

INDIGENOUS CORPORATE GROUPS IN MEXICO: HIGH GROWTH AND QUALITATIVE CHANGE IN THE 1970s TO THE EARLY 1980s

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INTRODUCTION

MEXICO's large-scale indigenous corporate groups achieved a remarkable growth in the 1970s and the early 1980s. This paper is an empirical attempt to identify the process of their growth in relation to the surrounding economic environment by focusing on those in the private mining and manufacturing sectors.

I analyze these big groups of Mexican companies because I see them placed at the very core of the economy and having played an important role in the country's economic development. Despite their importance to the national economy, however, they have remained relatively obscure. This paper, thus, aims to deepen our knowledge of these groups of Mexican firms, and in this sense follows the study of Cordero and Santin [4], as well as that of Jacobs [12].

An analysis of these big corporate groups in Mexico in terms of their rapid growth in the 1970s and in the early 1980s is also important because this period marks an important phase in their development. They not only expanded their production during this period but also underwent a qualitative change as corporate groups, and various studies of these groups have not necessarily been methodologically conscious of this qualitative change. For instance, the study by Fragoso and others [8] does not deal adequately with their relations with foreign capital. Neither does Jacobs's study deal at sufficient depth with the source of funds for expansion. Examination of the significance of growth and change for the groups themselves will give us a firmer perspective of their future development as well as their role in Mexico's national economy.

With respect to the approach to the theme adopted in this paper, I take the proposition of "the triple alliance" advocated by Peter Evans [7]. Evans is a socioeconomist of the United States who belongs to the school of dependency theory. What is peculiar to his argument is that he recognizes the possibility of economic development, although dependent, of peripheral countries and that he evaluates rather positively the role of local capital in such development. He points out a formation of triple alliance of multinational corporations, local capital, and the local State, and the uniqueness of his argument is that he does not necessarily regard this kind of development as a one-sided involvement of peripheral economy by the imperialist forces. Still more, local capital not always standing in an inferior position within the alliance, he considers that there exist certain instances

when they can gain a superior economic and political position which would enable them to carry out favorable negotiations with multinationals. Evans admits that the kind of dependent development on the basis of such an alliance creates various conflicts of interest among the players as well as with those who are alienated from the development path so pursued. Evans took up the case of Brazil, and his analysis of alliance relationship focused on interlocking capital ownership and market segmentation as well as division of labor in productive activities among the partners of this alliance. But his frame of analysis can be expanded to include policy supports which the government provides, and so becomes even more widely applicable to our case of Mexico in terms of the high growth of its domestic capital in the 70s and the early 80s as well as the changes that befell these corporate groups.

In Section I, details of the rapid growth of Mexico's indigenous corporate groups in the period under analysis will be given in terms of expanding productive capacities. The general economic environment and public policy will also be described as a background. In Section II, changing characteristics of these corporate groups as well as their reorganizational efforts will be examined as necessitated by their high growth. Lastly, I will touch on the significance of this high 'growth in terms of their own historical development.

I. RAPID GROWTH OF MEXICO'S INDIGENOUS CORPORATE GROUPS

A. *Expansion in Productive Capacity on the Part of Mexico's Indigenous Corporate Groups*

Let us first define the subject of analysis of this paper: big corporate groups or independent big corporations of the indigenous Mexican capital in the mining and manufacturing sectors, as cited in the list of top 500 corporations and that of major corporate groups announced annually in the *Expansión*, an economic journal in the country. The 1987 editions of these two lists were used to name 100 top corporate groups and independent corporations in terms of sales value. Furthermore, those active in the private mining and manufacturing sectors belonging to Mexico's indigenous capital were identified. The result is shown in Table I, where forty-two corporate groups and five independent corporations are identified. I must hasten to add that some of these entities are effectively government-owned or under control of foreign capital, although the *Expansión* classifies them as belonging to Mexico's private indigenous capital.¹ Below, the five independent corporations included in the list of forty-seven entities will be treated as corporate groups unless otherwise noted.

Table II shows the changes of sales volume for the twenty-eight corporate

¹ The twenty-first corporate group in Table I, Industrias Nacobre, has 51 per cent of its capital belonging to indigenous capital, but in view of the distribution of stockholders it is effectively a foreign company. The thirty-ninth ranking Compañía Minera de Cananea apparently is a government-sponsored company because a government organization is the majority owner of stocks as of 1987.

TABLE I
FORTY-SEVEN CORPORATE GROUPS OF MEXICAN PRIVATE CAPITAL IN
MINING AND MANUFACTURING (1986)
(Derived from the List of the *Expansión* Top 100 Groups and Corporations)

Ranking		Names of 47 Corporate Groups	Abbreviation	Major Areas of Operation
A	B			
1	(1)	Grupo Industrial Alfa, S.A.	ALFA	Iron & steel, petrochemical, foodstuffs, others
2	(2)	Vitro, S.A.	VITRO	Glass, plastics
3	(4)	Valores Industriales, S.A.	VISA	Beer and other drinks, metal products, foodstuffs
4	(6)	DESC, Sociedad de Fomento Industrial, S.A. de C.V.	DESC	Petrochemical, auto parts, foodstuffs
5	(7)	Industrias Peñoles, S.A. de C.V. y Subs.	PEÑOLES	Mining, chemical
6	(8)	Grupo Industrial Bimbo, S.A. de C.V.	BIMBO	Foodstuffs
7	(9)	Cydsa, S.A.	CYDSA	Synthetic fiber, plastics, mining
8	[10]	Celanese Mexicana, S.A.	CELANESE	Synthetic fiber
9	(10)	Grupo Industrial Minera México, S.A. de C.V.	GMEXICO	Mining
10	(11)	Cementos Mexicanos, S.A. y Subs.	CEMEX	Cement
11	(13)	Grupo Condumex, S.A.	CONDUMEX	Conductor, home appliances, auto parts
12	(14)	Grupo Gamesa, S.A.	GAMESA	Foodstuffs
13	(15)	Sociedad Industrial Hermes, S.A. de C.V.	HERMES	Auto parts, machinery, metal products
14	(16)	Cía. Industrial de San Cristobal, S.A. y Subs.	CRISTOBAL	Paper
15	(17)	Empresas Tolteca de México, S.A. de C.V.	TOLMEX	Cement
16	(18)	Tubos de Acero de México, S.A.	TAMSA	Metal products
17	(19)	Grupo Industrial Saltillo, S.A. de C.V. y Subs.	GISSA	Home appliances, metal products, auto parts
18	[27]	Fábrica de Jabon La Corona, S.A. de C.V.	CORONA	Soap, deodorizer
19	[29]	Cigarros La Tabacalera Mex., S.A. de C.V.	CIGATAM	Tobacco
20	(23)	Grupo IMSA, S.A.	IMSA	Metal products
21	(27)	Industrias Nacobre, S.A. de C.V. y Subs.	NACOBRE	Metal products, auto parts
22	(29)	Grupo Anahuac	ANAHUAC	Cement

TABLE I (Continued)

