensual model of society typical of the ethical strand of liberalism.

¹³. Luna (1996:80-82) identifies in the eighties two new ideological currents among entrepreneurs, technocratic (or pragmatic) liberalism and conservative liberalism, roughly corresponding to the realist and ethical liberalism outlined above.

¹⁴. The committees are: (1) Participation and Proselytism, which tries to increase membership and participation; (2) Education, responsible of generating the program of social initiation and education; (3) Groups of Studies: initiates members in the Social Christian doctrine and motivates them to the possible practical applications; (4) Diffusion; (5) Transformation committee promotes a greater commitment and (6) the Events Committee that gives educational and informative contents to the events organized by USEM (Interview No. 35).

¹⁵. In Monterrey, for example big businessmen chose to participate in the same workshop. (Interview No. 35).

¹⁶. He presided over this association when the campaign 'Employ Yourself' was launched. (Alvárez Alvarez, 1991:220)

¹⁷. There is a strong Jacobin tradition in Mexican politics which the state has deliberately encouraged. Although reforms have been recently introduced to return certain civic rights to the Catholic Church, it has not yet been explicitly recognized and sanctioned as a political force.

¹⁸. See Hayes (1994) for the case of the UK; and Block et al (1987) for the US. See Marchak (1991:94), Gray (1993) for inconsistencies in the New Right and Libertarian ideologies, respectively.

¹⁹. Luis Donald Colosio, the PRI's candidate for the presidential elections, was murdered in March of 1994 and Francisco Ruiz Massieu, the PRI's General Secretary, in September.

²⁰. Diario de Juarez, (6-March-94). It is interesting that the document identifies Manuel Camacho Solis as a dinosaur since he has been widely known as a modernizer.

²¹. It was even claimed that he helped to finance the Commission of Peace, headed by Camacho Solis (Diario de Juarez, 26-Feb-94).

²². The most important shareholders of two financial groups, Havre and Cremi-Union, and of the Airline company, Aeromexico --Julio Mariscal Domínguez, Caval Peniche and Prevoisin, respectively-- were involved in frauds.

²³. Bellamy (1992) examines in detail how these differences changed with the specific historical conditions from the time of the industrial revolution in England, the Third Republic and the Napoleonic wars in France the Risorgimento in Italy and the Whilhelmine society in Germany to the New Right and New Left versions of the present.

²⁴. Probably the doctrine and practices they are criticizing are those of Social Darwinism rather than utilitarianism.

²⁵. See confrontation between the different authors collaborating in McKee (1989).

²⁶. "A variety of conventional Victorian middle-class virtues clustered around this key concept. These included ... self-culture, self-control, energy, industry, frugality, thrift, prudence, patience, perseverance, honesty, integrity, temperance, sobriety, independence, manliness and duty." (Bellamy, 1992:10)

²⁷ See, for example, WB (1995) and Broughton and Lateef (1995). This concern to expand social spending and financial aid to developing and third world countries has encountered ferocious opposition by the Heritage Foundation as the title of one of its documents reveals, "The World Bank and Economic Growth: 50 Years of Failure" (Heritage Foundation, 16-May-96).

²⁸ Forbes' list of wealthiest for 1993 included 24 Mexican large businessmen some of whom reached this world status during Salinas' administration. At least 8 are the upshot of the neoliberal strategies implemented by MMH and CSG. Forbes' lists have included members of the Mexican business community from 1992 to 1994. The publication of these and other lists (by Fortune, Expansion and other magazines) have generated mixed feelings among the Mexican business community, particularly among entrepreneurs identified with ethical liberal principles.

²⁹ In August of 1994, Expansión, the Mexican counterpart of the US business magazine Fortune, carried out a series of interviews among outstanding entrepreneurs or representatives of business and pro-business institutions to find out their opinions about the social role of enterprises and entrepreneurs.

³⁰ Junior Achievement International was created in 1919 to "introduce children and young people all over the world to economic and social activities in general, contributing in this way to a gradual integration to these activities. Presently, Junior Achievement and its affiliates implement its programs in more than 60 countries." (Sistema Desem, 1993:1)

³¹ During the 1993-94 Session almost 1800 students participated in this program (66% in state schools and 34% in private schools). See: Sistema Desem (no date) Reporte Trimestral a Asociados Patrocinadores.

³² Among the universities following the program today we have in Mexico City: Facultad de Estudios Superiores Cuautitlán, Instituto Politécnico Nacional (39 schools), Universidad del Valle de México (6 units), Universidad La Salle, Universidad Nacional Autónoma de México, Universidad Tecnológica de México and Universidad Tecnológica de Nezualcóyotl. In Ensenada, B.C.: Centro de Estudios Tecnológicos y Superiores de Ensenada (CETYS). In Guadalajara, Jalisco: Instituto Tecnológico Superior de Occidente, Universidad Autónoma de Guadalajara, Universidad de Guadalajara, Universidad Femenina, Universidad Panamericana. In Hermosillo, Sonora: Instituto Tecnológico de Hermosillo and Universidad de Sonora. In León, Guanajuato: Universidad del Bajío and Universidad Iberoamericana. In Los Mochis, Sinaloa: Instituto sistemas e Informática del Noroeste, Instituto Tecnológico de los Mochis and Universidad de Occidente (Sistema Desem, 1993:3).

