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The Business of Mexico: Entrepreneurial Networks, Foreign Investment, and Economic Policy

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Introduction

This book explores how Mexico's economy has been repeatedly remade at the intersection of entrepreneurial networks, foreign investment, and economic policy. It is a business history and a strategic guide: a narrative of firms and families, state agencies and regulators, and global capital searching for returns in a dynamic, sometimes volatile market. By following ownership structures, cross-border alliances, and policy shifts, we trace how industrial groups, oil interests, and trade agreements reshaped incentives, reorganized supply chains, and reallocated power among business and the state.

Our approach combines corporate archives with economic data. Board minutes, internal memos, shareholder letters, and industry reports are read alongside national accounts, customs records, and firm-level financials. This pairing lets us see both the logic of decision-makers and the measurable consequences of their choices. Whenever possible, we triangulate archival evidence with statistical series to distinguish narrative from noise. The result is an integrated view of Mexico's business system—how it allocates capital, forms expectations, and responds to shocks.

Periodization matters. We move from Porfirian expansion through railways and foreign houses, to revolutionary ruptures and the consolidation of state capacity; from the Cárdenas oil expropriation and state-led industrialization to the era of stabilization, debt, and crisis; from liberalization and privatization to NAFTA's reorganization of production across North America; and finally to contemporary debates on energy policy, USMCA's updated rules, and the opportunities and risks of nearshoring. Throughout, we ask not only what changed, but who benefited, who paid, and how institutions translated policy into firm behavior.

Networks are the connective tissue of this story. Family groups, alumni ties, supplier clubs, and bank-industry linkages lowered transaction costs, mobilized capital, and managed uncertainty. These same networks could also entrench market power and blunt competition, depending on regulation and governance. By mapping these relationships, we show how seemingly personal ties—between executives, bankers, and officials—scaled into national development strategies and, at times, into bottlenecks that constrained growth.

Foreign capital is a constant presence, but its role evolves. Early extractive ventures prioritized resource control; postwar multinationals brought technology and management systems; liberalization expanded portfolio flows and deepened capital markets; trade agreements embedded Mexico within continental value chains. Each wave altered bargaining power between firms and the state and redefined what it

meant to be a “Mexican” company, as domestic groups internationalized and foreign entrants localized.

Policy is the third pillar. Industrial policy, competition law, labor regulation, and energy rules created incentives that channeled entrepreneurial energy. The book traces how policy was made—in Congress, ministries, regulatory commissions—and how it was interpreted on factory floors, in deal rooms, and at customs checkpoints. By examining the feedback loop between performance and policy revision, we highlight when government-business coordination produced learning and when it produced rent-seeking.

The chapters are designed for multiple audiences. Investors will find frameworks for assessing regulatory risk, corporate governance, and the durability of competitive advantages. Policymakers will find historical precedents—both successes and failures—for building credible institutions, integrating supply chains, and attracting productive investment. Economic historians will find archival detail and dataset appendices referenced throughout the narrative, along with explicit identification of causal claims and their evidentiary bases.

In sum, *The Business of Mexico* argues that development is neither purely market-driven nor purely state-led. It is co-produced by entrepreneurs, officials, and foreign partners whose interests align only intermittently. By reconstructing the bargains that knit together firms, finance, and policy—and the crises that tore them apart—we provide a guide to understanding Mexico’s past transformations and a toolkit for navigating those still to come.

CHAPTER ONE: Porfirian Foundations: Railways, Mines, and Foreign Houses, 1876-1910

The year is 1876, and Mexico is a nation yearning for stability. Decades of internal strife, civil wars, and foreign interventions had left the country's economy in tatters, its infrastructure underdeveloped, and its political landscape a shifting mosaic of regional power brokers. Enter Porfirio Díaz, a general who had distinguished himself in battles against the French. His ascent to power that year, and his subsequent long rule—known as the Porfiriato, lasting until 1911 (with a four-year interregnum between 1880 and 1884)—marked a decisive turn towards "order and progress."

Díaz's strategy was simple yet profoundly impactful: achieve political stability, by force if necessary, and then open Mexico wide to foreign capital and expertise. This was a radical departure from previous inward-looking policies, and it laid the groundwork for Mexico's initial foray into the global capitalist system. The regime's rallying cry, "order and progress," was not merely a slogan; it was a blueprint for economic transformation.

