



Striving to overcome the economic crisis: Progress and diversification of Mexican multinationals' export of capital

Report dated December 28, 2011

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Mexico City and New York, December 28, 2011:

The Institute for Economic Research (IIEc) of the National Autonomous University of Mexico (UNAM) and the Vale Columbia Center on Sustainable International Investment (VCC), a joint initiative of the Columbia Law School and the Earth Institute at Columbia University in New York, are releasing the results of their third survey of Mexican multinationals today.¹ The survey is part of a long-term study of the rapid global expansion of multinational enterprises (MNEs) from emerging markets.² The present report focuses on data for the year 2010.

Highlights

In 2010, the top 20 Mexican MNEs had foreign assets of USDD 123 billion (table 1 below), foreign sales of USDD 71 billion, and employed 255,340 people abroad (see annex table 1 in annex I). The top two firms, America Movil and CEMEX, together controlled USDD 85 billion in foreign assets, accounting for nearly 70% of the assets on the list. The top four firms (including FEMSA and Grupo Mexico) jointly held USDD 104 billion, which represents almost 85% of the list's foreign assets. Leading industries in this ranking, by numbers of MNEs, are non-metallic minerals (four companies) and food and beverages (another four companies). All but two of the 20 are firms whose shares are traded on a stock exchange. The exceptions are PEMEX, Mexico's fully state-owned oil and gas firm, and Xignux, a diversified family-owned enterprise.

The top 20 MNEs had 223 foreign affiliates (branches, subsidiaries, et al). As with their counterparts elsewhere in Latin America, Mexican MNEs show a very strong regional

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² Known as the 'Emerging Market Global Players project' and led internationally by the VCC.

orientation. As annex table 2 makes clear, the top 20 overwhelmingly prefer to invest in Latin America. The next region of choice, with a substantial presence of Mexican affiliates, is North America. Europe (mainly the European Union) is a somewhat distant third. The presence of Mexican MNEs in Asia seems to be growing, if slow. In 2008, four of them had affiliates in Asia; in 2010, seven did.

Table 1. Mexico: The top 20^a non-financial^b multinationals, by foreign assets, 2010 (USD million)^c

Rank	Company	Industry	Status ^d	Foreign
1	America Movil	Telecommunications	Listed (Nil)	48,860
2	Cemex	Non-metallic minerals	Listed (Nil)	36,523
3	Grupo FEMSA	Food and beverages	Listed (Nil)	10,053
4	Grupo México	Mining	Listed (Nil)	8,335
5	Grupo BIMBO	Food and beverages	Listed (Nil)	5,084
6	Grupo ALFA	Diversified	Listed (Nil)	2,759
7	PEMEX	Oil & gas	Unlisted (100%)	2,206
8	Mexichem	Chemicals & petrochemicals	Listed (Nil)	2,194
9	Gruma	Food and beverages	Listed (Nil)	1,814
11	Cementos Chihuahua	Non-metallic minerals	Listed (Nil)	1,214
12	ARCA	Food and beverages	Listed (Nil)	1,089
10	Xignux	Diversified	Unlisted (Nil)	735
13	Industrias CH	Steel & metal products	Listed (Nil)	619
14	KUO	Diversified	Listed (Nil)	462
15	Grupo Televisa	Television, motion pictures radio & telecommunications	Listed (Nil)	383
16	Grupo VITRO	Non-metallic minerals	Listed (Nil)	318
17	Grupo ELEKTRA	Retail trade	Listed (Nil)	265
18	San Luis Corp.	Automobile parts	Listed (Nil)	146
19	Altos Hornos de México	Steel & metal products	Listed (Nil)	99
20	Interceramic	Non-metallic minerals	Listed (Nil)	96
Total				123,254

Source: IIEc-VCC survey of Mexican multinationals, 2011, and company reports and websites.

^a Although we speak of 'the top 20', it is probably more accurate to say that our list is a good *approximation* of the top 20. This is because a number of Mexican MNEs (perhaps a dozen) are privately held and thus not obliged to make the

relevant data public. Incidentally, it has also not been possible to obtain foreign asset and employee data from the listed MNE Grupo Carso (diversified), which would otherwise (very probably) have figured in our list as it had USD 300 million in foreign sales in 2010.

^b Financial firms are excluded from the ranking by the methodology of the Emerging Market Global Players project.

^c The exchange rate used is the IMF rate of December 30, 2010: USD 1=Pesos 12.3817.

^d The percentage in parentheses is the percentage of shares controlled by the state.

Profile of the top 20

Changes in the listing and ranking

Between 2009 and 2010 the ranking changed in several ways. New companies were added to the list, replacing (or in one case swallowing) old ones. There were also changes in rank.

After being the largest Mexican multinational by foreign assets for two decades, CEMEX yielded the top rank to America Movil, whose assets (nearly USD 49 billion) grew by 66% as it merged with Carso Global Telecom, ranked 3rd in 2009. Grupo FEMSA (5th in 2009) changed places with Grupo Mexico (4th in 2009). Mexichem moved up three rungs (from the 11th to the 8th) because of its acquisitions in the US and Peru and Televisa moved down five rungs (from the 10th to the 15th) after selling one of its foreign subsidiaries.

Three companies are new to the list of the top 20: ARCA (bottling and food products) in the 11th place, Grupo KUO (diversified) in the 14th and Altos Hornos (steel and metal products) in the 19th. The three these newcomers displaced were Carso Global Telecom (now a part of America Movil), Accel (a food products company) and Corporación Durango (a paper products company).

Annex table 1a contains the same information as annex table 1 but for the four runners-up that did not make it into the top 20. Two of them are firms that had featured in last year's list - Accel and Corporación Durango (now Bio-PAPPEL). The other two are ALSEA (in food services) and HOMEX (in construction). This table is meant to supplement annex table 1 to provide a somewhat broader view of Mexican multinationals.

Drivers of outward investment

Market expansion has remained the main motive of Mexican foreign direct investment (FDI) since the opening up of the Mexican economy (and other Latin American economies) in the 1980s. This motive is evident in the efforts by some multinationals to extend their operations into the Asian markets. These remarks, however, summarize a broad view of Mexican investment abroad. On the individual level, every productive internationalization process has more specific motives. The foreign acquisitions of Grupo Mexico and Altos Hornos, for example, aim at securing the raw materials needed to carry out their major activities in as close a proximity to their foreign markets as possible. Thus, Grupo Mexico has invested in copper mining in the US, whereas Altos Hornos has invested in copper mining in Israel. Sometimes, it is the home market that needs servicing from a nearby foreign location. PEMEX, which does not have enough oil refining plants in Mexico, is using its foreign investment in the Shell plant in Texas to supply its Mexican market.

Main industries

Annex figure 3 shows the breakdown of the foreign assets of the top 20 by main industry. The leading industries are telecommunications (39%) and non-metallic minerals (31%), the former reflecting the predominance of America Movil in the list and the latter the weight of Cemex among the four firms in the industry. (Cemex accounts for more than USD 36 billion out of the USD 38 billion of the four firms' joint assets.) The third main industry is food and beverages, which together account for nearly 15% of the top 20's foreign assets (FEMSA, ARCA, BIMBO and Gruma). Other industries are mining (about 7% of the assets, represented solely by Grupo México), oil and gas, chemicals and petrochemicals, et al.

Geographic distribution of affiliates

The foreign affiliates of the top 20 totaled 223. Of these, 118 or a little over half are located in Latin America. North America comes next with 39 affiliates, while Western Europe has 30. As for host countries, Cemex operated in 23 countries in 2010, Grupo Bimbo in 22 countries, Mexichem in 18 countries; America Movil in 17, and Gruma in 12 (annex table 1).