³³ The sponsoring institutions of this event in 1993 were: General Motors, Telmex, Bimbo, Walt Disney, Coca Cola, Sears Roebuck, Kodak Mexicana, Helados Bing and others (Sistema DESEM, 1993:4)

³⁴ Other acknowledgements, such as 'El Hombre de Expansión' (Expansión's Man), 'Profiles of Mexico', the Medal of Honour promote too the image of 'self made men' and follow pretty much the same guidelines as those of 'El Salón del Empresario en México'. Of the 10 entrepreneurs awarded with this distinction in 1993 and 1994, 6 are clearly representatives of large corporations such as Televisa (Emilio Azcárraga Vidaurreta), Alfa, VISA, Vitro and CYDSA (all of them represented by Eugenio Garza Sada), Banamex and large banking groups (Agustín Legorreta López), ICA (Bernardo Quintana Arrijoa), Calzado Canadá (Salvador López Chávez), Bimbo (Lorenzo Servitje). Furthermore, all of them are members of the old fractions (Expansión, 28-April-93:43-46 and 13-April-94:30-44).

³⁵ Among the institutions sponsoring Desem more decisively we find Grupo CYDSA, Bimbo, Bacardi, Avon Cosmetics and the Agency for International Development (Desem, no date).

³⁶ As in the US, corporations and international organizations often fund both neoliberal and moderate groups.

³⁷ New York Times, (26-Dec-87) and Journal of Commerce (7-Aug-87).

³⁸ One of the numerous ads reads: "I was unemployed ...BUT NOW I DIRECT [DRIVE] MY OWN DESTINY. When I became unemployed, my brother taught me how to drive. I learned quickly and was able to use this skill to support my family. Now I am my own boss.

"You, as I do, know how to do something or can learn it quickly. Use the skill to work on your

own. Remember, the only thing needed for work is will, and you can be your own boss! Make your decision. You don't have to emigrate to get ahead. Whatever skill you may have, that's enough! Give the best you have. Employ yourself!" Quoted in Alvárez Alvárez (1991:223-224).

³⁹. Hernando de Soto (1989) originally published in 1987 with a foreword by Mario Vargas Llosa. As Whitehead (1990) points out, de Soto's analysis borrows from Marxism but he substitutes the informal sector for the proletariat and the state for the bourgeoisie.

⁴⁰. This and other intellectuals have organized *Vuelta*, a prestigious magazine committed to libertarianism which has a strong ideological influence on the academic, artistic and business communities.

⁴¹. He publishes in magazines of business associations such as USEM, gives lectures in events organized by business or probusiness institutions.

⁴². Until recently very few of these contributions were tax deductible, and only from personal income tax, not from corporate tax.

⁴³. Brochure from Centro Civico de Solidaridad.

⁴⁴. Brochure Fonsalud.

⁴⁵. Hanley (1994:4-6) points at the affinity of Christian Democratic principles to problems of development and at the elitist attributes of Christian Democratic parties.

⁴⁶. Luis Rubio (1988) agrees with the view that the private sector was created by government policy.

CHAPTER 8

CONCLUSIONS

8.1. Globalising processes and the Mexican business class

Processes of globalisation experienced by the Mexican business class were defined in the introduction in terms of expansion of productive activities to other countries, intensification of networking and interaction across national frontiers, convergence of economic, social, cultural and political structures and strategies with those of business institutions and actors around the world.

On all of these counts processes of globalisation vary greatly in time, speed and intensity. Differences are quite common not only between countries but also across spheres of action within one country. Nonetheless, a general trend towards a more compact, dense and interconnected business class is no doubt present too. Often connections across countries are more dense and intense than between regions and sectors in specific countries showing that processes of global integration are accompanied by processes of national disintegration (Scott, forthcoming).

Similarly, the Mexican business class is undergoing processes of globalisation which are neither unilinear nor homogeneous. The intensity and particularities of the processes vary not only according to size of the corporation and the economic activity in which it participates, but depending too on the sphere of action (economic, political, social or cultural). Mexican entrepreneurs linked to global corporations are not equally active in the political arena. Their activity varies greatly in intensity and form. Some -- like Lorenzo Servitje-- may be deeply committed to the global entrepreneurial movement,

to global traditions of thought and global political institutions. Others, like Juan Sánchez Navarro, propagate and strengthen political ideologies and currents of thought -- particularly, the social Christian doctrine-- on the national front. Still others have concentrated greater attention to enrich action in both interest and party politics, modifying in the process the ways in which entrepreneurs relate to the state. Some narrow their focus to either party politics --Miguel Alemán, Gilberto Borja Navarrete and Jorge Martínez Gutiérn-- or interest politics --Agustín Legorreta, Juan Gallardo Thurlow and Claudio X. González--, very often trying to copy patterns widely spread in advanced capitalist countries. The latter promote aggregation and autonomy of corporatist associations and diversify devices of communication and access to state agencies. The former foster links with the PRI and political elites.

Some entrepreneurs may not even be closely related to a global corporation and still deploy an active involvement in global political institutions and movements (UNIAPAC, CEMAI, Council of the Americas). Few have a very intense global profile in all or most areas. Of those who do, Juan Sánchez Navarro, Lorenzo Servitje and Claudio X. González, are linked to global corporations, to the core of the corporate network, the promotion of business interest associations, to both the PRI --and the first two to the PAN as well--, and to the development of global traditions of thought. And finally, you may find certain entrepreneurs with large interests in global corporations who are nevertheless politically apathetic (Lorenzo Zambrano best represents this case). The possible combinations are thus manifold.

There is no strict correspondence between economic and political strength, nor between the timing of global economic and political processes. Elements of the political process preceded and to some extent became a condition for the development of global economic strategies and corporations to take hold. The neoliberal tradition, for instance,

which is considered by some scholars the political and ideological face of globalisation (Marchak, 1991; Michalet, 1991:43), had to be deep-rooted in different institutions -- public and private-- in order to shift the metapreference of policy makers from an inward to an outward orientation and to induce private corporations to broaden their scope of action to the global landscape. However, once the process was set in motion, at the beginning of the eighties, the shift in policy and corporate metapreferences fed back into one another, rapidly transforming the profile of both entrepreneurs and politicians.

