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(FOUO 10/82)

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LATIN AMERICA REPORT

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COUNTRY SECTION

ARGENTINA

U.S. SEEN AS 'DISCORDANT, INCONSISTENT'

PY101533 Buenos Aires SAPORITI in Spanish 1200 GMT 10 Jun 82

[Report by Andres Ruggeri]

[Text] Buenos Aires, 10 Jun (SAPORITI)--The disagreements between U.S. Secretary of State Alexander Haig and U.S. delegate to the United Nations Jeane Kirkpatrick have startled the Western world which is watching in bewilderment the number of disagreements [desinteligencias] which, given the fact that they involve high-ranking representatives of the top Western power, are extremely worrisome.

The United States is revealing a serious gap in its foreign policy. Nobody understands why very well. When a nation reaches the stature of the United States it is because it has a privileged class of leaders, or at least had such leaders.

Various diplomatic circles have observed that in Washington a scapegoat is being sought for so many disagreements in handling the crisis in the South Atlantic, the conflict over the Malvinas between Argentina and Great Britain as well as to quell the wave of anger unleashed in Latin America against the United States.

Is Alexander Haig the culprit, or is it Thomas Enders? We must not believe that they are the only ones whose heads are on the block. Charles Percy, who is chairman of the Senate Foreign Relations Committee and who has always tried to obtain a carte blanche for Margaret Thatcher from President Reagan, is also fingered by those looking for culprits in the Latin American confrontation with the United States.

The WASHINGTON POST talks about the Latin American collapse, the little or no influence which as of now the U.S. Government will have on the countries south of the Rio Grande. The WASHINGTON POST wonders how difficult it will be for the U.S. governments which succeed President Reagan's administration to restore Latin American faith in the United States. These are questions asked by U.S. politicians today, those politicians who at some time in their lives have seriously considered South America the backyard (geopolitically speaking) of the United States.

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In Washington there are many political analysts who try to tune their ears to hear those muffled predictions which are being cast on the future of several State Department officials beginning with General Haig. They all know that President Reagan is very attached to this personality who had been NATO's chief, though they also know that even the President can be dragged down if he insists on acting as a barrier or retaining wall against Haig's collapse.

■ And to make things worse, in the East a wick has been lit. Instead of sputtering it is burning bright. At the moment no one wants to know where will it cause a major explosion, whether in a powderkeg or a nuclear bomb. But in light of this event which might have very serious consequences, another question arises: How will that discordant and inconsistent U.S. foreign policy act?

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COUNTRY SECTION

ARGENTINA

DISSIDENT CGT OFFICIAL DISCUSSES ILO CONFERENCE

PY111041 Buenos Aires DYN in Spanish 1458 GMT 10 Jun 82

[Text] Buenos Aires, 10 Jun (DYN)--Saul Ubaldini (brewery workers), secretary general of the General Labor Confederation (CGT)--Brasil St--on his arrival today from Geneva made it clear that "there has been no (disagreement with the other) CGT--Azopardo St--" and that "on the contrary we have been working on a priority objective" regarding the defense of Argentina's position in the Malvinas conflict.

Ubaldini participated in the Geneva ILO conference heading a reduced delegation from the CGT--Brasil St--that attended the meeting separately from the official labor group. Ubaldini's delegation included Juan Carlos Godoy (oil workers) and Alberto Tyhron (bank employees).

Ubaldini, referring to the harmony that existed between the two groups that are at loggerheads here, said that "there were not two groups in Geneva, but just a bunch of Argentines defending, with everything they had, the position of our Malvinas."

Ubaldini stated at Ezeiza that the result of the ILO conference had been "auspicious" and he stressed that "we have carried out the mandate given us by the board of directors of the CGT--Brasil St--and we are satisfied with the task that was carried out very well due to the fact that Argentina's position on our Malvinas was of top priority for this delegation, it was defended on every possible occasion and we received a great deal of support."

The union leader termed as "truly regrettable" the attitude of the British and U.S. Government delegates "because they practically cut off the minister's (Julio Porcile) speech."

Ubaldini stressed that "the chairman of the conference (Peruvian Labor Minister Alfonso Grados) was very correct and he put them down completely.

"It cannot be," Ubaldini emphasized, "that in an international forum those who believe that they currently own everything should carry on in such a way."

Ubaldini highlighted the fact that "the booing and catcalls against the English and American representatives was unanimous" and he noted that "it was the official representatives of" Great Britain and the United States who acted in this way.

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As for the representatives of the British and U.S. workers, he stated that "they did not address" the conference. "The group of workers," he added, "were silent. They did not say anything and logically they maintained the distance that we Argentines currently deserve."

For Ubaldini, another important event at the conference was the "solidarity of our brother Latin Americans, who have supported us in everything, including the possibility of another meeting. Countries from other continents, such as Africa, Oceania and Asia, have supported reason and reason at this time is on Argentina's side."

Regarding the relationship with the members of the official delegation, all of them members of the CGT--Azopardo St--he said that "It was maintained with the courtesy of any Argentine who at this time leaves the country to defend the priority problems, that of the Malvinas."

"We did not attend to contest anyone, we attended in order to give every type of support to that position and thus we behaved, as all Argentines who were there behaved, in the same way. There were no problems with anyone. On the contrary, we have been working on a priority objective such as this one."

Regarding Porcile, he stated that "We greeted him in the corridor after he spoke" at the conference. That was the only contact with this official.

As for union unity, Ubaldini stated that he was "optimistic" and he said that "when one goes after such clear ideals or objectives such as those we are defending," they can be achieved.

He stressed that in Geneva "it was not two CGT's that attended, it was a bunch of Argentines defending, with everything they had, the position of our Malvinas" and he noted that "we lean toward unity and we are convinced that we will achieve it soon, not only for the good of the workers, but also for the overall good of the country."

He explained that unity cannot be achieved away from the fatherland (Argentina), but must be achieved within our fatherland, and he said that for the time being he could give no details regarding the contacts that have been made to achieve this unity.

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COUNTRY SECTION

ARGENTINA

SENIOR OFFICERS CRITICIZE MILITARY TACTICS

PM161217 London FINANCIAL TIMES in English 16 Jun 82 p 4

[Dispatch by Jimmy Burns: "Military Tactics Criticised in Ba"]

[Text] Buenos Aires--An agonised military inquest has opened unofficially in Buenos Aires on the strategy, tactics and equipment used in the Argentine campaign.

Senior officers are saying that the policy of building a "magnet line" around Port Stanley, allowing the British forces to advance boldly out of the San Carlos bridgehead, was a grave error.

His decision [as published] not to throw much greater forces at the British when they first landed, not to fight harder for Goose Green and Darwin, and to sit in what was considered at the time to be a redoubt in Port Stanley is seen to have been grossly misconceived.

The navy has little good to say for its two modern submarines and their missiles which had been built in West German yards. In the first two weeks of the conflict a total of four torpedoes are said to have hit the aircraft carrier Hermes without exploding and a boat stalking the Queen Elizabeth II had to return to base with defective weapons.

Senior naval officers, rebutting criticism that the naval units played little part in the fighting, say that submarines often got in among the British task force only to be let down by West German technology.

Army officers, meanwhile, have paid tribute to British army technology, particularly with regard to equipment for night fighting and communications.

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COUNTRY SECTION

CUBA

ISLE OF YOUTH SCHOOL TRAINS YOUNG FOREIGNERS FOR REVOLUTION

PA062225 Paris AFP in Spanish 1157 GMT 5 Jun 82

[Report by Pierre Cayrol: "A School for Revolutionaries"--with AFP caveat "Panorama: Complete or Partial Reproduction Prohibited Without Prior AFP Consent"]

[Excerpts] Havana, 5 Jun (AFP)--We have young people here from nine countries. They come from different worlds, but these boys, whose ages range from 12 to 20 and who wear Cuban school uniforms, speak the same language--they proclaim themselves to be, above all else, revolutionaries, anti-imperialists, antiracists and anticolonialists.