However, most Mexican MNEs tend to concentrate their operations in the Americas. If we use as an indicator of global status (or aspiration) a presence in at least one region outside of the Americas, half the top 20 are mainly regional players, while the other half are global, although this is clearer in some cases than others. Cemex, for example, is clearly a global player, with a significant presence in five of the seven regions outside of the Americas (see annex table 2). This is also true of Kuo on a much smaller scale, as it has exactly one affiliate in each of four major regions: North America, Western Europe, East Asia, and South Asia. (Kuo is also one of five firms to have no foreign affiliates in Latin America.) ALFA, Mexichem and Gruma had affiliates on four of the five continents, though none in Africa. In fact, Sub-Saharan Africa is the one region out of the nine regions of the world used in this project that has been unable to attract Mexican interest thus far. Other firms that may be said to be global or globally oriented by our criterion are: Bimbo, Xignux, Televisa, Vitro, and Altos Hornos (annex table 2). Note that America Movil, despite having the most foreign assets and the largest number of affiliates among the top 20, is not a global player by this criterion. All its 44 affiliates are in the Americas - 42 of them in Latin America.

Transnationality Index

The Transnationality Index (TNI) is a simple average of the following ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment. It is represented as a percentage (i.e. '79' instead of '0.79'). CEMEX has the highest TNI: 79 (annex table 1). Seven of the top 20 companies have TNIs higher than 50. Pemex and Altos Hornos have the lowest TNIs, of 1 and 2 respectively.

Ownership and status

PEMEX is the only multinational among the top 20 that is fully (100%) controlled by the Mexican state. It is thus not listed on any stock exchange, domestic or foreign. The same is

true of Xignux, though for different reasons, as the firm is privately owned. The other 18 firms are all listed on the Mexican exchange (Bolsa Mexicana de Valores) and seven of them also on a US (NYSE) or Spanish stock exchange (see annex table 3).

Top 10 mergers and acquisitions, 2008-2010

The majority of the largest international purchases and mergers occurred in 2010: America Movil in Brazil; Grupo Televisa and Grupo Bimbo in the United States; Grupo Casa Saba in Chile; Grupo R in Norway; and ALFA made two acquisitions in the US. The most important of these seven was the purchase of Net Serviços in Brazil by America Movil. The largest transaction during 2008-2010 was the acquisition of Estesa Holding in Nicaragua by America Movil in 2008 (annex table 4).

Top 10 greenfield investments, 2008-2010

America Movil made three of the top 10 greenfield investments during this period, for a total of USD 1,755 million. The largest was in Brazil in 2010 and the other two in Argentina and Peru. Other major greenfield investments were by Grupo Mexico and Cemex, in Peru and Poland (annex table 5).

Head office locations and official language

Eight of the top 20 companies are based in Mexico City (the Federal District). Of the rest, there are seven in the state of Nuevo Leon, two each in the states of Chihuahua and Estado de Mexico, and one in Coahuila (annex figure 3). The official language of all 20 multinationals is Spanish.

Changes in assets, sales and number of employees, 2008-2010

As table 2 shows, the top 20 companies' foreign assets rose by 27% over the three-year period 2008-2010. This is a considerable increase considering the global recession that constrained investment opportunities and considering also that during this period CEMEX and Televisa sold substantial portions of their foreign assets. Foreign sales grew by 25%, a bit more than total sales, which grew by 23%. The ratios of foreign assets to total assets and of foreign sales to total sales remained virtually the same in 2010 as in 2008. The share of foreign in total employment, however, grew perceptibly, from 32% to 37%.

Table 2. Mexico: Snapshot of the top 20 multinationals, 2009-2010 (USD million) ^a

Variable	2008	2009	2010	% change, 2008-2010
Assets				
Foreign	95,237	115,295	121,046	27.10
Total	164,508	188,680	210,167	27.75
Share of foreign in total (%)	57.91	61.10	57.60	
Sales				
Foreign	56,697	62,517	70,769	24.82
Total	110,698	120,897	136,144	22.99
Share of foreign in total (%)	51.22	51.71	51.98	
Employment				
Foreign	193,883	225,784	253,640	30.82
Total	603,463	633,173	701,797	16.29
Share of foreign in total (%)	32.13	35.66	37.22	

Source: IIEc-VCC survey of Mexican multinationals, 2011, and company reports and websites.

^a PEMEX is excluded from all three variables in order to avoid distortions due to the considerable weight that it represents in the aggregate data. If it is included, the share of foreign assets in total would be 38.32% in 2008, 40.39% in 2009 and 38.20 in 2010. In the case of employment, ARCA and KUO are also excluded in 2010, Cementos Chihuahua in 2009 and 2008 and Mexichem and Xignux in 2008 because information on their foreign employment was unavailable.

The big picture

The evolution of outward investment from Mexico from the 1970s onward was discussed in some detail in our report last year, published December 10, 2010, which can be accessed at the project page on the VCC's website.³ Here, we focus mainly on the impact of the financial crisis and the global recession of 2008-2009 on Mexican FDI abroad and on the top 20 MNEs in particular – and their recovery from it.

The impact of the crisis on Mexican multinationals has been varied, depending among other things on their industry. Food companies, for example, have not been much affected thus far. Companies that experienced decreased sales and a reduction in their international expansion programs in 2009 have been able to resume growth in 2010. Only two of the top 20 have shown continued decline in their total and foreign sales, even in 2010.

As far as overall FDI abroad is concerned (not just that of the top 20), it has turned in a remarkable performance. Mexican investment abroad reached a peak of about USD 8 billion in 2007; it then shrank to about USD 1 billion in 2008; nearly recovered the earlier peak to exceed USD 7 billion in 2009; and doubled to exceed USD 14 billion in 2010 (annex figure 4). Outward stock shows a more stable picture, growing strongly in 2007; then hardly at all in

³ Visit: <http://www.vcc.columbia.edu/content/emerging-market-global-players-project-0>.

2008; very strongly again in 2009 (from USD 46 billion to USD 64 billion); and very little in 2010, when it stood at USD 66 billion (annex figure 5).⁴

Outward FDI policies

According to the survey that underlies this report, none of the 20 Mexican multinationals that responded received any support for their overseas operations from the Mexican government. In contrast, both the federal and the state governments have been very active in supporting both domestic and foreign companies that invest in the Mexican market.

Thus we cannot say that there is a clear and integrated government strategy to promote Mexican investment abroad. The few promotion policies that there are focus on small and medium-sized companies (SMEs), especially those in what might broadly be called 'high-tech' industries, though not exclusively so. The TechBa⁵ ('technology business accelerator') initiative of the Ministry of the Economy was implemented in 2004. It has offices in industrial parks in eight locations: five in the United States, two in Canada and one in Spain⁶. This is very much an initiative of the National Action Party (PAN), which has held the presidency since 2000 and also governed a number of states. During Vicente Fox's presidential term (2000-2006), there developed a strong commitment to supporting SMEs (PyMe)⁷ and, for the first time, there was an awareness of bringing a more international perspective to bear on SME issues.

The impact of the crisis on the Mexican economy

During 2010, emerging economies experienced a broader recovery in comparison to the previous year, when it had been based mainly on domestic demand, rather than on the sorts of fiscal and monetary stimulus programs seen in the developed countries. Mexico's economy grew by 5.5% in 2010, slightly more than the world average of 5.0%. In contrast with 2009, the main indicators were positive in 2010: an increase in private consumption of nearly 5%; in private investment, nearly 3%; in exports, 26%; in imports, 23%; and some 730,000 new jobs, as against the 2009 *loss* of some 170,000 jobs. The recovery has slowed during the first three quarters of 2011, in part because of trends in the US, with which Mexico is commercially linked. The forecast is for a lower growth rate in 2011⁸.

FDI in Mexico was USD 18.7 billion, 18.2% higher than in 2009, and Mexican FDI abroad was USD 14.3 billion, 51.0% higher than 2009 (annex figures 4 and 5).

⁴ According to seven EMGP reports in the past year, the relation of the top 20 companies' foreign assets to the whole economy's outward stock was as follows: Israel 25%, Russia 35%, Poland 35%, Taiwan 40%, Chile 50%, China 58% and Argentina 70%. In contrast, for Mexico it is about 186%, which is closer to developed country ratios. (The 2007 ratio of stock to assets for US MNEs was 1:7.)

⁵ It is a program of the Ministry of the Economy and the US-Mexico Foundation for Science (FUMEC). TechBA supports and advises high-tech SMEs so as to help them grow rapidly in both Mexico and other countries. Thanks to the influence this program has had in global markets, these markets are now more open to PYMES. It has been supportive in generating thousands of new high-quality direct and indirect jobs in production chains and special niches in which Mexican PYMES participate. It is a part of the National Program of Gazelle Companies that belongs to the PYME Office at the Ministry of the Economy.