Ranking		Names of 47 Corporate Groups	Abbreviation	Major Areas of Operation
A	B			
23	(30)	Union Carbide Mexicana, S.A.	CARBIDE	Chemicals
24	(31)	Grupo Sidek, S.A.	SIDEK	Metal products
25	(33)	Ponderosa Industrial, S.A. y Subs.	PONDEROSA	Paper
26	[44]	Fábrica de Calzado Canadá, S.A. de C.V.	CANADA	Shoes, leather ware
27	(34)	Grupo Continental, S.A.	CONTAL	Drinks
28	(35)	Industrias Purina, S.A. de C.V.	PURINA	Foodstuffs
29	(36)	Grupo Aluminio, S.A. de C.V.	ALUMINIO	Nonferrous metal
30	(38)	Copamex, S.A. de C.V. y Subs.	COPAMEX	Paper
31	[58]	Ganaderos Productores de Leche Pura, S.A.	LECHEPURA	Foodstuffs
32	(41)	Grupo Primex, S.A. de C.V.	PRIMEX	Plastics
33	(42)	Cía. Minera Autlán, S.A. de C.V. y Subs.	AUTLAN	Mining
34	(43)	John Deere, S.A. de C.V.	JDEERE	Machinery
35	(45)	Transmisiones y Equipos Mecánicos, S.A.	TREMEC	Auto parts
36	(46)	Indetel, S.A. de C.V. y Subs.	INDETEL	Electric appliances
37	(47)	Corporación Industrial San Luis, S.A. de C.V.	SANLUIS	Mining
38	(48)	Conductores Monterrey, S.A.	CONDMON	Metal products
39	[75]	Compañía Minera de Cananea, S.A.	CANANEA	Mining
40	(49)	Mexinox, S.A.	MEXINOX	Iron & steel
41	(51)	Mabesa, S.A. de C.V.	MABESA	Home appliances
42	(52)	Cobre de México, S.A. de C.V. y Subs.	COBREMEX	Nonferrous metal
43	(53)	Grupo Industrial Ramirez	RAMIREZ	Automobiles, auto parts
44	(55)	Empresas Industria del Hierro, S.A. de C.V.	EHIERRO	Machinery, metal products
45	[98]	Kenworth Mexicana, S.A. de C.V.	KENWORTH	Automobiles
46	(56)	Grupo Industrial Camesa, S.A.	CAMESA	Mining, iron & steel, metal products
47	[101]	Aceros Nacionales, S.A.	ACENAL	Metal products

Sources: "Las 500 empresas más importantes de México," *Expansión*, August 19, 1987; "Los grupos más importantes de México," *Expansión*, September 2, 1987.

TABLE I (Continued)

- Notes:
1. In the list of top 100 Mexican groups and corporations, 62 are indigenous private capital, among which 42 are in the manufacturing and 5 in the mining sector. This table shows these 47 groups and corporations.
 2. The top 100 groups and corporations are derived from the list of top 500 corporations and the list of 109 major corporate groups both given in the *Expansión* as indicated in the sources above. By extracting from the former list those apparently belong to a group in the latter list, I had 324 groups and corporations (215 independent corporations and 109 groups), from which the top 100 are derived.
 3. The A-series ranking is arranged according to the method explained in note 2. Ranking of B-series shows the rank in the original lists as given in the *Expansión*. The number in parentheses is the ranking in the list of major corporate groups; the number in brackets is that in the list of top 500 corporations.
 4. Because some of the large groups and corporations did not give a reply to the questionnaire, the lists published in the *Expansión* are not entirely comprehensive.
 5. Abbreviations are temporary ones prepared by the writer for readers' convenience.

groups whose data have been available (1976=100). The change in total manufacturing production is shown at the end of the table for reference. It is obvious that many of these corporate groups grew substantially between 1973 and 1986, and quite often more than the national average in the manufacturing sector.

Let us identify the causes of their growth by comparing the groups at the beginning and at the end of the period. First, we note that they grew by increasing the number of affiliated corporations under their umbrella through mergers and acquisitions, as well as by establishing new companies, together with the growth in size of the existing companies. First, let us examine the growth in the number of member companies in their groups.

So far as I am aware, there is only one source, produced by Cordero [4], that gives specific numbers of firms that fall under major corporate groups of indigenous capital in Mexico. Thirty out of 131 corporate groups listed in Cordero's data have one or another kind of relation with the corporate groups in this study, but direct comparison extending to the more recent data is possible only for 13 corporate groups. The result is shown in Table III, revealing how rapidly the number of firms in the groups grew between 1972 and 1986. Since the *Expansión's* list is unlikely to be exhaustive, the table probably underestimates the extent to which the groups increased the number of companies under their control.

Refer to Table IV to see how individual firms in the groups have expanded. In this table, the core companies in the nineteen corporate groups out of the total of thirty referred to above are shown in terms of their production volume in 1971 and sales volume in 1986, as well as the number of employees in 1972 and 1986. In the majority of the firms either the scale of their productive activities expanded or productivity itself increased, or both, during this period.

In terms of the area of activities, what changes took place with reference to

TABLE II
PRODUCTION VOLUME OF MAJOR CORPORATE GROUPS (1976=100)

Ranking	1973	1976	1981	1986
1 ALFA	44	100	306	257
2 VITRO	26	100	132	181
3 VISA	94	100	240	182
4 DESC	80	100	300	250
5 PENOLES	68	100	141	138
6 BIMBO	n.a.	100	149	159
7 CYDSA	109	100	121	129
8 CELANESE	94	100	117	124
11 CONDUMEX	n.a.	100	189	172
14 CRISTOBAL	n.a.	100	366	332
15 TOLMEX	n.a.	100	139	102
16 TAMSA	71	100	135	114
17 GISSA	30	100	182	149
18 CORONA	65	100	112	138
19 CIGATAM	n.a.	100	109	122
20 IMSA	63	100	329	201
21 NACOBRE	77	100	269	n.a.
23 CARBIDE	70	100	150	110
26 CANADA	n.a.	100	180	93
29 ALUMINIO	82	100	89	160
31 LECHEPURA	58	100	140	144
33 AUTLAN	55	100	126	107
35 TREMEC	46	100	136	51
38 CONDMON	n.a.	100	145	88
39 CANANEA	112	100	51	68
41 MABESA	n.a.	100	81	114
42 COBREMEX	78	100	176	59
47 ACENAL	82	100	113	72
National total in manufacturing	86	100	138	

Sources: [19] [15, 1985-86 ed.] [14]; and "Las 500 empresas más importantes de México," *Expansión*, 1977, 1982, and 1987 editions. Annual reports of individual corporations, whenever available. Wholesale price index for Mexico City was obtained from [17, pp. 307-8]. The national total in manufacturing was obtained from [17, pp. 91-92].

- Notes:
1. Data are based on the peso-denominated total sales volumes for each group, taking 1976 as the base year.
 2. Figures are checked as far as possible with plural number of sources. Those obviously seen to be erroneous are excluded.
 3. Ranking corresponds to the rank in Table I.
 4. n.a. indicates non-availability of data.

these corporate groups? Here I will take up a number of specific cases. Productive activities can be expanded through larger size of production in the existing sphere of activities (1), or through entering new areas of activity. The latter case can be subdivided into either entry into new areas with some intrinsic industrial relation to their existing areas (2), or alternatively entry into entirely new areas

TABLE III
CHANGES IN THE NUMBER OF MEMBER FIRMS IN
THIRTEEN CORPORATE GROUPS

Ranking	1972	1986
1 ALFA	12	25 ^a
2 VITRO	32	75
3 VISA	36 ^b	100
5 PEÑALES	13 ^c	28
6 BIMBO	9	20
7 CYDSA	21	22 ^d
10 CEMEX	5	21
12 GAMESA	10	15
17 GISSA	14	16
20 IMSA	12	19
22 ANAHUAC	4	8
41 MABESA	6	9
43 RAMIREZ	8	11

Sources: [4] [13] [14].

