

FOREIGN INVESTMENT AND OPERATION IN MEXICO†

(OWNERSHIP OF STOCK OF MEXICAN CORPORATIONS)

FAUSTO R. MIRANDA*

PRINCIPAL ASPECTS OF MEXICAN CORPORATION LAW

Mexican Stock Corporations

The General Law of Commercial Associations of August 28, 1934, published in the Official Daily of the Federation and effective August 4, 1934, applicable throughout Mexico, recognizes six classes of commercial associations. Five of these, among them the stock corporation, may be constituted as or transformed into variable capital associations.

As in other countries, that magnificently outstanding institution—creation of the legal mind—the stock corporation, is one of the basic factors in the presently rapid economic development of Mexico. Though Mexican stock corporations are similar to American corporations, differences exist based on law and on practice.

The General Law of Commercial Associations establishes requirements that are mandatory and the rest of the rules that govern the corporation are either the provisions established by the law or the agreements of the incorporators.

The articles of incorporation must contain the names, nationality and domicile of the physical or juridical persons who constitute the company; the purpose of the corporation; its corporate name; its dura-

†Address delivered at the annual meeting of the State Bar of Arizona in Chandler, Arizona, on April 8, 1960. Early in his speech, Mr. Miranda told a very interesting and delightful story to emphasize the point that his speech was not intended to make the listeners experts in Mexican Law. The story in digested form is given below.

During the term of his employment contract, a German brewer wished to return to Germany for a visit. The general manager of the Mexican brewery which employed him finally consented to permit the brewer to visit in Germany provided he wrote the formula for making good beer. The brewer wrote the formula, placed it in an envelope, and, after sealing the envelope, delivered it to a notary public with instructions that if the brewer returned on or before a certain day, the brewer would recover the envelope, and if the certain day passed and the brewer had not returned then the general manager of the brewery could receive and open the envelope.

The certain day came and the brewer had not returned. The general manager obtained the envelope from the notary public, opened it and found several blank pages, excepting the first page which contained the best formula for making good beer. The formula read: "To make good beer get a good brewer."

* See Contributors' Section, p. 269, for biographical data.

tion; the amount of the corporate capital; the expression of what each member contributes in money or in other property, the value attributed to this and the basis for its valuation; the domicile of the company; manner of administration and the faculties of the administrators; the appointment of the administrators and the designation of the manager or managers; manner of distribution of profits and losses; amount of the reserve fund; cases of anticipated dissolution; the bases for liquidation; the portion of the capital stock paid in; the number, nominal value (except when they are no-par value) and nature of the shares; the manner and terms of payment of the unpaid amount; participation in profits to founder members, if any; appointment of one or more inspectors and the faculties of the stockholders meetings, conditions for their validity, quorum and voting requirements. The foregoing requirements and any other rules established in the articles of incorporation constitute the by-laws.

The founders may participate in up to 10% of the profits during not more than 10 years from incorporation, provided the shareholders are first paid a 5% dividend.

The Mexican stock corporation—known as an anonymous society, *i.e.*, “Sociedad Anonima”—is composed of members whose obligation is limited to the payment of their shares. Mexican stock corporations must have a minimum subscribed capital of \$25,000.00 pesos (\$2,000.00 dollars) of which at least 20% must be paid on incorporation.

Shares payable, whether partly or fully in kind, must be totally paid and must remain deposited in the corporation for two years. If during this two-year period the property contributed for the shares is 25% less in value than that for which it was contributed, the shareholders shall be obligated to pay the difference to the corporation. The corporation has preferential right against any creditor on the value of the shares deposited.

A minimum of five persons must appear as incorporators. Each must subscribe at least one share and the corporation may never have less than five stockholders, under penalty of automatic dissolution.

Stockholders at their meetings, whether ordinary or extraordinary, are sovereign in their decisions regarding the company and its business.

Ordinary, extraordinary and special meetings are differentiated by the matters taken up at each of them. Extraordinary meetings, which may be held at any time, decide on changes to the articles of incorporation and the by-laws, extension of the duration, anticipated dissolution, increase or reduction of capital, change of purpose or of nationality, transformation, merger, issuance of preferred stocks and bonds, amortization of the company's own shares, the issuance of participa-

tion stock, and on other matters for which the law, the articles of incorporation or the by-laws require a special quorum. Ordinary meetings must be held yearly to decide the normal affairs of the corporation. Special meetings are held to decide matters pertaining to any one series of stock.

Extraordinary and special meetings have a quorum requirement of not less than 75% of the corporate capital and decisions are taken by the vote of shares representing not less than 50% of the capital stock. Ordinary meetings require a quorum of at least 50% of the capital stock and decisions are taken by a majority of the votes present. Calls must be published 15 days before the meeting in *The Official Gazette* or in one of the newspapers of greatest circulation of the entity of the corporate domicile.

A corporation is managed by either a sole administrator or by a board composed of two or more directors elected by the stockholders. The sole administrator or the members of the board need not be stockholders. Normally, the president of the corporation represents the board. When the board has three or more directors, a minority owning 25% or more of the capital stock shall appoint at least one director and one inspector.

The stockholders must name a controller or inspector to represent them. The controller is charged with seeing that the company complies with its legal and contractual obligations. The controller need not be a stockholder, he must not be legally disqualified to exercise commerce, may not be an employee of the corporation nor be a blood relative of any of the administrators.

Stock may be issued to bearer or it may be registered. Shares not totally paid for must be registered. Stock may have a par value or may be non-par value. Shares shall be of equal value and confer equal rights including one vote each.

The voting rights of part of the shares may be limited to extension of duration, anticipated dissolution, change of purpose, change of nationality, transformation and merger of the corporation. These shares are preferred, must receive a cumulative dividend of 5% before the common shares are entitled to a dividend, and on liquidation must be reimbursed before the common shares. Stipulations establishing a dividend for preferred shares higher than for common shares are valid.

Stock certificates must be issued within the year following incorporation and shall contain basic data including that of inscription in the Public Registry of Commerce. Until the definitive certificates are delivered to the stockholders, provisional registered certificates may be issued.

The corporation must keep a register of nominative or registered

shares. Shareholders have a proportional preferential right to subscribe shares issued in capital increases. No new shares may be issued until those outstanding have been totally paid.

All Mexican corporations require the prior permit of the Ministry of Foreign Relations before they may be incorporated. Incorporation is effected before a notary public. The articles of incorporation and by-laws, once approved by the Federal District judge or by a first instance civil judge of the jurisdiction of the domicile of the corporation, are recorded with the commercial registry of the domicile of the corporation. At this moment the principle of limited liability is born.

