



## ***Uncertain expectations of Mexican-American Economic and Trade Relations and Slowdown of Overall Mexican FDI***

**February 2019**

The Institute for Economic Research (IIEc) of the National Autonomous University of Mexico (UNAM) and the Columbia Center on Sustainable Investment (CCSI), a joint center of Columbia Law School and the Earth Institute at Columbia University in New York, are releasing the results of their eight surveys of Mexican multinationals.<sup>1</sup> The survey, conducted in 2018, is part of a long-term study of the rapid global expansion of multinational enterprises (MNEs) from emerging markets. Based on 2016 data, this report builds on the picture presented by previous surveys, all available at [emgp.org](http://emgp.org).

### **Highlights**

In 2016, the 20 largest Mexican MNEs had foreign assets of US\$135 billion (Table 1), foreign revenue of US\$88 billion, and 384,603 foreign employees (Annex I, Table 1). The two largest companies (América Móvil and CEMEX) together controlled US\$73 billion, equivalent to 54%, of the total foreign assets of the companies on the list. The four largest MNEs (also including Grupo México and FEMSA) together controlled US\$96 billion, equivalent to 71% of the total. In terms of the number of firms represented, companies in the food and beverage industries dominate the list, with 7 of the 20 firms, followed by companies in the non-metallic (three) and diversified (three) industries.

All but two of Mexico's top 20 multinationals are listed on the stock market. These are PEMEX, the oil company that is 100% owned by the Mexican government, and XIGNUX, a privately-owned conglomerate.

Mexico's top 20 MNEs have a total of 348 foreign subsidiaries between them, mostly in Latin America (166), followed by North America (76), mainly in the United States (Annex

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I, Figure 2). Western Europe (registered as "Other Europe") comes third, followed by Eastern Europe and Central Asia, East Asia and the Pacific. Finally, South Asia, the Middle East and North Africa, and Developed Asia Pacific each host only a few of the ranked firms' foreign subsidiaries (Annex I, Figure 2). None of the companies on the list have a presence in sub-Saharan Africa. Annex I, Table 2 contains more detailed information on the number and location of each firm's foreign affiliates.

**Table 1. Mexico: The top 20 non-financial multinationals, by foreign assets, 2016 (US\$ million)<sup>b</sup>**

Rank	Name	Industry	States	Foreign Assets
1	América Móvil	Telecommunications	Listed (Nil)	47,189
2	CEMEX	Nonmetallic Minerals	Listed (Nil)	25,666
3	Grupo México	Mining	Listed (Nil)	11,700
4	Grupo FEMSA	Beverages	Listed (Nil)	11,404
5	Grupo BIMBO	Food Products	Listed (Nil)	9,544
6	Grupo ALFA	Diversified	Listed (Nil)	8,584
7	Mexichem	Chemical & Petrochemicals	Listed (Nil)	6,428
8	ARCA- Continental	Beverages	Listed (Nil)	3,836
9	PEMEX	Oil & Gas	Unlisted (100)	2,058
10	GRUMA	Food Products	Listed (Nil)	1,908
11	Cementos Chihuahua	Nonmetallic Minerals	Listed (Nil)	1,419
12	Grupo Vitro	Nonmetallic Minerals	Listed (Nil)	810
13	Industria CH	Steel & Metal Products	Listed (Nil)	726
14	XIGNUX	Diversified	Unlisted (Nil)	718
15	Grupo ELEKTRA	Retail Trade	Listed (Nil)	638
16	Grupo CARSO	Diversified	Listed (Nil)	485
17	Elementia	Copper & Plastic Pipes, Electric Conduits	Listed (Nil)	485
18	ALSEA	Food Products	Listed (Nil)	464
19	Bachoco	Food Products	Listed (Nil)	436
20	Casa Cuervo	Beverages	Listed (Nil)	339
<b>Total</b>				<b>134,837</b>

**Source:** Basave and Gutiérrez-Haces, consolidated company reports and websites.

<sup>A</sup> Financial firms are excluded from the ranking as per the methodology of the Emerging Market Global Players (EMGP) project.

<sup>B</sup> The exchange rate used is the IMF rate of December 30, 2016: US\$ 1= Pesos 20.6194

<sup>C</sup> the percentage in parentheses show the percentage of state-owned shares.

## Profile of the top 20 MNEs

### Changes to the list

Between 2015 and 2016, there were significant changes in the list of the top 20 MNEs (Annex I, Table 1). These include the entry of three new companies. One was Grupo Vitro (non-metallic minerals). It had fallen out of the ranking in 2013 due to financial problems, but

returned to 12<sup>th</sup> place in 2016; Elementia (copper and plastic pipes and electric conduits) and Casa Cuervo (beverages) joined the list in 17<sup>th</sup> and 20<sup>th</sup> place, respectively, after making their financial information public and facilitating the ranking. Cementos Chihuahua (non-metallic minerals) also saw a positive move, climbing from 14<sup>th</sup> to 11<sup>th</sup> place. Another notable change was the drop in ICA's position (engineering and construction services). In 2016, it faced serious problems due to high debt and now appears in 8<sup>th</sup> place in the list of runners-up (Annex I, Table 1a). Other drops include the fall of Bachoco (food) from 15<sup>th</sup> to 19<sup>th</sup> place, and the slides by Grupo Carso (diversified) and Grupo KUO (diversified) out of the top 20 list.

### **Driving factors of Mexican FDI**

Many Mexican MNEs on our list maintained low levels of expansion in 2016, with the exceptions of FEMSA (beverages) in Brazil, Elementia (copper and plastic pipes, electric, conduits) in the United States and VITRO (non-metallic minerals) in the United States (Annex I, Table 4a). Companies that had enjoyed high rates of expansion prior to 2015 such as América Móvil (telecommunications), CEMEX (non-metallic minerals), Grupo BIMBO (food), Grupo ALFA (diversified), Mexichem (chemicals and petrochemicals), ARCA-Continental (beverages,) and Grupo ELEKTRA (retail trade), did not expand in 2016 or made only minor acquisitions (BIMBO in Spain and América Móvil in the United States and Peru) and focused on maintaining a flow of fresh resources in previously established subsidiaries. Examples of the latter include CEMEX's investments in its greenfield operations in France and América Móvil's greenfield projects in Latin America (Annex I, Table 5).

VITRO's new expansion in the United States in 2016 is particularly noteworthy given that the company had to divest from its operations in Spain and Bolivia in 2014 and 2015 to pay its external debt. Also significant are the six acquisitions in the United States, especially the four made in non-metallic minerals by VITRO, Elementia, and Cementos Chihuahua (Appendix I, Table 4a), which reflect the recovery of the U.S. economy and its construction sector. These investments reflect these companies' participation in an expanding market.

### **Main industries**

Annex I, Figure 1, shows the distribution of the foreign assets of the ranked MNEs per investment industry. The telecommunications industry (35%) continues to be dominant, although to a slightly lesser degree than in 2015 (39%). The sector reflects the weight of América Móvil, which has been at the top of the 20 Mexican MNEs ranking since 2010. Telecommunications is followed by the non-metallic minerals industry (21%) including three companies: CEMEX (2<sup>nd</sup> in our Table 1 list), Cementos Chihuahua and Grupo Vitro. Third place belongs to beverages (12%), which, in addition to FEMSA (4<sup>th</sup> in our Table 1 list) and ARCA-Continental (8<sup>th</sup>), includes a newcomer to the list, Casa Cuervo. Fourth place is held by the food industry (9%) and includes four companies: BIMBO, Gruma, Bachoco and ALSEA. In fifth place is mining (9%) with just one company, Minera México (3<sup>rd</sup> in our list). Sixth place is for diversified companies (7%) with Grupo ALFA, XIGNUX and Grupo CARSO. Remaining places are for chemicals and petrochemicals (5%), Oil & gas (1.5%),

steel & metal products (0.5%), retail trade (0.5%) and copper & plastic pipes (0.4%) (Annex I, Figure 1).

### **Geographical distribution of subsidiaries**

The overall number of foreign subsidiaries in 2016 remained the same as in 2015 (348) as shown in Annex I, Table 1. Latin America & the Caribbean is the top investment destination for Mexican FDI with 166 subsidiaries, followed by North America (mainly the US) with 76 subsidiaries. In total, 70% of the top 20 firms' subsidiaries are located in the Americas. Only two of the MNEs on our top 20 list do not have subsidiaries in North America: FEMSA (beverages) and ALSEA (food products); four MNEs do not have subsidiaries in Latin America: PEMEX (oil & gas), Cementos Chihuahua (non-metallic minerals), Bachoco (food products) and Casa Cuervo (beverages) (Annex I, Table 2).

The top 20 firms have 60 subsidiaries in Other Europe, representing 17% of the total, followed by Eastern Europe & Central Asia (29 subsidiaries or 8%), East Asia & the Pacific (9 subsidiaries or 3%), and South Asia, Developed Asia Pacific and the Middle East & North Africa with less than a 1% share each. As noted above, no Mexican MNE had a presence in sub-Saharan Africa.

Twelve of the Top 20 MNEs were global in character and eight were regional (with “global” being defined as those companies that have a presence in at least one region in addition to the Americas). These global MNEs were América Móvil, CEMEX, Grupo FEMSA, Grupo México, Grupo BIMBO, Grupo ALFA, Mexichem, ARCA-Continental, GRUMA, Grupo CARSO, ALSEA and Casa Cuervo.

Mexichem (chemical & petrochemicals), continues to maintain the largest number of subsidiaries (52) distributed across six regions: Other Europe (18), Latin America & the Caribbean (12), East Europe & Central Asia (12), North America (7) and East Asia & the Pacific (3). Two of the Mexican MNEs are present in seven of the eight regions: CEMEX (non-metallic minerals) with 42 subsidiaries distributed in all the regions except Developed Asia Pacific and GRUMA (food products) with 29 subsidiaries distributed in all the regions except the Middle East & North Africa.

The three newcomers to the list of the Top 20 Mexican Multinationals in 2016 were Grupo VITRO (non-metallic minerals) with a total of four subsidiaries, three in North America and one in Latin America; Elementia (copper & plastic pipes and electric conduits) with a total of nine subsidiaries, seven in Latin America & the Caribbean and two in North America; and Casa Cuervo (beverages) with a total of five subsidiaries, four in North America and one in Other Europe.

### **Transnationality index**

A company's transnationality index (TNI) is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales, and foreign employees to total employees. It aims to signal the degree of firms' internationalization. In 2016, CEMEX had

the highest TNI<sup>2</sup> at 81% (Annex I, Table 1). In addition to CEMEX, four other MNEs posted a TNI above 50%: Mexichem (78%), GRUMA (68%), Grupo BIMBO (65%), and América Móvil (62%).

It was not possible to fully calculate the TNI of three MNEs, Cementos Chihuahua, XIGNUX, and Grupo CARSO, due to lack of information on the number of their foreign employees. Excluding those firms, the average TNI of Mexican firms in the ranking was 43%.

### **Ownership status**

All but 2 of the 20 MNEs are listed on the Mexican Stock Market (BMV). Seven are also listed on the NY Stock Exchange and/or Latibex, which is the Spanish stock exchange for Latin American securities (Annex I, Table 2).

PEMEX (oil & gas) is the only MNE that is 100% owned by the Mexican State. It is therefore not listed on any stock exchange. The only other MNE included in the ranking that is not listed on a stock Exchange is XIGNUX (diversified), which is controlled (78.95%) by the Garza Herrera family.

### **Employment in 2016**

The year 2016 again saw increases in overall foreign employment by the ranked firms, but those increases (5,122 new jobs as compared to 2015) were less than they had been in recent years.