Note: Ranking corresponds to the rank in Table I.

^a Data from the Stock Exchange cites 112 firms as of 1986.

^b VISA group was established inheriting a portion of companies of the Cuauhtemoc-Hylsa group which was split into two in 1974. There was a total of forty-eight member firms before the 1972 split, out of which twelve are said to be inherited by Alfa, the other newly established group, thus thirty-six for VISA.

^c This refers to the number of mining-related firms in the CREMI group.

^d Data from the Stock Exchange cites thirty-four firms as of 1986.

with no such relation, denoting the case of growing into conglomerates (3). Many corporate groups grew by adopting both types of expansion at once. Let us examine a few specific examples of the most dynamic expansion.

1. *Cases of expansion within spheres of current activity*

(i) Grupo Industrial Bimbo (Rank 6)

This group is a monopolistic corporate group in the production of bread and pastry with its basis in Mexico City. Since 1970 it has established one company after another in the same business throughout the country to reinforce its power over the market. In the production of bread it established Bimbo del Golfo in Veracruz State in 1970, Bimbo del Centro in Guanajuato in 1976, Bimbo del Sureste in Tabasco in 1978, Bimbo del Pacifico in Sinaloa in 1981, and Bimbo de Chihuahua in Chihuahua in 1982. In the production of pastry it also established Marinela de Occidente in Jalisco in 1976. Although the remarkable expansion of this group was principally observed in existing areas, it also expanded into new areas of activity, to snack production with the establishment of Barcel del Norte in 1979, and to candy-chocolate production with Dulces y Chocolates Ricolino established in the same year [15, 1985/86 ed.] [11].

TABLE IV
GROWTH OF CORE FIRMS IN THE CORPORATE GROUPS
(In Production and Sales Volumes)

(In million pesos at 1978 price)

Ranking	Core Firm	Production (1971) (A)	Sales (1986) (B)	Number of Employees		B/D	
				1972 (C)	1986 (D)	A/C (%)	
1	ALFA	Hojalata y Lamina (actually Hylsa)	5,200.0	9,074.8	2,974	6,542	79
3	VISA	Cervecería Cuauhtemoc	6,091.1	5,649.2	2,900	5,604	48
4	DESC	Spicer	731.0	3,811.7	1,080	7,118	79
5	PEÑOLES	Met-Mex Peñoles	2,823.9	9,184.3	1,282	2,597	161
6	BIMBO	Panificación Bimbo	723.4	2,320.9	2,415	4,711	214
12	GAMESA	Galletera Mexicana (actually Gamesa)	1,122.0	3,490.6	2,500	6,374	122
15	TOLMEX	Cementos Tolteca	1,431.4	2,583.9	1,464	1,798	147
16	TAMSA	Tubos de Acero de México	2,396.4	4,685.4	2,932	3,895	147
17	GISSA	Cía. Fundidora del Norte (actually Cifunsa)	528.0	1,534.8	2,042	4,353	136
20	IMSA	Industrias Monterrey	961.8	2,528.9	1,000	1,422	185
25	PONDEROSA	Celulosa de Chihuahua	553.5	1,107.3	916	1,130	162
26	CANADA	Fábrica de Calzado Canadá	2,151.1	2,363.9	6,150	9,268	73
33	AUTLAN	Cía. Minera Autlán	192.4	1,667.0	650	2,311	244
35	TREMEC	Transmisiones y Equipos Mecánicos	1,013.7	1,536.1	1,897	1,877	153
39	CANANEA	Cía. Minera de Cananea	1,498.6	1,476.0	1,545	3,454	44
41	MABESA	Industrias Mabe	641.1	636.8	1,300	1,359	95
42	COBREMEX	Cobre de México	2,543.7	1,408.3	343	862	22
43	RAMIREZ	Trailers de Monterrey	694.4	418.0	1,878	732	155
44	EHIERRO	Industria del Hierro	577.3	468.9	1,787	1,296	112

Source: The same as Table III.

Notes: 1. Ranking corresponds to the rank in Table I.

2. The figures for production volume and sales volume are inflation-adjusted with the use of the wholesale price index for Mexico City as the deflator, taking 1978 as the base year.

(ii) Grupo Gamesa (Rank 12)

Gamesa specializes in the production of flour, biscuits, and pasta with its headquarters in Monterrey, Nuevo Leon. Its growth since 1970 started with the opening of a new plant in Sonora in the same year, the very first factory of the group outside Monterrey, and of great importance as the first step for the group's

geographical expansion in its productive facilities. In 1974 it acquired Fábrica de Galletas y Pastas Tepeyac, a biscuit-pasta producing company in Mexico City, and with this it established a foothold in the nation's capital. In 1979 it further acquired another biscuit-pasta producing company in southern Mexico, Galletera Palma in Mérida in Yucatan. Furthermore in 1981 it merged with its long-time rival of the U.S. capital, Nabisco Famosa, in which Grupo Gamesa became a holding company with Nabisco Famosa as one of its subsidiaries. Seventy per cent of the new Grupo Gamesa's stocks remained with the old Grupo Gamesa, while the remaining 30 per cent was owned by Nabisco of the United States. The old Grupo Gamesa was reorganized into a holding company, Grupo Coral, which subsequently acquired 51 per cent of the stocks of Productos Gerber, a Mexican subsidiary of the baby food maker, Gerber Products of the United States, in 1982 [10].

2. *Case of entry into related spheres*

Vitro (Rank 2)

Vitro has a long history of expansion into related areas of activity. The mother company of the group was Vidriera Monterrey, established in 1909, first producing beer bottles but immediately expanding to a variety of glassware production until the 1930s when it already had three distinct production sections: glass containers, glass plates, and crystal ware. In the 1940s it started to produce raw materials and glass-producing machines. The group continued to expand production both horizontally and vertically. In the late 1970s it even accelerated its pace of growth, when it either acquired or established at least five companies in the glass and the newly added plastic container markets, two companies in glass plates, two companies in crystal, and one in raw materials production [18] [12, p. 42] [20].

3. *Cases of growth into conglomerates*

(i) Grupo Industrial Alfa (Rank 1)

This group was established by inheriting a number of companies in iron and paper production in 1974 when the now extinct Cuauhtemoc-HYLSA group was split into two. It is headquartered in Monterrey. From the very beginning this group has been aggressive in acquisition to expand its spheres of activity. As of 1986 its revenue was made up of the following: 37 per cent from iron and steel production, 30 per cent from petrochemical, 13 per cent from food, 8 per cent from paper, and 12 per cent from others (including auto parts, machinery, special steel, tourism, and real estate). Except for iron and steel and paper, it started production of most of these items after 1974 [9].

(ii) DESC, Sociedad de Fomento Industrial (Rank 4)

This group was formed in 1973 as a result of the merger among three previous groups: Senderos, Irsa, and Ruiz Galindo. With its headquarters in Mexico City, it was originally made up of the major firms of Spicer (producing auto parts), Industrias Negromex (chemical company), Industrias Resistol (another chemical

company), and D. M. Nacional (manufacturing steel furniture). Subsequently it expanded its spheres of activity both by acquiring other firms and establishing new firms of its own. Their new businesses included poultry (Universal de Valores, established in 1973), hog-raising (Promotora Porcina Camborough, the founding year not available but sold in 1986), and production of microcomputers (Micro-computadora-Hewlett Packard, the founding year not available but again sold in 1986). When Fomento Manufacturero was established in 1979 and Industrias de Baleros Intercontinental was acquired (year not available), auto parts production was substantially expanded [5] [15, 1984/85 ed.] [15, 1985/86 ed.].