A stock corporation may have a fixed capital, in which case it is known as a "Sociedad Anonima," or it may have a variable capital and is then known as "Sociedad Anonima de Capital Variable." A stock corporation of variable capital may only issue registered stock. This corporation must state its fixed and variable capital. The variable capital company may approve a stock issue in the variable part of its capital, which may be subscribed and paid for as the company needs the money. Any amount above the fixed capital is called variable capital and may be increased from or decreased back to the fixed capital with less requirements than those necessary if the corporation is a fixed capital company.

Fixed Capital Corporations

The stock of a fixed capital corporation must be subscribed in full. At incorporation, not less than 20% of the value of each share payable in cash must be paid in and all shares payable in kind must be totally paid. Shares not totally paid for must be registered.

Subscribers of partially paid shares must pay the balance as provided for in the by-laws. The subscriber and the assignee who acquire the shares not fully paid are liable for payment during the five years following date of subscription or transfer. Payment for the balance must first be demanded from the transferee.

Variable Capital Corporations

A variable capital corporation must have part of its capital as minimum fixed or invariable capital. The minimum invariable part of the capital is subject to most of the provisions applicable to fixed capital corporations.

Stock representing the variable part of the capital may be issued and its subscription and payment left for any future time. The manner and terms for subscription and payment may be left to the stockholders, the sole administrator or the board, but must be determined in the articles of incorporation or by an extraordinary meeting of the stockholders. Shares issued but not subscribed shall be kept by the corporation until subscribed.

RESTRICTIONS ON ACTIVITIES OF CORPORATIONS AND
ON EXTENT OF FOREIGN OWNERSHIP IN MEXICAN COR-
PORATIONS

Mexican law prohibits the participation of stock companies in some activities, irrespective of whether the stock is owned by Mexicans or foreigners. In other activities cooperative societies are given preference over stock corporations. In certain business areas corporations that have or may have foreign stockholders may not own land. In other economic fields foreigners may not own more than 49% of the stock of a corporation, except when an express permit is granted, and in the rest of the business activities not included in the foregoing cases, foreigners may own the stock of corporations without limit.

In agriculture, cattle breeding and raising, and forestry activities, stock corporations are not permitted to operate in view of constitutional prohibition.¹

The petroleum industry,² the first transformation of petroleum for the petrochemical industry³ and the exploitation of radioactive ores⁴ are reserved to the federal government.

¹ *Federal Constitution of the United Mexican States* (February 5, 1917).

ARTICLE 27. IV. Stock corporations may not acquire, possess or administer rural properties. Companies of this nature which may be organized to develop any manufacturing, mining or petroleum industry or for any other purpose, except agricultural purposes, may acquire, possess or administer lands only to the extent strictly necessary for the establishment or services of the said purposes and which the Executive of the Union or of the respective State shall determine in each case.

² *Regulatory Law of Article 27 of the Constitution in the Branch of Petroleum* (November 27, 1958, published in the Official Daily of November 29, 1958).

ARTICLE 2. Only the nation may undertake the different exploitations of hydrocarbons, which constitute the petroleum industry, in accordance with the terms of the following article. In this law, the word "petroleum" covers all natural hydrocarbons to which Article 1 refers.

ARTICLE 3. The petroleum industry comprises:

I. The exploration, exploitation, refining, transportation, storage, distribution and first hand sale of petroleum, gas and products obtained by the refining of these.

II. The elaboration, storage, transportation, distribution and first hand sale of artificial gas.

III. The elaboration, storage, transportation, distribution and first hand sale of those petroleum derivatives which may be used as basic industrial raw materials.

³ *Regulation of the Regulatory Law of Article 27 of the Constitution in the Branch of Petroleum* (August 25, 1959, published in the Official Daily of August 25, 1959).

ARTICLE 27. The elaboration of the products that may be used as basic industrial raw materials, that may be the result of the petrochemical processes based on the first important chemical transformation or on the first important physical process that is effected starting from refinery products or by products or from natural petroleum hydrocarbons or that may have a fundamental economic and social interest for the State, corresponds to the nation through *Petróleos Mexicanos* or subsidiary organs or enterprises of the said Institution or associated with the same, created by the State, in which private persons may have no participation of any kind.

⁴ *Decree on Radioactive Ores* (October 15, 1946, published in the Official Daily of November 15, 1946).

In certain activities of the fishing⁵ and transportation⁶ industries,

ARTICLE II. The exploitation of the substances referred to herein (uranium, thorium, actinium and other radioactive ores) shall hereafter be effected by the official institution that the Federal Government may determine, without prejudice to the rights previously acquired in this respect; therefore, no concessions for the exploitation of radioactive materials shall be issued.

Law Which Declared Uranium Deposits to Be National Mining Reserves (December 31, 1954, published in the Official Daily of January 26, 1955).

ARTICLE III. The exploitation of the deposits referred to in the preceding article (uranium, thorium, and other radioactive materials that may produce atomic energy), shall only be effected by the State through the Executive Power or the official institution designated by it.

⁵ *Fishing Law of the United Mexican States* (December 31, 1949, published in the Official Daily of January 16, 1950).

ARTICLE 35. Commercial fishing of the species of abalone, sea-lobster, oysters, shrimp, "totoaba," "cabrilla" and "pismo" clams, through the granting of the respective concessions, is reserved to cooperatives of fishing producers, in which not less than 60% of their members are professional, regional fishermen. In those cases in which the exploitation of one or some of the aforesaid species is to be limited because the rational conservation of the same so requires it, the cooperatives in which half or more of the professional, regional fishermen who form them in the proportion indicated above, are coastal residents of the place where the fishing is to be carried out, shall have preference for the granting of the corresponding concessions.

The provisions in the above paragraph shall not prevent the granting of concessions to third parties, which are not cooperative societies, for the exploitation of oysters, abalones, and sea-lobsters, only when their creation, reproduction and exploitation require preliminary work of cultivation authorized in the same concessions and in zones in which those species are not exploited.

Neither will those provisions prevent the Federal Executive, through the Secretary of Marine, from granting concessions or permits, as the case may be, for the fishing of species reserved to cooperatives to any other person different from these and who requests it, when the Executive considers it advisable in view of the fact that exploitations of those species are not being carried out because in the zone or region for which the permit is requested organized fishing cooperatives do not exist, which are legally recognized and fulfill the requirements established by this article. The concessions and permits that are granted to third parties, to which this article refers, shall be temporary and shall become ineffective as soon as the cooperatives that may obtain the corresponding concession are organized in the respective place.