⁶ TechBa has a presence in Arizona, the Silicon Valley, Seattle, Austin, Michigan, Vancouver, Montreal and Madrid.

⁷ According to the last census by the National Statistics and Geography Institute (INEGI), 95% are micro and small companies which account for 50% of GDP and 70% of employment in Mexico.

⁸ Bank of Mexico, Annual Report 2010.

Crisis and recovery for the top 20

In 2010, the total sales of the top 20 amounted to USD 240 billion, while foreign sales exceeded USD 70 billion. Compared to the previous year, both figures were notably higher, by 17% and 13% respectively. Only four out of the 20 companies had a fall in total sales, as compared to eight companies in 2009.⁹ The foreign sales of six companies declined in 2010, whereas in 2009 there were nine companies showing a decline. All four companies listed in table 1a posted a gain in total sales and foreign sales in relation to the year before.

This suggests that the world economy was recovering in 2010. However, some sectors like construction remained depressed and the sales of companies in them were adversely affected. These included CEMEX, Cementos de Chihuahua, VITRO and Altos Hornos. On the other hand, food and beverages,¹⁰ as well as telecommunications, showed a substantial increase in total and foreign sales as well as in total and foreign assets. Finally, MNEs in the mining sector also showed growth due to the increase of international demand in commodities (see annex 2 for details).

⁹ In two cases, there were special circumstances. FEMSA's total sales fell by 9.11% and foreign sales by 7.53%, after it sold its beer division to its strategic partner Heineken Holding in exchange for 20% of Heineken stock. Gruma's total sales and foreign sales declined by 2.59% and 10.27%, respectively, due to the expropriation process of its subsidiary MONACA in Venezuela.

¹⁰ With the exception of FEMSA and GRUMA with respect to foreign assets, as explained in annex II.

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Emerging Markets Global Players Project

This report on Mexican multinationals was prepared in the framework of the Emerging Market Global Players (EMGP) project, a collaborative effort led by the Vale Columbia Center. It brings together researchers on FDI from leading institutions in emerging markets to generate annual reports on the top outward investors in each participating economy. Reports on 14 economies have been published so far (several on some of them): Argentina, Brazil, Chile, China, Hungary, India, Israel, Korea, Mexico, Poland, Russia, Slovenia, Taiwan and Turkey. For further information, visit: <http://www.vcc.columbia.edu/content/emerging-market-global-players-project-0>.

Institute for Economic Research, UNAM

The Institute for Economic Research (IIEc) is an academic institution of the National Autonomous University of Mexico (UNAM). Its main functions are research into, and circulation of, information on issues related to the economy. Participating in the IIEc are more than 110 academic specialists involved in 14 research units. Annually, the IIEc publishes three specialized journals on economic questions and several books. *For further information visit: www.iiec.unam.mx.* The UNAM is a public university and the largest in Latin America. *For further information visit: www.unam.mx.*

Vale Columbia Center on Sustainable International Investment

The Vale Columbia Center (VCC) is a joint center of the Columbia Law School and the Earth Institute at Columbia University. It serves as a leading forum for discussion by scholars, policy makers, development advocates and other stakeholders of issues related to FDI in the global economy, paying special attention to the impact of this investment on sustainable development. The VCC currently focuses on three key themes: creating a framework for extractive industries and sustainable development; analyzing trends in investment law and policy around the world, especially as they contribute to sustainable development; and analyzing the rise of emerging market multinationals. For further information, visit: <http://www.vcc.columbia.edu>.

ANNEX I: Tables and figures

Annex table 1: Mexico: The top 20 multinationals: Key variables, 2010 (USD million^a and number of employees)

Rank	Name	Industry	Assets		Sales		Employment		TNI (%)	Number of foreign affiliates	Number of host countries
			Foreign	Total	Foreign	Total	Foreign	Total			
1	America Móvil	Telecommunications	48,860	70,806	27,155	49,093	77,141	148,058	59	44	17
2	Cemex	Non-metallic minerals	36,523	41,601	10,992	14,397	33,451	46,533	79	28	23
3	Grupo FEMSA	Beverages	10,053	18,057	5,246	13,706	40,998	153,809	40	3	3
4	Grupo México	Mining	8,335	15,982	6,085	8,299	6,675	23,931	51	5	4
5	Grupo BIMBO	Food products	5,084	8,001	4,789	9,463	43,000	108,064	51	25	22
6	Grupo ALFA	Diversified	2,759 ^b	9,066	6,013	11,016	12,109 ^b	56,332 ^b	36	27	15
7	PEMEX	Oil & gas	2,206 ^c	112,482	75 ^d	103,545	1,700	147,692	1	1	1
8	Mexichem	Chemicals & petrochemicals	2,194 ^e	4,049	1,855 ^f	2,946	6,527 ^b	10,839	59	21	18
9	Gruma	Food products	1,814	3,174	2,517	3,764	11,825 ^b	19,083 ^b	62	15	12
10	Cementos Chihuahua	Non-metallic minerals	1,214	1,951	433	629	1,228	2,524	60	5	2
11	ARCA	Beverages	1,089	2,794	440	2,185	n.a	n.a	(30)	2	2
12	Xignux	Diversified	735 ^b	1,794	1,314 ^f	2,560	5,655	19,159	41	6	6
13	Industrias CH	Steel & metal products	619	2,650	1,153 ^f	2,190	1,642	4,993	36	7	2
14	KUO	Diversified	462 ^e	1,540	837	1,852	n.a	14,000	(38)	4	4
15	Grupo Televisa	Television, motion pictures radio & telecommunications	383	11,022	618	4,673	1,707	24,739	8	2	2

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16	Grupo VITRO	Non-metallic minerals	318	2,490	372	1,888	2,976	17,628	16	8	8
17	Grupo ELEKTRA	Retail trade	265 ^{(e) (g)}	9,687	458	3,721	6,629	39,429	11	7	7
18	San Luis Corp.	Auto parts	146	609	268	616	1,364	4,177	33	4	2
19	Altos Hornos de México	Steel & metal products	99	4,538	68	2,693	113	20,958	2	4	2
20	Interceramic	Non-metallic minerals	96	355	158 ^f	455	600	4,065	25	5	4
Total (average for the TNI percentage)			123,254	322,648	70,846	239,691	255,340	866,013	(37)^h	223	

Source: IIEc-VCC survey of Mexican multinationals, 2011, and company reports and websites.

^a The exchange rate used is the IMF rate of December 30, 2010: USD 1= Pesos 12.3817.

^b As of 2009.

^c Represents 50% of the 50-50 joint venture with Shell Oil Co. in Deer Park Refining Ltd. of Texas.

^d Registered under the equity method.

^e Minimum estimated.

^f Exports included.

^g Financial assets excluded.

^h The TNI is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment. It is expressed as a percentage (i.e., "41" rather than "0.41"). When the TNI appears in parentheses, it has been calculated without the employment data.

Annex table 1a. Mexico: Key variables for runners-up, 2010 (USD million^a and number of employees)

Rank	Name	Industry	Assets		Sales		Employment		TNI (%)	Number of foreign affiliates	Number of host countries
			Foreign	Total	Foreign	Total	Foreign	Total			
1	ACCEL	Food products	85	187	204	244	n.a	1,837	(65)	2	1
2	Biopapel ^b	Paper & paper products	84	1,295	137	914	179	7,938	23	4	1
3	ALSEA	Food products & services	77	493	146	727	14,827	22,127	34	5	3
4	Homex	Construction	76	2,959	14	1,587	2,328	23,085	4	2	2
Total (average for the TNI percentage)			322	4,934	501	3,472	17,334	54,987	(32) ^c	13	

Source: IIEc-VCC survey of Mexican multinationals, 2011, and company reports and websites.

^a The exchange rate used is the IMF rate of December 30, 2010: USD 1= Pesos 12.3817.

^b Previously included as Corporación Durango.