It is clear then that these groups of Mexican firms achieved rapid expansion from the 1970s to the early 1980s. They grew by enlarging the scale of production and improving productivity in existing firms. At the same time, their growth path was more dynamic in that they aggressively formed new firms or acquired other firms in their effort to penetrate other markets.

B. *Factors External to the Growth of Mexican Corporate Groups*

I cite the following three principal external factors promoting the growth of these Mexican corporate groups as seen above, in chronological order: the policy of the Echeverría government to promote the development of domestic firms, improvement in the investment environment under López Portillo government, and the petroleum boom in the country.

1. *The Echeverría government policy of encouraging indigenous capital.*

The Echeverría era (1970–76) is known as a time of intense conflict between the government and private capital, mainly concerned with the “distribution” aspect of the policy of “growth with distribution” (*desarrollo compartido*) which Echeverría himself advocated. But in promoting growth, the Echeverría regime was definitely pro-indigenous capital, as evidenced in the promulgation of two laws in 1972 and in 1973: “Ley sobre el registro de la transferencia de tecnología y el uso y explotación de patentes y marcas” (Law on the registration of technology transfer and the use and exploitation of patents and marks), and “Ley para promoción de la inversión mexicana y regulación de la inversión extranjera” (Law promoting Mexican investment and regulating foreign capital). Foreign capital could have threatened domestic national capital, but these laws effectively contained the former’s activities to give greater room for growth to the latter.

There was also a decree that favored the growth of Mexico’s indigenous capital, which provided in 1973 a number of benefits to designated domestic firms in order to encourage industrialization.² If any holding company wholly owned by Mexico’s indigenous capital fulfilled at least any five of the following ten conditions, it was eligible for specific tax benefits: *Mexicanization* of foreign firms; employment creation; formation of firms in industry or tourism; development of indigenous technologies; promotion of export; import substitution; investment in Mexico’s

² This decree is officially announced in the official bulletin (*Diario oficial*) on July 20, 1973 as “Decreto que concede estímulos a las sociedades y unidades económicas que fomentan el desarrollo industrial y turístico del país.”

underdeveloped regions; utilization of domestic resources; expansion of existing firms in industry or tourism; and listing of stocks. Many of the corporate groups met the necessary conditions and grew.

Such a policy put a brake on the activities of foreign companies, while stimulating growth of the Mexico's indigenous corporate groups, and as a result the latter grew faster than foreign companies. Jacobs estimates that the share of the domestic corporate groups in the total production volume of the nation's top 100 firms increased from 32.8 per cent in 1973 to 43.2 per cent in 1979, while that of foreign companies declined from 35.4 per cent to 29.6 per cent during the same period [12, p. 24]. It must be pointed out, however, that these figures alone are insufficient to conclude that their importance in the Mexican national economy was reversed, because a substantial portion of the increase in the production of domestic corporate groups during the 1970s owes itself to the acquisition of new firms with foreign capital participation. In other words, it is possible that foreign capital merely changed the form of involvement, roughly maintaining the former relative position in the Mexican economy.

Thus, the Echeverría regime in its mid-career cooperated with indigenous capital for the promotion of "growth." But the following years only saw worsening relations between the government and industry regarding the "distribution" aspects of the government policy in such areas as fiscal reforms, wage rises, price control, and land reform. Such a worsening corporate environment discouraged investment. One has to wait for the coming of the López Portillo regime to see revitalized investment.

2. *Improved environment for investment under the López Portillo government*

When at the end of 1976 the López Portillo government came into being, its economy was in severe disarray with high inflation, budget deficit coupled with accumulated external debt, and growing trade deficit, among others. The new government first tried to regain the confidence of the people by stabilizing prices and foreign exchange rates. It then went on to undo the damage done to relations with private capital by proposing "Alianza para la Producción" (alliance for production) and then the cooperation of private capital and the government in promoting investment.

Under the Alianza policy, various agreements were made between government companies and the private sector.³ Due to the recuperation of confidence in the government, investment began to revitalize as early as the second half of 1977 [1]. It was just after the restoration of relations between the government and private capital, with the improvement of environment for investment, that the oil boom arrived.

³ The mining industry was served by a law specifically encouraging its growth through simplified taxation: "Ley de impuestos y fomento a la minería" (law of taxation and promotion for mining). The mining industry responded enthusiastically by announcing large-scale investment projects. See *Minera camimex*, Vol. 3, No. 1 (January-February 1978), pp. 7-9, and Vol. 3, No. 3 (May-June 1978), p. 6.

3. *The oil boom*

The oil boom had an impact on the activity of private companies in the following way. Public investment, which became possible through the earnings from petroleum exports as well as external borrowings, stimulated the production and investment of private companies by producing an expanding demand for input materials. The heightened activity of both public and private sectors thus created led to the increase of employment and wages, which provoked the expansion of demand for consumption goods and consequently gave further stimulus to the investment of private companies.

Active investment by private firms in response to a booming economy, however, was possible only on the basis of the availability of funds for investment, and one important source of funds was the borrowing from international commercial banks. Mexico's indigenous firms in the past had suffered poor credit standing with the international finance community, but the situation changed when the country became an oil producer, immediately enhancing its international prestige and the credit rating. The lending institutions also were beset with a big store of available funds caused by the recession in industrialized countries in the wake of the second oil crisis, and were in dire need of new outlets to be cultivated. When the needs of the lender and the borrower matched, the result was an unprecedented amount of loans flowing into private firms in Mexico. Mexico's oil boom accelerated the pace of expansive mood already existing on the part of the corporate groups.

II. CHANGING CHARACTERISTICS OF THE CORPORATE GROUPS DURING THE HIGH GROWTH PERIOD

The preceding section demonstrated the remarkable growth achieved by these corporate groups within a short period of time, but a number of big changes were in store for them in the ensuing years, particularly on the following three fronts: (1) growing dependence on external sources of supply for their funds for expansion; (2) stronger relations with foreign capital; and (3) the formation of the pyramid-shape organization with the holding company at the apex. Let us examine these more closely.