⁶ *Law of General Means of Communication* (December 30, 1959, published in the Official Daily of February 19, 1940).

ARTICLE 124. The operations of loading, unloading, stowing, unstowing, carrying, transporting, storing and transferring, carried out in the federal zones will be considered as activities connected with the general means of communication. Consequently, permission from the Ministry of Communications and Transports will be required to perform them.

The holders of permits for the performance of public service operations will be subject to the jurisdiction of the said Ministry in what refers to classification of goods, liabilities for delay, losses, shrinkage and damages, and in general for everything concerning their relations with the public. They will likewise be subject to the provisions concerning tariffs and other applicable provisions of the first book of this law.

The Ministry of Communications and Transports will issue the permits to which the above paragraph refers, preferentially to individual or collective enterprises organized by customs agents, commission agents, consignees, assemblers, naval agents or groups of workers, whatever may be the type of legal organization that they adopt.

stock corporations are permitted only when cooperative societies do not exist or when the economic requirements are such that stock corporations are considered essential for the success of the operation. In some instances the participation of foreigners is prohibited.

Within a zone of one hundred kilometers along the borders with other countries and of fifty kilometers along the sea coasts, stock corporations that have or may have foreign stockholders may not own land in any extent. Real estate leases for more than ten years are held to be acts of ownership and are therefore prohibited.⁷

In several economic fields, which today are radio and television broadcasting; production, distribution and exhibition of motion pictures; marine, air, land, urban and interurban transportation; fish hatcheries and fishing, including marine product packing plants; publishing and publicity; production, distribution and sale of aerated or non-aerated beverages, including the essences, concentrates and syrups used for their production and the bottling of fruit juices; manufacture and distribution of rubber products, fertilizers, insecticides and basic chemical products; foreigners may not own more than 49% of the stock of corporations dedicated to any of said activities.

One of the surviving legal consequences of World War II was the

ARTICLE 152. For the use of roads of federal jurisdiction in the exploitation of public services of automotive transportation, it will be necessary to obtain a concession from the Ministry of Communications and Transports, and the granting of such concessions shall be subject to the following bases:

1. They may be granted only to Mexicans by birth and to companies organized by them in accordance with the laws of the country. In no case may they be granted to companies whose capital is totally or partially represented by bearer shares.

⁷ *Federal Constitution of the United Mexican States.*

ARTICLE 27. I. Within a zone of 100 kilometers from the border lines, and of 50 kilometers from the seashore, in no case may foreigners acquire the direct ownership of lands or waters.

Law and Regulations of Sections I and IV of Article 27 of the Constitution.

ARTICLE 8. In accordance with the provisions of Article 1st of the Organic Law of Section I of Article 27 of the Constitution, Mexican corporations which are organized to operate manufacturing, mining, petroleum and other non-agricultural industries may acquire, possess or administer lands within the prohibited zone only to the extent that may be strictly necessary for the establishments or facilities for the purposes indicated and which the Executive of the Union or of the States shall determine in each case; but always with the prior permission of the Ministry of Foreign Relations and expressly agreeing that no foreign physical or juridical person shall have any corporate participation whatsoever or own shares in the company. If for any reason, any of the persons mentioned above, by any event should acquire a corporate participation or own one or more shares, thus violating what is established in the above paragraphs, it is hereby decreed that said acquisition shall be null and void and, therefore, the corporate participation involved and the instruments that represent it shall be cancelled and declared without value, and the corporate capital shall be reduced by an amount equal to the value of the participation cancelled.

establishment and continuation of the policy of the Mexican Federal Government of supervising the participation of foreigners in the acquisition of the controlling stock interest in existing Mexican corporations and in the establishment by foreigners of Mexican corporations in which they had the controlling stock interest.

During World War II and immediately thereafter, Mexico was invaded by foreign capital, principally European, that was used to acquire stock of Mexican corporations and to establish such companies. Partly as a measure to avoid the control of Mexican economy by aliens and to some extent to avoid the weakening of Mexican economy by a later withdrawal of all or of an important part of the monies that entered Mexico during the aforesaid period, legislation was enacted which regulated the granting of permits to aliens to incorporate Mexican companies or to acquire the control of existing companies through the purchase of 51% or more of the stock of said corporations. In economic activities not included in those mentioned before there is no limit to the stock that foreigners may own in Mexican corporations.

Some of you may be interested in knowing why these limitations exist.

Prior to 1910, Mexico's economy stood basically on agriculture and on the production of raw materials for export. Land, forests and cattle were owned by a few wealthy families. A greater number of families of limited economic means were the source of manpower for government, commerce, banking, transportation and other activities. The remaining families, by far the greatest in number, were landless and lived a meager existence with limited possibilities for climbing the ladder of cultural and economic success.

The revolution of 1910 in its initiation was against the continuation of one man in political power, who had ruled the country for about thirty years. The appeal of this political motive, while strong, was limited almost to the small middle class. If this had been the only motive, the revolution might have lost its strength or at least might have been limited to its political purpose.

When in 1916 the agrarian reform became part of the revolutionary program, the success of the revolution was secured and the social adjustments that followed changed the course of Mexico. Ownership of rural land was limited in the amount of land that could be owned by the individual. Mexico did not and does not want large land holdings. Because of the nature of corporations and the fact that shares can be issued to bearer, corporations were prohibited as early as February 5, 1917, from owning land for agricultural, forestry and cattle raising activities.

In the petroleum field the participation of private enterprises was recently prohibited. This may be due to the fear that, if such participation were allowed, its probable success could lead to the reduction of the importance of the government controlled agency which since expropriation in 1938 operates the petroleum industry.

The prohibition of ownership of land along the borders and sea coasts is a consequence of the loss of half of the Mexican territory to a neighbor whose citizens had been permitted decades before to settle in the then northern part of Mexico.

The 49% limitation is the legal expression of the decision of the Mexican people to participate as owners of the corporations that operate in Mexico and a consequence of the tardy recognition of this fact by the top management of foreign companies with Mexican subsidiaries. Fortunately, this inability to recognize, understand and accept the natural and essential goals of the Mexican people is diminishing rapidly.

FOREIGN PARTICIPATION IN MANAGEMENT

The General Law of Commercial Associations in its Article 151, provides that persons under disability to exercise commerce (do business), cannot be administrators or managers of companies.

The Commercial Code establishes that aliens are free to engage in commercial activities in the Republic of Mexico within the limitations that may be determined in other laws regulating the rights and obligations of aliens. The Commercial Code further provides that aliens, who engage in business activities, shall be subject to such Code and to other Mexican laws in everything related to the commercial transactions in which they participate.