^c TNI average of 3 firms, excluding ACCEL. The TNI is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment. It is expressed as a percentage (i.e. "41" rather than "0.41"). When the TNI appears in parenthesis, it has been calculated without the employment data.

ANNEX I: Tables and figures

Annex table 2. Mexico: The top 20 multinationals: Regionality Index, 2010 (percentages, except for last column)

Company	Middle East & North Africa	East Asia & the Pacific	South Asia	Developed Asia Pacific	East Europe & Central	Other Europe	Latin America & the Caribbean	North America	Number of foreign affiliates
America Movil							96	4	44
Cemex	21	8	9		17	24	17	4	28
Femsa							100		3
Grupo México							60	40	5
Grupo Bimbo		8			8	16	56	12	25
Grupo Alfa			7		15	37	15	26	27
PEMEX								100	1
Mexichem		5		5		5	71	14	21
Gruma		7	7	7	7		60	12	15
Cementos Chihuahua							20	80	5
Arca							100		2
Xignux			17				66	17	6
Industrias CH								100	7
Kuo		25	25			25		25	4
Grupo Televisa						50		50	2
Grupo VITRO						25	62	13	8
Grupo ELEKTRA							100		7
San Luis Corp.							50	50	4
Altos Hornos	75							25	4
Interceramic							40	60	5

Source: IIEc-VCC survey of Mexican multinationals, 2011, and company reports and websites.

^a The regionality index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100. Sub-Saharan Africa is not included among the regions as there is no Mexican presence there.

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Annex table 3. Mexico: The top 20 multinationals: Stock exchange listings, 2010

Company	Domestic	Foreign
América Móvil	Bolsa Mexicana de Valores	New York Stock Exchange; Mercado de Valores Latinoamericanos (Latibex) de la Bolsa de Madrid, España
Cemex	Bolsa Mexicana de Valores	New York Stock Exchange
Grupo FEMSA	Bolsa Mexicana de Valores	New York Stock Exchange
Grupo México	Bolsa Mexicana de Valores	None
Grupo Bimbo	Bolsa Mexicana de Valores	None
ALFA	Bolsa Mexicana de Valores	Mercado de Valores Latinoamericanos (Latibex) de la Bolsa de Madrid, España
PEMEX	None	None
Mexichem	Bolsa Mexicana de Valores	None
Gruma	Bolsa Mexicana de Valores	New York Stock Exchange
Cementos de Chihuahua	Bolsa Mexicana de Valores	None
ARCA	Bolsa Mexicana de Valores	None
Xignux	None	None
Industrias CH	Bolsa Mexicana de Valores	None
KUO	Bolsa Mexicana de Valores	None
Grupo Televisa	Bolsa Mexicana de Valores	New York Stock Exchange
Grupo Vitro	Bolsa Mexicana de Valores	None
Grupo Elektra	Bolsa Mexicana de Valores	Mercado de Valores Latinoamericanos (Latibex) de la Bolsa de Madrid, España
San Luis Corp.	Bolsa Mexicana de Valores	None
Altos Hornos de México	Bolsa Mexicana de Valores	None
Interceramic	Bolsa Mexicana de Valores	None

Source: IIEc-VCC survey of Mexican multinationals, 2011, and company reports and websites.

Annex table 4. Mexico: Top 10 outward M&A transactions, 2008-2010 (USD million)

Date	Acquirer's name	Target company	Target industry	Target country	% of shares acquired	Value of transaction
03/2008	América Móvil	Estesa Holding Co.	Telecommunications	Nicaragua	100	4,300
10/2010	América Móvil	Net Servicios	Telecommunications	Brazil	100	2,600
01/2009	Grupo Bimbo	Weston Foods Inc.	Food	USA	100	2,500
06/2009	Grupo México	ASARCO	Mining	USA	100	2,200
12/2010	Grupo Televisa	Univision Communications Inc.	Television broadcasting stations	USA	35	1,200
11/2010	Bimbo	North American Fresh Bakery	Food	USA	100	959
09/2010	Grupo Casa Saba	Farmacias Ahumada S.A.	Drug stores and proprietary stores	Chile	97.8	604
12/2010	ALFA (Alpek)	PTA & PET business of Eastman Chemical	Chemicals	USA	100	600
09/2010	ALFA (Sigma)	Bar-S	Food	USA	100	583
05/2010	Grupo R S.A. de C.V.	PetroRig III Pte Ltd.	Drilling oil and gas wells	Norway	100	540
Total						16,087

Source: IIEc-VCC survey of Mexican multinationals, 2011, company reports and websites, and Thomson One Banker, Thomson Reuters.

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Annex table 4a. Mexico: Top outward M&A transactions, 2010 (USD million)

DATE	Acquirer's name	Target company	Target industry	Target country	% of shares acquired	Value of transaction
10/2010	America Móvil	Net Servicios	Telecommunications	Brazil	100	2,600
12/2010	Grupo Televisa	Univision Communications Inc.	Television broadcasting stations	USA	35	1,200
11/2010	Grupo Bimbo	North American Fresh Bakery	Food	USA	100	959
12/2010	ALFA (Alpek)	PTA & PET business of Eastman Chemical	Chemicals	USA	100	600
09/2010	ALFA (Sigma)	Bas-S Foods Co.	Food	USA	100	583
05/2010	Grupo R S.A. de C.V.	PetroRig III Pte Ltd.	Drilling oil and gas wells	Norway	100	540
03/2010	MEXICHEM	Ineos Group	Non-metallic minerals	USA	100	354
09/2010	Grupo Arca	Ecuador Bottling Co. Corp	Bottled & canned soft drinks & carbonated waters	Ecuador	75	345
10/2010	MEXICHEM	Plastisur	Petrochemicals	Peru	100	146
05/2010	Grupo Bimbo	BM Foods	Food	USA	100	31
03/2010	GRUMA	Altera I y II	Food	Ukraine	100	9
05/2010	Grupo Bimbo	JinHongWei	Food	China	100	5
Total						7,705

Source: IIEc-VCC survey of Mexican multinationals, 2011, and company reports and websites and Thomson One Banker, Thomson Reuters.

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Annex table 5. Mexico: Top 10 outward greenfield transactions, announced^a, 2008-2010 (USD million)

Date	Company	Destination	Industry	Value of transaction
Nov-10	America Movil	Brazil	ICT & Internet infrastructure	1,231.8 ^b
Jun-09	Grupo Mexico	Peru	Metals	600.0
Feb-09	Cemex	Poland	Building & construction materials	514.0
Mar-08	America Movil	Argentina	ICT & Internet infrastructure	273.0
Nov-10	America Movil	Colombia	ICT & Internet infrastructure	249.9 ^b
Sep-09	Gruma	Australia	Food & tobacco	168.1 ^b
Nov-08	Teléfonos de México (Telmex)	Colombia	ICT & Internet infrastructure	149.2 ^b
May-08	Empresas ICA Sociedad Controladora (ICA)	Panama	Real estate	140.0
Aug-10	Infra Group (Grupo Productor Infra)	El Salvador	Chemicals	93.6 ^b
Mar-09	Productos Laminados de Monterrey (Prolamsa)	United States	Metals	89.8 ^b
Total				3,509.4

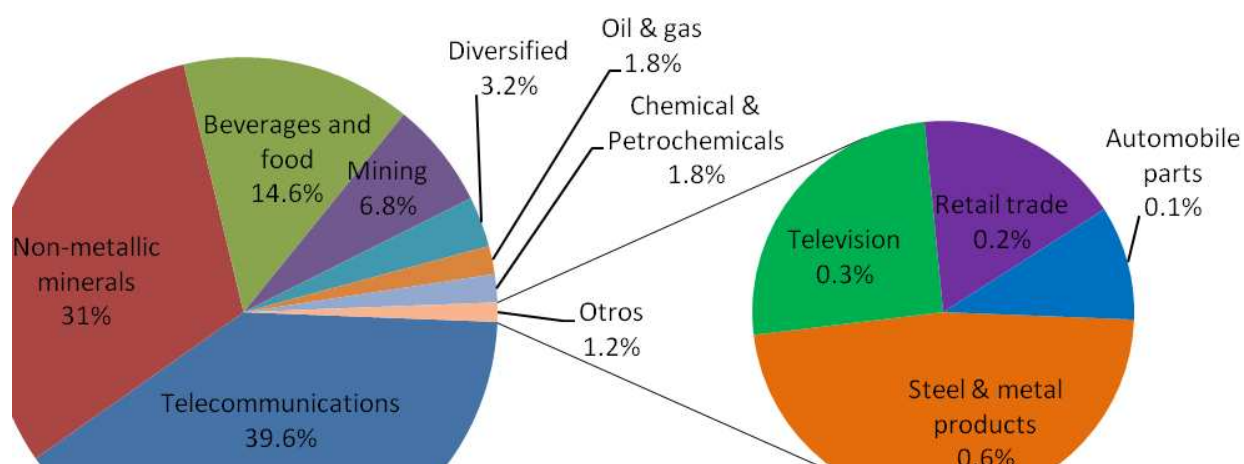
Source: Adapted from fDi Intelligence, a service from the Financial Times Ltd.