At the heart of this transformation was an ambitious program of infrastructure development, with railways taking center stage. In the late 19th century, railroads were the ultimate symbol of modernity and economic advancement. When Díaz first took office, Mexico had a paltry 700 miles of railway lines. By 1910, that figure had exploded to over 15,000 miles, stitching together previously isolated regions and dramatically altering the economic geography of the nation. This extensive network linked the interior of Mexico to its ports and, crucially, to the burgeoning markets of the United States, facilitating a boom in trade.

Foreign investment, primarily from the United States, Britain, and France, was the fuel for this railway expansion. The Porfirian government actively courted these investors, offering generous concessions, subsidies, and land grants. American and British financiers and engineers were instrumental in building many of these lines, such as the Mexican Central Railway, which connected Mexico City to the U.S. border at El Paso, and the Mexican National Railway, linking to Laredo, Texas. These north-south conduits not only spurred trade but also inadvertently facilitated the migration of Mexican laborers northward in search of work, an unintended but significant social consequence.

Beyond transportation, the Porfiriato also breathed new life into Mexico's ancient mining industry. Rich in silver since colonial times, Mexico's mining sector had languished in the instability of the early independent era. Díaz's government,

however, understood the immense potential of these resources in a world increasingly hungry for industrial minerals. A new Mining Code enacted in 1884, and put into effect in January 1885, was a game-changer. It replaced colonial-era regulations and, crucially, eradicated rules regarding state property over the subsoil, granting private parties irrevocable ownership rights over mining properties in perpetuity.

This legislative shift opened the floodgates for foreign capital into the mining industry. American and British companies, with their advanced technologies and substantial capital, invested heavily in silver and copper mines, particularly in the northern states like Chihuahua, Durango, and Sonora. The world price of silver may have dropped in 1873, but the demand for industrial minerals in developed countries was soaring. Mexico, already a top silver producer, became the world's second-leading copper producer by the early 20th century. Companies like Rothschild even financed copper mining in Baja California, with the El Boleo mine becoming one of the largest producers globally. By 1910, it's estimated that American investors owned approximately 75% of all active mines in Mexico.

While foreign capital dominated the large-scale projects in railways and mining, Mexican entrepreneurial networks also played a crucial, albeit often more localized, role. These networks, frequently built around ethnic or hometown ties, helped overcome institutional weaknesses and uncertainties of the era. For example, French immigrants from Barcelonnette modernized the Mexican textile sector through their closely knit business networks. In Monterrey, a prominent network of local businessmen pooled capital to establish companies such as the Banco de Nuevo León, the Banco Mercantil de Monterrey, and the Cuauhtémoc Brewery, alongside several mining ventures.

However, the benefits of this economic boom were not evenly distributed. The Porfiriato's modernization came at a significant social cost. While national income per capita more than doubled during Díaz's rule, the vast majority of the population, especially in rural areas, remained impoverished. Government policies, particularly an 1883 land law, facilitated the transfer of public and communal lands to private ownership, often at insignificant prices and with no limits on acreage. By 1910, most indigenous villages had lost their communal land holdings, and a few hundred wealthy families controlled vast tracts of the country's most productive land, leaving more than half of all rural Mexicans working on large haciendas as landless laborers.

The Díaz regime, while fostering economic growth, was also a de facto dictatorship that suppressed political freedoms and relied on an efficient, often brutal, police force known as the *Rurales* to maintain "order." Critics were imprisoned or assassinated, and freedom of the press was non-existent. This blend of consensus and repression, often described by the phrase "pan o palo" (bread or the stick), ensured stability, but at the expense of genuine democratic development.

Despite these social and political shortcomings, the Porfiriato undeniably laid many of the structural foundations for modern Mexico. The extensive railway network, the revitalization of the mining sector with advanced technology and foreign investment, and the nascent development of other industries like textiles and oil, profoundly reshaped the Mexican economy. The period also saw the systematic growth of banking and a more robust financial system, as Mexico repaid its international debt and rebuilt its infrastructure. While the subsequent Mexican Revolution would dramatically reorder property and state-business relations, the entrepreneurial networks, foreign capital flows, and economic policies of the Porfiriato established a baseline that would continue to influence Mexico's development for decades to come.

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A business history examining major Mexican firms, foreign capital flows, and state-business relations

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