The General Population Law, and its regulations, which govern matters pertaining to the entry and activities of aliens in Mexico, provide that aliens may engage in Mexico exclusively in activities permitted by law and expressly authorized in their corresponding entry permits. The same law and regulations establish that physical or juridical persons may not employ aliens unless they prove their right to stay in Mexico and have been authorized by the proper immigration authorities to do the work concerned.

Directors, officers and managers of Mexican corporations are considered to be their employees. Consequently, an alien who does not hold an immigration permit which expressly authorizes him to act as a director, officer or manager of a corporation, is not legally qualified to exercise commerce in Mexico and may neither be appointed nor permitted to act as director, officer or manager of a Mexican corporation. Both the appointment of a non-qualified alien as director, officer or manager of a Mexican corporation and the acts the alien may perform

in such capacity violate legal provisions of public interest. Such appointment and acts may be challenged by third parties.⁸

CAPITAL STRUCTURE AND FINANCING

Among other considerations on the amount of capital required, three important ones originating in law relate to immigration law requirements, to the excess profits tax and to the income tax and local taxes on interest from loans.

Mexico has neither widely opened nor firmly closed its doors to aliens who enter the country to work as directors, officers or managers of Mexican corporations. Provided a corporation is a going concern it may request and usually obtain entry permits for aliens when:

The capitalization, if the company is domiciled in the Federal District and adjoining states (Morelos, Hidalgo and Mexico), is not less than \$400,000 pesos (\$32,000 dollars) for each permit and if any other state or territory, is not less than \$200,000 pesos (\$16,000,000 dollars) for each permit;

Mexican nationals are employed by the corporation; and

The services to be rendered by the alien are in the field of administration or in other positions of responsibility and absolute trust of the corporation and provided in the judgment of the Ministry of the Interior there is no duplication of positions and the services warrant the entry.

⁸ Principal applicable legal provisions are given below.

General Law of Commercial Associations

ARTICLE 151. Persons who according to law are under disability to exercise commerce, cannot be administrators or managers.

Commercial Code

ARTICLE 13. Foreigners shall be free to engage in commerce, in accordance with what may have been agreed in the treaties with their respective nations, and with the laws regulating the rights and obligations of foreigners.

ARTICLE 14. Foreign merchants in all the commercial transactions which they undertake shall be subject to this Code and the other laws of the country.

ARTICLE 75. The law considers acts of commerce:

XXII. The contracts and obligations of the employees of merchants or commercial enterprises, in what concerns the business of their employer.

General Population Law

ARTICLE 63. No one shall employ foreigners unless they prove their legal stay in the country and that they have the authorization of the Ministry of Interior to work.

ARTICLE 71. All authorities of the Republic, whether federal, state or municipal, as well as public notaries and commercial brokers, are under obligation of demanding from foreigners who have dealings with them within their scope of action, that they previously prove their legal residence in the country and

As we will see later, if time permits, the excess profits tax is part of the Income Tax Law. Commercial, industrial and agricultural, cattle breeding and fishing taxpayers with annual gross income exceeding \$300,000 pesos (\$24,000 dollars) and taxable income of more than 15% of their invested capital are subject to the excess profits tax. Profits up to 15% of the invested capital are exempt. Excess profits are the net profits under Schedules I, II and III of The Income Tax Law, less the income tax paid under these schedules. Profits up to 15% of the invested capital are exempt.

from 15% to 20% pay 5%.
from 20% to 30% pay 10%.
from 30% to 40% pay 15%.
from 40% to 50% pay 20%.
in excess of 50% pay 25%.

In no case may the total excess profits tax exceed 10% of the total profits taxable under this tax.

The Mexican Income Tax Law assumes an interest of 6% on all loans that do not provide for interest or stipulate a lesser rate. The same principle is applied usually by state laws on the investment of capital. These two taxes on monies obtained by the corporation through loans should also be considered in setting up the capital structure of a Mexican corporation.

At the start of this talk, in reviewing the differences between fixed and variable capital corporations and the characteristics of shares, the

that the conditions of their immigration status permit them to perform the act or execute the contract in question. An exception is made, in urgent cases, for the execution of powers of attorney or wills.

Regulations to the General Population Law

ARTICLE 48. Obligations of Foreigners. Admission into the country as an immigrant implies the obligation on the part of the foreigner to comply strictly with the conditions specified in his entry permit and those established in the law and these regulations. The fact that a foreigner enters the Republic of Mexico under a permit implies acceptance of the conditions and obligations specified therein.

ARTICLE 65. Activities of Foreigners. Foreigners may only engage in the activities expressly authorized by the law and stated in their entry permit, and those which the Ministry of Interior may specify subsequently.

Before employing foreigners, all individuals and concerns must verify that the conditions of their immigration status permit them to engage in the activities in question; otherwise, they must abstain from contracting their services. The officials of the Civil Registry, public notaries and commercial brokers shall abstain from authorizing acts or contracts in which foreigners intervene whenever it appears from their immigration papers that they are not authorized to execute said acts; unless they obtain the prior permission from the Ministry. Federal, state or municipal authorities are under the obligation of notifying the Ministry of Interior of any irregularity discovered in connection with the activities of foreigners other than those permissible to them under their immigration status.

basic principles applicable in the preparation of the capital structure and financing of a Mexican corporation, were stated. Those legal principles seem to have the elasticity needed for the treatment of the requirements of each individual corporation.

DIVIDEND DISTRIBUTION AND REPATRIATION OF PROFITS, DIVIDENDS AND CAPITAL

Mexico is one of the few countries that have never established currency controls. When its currency has been strained by economic factors—whether controllable or not by Mexico—the solution of devaluation has been preferred and accepted as against that of currency controls. Corporations are free to distribute dividends. The stockholders are free to repatriate their profits, dividends and capital. The present federal administration is committed to the policies of no devaluation, no currency controls and no limitations to the repatriation of profits, dividends and capital.

TAX LAWS *Income Tax*

The Mexican Federal Income Tax Law applies to income from capital and/or services obtained by Mexican persons or corporations domiciled in Mexico or abroad, and by aliens domiciled in Mexico. When the source of income is in a foreign country, the income tax paid in the foreign country is deductible from Mexican income tax. Income received by aliens domiciled abroad from sources located within the Republic of Mexico is also subject to payment of Mexican income tax.

The income tax is divided into seven schedules.