A. *Growing Dependence on External Sources of Supply for Funds*

With respect to the issue of how these groups secured funds for expansion up to the early 1970s, Cordero and Santin maintain that the growing size of these corporate groups required them to call for external funds, and mention the following four such sources: (1) the bigger of the groups were able to rely on the financial institutions within their own group; (2) many sold part of their stocks to outside financial institutions, thereby securing new loans from new sources; (3) those unable to secure new external sources of funds relied on such activities as commercial, real estate, and construction activities, where rather quick and high rates of profit were possible; and (4) many at a certain stage of corporate development relied on business and financial relations with foreign capital and, in certain rare cases, with the government [4, pp. 20-21]. By the early 1980s

TABLE V
EQUITY RATIO OF MAJOR CORPORATE GROUPS

Ranking	1975	1977	1979	1981	1983
1 ALFA	26.7	22.1	41.3	25.7	6.3
2 VITRO	44.6	44.1	41.7	39.7	40.8
3 VISA	28.7	36.4	38.6	40.6	11.0
4 DESC	92.2	95.6	97.9	48.4	15.8
5 PEÑOLES	26.1	14.3	19.4	37.3	32.7
6 BIMBO		59.1	67.6	69.9	81.2
7 CYDSA	60.1	47.5	53.4	35.1	19.5
8 CELANESE			53.6	52.9	60.5
9 GMEXICO			27.4	33.4	33.7
10 CEMEX	53.5	51.0	78.8	68.2	69.0
11 CONDUMEX	44.8	44.5	40.4	56.4	50.5
14 CRISTOBAL				53.3	45.3
15 TOLMEX		74.0	62.6	55.2	52.7
16 TAMSAM	38.4	41.5	46.8	42.0	33.9
17 GISSA	61.9	60.6	52.5	29.3	24.5
19 CIGATAM			50.2	48.8	63.3
21 NACOBRE	49.4	49.7	41.2	46.0	41.8
23 CARBIDE			39.8	24.3	40.9
24 SIDEK				34.4	36.5
25 PONDEROSA			49.7	46.1	49.7
27 CONTAL			41.6	44.5	34.1
28 PURINA			33.2	31.4	67.8
33 AUTLAN	26.6	30.5	24.9	20.5	3.6
34 JDEERE			68.1	67.6	77.9
35 TREMEC	23.8	35.6	53.8	52.9	60.3
36 INDETEL				64.7	43.1
39 CANANEA			25.7	47.2	10.3
46 CAMESA			53.7	48.0	44.6

Sources: [2, 1981 and 1984 eds.] [13].

Notes: 1. Equity ratio is calculated as follows:

$$\text{equity capital} / \text{total assets} \times 100.$$

2. The large discrepancy between the 1975-79 figure and the 1981-83 figure is probably due to the different methods of accountancy: the earlier figure is derived from the nonconsolidated financial statement of the holding companies, while the later figure from the consolidated statement for the whole group including its subsidiaries.

there were additional important sources of financing: loans from international commercial banks and the stock market.

1. Borrowings from international commercial banks

Table V shows the ratio of equity capital (*capital contable*) to the total assets (*activo total*) for the twenty-eight indigenous corporate groups in Mexico. It is apparent that many of them were increasingly dependent on external sources of finance. Table VI shows the breakdown of the debts that thirty-seven groups were incurring as of 1983. Since the figures for internal and external debts are drawn

TABLE VI
COMPOSITION OF DEBTS FOR MAJOR CORPORATE GROUPS (1983)

(Billion pesos)

Ranking	Internal Debt	External Debt	Total Debt
1 ALFA	225	156	381
2 VITRO	0	110	132
3 VISA	5	147	169
4 DESC ^a	31	107	203
5 PEÑOLES	27	16	54
6 BIMBO	1	1	6
7 CYDSA	3	68	77
8 CELANESE	1	50	56
9 GMEXICO	7	27	34
10 CEMEX	4	17	21
11 CONDUMEX	3	9	18
12 GAMESA	13	3	
13 HERMES	10	11	
14 CRISTOBAL	5	25	36
15 TOLMEX	1	39	46
17 GISSA	4	20	29
19 CIGATAM	3	1	4
20 IMSA	5	1	
22 ANAHUAC	1	13	
23 CARBIDE	20	25	
24 SIDEK	7	7	12
25 PONDEROSA	2	7	11
26 CANADA	5	...	
28 PURINA	2	1	5
30 COPAMEX	4	0	
32 PRIMEX	...	3	
33 AUTLAN	20	30	40
35 TREMEC	3	...	10
37 SANLUIS	1	6	
38 CONDMON	2	13	
39 CANANEA	24	26	54
42 COBREMEX	4	0	
43 RAMIREZ	3	8	
44 EHIERRO	6	...	
45 KENWORTH	2	0	
46 CAMESA	1	3	4
47 ACENAL	...	1	

Sources: External and internal debts are from [13] [14]. The total debt is taken from [2, 1984 ed.].

^a Figure for 1984.

... indicates less than 1 when rounded up.

from a different source than the total debt, the figures do not tally, raising some doubt as to their accuracy. But there is a clear general trend emerging from them: loans from abroad were obtained quite commonly on the part of major corporate

TABLE VII
YEARS OF STOCK LISTING OF MAJOR CORPORATE GROUPS

Ranking	Year	Ranking	Year
1 ALFA	1978	19 CIGATAM	1961
2 VITRO	1976	21 NACOBRE	1963
3 VISA	1978	23 CARBIDE	1961
4 DESC	1975	24 SIDEK	1981
5 PEÑOLES	1961	25 PONDEROSA	1979
6 BIMBO	1980	27 CONTAL	1979
7 CYDSA	1973	28 PURINA	1978
8 CELANESE	1947	29 ALUMINIO	1962
9 GMEXICO	1978	33 AUTLAN	1975
10 CEMEX	1976	34 JDEERE	1968
11 CONDUMEX	1957	35 TREMEC	1966
14 CRISTOBAL	1958	36 INDETEL	1968
15 TOLMEX	1976	37 SANLUIS	1984
16 TAMSA	1953	39 CANANEA	1972
17 GISSA	1976	45 CAMESA	1978

Source: [2, 1985 ed.].

groups, and a good number of them borrowed more from external sources than from internal sources.⁴

Financial statements of the major groups reveal an overwhelming reliance on international commercial banks for these external borrowings. Such a phenomenon seems to have set in since the latter half of the 1970s. Cordero and Santin emphasize the role of financial institutions within respective groups for some major corporate groups, as is mentioned above, but a heavy reliance is observable even for those groups which did have their own financial institutions.⁵ This seems to have been unavoidable in view of too great a need for funds for expansion to be met by their own financial institutions alone, and also because of the excessively

⁴ We must observe Table VI with two reservations. First, due to the devaluation of the peso in 1982 the value of external debt converted in peso greatly expanded in this year. Second, within the value of internal debt of 1983 a portion of external debt which was restructured according to the FICORCA system (Fideicomiso para la Cobertura de Riesgos Cambiarios) was included. In the case of Alfa group of ranking 1, for example, the majority part of the internal debt in the table was the external debt which applied to the FICORCA scheme. As there exist two factors which affect the peso-converted debt value in completely opposite directions, it is difficult to estimate by the figures of the table the accurate extent the corporate groups depended on external borrowings for their expansion. Nonetheless, putting aside the external debt which is calculated as the internal debt under the FICORCA scheme and supposing that the peso-converted external debt increased five times parallel to the percentage of peso devaluation in 1982, half or more than half of the total debt still consisted of the external debt in fourteen groups of the table.

⁵ Groups of the following ranking had a bank within the group: ranking 2 (Vitro) had Banpais Bank, ranking 3 (Valores Industriales) Serfin Bank, and ranking 25 (Ponderosa Industrial) Comermex Bank. Groups ranking 15 (Empresas Tolteca de México), 35 (Transmisiones y Equipos Mecánicos), and 44 (Empresas Industria del Hierro) were affiliated to Atlantico Bank.