In general terms, globalising trends experienced by Mexican corporations in the economic sphere are quite straightforward. At least 50 groups have expanded their sphere of action beyond the Mexican market (see Chapter 3). These groups are well connected to manufacturing, financial, marketing and technological world-wide networks and they develop corporate structures and strategies which tend to converge with those prevailing in ACCs. Of these 50 groups, 37 are global corporations, that is they operate simultaneously in 2 or more areas of the global economy where they follow global rules and do business with global players and institutions. Interaction with global actors, in turn, deeply transforms their corporate strategies. Mexican corporations embedded in global circuits internalize positioning and benchmarking on a global scale as the new basic criteria to assess performance. Expansion is planned with the main purpose of improving positioning. The most important form of entry to foreign markets is through mergers and acquisitions. Growth strategies comprise complex and aggressive actions such as hostile take-overs, leveraged buy-outs and strategic alliances. Expansion is increasingly financed with sophisticated devices engineered by powerful transnational agents. And above all, as Dunning (1993c:5-31) would expect of global businesses, they organize natural, human, technological and financial resources, information and people across several countries, in alliance with other TNCs or alone, but always coordinating

core assets with complementary assets, improving the former and developing the latter.¹

All these global strategies presuppose and entail very sophisticated organizational structures, information systems to follow different aspects of performance and a complex set of interactions with powerful transnational agents. A more complex and diversified set of interests exert increasing pressure on corporate strategies. Transnational institutional investors, for example, influence corporate strategies even without a direct presence in the boards. These and other constraints push Mexican corporations to adopt structures characteristic of transnational corporations in several respects: they become publically quoted companies; develop intricate structures of property and control; adopt disclosure, information, dividend and short term strategies criteria that are more amenable to global institutional investors; the corporate network is patterned around a few 'big linkers' who concentrate a disproportionate number of governance positions, hold a central place in the corporate circles, the business community and in particular in its most powerful associations.

By the 1980s Mexican large corporations had already reached a high level of development. They controlled a substantial proportion of their respective markets, they had formed multiple and diverse combinations of corporate interests and complex joint ventures with TNCs from ACCs. They had even started expanding to other developing markets. However, the protectionist institutional framework, the size and characteristics of the internal market and their own structural shortcomings had become serious obstacles to surmount in order to continue the process of expansion and development. Big business became increasingly aware of these structural constraints setting in motion a wide array of initiatives on different fronts to reform them. Hence, the interaction between increasingly constraining structures and greater initiative and strategic potential sparked off the processes of globalisation experienced by the Mexican business class in the past

decade.

But even in the economic arena the global status reached by Mexican entrepreneurs exhibits limitations. They gain potential to compete on a world scale in traditional sectors. National and international conditions favour groups whose competitive edge lies in core businesses demanding mature and standardized technologies. Very few Mexican global corporations have developed towards more technologically advanced activities and it is too soon to predict how they will fare in these highly competitive activities.² The most serious limitation in the corporate structure is a high degree of concentration of corporate property, positions and governance functions which greatly facilitates collusion of interests and abuses of corporate power.

While economic liberalization pressures Mexican large corporations to rapidly modernize and globalise their economic action, in the social and political arenas liberalising and globalising processes experienced by the Mexican business class are partial and contradictory. Even though certain traditional patterns of behaviour are abandoned (behind-the-scenes participation in party politics), others are intensified although under contractual disguises (clientilistic arrangements in the process of privatisation of state firms, for example).

Big business action in interest politics experiences process of globalisation in two different ways: on one hand, networking with business associations around the world, and on the other, convergence of strategies and structures. Interlocking of business associations and institutions with their counterparts around the world provides spaces of collective discussion and planning which accelerate convergence of structures and strategies. Global processes of networking are particularly frequent on the meso-level of corporatism.

Supranational institutional corporatist arrangements which Neofunctionalist

theoretical approaches expected to arise with regional integration never took hold. No business umbrella association functions at a global level, though sectoral associations are often affiliated to international institutions. As Grant (1992) points out, their absence is not surprising since they are usually created to respond to an authoritative state which does not exist at the global level. Instead, the global economy is governed by a loose network comprising Strategic Alliances and Joint-ventures between TNCs, public (G-7), quasi-public institutions (WB, IMF, UN, WTO, ISO, IBCA), think-tanks, sectoral public or quasi public agencies regulating quality and environmental characteristics of products, all of which operate at different levels to develop more or less formal institutional arrangements to coordinate, design and oversee the implementation of economic policies in the global production system. TNCs, for example, form SA to coordinate activities between firms, create new markets for their products, regulate competition and prices, develop and manage complex supply schemes and just-in-time deliveries. The G-7 intervenes to coordinate economic and political strategies between countries and influence exchange rates.³ The IMF and WB influence, design and oversee financial and fiscal policies. The WTO regulates foreign trade. Other institutions, like the International Banking and Corporate Association (IBCA),⁴ provide information and ratings of banks and corporations to help create minimum standards of disclosure and risk throughout the world. The ISO regulates environmental and quality standards through a complex set of norms, a system of metrology and certification ^d an a network of public and private ^x certifying agencies.

Business corporatist structures and strategies in Mexico resemble in several ways those of European countries. On both the macro and meso levels, business associations exhibit more pro-active attitudes towards policy making; many institutions even assume quasi-public responsibilities and functions. Macro-corporatist arrangements prevail in the

definition of policies affecting income distribution and foreign trade. Within this macro-corporatist framework, big business has gained leverage with respect to both the state and labour. On the macro level, strategies tend to converge on other counts: a depersonalisation, professionalisation and depolitisation of negotiations takes place; the structures of peak, comprehensive associations becomes more vertical and hierarchical; and specialisation of functions by policy arenas increases: in Mexico, CCE specializes in income policy and COECE in foreign trade.