Adult politics have placed them together on the Isle of Youth, south of Cuba. This island is none other than that made famous by Robert Louis Stevenson in Treasure Island. Its name before the Castroite revolution was the Isle of Pines. There are 10,000 such students here. They come from Mozambique, Guinea Bissau, Ethiopia, Namibia, Sahara, Sao Tome and Principe, the Congo, Angola and Nicaragua, and they are the future executives and leaders of their countries.

The 18 school buildings that house them share the same architectural structure. These buildings are located in an open field. The students dedicate part of their time to study and part to peasant work, within a workstudy program.

The students are distributed in accordance with the countries from which they come. They all have Cuban teachers, along with teachers from their own countries. In the school for Nicaraguan students, for example, there are 34 Cuban and 6 Nicaraguan professors.

The program in these schools is similar to that in Cuban schools. But here the youngsters study geography, history and political education adapted to their respective countries.

The general rule is that all of the students belong to a revolutionary political organization. Tommy, from Namibia, is a member of "the youth of the South West African People's Organization." Javier, from Nicaragua, has a Sandinist youth identification card.

All of these students, without exception, are on a scholarship from the Cuban state, which handles all expenses.

Schedules are very strict, almost like those of the military. The Caribbean day begins early for these boys. At 0600 the students hoist their national flags and that of Cuba in the schoolyard, while they sing their national anthem and the national anthem of Cuba, standing at attention. Thus the day begins under the sign of proletarian internationalism and of friendship with Cuba.

After the salute to the flag, the students form two groups; one goes to the countryside to work and the other goes to school. There are apparently no discipline-related problems in these schools. "The students are here voluntarily and therefore they behave very well," a Namibian professor says with conviction. "They want to learn, to be able to contribute later to the development of their countries," he noted.

There is a problem, though: "They all want to be doctors and engineers. But on the day we gain our freedom, we will need all sort of professionals--not just doctors and engineers," the professor cautioned. The school's personnel can remember the difficult days in Cuba after the revolution, when it was left with practically no technicians. We have to avoid a skills shortage, the professors insist.

What causes the biggest impression on foreign visitors is the students' apparent political determination. They have completely and perfectly assimilated the ideological education courses they take. They have no doubts: there is one line, and one only, in the struggle against the imperialist enemy, that of proletarian internationalism.

Slogans like this one, which Nicaraguan students chant in their schoolyard, testify to this: "A peso for a bullet and a bullet for the tyrant. There can be no argument over sovereignty, for sovereignty is defended with arms. (Sandinist) National Directorate: at your orders."

Whatever their nationality, all of these boys affirm that they are well-fed and well-treated and they never miss an opportunity to express their gratitude to the Cuban state for having freely welcomed them. They seem to be in good shape and are happy with their comfortable quarters and their pleasant classrooms. They chant: "Viva the friendship between Cuba and Mozambique," "Viva the friendship between Cuba and Angola." This applies to all nine of the countries that these 10,000 young people represent.

All of a sudden, the groups break up. The time for politics is over and the kinds go happily to a football field to kick balls, to play games proper for their age...we had almost forgotten that.

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COUNTRY SECTION

MEXICO

DESCRIPTION OF FINANCIAL INSTITUTIONS, BUSINESS GROUPS

IMCE: Improving the Trade Deficit

Paris PARIS MATCH in French 19 Mar 82 p 45

[Text] Ever since 1963, the annual reports of the Bank of Mexico on the country's economy have stressed the need for closer coordination with commercial export targets to be more effective. For too long Mexican producers have had trouble creating products that are competitive on foreign markets. Their ignorance of the technical specifications and quality standards required on foreign markets and their lack of experience in international marketing were a strong handicap. At the same time, it was evident that imports were disproportionately high in comparison to exports, and for good reason. The trade deficit, therefore, had to be offset by a more aggressive export policy. This is what led to consideration of a draft bill to establish a national export promotion institute responsible for coordinating actions to deal with the following problems: the promotion of foreign trade; the lack of unity among decisions made at state level; a lack of information on tariffs and preferential treatment applied by other countries; and, finally, the lack of experience of export firms.

On 30 December 1970 the law establishing the Mexican Foreign Trade Institute (IMCE) was promulgated. It provided for a decentralized entity to be granted all the means needed to promote foreign trade, coordinate decisions favoring exports, and to advise businesses open to foreign markets. "The IMCE is an institution in which the public and private sectors are equally represented," explained Paul Salinas Solano, the Institute's director general. "We promote the export activities of the public and private sectors. We serve as advisers to the federal government in the area of foreign trade." The IMCE has been operating since 1971.

One of the reasons why Mexico's economy has not developed in a balanced way in recent years is the success of oil on foreign markets. According to Mr Salinas Solano, however, "oil has its own dynamics and has a tremendous influence on our trade balance--a positive influence so far, to be sure. But now we have to think about promoting exports of our manufactures, whether related to industry, agriculture, livestock or services." Export figures have gone from \$3.6 billion in 1976 to \$20 billion in 1981. This increase reflects the oil boom. Oil exports today account for 60 percent of our total

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exports. This is why we are concerned about increasing non-oil exports in the primary sector--coffee, vegetables, fruits, and cattle. Or even manufactures such as textiles, shoes, building materials, petrochemicals, automobiles, and machinery and metals. The IMCE director general pointed out that "serious efforts are being made to diversify foreign markets, since our proximity to the United States places us in a dependent relationship. Thus our efforts are focused primarily on Canada, Europe, Japan and the Orient in general, and of course on Latin American countries."

Trade between France and Mexico has grown remarkably in the past 4 years, mainly as a result of oil. The economic relationship between the two countries has a political and sentimental side. Mexico and France in fact share a number of common historical and political factors. An example of this complicity is construction of the Mexican subway using French technology and also the creation of the large firm, "El Infiernillo," with French credits. "We believe that there is every reason to develop an economic relationship with France in a spirit of mutual good will," concluded Mr Salinas. "France is a test market for our products. If we export pineapple, it has to be excellent pineapple. But if we are able to sell it in France, then we know that we could sell it on any market."

The Promoters of Mexican Industry

Paris PARIS MATCH in French 19 Mar 82 pp 52-53

[Text] When talking about credit movements in Mexico today, it is impossible to leave out the activities of NAFINSA [National Financial Bank] and SOMEX [Mexican Industrial Credit Company], which are subsidized by the federal government to the tune of over 50 percent. NAFINSA, whose capital is more than \$190 million, handles assets valued at approximately \$10 million through its stock exchange transactions, its private banking activities, and its investments in strategic industries which, through their many branches, enable NAFINSA to cover the entire country. For the past 6 years, SOMEX, for its part, has undergone a sustained, planned growth that has put it among the five leading financial institutions in the country. Two-thirds of SOMEX' stock is held by the government and its growth has been spectacular in the last 4 years, going from \$1.5 billion to \$5.5 billion by the end of 1981. These are exemplary results.

SOMEX: An Example of a Semi-Public Company

The SOMEX organization stands out in the Mexican economy as a model of a joint publicly- and privately-owned company. The SOMEX banking group is made up of the SOMEX Mexican Bank, PROMEX Bank, and the Jalisco Reconstruction Bank [Banque de Refection]. SOMEX has a financial branch and an industrial branch. FISOMEX, the SOMEX industrial development branch, groups together all the firms in the industrial sector in which SOMEX has holdings.

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According to Mario Ramon Beteta, chairman and general manager of SOMEX, "we are a company that is publicly- and privately-owned but with greater participation by the public sector, and I believe that we have the most positive features of the two models."

SOMEX' industrial activities mainly involve manufacturing boilers, refrigerators and speed reducers. The group is also the largest producer of water pumps for deep wells and alkali and chlorine. This organization is also Mexico's leading producer of buses and the only producer of trolleys.

As for its contribution to Mexico's self-sufficiency in foodstuffs, the SOMEX organization is planning to combine the production, storage, industrialization and marketing of farm products and livestock and to engage in a series of agro-industrial and farming activities. With these projects, SOMEX is supporting the SAM [minimum wage], creating jobs, promoting farming, forming agro-food enterprises, channeling private sector funds to the primary sector, and reducing the pressure on the national transportation system.