TABLE VIII
AMOUNT OF TRANSACTIONS AND NUMBERS OF SHARES TRADED ON THE MEXICAN
STOCK EXCHANGE WITH REFERENCE TO MANUFACTURING-COMMERCE-
SERVICES RELATED STOCKS (1977-83)

Year	Amount of Transactions (Million Pesos at Market Price) (A)	Amount of Transactions (Million Pesos at 1978 Price) (B)	Number of Shares Traded (Million Shares) (C)	Average Price of Shares Traded (Peso)	
				A/C	B/C
1977	4,682	5,502	57	82	97
1978	24,838	24,838	257	97	97
1979	75,155	63,583	589	128	109
1980	63,096	42,261	749	84	57
1981	89,795	46,988	1,083	83	43
1982	37,223	12,260	709	53	17
1983	133,328	21,754	1,163	115	19

Source: [2, 1984 ed., pp. 5-6].

high value of the peso up until 1982, causing considerable interest rate differentials in and out of the country, thereby lowering the relative cost of dollar-dominated borrowings in comparison with peso-based loans.

2. *Use of the stock market*

From among the forty-seven corporate groups of Mexican domestic capital, the holding companies of thirty of them were listed on the Mexican Stock Exchange as of 1986, in addition to one group whose affiliated firms were also listed. The years in which these groups came to be listed are shown in Table VII, indicating that one joined the Exchange in the 1940s, three in the 50s, eight in the 60s, fifteen in the 70s, and three in the 80s. We see that exactly half of these groups in the table listed their stocks on the Exchange in the 1970s.

A study of the Mexican stock market by Cardero and Quijano tells us that the market in the latter half of the 1970s saw a very rapid growth, thanks to the government policy to promote its growth as well as to the oil boom [3, p. 233]. This growth is shown in Table VIII in terms of the total volume of transactions and the number of stocks traded from 1977 to 1983. The growth of the market is apparent in both accounts from 1978 onward.

Although the stock market expansion is emphasized by Cardero and Quijano, they submit that vigorous trading on the Exchange did not necessarily contribute to the corporate efforts to finance their expansion. First, the growing volume of transactions in 1978 was not due to new stocks issued but only to greater speculative activities involving stocks which had already been issued. Second, new stocks issued in 1979 by many companies were met by plunging stock prices in July of the same year, and further by the outflow of speculative money to the United States caused by the higher interest rates in that country as well as by the higher world prices of precious metals. Despite these offsetting impacts, however, I hold the

importance of the stock market to be considerable as the source of funds for many Mexican corporate groups. Let me enumerate the reasons for this claim.

First, the statistics for priority allocation of new issues for stockholders as given in the *Anuario financiero y bursátil* [Financial and stock yearbook] [2] of the Mexican Stock Exchange indicate a substantial amount of new stocks being issued by many of the corporate groups under study in 1978. Substantial premium was also allowed on the value of these new stocks. Second, the same statistics seem to indicate that many groups also issued new stocks aggressively between 1979 and 1981. Although the premium gradually shrank due to the slack market, they persisted with the issuance of new stocks, which in itself seems to point to a large demand for new funds and the accompanying importance of the stock market as a source of needed funds. Third, there are a number of groups whose ratio of equity capital to the total assets improved in the latter half of the 1970s in spite of the estimated increase in borrowings from financial institutions. Issuance of stocks is envisaged to have contributed greatly to these improved equity ratios.

Greater dependence on international commercial banks and on the stock market in Mexico, however, forced a new vulnerability on these Mexican corporate groups, i.e., the greater extent to which they were subjected to the changing economic environment for their cash flow. And this did in fact materialize in serious problems threatening their very survival in 1982 when the peso's devaluation quickly pushed up the debt burdens.

B. *Stronger Relations with Foreign Capital*

Table IX shows the extent to which foreign capital is related to the Mexican corporate groups under study, covering twenty-nine of these groups as of 1986. The remaining eighteen groups have either no foreign capital participation or no data available on it. From among the twenty-nine groups in this table, eighteen of them have foreign capital participating in their holding company (or directly in individual firms in case no group was formed), although the rate of participation never exceeds 50 per cent. With respect to the remaining eleven groups, in their subsidiaries or affiliated firms, less than 50 per cent participation is effected. One also sees that an overwhelming portion of these relations has been formed since the 1970s, particularly so in the case of foreign capital participation in subsidiaries. Many of these firms are active in the production of either consumer durables, intermediate goods, or capital goods. In these areas indigenous enterprises had allegedly been relatively weak in comparison with foreign or government-sponsored firms either because of financial or technological limitations. It is precisely in these areas that corporate groups expanded their sphere of activity during the 1970s. It seems safe to surmise that they made best use of the restrictive government policy vis-à-vis foreign capital and the oil boom as an opportunity to strengthen their relations with foreign capital by acquiring a portion of stocks of foreign participating companies and/or establishing new subsidiaries jointly with foreign capital so that they could enter new markets.

There is one interesting feature in this generally growing relationship with foreign capital: between those corporate groups with headquarters in Mexico City

and those locally headquartered contrasting movements were demonstrated in terms of their relations with foreign capital, but their moves eventually resulted in a convergence. In the past those groups with strong kinship ties and active in outlying areas had weak relations with foreign capital, but this new source of funds emerges as a partner in the management of the groups from the 1970s, although only on the level of their subsidiaries (see, for instance, the corporate groups with rankings of 1, 2, 3, 7, 17, and 25 in Table IX). On the other hand, although those groups in Mexico City had traditionally been more active in jointing capital with foreign sources, some of them now raised the ratio of their own indigenous capital so that they would enjoy a stronger say in the management of the group. In the case of the fourth ranking DESC group, for instance, their three core subsidiaries all saw an increase of indigenous capital participation from below 40 per cent to 50 per cent during 1975 and 1983. Such a move seems to have been made in order to reap tax benefits from the provisions of the above-mentioned decree of 1973 on industrial promotion. The fifth and ninth ranking groups on the other hand had been reorganized to become indigenous corporate groups under the policy of Mexicanization in the mining industry. The government policy of Mexicanization played an important role in all these three cases. At the same time, however, it should be pointed out that indigenous capital also had enough financial strength to respond to the government incentives. Only with an appropriate growth of indigenous capital through its own effort could the Mexicanization policy be realized.

To proceed with our analysis, the listing of their stocks and the stronger ties with foreign capital created a new set of problems for the traditional interest groups which controlled these corporate groups, all related to the intrusion of external forces into their management practice. This called for new responses from the traditional interests if they were to retain their power. One such response was the establishment of the holding companies and related reorganization of these corporate groups.

C. Formation of the Pyramid-Shape Organization with the Holding Company at the Apex

Indigenous Mexican firms tend to group themselves more than foreign and government-sponsored companies. Such a tendency was pointed out early on, even before the 1970s. Cordero and Santin, for one, explained the pre-1970 phenomenon in terms of the domestic market conditions surrounding them [4, pp. 9 and 15]. However, there is an important difference between this tendency for group formation on the part of the indigenous companies before and after the 1970s. In the 1970s they began to form a holding company, which served as the highest entity of the pyramidal shape of their group both in ownership and management.

Table X shows the years in which the holding company was established to own and manage those corporate groups with an apparent pyramid-like structure from among the forty-seven groups examined in this paper. Fourteen of the twenty-three holding companies were established in the 1970s, obviously a large majority.