There were drops in foreign employment by América Móvil (telecommunications) and CEMEX (non-metallic minerals), the top two companies on the list, and Grupo ELEKTRA (retail trade), the fifteenth largest. Two food companies, ALSEA and BIMBO created the greatest number of overseas jobs in 2016, at 2,495 and 2,000, respectively.

### **The ten largest mergers and acquisitions (M&A), 2014-2016**

In 2016, the largest 10 outward M&As totaled almost US\$3.95 billion, up from roughly US\$3 billion in 2015. The largest M&A was FEMSA's acquisition of Vonpar (beverages) in Brazil (approximately US\$1 billion). Six of the ten largest M&As were made in the United States, totaling just over US\$2.26 billion. In contrast, in 2015, six of the top ten M&As were made in Europe.<sup>3</sup>

The six companies with the largest M&As in the United States in 2016 were VITRO (non-metallic minerals) (2), Elementia (non-metallic minerals), Cementos Chihuahua (non-metallic minerals), Lala (food), and América Móvil (telecommunications) (Annex I, Table 4a).

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<sup>2</sup> TNI is expressed as a percentage (that is, 41% instead of 0.41).

<sup>3</sup> Dr. Jorge Basave Kunhardt and Dr. María Teresa Gutiérrez-Haces, "The Uneven Trends of Mexican MNEs: Between Sluggishness and Strength in International Markets" (November 27, 2017), Annex 1, Table 4a, <http://ccsi.columbia.edu/publications/emgp/>.

Three of the ten largest Mexican M&As in 2016 were also amongst the ten largest M&As in the 2014-2016 period. These were FEMSA's 100% acquisition of Vonpar (beverages) in Brazil for over US\$1 billion, VITRO's 100% acquisition of PPG Industries (non-metallic minerals) in the United States for US\$750 million and Elementia's 100% acquisition of Giant Cement Holding Co. (non-metallic minerals) in the United States for US\$525 million.

In 2014-2016, the largest M&A was BIMBO's 100% acquisition in 2015 of Canada Bread (food) for US\$1.37 billion (Annex I, Table 4).

### **The ten largest greenfield investments 2014-2016**

The combined value of the ten greenfield investments over the three-year period was almost US\$4.10 billion, with seven in Latin America, two in Europe, and one in the United States. CEMEX undertook the largest greenfield investment during those years, with a roughly US\$1.22 billion investment in the French construction industry. América Móvil was also a standout. It made four of the ten largest greenfield investments between 2014 and 2016, involving a total of almost US\$1.89 billion, all in Latin America and in telecommunications and internet infrastructure.

Three of the largest greenfield investments of 2016 also made it into the top 10 for the 2014-2016 period: América Móvil's US\$914 million telecommunications investment in Brazil, CEMEX's US\$115 million investment in France, and FEMSA's US\$60 million beverages investment in Chile.

### **Location of head office and official languages**

In 2016, eight of the largest MNEs had their main corporate headquarters in Mexico City, seven in the northern state of Nuevo León, two in the State of Mexico, one in Chihuahua, one in Jalisco and one in Guanajuato. The official language of all companies was Spanish.

### **Changes in amount of assets, sales, and number of employees**

Foreign assets of the 20 largest Mexican MNEs in 2016 decreased (-11.3%) in relation to 2014 (Table 2). This decline basically reflects the decrease in foreign assets of the first four companies on the list: América Movil (telecommunications), CEMEX (non-metallic minerals), FEMSA (beverages), and Grupo México (mining). This is the second time since 2008, when we first published this report, that there was a decrease posted in the total amount of foreign assets in the list presented in Table 2: *Snapshot of the top 20 multinationals*. This can partially be attributed to the fact that data presented by MNEs in pesos are converted to dollars (with the exchange rate weakening from US\$ 1 = Pesos 17.2487 at December 31, 2015 to US\$1 = 20.6194 at December 30, 2016). For this same reason, total assets in 2016 with respect to 2014 declined (-10.2%). A second reason for declines in foreign assets is that,

overall, the largest Mexican MNEs appeared to have a smaller appetite for international expansion than they had in previous years, a trend noticed since 2015.<sup>4</sup>

Notably, 2016 also saw the lowest flows of outward FDI from Mexico since this report was initiated in 2008. One reason for those relatively low net flows, at US\$1.6 billion (see Appendix I, Figure 4), was the repatriation of more than US\$2.7 billion of funds by foreign subsidiaries of Mexican firms.<sup>5</sup>

In 2016, foreign sales and total sales of the 20 largest Mexican MNEs also decreased (-5% and -13%) compared to 2014. The ratio of foreign sales to total sales was 59%, roughly five points above the figure for 2014. In contrast, the number of foreign employees and total employees in 2016 increased (5.9% and 6.1%, respectively) with respect to 2014, with the ratio of foreign employees to total employees remaining almost the same in 2016 (35.3%) as in 2014 (35.4%).

**Table 2. Mexico: A snapshot of the top 20 multinationals, 2014-2016** (US\$ million)<sup>a</sup>

Variable	2014	2015	2016	% change, 2014-2016
<b>Assets</b>				
Foreign	149,767	138,823	132,779	-11.3
Total	258,072	236,955	231,813	-10.2
Share of foreign in total (%)	58.03	58.58	57.28	
<b>Sales</b>				
Foreign	91,072	87,861	86,753	-4.7
Total	169,441	156,936	147,808	-12.8
Share of foreign in total (%)	53.75	55.98	58.69	
<b>Employment</b>				
Foreign	361,564	377,781	382,903	5.9
Total	1,022,189	1,090,299	1,084,344	6.1
Share of foreign in total (%)	35.37	34.65	35.31	

**Source:** Basave and Gutiérrez-Haces, consolidated company reports and websites.

<sup>a</sup> PEMEX is excluded from all three variables to avoid distortions due to the considerable weight that it represents in the aggregate data. If it were included, the share of foreign assets in total would be 38% in 2014, 41% in 2015 and 39% in 2016. In the case of employment, Cementos Chihuahua, XIGNUX and Grupo Carso are also excluded in 2016, XIGNUX, Cementos Chihuahua, ICA, Grupo Carso, Altos Hornos and Grupo KUO in 2015, XIGNUX and ICA in 2014, because information on their foreign employment was unavailable.

<sup>4</sup> See “Big Picture” section in Dr. Jorge Basave Kunhardt and Dr. María Teresa Gutiérrez-Haces, “The Uneven Trends of Mexican MNEs: Between Sluggishness and Strength in International Markets” (November 27, 2017), <http://ccsi.columbia.edu/publications/emgp/>.

<sup>5</sup> Banco de México, Balanza de Pagos, 28/02/2018, [www.banxico.org.mx/informacion-para-la-prensa/comunicados/](http://www.banxico.org.mx/informacion-para-la-prensa/comunicados/).

## The Big Picture

### The performance of the Mexican Multinationals



Foreign assets 2015: US\$140,751 million

Foreign assets 2016: US\$134,837 million

As compared to 2015, the international investment by Mexican multinationals slowed down in 2016. In the EMGP report for the year 2015 ([\*Mexican MNEs: Between sluggishness and strength in the international markets\*](#)), we had noted this trend. The decline of Mexican OFDI in 2016 continued to be an important feature of the country's macro-economic behavior, and seems to be traceable to the following factors:

- The US\$ exchange rate continues to strengthen relative to the Mexican peso. The value of the peso went from 14.73 per US dollar in 2014 to 17.25 in 2015 and 20.62 in 2016. This has driven up the cost of peso-denominated acquisitions of foreign assets.
- Several of the largest Mexican multinational companies were too indebted to expand. The devaluation of the peso and increase in interest rates exacerbated these challenges, causing some companies to face severe problems servicing their debt. The report on Mexican firms covering 2015 offers examples, discussing the cases of ICA and VITRO.<sup>6</sup> Many of these companies have continued to restructure their debt and have reduced the resources available for international expansion.
- Due to their financial problems in 2016, some Mexican MNEs sold portions of their assets abroad. This contributed to a drop in Mexican OFDI (the final balance) for that year. ICA, for example, sold assets in Latin America, while CEMEX sold assets in the Philippines for US\$507 million. (For more detailed information, see the Annex II, Snapshots).

Additionally, the constitutional reforms in energy and telecommunications, which began in 2013, have affected the strategies of Mexican multinationals and are presenting both challenges and opportunities for those firms. The state monopoly of PEMEX, for instance, has been fractured as a result of constitutional changes, and both Mexican and foreign companies are participating in bids for the company's assets. PEMEX is also bidding in many, but not in all of those tenders. Reforms have also negatively affected America Movil, Carlos Slim's monopoly in telecommunications. Previous EMGP reports published on Mexican firms since 2013 further cover these issues.

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<sup>6</sup> Dr. Jorge Basave Kunhardt and Dr. María Teresa Gutiérrez-Haces, "The Uneven Trends of Mexican MNEs: Between Sluggishness and Strength in International Markets" (November 27, 2017), <http://ccsi.columbia.edu/publications/emgp/>.



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## **Emerging Markets Global Players Project**

This report on Mexican multinationals was prepared in the framework of the Emerging Markets Global Players (EMGP) Project, an international collaborative effort led by the Columbia Center on Sustainable Investment (CCSI). It brings together researchers on FDI from leading institutions in emerging markets to generate annual reports on the leading multinationals in each participating country. Since 2007, reports have been published on 16 countries: Argentina, Brazil, Chile, China, Hungary, India, Israel, Republic of Korea, Mexico, Poland, Russia, Slovenia, South Africa, Taiwan, Turkey, and United Arab Emirates. For further information, visit <http://emgp.org/>.

## **Institute for Economic Research, UNAM**

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

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The Columbia Center on Sustainable Investment (CCSI), a joint center of Columbia Law School and the Earth Institute at Columbia University, is a leading applied research center and forum dedicated to the study, practice and discussion of sustainable international investment. Our mission is to develop and disseminate practical approaches and solutions, as well as to analyze topical policy-oriented issues, in order to maximize the impact of international investment for sustainable development. The Center undertakes its mission through interdisciplinary research, advisory projects, multi-stakeholder dialogue, educational programs, and the development of resources and tools. For more information, visit <http://www.ccsi.columbia.edu> /

## Annex I. Tables and Figures

**Table 1, Mexico: The top 20 multinationals: Key variables, 2016** (US\$ million<sup>a</sup> and number of employees)

Rank	Name	Industry	Assets		Sales		Employment TNI		TNI (%)	Number of foreign affiliates	Number of host countries
			Foreign	Total	Foreign	Total	Foreign	Total			
1	América Móvil	Telecommunications	47,189 <sup>(b)</sup>	73,477	32,475	47,306	103,887	194,193	62	36	25
2	CEMEX	Non-metallic Minerals	25,666	29,086	10,627	13,226	30,604	41,853	81	42	30
3	Grupo México	Mining	11,700 <sup>(b)</sup>	22,661	4,874	8,174	6,932	30,657	45	4	3
4	Grupo FEMSA	Beverages	11,404 <sup>(b)</sup>	26,462	7,079	19,375	65,779	236,916	36	10	10
5	Grupo BIMBO	Food Products	9,544	11,890	8,233	12,228	63,000 <sup>(b)</sup>	130,913	65	30	22
6	Grupo ALFA	Diversified	8,584	16,905	7,983	14,248	26,500 <sup>(b)</sup>	81,084	46	37	27
7	Mexichem	Chemical & Petrochemicals	6,428 <sup>(b)</sup>	8,806	4,254	5,349	15,118	18,897	78	52	39
8	ARCA-Continental	Beverages	3,836	6,738	1,713	4,543	12,000 <sup>(b)</sup>	45,484	40	16	5
9	PEMEX	Oil & Gas	2,058 <sup>(d)</sup>	112,995	812	52,356	1,700	130,333	2	1	1
10	GRUMA	Food Products	1,908	2,733	2,466 <sup>(c)</sup>	3,308	11,929	19,933	68	29	19
11	Cementos Chihuahua	Non-metallic Minerals	1,419	1,877	500	679	na	3,036	(75)	6	1
12	Grupo Vitro	Non-metallic Minerals	810 <sup>(b)</sup>	2,203	412	962	1,602	11,407	31	4	3
13	Industrias CH	Steel & Metal Products	726	2,376	596 <sup>(c)</sup>	1,491	1,346	4,965	33	8	4
14	XIGNUX	Diversified	718 <sup>(b)</sup>	1,792	819 <sup>(c)</sup>	1,904	na	20,021	(42)	6	6
15	Grupo ELEKTRA	Retail Trade	638 <sup>(b)(e)</sup>	10,632	1,092	3,940	14,785	64,937	19	6	6
16	Grupo CARSO	Diversified	485 <sup>(b)</sup>	5,313	858	4,616	na	74,517	(14)	28	16
17	Elementia	Copper & Plastic Pipes, Electric Conduits	485 <sup>(b)</sup>	2,607	424	926	2,601	6,745	34	9	7

