

1. BACKGROUND

Mexico's commercial tradition dates back to the prehispanic era, when basically two types of product exchange coexisted: the outdoor markets, which periodically grouped together a myriad sellers and buyers to exchange a wide variety of goods, and the institutionalized trade between two communities according to previously negotiated agreements. Later, in colonial times, outdoor markets continued to abound, but they were also organized in closed areas and small shops. Foreign trade also was extremely important to the colonies, in particular with Spain and other European countries.

During the 19th century, a major change took place in the construction of markets and stores, with the generalized use of steel and cement, which allowed for the construction of larger and higher buildings to house commercial establishments. Large markets arose throughout Mexico, as well as the first department store -"La Ciudad de México"- which sold textiles and men's clothing. Until the mid 1880's Mexico followed a very protectionist foreign trade policy, prohibiting the importation of many goods and imposing very high tariffs and duties. However, between 1876 and 1911, the period of Porfirio Díaz, commerce flourished through the influx of large foreign capital investments, which were now permitted in Mexico, mostly British (textiles), French (clothing), German (hardware) and Spanish (Processed foods). Department stores arose around 1890, which allowed to buy larger quantities at better prices and to supply a wider variety of goods more cheaply, and at fixed prices, to the consumer. The first department store -El Palacio de Hierro- was founded in 1891, based on the French model.

The revolutionary period saw the closure of many establishments and a shortage of tradable goods. This brought about government intervention to provide basic foodstuffs to the population. By 1920, approximately, commerce began to grow again and by 1924 there were 100,185 stores, 14,608 of which were located in Mexico City. In addition to the major department stores, between 1940 and 1950, the first supermarkets arose, copying other countries' modernization trends. The first self-service store was opened in Mexico in 1936 by Jaime F. Garza and was called Supermercados S.A., later known as SUMESA. Presently, commerce represents 26% of total GDP, there are over 2,000 large self-service, department and specialty stores in addition to a myriad small stores, adding up to over 700,000.

2. ECONOMIC ENVIRONMENT

With the objective of reducing the inflation rate, the Mexican authorities implemented a stabilization program in 1988, called the Economic Solidarity Pact, which features traditional austerity measures, entailing tight fiscal and monetary policies and unorthodox measures, such as price, wage and exchange rate controls. This program has been the cornerstone of Mexico's economic policy over the past four years and has resulted in a