On the meso level, more active participation in the formulation, regulation, and implementation of policy making transforms the structure of policy networks. The trend towards a more intense participation of business associations in policy formulation and implementation and towards the formation of more horizontal policy networks seems to be more acute in more concentrated, modernized and globalized sectors. The greater redistribution of policy-making roles from the state towards private agencies, on the level of meso-corporatism, can be explained as the result of the incapacity of the state to develop the expertise and specialisation needed in all fronts of economic promotion and regulation; greater mobilisation of business interests; more complex and mature organizational activity; and more intense feedback from other experiences around the world.

The debate among corporatists regarding the adjustments of policy networks and of corporatist arrangements expresses a recurrent theme in the study of the interaction between business, the global environment and the state, i.e. the origin of impulses of economic, institutional and political reforms,⁵ in my view a false dilemma since impulses can themselves represent chain reactions to changing constraints which affect simultaneously all the actors involved in the network. State corporatism and state-centred policy networks inhibited for a long time a more vigorous business activity, suffocating

the development of societal, communitarian and ethical institutions to supervise business practices and conduct. Economic and political reforms during the past decade have reduced drastically the role of the state, particularly in the area of policy making. But regulatory roles have not been adequately met by the market. An unchecked market has become, as Williamson foresaw "incompatible with the needs of the national economy" (Williamson, 1989:215). Private and societal auto-regulatory institutions, on the other hand, do not emerge spontaneously out of the market, particularly when the market is influenced by powerful economic forces. On the contrary, they need more time to mature in social and economic contexts where traditions and procedures of accountability have not been internalized and are often vigorously resisted.⁶

Economic and political instability slows down the trend towards the breakdown of state-centred policy networks. The reactions and readjustments associated with the crisis surrounding the devaluation of December of 1994 substantiates this argument: new policy measures had to be introduced in both the banking and industrial regulatory frameworks to preempt future abuses of corporate power.

It has been suggested (Whitehead, 1993b) that institutional options involving a greater number of state, private and communitarian agents could spark off a chain of interactions to further and reinforce more impersonal patterns of private and public conduct and to develop a new sense of public duty. One possible avenue to advance in that direction is the formation of horizontal networks linking key institutions (public, private and societal) in the formulation, regulation and supervision of economic and social policies which in turn could gradually substitute vicious circles of complicities, clientelism and corruption by ~~a~~ virtuous circles of communitarian supervision, checks and balances. Sets of institutions participating in the different sectoral, regional or national policy networks would in this way collectively develop codes of ethics (business and

public ethics), agree upon goals and oversee one another's performance in the advancement of such goals. A virtuous circle of this kind would help preempt abuses of political, corporate and economic power and counteract informal rules which tend to make the institutional framework slack and weak.

Big business forces have traditionally resisted public efforts to limit economic power and property rights. They have even learnt to manage the uncertainty and risks associated with slightly more democratic electoral processes building in advantages in the electoral system. However, participation in the global entrepreneurial movement and traditions of thought have made certain segments of big business in Mexico not only more sensitive to ethical liberal values but also more self-confident and conscious of a much greater strength, particularly with respect to the state.⁷

Expansion of their productive activities to advanced economies strengthens the position of Mexican entrepreneurs because they transcend the regional, national, scope of state action in some areas; they gain access to foreign resources becoming less dependent on the government; they can sidestep regulation in different arenas and they have more clout to influence policy-making. Expansion to productive and securities markets, strategic alliances and contract manufacturing link Mexico's largest corporations to global networks of different size and scope which increase their bargaining power and erode the capacity of the state to regulate their economic action.

Furthermore, rationalization and professionalization of management releases owners from administrative tasks, enabling them to concentrate on class-wide problems and strategies. As big businesses need a more modern corporate image, they cannot afford to leave all political decisions to the government;⁸ present themselves as actors with a low social, political or undemocratic profile; or be identified with backward images of entrepreneurs devoid of social commitments and dependent on the state both

from the economic and political point of views.

Connections between corporate, corporatist and civic (NGOs) networks multiply collective discussions and intensify collective reflexivity accelerating convergence processes between social Christian, neoliberal and pragmatically oriented entrepreneurs and institutions. 'Big linkers', in particular, transmit political views across the corporate, corporatist and social networks.

Connections to global networks in different spheres of their action also give the Mexican business class multiple opportunities of collective reflexivity which tend to ferment a sense of class awareness and to expand the range of interests, strategies, values and activities which they share with big business from other countries, though some differences and contradictions reduce the scope of common perceptions too.

Self-confidence, class awareness and strength has been considered pivotal in accepting and following procedures of accountability and lowering profiteering expectations which are often justified on the basis of instability and, consequently, higher risks (Bartell and Payne, 1995; Useem, 1984; Moore, 1967). A more accountable business class could diminish speculative practices and help stabilize the economy.

Nevertheless, one of the main contradictions which holds the processes of globalisation back is the great gap between the speed of the globalising processes experienced by the Mexican business class and the level of development of the national economy. The prospect of development of the national economy lags far behind the prospect of development of the Mexican TNCs. But since the national economy remains, in spite of their global status, the main platform and headquarters of control, development and political action of the Mexican TNCs, it is also in their long term interests to narrow the gap by promoting a global business project with a more consistent national base: a powerful national economy, a modern legal framework for business as well as for

consumers; a vigorous civil society and institutional procedures to hold powerful public and private actors accountable for the development of communities, human and technological capital and ecological standards.

8.3. Countertrends

Another recurrent theme in the dissertation is the new combination of modern and traditional. Despite transnationalisation, intense networking and convergence in strategies, discourse and even certain cosmopolitanism, a very acute inclination towards clientelistic arrangements between big business and top public officials prevails, greatly hindering efforts of more ethically oriented business and business associations to depersonalize and institutionalize relations with the state and to develop a business code of ethics.