Schedule I (Commerce)

This schedule applies to income received by persons or corporations from acts of commerce, customs brokerage, exploitation of patents, or lease of real estate for factories, hotels, and motion picture or other entertainment enterprises.

The tax under this schedule is determined by a sliding scale. The rate of the tax increases from 5% on profits up to \$160.00 dollars yearly to 39% on profits over \$160,000.00 dollars yearly. Under this sliding scale, the annual tax on a net profit of \$50,000.00 dollars, is \$12,308.64 dollars. The tax on \$80,000.00 dollars, is \$21,688.64 dollars. Profits in excess of \$160,000.00 dollars, are subject to a tax of \$49,908.64 dollars, on the first \$160,000.00 dollars, and a fixed 39% on the exceeding amounts.

Taxpayers with an annual income of less than \$24,000.00 dollars, may pay the tax under a fixed tariff which varies according to the activities in which the taxpayer is engaged. Under this procedure no deductions are allowed. The income tax returns are not subject to examina-

tion by the tax auditors and the tax rates are lower than those in the sliding scale mentioned above.

Taxpayers under Schedule I may deduct virtually all operating expenses, a maximum of 5% yearly for amortization of the value of investments in fixed intangible assets, expenses and deferred charges; 5% yearly for depreciation of buildings and constructions; a maximum of 10% yearly for depreciation of machinery and equipment; and a maximum of 20% yearly for depreciation of transportation and rolling equipment. The amortization and depreciation rates may be increased in special cases with the prior outhorization of the Ministry of Finance. All taxes, with exception of income and excess profits taxes, are deductible as operating expenses.

Schedule II (Industry)

This schedule applies to income received from industrial activities, including the production of motion pictures. The rate of the tax is the same as that under Schedule I. Taxpayers under this schedule are allowed the same deductions as those permitted in commercial activities (Schedule I). They may deduct the expenses of maintenance of constructions directly used for the purposes of the industry, including wages expensed for such maintenance. The cost of fuels, power and lubricants required for the operation of machinery is also deductible.

Schedule III (Agriculture, Cattle Breeding and Fishing)

This schedule applies to income derived from fishing, agriculture and cattle breeding businesses, in the first hand sale of the products.

The tax under this schedule is determined by a sliding scale. The rate of this tax increases from 3.2% on profits up to \$280.00 dollars yearly to 25% on profits over \$120,000.00 dollars yearly. Under this sliding scale the annual tax on a net profit of \$50,000.00 dollars, is approximately \$8,309.28 dollars. Annual profits in excess of \$120,000.00 dollars are subject to a tax of \$24,209.28 dollars, and a fixed 25% on the amount over that.

Taxpayers under this schedule are allowed the same deductions permitted to Schedule I taxpayers, and they may deduct the cost of the crops sold, in the case of agricultural activities, and the cost of the products sold, in the case of cattle breeding and fishing activities.

Taxpayers with an annual income of less than \$24,000.00 dollars, may pay the tax under a fixed tariff which varies according to the activities in which the taxpayer is engaged. Under this procedure no deductions are allowed. The income tax returns are not subject to examination by the tax auditors and the tax rates are lower than those in the sliding scale mentioned above.

Schedule IV (Personal Effort)

This schedule applies to salaries, wages and compensation for per-

sonal effort. The rate of the tax slides from 1.7% on monthly salaries or wages of \$40.00 dollars, to 50% on salaries in excess of \$5,600.00 dollars.

The taxes on several representative salaries in United States currency are as follows:

Salary	Tax	Salary	Tax
\$100.00	\$ 1.64	\$1,000.00	\$ 85.36
\$300.00	\$ 9.54	\$3,000.00	\$ 674.16
\$750.00	\$46.56	\$5,600.00	\$1,911.76

Amounts over \$5,600.00 dollars are subject to a tax of \$1,911.76 on the first \$5,600.00 dollars, and a fixed 50% on the amount above \$5,600.00 dollars. No deductions are allowed under Schedule IV. Living expenses, gratuities and other additional remunerations to employees are considered part of their normal salaries or wages for purposes of this tax.

Employers are obligated to withhold the tax and pay it every month, for the account of their employees, to the appropriate federal finance office.

Schedule V (Professional Services)

This schedule applies to fees received for professional, artistic or similar services. The rate of the tax goes from 3% on income of \$160.00 dollars, to 33% on income in excess of \$80,000.00 dollars, yearly. These rates apply to net income, after salaries of employees and office expenses have been deducted. Taxpayers under Schedule V with income of less than \$40,000.00 dollars (\$500,000.00 pesos) may elect to pay the tax under a fixed tariff, in which case no deductions are allowed.

Taxpayers under this schedule must affix and cancel on receipts issued for sums received for services, stamps for 2% of the total amount of the receipts, and persons paying the fees are to obtain the original of the receipt for their own income tax returns. Receipts for professional services must state the name, address and income tax registration data of the taxpayer.

Schedule VI (Capital Investments)

This schedule applies to income from interest on loans, bonds, rentals, dividends, and from income on investments made in foreign enterprises not operating in the country, which is received by investors domiciled in Mexico, as well as from premiums, royalties and other compensations derived from the exploitation of patents, trademarks, and commercial names by persons other than their owners.

This tax is based on a sliding scale and its rates go from 10% on annual income up to \$160.00 dollars, to 50% on annual income above \$67,200.00 dollars. No deductions are allowed under Schedule VI, except in the case of lease rentals, from which depreciation of the leased property may be deducted at the rates provided for under Schedule I.

In the event of non-interest bearing loans the Schedule VI tax is paid on a 6% annual interest assumed by law. Interest on loans not in excess of 15% per annum is taxed under the Schedule VI income tax tariff. If the interest exceeds 15% but does not exceed 18% per annum, the percentage in excess of 15% is subject to a 50% tax. If the interest exceeds 18% per annum, the percentage in excess of 18% is subject to a tax of 90%.

The tax on rentals operates partially as a withholding tax. The taxpayer must cancel revenue stamps on the rental receipts, at the rate of 10% of the rent payment. The taxpayer must file Schedule VI returns during January of each year, accumulating the income of the entire year. The tax paid in stamps on the receipts is deductible from the total tax for the year.

Amortization and depreciation, when allowed, are deducted in the annual return.

The tax on dividends is not paid under the sliding scale, but is paid at a fixed rate of 15%, which is withheld and paid by commercial associations for the account of their stockholders or partners. The 15% tax on dividends applies to distributable profits even though they are accumulated and not paid out to the stockholders or partners.