The SOMEX organization has a financial service that goes beyond that of a pure bank. Aside from the banking sector, it is involved in stock exchange activities with its own stock exchange. It also owns a warehouse company and a real estate firm. It is a large shareholder in the country's two leading insurance companies. "We have three banking services," explained Mr Beteta, [namely] "the bank that provides services for individuals, the corporate bank that engages in large operations, and the 'social bank,' which engages in operations of social interest, such as the minimum wage or the low-income housing program." But Mr Beteta stressed the important role of income from the tourist sector. "Among the major priorities of national economic policy, tourism is highlighted since it is a source of foreign currency." "The SOMEX Mexican bank is directly involved in tourism. It is a member of the National Hotel-Keepers [Association]. We also play an important role as promoters. We encourage potential investors in the tourist sector. We organize and finance hotel construction."

The Mexican banking system is a highly developed system that receives a substantial proportion of public savings and has evolved from a specialized bank into a "diversified" bank. According to Mario Ramon Beteta, "our banking system not only has a guarantee of survival built into its structure, but also a guarantee of continued growth. Half of the income our group receives is managed by the private banking sector, but the other half is administered by the public sector. In other words, we have the structure of a private bank, a public bank, and a semi-public bank, which provides us with everything we need to grow and become stronger." In Mexico there are no foreign banks, or no foreign banks that operate as such by collecting funds in the country. Bank operations are federal in nature. None of the States in the Mexican Republic has the power to legislate in banking matters. It is a question of national--and thus federal--interest. Given its importance, the Investment Law for Foreigners prohibits them from investing in banking activities. "The only foreign bank that operates in this area is the National City Bank of New York," stressed Mr Beteta. "It was

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the only bank that remained in Mexico during and after the Revolution. The rest of the foreign banks left. A foreign bank can, however, render a service and contribute to the economic development of the country. About 150 banks from throughout the world have offices in Mexico. However, they do not engage in active operations, i.e., loans, and they cannot collect income from Mexicans and invest it elsewhere." Mr Beteta added that this principle is consistent with their idea of foreign investment. Foreign investment can play an important role in Mexico, not only in the banking sector but in others as well. It helps reduce our trade deficit.

The National Financial Bank: For Industrial Development

For 50 years the National Financial Bank (NAFINSA) has ensured Mexico's industrial development by helping to strengthen the country's infrastructure and contributing to the growth of private and public industrial enterprise. In 1925 and in 1958, Mexico not only underwent a major transformation but also slowly formed the basic institutions for its development. It was during this period that the Bank of Mexico, the Secretariat of Transportation and Public Works and the Federal Electricity Commission were established. These transformations concluded with the nationalization of the oil industry and the creation of PEMEX (Mexican Petroleum). NAFINSA was founded in 1934, on the heels of the revolution, when the country was in the midst of reconstruction. In the beginning it was involved only in economic development activities, but, little by little, it broadened its field of action by increasing its interests in industrial development and by serving at the same time as the federal government's financial agent and an institution to promote industrial development by financing large-scale economic infrastructure projects. Jorge Espinosa de Los Reyes, general manager of NAFINSA, believes that "NAFINSA has been one of the most important institutions for the country's development throughout its 50 years of existence."

NAFINSA obtains its capital on the domestic as well as the foreign market. On the outside market, it appeals to the World Bank or the Inter-American Development Bank. According to Mr Espinosa de Los Reyes, "this capital is channeled mainly into farming, infrastructure projects and industrial training projects, but a large share of the capital goes to the primary sector and is used to develop transportation."

You could then say that nearly all the financial revenue NAFINSA obtains on either the domestic or the foreign financial market is channeled into major economic activities, and more specifically into industrial development, a priority established under President Jose Lopez Portillo's administration as part of the overall development plan and the National Industrial Development Plan. Mr Espinosa de Los Reyes explained that "we want to concentrate our efforts primarily on the strategic industrial development sectors in order to create jobs, better coordinate industrial structures and establish new development centers. We want to curb imports and develop exports."

The National Financial Bank has recently focused its attention on unused capital, and it has channeled funds toward creating new companies in the

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engineering and equipment sectors. A lot of money is needed to satisfy the growing demand for capital essential for the development of other sectors, such as oil, electricity, mining, the cement industry, etc.

"The most important sector NAFINSA is investing in today is the steel industry," the general manager added. "NAFINSA helped establish the largest steel complex in the country, the Blast Furnaces of Mexico, and has continued to assist in its expansion and growth."

The National Financial Bank's industrial group has about 90 affiliated firms operating in the chemical, petrochemical, textile, forestry, mining and construction industries. "We have substantial holdings in two large national copper-mining companies, the Mexican Company and the Canalea Mining Company," Mr Espinosa de Los Reyes added. NAFINSA manages about 350 branches of different types. The ones that take on special importance are the ones involved in development activities. Mr Espinosa explained that "development funds are used in different sectors, such as tourism, industrial decentralization, equity capital investment, and pre-investment studies." These funds are resources that the federal government has granted to the National Financial Bank to channel toward priority activities, so the development branches are a basic instrument for NAFINSA.

The National Financial Bank, as a national credit institution, has a close relationship with private Mexican and foreign banks, either directly through NAFINSA itself or through its commercial bank, the International Bank, in which NAFINSA is a majority shareholder. "The International Bank," explained Mr Espinosa, "operates as a 'diversified' bank and makes an important contribution to NAFINSA's development activities by collecting private savings to be used for economic development." NAFINSA has also completed an internationalization project and has opened offices in Washington, London and Tokyo.

Private Banks: a Necessity

Paris PARIS MATCH in French 19 Mar 82 pp 56-57, 60-61, 64

[Text] Private banks are present in so many sectors that it is difficult to tell the type of industrial project that each prefers. BANCOMER is a powerful institution that figures on the list of the major banks of the world. As with all large banks linked to industrial groups, BANCOMER has large-scale projects and relies on the aid of an extremely important team of specialists and financiers. When it became operational, BANAMEX promoted agricultural development, and it was the first bank that succeeded in having branches throughout the country. At the present time, BANAMEX also finances industry and, more specifically, the construction industry. The evolution of Mexican banks toward the "multiple" bank system has brought about a change of attitude. As a result, for instance, Serfin Bank had to reorganize to meet current needs for services. Modernization was carried out with new, flexible methods which have enabled it to cope with the new world economic situation. The Atlantico Bank, established at the initiative

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of the National Bank of Paris, has developed a considerable industrial promotion business and has participated in the establishment of semi-public enterprises combining foreign and Mexican capital.

BANCOMER: An Institution

BANCOMER, the leading private Mexican bank, was established 50 years ago in October of 1932, under the name of Bank of Commerce, Inc. The firm was founded by Salvador Duarte, who began the venture with only 10,000 Mexican pesos in capital and 17 employees. The institution expanded in 1955 when Manuel Espinosa Yglesias came in as general manager of the group. He established a financial company, an insurance company, a mortgage firm and a real estate company. Manuel Espinosa Yglesias, chairman of the board and general manager of BANCOMER, informed us that the group actually owns "37 different institutions besides the affiliated banks. The Bank of Commerce had its main office in Mexico City and there was an affiliated bank with regional boards in each state."

BANCOMER has not only strengthened its position but also maintained its place as the leader of the Mexican financial system, as evidenced by the 665 offices it has throughout the country. "Our institution has succeeded in combining support for productive activities with the assurance of remuneration for its stockholders and an improvement in the well-being of its personnel," Mr Espinosa Yglesias stated.

BANCOMER has its own management style. At the head of the institution is a management committee, established in 1974 and consisting of a group of the highest-level professionals who are responsible for furthering the development of BANCOMER. The ability and experience of the members of the management committee is such that they are able to analyze the most important matters of business with a high degree of objectiveness, consider carefully short- and long-term implications, and thus make intelligent and timely decisions. The banking group is divided into several sections: the Metropolitan Bank, the Bank of the Interior and the International Bank; and, for specialized operations, the Real Estate Bank, the Development Bank, Credit and Operations and, to assist, the Personnel Group.