18	ALSEA	Food Products	464	1,853	762	1,828	22,896	67,340	34	17	5
19	Bachoco	Food Products	436	2,187	652	2,523	3,385	25,725	20	2	1
20	Casa Cuervo	Beverages	339 <sup>(b)</sup>	2,216	935 <sup>(c)</sup>	1,183	539	5,721	35	5	2
Total (average for the TNI percentage)			134,837	344,808	87,565	200,164	384,603	1,214,677	43	348	

**Source:** Basave and Gutiérrez- Haces, company reports and websites

<sup>10</sup>The exchange rate used is the IMF rate of December 30, 2016: US\$ 1 = Pesos 20.6194.

<sup>b</sup> Estimated.

<sup>c</sup> Exports are included.

<sup>d</sup> Represents 50% of the joint venture with Shell Oil Co. in Deer Park Refining Ltd. of Texas.

<sup>e</sup> Financial assets are excluded.

<sup>f</sup> The TNI is calculated as the average of the following three ratios: foreign assets to the total assets, foreign sales to the total sales and foreign employment to full employment. It is expressed as a percentage (ie, "41" rather than "0.41"). When the TNI appears in parentheses, it has been calculated without the employment data.

**Annex I, Table 1a. México: Key variables for runners-up, 2016** (US\$ million and number of employees)

Rank	Name	Industry	Assets		Sales		Employment TNI		TNI (%)	Number of foreign affiliates	Number of host countries
			Foreign	Total	Foreign	Total	Foreign	Total			
1	Altos Hornos de México	Steel & metal products	300 <sup>(b)</sup>	3,085	353 <sup>(c)</sup>	2,353	na	19,348	(12)	7	3
2	Grupo Industrial Saltillo	Diversified	252 <sup>(b)</sup>	1,286	395 <sup>(c)</sup>	706	1,565	8,004	32	20	6
3	KUO	Diversified	230 <sup>(b)</sup>	1,438	458 <sup>(c)</sup>	1,048	na	19,660	(30)	8	5
4	Rassini	Auto parts	217 <sup>(b)</sup>	724	583 <sup>(c)</sup>	792	1,177	6,528	41	5	2
5	Accel	Food products	161	236	294	334	400	3,580	56	2	1
6	Bio Pappel	Paper & paper products	138	1,333	165	1,060	289	10,822	10	2	2
7	Interceramic	Non-metallic minerals	129	383	133	446	639	4,874	25	3	2
8	ICA	Engineering & construction services	105	5,419	13	989	na	14,572	(2)	6	3
9	Tv Azteca	Telecommunications	64 <sup>(b)</sup>	1,822	142	689	na	6,011	(12)	9	6
Total (average for the TNI percentage)			1,596	15,727	2,536	8,418	4,070	93,399	24	62	

**Source:** Basave and Gutiérrez-Haces,; company reports and websites.

<sup>a</sup> The exchange rate used is the IMF rate of December 30, 2016: US\$ 1= Pesos 20.6194.

<sup>b</sup> Estimated.

<sup>c</sup> Exports are included.

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

**Annex I, Table 2. Mexico: The top 20 multinationals: Regionality Index, 2016** (percentages, except for the last column)

Company	Middle East & North Africa	East Asia & the Pacific	South Asia	Developed Asia Pacific	East Europe & Central	Other Europe	Latin American & the Caribbean	North America	Number of foreign affiliates
América Móvil					2	6	86	6	36
CEMEX	7	7	5		12	31	31	7	42
Grupo México						25	25	50	4
Grupo FEMSA				10			90		10
Grupo BIMBO		3				10	47	40	30
Grupo ALFA		3			22	27	24	24	37
Mexichem		6			23	35	23	13	52
ARCA-Continental						6	69	25	16
PEMEX								100	1
GRUMA		3	3	3	11	14	28	38	29
Cementos Chihuahua								100	6
Grupo Vitro							25	75	4
Industria CH							37	63	8
XIGNUX							83	17	6
Grupo ELEKTRA							83	17	6
Grupo CARSO						4	92	4	28
Elementia							78	22	9
ALSEA						35	65		17
Bachoco								100	2
Casa Cuervo						20		80	5

**Source:** Basave and Gutiérrez-Haces, consolidated company reports and websites

**Annex I, Table 3. Mexico: The top 20 multinationals: Stock exchange listings, 2016**

<b>Company</b>	<b>Domestic</b>	<b>Foreign</b>
América Móvil	Mexican Stock Exchange	New York Stock Exchange; Latibex in the Madrid Stock Exchange
CEMEX	Mexican Stock Exchange	New York Stock Exchange
Grupo México	Mexican Stock Exchange	None
Grupo FEMSA	Mexican Stock Exchange	New York Stock Exchange
Grupo BIMBO	Mexican Stock Exchange	None
Grupo ALFA	Mexican Stock Exchange	Latibex in the Madrid Stock Exchange
Mexichem	Mexican Stock Exchange	None
ARCA-Continental	Mexican Stock Exchange	None
PEMEX	None	None
GRUMA	Mexican Stock Exchange	New York Stock Exchange
Cementos Chihuahua	Mexican Stock Exchange	None
Grupo VITRO	Mexican Stock Exchange	None
Industrias CH	Mexican Stock Exchange	None
XIGNUX	None	None
Grupo ELEKTRA	Mexican Stock Exchange	Latibex in the Madrid Stock Exchange
Grupo Carso	Mexican Stock Exchange	None
Elementia	Mexican Stock Exchange	None
ALSEA	Mexican Stock Exchange	None
Bachoco	Mexican Stock Exchange	New York Stock Exchange
Casa Cuervo	Mexican Stock Exchange	None

**Source:** Basave and Gutiérrez-Haces, consolidated company reports and websites

**Annex I, Table 4. Mexico: Top 10 outward M&A transactions, 2014-2016 (US\$ million)**

<b>Date</b>	<b>Acquirer's name</b>	<b>Target company</b>	<b>Target Industry</b>	<b>Target country</b>	<b>%of shares acquired</b>	<b>Value of transaction</b>
05/2014	BIMBO	Canada Bread	Food	Canada	100	1,370
12/2016	FEMSA	Vonpar	Beverages	Brazil	100	1,029
09/2015	ARCA-Continental	Corp. Lindley	Beverages	Peru	50	892
07/2014	América Móvil	Telecom Austria A.G.	Telecommunications	Austria	23	881
07/2016	VITRO	PPG Industries	Non-metallic minerals	USA	100	750
11/2016	Elementia	Giant Cement Holding Inc	Non-metallic minerals	USA	100	525
06/2015	Grupo Carso	Realia Business	Real Estate	Spain	25	457
09/2015	FEMSA	Grupo Sofocar	Pharmaceutical	Chile	100	452
06/2015	Casa Cuervo	Bushmills	Beverages	UK	100	408
06/2015	Grupo ALFA	Campofrio Food Group	Food	Spain	37	354
<b>Total</b>						<b>7,118</b>

**Source:** Basave J. and Gutiérrez-Haces T., consolidated company reports and websites



**Annex I, Table 4a Mexico: Top 10 outward M&A transactions, 2016** (US\$ million)

Date	Acquiror's name	Target company	Target Industry	Target country	% of shares acquired	Value of transaction
12/2016	FEMSA	Vonpar	Beverages	Brazil	100	1,029
07/2016	VITRO	PPG Industries	Non-metallic Minerals	USA	100	750
11/2016	Elementia	Giant Cement Holding Inc	Non-metallic Minerals	USA	100	525
12/2016	VITRO	PGW	Non-metallic Minerals	USA	100	310
06/2016	Cementos Chihuahua	Cement plants from CEMEX	Non-metallic Minerals	USA	100	306
12/2016	Grupo Industrial de Saltillo	Grupo Infun	Auto Parts	Spain-Italy-China	100	296
07/2016	BIMBO	Panrico	Food	Spain	25	260
06/2016	LALA	Laguna Dairy	Food	USA	100	246
05/2016	América Móvil	Tracfone Wireless	Telecommunications	USA	100	125
05/2016	América Móvil	Olo del Peru SAC	Telecommunications	Peru	100	102
<b>Total</b>						<b>3,949</b>

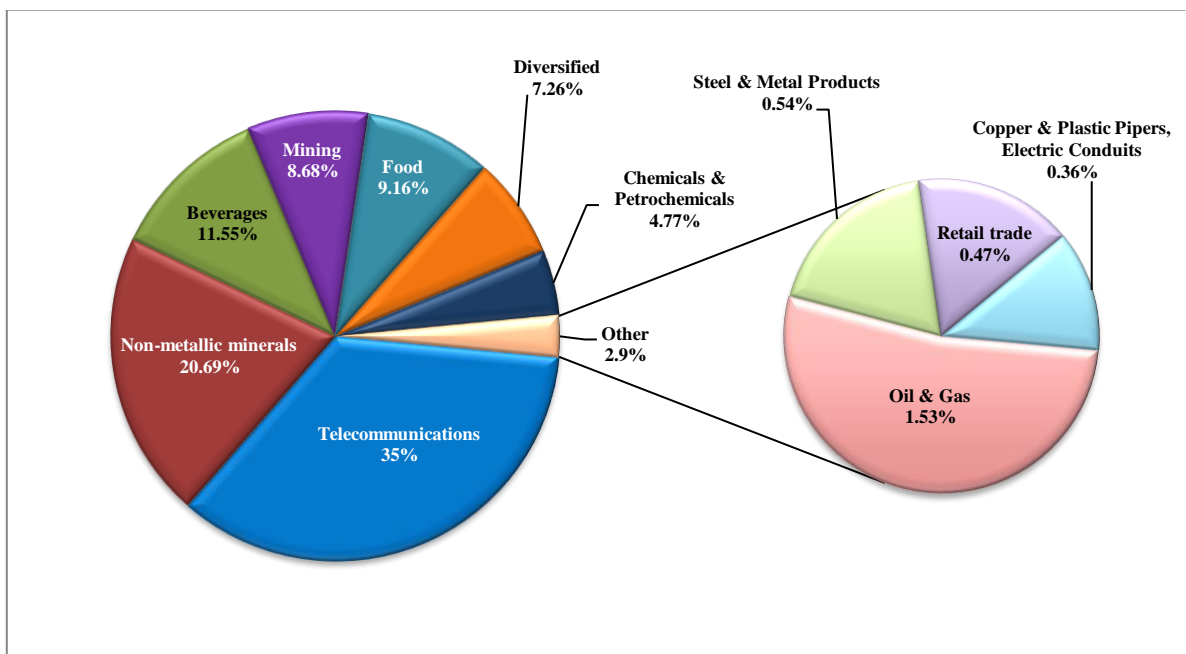
**Source:** Basave J. and Gutiérrez-Haces T., consolidated company reports and websites