Although, as several authors point out (for example, Little and Posada-Carbó, 1996), clientelism does not necessarily entail corruption, some cases of rapid fortune making in the past 10 to 15 years clearly involved corruption and even fraud (the cases of Gerardo de Prevoisin and Carlos Cabal, among the most important). It is very difficult to distinguish between these two practices at an abstract conceptual level. The difference depends on the relations between formal and informal rules and institutions, the resources, social and political will to enforce the former and regulate the latter, and the characteristics of the institutional framework in general. Though some practices may be legally condemned they are to different degrees accepted in certain, usually influential, social circles. Unless open social condemnation of such practices feeds back into rules, institutions and regulations such behaviour will remain at best dubious and the gap between the formal and informal, the written and unwritten rules will predominate.

Privatisation of state enterprises created opportunities only for the most outspoken supporters of the PRI and, in particular, of MMH and CSG. But, as Alan Knight points

out, business favouritism "does not maximise economic efficiency, since it awards contracts on the basis of personal and political criteria, rather than proven or prospective economic performance." (Knight, 1996:226). The conditions under which the firms were auctioned, i.e., the investment, technological and infrastructure projects offered by the different bidders and in particular by the winners are not rigorously checked. The appearances of legality and modernity were deliberately promoted by a complex technocratic, contractual language very efficient in disguising clientelistic arrangements, 'high-tech political clientelism' (Luna, 1995:85). However, some cases of more or less overt corruption have been gradually unveiled by an increasingly independent press. Though it is difficult to assess the extent to which favouritism, free-riding and/or corruption permeates the process of privatisation, suspicion, denunciations and indignation mounts as the Salinas administration is being reappraised.

Since public officials can no longer reward political support and loyalty with concessions and other economic incentives, given orthodox budgetary strategies, they rely on a more slack regulatory framework. Ambiguities in the framework combined with obscure understandings are used to show mutual support. The institutional framework governing the Mexican economy during the period when the ISI strategy prevailed has been dismantled over the past 15 years. The economy, it is said, has been liberalised. Prices, interest rates, imports, financial flows, have been deregulated. A very loose, fragmented, framework has been set in place leaving room for manipulation of market forces by powerful economic and political agents.⁹ Deregulation and privatisation were not accompanied by more societal, communitarian, ethical arrangements to monitor and enforce the looser regulation. Thus, despite legal restrictions on the amount and conditions of credits to relatives or to firms whose property interests overlap with those of the banks, this practice continues to be very common. Several warnings from the

Treasury in 1993 did not curb substantially this practice, though the prosecution of several frauds has no doubt helped, at least temporarily.

Competition for favours is a practice deeply rooted in Mexican (and many other) business traditions which has severely undercut the potential for economic development and democratic institutions. The cosy relationship between big business and high level officials based in exchange of favours (economic concessions for political loyalty and support) greatly deflected, for example, a protectionist strategy which was originally designed to promote the development of national industry and capital. Since protectionism was not consistently revised and upgraded by more accountable civil servants it greatly distorted the operation of the market reducing incentives to improve performance and competitiveness. Such a relationship of complicity, focused on disguising shortcomings, inefficiencies and even corruption, severely undermined the possibility of developing systems and procedures of accountability both among entrepreneurs and public officials.

The lack of a system of corporate governance, in turn, facilitates abuses of economic power and corruption. The very large concentration of corporate positions and functions has weakened institutions which could oversee business conduct and promote a business code of ethics committed to the development of public corporations, in the broad sense of the term. Very little independence of monitoring from management, control and ownership structures has been achieved to restrain powerful corporate actors from abuses of corporate power. The absence of a code of business conduct and of the minimum independence of surveillance structures to hold corporate actors accountable has allowed a few corporate raiders to abuse their personal, clientelistic links with powerful public officials.

There have always been more ethically oriented entrepreneurs even within the corporate elite, but they have encountered great resistance to advance a business code of

ethics. Today ethical traditions of thought have gained strength among entrepreneurs in Mexico and worldwide due to the social problems engendered by neoliberal projects throughout the world that privileged economic liberalization at the expense of political liberalization and democratization, rights of private property at the expense of social rights and social justice. Conditions may be more favourable today to develop and advance a more social and ethical version of liberalism in Mexico. The experience of 15 years of neoliberal strategies has delivered neither economic nor social stability. An unchecked market has not even reduced business clientelism or corruption, making it only more selective, exclusionary and discretionary. It has, however, demystified the false equation between market and democracy, economic and political liberalisation, populism and welfarism and/or populism and corruption.

More ethically oriented entrepreneurial forces, particularly those espousing social Christian principles, have articulated a more consistent long term political project which rejects rent-seeking practices associated with statist oriented strategies as well as profiteering and speculative practices characteristic of neoliberalism.¹⁰ These entrepreneurial forces are in a much better position today to negotiate with other self-conscious social forces (elites or not) a social agreement or social contract with a liberal social ethos, a new sense of public good. The main reasons for this, shown above are: (i) Sheer global economic power and control of resources has made them more autonomous from the state; (ii) they are much more involved, directly and indirectly, in the task of governing the economy, the welfare system and civic society in general; (iii) they are more self-conscious, self-confident, better organized and less dependent on the state; (iv) they feel it is in their own interests to achieve a minimum of social and political stability; (v) they explicitly acknowledge social responsibilities associated with property rights and, although their view of public good and social justice is naturally

predisposed to favour their interests, they seem, given a much greater self-confidence, more willing to accept pluralist democratic procedures as the best means to negotiate social agreements, achieve a consensual view of public good and advance towards a badly needed social stability.¹¹

In a nutshell, a segment of the Mexican capitalist class has become a global actor, perhaps even a member of the transnational capitalist class (TCC). This means they act in spaces of the global economy, they are closely linked to global social and political networks, global currents of thought and they share common interests, strategies perceptions, projects and problems with their counterparts around the world. They have become the main and most powerful force pushing integration of the country into the global capitalist system. Processes of integration, however, are not unilinear. They are accompanied by processes of disintegration on the global, regional and national levels. The result is that not all the economic sectors and agents link in the same terms. Some link more advantageously than others.