The administration of the group is also made up of a number of divisions: the Bureau of Auditors, the Cash Division, Financial Analysis, Organization, Accounting, Corporate Legal Relations, Marketing, Administrative Services, Information Services, Economic Advisory Services, and, finally, the Technical Real Property Division. The recently established Public Services Division is responsible for ensuring that all BANCOMER branches maintain quality and efficiency in their services to customers.

One of the main concerns of Mexico today is the development and transformation of farming. There are official and private programs designed to increase the land's productivity by encouraging small farmers to develop. BANCOMER has been no stranger to these activities. The institution has participated in agricultural development programs, as the president of BANCOMER explained to us, by "lending as much money as possible to the

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"agricultural sector. We are trying to give the small farmer technical security. To respond to all the requests, we have experts in all the regional sectors and in all our branch offices." BANCOMER's interest in the farm sector was demonstrated by "the financing granted to this sector in 1980, that totalled more than \$460 million. Once again, we led private banks to aid to farming of crops, livestock, poultry and fishing," Mr Espinosa noted.

"As is customary," he added, "credits were basically directed toward the productive aspect of the farm sector, and the same was true of the fishing industry. The agro-industrial sector was also covered satisfactorily, and we continue to increase our aid to the low-income sector."

For the direct support of basic productive activities, the Group uses resources from various guarantee and development funds. The overall amount channeled by the end of 1980 was \$13 billion, a 33 percent increase over the figure for the preceding year. "The support we give to productive activities through credits has reached an unprecedented level in recent years," the BANCOMER president said. Moreover, our total revenue amounted to \$13 billion as of 31 December 1981, stemming from public savings, local and foreign bank loans, and bank profits.

BANCOMER continued to turn toward the international sector in 1980 and 1981. One of the most important events in 1980 was the opening of the branch on Grand Cayman Island, which is on the third financial market in the world.

Thus, this branch is added to the operational offices that BANCOMER has opened in Los Angeles, New York and London, and to the agencies it has in Tokyo, Madrid and Sao Paulo. "Our main transactions are with the United States," explained Mr Yglesias, "and then in Europe, with England, Spain, France, Germany and Switzerland. We also do business with Japan."

BANCOMER has also made promotion trips to all the continents and it has participated in international meetings with the International Monetary Fund (IMF), the World Bank, and the Inter-American Development Bank, among the major world financial organizations. Last year BANCOMER issued \$60 million worth of certificates of deposit on the London market. This was the largest issue made by a Mexican bank abroad. Also in 1981, BANCOMER affiliated with Visa for traveller's checks.

BANAMEX: The Leader

The National Bank of Mexico, BANAMEX, that will soon be celebrating its 100th anniversary and is regarded as one of the promoters of Mexican development, is one of the leading commercial banks in the country today. Revenue in excess of \$12 billion, a total of 15,000 shareholders and over 22,000 employees support this position as a leader in Mexican banking circles. "The National Bank of Mexico was established in 1884 and, up to 1925, there was a series of institutions authorized to print money, including our bank. However, when the Central Bank began operations, the others stopped issuing notes," explained Augustin F. Legorreta, general

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manager of the institution since 1971. "As regards the name," Mr Legorreta added, "I think that far from representing an obstacle, the National Bank of Mexico today is totally detached from the image of issuing money, and the name is representative of our operations as a leading commercial bank, while at the same time it is identified with part of our history." Mr Legorreta modestly acknowledged that when he talks about 15,000 shareholders and he compares this with the situation in other countries--mainly in Europe, the United States and Japan--does not seem to be very many. However, to have that many shareholders is not commonplace in Mexico.

From the beginning, the National Bank of Mexico has always tried to have as broad a base of shareholders as possible. "Today, for instance, our stock is still quoted on the Paris Stock Exchange. From a strictly economic standpoint, Mr Legorreta stressed, "it is important to keep these European shareholders who deal through the Paris Exchange, while at the same time try to increase the number of Mexican stockholders."

Turning to the internal organization, Mr Legorreta said that the Board of Directors of the National Bank of Mexico has a broader base than what is usually found in other countries. "Our Board of Directors, which primarily represents the shareholders, is composed of 45 members from different regions of the country. It also endeavors to represent the most dynamic activities in different economic sectors. In this way we are trying to establish a closer rapport with the country's economy, through the Board members and at the same time to give our shareholders the impression that they are represented by people whom they know on a local level."

When Augustin Legorreta refers to what has been called the "boom" in Mexican banking, he is talking about the "development of financial activities in the country which is nothing more than a reflection of Mexico's development over the past few years." However, he does point out that the increase in savings in Mexican banks is higher than the rate of inflation, and that savings have increased at a greater rate than the gross domestic product. For Mr Legorreta, "this indicates that domestic saving has increased in real terms and that is very significant, since financial resources are always scarce in a country in full expansion like Mexico, and we believe that the increase in real terms in domestic savings is a factor stimulating development."

Both the increase in domestic savings and the fact that this increase is proportionately greater than the increase in the gross domestic product mean that a larger share of income is being saved, and is thus available for investment.

"This phenomenon," explained Mr Legorreta, "can be attributed to a series of measures adopted by the fiscal and monetary administration and also to the decision by the competent authorities to apply interest rates resulting from and in proportion to the rate of inflation, so that the Mexican saver is actually receiving positive interest." Mr Legorreta added that he felt that it was for this last reason that savings increased. He went on to say that "in the specific case of BANAMEX, we were able to maintain our

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"proposal [rates] through intervention, and we even increased them by several fractions of a point. In other words, we profited from the development of the local banking market, and we also made our presence felt by stimulating development in the country." This increase in savings is the result of the development of a middle class in Mexico. "Our bank relies on the middle class. We also have corporate depositors, companies, etc. But they comprise only a bare 20 percent. Eighty percent of our total savings comes from the middle class," noted Mr Legorreta.

Today BANAMEX has the most extensive network of correspondents in Latin America. Mr Legorreta spoke further on this subject. "Given the origins of BANAMEX, we have always had a certain predilection to do business with other countries, perhaps more so than other Mexican banks. From the very beginning, for instance, we maintained correspondent relations with virtually the entire world." Since Mexico as a country has enhanced its importance in the world economy, it is natural that its banking system should also look toward increasing its role in the international financial system. "This is what we have tried to do for the past 10 years, by opening offices and investing in various banks abroad. We have tried to create a Mexican presence in international transactions," Mr Legorreta added.

INTERMEX bank, with its main office in London, was established by the National Bank of Mexico. This is the first international bank in which Mexico is a majority shareholder. Since 1980, it has spread to California. "It was logical that we should choose London, headquarters of the major world market, to launch our international operations," continued the manager. "That led us to set up INTERMEX, which is not very large but has gained a certain reputation on the London market because of the number of transactions it concludes." In 1980, BANAMEX handled about \$3.5 billion worth of loans, and it financed Mexican exports valued at nearly \$23 billion. BANAMEX' activities to support Mexican exports are concentrated in two sectors: traditional exports, including vegetables, minerals, and farm products in general; and, the manufacturing sector. According to Mr Legorreta, "it is in part thanks to us that Mexico is able to export manufactures."

One problem common to developing countries is to increase their capital markets. It is impossible to imagine that a country could achieve solid development with its own resources alone. "BANAMEX has had a social interest in developing these markets for a long time," Augustin Legorreta explained. Therefore, with the new legislation governing the securities market, BANAMEX forged ahead by making an effort to use the instruments specified in the new law and thus to find a place on the capital market. The BANAMEX stock exchange was established."

The BANAMEX-America Insurance [Company] is another investment made by the National Bank of Mexico. BANAMEX views investment in insurance as an important adjunct to the group's investment capacity in other sectors, because of the reserves that insurance companies are required to have. "We view it not only as a service for customers, but also as a source of

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"income that makes it possible to develop new investments in other productive sectors in the country."

Two years ago, BANAMEX announced its decision to move its main office to Queretaro. Mr Legorreta played a leading role in the creation and development of this project. BANAMEX' decision was based on two essential factors: the possibility of offering part of the personnel working in the bank better living conditions; and, a desire to help alleviate congestion in the Mexico Valley. On this subject, Mr Legorreta remarked that this project made it possible "to get away from the bustle of life in the capital and to become more efficient and productive in our work, while enjoying a higher quality of life for ourselves and our families."