^aNote that these transactions may not have materialized exactly as here listed.

^bThis is an estimated amount.

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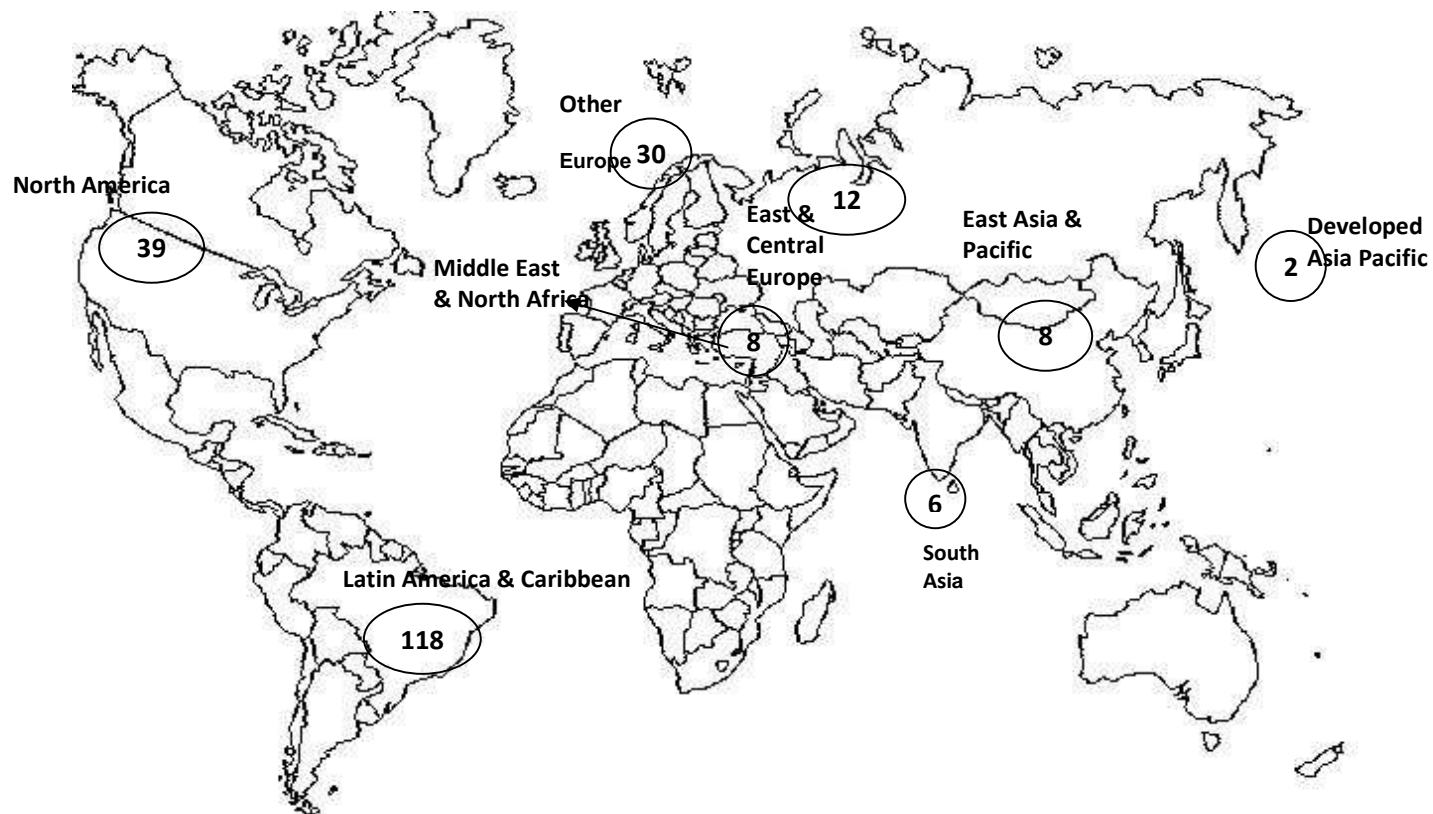
Annex figure 1. Mexico: Breakdown of the foreign assets of the top 20 multinationals, by main industry, 2010 (percentages)



Industry	Foreign assets (USD million)	Number of companies	Companies
Telecommunications	48,860	1	America Movil
Non-metallic minerals	38,151	4	Cemex, Cementos Chihuahua, VITRO, Interceramic
Food and beverages	18,040	4	Grupo FEMSA, ARCA, BIMBO, Gruma
Mining	8,335	1	Grupo México
Diversified	3,956	3	Grupo ALFA, Xignux, KUO
Oil & gas	2,206	1	PEMEX
Chemical & Petrochemicals	2,194	1	Mexichem
Steel & metal products	718	2	Industrias CH, Altos Hornos de México
Television, motion pictures radio	383	1	Grupo Televisa
Retail trade	265	1	Grupo ELEKTRA
Automobile parts	146	1	San Luis Corp.
Total	123,254	20	

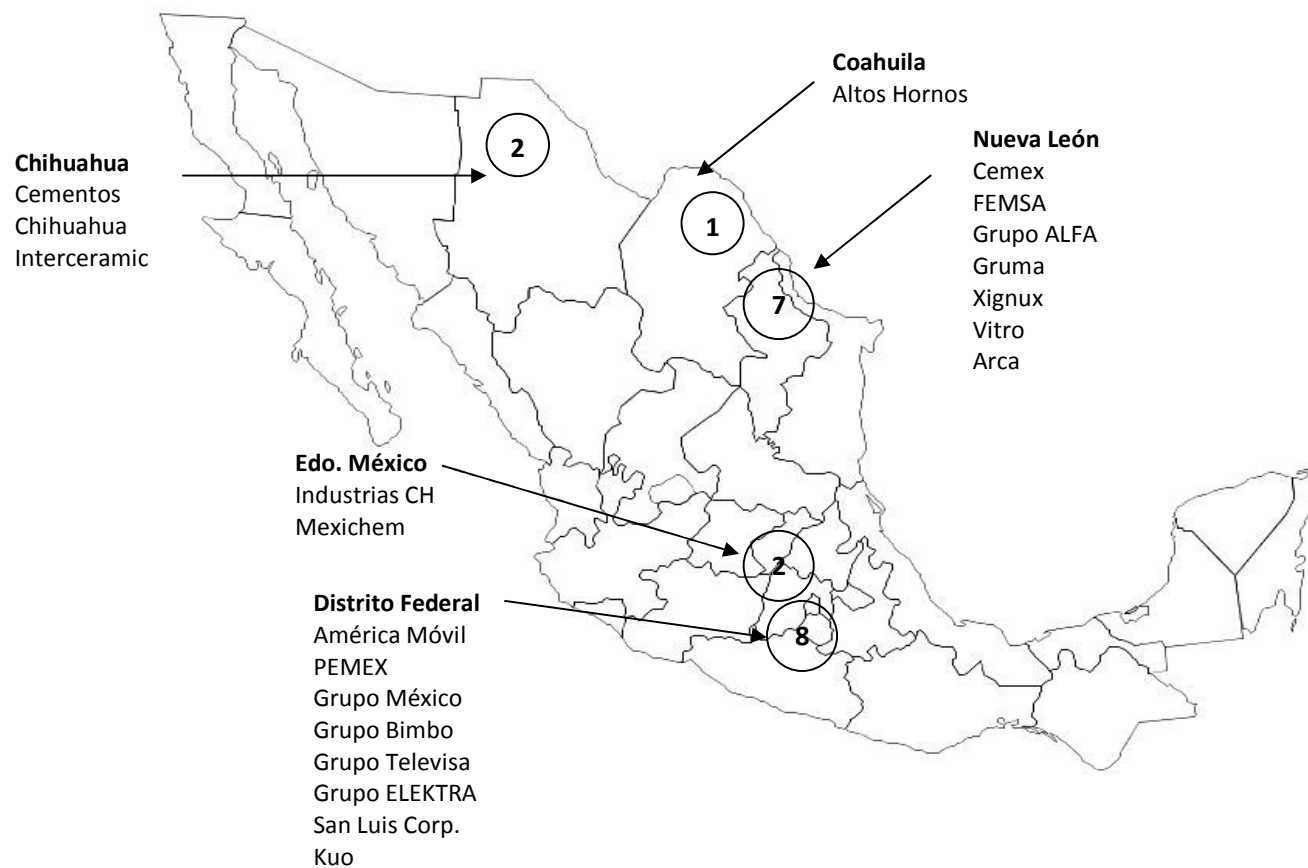
Source: IIEc-VCC survey of Mexican multinationals, 2011, and consolidated company reports and websites.