The hierarchical nature of the global system and the different levels of interaction between actors and institutions of different level of aggregation (local, national, regional and global) explain why processes of integration and disintegration occur simultaneously and, indeed, how some processes of integration on the global level trigger processes of disintegration on the national or regional levels.¹²

Processes of integration/disintegration, linking/delinking to and from the global system are not spontaneous processes, though unintended consequences may affect even the most influential forces. Up to the present the strategies and policies favouring integration have been designed and implemented by a small group of powerful business and probusiness institutions, entrepreneurs and politicians. The terms of linking/delinking depend on the forces and projects pushing the process forwards. In other words, the

global segment of the Mexican business class is not the only force with global potential, global strategies, interests, links and aspirations. Academics, journalists, feminists, environmentalists, NGO activists and other forces are also linked to global networks and institutions which are trying to influence the terms and dynamics of integration of the global system and to construct alternative paths of globalisation.

NOTES

^{1.} When in May of 1996 Cemex bought Cementos Diamante and Cementos Samper in Colombia, Lorenzo H. Zambrano, Chairman and General Manager of CEMEX, said: "Both companies are in excellent hands, with executives and employees of global class. Combined, they cover the national market and have natural reserves strategically located. They can give CEMEX a unique platform to apply its operational experience and improve profitability, particularly when they operate under the same management team. We can achieve productive and financial synergies and results similar to those of Spain, Venezuela and Panama." (InfoSel, 3-May-96). CEMEX plans to finance these acquisitions with new private offerings, the firm's cash flow and debt paper (InfoSel, 2-Mayo-96).

^{2.} Though, Evans (1995) work reveals that other countries, like Korea, India and Brazil, with similar level of development, have achieved substantial progress in sectors like electronics and informatics.

^{3.} According to Grant, this type of international coordination "... creates a set of rules of the game which might well turn out to be skewed in favour of a small group of hegemon powers." (Grant, 1992:25)

^{4.} IBCA (Dec.-92) is recognised by the Securities and Futures Authority in the U.K., the Securities and Exchange Commission (SEC) in the USA, the Conseil des Bourses de Valeurs in France, the Ministry of Finance in Japan and the US National Association of Insurance Commissioners (NAIC).

^{5.} While Hobbs (1991), Young (1993) and Whiting (1992) argue the original impetus of economic and political reforms is to be found in state agencies and actors, Rubio (1988) and Weintraub (1990) believe reforms were forced by international constraints.

^{6.} That is, "where liberal conventions have not been preadopted and internalized" (Whitehead, 1993b:1376).

^{7.} Juan Sánchez Navarro --one of the most out-spoken representatives and ideologues of Mexican big business-- corroborates that big business is well aware of its greater strength, that such strength is largely due to the opening of the economy and that this opening, in turn, forced it to expand its interests abroad. In his view "entrepreneurs have gained an impressive power with the opening of the economy. Today the government could not attack entrepreneurs as other administrations did in the past. The opening of the economy contributed to modernize and strengthen enormously Mexican firms as it forced them to export and expand their activities to foreign markets." (Interview No. 33).

^{8.} According to Malloy and Malloy (1987:248) "... private-sector interests quickly grasp that they have made a bad bargain in giving up the right to rule or influence policy in return for the right to make money."

^{9.} According to Heredia (1996:145), external competition has failed to check the power of large groups to obtain privileged concessions and above-market profit rates due to structural rigidities, great differences in the speed of liberalisation across sectors and considerable discretionary state power.

^{10.} When interviewed about the recent fraudulent practices of some Mexican bankers, Juan Sánchez Navarro, an outstanding representative of the Social Christian Doctrine in Mexico, differentiated between the "crooks, the brokers and the traditional bankers" (*Expansion*, 17-Jan-96:37).

^{11.} Héctor Larios Santillan and Juan Sánchez Navarro, representing respectively the CCE and CMHN in 1996 (Interviews No. 14 and 33), often urge business and non-business organizations alike to promote a broad social participation in order to achieve a democratic transition and stable social progress.

^{12.} Scott (forthcoming) argues that disarticulation of national economies is associated to a declining economic influence of nation-states.

APPENDIX I

METHODOLOGY

Research questions

The questions addressed at the beginning developed as the process of inquiry and research progressed. I started off with the following two questions:

1. Why does the most powerful segment of the dominant class become predominantly transnational during the 1980s? This question was spelled out on two levels, the structural, (or systemic) and the action level. On the structural level: In what ways does the corporate organization of the largest groups become more like that of TNCs based in advanced industrialized countries? On the action level: In what ways have the action and strategies of Mexican entrepreneurs become global or transnational? What brings the most powerful segment of the Mexican business class closer to the community of interests of the transnational corporations and the transnational capitalist class on a world scale? Do they promote a global project in the economic, political and ideological arenas? If so, in what ways and how do their actions differ from that of other entrepreneurial groups that are not transnational?
2. On the hierarchical level of analysis, that is on national versus transnational levels of aggregation, several questions were addressed: How do national actors and systems become part of, relate to and interact with transnational ones? That is, relations of autonomy, contradiction and determination of the local branch of the Transnational Capitalist Class with respect to other transnational forces and the developmental impact of the action of this segment of the dominant class in terms of investment, research and development and democracy.

Methodological techniques

Grounded theories like the ones this research draws upon provide a set of concepts and analytic procedures with the help of which data can be gathered, codified, processed, typified, examined, characterized and interpreted. Given the scope of the globalising processes examined throughout the dissertation, a cross-examination of several sources of data (primary and secondary, qualitative and quantitative) was needed to analyze the action of the business class on the economic, political and ideological spheres; and to reconstruct its organizational corporate structure, sphere of activities, locus and patterns of control, network of interlocking directorates, relations with first world TNC and mechanisms of integration and cohesion.