Before deciding on the move, BANAMEX conducted studies on 59 different cities throughout the country. It was finally decided that the most suitable spot was Queretaro, where the bank purchased a piece of government property known as "Jurica." Queretaro is the capital of the state bearing the same name. It is located 200 km. from Mexico City and has a population of 300,000 inhabitants. BANAMEX drew up its "Master Plan for the Move" so that this change would not be detrimental to ongoing operations and so that the new location would meet their needs. The employees did not want to live in a dormitory town. "The operation to move the grand lady nearly 100 years old, i.e., our institution, is essential for its survival and prosperity. This operation will not only be pursued, but, according to our calculations based on detailed studies, moving out of our government capital will give us ways to improve our services," Mr Legorreta added. The central office, which has been declared a "national monument, is now the office for our transactions in the Federal District. Today, Mexico City accounts for 40 percent of our banking business, and there is no reason to believe that this will change in the near future or even over the medium term," Mr Legorreta concluded.

Serfin Bank: 100 Percent Mexican

Serfin Bank, one of the first "diversified" banks in Mexico, is characterized primarily by the fact that it is totally Mexican and entirely private, with no government participation. The origins of this bank go back to a meeting of eight banks, with one of the main ones being the Bank of London and Mexico, the oldest in the country. The "Financiero Aceptaciones" came later, with its main office in Monterrey. These two banking institutions subsequently absorbed other banks, to create a group of eight. After the reform of the Mexican Banking law, the Serfin group decided to merge these eight institutions into a single bank, to be called the Serfin Bank. "The firm that merged them was the Financiero Aceptaciones, and although we changed the name, the Serfin Bank actually stems from the oldest bank in Mexico, where, in fact, our main office is located," Jorge Morales Trevino, general manager of Serfin Bank, explained.

Mr Morales Trevino is responsible for five operational offices and manages two affiliated firms under his office. These offices, four of which handle Mexican operations and one international activities, are scattered throughout

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the country, and this decentralization makes it possible to offer better services today while at the same time preparing for the future.

When Serfin Bank drew up its balance sheet on 31 December 1981, it knew that it had met its targets for aid to the various production sectors essential to the country's growth. The primary and industrial sectors were particularly favored in Serfin Bank's operations. Transactions carried out through the National Export Promotion Fund (FOMESE) and the National Industrial Equipment Fund (FONEI) attained their goals to develop Mexican production with a view to reducing imports. But for Mr Morales Trevino, "the operations carried out through the Farming Promotion Fund (FIRA) for rural financing through low-interest loans were equally important. And I would also mention the Fund for Financing Small and Medium-Sized Firms and the Tourism Development Fund (FONATUR), whose activities were essential. Serfin Bank," Mr Morales continued, "used these means to provide maximum assistance to the sectors involved, and this helped encourage and motivate all the parties concerned."

As for the way in which the bank determines the amount of money available for credit to the public, Serfin Bank's general manager explained: "the amount of money available for loans to our customers is based on the revenue collected by our bank, after deducting the reserve requirement. We can also have discount funds--of FOMESE, FONEI, FERA and FONATUR. And, we can use international credits."

The structure of Mexican banking today is regarded as one of the most effective banking concepts, compared to many other countries. In recent years, this structure has evolved from a system of "specialized" banks to a system of "diversified" banks, under which a single bank can offer any service desired.

"Serfin Bank," Mr Trevino indicated, "can, like all the other 'diversified' banks in the country, offer the services of a commercial bank, a mortgage bank, a financial bank, an investment bank, a savings bank, or a fiduciary bank." In this way, customers find everything they need in a single bank.

Among all the advantages of a "diversified" bank, Mr Morales Trevino highlights administrative centralization.

"In the past, in order to offer varied services to our customers, we needed that many different directives and a separate bank for each service, whether mortgage, investment or savings. Today everything is grouped in a single administrative structure."

"Serfin Bank has 348 offices scattered throughout the country and three abroad."

Nothing could have been possible, however, if the personnel did not cooperate. The key to success in services lies in the quality of the persons rendering them. This is why on-the-job training programs have been set up. This makes it possible to have qualified and enthusiastic employees.

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Personnel training is a constant concern of the general manager of Serfin Bank. "We have our own training centers, in Mexico City, Monterrey, Guadalajara, Veracruz, and in other places as well." We also have a team specialized in instruction, and for specific courses we use a system of study fellowships to give our staff the possibility of receiving bachelor degrees and even graduate degrees in various areas. A large number of employees take their examinations every year."

With the expansion of Serfin Bank, 1,500 new employees were hired last year, which brings the total to more than 5,000 Mexicans working directly for our bank."

Towards the end of 1977, the Mexican banking authorities amended the banking legislation in force to permit banking to internationalize, so that Mexican banks could do business on international markets and thus develop in the same way as the major banks in other countries in the world. "A few years ago, we began exploring the international money and capital markets and the possibilities of operating on those markets while following our own banking practices," Mr Morales Trevino told us enthusiastically. The first Serfin Bank office set up abroad was in Los Angeles, California. The satisfactory results encouraged them to continue, and in March 1980, a second foreign office was inaugurated in New York. A third one was opened in London, and, just a short time ago, a fourth was inaugurated in the Bahamas. Serfin Bank now has offices in the two most important financial centers in the world. "The primary purpose of these offices," added Mr Morales, "is not to obtain resources on the international markets. We are there to invest and to operate on the exchange, loan, and international trade markets, among others." The staff of the international department show an acknowledged professionalism in their work. In 1980, the Serfin Bank participated in syndicating some huge loans and served as an investment agency for some. They also handled \$45 million through investments of certificates of deposit and simple bonds at variable rates. In the case of certificates of deposit, Serfin was the first Latin American bank to carry out a transaction of this sort in London. These issues proved very successful and were quickly sold in Europe, the Middle East and the Far East.

The Aztec Bank and Serfin Deposits

In 1980, the Aztec bank resumed its operations. It is a subsidiary that covers the specific needs of a large part of the population of the Federal District and that now has a personal service specialized in financial matters. In a few months' time, the Aztec Bank collected large sums that produced a net income of \$142 million. This success shows that the idea behind this bank meets the needs of the population it serves.

As for "Serfin Deposits," this is an auxiliary credit institution that offers deposit and accounting services for credit notes. During the 1980-81 fiscal year, the demand for deposits was enormous and the infrastructure of this institution continued growing so that it would be able to meet the market demand. Serfin Deposits thus consolidated its position as the most

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important private deposit bank in the cities it serves with its branch offices and good market penetration.

Mexican banking legislation allows credit banks to participate actively on the capital markets, by supporting corporations directly, but as minority shareholders. This practice has enabled companies to obtain aid to finance their development, something that would otherwise have been difficult.

In view of this, Serfin Bank decided to set up a specialized unit to devise the policies and mechanisms that would make it possible to deal with this important sector of national finance in a professional way. The securities investment office in the Serfin group participates in the securities market by managing the stock portfolios of the Serfin Bank and the Monterrey-Serfin Insurance Company, the Serfin Stock Exchange and the Arka Funds, a new investment company in which Serfin Bank is a minority shareholder. It also owns a company called Fomento Proa, involved in promoting small and medium-sized industrial firms.

In this case line of work, what they do is to support important economic activities developed by firms that are unable to obtain funds on the securities market for various reasons. Through decentralized portfolio management, they try to arrange it so that income channeled into corporate capital will contribute to the company's development and at the same time be a good investment. Important branches of Mexico's industry have already received the Group's backing in this way, through these investment mechanisms.

In 1980, the securities portfolio of the Serfin Group amounted to \$101 million. The Serfin Group has maintained and continues to maintain that this backing is supplementary in nature, useful to strengthen the companies' financial structure, but that they in no way intend to replace the spirit of the founders or to take over management of these companies.

An important service of the securities exchange investment office deals with the promotion and investment of securities. These activities make it possible to offer specialized assistance, essential for the later placement of securities on the market. In view of all these activities, the Serfin Group is optimistic. It is expecting to see magnificent results in the near future.