Annex figure 2. Mexico: Foreign affiliates of the top 20 multinationals, by region, 2010 (number of affiliates)



Source: IIEc-Vcc survey of Mexican multinationals, 2011 and consolidated company reports and websites.

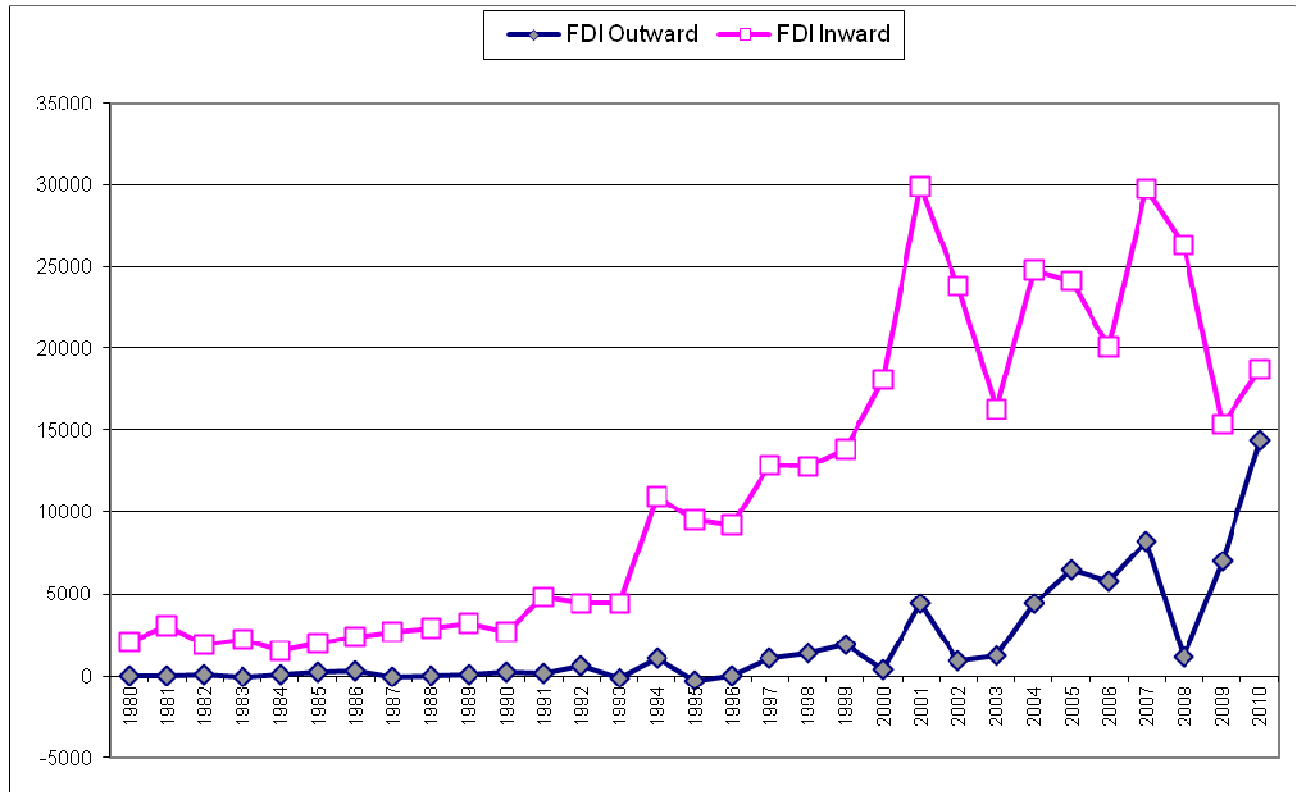
Annex figure 3. Mexico: Head office locations of the top 20 multinationals, 2010



Source: IIEc-VCC survey of Mexican multinationals, 2011, and consolidated company reports and websites.

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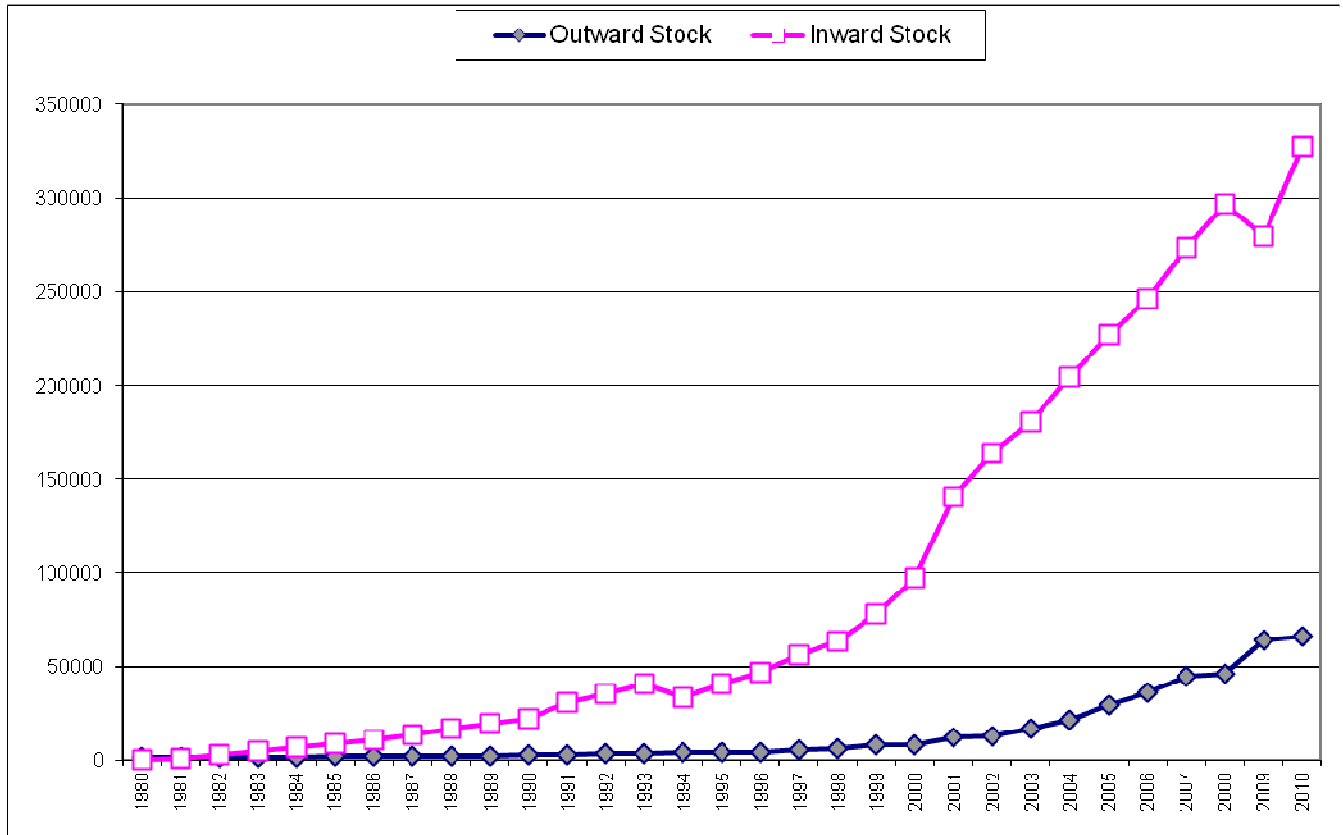
Annex figure 4. Mexico: Inward and outward FDI flows, 1980-2010 (USD million)



Source: United Nations Conference on Trade and Development (UNCTAD), FDI STAT On-line database, (Geneva: United Nations Conference on Trade and Development), <http://unctadstat.unctad.org/TableViewer/tableView.aspx>, accessed September 19, 2011.