My basic unit of analysis has been a sample of the 60 largest private industrial-retailing groups controlled by Mexican entrepreneurs. The list has been constructed on the basis of the sales revenue in 1994 and reported by Expansión 500's, the MSE and the firms annual reports. However, at certain points illustrations may spill over this sample because certain firms have changed their legal names, they have been merged, or disappeared. Financial groups in Table 2.2. are not as exhaustively examined as industrial-retailing groups because they have been recently rearticulated after the nationalisation of 1992 either by members of old or new business fractions. The conditions of emergence of the institutions (and in particular the banks) are not any more related to the origin of the capital of the group in control. Bancomer for example is controlled by a member of the Monterrey fraction but the bank was created and developed by a member of the Central Fraction. Consequently, the institutional conditions of emergence do not reflect the business traditions of the groups in control. However, their main clients and debt portfolios may be linked to their historic past and influence in several ways corporate strategies.

Furthermore since the banks were privatised (from 1990 to 1992), their situation has been very unstable. Some of them (Cremi-Union, Banpaís and others) have been taken over by the state due to irregularities or fraudulent moves. Given their weight in the configuration of the corporate network financial groups have been considered in the analysis of interlocking directorates.

Qualitative Analysis:

Corporate organograms were constructed in order to (i) analyse the internal corporate structure of the largest corporations and compare it with that of advanced capitalist countries; (ii) to reveal their presence in foreign markets: subsidiaries, agencies, issue of securities; and (iii) to assess hierarchization of decision-making and planning activities within corporations and interest groups.

Network analysis was used to map personal and corporate relationships which in turn simplified the analysis of the links between entrepreneurs, families and groups; the patterns of intercorporate directorships and relationships; the degree to which such patterns correspond or differ from those of advanced capitalist countries; the rules to nominate directors; the role of directors and interlocking directorships in the configuration of the inner circle and the sources of cohesion of the Mexican branch of the TCC. Corporate network Analysis has been carried out with the help of the computer package UCINET IV designed by Borgatti, Everett and Freeman (1992).

Selective interviewing was undertaken to discover the logic of the shifts in strategies and structures of business institutions (corporations, interest associations, other business or pro-business institutions); the entrepreneurial and the social rationale, i.e., the reasons to chose and modify previous structures and strategies and by so doing to become global actors (degree of intentionality vs. unintended outcomes).

Particular attention has been paid to the shift from family to public corporations; shifts in patterns of corporate control; forms of combination between affiliates and entrepreneurs; shifts in strategies from inward to outward oriented activities, from domestic to outright global strategies.

Quantitative Analysis

Although most of the analysis is qualitative certain quantitative characteristics are considered (i) to assess their place and strength in the domestic and international markets: sales, assets, debt/equity ratios and cash flow in domestic and foreign markets; (ii) to evaluate economic performance in terms of rate of profit, efficiency, leverage, etc. Such performance is a variable which can contribute to explain changes in economic strategy and structural constraints on government policy making (for example, the large foreign debt of the largest groups in 1982 forced the government to bail them out through **Ficorca**, a very complex mechanism which subsidized foreign currency to pay foreign debt, and to change the principles of accounting, particularly depreciation and revaluation of assets to consider the effects of devaluation and inflation). That is, the financial results of large corporations, due to employment and other considerations, can become under certain conditions

structural constraints to policy choices and policy-making strategies (the bailout of the banks in the mid-1990s is another case in point).

The basic figures are taken in all cases from primary sources: the Mexican Stock Market; Offering Circulars; Assembly Meeting Reports.

The data was collected from:

1. Primary sources

- Open-ended, semi structured interviews. Data generated personally through selective interviewing in combination with key informants among entrepreneurs, executives, corporate lawyers and representatives of business corporatist, academic or cultural institutions. Interviewing was selected to cover representatives of the most globalised Mexican corporations, representatives of business associations (peak and sectoral) and non-interest associations. A general guide was used for the different types of representatives (top-executives, representatives of business associations or other members of the business community) although this guide suffered variations not only as the process of research progressed but also according to the knowledge accumulated for each corporation and business institution.

- Data generated by Mexican corporations: offering circulars, annual meeting reports and internal magazines and leaflets.

- Stock market information (MSE)

- Business associations leaflets, brochures, declaration of principles, magazines, etc.

- Private academic institutions data

2. Secondary sources

- Business magazines and newspapers: both Mexican and foreign business magazines, newspapers and computer services (Reuters and Infosel) were systematically revised.

- Business bibliography.

Guide for interviews with representatives of the economic groups

A. Globalization

1. Affiliates: strategies to expand to other countries

2. Strategic Alliances: characteristics of the processes of negotiation

3. Securities in the international markets: characteristics of the securities offered in the international markets and agents that helped to engineer the offers; changes engendered by the need to promote securities, analysis and risk-rating of their issues.

4. Exports: strategies to promote exports, formation of networks and representatives

5. Global strategies: positioning, integration of different activities and economic units around the world, financial strategies, etc.

B. Organizational development

1. Decision to become public: changes it entails in the organizational structure and practices of the corporation (particularly with respect to the information offered).

2. Professionalisation of operations: degree of separation of ownership from control.

3. Patterns of control: property structure and devices to retain or expand control.

4. Corporate network: characteristics of the Board of Directors, functions of the different directors (executive, monitoring, auditing), norms to elect directors.

5. Relationships with institutional and foreign investors: participation in road shows and other presentations; how they sell the company (strengths and programmes); special structures created to promote the company among institutional and private investors; main concerns of institutional investors regarding the group (what strategies they tend to question or promote; how they perceive in general the relationship with foreign investors and agents in the financial community).