Atlantico Bank: Serving the Nation

Founded on the basis of a decision by the National Bank of Paris (BNP), the Atlantico Bank, the fifth largest private bank in Mexico, was established in 1951. The objective was to become part of the Mexican banking system so as to support French exports and to set up joint Franco-Mexican enterprises. For Carlos Abedrop, president of Atlantico Bank, "This bank was basically designed as a metropolitan bank directed toward the international sector." Despite its original leaning, in 1964-65 its directors observed that a bank specializing in international trade had a limited field of action in the Mexican banking system, and so they decided to provide

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national coverage, "without, however, losing our initial orientation as an international bank," Mr Abedrop added. "We have maintained our international activities at a highly satisfactory level and we have also developed our activities on the Mexican financial market. At the present time, we have 150 branches scattered throughout the country and total deposits of more than \$200 million. The current capital of the Atlantico Bank is \$26 million, distributed as follows: 75 percent in the hands of Mexican shareholders; 20 percent subscribed by the National Bank of Paris; and 5 percent belonging to a Swedish bank, Scandinoiska Enskilda Bank," Mr Abedrop explained to us.

The Atlantico Bank's deposits are regarded as highly satisfactory for the Mexican market--approximately 40 percent of the country's demand deposits, checking accounts and savings accounts. "We have more or less 6.5 percent of the time deposits," Mr Abedrop said. Moreover, the bank is developing a considerable industrial promotion business. Not only does it have a well-qualified service to aid industry, but it also participates in the creation of joint enterprises combining foreign and Mexican capital. The institution deals primarily with medium-sized companies, either industrial or service-oriented. Mr Abedrop confirmed that the Atlantico Bank's participation in large firms "is generally in the form of credits, together with other banks." But then when it comes to granting credits, the bank prefers "smaller companies for which we could become their main banker." "The sectors where we have the greatest market penetration," the president continued, "are spare parts for automobiles and those related to the construction, pharmaceutical, hotel and tourist industries."

The list of projects in which the Atlantico Bank has played a part is obvious proof of its contribution to developing the Mexican economy. Construction of the "El Infiernillo" hydroelectric power plant was financed by the French bank, with French technology and experts. The bank has also participated in starting basic insecticide and fertilizer plants and in building the national railway, using French technology.

According to Mr Abedrop, "the fabulous achievement of the Mexico City subway is a shining example of the quality of French technology and the cooperation between the two countries." The bank is currently associated with the International Wagons-Lits Company in a project to build a hotel chain in Mexico. The project provides in an initial stage for construction of 10 hotels in different parts of the country with a capacity of 3,000 to 3,500 rooms. "This project is benefiting from Wagons-Lits' experience in building popular rather than luxury hotels. It is a very new technology and a number of hotels have been built in France in this way. They have small rooms which are nicely decorated and well sound-proofed, to such an extent that when you enter a room, you have the impression that you are in the cabin of a ship. We believe that this technology has a great future in Mexico, since there is nothing of this sort here now," the president of Atlantico Bank said optimistically.

But one of the main undertakings of the bank during Lopez Portillo's term was to contribute to the "Social Welfare Housing Program." "We made this

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"decision," Mr Abedrop indicated, "following the offer we made to the current president to help in solving the housing problem. As a result, we allocate 4 percent of our deposits to building housing for low-income families. Our participation has made it possible to build 40,000 units a year." The director added that the bank has contributed \$400 million to renovate irrigation areas. "As regards the SAM [minimum wage], we have made large sums available in the form of financing related to the users' orientation in relation to credit [?] and we are offering interest rates that are half of those charged by commercial banks. You could say that we have offered the President between \$600 and \$800 million.

Hermes: An Exceptional Case

Paris PARIS MATCH in French 19 Mar 82 pp 69, 72

[Text] One of the largest and strongest industrial groups in Mexico is the one established by Hermes Industrial Company. Founded in June 1978 to promote industrial firms and service industries, it has experienced the greatest development and expansion of any industrial group. In 1980, the Hermes Industrial Company succeeded in increasing sales by 122 percent and consolidated profits by 85 percent over the previous year. The main protagonist of this industrial "miracle" is the president and general manager, Engineer Carlos Hank Rhon. "The Hermes Industrial Company is made up of several firms operating in five sectors. CH Industries, Inc., manufactures heavy industrial cranes weighing more than 50 tons, special types of steel, and tools," Mr Hank Rhon explained to us. CH is the leading company on the domestic market. In 1980, a 35-ton electric furnace was installed and it substantially increased output. From 90,000 tons a year, they are now producing 210,000 tons annually.

The Hermes Group, before forming a group, began alone in the industrial sector. "We began about 10 years ago with a truck company. This was our debut in the industrial field. There have been only two similar moments in our history: 1976 and now," Mr Hank Rhon explained. The Mexican steel industry was experiencing difficult times. There were companies that sold at very good prices. We bought Campos Hermanos, a firm that was in the hands of creditors. Our first step was to solve its financial and organizational problems. Together we bought another financial business management company, Cerrey. This enabled us to start the Group. We combined Campos Hermanos and Cerrey with Camsa and, in 1978, 2 years later, the Group was created," the general manager informed us. Only 3 years old, the Hermes Group has become an exceptional case in Mexican industry. First because of the sensational 122-percent increase between 1979 and 1980, and second because it is the only private industrial group that has been classified as a "development company" for the past 5 years, as it has met the Mexican Finance Ministry's requirements. Naturally the Hermes Industrial Company has many projects, including short-, medium- and long-term ones. Among the short-term projects is its entry onto the Stock Exchange. "Several people have asked whether we are doing this to obtain new capital or to redistribute the company's stock and assets. In fact,

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"We are looking for capital. We have developed because we have allocated more capital to our enterprise. We do not believe in having total control. Becoming a member of the Stock Exchange is also an invitation to foreign partners who can bring in another type of technology. This will contribute to the company's growth."

At the present time, Hermes Group has one industry, "CH," on the Exchange, "but we do not have all the shares. The public participates in this enterprise, because it wants to invest in 'CH,'" Mr Hank explained.

Nineteen hundred and eighty was a key year for the Hermes Industrial Company. The Investment Division was created, which merged Cerrey, Inc. and the Mexican Investment Company to increase production of machinery and equipment. "Cerrey, Inc. manufactures steam boilers, force-feed tanks, regenerating air pre-heaters, and high-pressure pipe and tube systems. The enterprise receives technical assistance from minority shareholders: the U.S. firm, Combustion Engineering, a U.S. firm, and Mitsubishi Corporation of Japan," Carlos Hank explained. The Cerrey plant covers 27,000 square meters and comprises 6 factories. At present, Cerrey is the largest producer of steam boilers on the Mexican domestic market and the only manufacturer of Ljungstrom-type regenerating heaters that recover the heat of combustion gases. The sector that supplies systems and equipment to several industries in the country is covered by the Mexican firm, "Capital Goods, Inc.," abbreviated as MBC. Combustion Engineering is a minority shareholder in the company. "MBC manufactures crude oil and gas separators for the oil industry. They provide equipment for crushing, sorting and drying to the cement and nonmetal-ores industries. They also supply industrial equipment and systems and processes to the food, fertilizer, mining, chemical metallurgy and petrochemical industries. Among MBC's immediate projects is one to manufacture equipment from processes that were imported up to now. "That will require a considerable expansion of the business," Mr Hank Rhon added. ARALMEX, one of the other firms in the Hermes Industrial Company, supplies the Mexican market with shock absorbers, MacPherson-type suspension systems and their spare parts, gas springs and direction stabilizers. The shock absorbers for cars and motorcycles are ARALMEX's main production line. "And Boge, its trademark, has become the best-known and most prestigious brand in the country, garnering over 60 percent of the domestic market," Engineer Hank commented. ARALMEX sales exceeded \$25 million in 1980 and its production amounted to 3.21 million units. ARALMEX holds an important position not only on the Mexican market, but also on the international market. Thirty percent of the company's output is for export to France, the United States and Germany. "One of our main objectives is to be known as a company exporting Mexican products and to make a positive contribution to the balance of payments. In general terms, the Hermes Industrial Company operates as a resource-generating group, which enables us to further our development in the industrial sector."

