

Financial Analysis of the Foreign Direct in Mexico

Authors : Juan Peña Aguilar, Lilia Villasana, Rodrigo Valencia, Alberto Pastrana, Martin Vivanco, Juan Peña C

Abstract : Each year a growing number of companies entering Mexico in search of the domestic market share. These activities, including stores, telephone long distance and local raw materials and energy, and particularly the financial sector, have managed to significantly increase its weight in the flows of FDI in Mexico, however, you should consider whether these trends FDI are positive for the Mexican economy and these activities increase Mexican exports in the medium term, and its share in GDP, gross fixed capital formation and employment. In general stresses that these activities, by far, have been unable to significantly generate linkages with the rest of the economy, a process that has not favored with competitiveness policies and activities aimed at these neutral or horizontal. Since the nineties foreign direct investment (FDI) has shown a remarkable dynamism, both internationally and in Latin America and in Mexico. Only in Mexico the first recipient of FDI in importance in Latin America during 1990-1995 and was displaced by Brazil since FDI increased from levels below 1 % of GDP during the eighties to around 3 % of GDP during the nineties. Its impact has been significant not only from a macroeconomic perspective, it has also allowed the generation of a new industrial production structure and organization, parallel to a significant modernization of a segment of the economy. The case of Mexico also is particularly interesting and relevant because the destination of FDI until 1993 had focused on the purchase of state assets during privatization process. This paper aims to present FDI flows in Mexico and analyze the different business strategies that have been touched and encouraged by the FDI. On the one hand, looking briefly discuss regulatory issues and source and recipient of FDI sectors. Furthermore, the paper presents in more detail the impacts and changes that generated the FDI contribution of FDI in the Mexican economy, besides the macroeconomic context and later legislative changes that resulted in the current regulations is examined around FDI in Mexico, including aspects of the Free Trade Agreement (NAFTA). It is worth noting that foreign investment can not only be considered from the perspective of the receiving economic units. Instead, these flows also reflect the strategic interests of transnational corporations (TNCs) and other companies seeking access to markets and increased competitiveness of their production networks and global distribution, among other reasons. Similarly it is important to note that foreign investment in its various forms is critically dependent on historical and temporal aspects. Thus, the same functionality can vary significantly depending on the specific characteristics of both receptor units as sources of FDI, including macroeconomic, institutional, industrial organization, and social aspects, among others.

Keywords : foreign direct investment (FDI), competitiveness, neoliberal regime, globalization, gross domestic product (GDP), NAFTA, macroeconomic

Conference Title : ICSE 2015 : International Conference on Sustainable Economy

Conference Location : Prague, Czechia

Conference Dates : July 09-10, 2015