ANNEX I: Tables and figures

Annex figure 5. Mexico: Inward and outward FDI stock, 1980-2010 (USD million)



Source: United Nations Conference on Trade and Development (UNCTAD), FDI STAT On-line database, (Geneva: United Nations Conference on Trade and Development), <http://unctadstat.unctad.org/TableViewer/tableView.aspx>, accessed September 19, 2011.

Annex II. Activities of the top 20 in 2009-2010

CEMEX's consolidated net sales declined by about 10%, from roughly USD 197,800 million in 2009 to USD 178,200 in 2010. This decline in net sales mainly stemmed from a volume and price reduction in major markets. Market demand has primarily been influenced by both infrastructure and housing.

Domestic cement sales volumes in the US remained unchanged in 2010 compared to 2009, and sales volumes of ready-mix concrete were reduced by approximately 7% during the same period. These reductions were mainly due to a slower recovery of the economy, unsteady job creation, reduction in consumer confidence and lower spending in infrastructure. Activity in industrial and commercial construction sectors also weakened. Operations in the US represented approximately 17% of Cemex's total net sales in 2010. Cement sales volumes of operations in Asia increased by 9% in 2010 compared to 2009, and sales volumes of ready-mix concrete were reduced by 2%.

On August 27, 2010, CEMEX completed the sale of seven aggregate quarries, three aggregate distribution centers, and one block manufacturing plant in Kentucky to the Materials Company, LLC. Most of CEMEX's current debt was purchased to fund the acquisition of the Rinker Group in 2007; however, CEMEX's performance was affected when the housing and construction sectors plummeted, making it more difficult to adhere to the commitments such debt was aimed at,¹¹ and also due to several litigations and proceedings in which the company is involved.¹²

America Movil, the largest Mexican telecommunications company, has not been affected by the crisis in the region it operates in—one of the least hit in the world. During 2010, America Movil's expansion across Latin America continued, particularly in Brazil with the largest acquisition of a foreign company the multinational has recorded (annex table 4), and the merger with Telmex International and Carso Global Telecom which controls Telefonos de Mexico.

In 2010, operating income increased 8.3%. Total income derived from cellular services, cable TV services and other services, while the fixed line segment had a partial decrease.

¹¹ On August 14, 2009, it signed a Funding Agreement with the main creditors. This contract extended validity dates of approximately USD 15,100 million in syndicated and bilateral loans and bilateral with banks and private equity placement. Since its execution, CEMEX has completed a number of operations in capital markets and asset sales from which most income obtained has been used for reducing current dues under the Funding Agreement and any other debt not bound to the Agreement.

¹² Including: 1) countervailing duties in Jamaica; 2) anti-monopoly proceedings in Poland, Spain and the European Union and; 3) a dispute before the International Centre for Settlement of Investment Disputes (ICSID) regarding CEMEX Venezuela's asset expropriation, shares and business filed by the Venezuelan government in may 2008. At present, CEMEX has not been indemnified by the Venezuelan government; neither party has agreed on the amount due for expropriation. CEMEX is claiming USD 1,200 million and the Venezuelan government intends to pay USD 600 million only.

America Movil made a bid for 100% of Carso Global Telecom (Telecom), which controls 59.4% of Telefonos de Mexico (Telmex) and 60.7% of Telmex Internacional, by means of an exchange of shares and cash payments, and also offered to purchase those of Telmex Internacional's assets that are not owned by Carso Global Telecom.

The merger between America Movil, Carso Global Telecom and Telmex Internacional was the largest M&A transaction in emerging markets in 2010, according to the London *Financial Times*.¹³

The most significant foreign operation carried out by the top 20 companies in 2010 was the sale of FEMSA's total beer operations in exchange for 20% of Heineken Holding's shares, on April 30, 2010.¹⁴ As a result, FEMSA's foreign assets¹⁵ increased by 45.52%. At the time this exchange occurred, the company lost control over FEMSA Cerveza and did not consolidate its financial information and recorded 29% share participation in Heineken using the stock purchase method.¹⁶

Coca-Cola FEMSA signed a preliminary agreement to negotiate the acquisition of Panamanian Grupo Industrias Lácteas S.A., which controls Estrella Azul, Conservas Panameñas and Plásticos Modernos. This acquisition will substantially increase its presence in the Panamanian food and beverages market and sets an interesting precedent to initiate operations in the dairy product line, especially when FEMSA Mexico needs to restructure advertising after the Mexican government implemented policies against obesity in minors.

Due to the outstanding increase in copper demand and prices,¹⁷ accounting for 79% of its mining division and the reincorporation of ASARCO,¹⁸ Grupo Mexico experienced its best historical results last year. Total sales grew by 67%. Likewise, its foreign subsidiaries' sales increased by 156% and Mexican exports grew by 79.6%. Grupo Mexico has set goals beyond Peru, where it has important copper extraction operations. Currently, Grupo Mexico is operating in Bolivia, Ecuador, Chile and Argentina. Nevertheless, investments have not been able to dampen conflicts derived from the Tia Maria mining project in Arequipa, previously held by its subsidiary Southern Copper Peru.¹⁹

¹³ "AMóvil adquiere 99.96% de Carso Telecom", *CNN Expansión*, December 23, 2010.

¹⁴ For Heineken, the world's third largest beer producer, the acquisition of this Mexican unit will enable the company to increase its operating profits in fast-growing emerging markets from 32% to 40%.

¹⁵ FEMSA is a leading beverage company through Coca-Cola FEMSA, the largest independent bottler of Coca-Cola products in terms of sales volumes in the world. With regards to retailing, FEMSA operates OXXO, the largest convenience store chain which is also experiencing the highest growth rate in Latin America. In relation to beer, it is Heineken's second largest shareholder, one of the world's leading breweries with presence in more than 70 countries.

¹⁶ Annual Report for the Committee, p. F-8.

¹⁷ The average price per pound of copper grew from US\$ 2.35 a US\$ 3.43 between 2009 and 2010, an increase of 46%.

¹⁸ Operations of the mining division of Grupo Mexico, is controlled by Americas Mining Corporation, which in turn owns subsidiaries Southern Copper Corporation and Asarco Inc.

¹⁹ Grupo Mexico is encountering conflicts in Tacna, such as Candarave and Locumba Basin. This has led to demands calling for project cancellations in mining operations in Palca and Tarata. These conflicts are linked to an excessive water use by subsidiary Southern Peru.

Thanks to an increase in oil prices, the state-owned oil company **PEMEX**'s sales grew by more than 20%.

The consolidated results of mineral extraction or mineral sales companies were exceptionally good, since mineral prices increased. Such was the case for Grupo Mexico (copper and molybdenum), **Mexichem** (fluorite), and **Altos Hornos de Mexico** (iron), without including its foreign operations.

Gruma²⁰ experienced a significant fall in foreign sales and foreign assets as a result of the expropriation process of its subsidiary **MONACA** in Venezuela.²¹ The most significant strategic decision of the multinational in 2010 was the sale of Grupo Financiero Banorte²² for USD 739 million, resources currently being used to repay its consolidated debt.