TABLE
PARTICIPATION OF FOREIGN CAPITAL IN MEXICO'S

Ranking	(A) FC in a Holding Companies	Name of Participating Foreign Firms (Nationality: Ratio of Stockholding)	(B) FC in Member Companies
1 ALFA	N		P
2 VITRO	N		P
3 VISA	N		P
4 DESC	N		P
5 PEÑOLES	N		P
7 CYDSA	N		P
8 CELANESE	P	Celanese Corp. (USA: 40%)	
9 GMEXICO	N		P
11 CONDUMEX	P	Ericsson (Sweden) } together Pirelli (Switzerland) } 40%	P
12 GAMESA	P	Nabisco (USA: 30%)	

IX

INDIGENOUS CORPORATE GROUPS (1986)

Name of Group Member Companies (Ranking among 500 Individual Firms as of 1986)	Name of Participating Foreign Firms (Nationality: Ratio of Stockholding)	Additional Information
Acojiamientos Selther (254)	n.a. (Belgium: 25%)	Acquired in 1973
Fibras Químicas (49)	n.a. (Netherlands: 40%)	Acquired in 1977
Nemak (168)	Ford (USA: 25%)	Established in 1981
Nylon de México (67)	Dupont (USA: 40%)	Acquired in 1975
Petrocel (42)	Hercules (USA: 40%)	Acquired in 1978
Vitro Flex	Ford (USA: n.a.)	Acquired in 1979
Altro (257)	Samsonite (USA: 49%)	Acquired in 1986
Industria Embotelladora de México (81)	Coca Cola (USA: n.a.)	Likely acquired in the 1970s
Fomento Manufacturero (174)	n.a. (USA: 33%)	Established in 1979
Industria Eléctrica Automotriz (312)	Prestolite International Co. (USA: n.a.)	
Industrias Negromex (32)	Phillips Petroleum Co. (USA: 39%)	DESC acquired all stocks in 1986
Industrias Resistol (17)	Monsanto Co. (USA: 39%)	
Spicer (31)	Dana Corp. (USA: 33%)	
Cía. Fresnillo (94)	Rosario Resources Corp. (USA: 40%)	
Cía. Minera Cedros (387)	n.a. (Canada: 16%)	
Fluorita de Rio Verde (426)	n.a. (USA: 40%)	
Neg. Minera Santa Lucia (315)	n.a. (Canada: 30%)	
Refractarios Green (180)	n.a. (USA: 45%)	
Refractarios Mexicanos (230)	General Refractories (USA: n.a.)	
Industrias Cydsa-Bayer	Bayer (West Germany: 40%)	Established in 1974
Polycid	Goodrich (USA: 40%)	
Quimobásico	n.a. (n.a.: 49%)	
Nobaquim	n.a. (n.a.: 40%)	Likely acquired in the 1970s
México Desarrollo Industrial Minero	Asarco (USA: 34%)	
IEM	Westing House (USA: 48%)	Acquired in 1984
		Gamesa and Nabisco merged in 1981

TABLE IX

Ranking	(A) FC in a Holding Companies	Name of Participating Foreign Firms (Nationality: Ratio of Stockholding)	(B) FC in Member Companies
13 HERMES	N		P
14 CRISTOBAL	P	Scott Paper Co. (USA: 49%)	P
15 TOLMEX	P	Associated International Cement (UK: 49%)	N
16 TAMSA	P	Morgan Guaranty Trust (USA: 32.5%)	N
17 GISSA	N		P
19 CIGATAM	P	n.a. (UK: 28.7%)	
21 NACOBRE	P	Atlantic Ritchfield (USA: 40%)	
23 CARBIDE	P	Union Carbide (USA: 48%)	
25 PONDEROSA	N		P
28 PURINA	P	Ralston Purina (USA: 49%)	
29 ALUMINIO	P	Aluminum Co. of America (USA: 44%)	
33 AUTLAN	P	Sumitomo Corp. (Japan: 10.5%—1985) (The sum of all foreign capital amounts to 32.5%)	
34 JDEERE	P	Deere & Co. (USA: 49%)	
35 TREMEC	P	Clark Equipment (USA: 33%)	
36 INDETEL	P	International Electric Co. (France: 40%)	
37 SANLUIS	N		P
44 EHIERRO	P	n.a. (France: 4%)	
46 CAMESA	P	n.a. (UK: 49%)	
47 ACENAL	P	Armco (USA: n.a.)	

Sources: [13] [15, 1985–86 ed.]; American Chamber of Commerce of Mexico, applying to some of the listed companies are derived from the list of shareholders in

Notes: 1. The column under (A) shows participation of foreign capital in a holding companies. P: positive; N: negative.

2. Regarding the participation of foreign capital in member companies, only companies.

(Continued)

Name of Group Member Companies (Ranking among 500 Individual Firms as of 1986)	Name of Participating Foreign Firms (Nationality: Ratio of Stockholding)	Additional Information
Cerry (166)	Combustion Engineering (USA: 40%)	Groups established in 1978
Fábrica de Autotransportes Mexicanos (136)	n.a. (West Germany: 49%)	
Aralmex (251)	General Motors (USA: 40%)	
Sancela (221)	n.a. (Sweden: 49%)	Participation of ICA group in 1970
Enseres Electroindustriales (69)	General Electric (USA: 49%)	Foreign capital participation only after 1970
Papeles Ponderosa (234)	n.a. (Spain: 49%)	Established in 1974
Woolworth Mexicana (108)	Woolworth Co. (USA: 49%)	

Directorio de compañías americanas que operan en México (Mexico City, 1984). Data possession of the Mexican Stock Exchange. company and the column under (B) shows participation of foreign capital in member major member companies are shown here, due to the paucity of data on minor member

TABLE X
YEARS IN WHICH HOLDING COMPANIES WERE ESTABLISHED FOR MAJOR GROUPS

Ranking	Year	Ranking	Year
1 ALFA	1974	17 GISSA	1975
2 VITRO	1936 ^a	20 IMSA	1976
3 VISA	1936	21 NACOBRE	1975
4 DESC	1973	24 SIDEK	1980
5 PEÑOLES	1969	25 PONDEROSA	1979
6 BIMBO	1966 ^b	27 CONTAL	1974
7 CYDSA	1965	28 PURINA	1978
9 GMEXICO	1976	32 PRIMEX	1980
11 CONDUMEX	1980	37 SANLUIS	1984
12 GAMESA	1978	43 RAMIREZ	1979
13 HERMES	1978	46 CAMESA	1978
15 TOLMEX	1970		

Sources: [2, 1985 ed.] [15, 1985-86 ed.]; interviews with the firms in cases where their stocks are not listed; and registration data.

^a This group seems to have changed its name from Fomento de Industria y Comercio some after the 1970s.

^b The old name of Promoción de Negocios was changed to the present one in 1978.

The table also shows that they mainly come from large corporate groups, i.e., higher ranking groups, although this is partly due to the paucity of data regarding smaller, lower ranking groups.

Plausible reasons for this form of group organization include the following. The first is related again to the 1973 decree providing various benefits for industrial promotion, which Jacobs pointed out as the principal reason for the rise of corporate groups having a holding company at the top in the 1970s [12, p. 26]. This decree first and foremost addresses itself to the holding company, and it forbids the member firms of the group to own any stocks of the holding company [6, p. 11], probably encouraging this specific pyramidal structure. What is of interest is a statement to the effect that this decree was promulgated at the instigation of some of the large indigenous corporate groups.⁶ One could surmise from this that the government's intention in issuing this decree was not so much that it wanted to create new organizations in the private sectors to promote economic development but rather that it wanted to induce these corporate groups to grow in the direction of the government's own strategy of economic development on the basis of the existing corporate structure by attaching various conditions to them in exchange for tax benefits. In this connection one should note the conditions to be met in order to receive the benefits: Mexicanization of foreign companies in operation in Mexico, employment creation, development of industry and tourism, import substitution, and export promotion, all part and parcel of the government strategy for development.