The newest Hermes firm is Turbo Cargadores de Mexico S.A. [Turbochargers of Mexico, Inc.]. It has a 10,000 square-meter factory and, in the middle of the year, it took the lead on the market for diesel engines for trucks, tractor-trailers, and farm tractors. "One of the main goals of the

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"company is to manufacture products that have been imported up to now. In this vein, there are plans to complete an integration program with the help of The Garrett Corporation, a minority shareholder and the world leader in manufacturing turbochargers." Foreign companies have a 20 to 25 percent share in the firms belonging to the Hermes Group. "With Mitsubishi, we have 15 percent of shock-absorber production, whereas General Motors' share is 40 percent."

This young but prosperous enterprise not only is involved in eight industries, but also in marketing. The Hermes Commercial Group is involved in marketing automobiles and trucks. "In the Group we consider ourselves as industrialists and businessmen. If we look at Mexico as an industrial plant, we would see that it is very viable, as it has many natural resources. Fishing, oil, farming, minerals are all part of our country's potential. We have realized that our challenge in Mexico is to organize and prepare ourselves to lead our country forward. Hermes corporation has the future before it. We must therefore train our men," Mr Hank Rhon said.

"We believe in decentralization. Every company must be autonomous with its own general manager. We have tried to keep a small decision-making group that meets every month. We review the progress of the business, but we delegate most of our power to our managers," Mr Hank stressed. Another characteristic of the Hermes Group is five-year planning. "We believe that one year is a very little time and that three years would not be enough--especially for the group's large-scale projects. Important decisions should be given more time, and we think that, as a rule, five years is the right amount of time. Now, however, we are moving toward a six-year planning process." Currently, the "Capital Goods" production sector has a 10-percent share of the company's total sales. "Our idea is to attain 20 percent. This requires a very long gestation period. It is not like commerce or a textile industry. It is an industry that requires many years of apprenticeship and also a major decision on the part of the government, which is the main consumer of "Capital Goods." For instance, we purchased boilers with a capacity to produce 350 megawatts, which had never been done in Mexico. We quickly surpassed 150 and are reaching the target that we had set."

Thus the possibility of developing our heavy industry has not been rejected. "Of course, we have studied other companies and have observed that it took them 8 or 10 years to begin making money. And, at present, we really are not large enough and this is where we should be investing all our resources. We are doing this to the extent possible, but without going behind our means, as that would kill all our chances to develop," Mr Hank Rhon concluded.

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Alfa: From Steel to Paper

Paris PARIS MATCH in French 19 Mar 82 p 73

[Text] Change is the main characteristic of Mexico today, a Mexico where we find both tradition and progress, magic and science. The explanation for this should be sought in the rapid transformation the country has undergone. Because of its wealth of energy resources, the country has been irrevocably pushed into the sphere of developed countries. The largest group in the country is the Alfa Industrial Group. This Group was established in Monterrey in 1974, although its roots go back to the Visa group.

At the present time, Alfa covers the entire country. The Group's current activities range from steel to paper, consumer goods, industry, fibers, petrochemicals, food and tourism. There are more than 50,000 employees working in the Group's firms. The sectors the Group is involved in were not chosen at random, but on the basis of previously determined industrial development objectives. "It is precisely for this reason that we have become involved in tourism, because it needs labor," Engineer Juan Morales Doria, corporate director of the Alfa Group, explained. "We are interested in the mining industry for the same reason, since, besides needing labor, it is a source of foreign exchange, even though both sectors are in a state of recession at present: tourism as a result of the high prices of air fares, hotels and food; and, the mining industry because of the decline in international prices for its products."

Alfa is also involved in the food sector, "because it is essential for the country, and, in the same way, we are participating in the development of the secondary petrochemical industry, which uses a raw material such as oil, that we possess in abundance."

The Alfa Industrial Group has been regarded by many as a model for Mexican industrial expansion, or at least as a possible pattern for structuring an industry that has produced satisfactory results as much for the country as for the Group. A dynamic and multifaceted approach is the basis of Alfa's success. As a result, these last few years--"and despite the fact that 1981 is regarded as a difficult year"--the Group has resolutely expanded its field of activities. "We own mines in Colima and Jalisco, and we have a large tourist complex, 'Las Hadas,' in Manzanillo. When we began in 1974, we were exclusively involved in steel and paper. The situation today is very difficult: in 7 years, our assets have gone from \$154 million to \$3.5 million [sic]. In 1980, the Group was characterized by a financing strategy aimed at seeking policies that would enable it to expand. To this end, the Group reinforced its relations with domestic institutional sources, and at the same time it entered the exchange markets by selling commercial paper for the first time.

There is no development without technological progress, a fact of which Alfa is very aware. This explains its interest both in advancing its own technologies, and in importing and adapting more sophisticated technology. Although foreign firms, such as the American companies, Ford and Dupont,

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the Japanese Hitachi and the German BASF, are associated in some of its enterprises, the Alfa Industrial Group exports its own technology. "We have lots of foreign partners, but we are also very proud of the technology we export, i.e., the reduction of iron and sponge iron to produce steel," Mr Morales indicated. This technology developed in Mexico by Mexican technicians is the HYLIII process. "This direct reduction process," the director explained, "was first used during the war when we were unable to obtain scrap iron. At that time we began to look for a way to replace this import." The technique consists of taking iron ore and putting it through a process of decomposition using natural gas, that reduces it by making the hydrogen react with iron oxide. The iron loses 30 percent of its weight in the process, making it the equivalent of pure, natural scrap iron. "This process has proved to be very economical, because we can produce different-sized units. We have exported this technology to various countries, including Venezuela, Argentina, Iran, Indonesia, Egypt and Brazil."

Vitro: Bastion of the Mexican Economy

Paris PARIS MATCH in French 19 Mar 82 p 76

[Text] In the beginning, Vitro concentrated on producing glass containers. Seventy years after its founding, its activities have increased and developed to include a broad range of products and services, as a result of accumulating know-how and experience in production, industrial technology, commerce, finance and management. "The Vitro Group was started to meet the demand for beer bottles," explained Rogelio Sada, the general manager of Vitro Group. "Its origins go back to the establishment of Vidriera Monterrey [Monterrey Glass Company] in 1909, which improved its technology to go into other branches in the sector besides containers, such as glassware, and later fiberglass. This latter product created a need for an infrastructure to obtain raw materials for the glass industry, as well as machinery and molds, which finally led to the establishment of a real industry in 1940." More than 36,000 persons work in the organization which is divided into two main sectors: banking, represented by BANPAIS, a financial group; and manufacturing, comprising 75 factories grouped together in several divisions. Each division is responsible for the operations in its sector, but at the same time it is concerned with maintaining corporate unity by participating in overall planning and by setting the standards for the productivity of its companies. Decentralization makes it possible for each group to have direct contact with its customers and employees, and at the same time to encourage local initiative. Vitro plays an outstanding role in the national industrialization program and, as Rogelio Sada pointed out, "our contribution is to develop a worthy way to promote Mexico's industrialization, which we feel should not only be a technological industrialization but also entail important social changes."

The firm has achieved a high degree of diversification, although "our basic philosophy is to concentrate on the essential part of our operations, namely glass and its derivatives." Vitro's operations are grouped into divisions,

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as follows. Vitro Containers manufactures glass or plastic containers for foods, drinks and pharmaceutical products. The first in this division produce integrally-designed containers for industrial use, and they form the country's leading industrial complex producing glass and plastic containers. This division includes 17 companies in strategic locations, through which it provides complete services aimed at projecting market unity. It also exports its products, provides technical assistance abroad, and participates in Guatemalan and Costa Rican firms.

Vitro Crisa produces household, decorative and artistic glassware, articles in fireproof glass, and stainless steel flatware, and is involved in the distribution of durable consumer goods and in department stores. With several factories in Mexico and a joint venture in Brazil, Vitro Crisa's reputation for high quality has gone beyond the country's borders. Today it is increasingly covering export markets with its products and is also helping to improve the country's trade balance.