A sum equal to 10% of the distributable profits may be set aside for reinvestment, and taxpayers under Schedules II and III may set aside an additional 20% of their profits for reinvestment. These reinvestment reserve funds may be capitalized without payment of the 15% dividend tax. The percentage of profits destined to the additional reinvestment reserve may be increased with prior authorization of the Ministry of Finance.

Five percent of the profits must be set aside to form the compulsory reserve fund provided for by the General Law of Commercial Associations, until it amounts to 20% of the corporate capital. This compulsory reserve is also exempt from payment of the 15% dividend tax.

If the corporate capital is reduced through reimbursement to the stockholders or if the corporation is liquidated, the tax applies to the capitalized reserves.

Schedule VII (Government Concessions and Contracts)

This schedule applies to income from rentals, royalties, and in general, profits from the lease or sale of concessions, permits, authorizations or contracts granted by the Federation, the states or municipalities. The rate of this tax is the highest and ranges from 20% on annual income up to \$160.00 dollars, to 55% on annual income in excess of \$160,000.00 dollars.

Excess Profits Tax

This tax is included in Chapter IX of the Income Tax Law. Tax-

payers under Schedules I, II or III with annual gross income of over \$24,000.00 dollars, and taxable income of over 15% of their invested capital, and commission agents who receive income only from commissions and whose profits exceed 5% of the amount of the operations which they effect, are subject to the excess profits tax.

Profits up to 15% of the invested capital are exempt from payment of this tax. Therefore, the amount of profits exempt from the excess profits tax is in direct proportion to the amount of the invested capital. The invested capital is the sum of the paid-in corporate capital, capital reserves and accumulated profits, in the case of Mexican corporations. Branches may only consider as invested capital 40% of the book value of all of their assets at the beginning of their operations.

The excess profits tax applies to the net profits declared under Schedules I, II and III, less the amount of the taxes paid under those schedules. The rates of the excess profits tax are as follows:

- Profits equal to 15% of the invested capital—exempt
- Profits from 15% to 20% of the invested capital — 5%
- Profits from 20% to 30% of the invested capital — 10%
- Profits from 30% to 40% of the invested capital — 15%
- Profits from 40% to 50% of the invested capital — 20%
- Profits in excess of 50% of the invested capital — 25%

In no case may the total excess profits tax exceed 10% of the total profits taxable under this tax.

Federal Gross Sales Tax

This tax applies to gross income from mercantile sales, leases and services. The rate of the tax is 1.8%, except in the Federal District, where it is 3%. The 1.2% additional rate that applies in the Federal District represents the local taxation. Some states which have agreed with the federal government not to establish local taxes on business activities have also adopted the 1.2% additional rate.

There are a number of exemptions from this tax. The most important exemptions are granted to:

- (A) Taxpayers subject to special taxes on production (*e.g.*, mining).
- (B) Taxpayers engaged in the transportation business.
- (C) Sale of agricultural products, cattle and meat.
- (D) Sale of fixed assets.

General Import Tax

This tax was established by the General Import Tax Tariff of December 27, 1955, published in the Official Daily of the Federation of January 20, 1956. The tax is based on two rates: a specific tax, usually calculated by weight, and an ad-valorem tax.

Municipal Import Tax

An additional 3% municipal import tax is levied on the total amount of the general import tax.

General Export Tax

This tax was established by the Export Tax Tariff in effect as of January 1, 1958. The tax is also based on two rates: a specific tax, usually calculated by weight, and an ad-valorem tax.

Municipal Export Tax

An additional 2% municipal tax on exports is levied on the total amount of the general export tax.

Real Estate Tax

This is a local tax, which is established by and payable to the corresponding state or to the Federal District, and applies to persons or corporations owning real estate within the Republic of Mexico. In most states and in the Federal District, the tax is paid by applying a certain rate to the assessed value of the real estate or to a percentage of such assessed value. As a rule, the assessed value, which is set by the corresponding state government or by the Federal District government, is lower than the commercial value. The rate of the tax is different in each state. As an example, the rate of the tax in the Federal District is 12.6 per thousand (\$12.60 per each \$1,000.00) on 75% of the assessed value.

Federal Stamp Tax

This tax applies on the price or sales value of real estate. The rate of the tax is as follows:

	Rate
If the price or value does not exceed \$50,000.00 pesos	2 %
If the price or value is from \$50,000.01 to \$100,000.00 pesos	2.5%
If the price or value is from \$100,000.01 to \$200,000.00 pesos	3 %
If the price or value is from \$200,000.01 to \$300,000.00 pesos	3.5%
If the price or value is from \$300,000.01 to \$500,000.00 pesos	4 %
If the price or value is from \$500,000.01 to \$750,000.00 pesos	4.5%
If the price or value exceeds \$750,000.01 pesos	5 %

The above-mentioned rates are applied on (A) the price or value shown in the corresponding contract, or (B) the assessed value for real estate tax purposes, or (C) the value resulting from an appraisal

made by a banking institution, whichever of the three is the highest. The appraisal of the properties by a banking institution is required when the price established in the corresponding contract exceeds \$50,000.00 pesos, for real estate located in the Federal District, or \$10,000.00 pesos, for real estate located outside the Federal District.

Tax on Transfer of Ownership

This tax is a local tax which is established by, and payable to the corresponding state or to the Federal District, and applies to the price or value of sales or transfers of real estate. The rate of the tax varies from state to state.

In the Federal District the rate of the tax is 1.5% on the price of the sale or on the value of the real estate resulting from an appraisal made by a banking institution, whichever of the two is higher.

Most of the state governments follow the practice of computing the tax on the transfer of ownership on the basis of the liquidation prepared for payment of the Federal Stamp Tax.

EQUIPMENT IMPORTS, DUTIES AND RESTRICTIONS

Equipment and machinery may be imported into Mexico under: temporary importation; permanent importation under rule 14; or ordinary permanent importation.

When equipment is to be used for a short period of time (*e.g.*, equipment required for mining exploration, irrigation or agricultural works, construction of roads or railroads and scientific investigations), temporary importation may be advantageous.

Temporary permits are granted for one year and are conditioned to the posting of a bond by the importer in the amount of the regular import duties and an additional 10%. These temporary permits may be extended. If the temporary importation of equipment becomes permanent, the importer must pay the normal import duties and an additional 10%.

Under Rule 14, equipment or machinery which constitutes an industrial unit may be imported permanently on payment of duties, normally lower than those applicable to ordinary imports. Rule 14 was established as an inducement for investments which would foster the industrialization of Mexico. Rule 14 applies to machines, machinery, installations, extensions, structures, as well as other effects. Not all of the parts of an industrial unit need be imported at the same time.