However, since this tendency for reorganization of corporate groups was equally

⁶ Information obtained in the interview survey of corporate groups in September 1986.

observable for those groups whose holding companies had foreign capital participation, the decree with its benefits going only to the holding companies wholly owned either by Mexican nationals or Mexican firms cannot explain the whole of the phenomenon. Among other factors encouraging reorganization, I would like to mention organizational needs of ever expanding groups. As mentioned above, the business activities of these groups rapidly expanded both in terms of markets and geography in the 1970s, with an ever increasing number of companies under their control. The pyramid formation was one response to control activities of increasing complexity more efficiently. The holding company would be structurally independent of individual productive activities, thus more conducive to carrying out coordinating and profit supervising functions. The holding company would also serve as the central management unit for the stocks of the subsidiaries. When this function is combined with the evaluation of production performance, it would be able to move more quickly when failing sections should be dispensed with or promising new sectors acquired, all of which could be done through stock transactions affected by it alone. This seems even more plausible as a substantial portion of the expansion during the 1970s was due to acquisition.

The third reason for reorganization with the holding company at the top may well be that this was an effective means for the traditional interest groups particularly with kinship ties to maintain managerial prerogatives. For one thing, this central control of stocks was an effective form of managing joint ventures with foreign firms, which were growing in number in the 1970s. This decade saw another potential threat to the traditional hold on the management of its member firms in the listing of stocks on the Stock Exchange. Many of the traditional interest groups, specifically including those with kinship ties, responded to this danger by establishing a holding company which would control all the stocks centrally in order to retain their hold on the member firms. The holding company formula also serves to prevent dissipation of stocks as new generations come to the fore within each kinship group. The phenomenon of concentration of stocks in holding companies, already observable in the 1970s, was accelerated and became more prevalent at the end of the decade.⁷ So long as these and similar responses were

⁷ As a case of holding companies which were formed before the 1970s, we can point out the following: an institutional stockholder Albacor of fifth ranking Industrias Peñoles (Albacor is supposed to be a holding company of Grupo CREMI controlled by the Bailleres family); Empresarios Industrial de México (a holding company of the Larea family, established in 1967) of ninth ranking Grupo Industrial Minera México; Grupo Chihuahua, which is supposed to be a holding company of the Vallina family, of twenty-fifth ranking Ponderosa Industrial; Mexicana de Inversiones Mineras e Industriales (a holding company of the Madero family, established in 1962) of thirty-third ranking Cía. Minera Autlán; and Industrial ICA, Sociedad de Fomento (a holding company of the construction group ICA), which is a common stockholder of fifteenth ranking Empresas Tolteca de México and thirty-fifth ranking Transmisiones y Equipos Mecánicas. The following holding companies are supposed to be established after the 1970s: an institutional stockholder of third ranking Valores Industriales, Gentor (a holding company of J. G. Sepulveda, one of the offsprings of the group founders); four institutional stockholders of sixth ranking Grupo Industrial Bimbo (all are holding companies of the group founders); and Grupo Coral (a holding company of the Santos family) of twelfth ranking Grupo Gamesa.

adopted by the traditional interest groups against thinner spread of stocks issued and therefore a smaller proportion of these stocks in their hand, their control over the member companies would remain firm even should these threatening tendencies occur.

CONCLUSIONS

The period of the 1970s and the early 80s was a very important time in the history of Mexico's indigenous corporate groups. It was during this period that they expanded substantially, which in turn led to a variety of changes in their groups.

They were able to grow rapidly in size during this period because there were conditions conducive to their growth: the government policy to promote and nurture indigenous enterprises and the oil boom. But not all the groups capitalized on these conditions. They had to respond to these opportunities in appropriate ways in order to reap the benefits, and the greater dependence on external sources of funds and stronger ties with foreign capital described in this paper were precisely among the appropriate responses. These two responses enabled many of the indigenous corporate groups not only to consolidate their traditional stronghold in nondurable consumer goods but also to mount an aggressive attack on the sectors where they were seen to be of inferior position in comparison with government-sponsored and foreign companies, the sectors producing durable consumer goods, intermediate goods, and capital goods.

These changes were of historical importance in the development of corporate groups of indigenous Mexican capital. First, they were able to do away with the two traditional limitations imposed on them for further development: capital and technology. This opened up a new vista of expansion for them. Second, the traditional isolationist attitude on the part of many of these indigenous corporate groups was dismantled, although this did not mean the end of the system of control by an exclusive group of interests due to systematic reorganization efforts on the part of the powerful.

Lastly, how can these development processes of the indigenous corporate groups in the 1970s and the early 80s be explained in terms of the triple alliance hypothesis in dependent capitalistic development in a periphery country? As I mentioned at the outset of this paper, such an alliance takes place between big private capital on the periphery, the periphery government, and multinational corporations.

The relationship between the government and the big indigenous corporate groups in the 1970s and the early 80s was basically of a cooperative nature. In spite of some confrontation between the two regarding the distributional policy in the latter half of the Echeverría regime, the government continued to pursue the policy of restricting foreign capital, encouraging holding companies, developing the stock market, and other measures all designed to promote, and actually having promoted, the development of major corporate groups of indigenous capital. These groups had grown to firmly establish positions in the economy of Mexico, and the government probably could not think of formulating its development strategy without fully taking them into account. It had first to accept their

importance as players in economic development, and could only try to guide their growth along the path the government deemed desirable. In terms of the nationalistic development of the economy, it is safe to assume that the interests of the government and of these indigenous corporate groups converged.

With respect to the relations between Mexico's own indigenous big capital and multinational corporations, it can be confirmed again that they became close during this period. Of particular importance is the geographical extension of the business relations that had existed already during the 1950s between multinationals and Mexican companies in Mexico City and its vicinity to corporate groups in outlying regions. I would take this closer and more expanded relationship between Mexican groups and multinationals not as a manifestation of deepened dependence of the former on the latter but rather as a relationship of symbiosis and complementarity in which such consolidated relations between the two seemed to act to strengthen each other. It must be pointed out, however, that this relationship is not a stable and peaceful one but is most probably characterized by intense fighting for hegemony within the groups. Who owns the majority of stocks is a crucial matter in this context. It is also in this context that a large number of holding companies were established among the Mexican corporate groups during the period under study as a means to avoid being taken over. In this sense, big private capital in a peripheral country as a partner to triple alliance may be substantiated as a small group of vested interests with the concentration of stocks in holding companies and the resulting control of corporate groups.

Such a relationship can be summarized as follows: the growth of Mexico's indigenous corporate groups during the 1970s and the early 1980s was achieved on the basis of a triple alliance between a small Mexican group of vested interests (who effectively controlled all their member companies), the government of Mexico, and foreign capital. Of particular importance is the relative strength of indigenous Mexican capital vis-à-vis foreign capital due to the policy support received by the former. The rapid growth of Mexico's big business on the basis of such an alliance was an important factor for the growth of the total national economy of Mexico, although it widened the gap between those who succeeded in joining the alliance and those who failed, bringing the Mexican economy one step closer to one of monopoly capital.

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