Vitro Window Glass [Vitro Vidrio Plans] produces sheet glass and blown glass for industrial and architectural use, and safety plate glass and tempered glass for industries making safety products and products for the automobile industry. Vitro Window Glass has developed to the point that it is now the leading producer of sheet and blown glass for a large variety of uses. It is the largest domestic manufacturer of windshields and windows for automobiles.

Vitro Basic Industries, activities include investment in the chemical industry, development of technology, and mining. Two major services operate in this division. One is concerned with mining and developing raw materials for different industrial markets. Its main products are silicious sand, calcium chloride, sodium carbonate and feldspar. The other manufactures highly sophisticated automated machinery, molds and other equipment used in the glass industry, as well as plastic injection equipment and fluid handling systems, and is involved in a forging and a smelting plant.

Vitro Fibers and Silicates manufactures fiberglass for the construction industry, furniture and sports articles, and silicates and metasilicates for various uses. Vitro Fibers and Silicates is Latin America's leading producer of sodium and potassium silicates in their anhydrous and pantohydrous forms. These products are used in the soap and detergent, textile, paper, and construction industries, among others. It also produces a broad line of fiberglass products, including heat insulators, acoustical insulation material and fibers for reinforcing plastic.

The fact that it competes on the international market requires the Vitro Group to maintain a strength equivalent to that of any other world competitor, which is "the only way of achieving an international scope and the only way the country can cope with this situation," Mr Sada concluded.

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ICA: More Than 40 Companies

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[Text] The ICA [Associated Civil Engineers] Group is a conglomerate of Mexican companies primarily involved in civil, mechanical and electrical engineering, but which also extends into the real estate and tourist businesses. The ICA Group--whose initials stand for Associated Civil Engineers, Inc., the initial company established more than 30 years ago--today has a structure that covers more than 40 companies, whose common denominator is to put technology to use in production. In fact, all the companies forming the ICA Group were established and have been consolidated as a result of the application of new technologies, by going into unexplored areas of production in the country, in response to domestic industry's unanswered needs, and by taking a very broad social view of private economic enterprise. In 30 years of intensive activities, the ICA Group has played a remarkable role in developing Mexico's infrastructure, by participating in some of the most important projects implemented in the country in the areas of electricity, irrigation, industrialization, communications, transportation, and housing and city planning. It was also a pioneer in the metalworking industry and in developing comprehensive real estate and urban projects. The history of the group can be viewed as an organic growth process. On 4 July 1947, the initial company, Associated Civil Engineers, was founded with a capital stock of only \$1,000. The corporate charter was signed by 17 young engineers, most of whom had just graduated from Mexico's Autonomous University. Their leader was Engineer Bernardo Quintana Arriola, who is the Group's Chairman of the board today. The Group is now composed of more than 40 firms employing more than 5,000 professionals and over 80,000 persons in Mexico and other countries. In addition, the total assets of the Group amount to \$500 million.

For Bernardo Quintana Arriola, the idea of a "group" as a specific type of business organization "is a new phenomenon, dating back 5 years; prior to that, the trend was different. ICA's background is quite the contrary, that is we started a company, we saw that it was developing too rapidly and that it was getting into different specialties that were totally unrelated, and then we began to set up new firms by specialties, as by-products of the first one. In the beginning there was a company that built roads, another that handled irrigation projects, etc. "These holding companies," Mr Quintana continued, "help a great deal in covering parts of the economy that could not be reached without the tools to stimulate them. Take tourism. This is an investment subject to a series of unpredictable phenomena: inequalities in the return on rooms, variations in tourists' affluence, etc. The holding companies and the promotion companies make it possible to deal with these problems, since they protect companies working to meet the country's development needs." In the view of the manager, the balance sheet of this type of organization is positive: "Adopting this corporate form worked out well for the ICA Group, as it has provided good results and has permitted it to increase its service capacity."

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The ICA Group is rooted in the Mexican economic model that is based on the joint publicly- and privately-owned enterprise. According to this economic model, referred to in the 1917 Mexican Constitution, both the private and the public sector should participate in the economic development of the country. For the president and founder of the Group, this means that "the private sector is responsible for creating all the development sources that the country needs, but whatever the private sector does not accomplish the federal government reserves the right to do." Mr Quintana went on to say that "this economic model has in fact evolved over the years. Immediately after the victory of the revolution, the private sector became very active and aggressive, while the government had very limited revenue and very little involvement in the country's economy. This gradually increased, however, and between 1950 and 1960, the economy began to be balanced between government investment and private investment, until it arrived at 49.3 and 40.7 percent shares, respectively."

Mr Quintana points out, however, that today the government is becoming increasingly wealthier, since "aside from the revenue from the firms it has created, it also has another major resource, oil, and this is an element that is balancing our domestic economy today."

The subject of measuring the government's participation has always been controversial. However, according to the chairman of the board of one of the largest Mexican consortiums, this is a subject that has been resolved, and the roles of the two sectors have been clearly defined. In other words, "the private sector has realized that it cannot handle investments to build the infrastructure for the country's social and economic development at a time when there are so many social needs. The private sector has realized that the government must make these investments." Mr Quintana observed that this is not just true for Mexico, but that there is great similarity between the Mexican and the French economies. "In Mexico, the railway belongs to the federal government, as it does in France, and the system of electricity, oil, and communications, such as roads, airports and ports, all belong to the federal government. However, the so-called normal consumer activities--from investment and consumer goods to services, etc.--nearly always belong to the private sector, and in some cases they are shared with the public sector. This is a joint publicly- and privately-run economy," explained Mr Quintana, who stressed the importance of this model for the country's growth--"a strong and sustained annual growth of more than 7 percent in the past few years, which makes the country strong and stable."

Management of government enterprises has for a long time been a serious problem because of the inefficiency associated with this type of management. But according to Bernardo Quintana, an outspoken defender of joint, public and private companies, "enterprises involved in strategic and social areas should belong to the government, because there is no private Mexican capital capable of furthering these basic enterprises for the development of the country. Electricity, oil, and transportation cannot be covered with domestic private money, and neither do we want to rely on foreign capital

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"for this type of enterprise, as this would make us feel as though the country belonged to others, rather than to ourselves."

The chairman of the ICA Group added: "Even though we are not entirely satisfied, we believe that progress has been reasonable and that it is important to bear in mind that this type of enterprise has numerous obligations as a result of being part of the public service." To give an example, he said "that it is very understandable that electricity would be sold to small farmers at prices lower than production costs. These enterprises fulfill a social task in this way." "We could say, however, that too many enterprises were created and that there is not enough administrative personnel to manage them effectively. But this is not just a phenomenon peculiar to the federal government, as it is also found in the private sector, and that is our main problem. Whether the federal government continues to make the investments in basic infrastructure and leaves the remaining economic activities to the private sector, "we still have to cope with all the resulting problems in a positive way," said Mr Quintana, summarizing his philosophy.

The Ironworks Enterprises, Inc., a member of the group, deserves a separate chapter. It was founded 18 years ago by Bernardo Quintana. From the outset of their operations in 1963, the Ironworks Enterprises were the first to start manufacturing metal products, from items as simple as reinforcement for concrete to the most sophisticated articles, such as overpasses, metal structures for construction and industrial investments.

The firm works in close collaboration with PEMEX in a variety of areas. "We manufacture structures and equipment PEMEX needs for its facilities and we manufacture large-diameter spherical tanks and fuel storage reservoirs to meet their storage needs," Mr Quintana added. Ever since it began, the Ironworks has used varying technologies of different origins. When the firm was established, it used French technology, that "enabled us for the first time in Mexico to manufacture different products in the metalworking and machine industry," Mr Quintana commented. He stressed the cordial and productive relations that they have had with French industrialists, not only in transferring technology, but in the association itself. Today the Group has developed its own manufacturing and design technology. "But it is the combination of the two technologies, the foreign one and our own, that has enabled us to participate in the most important operations," Mr Quintana pointed out.

"The main problem here too is personnel training. The 5,000 some technicians we employ were nearly all trained by us. We are members of the National Chamber of Industry and Construction, which has set up a training institute for foremen and technicians," Mr Quintana pointed out.

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