A "machine" is defined as a unit composed of any mechanical element or appliance that is used to obtain benefit from, to regulate, or to direct the action of a force.

"Machinery" is defined as a group of two or more machines which, either together or independently, develops a mechanical operation applied to industry, agriculture, mining or the arts for the purpose of trans-

forming matter, whether from its natural state or from materials already manufactured, into totally or partially manufactured products.

A machine which contains a motor or other propulsion mechanism shall not, by that fact alone, be considered to be "machinery." In general, "machines" and "machinery" are understood to mean stationary equipment.

The advisability of importing equipment under Rule 14 would depend on the duties to be saved, the permanency of the operation, and the commercial value of used equipment in Mexico as against its value in the country of origin.

At present, Rule 14 import duties vary from 2% ad-valorem to 15% ad-valorem, and \$0.15 pesos on the gross kilogram depending on the type of industry to which the machinery or equipment will be destined. Rule 14 import duties on machinery or equipment to be used in the manufacture of chemical fertilizers are at present \$0.05 pesos on the gross kilogram and 8% ad-valorem.

The federal government charges a fee for inspecting equipment and machinery imported under Rule 14. The inspection is carried out when the equipment and machinery have been installed. The fee is calculated on the weight of the machinery and equipment in metric tons (1,000 kilograms), as follows:

- \$7.00 pesos for each ton on the first 200 tons.
- \$6.00 pesos for each ton on the next 200 tons.
- \$5.00 pesos for each ton on the next 200 tons.
- \$4.00 pesos for each ton on the next 200 tons.
- \$3.00 pesos for each ton on the next 200 tons.
- \$2.00 pesos for each ton on weight exceeding 1,000 tons.

To determine if equipment or machinery may be imported under Rule 14, the following data are required: photographs, illustrations or catalog sheets showing the equipment or machinery; a general description of the equipment, as well as of the machines, motors, structures, and other items forming the equipment; use to which the equipment will be destined; and approximate weight (in kilograms) of the machines, motors and other items forming the equipment.

When machinery is imported under Rule 14, it is necessary to obtain an import permit from the Customs Bureau of the Ministry of Finance; to post a bond, at the customs house of the port of entry, to guarantee the regular import duties on the machinery and an additional 10%; to import all the machinery which comprises the installation within a period of one year from the date of importation of the first shipment (the permit is renewable once for six months); and to install all of the machinery within a period of six months from the date of im-

portation of the last shipment (the six-month period may be renewed once for another six months).

Once the machinery is installed, the Customs Bureau must be notified and the Bureau appoints an inspector to determine which items fall under the provisions of Rule 14.

If the installation is approved, a liquidation, showing which items are entitled to the franchise and which are not, is prepared for payment of the duties and inspection fees. When payment is made, the bond may be cancelled.

The following items are excluded from the Rule 14 franchise: construction materials of all kinds; iron or steel tanks of all kinds; electric batteries, switches, motors, transformers and controls, if the same type of items are manufactured in Mexico or may be substituted by similar articles of domestic manufacture, unless such items actually form a part of a machine, thus constituting a unit; ordinary metallic pipe; machines which do not effect an industrial process, such as machines for restaurants and laundries; and pumps, conveyor belts of all kinds, and, in general, all items which are being manufactured in Mexico or which may be substituted by similar articles of domestic manufacture, unless, in the judgment of the Ministry of Finance, it is advisable to allow their importation.

Extensions to machinery or equipment installation may be imported under Rule 14, provided the production volume of the existing installations is increased by at least 10%.

Expendable materials should be imported under ordinary permanent importation and the corresponding duties paid.

Equipment which is to be used in Mexico for a long period of time and which may not be imported under Rule 14 should be permanently imported under the normal procedure. In most cases, the equipment, even though used, would have a greater resale value in Mexico than in the country of origin.

Mexico protects its industry by high import duties or by requiring import permits. These two protective measures depend on the quantity and quality of the articles manufactured in Mexico.

LABOR REGULATIONS

Source

Mexican labor legislation contained in Articles 4, 5 and 123 of the Federal Constitution of 1917, the Federal Labor Law of August 18, 1931, the Regulations on Safety and Hygiene and the Social Security Law is of federal jurisdiction.

The provisions of the labor legislation are the minimum rights of workmen and cannot be legally relinquished. Individual and collective

labor contracts may improve on the legal minimums. Agreements cancelling or diminishing the minimum legal rights of workmen are invalid.

Confidential Employees

Confidential employees are those who discharge positions of direction and inspection, as well as those engaged in the personal service of the employer. Confidential employees may be exempted from the provisions of collective labor contracts and are not required to join labor unions. Labor contracts with confidential employees may be terminated on the grounds of loss of confidence by the employer.

Union Workers

Union workers must be preferred over free workers when the employer and the workers have executed a collective labor contract.

Limitations to the Right of Hiring Workmen

Children and Women

Children under twelve years of age may not be employed. Children from twelve to sixteen years and adult women may not be hired for dangerous or unhealthy work.

Foreigners

Employers are obligated to engage at least 90% Mexican personnel. This restriction does not apply to managers, directors, administrators, superintendents and officers of companies.

Hours of Work

The maximum day shift is eight hours. The maximum night shift is seven hours. The maximum mixed shift is seven and one-half hours. The day shift comprises work from 6:00 a.m. to 8:00 p.m.

Rest Days and Obligatory Rest Days

Workmen have the right to one paid rest day each week. There are five obligatory paid rest days in the year, namely March 21, May 1, September 16, November 20, and December 25.

Vacations

Workmen have the right to annual vacations with pay, which cannot be less than six working days during the first year of service, and two days more each year thereafter up to a maximum of twelve days yearly since their first year of service; workers under sixteen years of age are entitled to an annual vacation of twelve working days.

Wages

Wages may be established on the basis of time or piece work. For equal work the employer is obligated to pay equal wages irrespective of age, sex or nationality. Employers are obligated to pay wages that are not less than the legal minimum wages established for each municipality.

Employers are authorized to deduct from wages exclusively for union dues, cooperatives, saving funds, and debts to the employer.

In case of debt to the employer, the deduction may not exceed 30% of the amount paid to the worker in excess of the minimum wage.

Participation in Profits

Article 123 of the Constitution in its Sections VI and IX, provides that workmen have the right to participate in the profits, subject to the respective regulations. These regulations have not been enacted and workmen do not as a rule participate in the profits.