Grupo Bimbo is one of the world's largest baking companies and a market leader in the Americas. Its manufacturing operations are located in the US, Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Honduras, Guatemala, Panama, Peru, Uruguay, Venezuela and China.

The greatest challenge for Grupo Bimbo is China itself, where it started operations four years ago. The Chinese market emphasizes freshness of food and Bimbo thus owns 187 trucks and an outsourced network of distributors for short distances. Undoubtedly, its distribution strategy in the Chinese market has a novel element comprised on the one hand by a three times per week delivery and the organization of merchandise distribution to retailers located in the oldest neighborhoods (Hutongs) with narrow streets. Thus, a bicycle fleet provides products to 30,000 customers located in these areas.

At the moment, Grupo Bimbo products are available in Beijing, Tianjin, Langfang, Baoding, Shijiazhuang, Taiyuan, Jinan, Shanghai and northern China, as well as Inland Mongolia, Guangdong and Xinjiang.²³

In 2010, Grupo Bimbo acquired the company JinHongWei, which produces bakery, cookies and cakes in China. The company has developed new products to meet Chinese preferences, such as sweet bean pastries and bread stuffed with local ingredients.

Despite the economic crisis, **Grupo Alfa** had an 18% increase in consolidated sales in 2010, thanks to its product and market diversification strategy. Sales of its Alpek division (petrochemicals) grew by 14% and its Sigma division (refrigerated foods) also increased by

²⁰ Flour and corn production processes have generated a particular growth incentive resulting in an expanded production and product sale in the US, Central America, Venezuela, Europe, Asia and Australia. At present, GRUMA exports to 105 countries.

²¹ On May 12, 2010, the Venezuelan government issued an Expropriation Decree announcing a mandatory acquisition of all assets and properties of **MONACA**. GRUMAS's investment in **MONACA** is handled by Valores Mundiales, S.L., a company incorporated under Spanish laws. Since Venezuela and Spain executed an APPRIIS, GRUMA's Spanish company sued the Venezuelan government before ICSID, in Washington.

²² An affiliated company which was not consolidated in Gruma's financial statements.

²³ Annual Report 2010 for the Mexican Stock Exchange, Mexico, Grupo Bimbo, 2011, p. 41.

12%, while the Nemak division (high tech aluminum auto parts) obtained a positive 38% growth since US assemblers started to replenish inventories which had been drastically reduced in 2009.

Alfa has a Chinese company and in 2010 it opened another one in India, where it manufactures aluminum heads and blocks for the Indian market. Since February 2010, Grupo Alfa has had a small participation together with US company Pioneer Natural Resources, in the natural gas and hydrocarbon field, known as Eagle Ford Shale, Texas, one of the most promising oil fields in North America. Alfa and Pioneer have also successfully drilled other natural gas wells in Live Oak in northern San Antonio, Texas.

A situation similar to the ones encountered by Grupo Gruma in Ecuador, CEMEX in Venezuela and Alfa in Peru caused the separation of **Grupo Cementos de Chihuahua** from Bolivia, even though the sales of the company in Bolivia represented 11.9% of total sales of the group in 2010. This had its roots in the decree published in September 2010,²⁴ confiscating a third of assets of the main Bolivian cement company known as *Fábrica Nacional de Cementos, S.A. de C.V.*, owned by businessman Samuel Doria and Grupo de Cementos de Chihuahua (with 47% of the shares).

Mexichem is one of the largest chemical products companies in Latin America in terms of sales and annual productive capacity. The company produces various chemical products in more than 40 plants strategically located in Mexico, the US, Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Panama, Peru and Venezuela. Its products are exported to more than 50 countries.

In a scenario of volatility, cyclicalidad and crisis, Mexichem implemented a strategy of expansion and consolidation which involved the acquisition of similar companies with operations in Mexico and other countries, and also other companies located higher up in the productive chain, which vertical integration allowed it to have higher added value in commodities.

In January 2010, the company acquired the Peruvian company Plastisur, which manufactures and sells PVC pipes. With this acquisition, the company has become a pipe and connection leader in Peru.

The acquisition of the new US company AlphaGary which manufactures plastic compounds was executed in December 2010. It consists of two plants located in the US and another one in Canada. Mexichem reported growth of 19% in its net sales and 15.3% in net profit.

²⁴ Due to legal uncertainty generated by the decree, little clarity in indemnity terms and the extension of the conflict, on August 2011, Grupo Cementos de Chihuahua notified the Mexican Stock Exchange it had completed the sale of its shares (47.02%) to the company Consorcio Cementos del Sur, a subsidiary of Grupo Gloria, based in Peru. The resources obtained after the transaction will be used to reduce the company's debt; improve its financial profile and strengthen its operations in Mexico and the US.

Industrias CH is a steel producer and processor. Its products are purchased as commodities for diverse sectors such as construction, the capital equipment industry, liquid conveyance, oil, electric wiring, the automotive industry, tools, furniture, etc.

Industrias CH has 7 plants in Mexico, 6 more in the US and 1 in Canada. Republic Engineered Products owns six production plants in the US located in Canton, Lorain, Massillion, Ohio, Lackawana, New York; Garry, Indiana, and another one in Hamilton, Ontario in Canada.

Net sales in 2010 increased by 22% compared to 2009. Such higher sales levels were obtained as sold tons increased by 9% and mean prices also rose.

The net sales of **Televisa** increased by 10.5%, especially high for cable TV and telecommunications and Sky. Program export net sales grew by 8.0% compared to 2009, as Univisión had higher royalties, program sales increased mainly in Europe, and the company had higher profits related to co-productions carried out abroad.

In December 2010, Televisa sold its assets in TuTv to Univisión and also invested USD 1.2 billion in cash in its strategic partner in the US, BMP (Univisión's holding) as an exchange for 5% of Univisión shares. This sale resulted in a reduction of 76.8% of Televisa's foreign assets compared to 2009.

Grupo Vitro is the main glass manufacturer in Mexico. It has an operations base in Monterrey and an extensive distribution network in 10 countries. Its major facilities are located in Mexico, the US, Portugal, Spain and Colombia, covering the Americas and Europe.

Net sales declined 2.24% in relation to 2009. This contraction is mainly due to subsidiaries' sales which decreased 21% in USD from USD461 million in 2009 to USD 365 million in 2010. Destination markets for construction purposes in the US and Spain experienced a contraction which impacted sales negatively.

Subsidiaries' sales abroad as well as exports represented 20% and 29%, respectively, of the total consolidated net sales for the year ending December 31, 2010.

San Luis Corporación also known as San Luis Rassini is a company which designs and produces auto parts and light vehicle equipment. San Luis has a strategic alliance with Japan's NHK, a world leader in suspension technology. Thanks to this company, San Luis has a subsidiary in Basil Rassini, which supplies South America and has a Technological Development Center located in Plymouth, Michigan.

Sales in 2010 increased by 49% in relation to 2009. These higher sales are the result of an increased production volume of vehicles in North America derived from an emerging increase in demand that was noticeable after consumer confidence gradually revived. Consolidated sales increased as domestic demand experienced an increase in the Brazilian automotive market.

Interceramic produces and sells floor and covering ceramic enamel tiles, as well as installation items. The company has four industrial parks, three of them located in Chihuahua and one in Garland, Texas.

More recently, Interceramic's products have been introduced in the Chinese market through a joint investment with Guangdong Kito Ceramic Co., Ltd.

Sales in 2010 experienced only a slight growth (1%) over 2009. This was mainly due to the recession which still lingers in the housing construction industry in the US, where sales declined 9%.

During 2010, Interceramic did not record any acquisitions except for an agreement executed with a Chinese company. After Interceramic reached an agreement with Kito, one of the most important ceramic companies in China, both companies jointly planned to start operations by opening an exhibition hall in Foshan and being present at the Canton Fair, the main commercial venue in China.

In the same year, the following multinationals purchased companies or carried out direct investments to start their operations in Asia, the Middle East and Eastern Europe: BIMBO (China), Gruma (Russia), Mexichem (Taiwan), KUO (China and India), Homex (India) and Altos Hornos (Israel). (Homex is a runner-up - see annex table 1a.)