**Annex I, Table 5. Mexico: Top 10 outward greenfield transactions announced, 2014-2016 (US\$ million)**

<b>Date</b>	<b>Company</b>	<b>Destination</b>	<b>Industry</b>	<b>Value of transaction</b>
07/2014	CEMEX	France	Construction	1,223.0
06/2016	América Móvil	Brazil	ICT & internet infrastructure	914.0
01/2014	América Móvil	Brazil	Communications	532.3
06/2015	Grupo Posadas	United States	Tourism	360.0
10/2014	CEMEX	Dominican Republic	Energy	253.1
08/2014	América Móvil	Puerto Rico	ICT & electronics	220.6
10/2015	América Móvil	Nicaragua	ICT & internet infrastructure	220.6
09/2015	Arca-Continental	Peru	Beverages	200.0
06/2016	CEMEX	France	Non-metallic minerals	115.0
06/2016	FEMSA	Chile	Beverages	59.7
<b>Total</b>		<b>4,098.3</b>		

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

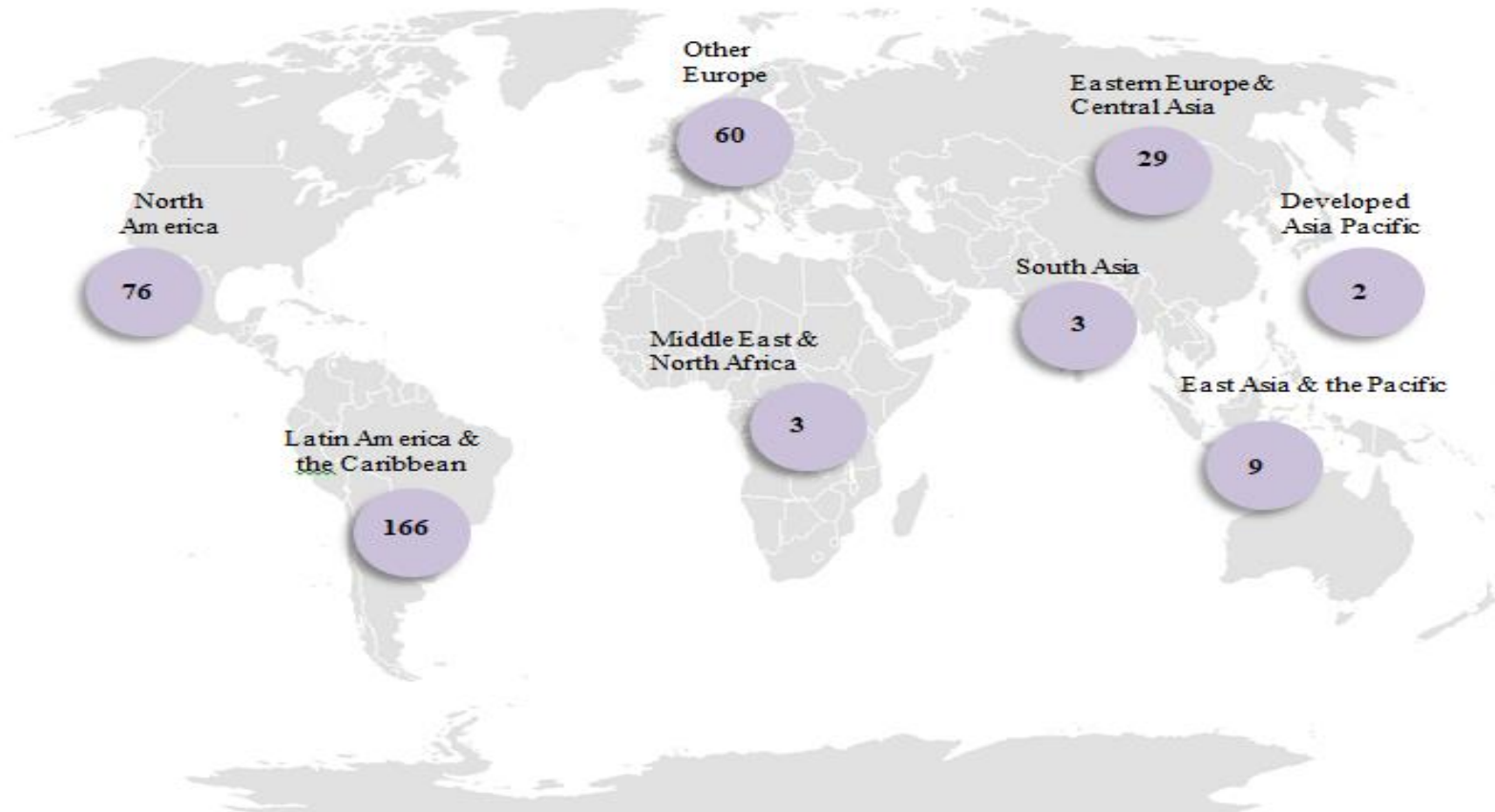
**Annex I, Figure 1. Mexico: Breakdown of the foreign assets of the top 20 multinationals, by main industry, 2016 (percentages)**



Industry	Foreign (US\$ million)	Number of companies	Companies
Telecommunications	47,189	1	América Móvil
Non-metallic minerals	27,895	3	CEMEX, Cementos Chihuahua and Grupo Vitro
Beverages	15,579	3	Grupo FEMSA, ARCA-Continental and Casa Cuervo
Food	12,352	4	Grupo BIMBO, GRUMA, Bachoco and ALSEA
Mining	11,700	1	Grupo Mexico.
Diversified	9,787	3	Grupo ALFA, XIGNUX and Grupo CARSO
Chemical & petrochemicals	6,428	1	Mexichem
Oil & gas	2,058	1	PEMEX
Steel & metal products	726	1	Industrias CH
Retail trade	638	1	Grupo ELEKTRA
Copper & plastic pipes, electric conduits	458	1	Elementia
<b>Total</b>	<b>134,837</b>	<b>20</b>	

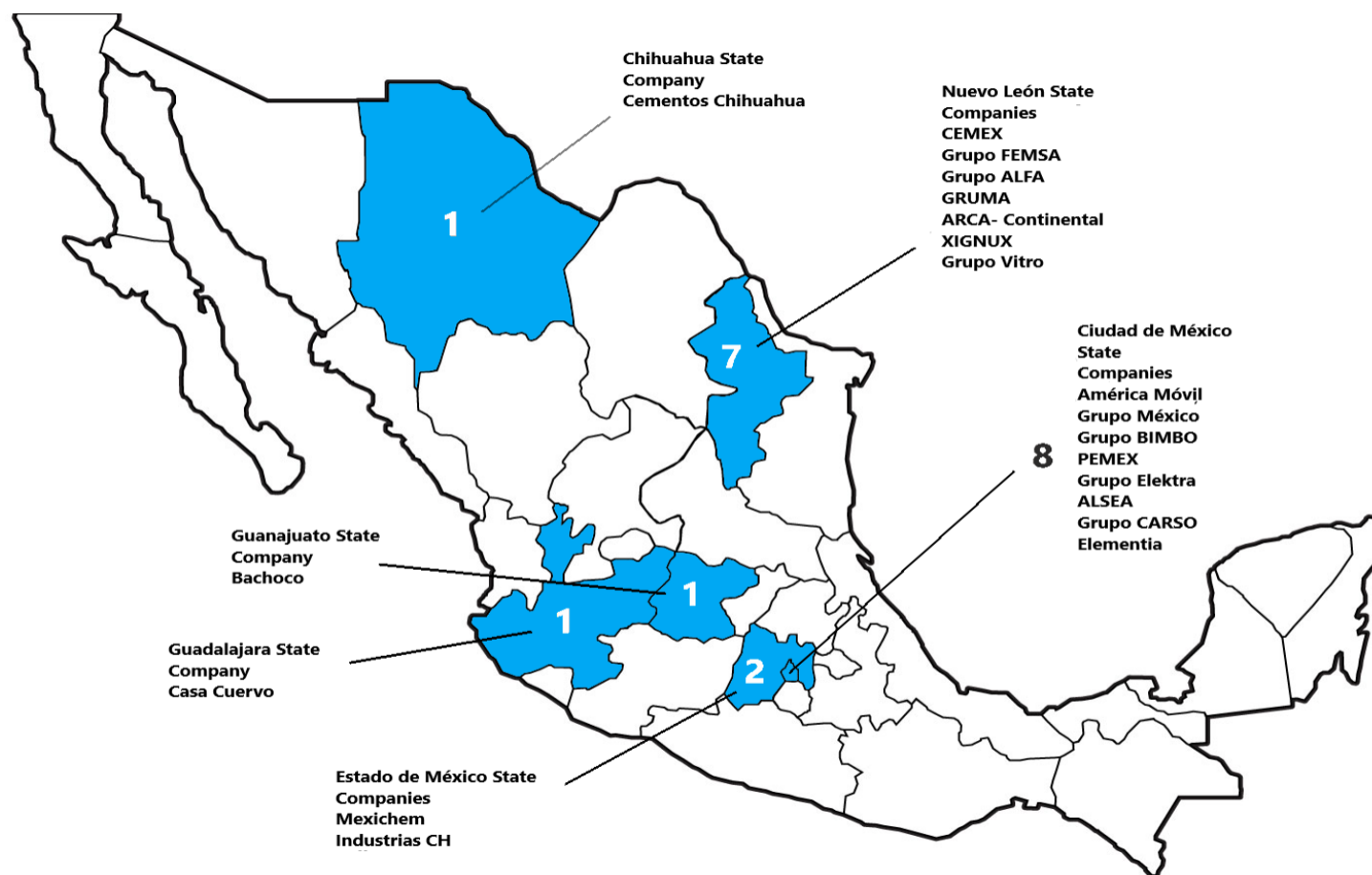
**Source:** Basave and Gutiérrez Haces, Survey of Mexican multinationals, 2018, IIEc-CCSI, and consolidated company reports and websites.