Duration of Labor Contracts

Labor contracts may be executed for a definite or for an indefinite period of time. Contracts executed for a definite period of time are considered automatically extended in the event that the work contracted for has not terminated. Contracts executed for the performance of a specific work are terminated upon completion of the work.

Suspension of Labor Contracts

Labor contracts may be suspended, with responsibility to the employer, for economic reasons, *force majeure*, contagious illness or imprisonment of the worker.

Termination of Labor Contracts

Labor contracts may be rescinded due to breach of the contract either by the employer or the workers. In cases of unjustified rescission or termination of a labor contract, the employer is obligated legally to pay the worker three months wages for termination of the contract and twenty days wages for each year of seniority as indemnity.

Occupational Risks

Workmen who suffer an occupational risk are entitled to medical attention, medicines and compensation. If the disability is temporary, the employer is obligated to pay the worker 100% of the wages during a period not to exceed one year.

Compensation for total permanent disability is the equivalent of wages for 1095 days of work. Compensation for partial permanent disability is determined by applying the percentage of disability to the compensation corresponding to the total disability. The compensation in cases of occupational death is equivalent to wages of 730 work days and funeral expenses.

Social Security

Social security has been extended from the Federal District to almost all of the states. Social security covers medical care, illness, maternity, occupational disability, old age (65), death and involuntary unemployment at advanced age (60). Workmen receive benefits in kind (medical care, medicines, etc.) and benefits in cash.

Social security is financed by the insured workers who pay 25% of the quotas; the employers who pay 50% of the quotas and the federal government who pays 25% of the quotas. The quotas are based on

daily wages with a limit of \$80.00 pesos. The employer pays the total cost of occupational disability compensation and the quota for each employer is based on the grade of risk in each industry.

Individual Labor Contracts

Individual labor contracts are executed by a physical or juridical person with each of the individual workers. Individual labor contracts must contain the personal data of the worker such as name, nationality, sex, civil status, domicile, services to be rendered, duration of the contract (which can be for an indefinite or for a definite period of time, or for piece work), work days, wage or salary and place or places where the services are to be rendered.

Unions

Unions are classified as craft, company and industrial. Collective labor contracts may specify that the employer is obligated to employ union workmen exclusively and must dismiss workmen who cease to be members of the union at the request of the union.

Collective Labor Contracts

Employers who engage union workers are obligated to execute a collective labor contract with the union to which the workers belong. Collective labor contracts are executed with the union that controls the majority of workmen in the services of the employer.

Obligatory or Legal Collective Labor Contracts

If two thirds of the employers and workmen of a branch of industry accept a uniform collective labor contract, such contract is considered obligatory or legal for all employers engaged in the same type of business.

Duration and Revision of Collective Labor Contracts

Collective labor contracts may be executed for an indefinite period of time, for a definite period of time, for a determined operation or capital investment. Collective labor contracts are subject to revision every two years.

Internal Working Regulations

Employers are obligated to execute internal working regulations containing provisions relative to hours of work, days and place of payment of wages, discipline and safety and hygiene measures.

Labor Conflicts

Labor conflicts whether individual or collective are taken before boards of conciliation and arbitration, constituted by a representative of the workmen, a representative of the employers and a representative of the government. These boards are either federal in the case of industries of federal jurisdiction or central (local) if the activities are not of federal jurisdiction.

Strikes

The law provides that workmen may strike: to obtain the execution or compliance of a collective labor contract; to demand the revision of a collective labor contract; and to back the strike of another union. Strikes that have been declared legally existent bar the employer from engaging other workmen. Strikes may terminate through a settlement or by resolution of the board of conciliation and arbitration.

ASSOCIATION WITH MEXICAN CAPITAL

In cases where aliens may not participate as stockholders of Mexican corporations, the unsoundness of the attempt to violate the law is evident. In those cases where by law, Mexicans must own 51% of the stock of a corporation, or stated in another manner, where aliens may not own more than 49% of the stock of a Mexican corporation, it would be unsound to fail to comply with the law. In both cases violation of the law is subject to severe sanctions.

Whether because of legal mandate, as in the 51-49% field or because of analysis and conviction in the unlimited field, it seems more and more evident that the joint participation of aliens and Mexicans as stockholders, managers, directors and officers in Mexican corporations is good for everyone except the enemies of the western world. Mexican stockholders, managers, directors and officers add important knowledge of local conditions, financial and business circles, markets and labor as well as in the important fields of public and governmental relations. The same factors that make Mexico an attractive country for investments by foreigners are the ones that create the problems that may best be solved by joint participation of aliens and Mexicans in the ownership, administration and management of Mexican corporations.

From 1910 to approximately 1936 Mexico went through a long and severe revolution of profound social changes, some of which are still developing. During the last 24 years, Mexico has advanced rapidly in the expansion and improvement of public and private schools; in the construction of highways, dams, irrigation facilities, airports and railroads; in the development of its petroleum, electric and chemical industries; in the growth of its consumer goods industries; in the installation and initiation of machinery and equipment manufacturing industries; in the processing of its raw materials to a greater extent; in the diversification of its agricultural and mining industries. Finally the tourist industry has become of prime importance. These advances on the basis of a growing participation of an increasing population and a rapid development of a middle class, have changed Mexico from a country of "mañana" to a country of today. The underlying spirit and force are unquestionably nationalistic. We might say that we are approaching other countries, including the United States in their nationalistic spirit.

The effects of cataclysmic historic incidents; differences in strength; the formerly unbridled selfish ambitions of individuals and corporations and the present decision of the Mexican people to create a better and more prosperous nation for themselves, their children and their children's children are factors that can neither be set aside nor overlooked. These effects if understood, lead to optimism. South of Chandler lies a nation of 33,000,000 people, growing at the rate of 1,000,000 persons yearly, undergoing important and diversified economic development and at the threshold of becoming one of the economically important nations of the New World. In that development foreigners are welcome, particularly when with their capital and technical knowledge they join the Mexican people in expanding existing businesses and in creating new ones.

When each one of us stops occasionally from the daily demands on our limited time, and wonders what the effects of the economic development of Russia, Japan, the European Common Market, the Outer Seven group and others will be on our part of the world, we should not forget that on our continent we have approximately 240,000,000 people with much in common in our cultural heritage and in our ideals for today and tomorrow.

Finally, when considering the advantages of association with Mexican capital, let us realize that this is one friendly weapon and tool that we in the Western World can use to eliminate poverty and ignorance and to improve our economic lot, and that it is the one tool and weapon that Russia and Red China do not and cannot have as long as they continue under their state capitalistic system, to belittle and enslave the individual and to increase the power of the state for the material benefit of a small ruling class.