

Dateline Mexico by Carlos Cota Meza

Companies are falling like flies

Corporate takeovers are accelerating as foreign creditors cash in their debt/equity chips.

So far this year, Mexico has witnessed a wave of corporate takeovers, desperate searches for foreign financing, and bankruptcies. It is the Mexican government itself which has given the green light for the multinationals to move in on companies which still have something left to loot, whether by asset-stripping their productive capabilities, or through financial speculations.

In late March, it was suddenly announced that as of the beginning of the year, foreign investors holding \$600 million worth of "Bank Privatization Bonds" could assume their rights as "stockholders" in certain of the privatized banking institutions. Prior to the bank privatizations of 1991, these bondholders were creditors to Mexico's state-owned banks which had agreed to a government postponement of payments on their loan-holdings until after the banks were in private hands, at which time they could convert their debts into equity.

It is expected that Banamex, Bancomer, Serfin, Comermex, Somex, and International will become the first banks to acquire their new "foreign investors" from Japan, the United States, and Europe under this debt/equity conversion scenario.

Equally surprising was the announcement that Cervecería Modelo (of the Modelo Group led by Juan Sánchez Navarro, a leading ideologue of the private sector), would be "associating with" the largest beer company in the world, Anheuser-Busch.

"Association" is the latest euphemism for "takeover." Sánchez Navarro admitted that "the U.S. company

had planned to buy everything, but one of our principles is to keep control in Mexican hands." For the moment, the agreement provides Anheuser-Busch with 17.7% of the Mexican company's stock, with the option of increasing that to 49% over the next four years. Cervecería Modelo is the third largest exporter of beer to the United States, exports to 55 other countries, and is the Budweiser distributor in Mexico.

Another "association," smaller but still very important, is the announcement by the U.S. firm Durakon Industries, Inc. that it will create a new auto parts company in Mexico together with Durakon Mexicana and the Larmo consortium. The president and CEO of Durakon is former FBI and CIA head William Webster, who espoused the doctrine that U.S. national security originates in its foreign trade.

Daily, more "associations" are being announced. The Grupo Comercial Inmobiliario of the Gutsa Group, which specializes in luxury shopping mall constructions, and, recently, in superhighways, will change its name to Cushman and Wakefield-GCI when it is taken over by the U.S. company of that name. Cushman and Wakefield-GCI, a furniture company, is currently being clobbered inside the United States as the industry falls into bankruptcy. Similarly, the leading Mexican company in organizing industrial expositions, Fapezal Comunicación SA de CV, will now be called Reed Exhibition Companies of Mexico, after the U.S. company name, a world leader in organizing specialized exhibitions.

Another group of Mexican companies is in desperate search of new financing. A contingent of 23 companies is seeking to place a debt issue of up to \$1 billion in international markets, and some of them have also changed their names. The Smith, Barney brokerage, which just merged with Shearson to become the second largest Wall Street brokerage house after Merrill Lynch, claims that "these companies are opening an enormous market for those who want to buy Mexico."

Investment bankers at Goldman Sachs maintain that in 1993 there will be \$3.2 billion worth of debt issues of Mexican companies, with the average being \$150 million per company, and hope that "this will not saturate the market." It is known that these companies hope to exchange their short-term debts for longer-term. Some will not get it.

Among those which have gained access to the world capital markets is Cementos Mexicanos (Cemex) which plans to place \$500 million with Merrill Lynch. Merrill Lynch reports that its client has already issued \$600 million "to finance short-term loans" and that its Spanish subsidiaries have placed \$170 million through the Spanish bank Banesto. Cemex owner Lorenzo Zambrano denies that his Spanish companies are having difficulties.

Other companies are bankrupt or simply vanishing, taking their investors' money with them. For example, the Camesa Industrial Group, one of the leading exporters to the United States of wire, fluorite cable, and bifluoride, suspended payments to its creditors, who have now obtained an embargo order against the consortium. The companies of this group have been registering losses since 1991, and the last straw was the so-called "acid war" between Mexico and the United States.