**Annex I, Figure 2. Mexico: Foreign affiliates of the top 20 multinationals, by region 2016**



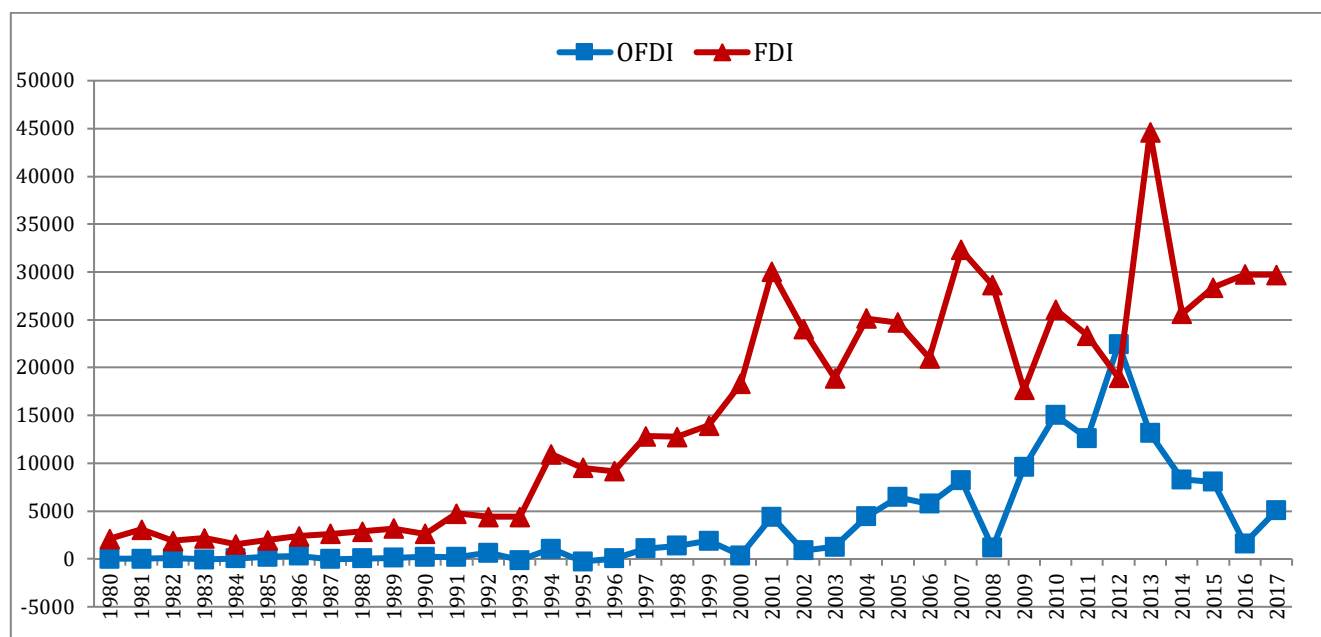
*Source:* Basave and Gutiérrez- Haces. Survey of Mexican multinationals, 2018, IIEC -CCSI, and consolidated company reports and websites

**Annex I, Figure 3. Mexico: Headquarter locations of the top 20 multinationals, 2016**



*Source:* Basave and Gutiérrez- Haces. Survey of Mexican multinationals, 2018 , IIEc -CCSI, and consolidated company reports and websites

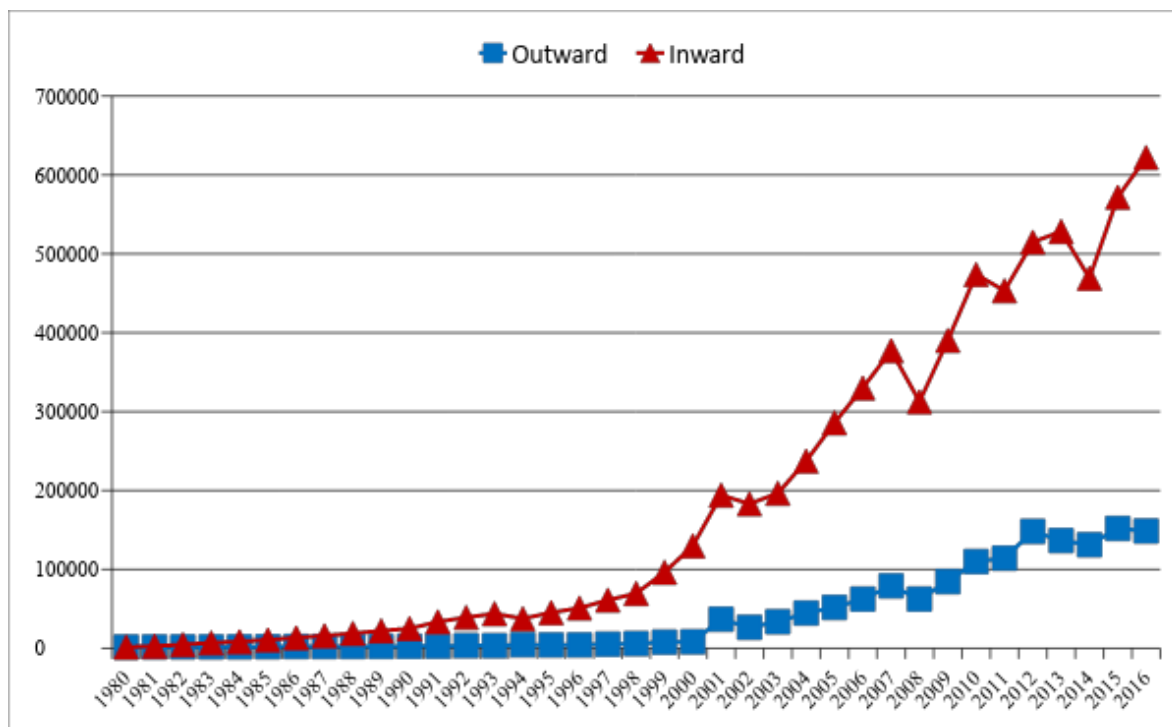
**Annex I, Figure 4. Mexico: Inward and outward FDI flows, 1980-2017 (US\$ million)**



**Note:** From 1980 to 2013 the information was taken from the United Nations Conference on Trade and Development (UNCTAD), FDI STAT On-line database, (Geneva: United Nations Conference on Trade and Development), <http://unctadstat.unctad.org>. From 2013 to 2017, the authors have preferred to use the database published by the Bank of Mexico, considering that it reflects more accurately the macroeconomic situation in Mexico.

The balance of payments data of the Bank of Mexico incorporates revisions of figures of some lines of this balance. Such adjustments are originated by continuous incorporation and processing of additional information to the statistics. The main revisions relate to figures on direct investment, profits, net acquisition of portfolio assets and net liabilities of other commercial banking investment. UNCTAD does not similarly conduct these revisions.

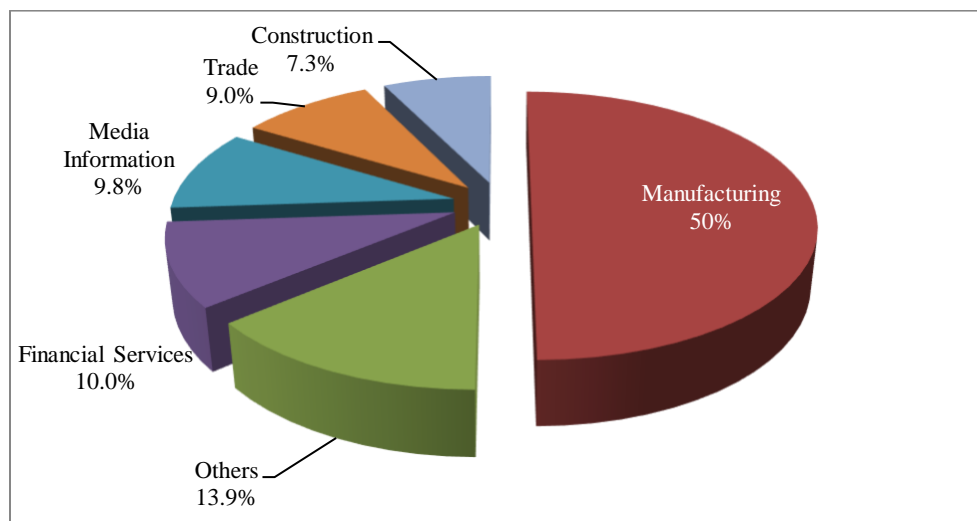
**Annex I, Figure 5. Mexico: Inward and Outward FDI stock, 1980-2016 (US\$ million)**



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

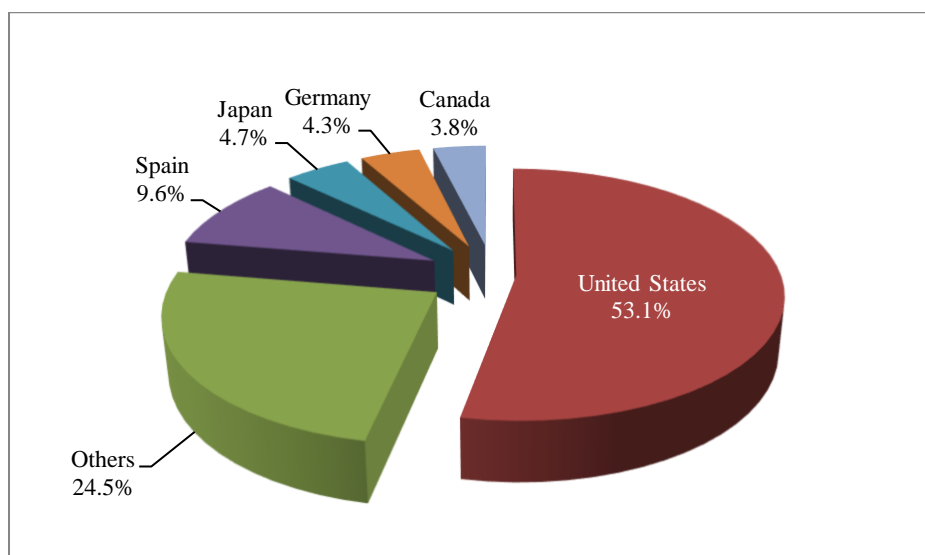
**Note:** Until June 2018, UNCTAD STATE had not published the data corresponding to 2017, for this reason, the present graph only covers up through 2016.

**Annex I, Figure 6. Foreign Investment in México by economic sector (2015)**



Source: Banco de México, *La balanza de pagos 2015*, [en línea] pág. 7, URL: <http://www.banxico.org.mx/informacion-para-la-prensa/comunicados/sector-externo/balanza-de-pagos/%7B95C91B3E-E6F1-9E5E-7A9D-7C04A5ADD53C%7D.pdf>

**Annex I. Figure 7. Foreign Investment in Mexico by country (2015)**



Source: Banco de México, *La balanza de pagos 2015*, [en línea] pág. 7, URL: <http://www.banxico.org.mx/informacion-para-la-prensa/comunicados/sector-externo/balanza-de-pagos/%7B95C91B3E-E6F1-9E5E-7A9D-7C04A5ADD53C%7D.pdf>



## **Annex II. Snapshots of the ranked MNEs**

The section below, provides brief pictures of the top 20 firms in our ranking, offering a glimpse of their activities and recent developments. Notably, during the analyzed period, the Mexican companies faced an atypical situation that unquestionably affected their international operations. The political changes associated with the election of President Trump, and the complex issues relating to the renegotiation of the North American Free Trade Agreement (NAFTA), were two factors relevant to the international strategies of many Mexican MNEs in 2016 and after.<sup>7</sup>

### **América Móvil<sup>8</sup>**

As in 2015, América Móvil held first place in the ranking in 2016. However, its foreign assets dropped significantly from roughly US\$55 billion in 2015 to approximately US\$47 billion in 2016.

According to the company, factors impacting its performance during the year were regulatory measures adopted in Mexico and the depreciation of the Mexican peso against the US dollar, Euro, Brazilian real and Colombian peso.<sup>9</sup>

Within the context of the renegotiation of NAFTA, the United States had proposed adding rules that would directly affect América Móvil by, for example, integrating Mexican telecommunications reform into the treaty, including a clause that prevents América Móvil from charging its rivals, such as the American AT&T for ending calls in its network.<sup>10</sup>

### **CEMEX<sup>11</sup>**

CEMEX remained in the second position in 2016, though its foreign assets fell from roughly US\$27 billion in 2015 to US\$25.7 billion in 2016.

On March 10, 2016, CEMEX announced that CEMEX Holding Philippines, Inc., a wholly-owned subsidiary of CEMEX, requested approval from Philippine authorities to potentially sell its minority interests in assets in that country. On that same date, CEMEX announced divestments from its operations in Bangladesh and Thailand

Subsequently, on May 2, 2016, CEMEX reported that it sold certain assets in the United States to Grupo Cementos Chihuahua SAB de CV for US\$400 million.<sup>12</sup> On November 18,

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<sup>7</sup> See, for example, Aristegui, “Empresarios de México y EU se reúnen para analizar TLCAN”, URL: <https://aristeginoticias.com/0712/mexico/empresarios-de-mexico-y-eu-se-reunen-para-analizar-tlcan/>

<sup>8</sup> América Móvil “Reporte Anual 2016”, URL: <http://www.americamovil.com/sites/default/files/2017-04/reporte-annual-2016.pdf>

<sup>9</sup> América Móvil “Reporte Anual 2016”, URL: <http://www.americamovil.com/sites/default/files/2017-04/reporte-annual-2016.pdf>, at 21.