6. Opening of the economy: how it has changed corporate strategies; how it has affected or benefited them.

7. Changes in cultural and political practices: relationships with the state and public officials, with academic institutions, with research institutions, ethical preoccupations, expectations regarding the political parties.

Supplementary guide for foreign brokers and foreign securities intermediaries

- Perception of family structure and family control of Mexican companies
- Strategies they promote or discourage
- Quality and characteristics of the information they demand
- Perceptions of the public character of Mexican groups, the global scope of their action and of their strategies.
- Differences between emerging and mature market securities

Guide for the interviews with representatives of business associations

A. Historical and organizational background: origins, organizational structure (regional, functional, hierarchical) and international affiliations.

B. Strategies: main strategic changes in the past twenty years in their relations with the state and public agencies, with their affiliates and international links.

C. Activities promoted and organized in the past and present: conferences, publications, financial or organizational support to academic institutions, NGOs, research centers, charity and other organizations.

D. Characteristics of directors and associates: background of directors, degree and motives for participation of associates.

E. Globalization: affiliation to liberal, social Christian or other currents of thought, relations with international institutions or participation in international activities and fora.

F. Business ethics: concerns about business ethics; institutions activities and practices to deliberately promote a business code of ethics and the social role of businessmen in society (acknowledgments, sanctions, monitoring of business practices, etc.).

Supplementary guide for sectoral business associations

- Degree of mobilization and density of representation of the association.
- Characteristics of the interaction with public, semi-public and private institutions.
- Participation in the formulation and implementation of policies as well as in the regulation of the sector.
- Promotional activities of the sector.
- Opening of the economy and NAFTA: how it affected the associational activity of the sector.
- Economic and political autonomy of the association: origin of the resources, how important is the association to the performance of the firms and the sector.

APPENDIX II

INTERVIEWS *

1. AgUILAR Monteverde, Ruben

Director of several corporations listed in the MSE

Professional director

22 Nov. 1993

2. Asociación de Banqueros Mexicana (ABM)

Lic. Eduardo Kuri

17 Oct. 1994

3. Asociación Mexicana de Intermediarios Bursátiles (AMIB)

Lic. Angela Balmori

14 Oct. 1994

4. Baring Research

Maurice de Bunsen

15 Oct. 1993

5. BMV

Carlos Galindo

Subdirector of Market Surveillance

Guillermo Becerril

12 Oct. 1994

6. BMV

Javier Villa

Researcher

11 Oct. 1994

7. Bufete Industrial

Lic. Luis de la Mora

Subdirector of Financial Resources

8 Nov. 1993

8. Cámara Nacional de la Industria de la Construcción (CNIC)

Ing. Salvador Diaz Diaz

6 Oct. 1994

9. Cámara Nacional de la Industria del Hierro y el Acero (CANACERO)

Miguel Elenes

Manager

27 Oct. 1994

10. Cámara Nacional del Cemento (CNC)

Sr. Carlos Gutierrez Camarena

25 Oct. 1994

11. Cámara Nacional de la Industria del Vestido (CNIV)

Lic. Eduardo Merino

24 Oct. 1994

12. Cámara Nacional de Industriales de la Leche (CANALEC)

Lic. Oscar Vázquez Bustamante

President of the National Direction Council

7 Oct. 1994

13. Casa de Bolsa Véctor

Luis Uriquijo

Analyst

11 Nov. 1993

14. CCE

Héctor Larios Santillán

President

7 June 96

15. Cemex

C.P. Victor Naranjo

Director of Finance and Investors Relations

1 Dec. 1993

16. Comisión Nacional de Valores

Lic. Marcos Vázquez

26 Oct. 1994

17. Desc-InverMéxico

Lic. Arturo D'Acosta

Corporate Director of Finance

18 Nov. 1993

18. Desem, Sistema

Lic. Martha Cervantes

Director

11 de oct. 1994

19. GF Bancomer

Dr. Manuel Sánchez

Director of Analysis and Investors Relations

19 Nov. 1993

20. GF Serfín
Dr. Jonathan Heath
Director of Strategic Planning
10 Nov. 1993

21. Grupo Carso
Eduardo Valdés
25 Nov. 1993

22. Grupo Financiero Banamex
Dr. Jorge Hierro
Subdirector of Finance Planning
16 Nov. 1993

23. Grupo Alfa
Ing. Enrique Flores
Director of Investors Relations
1 Dec. 1993

24. Grupo Cifra
Ing. Federico Casillas
Director of Investors Relations
6 Nov. 1993

25. Grupo ICA
Ing. Gerardo Sáenz
Director of Investors Relations
22 Nov. 1993

26. IMEF
J. A Castillos
President
26 Oct. 1994

27. Infosel
Francisco Vidal
Director of Analysis
Nov. 93, Oct. 94 and June 96

28. Ing. Salvador Diaz Diaz
Camara Nacional de la Industria de la Construccion
6 Oct. 1994

29. JP Morgan
Elizabeth Peters
18 Oct. 1993

30. Latin American Investor (Latinvest)

Andrew Marshall, Analyst

11 Oct. 1993

31. PRI-Células Empresariales

Lic José Antonio Gómez Mandujano

Executive Director of Relations with Entrepreneurs Colosio and Zedillo's campaigns

31 May 96

32. PRI-Células Empresariales

Lic. Carlos López Leal

Member of the Committee organising entrepreneurial cells

22 May 96

33. Sánchez Navarro, Juan

Vicepresident of Modelo

President of Prime

Ex-president of several business associations (Concamin,

Concanaco, CCE, CMHN)

30 May 1996

34. Televisa

Manuel Abud

27 Oct. 1994

35. USEM, Confederación

Lic. Gustavo Mendoza

Director

17 Nov. 1993

36. Vitro

Hugo Sánchez García

Dir. Investment Relations

30 Nov. 1993

* Typed transcripts on the interviews are available and will be provided on request

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