<sup>10</sup> Expansión, “EU quiere en el TLCAN reglas que afectan a América Móvil , y México las rechaza, URL: <https://expansion.mx/economia/2017/11/27/eu-quiere-en-el-tlcan-reglas-que-afectan-a-america-movil-y-mexico-las-rechaza>

<sup>11</sup> CEMEX, “Reporte Integrado 2016, URL: [http://www2.cemex.com/CEMEX\\_IR2016/ESP/index.html](http://www2.cemex.com/CEMEX_IR2016/ESP/index.html)

<sup>12</sup> Bolsa Mexicana de Valores, URL: [http://www.bmv.com.mx/docs-pub/eventore/eventore\\_667082\\_1.pdf](http://www.bmv.com.mx/docs-pub/eventore/eventore_667082_1.pdf)

2016, the company also announced that it had closed the sale of part of its assets in the United States to Grupo Cementos Chihuahua, specifically the CEMEX cement plant in Odessa, Texas; as well as two cement terminals and the construction materials business in El Paso, Texas and Las Cruces, New Mexico. Also in the fall of 2016, CEMEX announced the sale of a cement plant and a cement terminal in Ohio to Eagle Materials Inc. for US\$400 million.<sup>13</sup>

### **Grupo México<sup>14</sup>**

Grupo Mexico rose one position to third in the 2016 ranking. Its foreign assets, however, dropped slightly, falling from nearly US\$11,862 million in 2015 to US\$11,700 million in 2016.

On October 26, 2016, Ferromex, one of the group's companies and the most important transportation company in Mexico, announced that it would invest 2,340 million pesos for the construction of a railway bypass in Celaya, Guanajuato.

Grupo México also intends to increase its participation in the oil sector through the construction of new terminals, one of them for the use of the American refiner Valero Energy. The terminals could be located in the cities of Torreón, Chihuahua, Mazatlán, Manzanillo and Guadalajara.<sup>15</sup>

Between the end of 2016 and the beginning of 2017, Grupo Mexico acquired Florida East Coast Railway, the largest regional rail operator in the United States, for which it paid US\$2.1 billion.<sup>16</sup>

As a result of the energy reform in Mexico, Grupo Mexico is building an energy company near its mining company, Cananea del Cobre, and has expressed interest in venturing into gas exploitation, since its mines have large reserves; in fact, the company already has its own Texas-La Caridad gas pipeline in Sonora. PEMSA, the drilling company of Grupo México, has seven platforms for the exploitation of shallow and onshore waters.<sup>17</sup>

### **Grupo FEMSA<sup>18</sup>**

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<sup>13</sup> Bolsa Mexicana de Valores, URL: [http://www.bmv.com.mx/docs-pub/eventore/eventore\\_696167\\_1.pdf](http://www.bmv.com.mx/docs-pub/eventore/eventore_696167_1.pdf)

<sup>14</sup> Grupo México, Informe Anual BMV 2016", URL: [http://www.gmexico.com/site/images/documentos/Informe%20Anual%20GM%202016%20\(Abr%2028%202017\).pdf](http://www.gmexico.com/site/images/documentos/Informe%20Anual%20GM%202016%20(Abr%2028%202017).pdf)

<sup>15</sup> Mundo Ejecutivo. Empresas y Empresarios, "Grupo México busca construir tres terminales petroleras", URL: <http://mundoejecutivo.com.mx/economia-negocios/2017/08/09/grupo-mexico-busca-construir-tres-terminles-petroleras>

<sup>16</sup> El Universal, "Larrea, Ferromex y el TLCAN", url: <http://www.eluniversal.com.mx/columna/mario-maldonado/cartera/larrea-ferromex-y-el-tlcan>

<sup>17</sup> SIPSE, "Grupo México: una empresa para cada iniciativa de Peña Nieto", URL: <https://sipse.com/opinion/grupo-mexico-una-empresa-para-cada-iniciativa-de-pena-nieto-45203.html>

<sup>18</sup> Femsa, "Informe Anual", URL: <http://www.femsa.com/es/femsa-informa/informe-anual-femsa-2016/>

Grupo FEMSA fell one position as compared to 2015, as its foreign assets declined from US\$12,188 million in 2015 to US\$11,404 million in 2016.

In 2016, FEMSA opened 1,164 new OXXO stores, including 19 in Colombia, and acquired Big John, a well-known chain in Chile that operates 49 convenience stores. Within its fuel division, FEMSA opened 75 new service stations.<sup>19</sup>

The Fitch Ratings agency, warned that sales and profitability of retail chain stores such as FEMSA could be negatively affected if the Mexican economy slows as a result of cancellation of NAFTA. Fitch noted that, of the Mexican retailers that Fitch reviewed, FEMSA was “the most vulnerable given its level of delinquency, which registered during 2016, 11.2%.”<sup>20</sup>

In 2018, Eduardo Padilla, corporate director of FEMSA, indicated that factors such as inflation, the federal and state elections in Mexico and uncertain fate of NAFTA would weigh on consumption and, therefore, moderate further expansion.<sup>21</sup>

### **Grupo BIMBO<sup>22</sup>**

In contrast to the top four firms, Grupo BIMBO maintained its spot (5<sup>th</sup>), and even increased its foreign assets, expanding from US\$9,080 million of foreign assets in 2015 to US\$9,544 million in 2016.

One development in 2016 was the company’s acquisition, through its subsidiary Bakery Iberian Investment SLU, of 100% of the shares of Panrico, SAU, (Bakery Donuts Iberia) for 190 million Euros. The bread brands of Panrico, as well as other assets for bread and its derivatives in Spain, Portugal and Andorra, were sold simultaneously, together with the plants of Gulpilhares (Portugal) and Teror (Canary Islands) to Adam Foods SL Donuts Iberia, a leading company in the baking industry in Spain and Portugal. The acquisition includes leading brands such as Donuts®, Bollycao®, La Bella Easo® and Donettes®.

### **Grupo ALFA<sup>23</sup>**

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<sup>19</sup> FEMSA, “Informe Anual 2016”, URL:

[http://www.femsa.com/sites/default/files/Informe\\_Anual\\_FEMSA\\_2016.pdf](http://www.femsa.com/sites/default/files/Informe_Anual_FEMSA_2016.pdf)

<sup>20</sup> Vanguardia, “Femsa, Grupo Elektra y Liverpool y demás tiendas minoristas, en riesgo si se suspende TLCAN”, URL: <https://www.vanguardia.com.mx/articulo/femsa-grupo-elektra-liverpool-y-demas-tiendas-minoristas-en-riesgo-si-se-suspende-el-tlcan>

<sup>21</sup> El Economista, “FEMSA moderaría sus expansión en 2018”, URL:

<https://www.eleconomista.com.mx/empresas/FEMSA-moderaria-su-expansion-en-2018-20171027-0086.html>

<sup>22</sup> Grupo Bimbo, “Reporte Anual Integrado 2016”, URL:

[https://www.grupobimbo.com/sites/default/files/2016\\_informe%20COMPLETO%20ESPANOL.pdf](https://www.grupobimbo.com/sites/default/files/2016_informe%20COMPLETO%20ESPANOL.pdf)

<sup>23</sup> Grupo Alfa, “Informe Anual 2016”, URL: <http://informe.alfa.com.mx/ia/2016/assets/pdf/Alfa-2016-es.pdf>

Alfa Group remained in the sixth position and, like Grupo BIMBA, saw a considerable increase in its foreign assets, which grew from US\$7,888 million in 2015 to US\$8,584 million in 2016.

Some important developments in 2016 were the following:

- In February 2016, Onexa (a Grupo ALFA company and the parent company of Alestra) merged with Axtel, resulting in Axtel becoming a subsidiary of Grupo ALFA. The merger enabled the two companies to combine their competitive advantages, including qualified human capital, new technologies and broad services infrastructure to meet growing market demand.
- On November 1, 2016, Nemak, another ALFA subsidiary, acquired all of the shares representing the capital stock of Cevher Döküm Sanayii A.S (Cevher), a company that produces aluminum castings for the manufacture of automotive components. The acquired entity operates a production plant in Turkey and a trading company.
- In December 2016, ALFA, through its subsidiary Alpek, signed a share purchase agreement with Petróleo Brasileiro, SA (Petrobras) for the acquisition (subject to further approvals) of its stake in Company Petroquímica de Pernambuco (Petroquímica Suape) and Company Integrated Textile de Pernambuco (Citepe).

Grupo ALFA's close relationship with the United States is one that presents both threats and opportunities. For instance, in 2016, 60% of the sales volume of Nemak, the ALFA subsidiary that contributes the most cash flow to the group, comes from sales to Ford, General Motors and Fiat Chrysler. While the market is crucial, it renders the company vulnerable to fluctuations in exchange rates, commodity prices,<sup>24</sup> and legal and economic consequences of new Rules of Origin and other provisions agreed to in the renegotiated NAFTA. In light of such issues, Grupo Alfa announced a change of its international strategy, in which South America would become an important focus for investment by the group.<sup>25</sup>

## **Mexichem<sup>26</sup>**

Mexichem stayed in seventh position, as in 2015. Yet it considerably increased its foreign assets, expanding from US\$4,504 million in 2015 to US\$6,428 million in 2016.

On December 31, 2016, Mexichem and Occidental Chemical Corporation (OxyChem) formalized a joint venture with equal participation, Ingleside Ethylene LCC, to build an ethylene cracker with capacity to produce 1.2 billion pounds (550 thousand tons) of ethylene

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<sup>24</sup> Expansión, "Las historias de #Expansión500: cómo ALFA resistió ante Trump", URL:

<https://expansion.mx/empresas/2017/07/14/las-historias-de-500-como-alfa-resistio-ante-trump>

<sup>25</sup> La Empresa, "El efecto TLCAN en ALFA: el grupo ahora acelera expansión en Sudamérica", URL:

<http://www.lapoliticaonline.com.mx/nota/101867/>

<sup>26</sup> Mexichem. "Informe Anual 2016", URL: <http://www.mexichem.com/wp-content/uploads/2017/04/infoanua.pdf>

per year. This joint venture is located at the OxyChem facilities in Ingleside, Texas, and involves a pipeline and storage system elsewhere in Texas.<sup>27</sup>

Mexichem notably operates what is currently the world's largest fluorite mine, capable of producing approximately 1.23 million tons of fluorite each year. With that and other concessions, its global market share was roughly 17% in 2016.<sup>28</sup>

### **ARCA-Continental**

The ARCA-Continental company also remained in the same position as it had in the 2015 EMGP report, though its foreign assets fell from US\$4,283 million dollars in 2015 to US\$3,836 million in 2016. In 2016, notable transactions were:

- On April 5, the company, through its subsidiary Salta Refrescos, SA (SRSA), signed a Transfer Agreement in order to acquire certain assets to process sugarcane. The primary objective of the acquisition is to ensure reliable sources of basic raw materials for production of its products.
- The company AC Other Businesses, S. A. de CV, a subsidiary of ARCA-Continental, entered into a contract to acquire 100% of the shares of Norco Company Incorporated, S.A.C. (Norco), holding 100% of the shares of Vendsac and Vendtech S.A.C., companies focused on the commercialization of mass consumption products such as coffee, cookies, chocolates, etc., through vending machines. This acquisition was made at an approximate price of Ps 1,010,347.<sup>29</sup>
- In April 2016, ARCA-Continental finalized a transaction with The Coca-Cola Company to become Coca-Cola's exclusive bottler in parts of the United States, expanding its market reach in the country.<sup>30</sup>

### **PEMEX<sup>31</sup>**

PEMEX remained in ninth position in 2016; however, it saw a notable increase in its foreign assets, which increased from US\$1,928 million in 2015 to US\$2,058 million in 2016.

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<sup>27</sup> Mexichem, "Mexichem y Oxychem anuncian el acuerdo para la construcción conjunta de un Cracker de Etileno en Texas", URL: <https://www.mexichem.com/news-detail/mexichem-y-oxychem-anuncian-el-acuerdo-para-la-construccion-conjunta-de-un-cracker-de-etileno-en-texas/>

<sup>28</sup> Oportines, "Con Mexichem, México aporta 74% de las importaciones de fluorita en EE.UU", url: <https://www.oportines.com/comercio/con-mexichem-mexico-aporta-74-de-las-importaciones-de-fluorita-de-ee-uu/#>

<sup>29</sup> Arca Continental, "Informe Anual 2016", URL: <http://www.arcacontal.com/media/223048/informeanual2016acesp.pdf>

<sup>30</sup> Vanguardia, "Inversiones en EU gozan de fortalezas pese a amenazas de Trump", URL: <https://www.vanguardia.com.mx/articulo/inversiones-en-eu-gozan-de-fortaleza-pese-amenazas-de-trump>

<sup>31</sup> PEMEX, Informe Anual 2016", URL: [http://www.pemex.com/acerca/informes\\_publicaciones/Documents/Informe-Anual/Informe\\_Anual\\_2016.pdf](http://www.pemex.com/acerca/informes_publicaciones/Documents/Informe-Anual/Informe_Anual_2016.pdf)

An important scandal for PEMEX during 2016 arose out of its partnership with Braskem, a subsidiary of the Brazilian Odebrecht Company relating to a project for the sale of ethane by PEMEX to Braskem. When evaluating public accounts for 2016, the Mexican Superior Audit Office found issues in the terms and performance of the deal, for example, allegedly uneven fines for non-compliance with obligations and the construction of a special pipeline, below market prices for ethane, as well as a system of transport, that only benefited Braskem but for which PEMEX paid. Due to this situation, some estimated that PEMEX lost 2 billion pesos during 2016 alone.<sup>32</sup> The future of the underlying contract remains unclear.<sup>33</sup>

Regarding the shifts under President Trump, some analysts had projected at the end of 2016 that core Trump initiatives like the renegotiation of NAFTA would not affect PEMEX because a significant number of refineries in the United States were almost exclusively built for processing Mexican oil, Mexico imports a majority of its gasoline and diesel consumed, primarily from the US, and, even if the US were to reduce or restrict purchase of Mexican oil, PEMEX could readily find other buyers.<sup>34</sup>

The figures below help illustrate the cross-border energy market between Mexico and the United States. They also show the concentration of activities in the border area between the two countries, both in terms of refining activities and interconnection of gas pipelines.

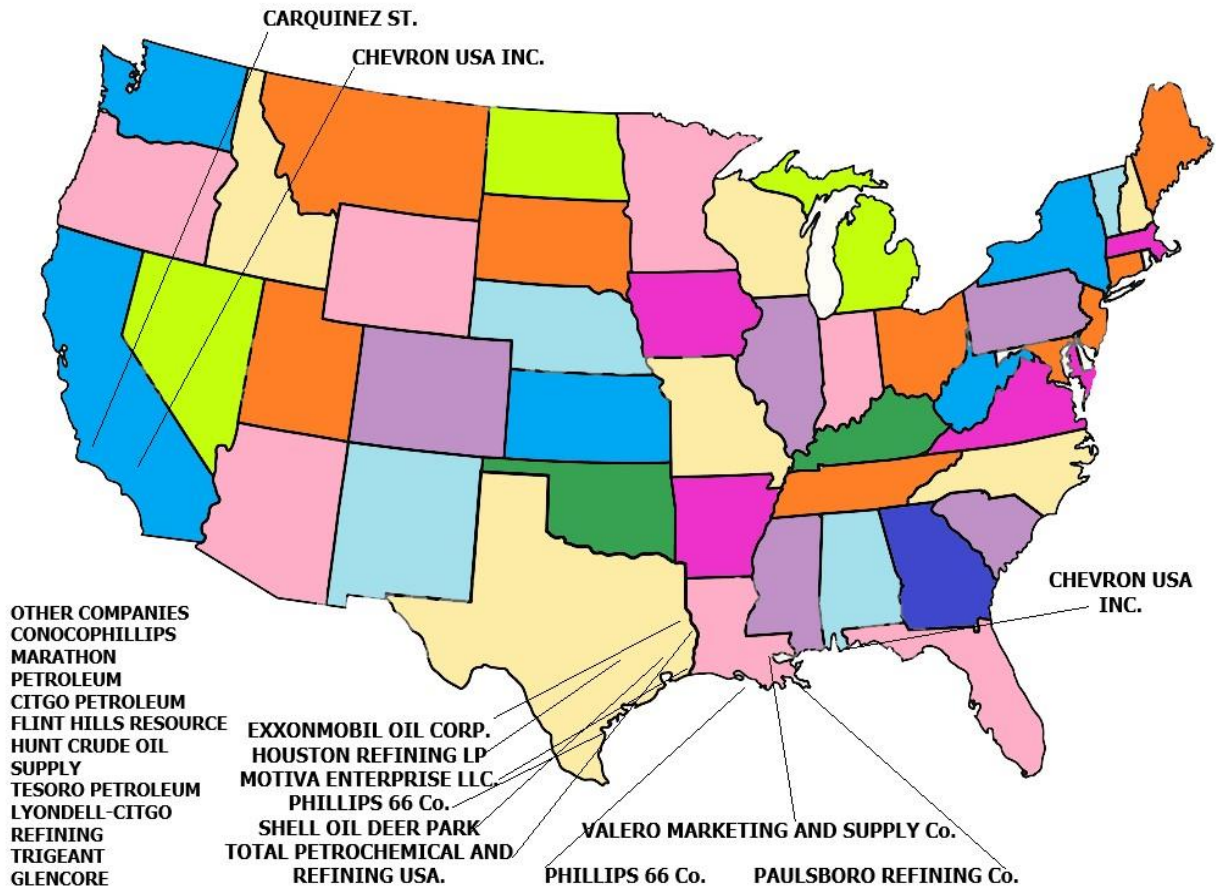
## **Annex II, Figure 1. Refineries that process Mexican oil in the United States.**

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<sup>32</sup> Proceso, “PEMEX perdió dos mil mdp por Odebrecht”, URL: <https://www.proceso.com.mx/525106/en-2016-pemex-perdio-dos-mil-mdp-por-odebrecht>

<sup>33</sup> Diego Oré, “UPDATE 1-Mexico’s next government faces bind in Pemex ethane deal”, Reuters, October 17, 2018, URL: <https://www.reuters.com/article/mexico-pemex-odebrecht/update-1-mexicos-next-government-faces-bind-in-pemex-ethane-deal-idUSL2N1WY047>.

<sup>34</sup> Moody’s Investors Service, Issuer In-Depth: Petroleos Mexicanos, December 2, 2016.



**Source:** Basave and Gutiérrez-Haces, with data of PEMEX, Informe Anual 2016, URL: [http://www.pemex.com/acerca/informes\\_publicaciones/Documents/Informe-Anual/Informe\\_anual\\_2016.pdf](http://www.pemex.com/acerca/informes_publicaciones/Documents/Informe-Anual/Informe_anual_2016.pdf)  
 El Universal, “Harvey pega a México en el sector energético”, [en línea], URL: <http://www.eluniversal.com.mx/mundo/harvey-peg-a-mexico-en-el-sector-energetico>  
 El Universal, “México pierde peso en envíos de crudo a EU”, [en línea], URL: <http://www.eluniversal.com.mx/articulo/cartera/economia/2017/06/22/mexico-pierde-peso-en-envios-de-crudo-eu>

## Annex II, Figure 2. Building a North America Energy Market: The US-Mexico Connection



Source: Stratfor data: URL <https://worldview.stratfor.com/article/mexico-builds-out-its-natural-gas-pipeline-network>

### GRUMA

The company GRUMA remained in tenth position, with an increase in its foreign assets from US\$1,857 million in 2015 to US\$1,908 million in 2016.

In 2016, sales in the United States accounted for 56% of total sales, illustrating the significance of the US market for the company.<sup>35</sup>

According to Fitch Ratings, GRUMA was expected to maintain positive growth trends over 2016 and 2017. Factors supporting that conclusion were demographic trends of the Hispanic community in the United States, and the growing popularity of GRUMA products among non-Hispanic consumers. Fitch also highlighted that because GRUMA produced products in the United States (having a presence in the United States for 40 years and owning more than 20 tortilla producing plants and 3 corn flour mills in the country) with corn and flour from

<sup>35</sup> Gruma, "Reporte anual 2016", URL: [https://www.gruma.com/media/670004/gruma\\_-\\_reporte\\_anual\\_2016.pdf](https://www.gruma.com/media/670004/gruma_-_reporte_anual_2016.pdf)



the US, and for consumption in the United States (only 3% of sales from the US facilities are exports), it was relatively insulated from heightened trade tariffs imposed by the US or its trading partners.<sup>36</sup> Additionally, GRUMA could potentially stand to benefit from Trump tax policies lowering the tax rate for companies that generate jobs and have plants in the United States.<sup>37</sup>

### **Cementos Chihuahua<sup>38</sup>**

The cement group, Cementos Chihuahua, demonstrated significant growth in 2016, rising from 14<sup>th</sup> position in 2015 to 11<sup>th</sup> in 2016. Its foreign assets grew exponentially, jumping from US\$592 million dollars in 2015 to US\$1,419 million in 2016. Notably, its acquisitions included purchase of some of CEMEX's assets in the United States, expanding Cementos Chihuahua's footprint in that country.

### **Grupo VITRO**

In 2016, VITRO Group, a company with 107 years' experience in the glass production industry, rejoined the list of the top 20 at position 12, with foreign assets totaling US\$810 million. The factors that contributed to this rise include: growth in demand for cosmetic packaging and fragrances; the increase in the sale of molds, machinery and equipment, and efforts to reduce costs and increase efficiency.<sup>39</sup> Key transactions in 2016 included ones that offering increased access to the North American, European, and Asian markets:

- On July 20, 2016, VITRO and PPG Inc. agreed to VITRO's purchase of PPG's flat glass manufacturing and glass coating operations, consisting of four production plants and an R&D center in the United States, and four distribution and fabrication facilities in Canada.<sup>40</sup>
- On December 18, 2016, VITRO entered into a definitive contract to acquire the Automotive Glass for Original Equipment business of Pittsburgh Glass Works LLC for US\$310 million. With this agreement, VITRO will acquire facilities in the United

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<sup>36</sup> Milenio, "Analistas afirman que efecto Trump no afectará a Gruma" URL: [http://www.milenio.com/negocios/gruma-donald\\_trump-elecciones\\_eu-fitch-beneficios\\_trump-tortillas-milenio\\_0\\_866313680.html](http://www.milenio.com/negocios/gruma-donald_trump-elecciones_eu-fitch-beneficios_trump-tortillas-milenio_0_866313680.html)

<sup>37</sup> Milenio, "Analistas afirman que efecto Trump no afectará a Gruma" URL: [http://www.milenio.com/negocios/gruma-donald\\_trump-elecciones\\_eu-fitch-beneficios\\_trump-tortillas-milenio\\_0\\_866313680.html](http://www.milenio.com/negocios/gruma-donald_trump-elecciones_eu-fitch-beneficios_trump-tortillas-milenio_0_866313680.html)

<sup>38</sup> Cementos Chihuahua, "Reporte Anual 2016", URL: [http://www.gcc.com/opencms/export/sites/portal/es/relacion\\_inversionistas/informes\\_y\\_reportes/galeria\\_informes\\_y\\_reportes/Informe\\_CNBV/Reporte-anual-2016-vf.pdf](http://www.gcc.com/opencms/export/sites/portal/es/relacion_inversionistas/informes_y_reportes/galeria_informes_y_reportes/Informe_CNBV/Reporte-anual-2016-vf.pdf)

<sup>39</sup> Vitro, "Informe Anual 2016", URL: [http://www.vitro.com/media/119848/Vitro\\_Informe\\_Anual\\_2016.pdf](http://www.vitro.com/media/119848/Vitro_Informe_Anual_2016.pdf)

<sup>40</sup> BMV, "Eventos relevante de la compañía", URL: [https://www.bmv.com.mx/docs-pub/reescorp/reescorp\\_716891\\_1.pdf](https://www.bmv.com.mx/docs-pub/reescorp/reescorp_716891_1.pdf)

States, Poland, and participation in two joint ventures located in North America and China.<sup>41</sup>

### **Industrias CH<sup>42</sup>**

CH Industries, a group engaged in the steel industry, fell from 11<sup>th</sup> place in 2015 to 13<sup>th</sup> in 2016; its foreign assets declined from US\$780 million dollars in 2015 to US\$726 million in 2016.

Based on activity in the days following the US presidential elections on November 8, 2016, the Mexican Stock Exchange suggested that Industries CH was one of the beneficiaries of Donald Trump's victory, as investors invested in it and other companies with healthy balance sheets in an apparent effort to seek refuge from volatility.<sup>43</sup> However, steel tariffs imposed by the Trump administration, and retaliatory tariffs imposed by other governments, may have since eroded such feelings of stability relating to the company.

### **XIGNUX**

The company XIGNUX moved from 12<sup>th</sup> position in 2015 to 14<sup>th</sup> in 2016. Its foreign assets dropped from US\$754 million in 2015 to US\$718 million in 2016.

On October 31, 2016, XIGNUX (through Magnekon) signed a co-investment agreement with Rea Magnet Wire Inc., a company dedicated to the manufacture and marketing of magnet wire. On November 14, 2016, Xignux (through Qualtia Alimentos) acquired 100% of the shares of Salud y Sabor, SA de CV and Empacadora Izar, SA de CV.<sup>44</sup>

As its operations are concentrated in, and revenues largely deriving from, North American and Latin American markets, factors such as political events, policy fluctuations, and interest rates in the regions, pose potential risks for the enterprise.<sup>45</sup>

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<sup>41</sup> Vitro, "Informe Anual 2016", URL: [http://www.vitro.com/media/119848/Vitro\\_Informe\\_Anual\\_2016.pdf](http://www.vitro.com/media/119848/Vitro_Informe_Anual_2016.pdf); Expansión, "Vitro busca mayor presencia en Estados Unidos con la adquisición de PGW", URL: <https://expansion.mx/empresas/2016/12/19/vitro-busca-crecer-su-presencia-en-estados-unidos-con-la-adquisicion-de-pgw>.

<sup>42</sup> Industrias CH, "Reporte Anual 2016", URL: [https://www.bmv.com.mx/docs-pub/infoanua/infoanua\\_747577\\_2016\\_1.pdf](https://www.bmv.com.mx/docs-pub/infoanua/infoanua_747577_2016_1.pdf)

<sup>43</sup> Dinero Imagen, "Las empresas mexicanas que ganaron con la victoria de Trump", URL: <http://www.dineroenimagen.com/2016-11-10/80123>

<sup>44</sup> Xignux, "Informe Anual 2016", URL: <http://www.xignux.com/Site/ES/wp-content/uploads/2012/03/infoanua2.pdf>

<sup>45</sup> Xignux, "Informe Anual 2016", URL: <http://www.xignux.com/Site/ES/wp-content/uploads/2012/03/infoanua2.pdf>

## **Grupo Elektra<sup>46</sup>**

Grupo Elektra, a conglomerate of retail, financial services, and television companies, dropped in the ranking from 13<sup>th</sup> in 2015 to 15<sup>th</sup> in 2016; its foreign assets fell from US\$691 million in 2015 to US\$638 million dollars in 2016.

Fitch Ratings had envisioned that potential termination of or changes to the NAFTA could negatively affect sales and profitability of retail companies such as Elektra. However, it also noted that such potential negative impacts could be manageable due to the low levels of late payments by the company.<sup>47</sup> Notably, Elektra's subsidiary in the United States, Advance America, a leading non-bank cash advance company in the US, reportedly donated \$250,000 to President Trump's Inaugural Committee.<sup>48</sup>

## **Grupo Carso<sup>49</sup>**

The company, one of Carlos Slim's, rose one position in 2016 as compared to the top 20 ranking of Mexican multinationals from the previous year, going from 17<sup>th</sup> place in 2015 to 16<sup>th</sup> in 2016. It increased its foreign assets to US\$485 million in 2016 from US\$464 million dollars in 2015. Grupo Carso is a diversified conglomerates in Latin America, focusing on engagement in the business, infrastructure, construction and energy sectors.

While NAFTA's renegotiated terms still, as of early 2019, face an unclear fate, and trade relations among and beyond the NAFTA parties are rocked by tariff wars, uncertainties remain relating to future opportunities, threats and strategies for the company.<sup>50</sup>

## **Elementia<sup>51</sup>**

Elementia, a leading building materials company, recently joined the ranking, taking 17<sup>th</sup> place in 2016. It has foreign assets of US\$485 million and an operating presence in 9 countries. Elementia is majority owned by the del Valle family; Grupo Carso, 16<sup>th</sup> in the ranking, is the second largest shareholder.

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<sup>46</sup> Grupo Elektra, "Informe Anual", URL:

<http://www.grupoelektra.com.mx/Documents/ES/Downloads/Grupo-Elektra-Informe-Anual-2016.pdf>

<sup>47</sup> Oportimes, "La cancelación del TLCAN sería manejable para comercio minorista en México: Fitch", URL: <https://www.oportimes.com/mercados/la-cancelacion-del-tlcan-seria-manejable-comercio-minorista-mexico-fitch/>

<sup>48</sup> Dolia Estevez, "Mexico billionaire Ricardo Salinas' U.S. subsidiary donated \$250K to Trump's Inaugural, FEC Shows", Forbes, May 9, 2017, URL: <https://www.forbes.com/sites/doliaestevez/2017/05/09/mexican-billionaire-ricardo-salinass-u-s-subsidiary-donated-250k-to-trumps-inaugural-fec-shows/>

<sup>49</sup> Grupo Carso, Informe Anual" URL: <http://www.carso.com.mx/ES/inversionistas/informacion-financiera/Informe%20Anual%202017/index.html>

<sup>50</sup> ANTAD, "México no debe aflojar en la renegociación del TLCAN", URL: <https://antad.net/mexico-no-debe-aflojaren-la-renegociacion-del-tlcan/>; SDP Noticias "Equipo de Trump se reunió con Carlos Slim en México", URL: <https://www.sdpnoticias.com/nacional/2016/12/13/equipo-de-trump-se-reunio-con-carlos-slim-en-mexico-version>

<sup>51</sup> Elementia, "Informe Anual 2016", URL:

<http://www.elementia.com/repository/informesAnuales/2016/ESP/download.html>

In 2016, Elementia agreed to buy a 55% stake in Giant Cement Holding, Inc. (“Giant”) from Cementos Portland, which has three cement plants. This acquisition will enable Elementia to access the US cement market, the third largest market in the world.<sup>52</sup>

### **ALSEA<sup>53</sup>**

Alsea is a restaurant operating company with 14 brands and 3,195 units, the best known of which is Starbucks. In 2016 it held the same position as in 2015, but increased its foreign assets from US\$402 million to US\$464 million.

Notable acquisitions in 2016 included the following: On April 4, 2016, ALSEA completed the acquisition process of Archie's Colombia;<sup>54</sup> and on September 5, 2016, ALSEA completed the process of acquiring 22 stores from a sub-franchisee of Domino's pizza in Mexico City, Mexico State and Hidalgo State.<sup>55</sup>

### **Bachoco<sup>56</sup>**

The company Bachoco fell from 15<sup>th</sup> in 2015 to 19<sup>th</sup> in 2016 as its foreign assets dropped from US\$507 million to US\$436 million. The renegotiation of NAFTA has been cited as one cause for this decline. According to Bachoco's statements, changes in NAFTA's terms or its possible termination could have indirect as well as direct impacts on the company's business by, for instance, impacting input costs.<sup>57</sup>

On February 22, 2016, Bachoco acquired a poultry processing plant in the United States, Fully Cooked, from the American Foods Group, located in Oklahoma City.<sup>58</sup>

### **Casa Cuervo<sup>59</sup>**

Casa Cuervo, one of the new entrants on the top 20 list, has foreign assets of US\$339 million.

With the renegotiation of NAFTA, José Cuervo Tequila is one of Mexico's companies that “depends most on what happens with the treaty, since 71% of its revenues and 64% of its sales volume come from the United States and Canada.”<sup>60</sup>

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<sup>52</sup> El Economista, “Elementia hará cemento en EU”, URL:

<https://www.eleconomista.com.mx/empresas/Elementia-hara-cemento-en-EU-20161013-0037.html>

<sup>53</sup> Alsea, “Reporte Anual 2016”, URL:

[https://www.alsea.net/uploads/es/documents/annual\\_reports/alsea\\_informe\\_anual\\_2016.pdf](https://www.alsea.net/uploads/es/documents/annual_reports/alsea_informe_anual_2016.pdf)

<sup>54</sup> Bolsa Mexicana de Valores URL: [https://www.bmv.com.mx/docs-pub/eventore/eventore\\_658348\\_1.pdf](https://www.bmv.com.mx/docs-pub/eventore/eventore_658348_1.pdf)

<sup>55</sup> Bolsa Mexicana de Valores URL: [https://www.bmv.com.mx/docs-pub/eventore/eventore\\_695070\\_1.pdf](https://www.bmv.com.mx/docs-pub/eventore/eventore_695070_1.pdf)

<sup>56</sup> Bachoco, “Informe Anual 2016”, URL: [https://www.bmv.com.mx/docs-pub/infoanua/infoanua\\_746940\\_2016\\_1.pdf](https://www.bmv.com.mx/docs-pub/infoanua/infoanua_746940_2016_1.pdf)

<sup>57</sup> Reforma, “Advierte Bachoco impacto si acaba TLC”, URL:

<https://www.reforma.com/aplicacioneslibre/articulo/default.aspx?id=1257986&md5=1189076612bc8307966e75513333f5e5&ta=0dfdbac11765226904c16cb9ad1b2efe>

<sup>58</sup> Bolsa Mexicana de Valores, URL: [http://www.bmv.com.mx/docs-pub/eventore/eventore\\_649188\\_1.pdf](http://www.bmv.com.mx/docs-pub/eventore/eventore_649188_1.pdf)

<sup>59</sup> Casa Cuervo, “Informe Anual 2016”, URL: <http://milenio3.com.mx/jose-cuervo/2016/>

<sup>60</sup> El Financiero, “10 empresas mexicanas expuestas con la renegociación del TLCAN”, URL:

<http://www.elfinanciero.com.mx/empresas/10-empresas-mexicanas-expuestas-con-la-renegociacion-del-tlcan>